

Date of Hearing: March 24, 2026

ASSEMBLY COMMITTEE ON JUDICIARY  
Ash Kalra, Chair  
AB 2039 (Zbur) – As Amended March 16, 2026

As Proposed to be Amended

**SUBJECT:** ATTORNEYS

**KEY ISSUES:**

- 1) SHOULD NEW ETHICAL OBLIGATIONS BE PLACED ON ATTORNEYS LOANING FUNDS TO CLIENTS?
- 2) SHOULD THE STATE’S ANTI-CAPPING STATUTES BE ENHANCED TO DETER FRAUD?
- 3) SHOULD WHISTLEBLOWER PROTECTIONS BE PROVIDED TO PERSONS WHO DISCLOSE FRAUDULENT CONDUCT BY ATTORNEYS TO LEGAL AUTHORITIES?

**SYNOPSIS**

*While the overwhelming majority of those licensed to practice law in California are ethical and competent professionals seeking justice for their clients, thanks to some over-the-top advertising by some attorneys the entire industry is painted as corrupt and money hungry. Seeking to enhance public trust in the legal profession, California law and the Rules of Professional Conduct are replete with ethical standards for attorneys, including prohibitions on paying for clients, standards governing honesty in attorney advertising, and the duty of honesty and candor when filing documents or addressing the court. Despite these regulations, troubling allegations are arising in Los Angeles County about attorneys paying for clients to fraudulently sue local governments in the wake of several settlements reached by local governments to compensate victims of rampant childhood sexual assault occurring within government facilities.*

*Seeking to restore public trust in the legal profession and to crack down on fraudulent behavior by attorneys this bill makes several reforms to the existing law. First, the bill adopts significant limitations and regulations on attorneys loaning money to clients. Secondly, the bill authorizes local public prosecutors to seek civil penalties of \$25,000 against attorneys found to be capping and filing fraudulent legal actions. Finally, the bill adopts whistleblower protections for people who report attorney misconduct.*

*This bill is supported by the Consumer Attorneys of California, the California Employment Lawyers Association, and several regional attorney organizations. The Civil Justice Association of California supports the measure, if amended, to strengthen oversight of the enforcement arm of the State Bar. This bill has no registered opposition.*

**SUMMARY:** Enhances ethical standards for attorneys to prevent unlawful loans to clients, further deter “capping,” and ensure that specified retaliation provisions of the Labor Code apply to law firms. Specifically, **this bill:**

- 1) Prohibits an attorney from entering into a loan or financial assistance arrangement with a client unless all the agreement is in a separate written contract distinct from the retainer agreement and it contains all of the following:
  - a) The total amount financed;
  - b) Repayment terms and contingencies;
  - c) All fees, costs, and charges; and
  - d) Potential conflicts of interest arising from the arrangement.
- 2) Prohibits an attorney from charging the client interest on any loan or any funds that are advanced for any purpose, whether for case expenses or any other purpose, and prohibits all loan terms that materially impair a client's autonomy or litigation decisions.
- 3) Requires an attorney loaning a client funds, before the execution of such agreement, to advise the client in writing that the client may seek independent legal or financial advice, and to provide the client a cooling-off period of not less than five business days unless waived in writing after disclosure, as specified.
- 4) Prohibits an attorney from doing any of the following:
  - a) Conditioning legal strategy, settlement decisions, or continued representation on acceptance or repayment of a loan;
  - b) Using a loan to acquire ownership, control, or leverage over the client's cause of action beyond lawful attorney liens; and
  - c) Structuring financial assistance in a manner that interferes with independent professional judgment.
- 5) Provides that a violation of 1) through 4) may result in an attorney being liable for any of the following:
  - a) Restitution, rescission or reformation of the agreement;
  - b) Civil penalties in the amount of fifteen thousand dollars (\$15,000) per offense;
  - c) Injunctive relief; and
  - d) Disciplinary action by the State Bar of California, as specified.
- 6) Provides that any contractual term that violates 1) through 4) is void as contrary to public policy.
- 7) Provides that the provisions of 1) through 4) supplement and do not supersede existing ethical obligations governing business transactions with clients and shall be interpreted consistently with guidance from the American Bar Association and the California Rules of Professional Conduct.

