

Mandatory Arbitration: Know Your Rights



What is Mandatory Arbitration?

Many common transactions involve contracts, more and more of which are beginning to include arbitration clauses. Arbitration is a method of handling a dispute that involves a third-party decision-maker, instead of a judge or a jury. Parties with a legal disagreement can decide (or can be required) to have an arbitrator issue a final, binding decision about their disagreement. If you sign a contract that contains a mandatory arbitration clause, you are ultimately agreeing to resolve any problems that may arise under the contract without using the court system.

Watch Out For:

- Arbitration agreements that put the cost of arbitration on you, the consumer.
- People who try to pressure you into signing an optional arbitration agreement.
- Arbitration clauses hidden in fine print or as an addendum to your contract.
- Companies changing terms of a contract after you have signed an agreement.
- An agreement that allows the company to choose the arbitrator or location for arbitration.

Georgia Law Allows Mandatory Arbitration Only in Certain Situations:

ALLOWED in these situations:

- Employment
- Home building
- Car loans & leases
- Service contracts (Cell Phone, Cable)
- Online agreements (iTunes, Netflix)
- Credit cards
- Retirement accounts
- Investment accounts
- Checking accounts
- Nursing facilities

NOT allowed in these situations:

- Contracts for the purchase of consumer goods (for example, cars)
- Insurance contracts
- Provisions relating to injuries resulting from medical care (medical malpractice)
- Provisions relating to personal bodily injury or wrongful death
- Loan agreements in which the amount of debt is \$25,000 or less at the time loan is signed

Some contracts allow consumers to opt out of arbitration! Terms of a contract are typically negotiable, so don't be shy about pushing back when a contract includes a mandatory arbitration clause, or language that you do not agree with.

Things to Consider Before You Sign:

No right to a jury trial or an appeal. Arbitration clauses in contracts typically deprive consumers of their right to a jury trial, and of their right to appeal. The arbitrator's decision is usually final, and the results are often confidential and not made public.

Reduced Compensation and Claims. Arbitration generally results in lower compensation to the harmed consumer than jury trials. The possibility of reduced payouts often keeps consumers from filing claims against corporate wrongdoers. Even if you file a claim and win a monetary award, the award may not cover the cost of the original harm plus the cost of arbitration.

Prevention of Class Action Suits. Courts have held that businesses can legally prevent class action arbitration (a "class action" involves a large group of people who bring a claim together), even if the cost of individual arbitration would not be feasible in light of the possible recovery. A recent study found that 9 of every 10 arbitration clauses prevent consumers from banding together to bring collective claims.

Consumer More Likely to Lose. Businesses prefer arbitration because they are more likely to win. Arbitrators are more likely than juries to rule in favor of businesses, and a business can increase its chance of winning if the contract allows it to choose the arbitrator.

For more Information About Arbitration, Visit:

Consumer Financial Protection Bureau

<http://www.consumerfinance.gov>

(855) 411-2372

National Consumer Law Center

<http://www.nclc.org/>

(617) 542-8010

National Association of Consumer Advocates

<http://www.naca.net/>

(202) 452-1989

Public Citizen

<http://www.citizen.org>

(202) 588-1000