

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 925
Committee Substitute Favorable 6/25/25
Committee Substitute #2 Favorable 6/16/26
Committee Substitute #3 Favorable 6/30/26
Fifth Edition Engrossed 6/30/26

Short Title: Consumers in Crisis Protection Act.

(Public)

Sponsors:

Referred to:

April 14, 2025

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE CONSUMERS IN CRISIS PROTECTION ACT.

3 The General Assembly of North Carolina enacts:

4 SECTION 1. Chapter 66 of the General Statutes is amended by adding a new Article
5 to read:

6 "Article 53.

7 "Consumers in Crisis Protection Act.

8 "§ 66-525. Short title.

9 This Article may be cited as the "Consumers in Crisis Protection Act."

10 "§ 66-526. Definitions.

11 The following definitions apply in this Article:

12 (1) Affiliate. – As defined in G.S. 53-244.030.

13 (2) Charges. – Any fees permitted by this Article to be charged to a consumer by
14 a consumer legal funding company, regardless of how denominated, including
15 fees denominated as interest or rate.

16 (3) Consumer. – An individual residing in this State.

17 (4) Consumer legal funding company. – A person that enters into a consumer
18 legal funding transaction with a consumer, whether or not the person is
19 registered under this Article.

20 (5) Consumer legal funding contract. – A contract for a consumer legal funding
21 transaction.

22 (6) Consumer legal funding transaction. – A nonrecourse transaction in which a
23 consumer sells an unvested, contingent future interest in the potential net
24 proceeds of a settlement or judgment obtained from a legal claim so long as
25 all of the following apply:

26 a. The consumer is required to use the funds to address personal needs or
27 household expenses and family use.

28 b. The consumer is prohibited from using the funds to pay for attorneys'
29 fees, legal filings, legal marketing, legal document preparation or
30 drafting, appeals, expert testimony, or other litigation-related
31 expenses.

32 c. The consumer is not required to use the funds in a particular manner,
33 including to make specific payments or secure specific services.



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- 1 (7) Funded amount. – The amount of money provided to, or on behalf of, a
2 consumer pursuant to a consumer legal funding contract. The term excludes
3 charges.
- 4 (8) Gross proceeds. – The total amount of proceeds recovered by a consumer as
5 a result of a legal claim.
- 6 (9) Health care provider. – As defined in G.S. 90-21.50.
- 7 (10) Legal claim. – A civil claim or cause of action filed or may be filed in a court
8 of law in State or federal court, including any claim that triggers obligation
9 arising under G.S. 58-63-15(11) or related regulations.
- 10 (11) Net proceeds. – The amount recovered by a consumer as a result of a legal
11 claim, less the following associated costs and liens paid by the consumer:
- 12 a. Attorneys' fees and litigation costs associated with the legal claim.
- 13 b. Attorney liens and ERISA contractual rights of recovery or
14 subrogation liens.
- 15 c. Child support, Medicare, tax, or other statutory or governmental liens.

16 **"§ 66-527. Relationship with other law.**

17 A consumer legal funding transaction that complies with this Article is not a loan and is not
18 subject to any provision of law governing loans or investment contracts. To the extent that this
19 Article conflicts with any other law, this Article supersedes that law for purposes of regulating
20 consumer legal funding transactions in this State.

21 **"§ 66-528. Exemptions.**

22 All of the following are exempt from this Article's requirements:

- 23 (1) An immediate family member of the consumer.
- 24 (2) A bank, lender, financing entity, or other special purpose entity that either
25 provides financing to a consumer legal funding company or receives an
26 interest in a consumer legal funding from a consumer legal funding company.
- 27 (3) An attorney or accountant who provides services to a consumer except as
28 provided in G.S. 66-534.

29 **"§ 66-529. Registration.**

30 Prior to operating in the State of North Carolina each consumer legal funding company shall
31 receive a certificate of authority from the Secretary of State to conduct business in this State or
32 other evidence of the applicant's registration or qualification to do business in this State.

