

SENATE BILL 894

I1, I2, D3

6lr2292
CF HB 1298

By: **Senator Gile**

Introduced and read first time: February 6, 2026

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Third-Party Litigation Financing – Licensing and Regulation**

3 FOR the purpose of prohibiting a certain litigation financier from providing certain
4 litigation financing unless licensed under the Maryland Consumer Loan Law or
5 provisions of law relating to installment loans; providing that litigation financing
6 shall be considered a loan for certain purposes; requiring a certain disclosure of a
7 litigation financing contract in certain civil actions; providing that certain
8 information is a permissible subject of discovery in certain civil actions; and
9 generally relating to third-party litigation financing transactions.

10 BY adding to

11 Article – Financial Institutions

12 Section 12-1301 through 12-1306 to be under the new subtitle “Subtitle 13.

13 Third-Party Litigation Financing”

14 Annotated Code of Maryland

15 (2020 Replacement Volume and 2025 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

17 That the Laws of Maryland read as follows:

18 **Article – Financial Institutions**

19 **SUBTITLE 13. THIRD-PARTY LITIGATION FINANCING.**

20 **12-1301.**

21 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**

22 **INDICATED.**

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1 (B) "CIVIL ACTION" INCLUDES ANY LEGAL CLAIM, CASE, OR ADMINISTRATIVE
2 PROCEEDING, ~~OR PORTFOLIO OF ACTIONS~~ TO RECOVER DAMAGES IN THE STATE.

3 (C) "CONSUMER" MEANS AN INDIVIDUAL WHO IS DOMICILED, RESIDES, OR
4 IS PRESENT IN THE STATE, OR WHO IS OR MAY BECOME A PLAINTIFF, A CLAIMANT,
5 OR A COMPLAINANT IN A CIVIL ACTION IN THE STATE.

6 (D) "LEGAL REPRESENTATIVE" MEANS AN ATTORNEY, A GROUP OF
7 ATTORNEYS, OR A LAW FIRM LICENSED AND AUTHORIZED TO PRACTICE LAW AND
8 REPRESENT A CONSUMER IN A CIVIL ACTION IN THE STATE.

9 (E) "LITIGATION FINANCIER" MEANS A PERSON OR A GROUP OF PERSONS
10 ENGAGED IN OR FORMED, CREATED, OR ESTABLISHED FOR THE PURPOSE OF
11 ENGAGING IN THE BUSINESS OF LITIGATION FINANCING OR ANY OTHER BUSINESS
12 OR ECONOMIC ACTIVITY IN WHICH A PERSON OR A GROUP OF PERSONS RECEIVES
13 CONSIDERATION OF ANY KIND IN EXCHANGE FOR PROVIDING LITIGATION
14 FINANCING.

15 (F) "LITIGATION FINANCING" MEANS THE FINANCING, FUNDING,
16 ADVANCING, OR LOANING OF MONEY TO A CONSUMER IF:

17 (1) THE REPAYMENT OF ALL OR ANY PORTION OF THE AMOUNT
18 FINANCED, FUNDED, ADVANCED, OR LOANED IS:

19 (i) CONTINGENT ON THE OUTCOME OF A CIVIL ACTION; OR

20 (ii) REQUIRED ONLY IF THE CONSUMER PREVAILS IN A CIVIL
21 ACTION; OR

22 (2) THE MONEY OR FUNDS FOR THE REPAYMENT OF ANY AMOUNT OF
23 FINANCING, FUNDING, ADVANCE, OR LOAN IS DERIVED OR SOURCED, DIRECTLY OR
24 INDIRECTLY, FROM THE PROCEEDS OR OTHER CONSIDERATION REALIZED FROM
25 ANY JUDGMENT, AWARD, SETTLEMENT, VERDICT, OR OTHER FORM OF MONETARY
26 RELIEF THE CONSUMER MAY RECEIVE OR RECOVER IN RELATION TO A CIVIL
27 ACTION.

28 (G) (1) "LITIGATION FINANCING CONTRACT" MEANS A WRITTEN
29 CONTRACT IN WHICH A LITIGATION FINANCIER AGREES TO PROVIDE LITIGATION
30 FINANCING TO A CONSUMER IN CONJUNCTION WITH A CIVIL ACTION AS
31 CONSIDERATION FOR:

32 (i) REPAYMENT OF THE LITIGATION FINANCING;

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1 (II) THE PAYMENT OF INTEREST, FEES, OR OTHER
2 CONSIDERATION TO THE LITIGATION FINANCIER; OR

3 (III) ASSIGNING TO THE LITIGATION FINANCIER A RIGHT TO
4 RECEIVE PAYMENT FROM THE VALUE OF:

5 1. ANY PROCEEDS OR OTHER CONSIDERATION
6 REALIZED FROM ANY JUDGMENT, AWARD, SETTLEMENT, OR VERDICT; OR

7 2. ANY OTHER FORM OF MONETARY RELIEF A
8 CONSUMER, A LEGAL REPRESENTATIVE, OR ANY OTHER PERSON MAY RECEIVE OR
9 RECOVER IN RELATION TO THE CIVIL ACTION.

