



LegalShield®

# Consumer Stress Legal Index

Q4 2025

# About the LegalShield Consumer Stress Legal Index

- The LegalShield Consumer Stress Legal Index (CSLI) is a suite of leading indicators of the economic and financial status of U.S. households.
- The CSLI and subindices are constructed from LegalShield's proprietary data. Launched in 2018, the CSLI is based on a dataset of over 36 million consumer requests for legal assistance dating to 2002. The index examines findings from approximately 150,000 calls received monthly from U.S. consumers seeking legal help.
- This data is powerful, sourced directly from a large set of consumer actions, not survey results. Free from common survey challenges such as completion time and participants' availability, it offers clear insight into moments when consumers are compelled to seek legal help due to significant life impacts.
- Each request is logged as an "intake" in one of roughly 90 unique areas of law depending on the nature of the request. Each subindex reflects the number of intakes in an area of law as a share of total intakes across all areas of law in a given month.
- The CSLI is comprised of three subindices: Bankruptcies, Foreclosures, and Consumer Finance.
- The Consumer Stress Legal Index is a leading indicator of the Conference Board Consumer Confidence Index in the United States, with a correlation level of -0.85 with an approximate lead time of 60-90 days.



# Interpreting Each Component of the Index

## CONSUMER STRESS LEGAL INDEX

Consumer spending accounts for more than two-thirds of U.S. economic activity. The flagship Consumer Stress Legal Index tends to lead the Conference Board's Consumer Confidence Index by one to three months. The CSLI also provides a useful "hard" data check on the Consumer Confidence Index and similar measures of consumer confidence that are based on "soft" survey data, as these measures are not always consistent with underlying economic conditions.

## BANKRUPTCY INDEX

Bankruptcy data provide an important insight into the overall financial health of consumers and businesses. As witnessed during the Great Recession of 2008-09, an uptick in bankruptcies can foreshadow significant turmoil within the economy. The Bankruptcy Index tends to lead the trajectory of total bankruptcies by two quarters, with a .98 correlation, providing an early warning signal of an economic downturn.

## FORECLOSURE INDEX

A rise in foreclosures often signals a worsening of household finances, as households typically delay payments on other debt obligations in order to pay their mortgages on time. The Foreclosure Index closely tracks foreclosures as reported each quarter by the Mortgage Bankers Association.

## CONSUMER FINANCE INDEX

Consumer finance issues manifest in many forms including billing disputes, repossessions, credit challenges, and loan defaults. These varying items are an indication of financial stress that prompt consumers to seek legal guidance to resolve.

# Consumer Stress Legal Index

**Summary:** In Q4 2025, the CSLI rose **3.1** points from Q3 to end the year at **74.3**.

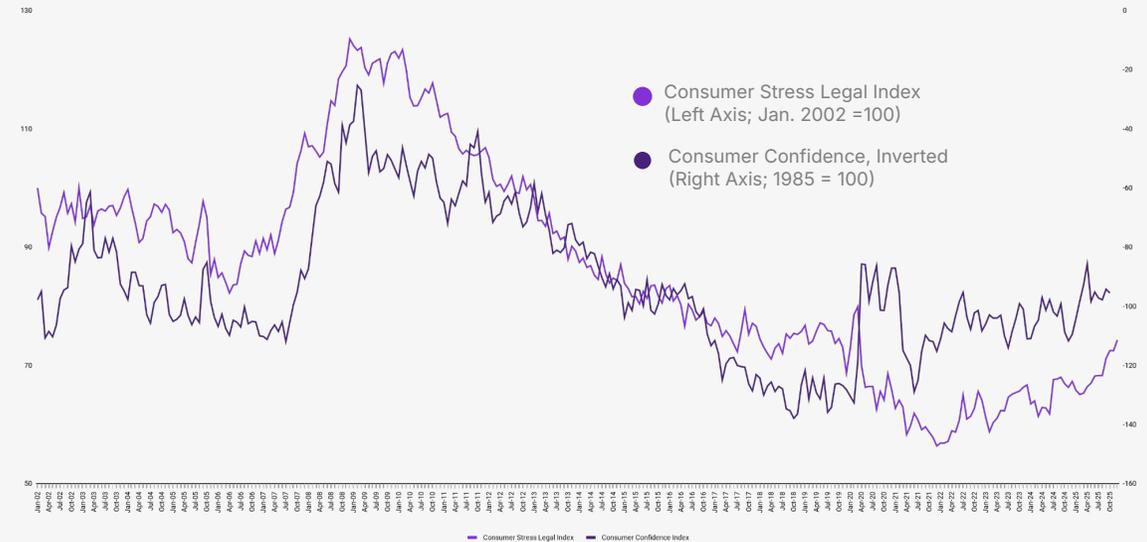
Monthly:

- October: **72.5**
- November: **72.5**
- December: **74.3**

**What It Means:** The index has increased for 10 consecutive months, finishing the year 10.4% higher than in 2024. This is the highest sustained level of legal stress observed since the early days of the pandemic. While consumer spending remains resilient, the CSLI reveals a "new normal" where households are increasingly relying on credit and legal intervention to manage basic financial stability.

