2025 POSITION PAPER
SB985/HB1274

Consumer Protection – Third-Party Litigation Financing
UNFAVORABLE

House Bill 1274, the "Maryland Transparency in Third-Party Litigation Financing Act," purports to protect consumers but, in reality, undermines their ability to seek justice by imposing excessive restrictions on third-party litigation financing (TPLF). This bill creates unnecessary barriers for consumers who rely on litigation financing to afford legal representation and access the courts. If enacted, HB 1274/SB985 would disproportionately harm individuals facing financial hardship while benefiting corporate defendants and insurance companies.

1. Restricting Consumer Access to Justice
Litigation financing allows consumers—particularly those with limited resources—to pursue valid claims by providing their attorneys access to the necessary financial resources. HB 1274/SB985 places undue burdens on this practice by imposing excessive disclosure requirements and fiduciary duties on litigation financiers, which will discourage providers from offering much-needed financial support. Without access to these resources, many consumers will be unable to afford legal representation, effectively denying them their right to justice.

2. Unwarranted Disclosure Mandates Invade Consumer Privacy
HB 1274/SB985 mandates that litigation financing contracts be disclosed to opposing parties and insurers, an unnecessary intrusion into consumers' financial arrangements. This requirement not only violates privacy but also provides strategic advantages to well-funded defendants, allowing them to exploit a plaintiff's financial position during litigation. **The Maryland Association for Justice (MAJ)** opposes this provision, noting that it grants defense counsel undue leverage rather than transparency, improperly positioning them as arbiters of compliance rather than the judge.

3. Penalizing Consumers Instead of Protecting Them
The bill would penalize consumers rather than protect them. **Restricting financing terms would result in fewer funding options, disproportionately harming plaintiffs who lack alternative financial resources to sustain litigation**. The bill also invokes ethical considerations of invading attorney client privilege and attorney work product by mandating disclosure, only by one side, of these protected communications.

4. Protecting Corporations and Insurers at the Expense of Consumers
By limiting litigation financing, HB 1274/SB985 serves the interests of deep-pocketed corporate defendants and insurers who want to minimize their financial liability. Many consumers face powerful adversaries with extensive legal teams and resources. Without third-party financing, these individuals will be unable to sustain lengthy legal battles, forcing them into settlements that do not reflect the true value of their claims.

Conclusion
HB 1274/SB985 is framed as a consumer protection measure, but its practical effect will be to deny consumers the financial tools they need to fight for their rights in court. This bill will widen the justice gap, favoring wealthy defendants at the expense of everyday Marylanders. **State and federal judges already have the authority to regulate TPLF through discovery rules when necessary, making these new disclosure mandates redundant and harmful**. For these reasons, we strongly oppose HB 1274/SB985 and urge policymakers to reject this anti-consumer legislation.

The Maryland Association for Justice urges an UNFAVORABLE Report on SB985/HB1274

About Maryland Association for Justice

The Maryland Association for Justice (MAJ) represents over 1,250 trial attorneys throughout the state of Maryland. MAJ advocates for the preservation of the civil justice system, the protection of the rights of consumers and the education and professional development of its members.

10440 Little Patuxent Parkway, Suite 250
Columbia, MD 21044

(410) 872-0990 | FAX (410) 872-0993
info@mdforjustice.com

mdforjustice.com