



# Arbitration Fact Sheet

## Introduction

Arbitration is a non-judicial proceeding used as an alternative form of dispute resolution. Arbitration may be agreed to by the parties, required by a provision in a contract for settling disputes, or provided for under statute. In a contract, the parties often agree to have the matter determined by a panel, such as one provided by the American Arbitration Association (AAA; which has a specific set of rules), a retired judge, some other respected lawyer, or some organization that provides these services. The decision of an arbitrator may be converted into a legal judgment on petition to the court unless some party has protested that there has been a gross injustice, collusion, or fraud.

## Costs

### Under AAA Rules, the Following Fees Apply to Arbitration

The daily cost of an arbitrator: \$1,500 for proceedings where the arbitrator is required to be present with the parties before a decision is made. Your cost may be less, depending upon what the contract states. This fee is due after there is a preliminary hearing. The hearing generally will not exceed one day; but, if a party shows good cause, the arbitrator may schedule additional hearings within seven calendar days after the initial day of hearing.

The filing fee: a nonrefundable \$200 payable due in full at the time of filing by the consumer unless the parties agree otherwise. The hearing room fee: the responsibility of the business who is suing you or who you are suing.

## What Must Be Proven

If you (the claimant) have filed a claim, you must explain the circumstances of the dispute, providing evidence to support your claim of why you are entitled to relief. If you (the respondent) are responding to a claim, you must explain why the claimant is not entitled to relief, providing evidence to support your response.

### In addition, the following must be given to the AAA:

- names and addresses of the consumer and the business, and the names of the representatives of the consumer and the business
- a specification of the amount of money in dispute
- the identity the requested location for the hearing if an in-person hearing is requested
- a statement of what the claimant wants
- a copy of the arbitration agreement contained in the contract or agreement sent by the claimant
- a copy of the court order if the arbitration is pursuant to a court order sent by the claimant
- the filing fee sent by the claimant

## The Decision

### Its Release

The award shall be issued promptly by the arbitrator and, unless the parties agree differently or the law indicates a different time frame, no later than 30 calendar days from the date the hearing is closed, or, if the case is a documents-only procedure, 14 calendar days from the date the arbitrator set for their receipt of the final statements and proofs. The AAA may extend the time limit for the rendering of the award only in unusual and extreme circumstances.

### How It Affects You

If the arbitrator issues an award stating that you owe money, the debt collector must go to court and ask it to "confirm" the award as a court judgment before it can collect on the arbitration award. The court judgment can be used to try to collect payment from you. The court may issue a garnishment order against you that allows money to be withdrawn directly from your paycheck or bank account. Certain types of funds cannot be garnished, including some federal benefits.

If you disagree with the award, you have two options: challenge the collector's request that the court confirm it or go to court yourself to contest the award. You have a limited number of reasons for challenging an award, like arbitrator misconduct, and you may have a short period of time to do so. You might consult with a lawyer about challenging an award.

The results of an arbitration proceeding can have a negative impact on your credit report and credit score. That, in turn, can affect whether you can get a loan and how much you will have to pay to borrow money.

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*The information and statements of law in this fact sheet should not be considered legal advice. This fact sheet is provided as a broad guide to help you understand how certain legal matters are handled in general. Courts may interpret the law differently. Before you take action, talk to an attorney and follow his or her advice. Always do what the court tells you to do.*

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