Five Myths And Five Facts About Consumer Legal Funding

MYTH #1: Consumer Legal Funding Increases Lawsuits

FACT: Legal Funders Only Consider Advances To Victims With Established Cases.
Only consumers with existing cases can begin the process of seeking consumer legal funding.

MYTH #2: Advances Encourage Frivolous Suits

FACT: Robust Review By Funders Helps Ensure Advances Go To Victims With Legitimate Claims.
Because advances only need to be repaid if a case is successful, funders are selective.

MYTH #3: Consumer Legal Funding Is A Loan

FACT: Consumer Legal Funding Is Not A Loan.
A pre-settlement advance is different from a loan because it does not require repayment if a case does not result in a monetary award. Legal funding also does not require collateral or impact a consumer's credit.

MYTH #4: Consumer Legal Funding "Lines Lawyers' Pockets"

FACT: Consumer Legal Funding Cannot Be Used For Legal Expenses.
Legal funding helps victims pay for personal, non-legal expenses such as groceries, medical bills, rent, and student loans, reducing pressure to accept lowball settlements from powerful defendants.

MYTH #5: Legal Funders Oppose Consumer Protections

FACT: Leading Legal Funders Support Regulations That Protect Consumers.
The American Legal Finance Association (ALFA) actively supports legislation mandating transparency, with clear contracts for consumers and robust oversight of funders.

The Bottom Line

Consumer legal funding is a critical resource for victims pursuing justice. As lawmakers look to protect consumers, they need to know the facts.

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