

E.U. Parliament Endorses Directive to Permit Collective Consumer Lawsuits, Including for GDPR Violations

Hinshaw Alert | 1 min read

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The [European Union Parliament](#) officially endorsed a directive on November 24, 2020, concerning representative actions that will allow collective lawsuits to protect the combined interests of consumers for alleged violations of E.U. law in a broad range of areas, including data protection. The [Collective Redress Directive](#) requires E.U. Member States to implement within 24 months at least one effective procedural mechanism that will allow “qualified entities,” such as consumer organizations, to bring representative lawsuits on behalf of consumers. The Directive advises that these qualified entities “should be independent and should not be influenced by persons other than consumers who have an economic interest in the bringing of a representative action, in particular by traders or hedge funds, including in the event of funding by third parties.”

Qualified entities may apply for injunctive relief or other redress, including compensation, repair, replacement, price reduction, contract termination, or reimbursement, but punitive damages should be avoided. The Directive seeks to protect against frivolous lawsuits by using a “loser pays” principal, whereby the prevailing party’s costs are paid by the losing party.

Companies that do business in the E.U. should keep a close eye on developments in this area. Although the Directive falls short of authorizing U.S.-style class actions, the chances of facing a collective action on behalf of E.U. consumers will likely increase. The Directive notes that having a procedural mechanism in place for representative actions will “boost consumer confidence, empower consumers to exercise their rights, contribute to fairer competition and create a level playing field for traders operating in the internal market.”

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