

House File 210 - Introduced

HOUSE FILE 210

BY GUSTOFF

(COMPANION TO SF 54 BY ROWLEY)

A BILL FOR

- 1 An Act regulating litigation financing contracts, and including
- 2 effective date and applicability provisions.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. **537C.1 Title.**

2 This chapter shall be known as the "*Litigation Financing*
3 *Transparency and Consumer Protection Act*".

4 Sec. 2. NEW SECTION. **537C.2 Definitions.**

5 As used in this chapter, unless otherwise required by the
6 context:

7 1. "*Consumer*" means any individual who resides, is present,
8 or is domiciled in this state or who is or may become a
9 plaintiff, claimant, or complainant in a civil action or an
10 administrative proceeding or in pursuit of any claim or cause of
11 action in this state.

12 2. "*Entity*" means any domestic or foreign corporation,
13 partnership, limited partnership, limited liability company,
14 trust, fund, plan, or any other business, enterprise,
15 association, or organization of any kind or nature.

16 3. "*Legal representative*" means any attorney, group of
17 attorneys, or law firm duly licensed and authorized to practice
18 law and to represent a consumer in a civil action, administrative
19 proceeding, or claim to recover damages in this state.

20 4. "*Litigation financier*" means any person or group of persons
21 engaged in, formed, created, or established for the purpose
22 of engaging in the business of litigation financing or any
23 other business or economic activity in which a person or group
24 of persons receive consideration of any kind in exchange for
25 providing litigation financing.

26 5. "*Litigation financing*" means the financing, funding,
27 advancing, or loaning of money to pay fees, costs, expenses, or
28 any other sums arising from or in any manner related to a civil
29 action, administrative proceeding, claim, or cause of action,
30 if the financing, funding, advancing, or loaning of money is
31 provided by any person other than a person who is any of the
32 following:

33 a. A party to the civil action, administrative proceeding,
34 claim, or cause of action.

35 b. A legal representative engaged, directly or indirectly

1 through another legal representative, to represent a party in
2 a civil action, administrative proceeding, claim, or cause of
3 action.

4 c. An entity or insurer with a preexisting contractual
5 obligation to indemnify or defend a party in a civil action,
6 administrative proceeding, claim, or cause of action.

7 6. a. *"Litigation financing contract"* means a written
8 contract in which a person agrees to provide litigation financing
9 to any person in conjunction with a civil action or an
10 administrative proceeding or in pursuit of any claim or cause of
11 action in consideration for any of the following:

12 (1) The payment of interest, fees, or other consideration to
13 the person providing the litigation financing.

14 (2) Granting or assigning to the person providing the
15 litigation financing a right to receive payment from the value of
16 any proceeds or other consideration realized from any judgment,
17 award, settlement, verdict, or other form of monetary relief
18 any consumer, legal representative, or other person may receive
19 or recover in relation to the civil action, administrative
20 proceeding, claim, or cause of action.

21 b. *"Litigation financing contract"* does not include any
22 agreement, contract, or engagement of a legal representative
23 to render legal services to a consumer on a contingency fee
24 basis, including the advancement of legal costs by the legal
25 representative, in which the services or costs are provided to or
26 on behalf of a consumer by the legal representative representing
27 the consumer in the civil action, administrative proceeding,
28 claim, or cause of action.

29 7. *"Person"* means an individual or an entity.

30 8. *"Regulated lender"* means any of the following:

31 a. A bank, building and loan association, savings and loan
32 association, trust company, credit union, credit association,
33 consumer loan licensee, deferred deposit loan licensee,
34 residential mortgage lender licensee, development corporation,
35 bank holding company, or mutual or stock insurance company

1 organized pursuant to state or federal statutory authority and
2 subject to supervision, control, or regulation by any of the
3 following:

4 (1) An agency of the state of Iowa.

5 (2) An agency of the federal government.

6 b. A subsidiary of an entity described in paragraph "a".

7 c. An Iowa state agency or a federal agency that is
8 authorized to lend money.

9 d. A corporation or other entity established by congress or
10 the state of Iowa that is owned, in whole or in part, by the
11 United States or the state of Iowa and that is authorized to lend
12 money.

13 Sec. 3. NEW SECTION. **537C.3 Registration.**

14 1. A person shall not engage in litigation financing in this
15 state unless the person is registered with the secretary of state
16 as a litigation financier pursuant to this chapter.

