

**Senate File 53 - Introduced**

SENATE FILE 53  
BY DICKEY

**A BILL FOR**

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

16 Sec. 2. EFFECTIVE DATE. This Act, being deemed of immediate  
17 importance, takes effect upon enactment.

18 Sec. 3. APPLICABILITY. This Act applies to litigation  
19 financing contracts entered into on or after the effective date  
20 of this Act.

21 EXPLANATION

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

24 This bill prohibits litigation financing contracts.  
25 Litigation financing contracts are agreements between a third  
26 party and a plaintiff, an attorney, or a law firm of a civil  
27 action in which the third party provides funding for legal  
28 expenses in exchange for a percentage of any settlement or  
29 judgment. The bill does not prohibit the provision of legal  
30 services on a contingency fee basis, or the advancement of legal  
31 costs, where such services or costs are provided for or on  
32 behalf of a consumer by an attorney representing the consumer  
33 in the dispute and in accordance with Iowa rules of professional  
34 conduct, a commercial tort claim, or a claim under Code chapter  
35 87 (workers' compensation).

1 The bill takes effect upon enactment and applies to litigation  
2 financing contracts entered into on or after the effective date  
3 of the bill.

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