



Forced Arbitration

WHAT IS FORCED ARBITRATION?

“Forced arbitration” is a term in a contract that prevents you from going to court to settle any disputes with the company. It is a system of private companies and private judges that decide a dispute or disagreement you have with a business. The company selects the person to decide the matter, and that person is usually an attorney. You cannot go to court to a real judge. It is often a secret process that the business has used many times before.

HOW DOES IT AFFECT YOU?

Almost every contract you sign with a business has fine print that says you agree to arbitration, including credit cards, cell phones and car purchases. It takes away important legal protections from you.

In a usual legal dispute, the U.S. Constitution gives you a right to a jury trial to decide your case, that is, people from your community. You have the right to appeal the case if you lose. You have a neutral judge. You can get important information from the business through the court rules and laws.

In arbitration, you have no right to a jury. You have no meaningful right to appeal the decision. You have very limited ways to get information from the business. Many protections of law don’t apply to arbitration.

EXAMPLE:

You purchase a car and find out later that the dealer lied about the condition of the car and it was really a “salvage” vehicle. It was not safe to drive and you paid too much for a car in that

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condition. You need to enforce your right to a safe vehicle and your right not to be lied to. The car dealer claims it did not lie to you.

But you later find the **arbitration clause in the contract or in a separate contract**. You cannot bring a suit in court for these wrongs. You will be forced to go to a private company and a private judge who will decide the dispute. If you lose you can't appeal.

WHAT CAN YOU DO ABOUT IT?

- If you are entering into a contract with a business, make sure you do NOT agree to forced arbitration. You can try to object and say you want a contract with NO arbitration.
- You choose not to sign the contract with the business. As a consumer, your greatest power is the power to walk away.
- If you have already entered into a contract with an arbitration clause in it, many of these have a way to “**opt out**” or specifically say you want to be able to go to court and avoid the arbitration process. However, you will have a very short time within which to opt out, so do it immediately.

STEPS TO OPT-OUT:

- 1) Find the part of your contract that lets you “opt out” or avoid the arbitration;
- 2) Follow the directions. Usually this is writing a letter to the business with name and account number;
- 3) Send the letter by certified mail;
- 4) Keep a copy of your letter for your records.

COMPLAINT PROCESS

If you've signed a contract that includes a forced arbitration provision, and if you are now having problems because of that, you may wish to register a complaint with the federal Consumer Financial Protection Bureau (CFPB). They will investigate your complaint and usually will contact the company. You may submit a complaint at <http://www.consumerfinance.gov/>.

THIS INFORMATION IS NOT LEGAL ADVICE. Legal advice is dependent upon the specific circumstances of each situation. Therefore, the information contained in this pamphlet cannot replace the advice of competent legal counsel.

Free Legal information by Web and Phone: www.vlas.org and
1-866-LegalAid (534-5243)

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