It is enacted by the General Assembly as follows:

SECTION 1. Title 9 of the General Laws entitled "COURTS AND CIVIL PROCEDURE--PROCEDURE GENERALLY" is hereby amended by adding thereto the following chapter:

CHAPTER 3.1

LITIGATION LENDING AGREEMENTS

9-3.1-1. Legislative findings. – The legislature finds and declares that:

(1) Litigation financing contracts are being entered into where companies advance money to a litigant in return for payment from litigation proceeds at effective annual interest rates far exceeding state usury limits; and

(2) Such contracts often bear annual interest rates over one hundred percent (100%); and

(3) Such rates are detrimental to the general welfare of the citizens of this state and it is necessary to enact legislation to insure litigation-funding advances conform to state laws regarding usurious loans.

9-3.1-2. Litigation lending agreement defined. – A litigation lending agreement ("LLA") is any agreement whereby monies are paid to parties to civil litigation ("litigants") in consideration for a litigant’s agreement to repay such monies (with or without interest, one-time charges, use fees, or any other add-on charges) from proceeds of the litigation. Not included in the definition of an LLA are advancements of expenses of litigation made by attorneys on behalf
of their clients, as permitted by rule 1.8(e) of the Rhode Island Rules of Professional Conduct.

9-3.1-3. Litigation advances considered loans within usury statute. - All payments

made by a litigant under an LLA greater than the amount received by the litigant under the LLA
shall be considered interest on loans within the purview of § 6-26-2 of the general laws, entitled,

“Maximum rate of interest” regardless of:

(1) Whether an LLA characterizes itself as a “loan,” an “advance,” an “investment,” an
“assignment of proceeds,” or any other characterization;

(2) Whether monies to be repaid under the LLA are called “interest,” “use fees,” or any
other term;

(3) Whether the amount received by the litigant under the LLA otherwise exceeds any
monetary limit for loans falling within Rhode Island’s usury statute; and

(4) Whether the obligation on the part of the litigant to repay monies is contingent upon
the outcome of the litigation.

SECTION 2. This act shall take effect upon passage.
This act would make litigation loan agreements subject to state interest and usury statutes.

This act would take effect upon passage.

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