17 2. If the person registering as a litigation financier is an
18 entity:

19 a. The entity must be active and in good standing as
20 reflected in the office of the secretary of state.

21 b. The entity's articles of incorporation, charter, articles
22 of organization, certificate of limited partnership, or other
23 organizational or governing document must contain a statement
24 that the entity has the power to engage in the business of
25 litigation financing and is designated as a litigation financier
26 pursuant to this chapter.

27 3. To register as a litigation financier, a person shall file
28 a registration statement with the secretary of state setting
29 forth all of the following information:

30 a. The legal name of the litigation financier.

31 b. The physical street address and mailing address of the
32 litigation financier.

33 c. A telephone number or electronic mail address through
34 which the litigation financier may be contacted.

35 d. The physical street address and mailing address of the

1 licensed financier's registered office and the name of the
2 registered agent at the registered office who is authorized to
3 accept service of process on behalf of the licensed financier.

4 e. Any other information the secretary of state considers
5 necessary.

6 4. If the person seeking to register as a litigation financier
7 is an entity, the following information must be set forth in the
8 registration statement with respect to each person that, directly
9 or indirectly, owns, controls, holds with the power to vote, or
10 holds proxies representing five percent or more of the voting
11 securities of the litigation financier:

12 a. The legal name, physical street address, and mailing
13 address of each person.

14 b. If the person is an individual, all of the following:

15 (1) The individual's occupation.

16 (2) Any offices and positions held with the litigation
17 financier during the past five years.

18 (3) Any conviction of a crime other than misdemeanor traffic
19 violations during the past ten years.

20 c. If the person is an entity, all of the following:

21 (1) The nature of the entity's business operations, if any,
22 during the past five years or a description of the business
23 intended to be done by the entity and the entity's subsidiaries,
24 if any.

25 (2) A list of all individuals who are or who have been
26 selected to become directors or officers of the entity and
27 each subsidiary of the entity. The list must include for each
28 individual the information required by paragraph "b".

29 5. A litigation financier subject to registration under this
30 chapter shall file an amended registration within thirty days
31 whenever the information contained in the most recently filed
32 registration changes or becomes inaccurate or incomplete in any
33 respect.

34 6. The secretary of state is authorized to prescribe the
35 forms and the filing fees the secretary of state considers

1 necessary for the purposes of this chapter.

2 7. All documents and information filed with the secretary of
3 state pursuant to this section are public records.

4 8. The secretary of state's duty to file documents under
5 this section is ministerial. The secretary of state's filing or
6 refusing to file a document does not create a presumption of any
7 of the following:

8 a. That the document does or does not conform to the
9 requirements of this chapter.

10 b. That the information contained in the document is correct
11 or incorrect.

12 Sec. 4. NEW SECTION. **537C.4 Litigation financing**
13 **protections.**

14 1. A litigation financier shall not do any of the following:

15 a. Pay or offer commissions, referral fees, rebates, or other
16 forms of consideration to any person in exchange for referring a
17 consumer to a litigation financier.

18 b. Accept any commissions, referral fees, rebates, or other
19 forms of consideration from any person providing any goods or
20 rendering any services to the consumer.

21 c. Charge a rate of interest that exceeds the rate of
22 interest allowed under chapter 535.

23 d. Receive or recover any payment that exceeds twenty-five
24 percent of the amount of any judgment, award, settlement,
25 verdict, or other form of monetary relief obtained in the civil
26 action, administrative proceeding, claim, or cause of action that
27 is the subject of the litigation contract.

28 e. Advertise false or misleading information regarding the
29 litigation financier's products or services.

30 f. Refer or require any consumer to hire or engage any person
31 providing any goods or rendering any services to the consumer.

32 g. Fail to promptly deliver a fully completed and signed
33 litigation financing contract to the consumer and the consumer's
34 legal representative.

35 h. Attempt to secure a remedy or obtain a waiver of any

1 remedy, including but not limited to compensatory, statutory, or
2 punitive damages, that the consumer may or may not be entitled to
3 pursue or recover otherwise.

4 i. Offer or provide legal advice to the consumer.

5 j. Assign, including securitizing, a litigation financing
6 contract in whole or in part.

7 k. Report a consumer to a credit reporting agency if
8 insufficient funds remain to repay the litigation financier
9 in full from the proceeds received from any judgment, award,
10 settlement, verdict, or other form of monetary relief obtained in
11 the civil action, administrative proceeding, claim, or cause of
12 action that is the subject of the litigation financing contract.

