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February 27, 2026

To: The Honorable Pamela Beidle
Chair, Senate Finance Committee

From: Wilson Meeks
Nora Nichols
Consumer Protection Division
Office of the Attorney General

Re: Senate Bill 894 – Third-Party Litigation Financing - Licensing and Regulation–
(SUPPORT WITH AMENDMENTS)

The Consumer Protection Division (“Division”) of the Office of the Attorney General supports with amendments Senate Bill 894, sponsored by Senator Dawn D. Gile. Senate Bill 894 defines third-party litigation financing (“TPLF”) as lending and requires providers to be licensed and regulated by the Office of Financial Regulation (“OFR”), a concept that the Division supports. However, Senate Bill 894 also contains provisions that require that TPLF contracts be disclosed to opposing parties and insurance companies and deems the contracts and the parties thereto permissible subjects of discovery. The Division respectfully requests that these provisions, proposed sections 12-1304 and 12-1305, be removed from Senate Bill 894 as they will likely harm consumers and give well-funded defendants an unfair advantage in litigation.

As defined in the bill, TPLF is the lending of money to an individual that is contingent on the outcome of litigation or derived from proceeds that result from the litigation. It is unclear what TPLF lenders typically charge for their loans as it appears to be a guarded secret in the industry. TPLF providers market themselves as increasing “access to justice” with little to no risk to consumers since their lending services are contingent and non-recourse—consumers only repay TPLF providers if there is recovery in the litigation. Despite TPLF providers’ argument that their products are not loans, the Division and the Commissioner of Financial Regulation have viewed these products as loans for many decades. Thus, the Division believes that Section 12-1303 is consistent with current law and supports this legislation as it relates to confirming that TPLF is lending and confirming that TPLF providers are subject to licensing and regulation in Maryland.

As stated, the Division is concerned with proposed sections 12-1304 and 12-1305 of Senate Bill 894 that subjects TPLF contracts to mandatory disclosure requirements and deems the TPLF contracts and parties thereto a permissible subject of discovery in a civil action. Providing litigation financing contracts to opposing parties and insurance companies could reveal information that is not relevant to the merits of a case such as litigation strategy, risk tolerance, or the expected damages range. Disclosure of such information could lead to aggressive defense tactics such as intentional delay to force settlements below a case's value. As a result, there may be a chilling effect, and consumers may forgo needed funding to avoid signaling weakness or otherwise providing confidential information to the opposing party. This scenario is most likely to affect plaintiffs relying on TPLF to fund litigation expenses incurred against defendants backed by companies with deep pockets. Moreover, litigation finance contracts and the parties thereto are already potentially discoverable should a moving party be able to successfully argue its relevance to a civil action. The Division sees no benefit of the proposed sections 12-1304 and 12-1305 and believes they will only serve to give defendant parties and insurance companies an unfair advantage in litigation.

Accordingly, for the reasons set forth, the Consumer Protection Division supports Senate Bill 894 with amendments addressing the concerns set forth herein.

cc. The Honorable Dawn D. Gile
Members, Senate Finance Committee