10 (2) "LITIGATION FINANCING CONTRACT" DOES NOT INCLUDE AN
11 AGREEMENT, A CONTRACT, OR AN ENGAGEMENT OF A LEGAL REPRESENTATIVE TO
12 RENDER LEGAL SERVICES TO A CONSUMER ON A CONTINGENCY FEE BASIS,
13 INCLUDING THE ADVANCEMENT OF LEGAL COSTS BY THE LEGAL REPRESENTATIVE
14 IN WHICH THE SERVICES OR COSTS ARE PROVIDED TO OR ON BEHALF OF A
15 CONSUMER BY THE LEGAL REPRESENTATIVE WHO IS REPRESENTING THE
16 CONSUMER IN A CIVIL ACTION.

17 ~~(H) "PORTFOLIO OF ACTIONS" MEANS AN ARRANGEMENT IN WHICH A~~
18 ~~LITIGATION FINANCIER FINANCES MULTIPLE CIVIL ACTIONS BELONGING TO AN~~
19 ~~ATTORNEY OR A LAW FIRM WITH ANY RETURN ON INVESTED CAPITAL COMING FROM~~
20 ~~THE SETTLEMENT OR JUDGMENT OF ANY INDIVIDUAL CIVIL ACTION OR GROUP OF~~
21 ~~CIVIL ACTIONS.~~

22 12-1302.

23 IT IS THE INTENT OF THE GENERAL ASSEMBLY TO PROMOTE CONSUMER
24 PROTECTION AND TRANSPARENCY IN THIRD-PARTY LITIGATION FINANCING
25 TRANSACTIONS THROUGH THE LICENSING, REGULATION, AND DISCLOSURE
26 REQUIREMENTS PROVIDED UNDER THIS SUBTITLE.

27 12-1303.

28 (A) A LITIGATION FINANCIER MAY NOT PROVIDE LITIGATION FINANCING
29 UNLESS THE LITIGATION FINANCIER IS LICENSED UNDER TITLE 11, SUBTITLE 2 OR
30 3 OF THIS ARTICLE.

31 (B) LITIGATION FINANCING SHALL BE CONSIDERED A LOAN SUBJECT TO
32 TITLE 12, SUBTITLE 1, 3, 9, OR 10 OF THE COMMERCIAL LAW ARTICLE AS MAY BE
33 APPLICABLE.

1 **12-1304.**

2 (A) A PARTY IN A CIVIL ACTION SHALL PROVIDE, WITHOUT WAITING FOR A
3 DISCOVERY REQUEST, TO EACH OF THE OTHER PARTIES IN THE CIVIL ACTION AND
4 EACH INSURER THAT HAS A DUTY TO DEFEND ANOTHER PARTY IN THE CIVIL ACTION
5 ANY LITIGATION FINANCING CONTRACT UNDER WHICH A LITIGATION FINANCIER
6 HAS A RIGHT TO RECEIVE COMPENSATION THAT IS CONTINGENT IN ANY RESPECT ON
7 THE OUTCOME OF THE CIVIL ACTION.

8 (B) DISCLOSURE IS REQUIRED UNDER SUBSECTION (A) OF THIS SECTION
9 REGARDLESS OF WHETHER A CIVIL ACTION HAS FORMALLY COMMENCED.

10 (C) (1) THE DISCLOSURE REQUIRED UNDER SUBSECTION (A) OF THIS
11 SECTION IS A CONTINUING OBLIGATION.

12 (2) WITHIN 30 DAYS AFTER ENTERING INTO A LITIGATION FINANCING
13 CONTRACT OR AMENDING AN EXISTING LITIGATION FINANCING CONTRACT, A PARTY
14 IN A CIVIL ACTION SHALL DISCLOSE AND DELIVER A NEW OR AMENDED LITIGATION
15 FINANCING CONTRACT TO ALL OTHER PARTIES AND EACH INSURER THAT HAS A
16 DUTY TO DEFEND ANOTHER PARTY IN THE CIVIL ACTION.

17 **12-1305.**

18 THE FOLLOWING INFORMATION ARE PERMISSIBLE SUBJECTS OF DISCOVERY
19 IN ANY CIVIL ACTION FOR WHICH LITIGATION FINANCING IS PROVIDED UNDER A
20 LITIGATION FINANCING CONTRACT, REGARDLESS OF WHETHER A CIVIL ACTION HAS
21 FORMALLY COMMENCED:

22 (1) THE EXISTENCE OF A LITIGATION FINANCING CONTRACT;

23 (2) EACH PARTICIPANT OR PARTY TO THE LITIGATION FINANCING
24 CONTRACT; AND

25 (3) THE CONTENTS OF THE LITIGATION FINANCING CONTRACT.

26 **12-1306.**

27 THE COMMISSIONER MAY ADOPT REGULATIONS TO CARRY OUT THE
28 PROVISIONS OF THIS SUBTITLE.

29 SECTION 2. AND BE IT FURTHER ENACTED, That, if any provision of this Act or
30 the application of any provision of this Act to any person or circumstance is held invalid for
31 any reason in a court of competent jurisdiction, the invalidity does not affect other

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1 provisions or any other application of this Act that can be given effect without the invalid
2 provision or application, and for this purpose the provisions of this Act are declared
3 severable.

4 SECTION 3. AND BE IT FURTHER ENACTED, That, except for § 12–1303 of the
5 Financial Institutions Article, as enacted by Section 1 of this Act, this Act shall be construed
6 to apply only prospectively and may not be applied or interpreted to have any effect on or
7 application to any litigation financing contract, as defined in § 12–1301 of the Financial
8 Institutions Article, as enacted by Section 1 of this Act, entered into before the effective
9 date of this Act.

10 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect
11 October 1, 2026.