- 8) Requires the State Bar of California to utilize summary disbarment procedures for any licensee upon the occurrence of either of the following:
  - a) A felony conviction for violating the existing law's provision prohibiting capping or running; or
  - b) A misdemeanor conviction for capping or running where the court finds, or the record establishes, that the licensee acted knowingly and for financial gain.
- 9) Prohibits, in any action commenced pursuant to 8), the State Bar of California from negotiating, recommending, or imposing an alternative form of discipline, including but not limited to reproof, suspension, diversion, or probation, in lieu of revocation.
- 10) Provides that the pendency of an appeal of a conviction of an offense specified in 8) does not prevent interim suspension pursuant to existing Rules of Procedure of the State Bar of California.
- 11) Provides that, notwithstanding existing civil and criminal sanctions for capping, a person, firm, partnership, association, or corporation violating the state's anti-capping statute is liable for a civil penalty of twenty-five thousand dollars (\$25,000) per violation.
- 12) Provides that, for the purpose of assessing penalties pursuant to 11), every client retained and claim filed while engaging in the conduct of unlawful capping constitutes an individual violation.
- 13) Authorizes the Attorney General, a city attorney, or a county counsel to file an action seeking the penalties specified in 11), and if the public prosecutor prevails the awarding of reasonable attorney's fees and costs.
- 14) Prohibits an employer, law firm, attorney, or any person acting on their behalf from retaliating against an individual for disclosing information in good faith, or because the employer law firm or attorney believes the individual disclosed or may disclose information in good faith, where the individual has reasonable cause to believe that the information reveals a violation of the State Bar Act, the California Rules of Professional Conduct, or any state or federal statute, rule, or regulation governing the conduct of attorneys.
- 15) Specifies, for the purpose of 14), a protected disclosure includes reports made to the State Bar of California, a court, a public prosecutor, or a person with authority to investigate or correct the violation, but that nothing in 14) relieves any attorney of their duty to maintain attorney-client privilege, as specified.
- 16) Clarifies that the attorney-client privilege does not prohibit any disclosure made pursuant to 14) if made by the client.
- 17) Provides that the protections of 14) applies to employees, former employees, applicants, independent contractors, vendors, clients, and any person with a professional relationship to an attorney or law firm provided that the information is disclosed in good faith.
- 18) Provides that for the purpose of 14) retaliation includes termination, demotion, discipline, threats, harassment, blacklisting, adverse contract actions, or any conduct that would deter a

reasonable person from reporting misconduct, consistent with standards applied under the Labor Code, and that retaliation committed by an attorney or any person acting on their behalf shall constitute grounds for discipline by the State Bar of California.

- 19) Requires, when feasible, reporting mechanisms administered by the State Bar of California or authorized agencies to permit confidential or anonymous submissions consistent with existing whistleblower statutes.
- 20) Makes various findings and declarations.

**EXISTING LAW:**

- 1) Establishes the State Bar Act and provides for the licensure and regulations of attorneys practicing in California. (Business and Professions Code Section 6000 *et seq.*)
- 2) Provides that a written fee agreement is subject to the attorney-client privilege. (Business and Professions Code Section 6149.)
- 3) Requires all contracts for a consumer legal funding transaction to disclose material terms to the consumer, including, but not limited to, all of the following:
  - a) The funded amount to be paid to the consumer by the consumer legal funding company upon the completion of litigation;
  - b) An itemization of any one-time charges;
  - c) The maximum total amount to be assigned by the consumer to the consumer litigation funding company, including the funded amount and all charges;
  - d) A repayment schedule, including the dates in which all payments are due to the consumer litigation funding company;
  - e) A disclosure stating, "Consumer's right to cancellation: You may cancel this contract without penalty or further obligation within five business days after the funding date if you return to the consumer legal funding company the full amount of the disbursed funds;" and
  - f) A disclosure stating that the consumer legal funding company shall have no role in deciding whether, when, or for what dollar amount a legal claim may be settled. (Business and Professions Code Section 6252 (a).)
- 4) Prohibits any person, in an individual capacity or in a capacity as a public or private employee, or for any firm, corporation, partnership or association to act as a runner or capper for any attorneys or to solicit any business for any attorneys in and about the state prisons, county jails, city jails, city prisons, or other places of detention of persons, city receiving hospitals, city and county receiving hospitals, county hospitals, superior courts, or in any public institution or in any public place or upon any public street or highway or in and about private hospitals, sanitariums or in and about any private institution or upon private property of any character whatsoever. (Business and Professions Code Section 6152 (a).)