33 **"§ 66-530. Contents of consumer legal funding contract.**

- 34 (a) All consumer legal funding transactions shall be formalized and presented in a written
35 contract.
- 36 (b) A consumer legal funding contract shall be written using plain language and
37 understandable to the average consumer who makes a reasonable effort under ordinary
38 circumstances to read and comprehend the terms of the contract without having to obtain the
39 assistance of a professional.
- 40 (c) All terms of the consumer legal funding contract shall be completed when presented
41 to the consumer for signature.
- 42 (d) Each consumer legal funding contract shall include the following provisions:
- 43 (1) Definitions of the terms "consumer," "consumer legal funding company," and
44 "consumer legal funding transaction," as set forth in this Article.
- 45 (2) An acknowledgement that the consumer is represented by an attorney for the
46 legal claim and has had an opportunity to discuss the contract with the
47 consumer's attorney.
- 48 (3) A right of rescission, allowing the consumer to cancel the contract without
49 penalty or further obligation if, within 10 business days following the
50 execution of the contract or the consumer's initial receipt of any portion of the

- 1 funded amount, the consumer gives notice of the rescission to the company
2 and returns all funds provided to the consumer by the company.
- 3 (4) Located immediately above the place on the contract where the consumer's
4 signature is required, the following in 12-point bold font:
5 "Do not sign this contract before you have read it completely or if it
6 contains any blank spaces. You are entitled to a completely filled-in copy of
7 the contract. Before you sign this contract, you should obtain the advice of an
8 attorney. Depending on the circumstances, you may want to consult a tax,
9 public or private benefits planning, or financial professional. You
10 acknowledge that your attorney in the legal claim is not obligated to provide
11 any tax, public or private benefit planning, or financial advice regarding this
12 transaction.
13 You shall not use funds from this transaction to pay attorneys' fees or costs
14 related to the litigation of your claim."
- 15 (5) A requirement that a copy of the executed consumer legal funding contract
16 shall promptly be delivered to the consumer's attorney upon request.
- 17 (6) A statement of the maximum total amount to be assigned by the consumer to
18 the consumer legal funding company, including the funded amount and all
19 charges.
- 20 (e) Each contract shall include consumer disclosures on the first two pages, to the extent
21 possible. The consumer disclosures shall include all of the following:
- 22 (1) Notification that some or all of the funded amount may be taxable.
23 (2) A description of the consumer's right of rescission.
24 (3) The total funded amount provided to the consumer under the contract.
25 (4) An itemization of charges.
26 (5) The total amount due from the consumer, in six-month intervals for 36
27 months, including all charges.
28 (6) A statement that no additional charges may accrue 36 months after execution
29 of the consumer legal funding contract.
30 (7) A statement that there are no payments owed by the consumer other than what
31 is disclosed on the disclosure form.
32 (8) In the event the consumer seeks more than one consumer legal funding
33 contract, a disclosure providing the cumulative amount due from the consumer
34 for all transactions, including charges under all contracts, if repayment is made
35 any time after the contracts are executed.
36 (9) A statement that the company has no influence over any aspect of the
37 consumer's legal claim or any settlement or resolution of the consumer's legal
38 claim and that all decisions related to the consumer's legal claim remain solely
39 with the consumer and the consumer's attorney.
40 (10) A statement that if there is no recovery of any money from the consumer's
41 legal claim, the consumer has no further financial obligation to the company
42 unless the consumer committed fraud against the consumer legal funding
43 company.
44 (11) A statement that, if the net proceeds of the claim are insufficient to repay the
45 consumer's financial obligation to the company, defined as the complete
46 funded amount and charges, the consumer is not responsible to the company
47 for any amount in excess of the net proceeds.
- 48 (f) The consumer legal funding contract shall contain a written acknowledgement by the
49 attorney retained by the consumer for the legal claim that attests to the following:

- 1 (1) To the best of the attorney's knowledge, the funded amounts and any charges
2 relating to the consumer legal funding transaction have been disclosed to the
3 consumer.
- 4 (2) The attorney is being paid pursuant to a separate written fee agreement
5 between the consumer and the attorney, and the consumer legal funding
6 company is not a party to that agreement.
- 7 (3) Gross proceeds of the legal claim shall be deposited into the client trust
8 account of the attorney or a settlement fund established to receive the gross
9 proceeds of the legal claim on behalf of the consumer.
- 10 (4) The attorney shall comply with the written irrevocable instructions of the
11 consumer with regard to the consumer legal funding transaction.
- 12 (5) The attorney is obligated to disburse proceeds from the legal claim and pay
13 the funded amount and charges due per the terms of the consumer legal
14 funding contract.
- 15 (6) Only liens related to the legal claim, including attorney liens, Medicare,
16 Veterans Affairs, TriCare, Medicaid, State Employees Health Plan, ERISA
17 contractual rights of recovery, valid health care provider liens, or other
18 statutory liens, take priority over any contractual lien of the consumer legal
19 funding company. All other liens take priority by operation of law.
- 20 (7) The attorney for the legal claim is not obligated to provide any tax, public or
21 private benefit planning, or financial advice regarding the consumer legal
22 funding transaction.

