Third-party litigation funding: protecting consumers

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Agenda

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- Context: our work to address risks and harms in the high-volume consumer claims (HVCC) sector
- Role of third-party litigation funding
- Our consultation proposals
- Next steps
- Questions

Context: high volume consumer claims (1)

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High volume consumer claims arise when large numbers of consumers file claims against the same organisation or in relation to the same issue

When they work well, they can:

- ✓ provide an effective route for consumers to enforce their rights
- ✓ increase access to justice
- ✓ enable consumers to pursue claims that might otherwise be out of reach

Context: high volume consumer claims (2)

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However, we have concerns about the risks arising from poor practice and firm failure. For example, these may be related to:

- how clients are acquired and onboarded, including how referral arrangements work
- potential failings in how the 'no-win, no-fee' market operates
- lack of transparency around fees and costs
- how firms manage claims on a day-to-day basis
- how firms fund claims work and implications for clients

Our programme of work to address HVCC risks and harms

We are delivering a targeted programme of work to protect consumers and hold firms to account, including:

- working in partnership with the sector to identify and address risks early
- working with other key regulators
- investigating potential wrong-doing and taking enforcement action
- working with government and wider stakeholders
- sharing best practice advice and guidance with the public and profession
- reviewing and developing our rules and approaches

Role of third-party litigation funding in the HVCC sector

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It can play an important role in increasing access to justice – but can also expose consumers to harms and risks, including:

- inadequate management of risks
- challenges in maintaining independence and acting in clients’ best interests
- poor provision of client information
- due diligence and financial crime risk

Our third-party litigation funding consultation definitions (1)

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Third-party litigation funding is funding provided by an individual or business who:

- is not a party to the funded dispute
- is independent of both the client(s) and the solicitors representing the client in the relevant dispute

This could be through arrangements:

- between funder, law firm and client
- directly between funder and client
- between the funder and the law firm

Our third-party litigation funding consultation definitions (2)

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Our proposals apply to law firms ‘using’ or ‘arranging’ third-party litigation funding including:

- third-party litigation funding agreements
- working capital arrangements

Most of our proposals are for the use of litigation funding for consumer claims, excluding:

- commercial claims
- personal injury and clinical negligence claims
- defending consumer (or other) claims
- competition Appeal Tribunal collective actions

Consultation proposal 1: when acting in third-party funded matters

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A requirement to inform clients and funders in writing that third-party litigation funders are not regulated by the SRA, and to explain law firms’ core obligations when working with third-party litigation funders, including:

- maintaining independence from a funder
- acting in clients' best interests
- only disclosing confidential information with a client's informed consent
- applying to all solicitors and firms that use or arrange third-party litigation funding

Consultation proposal 2: funding information document

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A requirement for law firms to provide a funding information document before clients enter into a third-party litigation funding agreement.

The document would need to:

- include specified minimum information
- be prominently presented
- be provided before clients are asked to sign a funding agreement
- apply only when third-party litigation funding is for consumer claims

Consultation proposal 3: notification

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A requirement for law firms to notify the SRA promptly when they use or arrange third-party litigation funding

- Apply only when third-party litigation funding is for consumer claims

Consultation proposal 4: risk assessment

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A requirement for law firms to produce and retain a third-party litigation funding risk assessment

Risk assessments to:

- be provided to the SRA on request
- cover a prescribed list of risk factors
- be updated every six months
- apply only when third-party litigation funding is for consumer claims

Consultation proposal 5: orderly closure plan

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A requirement for law firms to produce and retain an orderly closure plan

Orderly closure plans to:

- be provided to SRA on request
- cover a prescribed list of factors
- be updated every six months
- apply only when third-party litigation funding is for consumer claims and where a law firm meets one or more specified conditions

Next steps

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The consultation closes 17 September 2026

Submit your feedback via the consultation: www.sra.org.uk/protecting-consumers

Any queries, email us at jointhediscussion@sra.org.uk

Keep up to date with our publications, including the consultation: www.sra.org.uk/claims

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Any questions?