



## **SENATOR STEVE WILSON**

### **Judiciary Committee Senator Steve Wilson February 6<sup>th</sup>, 2023 Senate Bill 19**

Good Afternoon Chairman Manning, Vice Chair Reynolds, Ranking Member Smith and members of the Judiciary Committee. Thank you for allowing me to provide sponsor testimony on Senate Bill 19, which would protect Ohioans by strengthening our laws regarding third party litigation financing.

Third party litigation financing is when companies and hedge funds “invest” in a pending civil lawsuit by making cash advances to consumers and attorneys. This all in exchange for the “right” to receive an amount of any potential proceeds from a lawsuit. These have created a hostile business environment due to increasing their litigation costs on frivolous lawsuits and with these increased costs these businesses are unable to grow. A recent US Chamber of Commerce survey supports this which found Ohio was the 15<sup>th</sup> worst state for lawsuit abuse. This nefarious practice also makes it difficult to reach settlements, due to the presence of a secret party with a stake in the outcome. Simply put, this financing is bad for business and bad for Ohioans.

Under the proposed legislation, we would not be eliminating third party litigation financing. This legislation would simply be bringing some much needed structure to the practice. I will briefly go through some of the major changes.

- We would require those companies engaged in litigation financing to register with the Department of Commerce and require that these companies obtain a corporate surety bond of at least \$50,000.
- Unlike the current law, we would restrict the fees allowed to be charged to 10% of the original amount provided to the consumer; we would also cap the annual interest. This would protect the consumers from what often end up being exorbitant fees and interest payments.
- This legislation would limit the duration of non-recourse civil litigation advance to three years.
- We would require that the consumer files a copy of the contract of these advances with the court and that they are received by the opposing party. Creating an equal playing field once more.
- This legislation does not allow these litigation financing companies to refer consumers to specific attorneys, medical providers or other professional service.
- It also prohibits these groups from effecting arbitration in any way.
- Lastly, the legislation does strengthen the enforcement and penalties for breaking these laws.

Ohio has always been a strong state for business and with these malicious practices we are losing our businesses to other more litigation friendly states. We have to protect Ohioans, consumers and the businesses. This legislation is a step forward in that direction and I urge support.