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## *Ontario's Legal News*

### BRIDGEPOINT BOOSTS ACCESS TO JUSTICE

Litigation financing didn't come naturally to Stephen Pauwels, co-founder and principal of BridgePoint Financial Services.

Coming at the idea from his perspective as a trained investment banker, it made no sense to him.

"For banks, litigation is a very foreign, risky scenario. It's completely incompatible with their lending criteria because there is no tangible security, and no ability to control the timing of the outcome," Pauwels explains. "They're simply not able to take on that kind of risk."

Indeed, he says he would "never, in 100 years have stumbled on the idea of a litigation-based funding business" if it wasn't for his wife, Cathy Martin, who worked as a case manager at personal injury law firms. In that role, she helped accident victims navigate the practical challenges of making a full recovery while embroiled in a legal battle over an insurance payout.

"My wife often spent time dealing with clients' eviction notices and other financial troubles that were preventing them from focusing on their recoveries, and she became very frustrated by the predicament people were being put in," Pauwels says.

After taking his wife's messages on board, he looked more deeply into how lenders could assist, and he ultimately began offering lawsuit loans as a side business to his corporate finance work.

"She educated me that it is not always a question of a person's entitlement to damages. Often the only issues are

over how much they will get and when," Pauwels says.

"Once you've got some certainty over the fact that someone is entitled to something, I realized that if we were conservative enough, we could create a financial structure to lend against the claim, and offer plaintiffs a safety net, with some ability to withstand low-ball offers from insurers. That way they could focus properly on their recovery, rather than the financial stress they were under."

However, word spread fast in the legal community, and by 2005, Pauwels had generated enough interest to move into the business full time and formed BridgePoint with his business partner John Rossos.

"Litigation finance was completely unknown in Canada at that time, so we really feel as though we pioneered the space," Pauwels says, adding that the sector has undergone a radical transformation in the 13 years since BridgePoint's inception.

In the last few years, explosive growth resulted in the formation of at least two dozen companies offering loans to plaintiffs, he notes.

"It has become quite a crowded business. Unfortunately, the model for many of them is based more on a payday loan style, without much concern for the underlying case or due diligence," Pauwels says.

"They're betting that if an injury lawyer has taken the case on a contingency fee, there must be enough value in the file to support a loan. Some don't even communicate with the lawyer. It's all about loan volume, not what the plaintiff

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actually needs or what the case can support.”

By contrast, access to justice still drives the settlement loan side of BridgePoint’s business, he says.

“We are much more relationship-oriented, and view ourselves as a lender of last resort,” Pauwels adds. “We convince many borrowers to take a loan in monthly stages versus a lump sum. It reduces the cost but still gives them the peace of mind to know they can pay their rent each month. Lawyers really appreciate that extra effort and it has helped us earn their trust over the years.

“We typically won’t lend more than 10 per cent of what we believe the claim is worth, and we take great care to ensure that we are there to help plaintiffs manage, and not compound their financial predicament.”

In recent years, BridgePoint’s largest growth area is in products offered to law firms themselves, another group, Pauwels says, that is underserved by traditional banks.

“Banks are rigid with their lending methodologies, and many don’t get the business model of a personal injury law firm,” he says. “So we have created a dedicated funding source for firms that take cases on a contingency-fee basis.

“The work lends itself well to my investment banking background, where the aim was always to help businesses come up with the best way to achieve their own growth and objectives,” he adds.

According to Pauwels, BridgePoint’s litigation financing arrangements for law firms, which include disbursement loans, allow them to fill the gaps left by more traditional fund sources, such as retained earnings and supplier financing.

“The landscape has changed, and in this tough competitive market, with insurers becoming more obstinate in their defence tactics, there are many firms that find themselves facing serious funding challenges,” he says.

“By providing them with an alternate source of funding, they are able to properly invest in their clients’ cases.”