Protecting Alaskan’s Rights to Arbitration

In a recent class action lawsuit against Ticketmaster the court ordered the company to pay out $42 million over four years, and no less than $10.5 million per year to consumers. However, the reality of what consumer’s actually received is detailed in a New York Times article entitled, “Why You Probably Won’t Get to Use Your Ticketmaster Vouchers.”

Outlined in the article is the fine print of the settlement including the difficulty consumers have in actually receiving any remuneration.

The author of the article notes, “How and when those vouchers can be used has befuddled people, and confusion has only grown since Ticketmaster released $5 million worth of free tickets this week. Those tickets were quickly claimed, leaving most people unable to redeem their vouchers and feeling pretty irritated.” Such a measly payout to those who actually deserve to be made whole is not an uncommon result for class action litigation.

For credit union members, the results of class-action litigation are even worse since it essentially means that the resources of all of that credit union’s members is moved to a small pool of members (or even non-members), with plaintiffs’ attorneys taking their cut in-between. At a credit union, each member with an account is also an owner - an owner that has pooled his or her resources with fellow owners. This means all the financial resources of the credit union is money that belongs to all its members. Therefore, members are directly affected by any negative monetary impact, especially regarding any costly legal matters.

Yet, the Consumer Financial Protection Bureau (CFPB) is taking away the ability to limit class action litigation. In what’s known widely in Washington as the arbitration rule, the claim from supporters is that arbitration harms consumers and that class-action litigation is the consumer-friendly ideal. Unfortunately, even the agency’s own research does not support this rhetoric championed by the trial bar.

Instead, it shows that 87% of putative class actions resulted in zero class-wide recovery and that of the 13% of class actions that did settle on a class-wide settlement, a weighted average of only 4% of consumers in those cases received any monetary recovery at all. According to the CFPB’s own study, the average payout for the few consumers who actually recover something is about $32 while the average plaintiff’s lawyer pockets $1 million. In arbitration, however, consumers recover $5,389 on average. The CFPB’s study also shows that the average time frame for arbitration is two to seven months while the average class action suit takes one to two years to complete. It is quite unclear how padding the pockets of trial lawyers improves the financial situation of most Alaskans.

Credit unions are the go-to financial institution for a majority of Alaskans. There are several reasons for this, including the fact that credit unions are known for excellent customer service and their personal relationships with their members, which means disputes between credit unions and their member-owners are rare.
However, should a dispute between a credit union and a member arise, the credit union’s structure as a not-for-profit, member-owned financial cooperative provides numerous ways to quickly and amicably resolve the dispute. While credit unions are less likely to enforce an arbitration clause, it can be an important resource to protect the equity built by and owned by the credit union’s members.

A rule banning the ability to use arbitration doesn’t make sense for any credit union member across this state. Thankfully, there’s a chance we can avoid any negative impact. The House of Representatives disapproved of this anti-arbitration rule and the Senate has the chance to do the same. Unfortunately, more Washington-based groups, many representing the interest of trial lawyers, are putting pressure on our senators to back the anti-arbitration rule, and we couldn’t disagree with them more on this matter.

As the original protectors of consumer’s finances, credit unions believe this rule has the potential to hurt more Alaskans than it protects.