13 l. Demand, request, receive, or exercise any right to
14 influence, affect, or otherwise make any decision in the
15 handling, conduct, administration, litigation, settlement, or
16 resolution of any civil action, administrative proceeding, claim,
17 or cause of action in which the litigation financier has provided
18 litigation financing. All rights remain solely with the consumer
19 and the consumer's legal representative.

20 2. A person who provides any goods or renders any services
21 to the consumer shall not have a financial interest in litigation
22 financing and shall not receive any commissions, referral fees,
23 rebates, or other forms of consideration from any litigation
24 financier or the litigation financier's employees, owners, or
25 affiliates.

26 Sec. 5. NEW SECTION. **537C.5 Litigation financing contract**
27 **— disclosures.**

28 1. The terms and conditions of a litigation financing
29 contract must be set forth in a fully completed written contract
30 with no terms or conditions omitted. The litigation financing
31 contract must contain all terms and conditions at the time it is
32 signed by any party to the litigation financing contract.

33 2. On execution of a litigation financing contract, a
34 litigation financier shall not amend the terms or conditions of
35 the litigation financing contract without full disclosure to

1 and the prior written consent of all parties to the litigation
2 financing contract.

3 3. A litigation financing contract must set forth the name,
4 physical street address, and mailing address of the litigation
5 financier on the first page of the litigation financing contract.

6 4. A litigation financing contract must contain the following
7 disclosures that constitute material terms and conditions of the
8 litigation financing contract and must be typed in at least
9 fourteen point bold font and be placed clearly and conspicuously
10 immediately above the consumer's signature line in the litigation
11 financing contract:

12 **IMPORTANT DISCLOSURES — PLEASE READ CAREFULLY**

13 Right to Cancellation: You may cancel this litigation
14 financing contract without penalty or further obligation within
15 five business days from the date you sign this contract or
16 the date you receive financing from the litigation financier,
17 whichever date is later. You may cancel by sending a notice
18 of cancellation to the litigation financier and returning to
19 the litigation financier any funds received from the litigation
20 financier at the litigation financier's address set forth on the
21 first page of this contract.

22 The maximum amount the litigation financier may receive or
23 recover from any contingent payment shall not exceed twenty
24 five percent of the amount of any judgment, award, settlement,
25 verdict, or other form of monetary relief obtained in the civil
26 action, administrative proceeding, claim, or cause of action that
27 is the subject of this litigation contract.

28 The litigation financier agrees that it has no right to,
29 and will not demand, request, receive, or exercise any right
30 to, influence, affect, or otherwise make any decision in the
31 handling, conduct, administration, litigation, settlement, or
32 resolution of your civil action, administrative proceeding,
33 claim, or cause of action. All of these rights remain solely
34 with you and your legal representative.

35 If there is no recovery of any money from your civil action,

1 administrative proceeding, claim, or cause of action, or if there
2 is not enough money to satisfy in full the portion assigned to
3 the litigation financier, you will not owe anything in excess of
4 your recovery.

5 You are entitled to a fully completed contract with no terms
6 or conditions omitted prior to signing. Before signing this
7 contract, you should read the contract completely and consult an
8 attorney.

9 5. If the consumer is represented by a legal representative
10 in the civil action, administrative proceeding, claim, or
11 cause of action that is the subject of the litigation
12 financing contract, the legal representative shall acknowledge
13 in the contract that the legal representative and the legal
14 representative's employer and employees have not received or
15 paid a referral fee or any other consideration from or to the
16 litigation financier and have no obligation to do so in the
17 future.

18 6. If the consumer's legal representative is a party to a
19 litigation financing contract related to the consumer's civil
20 action, administrative proceeding, claim, or cause of action
21 that is the subject of the litigation financing contract, the
22 legal representative shall disclose and deliver the litigation
23 financing contract to the consumer. Following this disclosure
24 and delivery, the consumer shall sign an acknowledgment that the
25 consumer has read and understands the terms and conditions of the
26 litigation financing contract and the consumer must be provided
27 with a copy of the acknowledgment.