- 5) Prohibits an individual, partnership, corporation, association, or any other nongovernmental entity from operating for the direct or indirect purpose, in whole or in part, of referring potential clients to attorneys, and no attorney can accept a referral of such potential clients, unless all of the following requirements are met:
  - a) The service is certified by the State Bar of California and is operated in conformity with minimum standards for a lawyer referral service established by the State Bar and approved by the Supreme Court; and
  - b) The combined charges to the potential client by the referral service and the attorney to whom the potential client is referred do not exceed the total cost that the client would normally pay if no referral service were involved. (Business and Professions Code Section 6155.)
- 6) Prohibits an employer, or any person acting on behalf of the employer, from making, adopting, or enforcing any rule, regulation, or policy preventing an employee from disclosing information to a government or law enforcement agency, to a person with authority over the employee, or to another employee who has authority to investigate, discover, or correct the violation or noncompliance, or from providing information to, or testifying before, any public body conducting an investigation, hearing, or inquiry, if the employee has reasonable cause to believe that the information discloses a violation of state or federal statute, or a violation of or noncompliance with a local, state, or federal rule or regulation, regardless of whether disclosing the information is part of the employee's job duties. (Labor Code Section 1102.5 (a).)
- 7) Prohibits an employer, or any person acting on behalf of the employer, from retaliating against an employee for disclosing information, or because the employer believes that the employee disclosed or may disclose information, to a government or law enforcement agency, to a person with authority over the employee or another employee who has the authority to investigate, discover, or correct the violation or noncompliance, or for providing information to, or testifying before, any public body conducting an investigation, hearing, or inquiry, if the employee has reasonable cause to believe that the information discloses a violation of state or federal statute, or a violation of or noncompliance with a local, state, or federal rule or regulation, regardless of whether disclosing the information is part of the employee's job duties. (Labor Code Section 1102.5 (b).)

**FISCAL EFFECT:** As currently in print this bill is keyed non-fiscal.

**COMMENTS:** Due to the competitive nature of the personal injury legal market, attorney advertising can be quite quicky in order to break through to potential clients. In fact, some attorneys are even famous, not because of their legal acumen, but because of their iconic advertising. As amusing as some advertisements for legal services may be, they are highly regulated to protect consumers from being misled into obtaining legal services through unethical or fraudulent solicitation tactics and to preserve the integrity of the attorney-client relationship. Attorneys cannot promise results, pay clients to sign up with their firm, or explicitly offer loans for retaining clients.

Unfortunately, troubling allegations are emerging in Los Angeles Couty that, in order to obtain part of a massive \$4 billion dollar settlement regarding rampant childhood sexual assault that went on unchecked for decades in the County's juvenile detention facilities, some attorneys are

resorting to illegal and unethical tactics to obtain clients. This bill builds on several legislative efforts in 2025 to further regulate the attorneys and stop the growing prevalence of fraud in certain sectors of the legal profession. In support of the measure the author states:

Attorneys are expected to meet the highest standards of ethics and professional conduct. Their role is to advocate for their clients and ensure they receive due process, but unfortunately some attorneys have chosen to instead use their position for personal gain. Recent reporting has highlighted a wave of inappropriate attorney conduct including allegations that attorneys paid recruiters to find them clients, paid individuals to be their clients, and then instructed clients not to speak with members of the press about their representation. Unethical conduct results in claims being brought that are false or fraudulent which not only undermines our justice system, it also denies real victims their day in court by wasting the time and resources that should go to real cases.

AB 2039 will increase accountability within the legal profession and ensure consistent enforcement of existing laws governing attorney misconduct. The bill does three key things: strengthens mandatory disbarment proceedings for attorneys who are guilty of paying or receiving compensation for client referrals, creates whistleblower protections for those who report attorney misconduct, and regulates attorney-client loans and financial advances. Together, these reforms will make sure attorneys are held accountable for misconduct and will reduce the number of fraudulent cases that take up time and resources in California courts.

***Existing law seeks to protect consumers from high-pressure tactics utilized by attorneys seeking business.*** The existing law regulating attorney's ability to solicit business stems from the unfortunate reality that some attorneys have resorted to highly unethical practices to obtain business. One of the most notorious practices historically used by some attorneys and law firms involves the practice of "capping" or using non-attorneys to retain clients when they are at their most vulnerable. Many people are familiar with the term "ambulance chasing," which refers to soliciting legal business from persons recently detained, injured in an accident, or involved in other mishaps that may require future legal representation. Recognizing that people are highly vulnerable to solicitations in these circumstances, the existing law prohibits soliciting would-be clients at hospitals, law enforcement detention facilities, and other public places in which vulnerable parties may not be able to resist the high-pressure tactics of cappers seeking to sign up clients. In recognition of how unethical capping is, the existing law provides severe sanctions for the practice. In addition to the long-standing criminal penalties seeking to further deter capping, last year's SB 37 (Umberg) Chap. 345, Stats. 2025, adopted private civil enforcement provisions.