23 (g) The failure of the attorney retained by the consumer for the legal claim to provide
24 written attestation as required by this section renders the contract null and void.

25 (h) A consumer legal funding contract remains valid and enforceable in the event that,
26 subsequent to execution, a consumer moves to substitute counsel or pursues a legal claim pro se.

27 (i) A consumer legal funding contract that intentionally violates this section is null and
28 void, and no person has a right to collect, attempt to collect, receive, or retain any funded amount
29 or charges related to the consumer legal funding.

30 **"§ 66-531. Nonrecourse obligation; authorized charges.**

31 (a) If a consumer obtains no recovery from the consumer's legal claim, the consumer is
32 not required to repay a consumer legal funding company unless the consumer committed fraud
33 against the consumer legal funding company. If the net proceeds of the claim are insufficient to
34 repay the consumer's financial obligation to the company, defined as the complete funded amount
35 plus charges authorized by this section, the consumer is not responsible to the company for any
36 amount in excess of the net proceeds.

37 (b) The contracted amount to be paid to the consumer legal funding company shall be a
38 predetermined amount based upon intervals of time from the funding date through the resolution
39 date and shall not be determined as a percentage of the recovery from the legal claim.

40 (c) Upon written request from the consumer or the consumer's attorney, the consumer
41 legal funding company shall reduce charges to a maximum of twenty-five percent (25%) of the
42 gross proceeds from the legal claim. Any such written request must include an attestation as to
43 the final amount of the gross proceeds from the legal claim.

44 (d) No charges shall accrue on a consumer legal funding transaction more than 36 months
45 after execution of the consumer legal funding contract. A consumer legal funding company,
46 however, may assess charges on any additional funding, whether by amendment to the consumer
47 legal funding contract or by execution of a new consumer legal funding contract, for 36 months
48 after the provision of the additional funding.

49 **"§ 66-532. Prohibited acts by a consumer legal funding company.**

50 (a) A consumer legal funding company shall not do any of the following:

- 1 (1) Pay or offer to pay commissions, referral fees, or any other form of
2 consideration to any attorney, law firm, health care provider, or an employee
3 of a law firm or health care provider for referring a consumer to the company.
- 4 (2) Accept any commissions, referral fees, or any other form of consideration
5 from any attorney, law firm, health care provider, or an employee of a law
6 firm or health care provider.
- 7 (3) Refer, in furtherance of the initial legal funding, a consumer or potential
8 consumer to an attorney, law firm, health care provider, or an employee of a
9 law firm or health care provider; however, a consumer legal funding company
10 may direct a consumer or potential consumer to a local or state bar association
11 referral service or bona fide nonprofit legal aid organization.
- 12 (4) Advertise false or misleading information regarding its products or services.
- 13 (5) Receive any right to make any decisions with respect to or attempt to influence
14 a decision relating to the conduct, settlement, or resolution of the consumer's
15 legal claim. The right to make these decisions remains solely with the
16 consumer and the consumer's attorney.
- 17 (6) Knowingly pay or offer to pay for case expenses, including court costs, filing
18 fees, or attorneys' fees, either during or after the resolution of the legal claim.
- 19 (7) Fail to promptly provide copies of contract documents to the consumer or the
20 consumer's attorney upon request.
- 21 (8) Provide legal advice to the consumer regarding the consumer legal funding
22 transaction or the underlying legal claim.
- 23 (9) Report a consumer to a credit reporting agency if insufficient funds remain
24 from the net proceeds to repay the company unless the consumer has
25 committed fraud against the consumer legal funding company.
- 26 (10) Knowingly provide funding to a consumer who has previously assigned or
27 sold a portion of the consumer's right to proceeds from the consumer's legal
28 claim without first purchasing a prior unsatisfied consumer legal funding
29 company's entire funded amount and contracted charges, unless a lesser
30 amount is otherwise expressly agreed to in writing by the consumer legal
31 funding companies. Multiple consumer legal funding companies, however,
32 may agree to contemporaneously provide funding to a consumer so long as
33 the consumer and the consumer's attorney consent to the agreement in writing.
- 34 (11) Collect from a consumer any fees or charges not authorized under this Article.
- 35 (12) Sell a contract in whole or in part to a third party. However, if the consumer
36 legal funding company or their affiliate company retains responsibility for
37 collecting payment, administering, and otherwise enforcing the consumer
38 legal funding contract, this prohibition does not apply to any of the following:
39 a. An assignment to a wholly owned subsidiary of the consumer legal
40 funding company.
41 b. An assignment to an affiliate of the consumer legal funding company
42 that is under common control.
43 c. The granting of a security interest under Article 9 of Chapter 25 of the
44 General Statutes or as otherwise permitted by law.
- 45 (13) Knowingly offering or colluding to provide funding as an inducement to a
46 consumer who is presently represented by counsel to terminate that
47 engagement and engage such lawyer or law firm to represent them in the same
48 matter. Any consumer legal funding contract entered into in violation of this
49 paragraph shall be void ab initio.
- 50 (14) Collude with or knowingly assist a lawyer or law firm that is inducing or
51 intends to induce a consumer to bring a claim that the company knows or has

1 reason to know is fabricated or otherwise not brought in good faith. Any
2 consumer legal funding contract entered into in violation of this subdivision
3 shall be void ab initio.