28 Sec. 6. NEW SECTION. **537C.6 Disclosure and discovery of**
29 **litigation financing contracts.**

30 1. Except as otherwise stipulated or ordered by the court,
31 a consumer or the consumer's legal representative shall, without
32 awaiting a discovery request, disclose and deliver to all of the
33 following persons the litigation financing contract:

34 a. Each party to the civil action, administrative proceeding,
35 claim, or cause of action, or to each party's legal

1 representative.

2 b. The court, agency, or tribunal in which the civil action,
3 administrative proceeding, claim, or cause of action may be
4 pending.

5 c. Any known person, including an insurer, with a preexisting
6 contractual obligation to indemnify or defend a party to the
7 civil action, administrative proceeding, claim, or cause of
8 action.

9 2. The disclosure obligation under subsection 1 exists
10 regardless of whether a civil action or an administrative
11 proceeding has commenced.

12 3. The disclosure obligation under subsection 1 is a
13 continuing obligation, and within thirty days of entering
14 into a litigation financing contract or amending an existing
15 litigation financing contract, the consumer or the consumer's
16 legal representative shall disclose and deliver any new or
17 amended litigation financing contracts.

18 4. The existence of the litigation financing contract
19 and all participants or parties to a litigation financing
20 contract are permissible subjects of discovery in any civil
21 action, administrative proceeding, claim, or cause of action
22 to which litigation financing is provided under the litigation
23 financing contract, regardless of whether a civil action or an
24 administrative proceeding has commenced.

25 Sec. 7. NEW SECTION. **537C.7 Exemptions.**

26 This chapter does not apply to any of the following:

27 1. A nonprofit organization that provides litigation
28 financing, directly or indirectly, for the benefit of the
29 nonprofit organization or one or more of the nonprofit
30 organization's members without receiving, in consideration for
31 the litigation financing, any of the following:

32 a. The payment of interest, fees, or other consideration.

33 b. Except for in-house counsel of the nonprofit organization,
34 any right to recovery or payment from the amount of any judgment,
35 award, settlement, verdict, or other form of monetary relief

1 obtained in the civil action, administrative proceeding, claim,
2 or cause of action.

3 2. Any litigation financing provided by an entity engaged in
4 commerce or business activity, but only if the entity does not do
5 any of the following:

6 a. Charge or collect any interest, fees, or other
7 consideration.

8 b. Retain or receive any financial interest in the outcome of
9 the civil action, administrative proceeding, claim, or cause of
10 action.

11 c. Receive any right to recovery or payment from the amount
12 of any judgment, award, settlement, verdict, or other form of
13 monetary relief obtained in the civil action, administrative
14 proceeding, claim, or cause of action.

15 3. A regulated lender that does not receive, in consideration
16 for loaning money to any person, a right to receive payment
17 from the value of any proceeds or other consideration realized
18 from any judgment award, settlement, verdict, or other form of
19 monetary relief any person may receive or recover in relation to
20 any civil action, administrative proceeding, claim, or cause of
21 action.

22 Sec. 8. NEW SECTION. **537C.8 Class actions.**

23 This chapter shall apply to any civil action filed or
24 certified as a class action in which litigation financing is
25 provided. A litigation financier owes a fiduciary duty to all
26 class members or intended beneficiaries of a certified class and
27 shall act in a manner consistent with the litigation financier's
28 fiduciary duty throughout the civil action. In addition to the
29 disclosure requirements, the legal representative of the putative
30 class shall disclose to all parties, putative class members, and
31 the court any legal, financial, or other relationship between the
32 legal representative and the litigation financier. A class member
33 is entitled to receive from the class counsel a true and correct
34 copy of the litigation financing contract on request.

35 Sec. 9. NEW SECTION. **537C.9 Joint and several liability for**

1 **costs.**

2 A litigation financier is jointly and severally liable for any
3 award or order imposing or assessing costs or monetary sanctions
4 against a consumer arising from or relating to any civil action,
5 administrative proceeding, claim, or cause of action for which
6 the litigation financier is providing litigation financing.

7 Sec. 10. NEW SECTION. **537C.10 Regulatory oversight —**
8 **rulemaking.**

9 The secretary of state may adopt rules and other policies in
10 overseeing the practice of litigation financing consistent with
11 this chapter.

12 Sec. 11. NEW SECTION. **537C.11 Violation — unenforceable**
13 **contract.**

14 1. Any violation of this chapter by the litigation financier
15 renders the litigation financing contract unenforceable by
16 the litigation financier or any successor-in-interest to the
17 litigation financing contract.