Because of the truly unethical nature of capping it is one of the first topics taught in virtually every law school ethics class. Coupled with the extensive training for attorneys and severe legal sanctions imposed on those committing capping, it seemed as if the practice was left to a bygone era of history. Unfortunately, troubling recent allegations demonstrate the practice may be reemerging.

***A \$4 billion dollar settlement gives rise to renewed allegations of capping by attorneys.*** As this Committee is well aware, in 2025 Los Angeles County reached a settlement with thousands of plaintiffs resulting from the county's abject failure to protect children from sexual assault at juvenile detention facilities across the county. Similar allegations of unchecked sexual abuse by government employees or volunteers have been levied against cities and school districts across

the state. Due to the nature of California's civil justice system many of these victims have to hire attorneys on contingency fee agreements, essentially an agreement where the victim pays no costs upfront and the attorney is only paid when the case is successfully adjudicated. Typically, the contingency fee system involves significant risk to the attorney, as they front the legal fees, and should the attorney lose the case, they are responsible for the costs. However, with access to a \$4 billion settlement, the risk to attorneys greatly diminishes. Unfortunately, it appears that some attorneys have taken advantage of this tragic situation for a quick payday.

Following a year-long investigation, the Los Angeles Times uncovered evidence that at least one Los Angeles-area law firm was engaged in capping in an attempt to seek clients to sue Los Angeles County. (Rebecca Ellis, *In the biggest sex abuse settlement in U.S. history, some claim they were paid to sue*, Los Angeles Times (Oct. 2, 2025) available at: <https://www.latimes.com/california/story/2025-10-02/settlement-story-ab218-sex-abuse>.) The Los Angeles Time found evidence that a law firm that represents up to 25 percent of the plaintiffs in the Los Angeles County sex abuse settlement paid persons outside of a county social services office to sign up as clients alleging sexual abuse at the hands of county employees. (*Ibid.*) One man alleged that representatives of the law firm, the Downtown LA Legal Group, paid him \$200, \$100 at the county services office and another \$100 at the firm's offices, to sue the county. (*Ibid.*) Although the firm denied the allegations to the Los Angeles Times, the State Bar of California recently charged one of the first founding partners with the unlicensed practice of law for recruiting out-of-state clients, with the promise of apparently unrealistic case valuations, in jurisdictions for which they did not hold a valid license. (*DTLA Law Group founder charged with multistate unauthorized practice*, The Daily Journal (Mar. 10, 2026) available at: <https://www.dailyjournal.com/article/390220-dtla-law-group-founder-charged-with-multistate-unauthorized-practice>.)

Even more troubling, the DTLA Law Group may not be the only firm engaged in unlawful capping and promising clients exceedingly optimistic case outcomes. In one instance, the City of Santa Monica is facing liability stemming from the decades-long sexual misconduct of a volunteer with a youth Police Activity League. While the City has settled 200 of these claims, once the settlement was announced a rush of new filings arose. The City contends that many of the new claims involve plaintiffs who lived far away from the jurisdiction at the time the known abuse was occurring, and that upward of half the claims may be fraudulent. While the City is now testing the veracity of "14 bellwether" cases, the fraud concerns remain. (Matthew Hall, *Uller cases now moving to trial as City Hall cites a lack of evidence and fear of fraud in new claims*, Santa Monica Daily Press (Dec. 12, 2025) available at: <https://www.smdp.com/uller-cases-now-moving-to-trial-as-city-hall-cites-a-lack-of-evidence-and-fear-of-fraud-in-new-claims/>.)

Not only do these fraud claims undermine public faith in the legal profession they deny legitimate victims access to damages they so desperately deserve. In the case of fraud being perpetrated against a local government, these claims represent fraud against the taxpayers who must not only foot the bill for the negligence of their government but a payday to bad acting attorneys.