4 (15) Accepting any funds from a foreign government or foreign non-government
5 person identified as a foreign adversary in 15 C.F.R. § 791.4, including any
6 agent or entity affiliated with such foreign adversary.

7 (b) Notwithstanding the restrictions contained in this section, a consumer legal funding
8 company discontinuing its consumer legal funding operations in the State may sell its remaining
9 consumer legal funding receivables to another consumer legal funding company operating in the
10 State pursuant to this Article. The company purchasing the receivables shall notify the consumers
11 and their attorneys of record of the sale and new payment instructions within 30 days of the
12 purchase.

13 **"§ 66-533. Enforcement.**

14 (a) The Attorney General, upon a finding that a consumer legal funding company has
15 willfully violated the provisions of this Article after notice and opportunity for hearing may
16 assess upon such consumer legal funding company a civil penalty not to exceed ten thousand
17 dollars (\$10,000) per violation.

18 (b) In addition to any civil penalty assessed pursuant to subsection (a) of this section, the
19 consumer legal funding company shall not recover the funded amount or any charges under the
20 consumer legal funding contract.

21 (c) The clear proceeds of any penalty assessed pursuant to this section shall be remitted
22 to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

23 (d) All civil penalties assessed pursuant to this section shall be due and payable within
24 10 days after written notice of assessment is served on the person. If a civil penalty is not paid
25 within the applicable time period, the Attorney General may file a certified copy of the notice of
26 assessment with the clerk of the district court in the county where the violation occurred. The
27 notice of assessment shall be enforced in the same manner as a judgment of the district court.

28 (e) Any action by the Attorney General pursuant to this section shall be subject to judicial
29 review in the General Court of Justice.

30 **"§ 66-534. Attorney prohibitions.**

31 (a) An attorney retained by a consumer for a legal claim, or that attorney's immediate
32 family member, shall not have a financial interest in the consumer legal funding company
33 offering consumer legal funding to the consumer. Additionally, any attorney who has referred
34 the consumer to the consumer's retained attorney shall not have a financial interest in the
35 consumer legal funding company offering consumer legal funding to the consumer.

36 (b) An attorney retained by a consumer for a legal claim shall not execute a consumer
37 legal funding contract on behalf of the consumer.

38 (c) An attorney who violates this section shall be subject to discipline by the State Bar of
39 North Carolina.

40 **"§ 66-535. Effect of communication on privileges.**

41 Communications between a consumer's attorney and a consumer legal funding company
42 necessary to ascertain the status of a legal claim or a legal claim's expected value shall not be
43 discoverable by a party with whom the claim is filed or against whom the claim is asserted. This
44 section does not limit, waive, or abrogate the scope or nature of any statutory or common-law
45 privilege, including the work-product doctrine and the attorney-client privilege.

46 **"§ 66-536. Discovery and admission of consumer legal funding contracts.**

47 (a) Discovery. – Consumer legal funding contracts are presumed to be not discoverable
48 in a civil action.

49 (b) Admission. – Consumer legal funding transactions are presumed to be inadmissible
50 as evidence."

1 **SECTION 2.** If any provision of this act or its application to any person or
2 circumstance is held invalid, the invalidity does not affect other provisions or applications of this
3 act that can be given effect without the invalid provision or application and, to this end, the
4 provisions of this act are severable.

5 **SECTION 3.** The Secretary of State shall develop forms to implement G.S. 66-529,
6 as enacted by this act.

7 **SECTION 4.** There is appropriated from the General Fund to the Office of Secretary
8 of State the sum of ten thousand dollars (\$10,000) in recurring funds for the 2026-2027 fiscal
9 year to be used by the Office of Secretary of State to pay for the cost of registering consumer
10 legal funding companies.

11 **SECTION 5.** Section 4 of this act becomes effective July 1, 2026. The remainder of
12 this act becomes effective October 1, 2026, and applies to violations occurring on or after that
13 date.