18 2. If a litigation financier charges a rate of interest that
19 exceeds the rate of interest allowed under chapter 535, the
20 litigation financier shall be subject to a penalty for usury
21 and an action to recover excessive interest as authorized under
22 chapter 535.

23 Sec. 12. EFFECTIVE DATE. This Act takes effect January 1,
24 2026.

25 Sec. 13. APPLICABILITY. This Act applies to any civil action
26 or administrative proceeding involving a litigation financier
27 pending on or commenced on or after January 1, 2026.

28 **EXPLANATION**

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

31 This bill creates the litigation financing transparency and
32 consumer protection Act.

33 The bill requires the registration of litigation financiers
34 with the secretary of state. The bill provides registration
35 requirements and procedures for the litigation financier. The

1 bill provides that all documents and information filed with the
2 secretary of state pursuant to the registration of the litigation
3 financier are public records.

4 The bill provides limitations on how a litigation financier
5 may conduct business. A litigation financier may not (1) pay
6 or offer any form of consideration to any person in exchange
7 for referring a consumer to a litigation financier, (2) accept
8 any type of consideration from any person providing any goods
9 or rendering any services to the consumer, (3) charge a rate of
10 interest that exceeds the rate of interest allowed under Code
11 chapter 535 (money and interest), (4) receive or recover any
12 payment that exceeds 25 percent of the reward obtained in the
13 action subject to the litigation contract, (5) advertise false or
14 misleading information regarding the litigation financier products
15 or services, (6) refer or require any consumer to hire or engage
16 any person providing any goods or rendering any services to the
17 consumer, (7) fail to promptly deliver a fully completed and
18 signed litigation financing contract to the consumer and the
19 consumer's legal representative, (8) attempt to secure a remedy
20 or obtain a waiver of any remedy, including but not limited
21 to compensatory, statutory, or punitive damages, (9) offer or
22 provide legal advice to the consumer, (10) assign a litigation
23 financing contract in whole or in part, (11) report a consumer to
24 a credit reporting agency, or (12) demand, request, receive, or
25 exercise any right to influence, affect, or otherwise make any
26 decision in the handling, conduct, administration, litigation,
27 settlement, or resolution of any civil action, administrative
28 proceeding, claim, or cause of action in which the litigation
29 financier has provided litigation financing. The bill also
30 provides that a person who provides any goods or renders any
31 services to the consumer shall not have a financial interest in
32 litigation financing.

33 The bill provides the terms, conditions, and disclosures
34 required in a litigation financier contract. Upon execution of
35 the contract, the litigation financier may not amend any terms or

1 conditions of the contract without full disclosure and written
2 consent of all parties.

3 The bill provides that a consumer or legal representative of
4 a consumer, unless otherwise stipulated or ordered by the court,
5 shall disclose and deliver the litigation financing contract to
6 each party of the matter, the court, and any known person with a
7 contractual obligation in the matter.

8 The bill provides exemptions to the new Code chapter,
9 including: (1) a nonprofit organization that provides litigation
10 financing for the benefit of the nonprofit organization or one
11 or more of the nonprofit organization's members; (2) an entity
12 engaged in commerce or business activity, but only if the entity
13 does not: charge or collect any interest, fees, or other
14 consideration; retain or receive any financial interest in the
15 outcome of the civil action, administrative proceeding, claim, or
16 cause of action; and receive any right to recovery or payment
17 from the amount of any judgment, award, settlement, verdict, or
18 other form of monetary relief obtained in the matter; or (3) a
19 regulated lender that does not receive a right to receive payment
20 from the value of any proceeds or other consideration realized
21 from any reward received or recovered in relation to the matter.

22 The bill provides that the new Code chapter applies to class
23 actions.

24 The bill provides that a litigation financier is jointly and
25 severally liable for any award or order imposing or assessing
26 costs or monetary sanctions against a consumer arising from
27 or relating to matters for which the litigation financier is
28 providing litigation financing.

29 The bill authorizes the secretary of state to adopt rules or
30 other policies to enforce the new Code chapter.

31 The bill provides that any violation of the new Code chapter
32 by the litigation financier shall render the contract void and may
33 be subject to penalties.

34 The bill takes effect on January 1, 2026, and applies to any
35 civil action or administrative proceeding involving a litigation

1 financier pending on or commenced after January 1, 2026.

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