***This bill seeks to address potential fraud in the civil justice system in three critical ways.*** This bill seeks to reduce the occurrence of fraud in the civil justice system in three ways. First, the bill adopts new civil penalties of \$25,000 per violation for those found to be capping. Recognizing that the current practice is specifically targeting local governments, this bill would vest the

authority to seek these penalties in the very city attorneys and county counsels that are defending municipalities against sexual assault claims. The bill also prohibits the State Bar from offering settlements to an attorney accused of capping and mandates that the Bar seek disbarment when a capping conviction is reached. These provisions should both deter fraudulent filings and serve as a means of permitting local agencies to fight back against fraud. The second critical aspect of this bill adopts standards for attorneys to follow when loaning money to clients. While last year's AB 931 (Kalra) Chap. 565, Stats. 2025, established rules for loans from outside entities, the existing law is silent on loans to clients from attorneys. Unlike private loans, loans from an attorney to a client typically help the client receive medical tests and other services necessary to bolster their legal claims. However, there are few limitations on these loans and few consumer protections or disclosures to clients. This bill would require significant loan disclosures to clients, provide clients a "cooling off" to revoke a loan agreement, and ensure that the loan's existence cannot drive legal strategy and that the attorney must always put the client's wishes and interests before financial considerations. Finally, seeking to ensure that these vital protections cannot be undermined by an overly broad claim of attorney-client privilege the bill establishes whistleblower and anti-retaliation protections for law firm employees and clients that disclose unlawful conduct by attorneys. The bill makes specific provisions for handling privileged communications to ensure the protection of the client, the employees of a law firm, and the public.

***Proposed authors' amendments seek to empower local public prosecutors to crack down on fraud.*** As discussed above the bill seeks to empower the very local government attorneys who are on the receiving end of potentially fraudulent filings to defend themselves. Under existing law, should a city attorney or county counsel believe a claim is fraudulent they would still be forced to litigate the case to completion then seek sanctions from the judge. This process involves risk, considerable cost, and does not deter the initial filing. Indeed, most fraudulent filing attorneys presume the locality will not want to spend the time and money to defend themselves, especially for a claim as egregious as childhood sexual assault, and therefore hope for a quick settlement.

Seeking to both deter the initial filing of fraudulent claims, and to provide an expedited tool to permit local agencies to attack these claims, proposed amendments will authorize civil penalties of \$25,000 for every client obtained via capping and every fraudulent claim filed as a result. These penalties are designed to accrue quickly and thus serve to deter the fraud from the onset. Accordingly, amendments to the state's anti-capping statute, Business and Professions Code Section 6153 will read:

**6153.** (a) A person, firm, partnership, association, or corporation violating subdivision (a) of Section 6152 is punishable, upon a first conviction, by imprisonment in a county jail for not more than one year or by a fine not exceeding fifteen thousand dollars (\$15,000), or by both that imprisonment and fine. Upon a second or subsequent conviction, a person, firm, partnership, association, or corporation is punishable by imprisonment in a county jail for not more than one year, or by imprisonment pursuant to subdivision (h) of Section 1170 of the Penal Code for two, three, or four years, or by a fine not exceeding fifteen thousand dollars (\$15,000), or by both that imprisonment and fine.

(b) A person employed either as an officer, director, trustee, clerk, servant or agent of this state or of any county or other municipal corporation or subdivision thereof, who is found guilty of violating any of the provisions of this article, shall forfeit the right to their office and employment in addition to any other penalty provided in this article.

(c) Any person may bring a civil action for a violation of subdivision (a) of Section 6152 for the following remedies:

(1) Statutory damages of a minimum of five thousand dollars (\$5,000) up to a maximum of one hundred thousand dollars (\$100,000) per violation, or three times the amount of actual damages, whichever is larger. The amount of statutory damages in this subdivision shall be determined pursuant to subdivision (d).

(2) Attorney’s fees.

(3) Injunctive or declaratory relief.

(4) Any other relief the court deems proper.

(d) In assessing the amount of statutory damages, the court shall consider any one or more of the relevant circumstances presented by the case, including, but not limited to, the nature and seriousness of the misconduct, the number of violations, the persistence of the misconduct, the length of time over which the misconduct occurred, the willfulness of the defendant’s misconduct, and the defendant’s assets, liabilities, and net worth.

