

**Senate File 2085 - Introduced**

SENATE FILE 2085

BY DICKEY

**A BILL FOR**

1 An Act prohibiting litigation financing contracts.

2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 537A.7 **Litigation financing**  
2 **contracts — void.**

3 A litigation financing contract that is a nonrecourse  
4 transaction in which financing is provided to a consumer,  
5 attorney, or law firm in return for the consumer, attorney,  
6 or law firm assigning a contingent right to receive an amount  
7 of the potential proceeds of the consumer's judgment award,  
8 settlement, or verdict obtained with respect to the consumer's  
9 legal claim is void, unlawful, and unenforceable. This  
10 section does not prohibit the provision of legal services on  
11 a contingency fee basis, or the advancement of legal costs,  
12 where such services or costs are provided on or on behalf of  
13 a consumer by an attorney representing the consumer in the  
14 dispute and in accordance with Iowa rules of professional  
15 conduct, a commercial tort claim as defined in section  
16 554.9102, or a claim under chapter 87.

17 Sec. 2. **APPLICABILITY.** This Act applies to litigation  
18 financing contracts entered into on or after the effective date  
19 of this Act.

20 **EXPLANATION**

21 The inclusion of this explanation does not constitute agreement with  
22 the explanation's substance by the members of the general assembly.

23 This bill prohibits litigation financing contracts.  
24 Litigation financing contracts are agreements between a third  
25 party and a plaintiff, an attorney, or a law firm of a civil  
26 action in which the third party provides funding for legal  
27 expenses in exchange for a percentage of any settlement or  
28 judgment. The bill does not prohibit the provision of legal  
29 services on a contingency fee basis, or the advancement of  
30 legal costs, where such services or costs are provided on  
31 or on behalf of a consumer by an attorney representing the  
32 consumer in the dispute and in accordance with Iowa rules of  
33 professional conduct, a commercial tort claim, or a claim under  
34 Code chapter 87 (workers' compensation).

35 The bill applies to litigation financing contracts entered

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1 into on or after the effective date of the bill.