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THIRD-PARTY LITIGATION FUNDING (TPLF) AND CROATIAN LAW

Abstract: *Third-party litigation funding, or TPLF, has become an increasingly important institute of modern civil procedure, particularly in relation to litigation costs and effective access to justice. It refers to a contractual arrangement in which a third party, who is neither a party to the proceedings nor the party's lawyer, finances all or part of the costs of litigation in exchange for an agreed remuneration in the event of a successful outcome. In this way, the financial risk of litigation is transferred from the party to the funder, which may facilitate access to judicial protection, especially in complex, costly and lengthy disputes.*

This paper analyses the concept, legal nature and development of TPLF in the European, German and Croatian legal context. Particular attention is given to European Union law, including Directive (EU) 2020/1828, the European Parliament Resolution of 2022, the European Commission study of 2025 and the ELI Principles of 2024, which together indicate the gradual development of European standards based on transparency, proportionality and the protection of party autonomy. German law is examined as a comparative model in which TPLF has developed without a specific statutory framework, but through case law and the application of general rules of civil law, civil procedure and lawyers' professional regulation.

In Croatian law, TPLF is not yet comprehensively regulated, except partially in the field of representative actions for the protection of the collective interests and rights of consumers. Its admissibility must therefore be assessed through general rules of contract law, especially the principle of freedom of contract, rules on nullity, good faith and fair dealing, and the prohibition of abuse of rights. A litigation funding agreement may be classified as an atypical sui generis contract, provided that it does not lead to impermissible influence of the funder over the conduct of the proceedings, the independence of the lawyer or the party's freedom of decision-making. From the perspective of litigation costs, the paper concludes that the funder's remuneration should not be regarded as a recoverable procedural cost, but as a private contractual obligation of the funded party towards the funder. The paper concludes that Croatian law should in the future develop a clear, proportionate and transparent regulatory framework for TPLF, aligned with European standards and the fundamental values of civil procedure.

Keywords: *third-party litigation funding, TPLF, litigation costs, access to justice.*