***(e) (1) Notwithstanding subdivisions (a) and (c) a person, firm, partnership, association, or corporation violating subdivision (a) of Section 6152 is liable for a civil penalty of twenty-five thousand dollars (\$25,000) per violation.***

***(2) Every client retained and claim filed engaging in the conduct prohibited by subdivision (a) of section 6152 shall constitute an individual violation for the purpose of this subdivision.***

***(3) An action to enforce paragraph (1) may be brought by the Attorney General, a city attorney or county counsel.***

***(4) A prevailing plaintiff in an action brought pursuant to paragraph (1) shall be entitled to an award of reasonable attorney’s fees and costs.***

***(f) ~~(e)~~ The right of action under this section exists independently of any enforcement action or inaction by any governmental agency or official.***

***Proposed amendments contain technical modifications suggested by the State Bar.*** The anti-retaliation provisions of the bill have been developed by the author and sponsor in consultation with the State Bar. The State Bar proposed several technical changes to portions of the new Business and Professions Code 6090.9 as follows:

(b) Consistent with Section 1102.5 of the Labor Code, an employer, law firm, attorney, or any person acting on their behalf shall not retaliate against an individual for disclosing information in good faith, or because the employer ***law firm or attorney*** believes the individual disclosed or may disclose information in good faith, where the individual has reasonable cause to believe that the information reveals a violation of this chapter, the California Rules of Professional Conduct, or any state or federal statute, rule, or regulation ***governing the conduct of attorneys.***

...

(e) Nothing in this section authorizes an attorney to disclose information ***the disclosure of which ~~that~~*** is otherwise prohibited by Rule 1.6 of the California Rules of Professional Conduct.

...

(h) ***The protection provided in this section ~~Protection extends~~*** to employees, former employees, applicants, independent contractors, vendors, clients, and any person with a

professional relationship to an attorney or law firm provided that the information is disclosed in good faith.

(i) Retaliation includes termination, demotion, discipline, threats, harassment, blacklisting, adverse contract actions, or any conduct that would deter a reasonable person from reporting misconduct, consistent with standards applied under Section 1102.5 of the Labor Code. Retaliation in violation of this section by an attorney *or any person acting on their behalf* shall constitute grounds for discipline by the State Bar of California, in addition to any civil liability provided herein.

On the topic of the State Bar's involvement with the bill and supervision of attorneys, it should be noted that the bill is supported, if amended, by the Civil Justice Association of California. They highlight the State Bar's past-missteps in regulating attorney misconduct and call for independent oversight of the Office of the State Trial Counsel. It is unclear what these amendments may look like and given that the State Bar is a subordinate agency of the Supreme Court, such oversight might violate the separation of powers. Nonetheless, beyond concerns about the upward pressure such an amendment may place on the annual licensing fee paid to the State Bar, such amendments are worthy of discussion as the bill advances.

***ARGUMENTS IN SUPPORT:*** This bill is supported by the Consumer Attorneys of California, the California Employment Lawyers Association and several regional attorney associations. A coalition letter in support of the bill states:

AB 2039 establishes clear and consistent disciplinary consequences for attorneys convicted of illegal client solicitation practices, commonly known as "capping." While California law already prohibits the payment or receipt of compensation in exchange for soliciting legal clients, such arrangements compromise the integrity of the attorney-client relationship and stronger consequences are needed. AB 2039 corrects this problem by establishing mandatory disbarment for attorneys convicted of felony illegal capping and for misdemeanor capping violations involving knowledge and done for financial gain. The bill also prohibits alternative discipline—such as probation, suspension, or diversion—in place of disbarment.

Second, AB 2039 provides meaningful protections for individuals who report attorney misconduct. Employees, colleagues, and others who expose unethical practices often face retaliation, including termination, harassment, or professional blacklisting. The bill prohibits these retaliatory actions and provides legal protections for individuals who report misconduct in good faith. These safeguards are essential to encouraging transparency and ensuring that unethical conduct can be identified and addressed.

Third, the bill protects consumers by regulating attorney-client loans and financial advances. Clients seeking legal representation are frequently in financially vulnerable situations, particularly in cases involving injuries, lost income, or other hardships. While financial advances can provide short-term support, allowing attorneys to charge interest or fees on those advances creates the potential for exploitation and conflicts of interest. AB 2039 addresses this concern by prohibiting attorneys from charging interest or fees on loans or advances made to their clients. The measure also establishes a cooling-off period, prohibits conditioning legal strategy on repayment of a loan, and authorizes restitution, civil penalties of up to \$15,000 per violation, and State Bar discipline for violations.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Alameda Contra-Costa Trial Lawyers Association  
California Defense Counsel  
California Employment Lawyers Association  
Capitol City Trial Lawyers Association  
Central Valley Trial Lawyers Association  
Civil Justice Association of California (if amended)  
Consumer Attorneys of California  
Consumer Attorneys of San Diego  
Consumer Watchdog  
Orange County Trial Lawyers Association  
San Mateo County Trial Lawyers Association  
United Policyholders

**Opposition**

None on file

**Analysis Prepared by:** Nicholas Liedtke / JUD. / (916) 319-2334