Illinois Coalition for LEGAL REFORM

PRESS RELEASE

FOR IMMEDIATE RELEASE

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Illinois Coalition on Legal Reform Applauds Introduction of Legislation to Regulate Commercial Lawsuit Lending

SPRINGFIELD, Ill. — The Illinois Coalition on Legal Reform today applauded the introduction of legislation (HB 5244) sponsored by **State Rep. Dan Ugaste (R–Geneva)** to address **commercial lawsuit lending**, also known as **third-party litigation funding (TPLF)**, in Illinois.

Commercial TPLF allows outside investors — including hedge funds, sovereign wealth funds, and other financiers with no stake in the underlying dispute — to fund lawsuits in exchange for a share of any settlement or judgment. While these arrangements are often marketed as harmless "financing," they can allow unknown third parties to profit from and sometimes control lawsuits while driving up litigation costs for businesses, consumers, and communities.

"**Third-party litigation funding is turning our courts into a marketplace for outside investors — often with no ties to Illinois. This bill is about transparency and fairness. If someone is funding a lawsuit and expecting to profit from it, the public and the courts deserve to know who they are and what role they're playing,**" said **State Rep. Dan Ugaste (R–Geneva)**, Republican Spokesperson for the House Judiciary–Civil Committee.

"Commercial third-party litigation funding has grown quickly, but Illinois law has not kept pace," said **Katie Reilly, Executive Director of the Illinois Coalition for Legal Reform**. "This legislation brings needed transparency and commonsense guardrails to ensure that lawsuits filed in Illinois are driven by facts and justice — not investors seeking profit."

Why the Legislation Matters

Commercial third-party litigation funding remains largely undisclosed and unregulated in Illinois. There are currently **no meaningful disclosure requirements** and limited safeguards — allowing funders to quietly influence litigation, drive up costs, and encourage meritless claims.

Just as importantly, a lack of transparency has created vulnerabilities in the civil justice system, including the potential for **foreign-backed investors** to use Illinois courts as a financial tool.

Key Reforms in the Legislation

The measure introduced by Rep. Ugaste addresses several major concerns with commercial lawsuit lending in Illinois, including:

- **Banning foreign funding**, to deter sovereign wealth funds and foreign principals from investing in our legal system for financial leverage and to obtain an inside view of confidential information exchanged during a litigation to benefit the foreign entity
- **Limiting funder recoveries**, ensuring that plaintiffs — not outside financiers — receive a meaningful portion of any recovery
- **Regulating commercial TPLF**, closing gaps not covered by Illinois' existing consumer protections

Illinois Is Not Alone

Illinois is not the only state confronting the rise of commercial litigation financing. Similar legislation has been introduced in **Iowa**, advanced out of committee in **Missouri**, and enacted into law in **Wisconsin and Indiana**.

At the federal level, Congress has also taken steps to address third-party litigation funding through proposals including:

- **Tackling Predatory Litigation Funding Act (S.1821 / Rep. Hern)** — Introduced in May 2025 to tax TPLF profits, closing a loophole that allows foreign funders to profit from Illinois litigation without paying taxes on those gains
- **Protecting Our Courts from Foreign Manipulation Act (H.R. 2675)** — A measure aimed at restricting foreign funding of U.S. litigation

Building on Prior Consumer Reforms

The Illinois Coalition on Legal Reform noted that this measure builds on the state's prior work regulating **consumer third-party litigation funding** through the **Consumer Legal Funding Act**, enacted in 2022. That law includes licensing requirements, contract disclosures, fee caps, and prohibitions on funders controlling litigation decisions.

However, those protections only apply to consumer agreements — not **commercial lawsuit lending**, which has become a fast-growing and increasingly influential sector in civil litigation.

About the Illinois Coalition on Legal Reform

The Illinois Coalition on Legal Reform is a statewide association dedicated to combating abusive litigation and excessive jury verdicts by creating a fair, efficient, and predictable legal system for all Illinois citizens. The Coalition is a **non-profit, non-partisan, member-supported** organization active in the legislature and the courts. Through legislative advocacy, education, and public relations, the Coalition promotes a civil justice system that is fair to all litigants and supportive of job and economic growth.

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