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AMERICA

Senate Kills Rule On Class-Action Suits Against Financial Companies

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SCOTT NEUMAN



Consumer Financial Protection Bureau Director Richard Cordray, shown last October at a panel discussion in Richmond, Va., called Tuesday's vote "a giant setback for every consumer in this country. Wall Street won and ordinary people lost."

Steve Helber/AP

The Senate has voted to get rid of a banking rule that allows consumers to bring class-action lawsuits against banks and credit card companies to resolve financial disputes.

Renewed Calls For CFPB Director To Be Fired

With Vice President Pence casting the tie-breaking vote, the rollback of the Consumer Financial Protection Bureau rule banning restrictive mandatory arbitration clauses found in the fine print of credit card and checking account agreements passed 51-50, with Sens. Lindsey Graham, R-S.C., and John Kennedy, R-La., voting against repeal.

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The Republican-controlled House had already voted to rescind the rule and President Trump is expected to quickly sign the measure, which also bars similar rules in the future.

The CFPB rule, released in July, was aimed at giving consumers more power. Prior to the rule, the CFPB said companies could "sidestep the court system" by "forcing consumers to give up or go it alone."

This allowed companies to "avoid big refunds, and continue harmful practices," the CFPB wrote in July in announcing the changes.

CFPB said it was redressing a situation in which consumers were forced "to give up or go it alone — usually over small amounts," while companies were able to "sidestep the court system, avoid big refunds, and continue harmful practices."

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In a statement released shortly after the vote, CFPB Director Richard Cordray said it represented "a giant setback for every consumer in this country. Wall Street won and ordinary people lost."

In July, The Washington Post wrote that the rule "came about because of the 2010 Dodd-Frank financial reform legislation, which the Trump administration and Republicans have been trying to dismantle. The legislation required the CFPB to study the use of arbitration agreements and report back to Congress. The rule is a result of that report."

The move is part of a larger push by Republicans to roll back regulations that they believe hurt the free market.

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White House press secretary Sarah Huckabee Sanders said President Trump supported the move because "the rule would harm our community banks and credit

unions by opening the door to frivolous lawsuits by special interest trial lawyers."

Democrats argue that such rules give consumers more power to stop abusive practices, citing "the sales practices at Wells Fargo and the security breach at credit company Equifax as examples of misdeeds protected through forced arbitration," The Associated Press writes.

"So who does forced arbitration help? Wall Street banks and other huge corporations that never pay the price for cheating working people," said Sen. Sherrod Brown, D-Ohio.

As NPR has reported, "in recent years, and especially after a Supreme Court decision in 2011, mandatory arbitration clauses have become widespread across all kinds of industries. So consumers in many instances have signed away their right to seek restitution through a class action."

The financial industry, however, says the rule would encourage lawyers to "unfairly shake down companies to line their own pockets ... [and] raise legal costs for companies, which in turn would increase prices for consumers," NPR reported.

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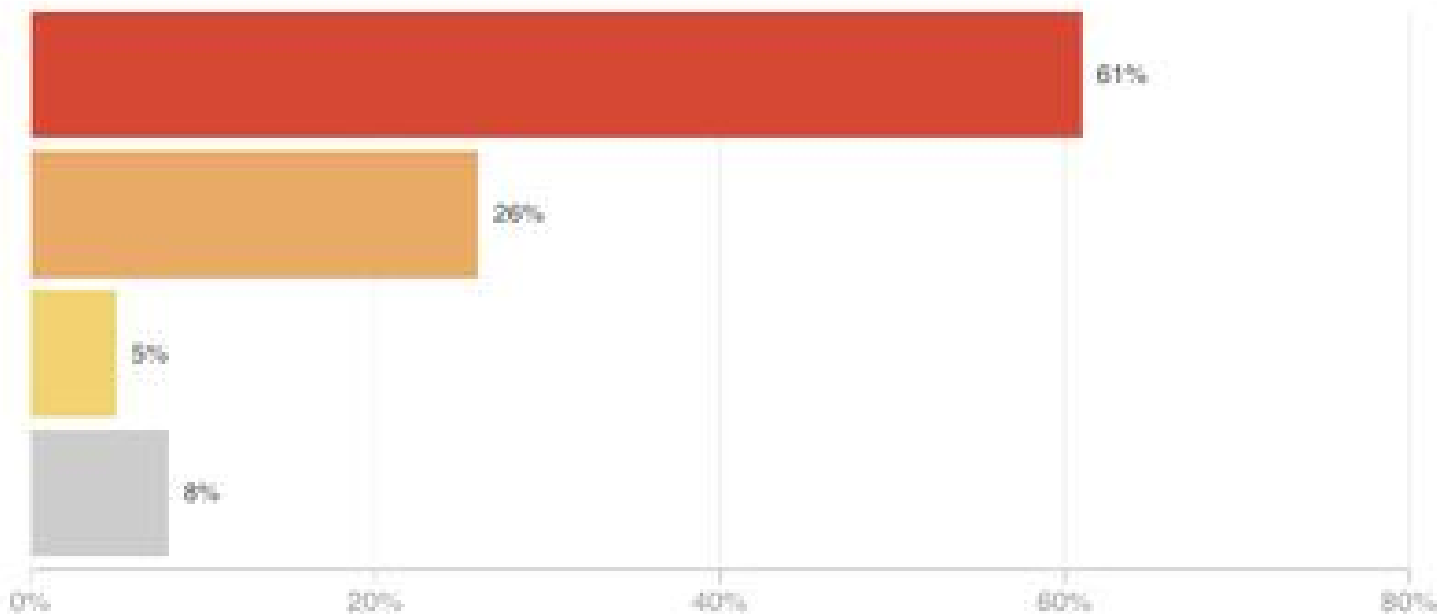
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