**Outlook:** With legal stress hitting a post-pandemic peak, actual financial defaults are likely to continue to climb into the first half of 2026 as the holiday debt "hangover" sets in.

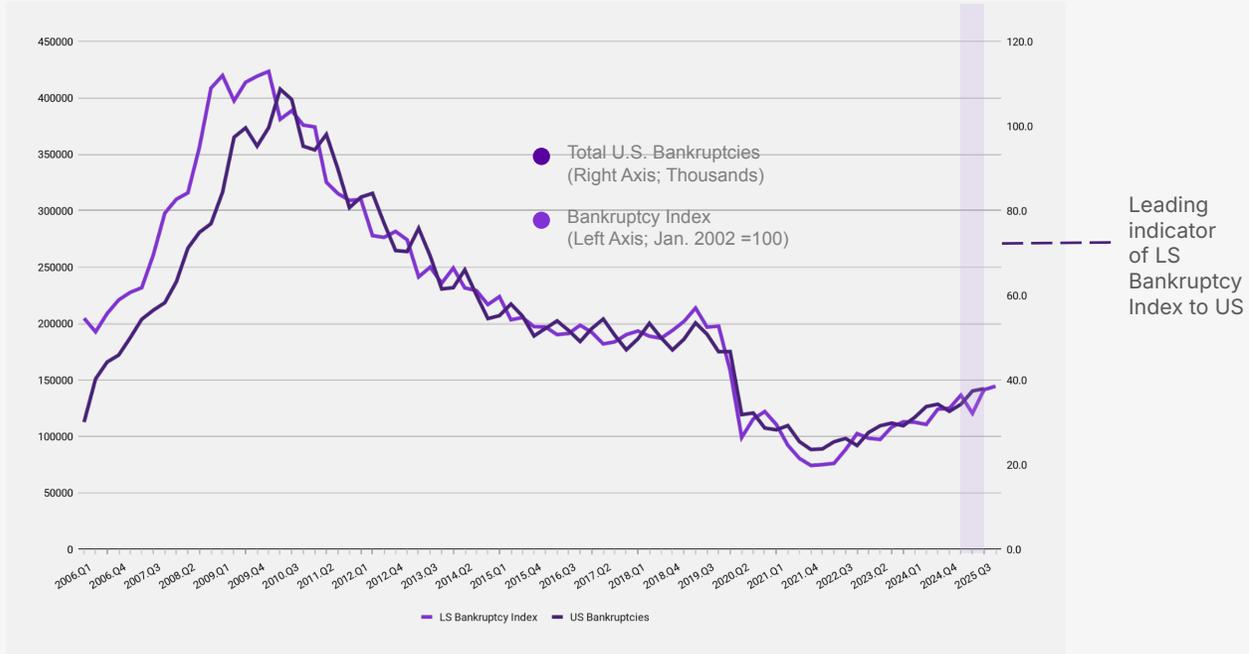
Historical Trend Over Past 20+ Years



Highest Level Since March 2020



## LS Bankruptcy Index vs US Bankruptcy Since 2006



# Bankruptcy Index

**Summary:** The Bankruptcy subindex reflects the number of intakes related to bankruptcy as a share of total intakes across all areas of law.

The Bankruptcy subindex rose to **38.5** in December, an increase of **15.6% YoY**.

Monthly:

- October: **37.5**
- November: **36.2**
- December: **38.5**

## Bankruptcy Index Up QoQ and YoY



Historically, this index precedes actual federal court filings by two quarters with a .95 correlation. The subindex surged 19.9% in the second half of 2025 alone, signaling that legal stress is rapidly becoming legally actionable. The Administrative Office of the U.S. Courts already reported a 13% increase in filings in Q4, confirming the early warning signs first captured by LegalShield data.

**Outlook:** Unlike past cycles, this wave of bankruptcy stress is occurring in a stable job market, suggesting it is driven purely by unsustainable debt levels and high interest rates. As a leading indicator of bankruptcy filings, expect court filings to continue their upward trend through the first two quarters of 2026.

# Foreclosure Index

**Summary:** The Foreclosure subindex reflects the number of intakes related to foreclosure as a share of total intakes across all areas of law.

The Foreclosure subindex ended the year at **46.1**, representing a modest **0.7%** quarterly increase but a significant **15.0%** rise YoY.

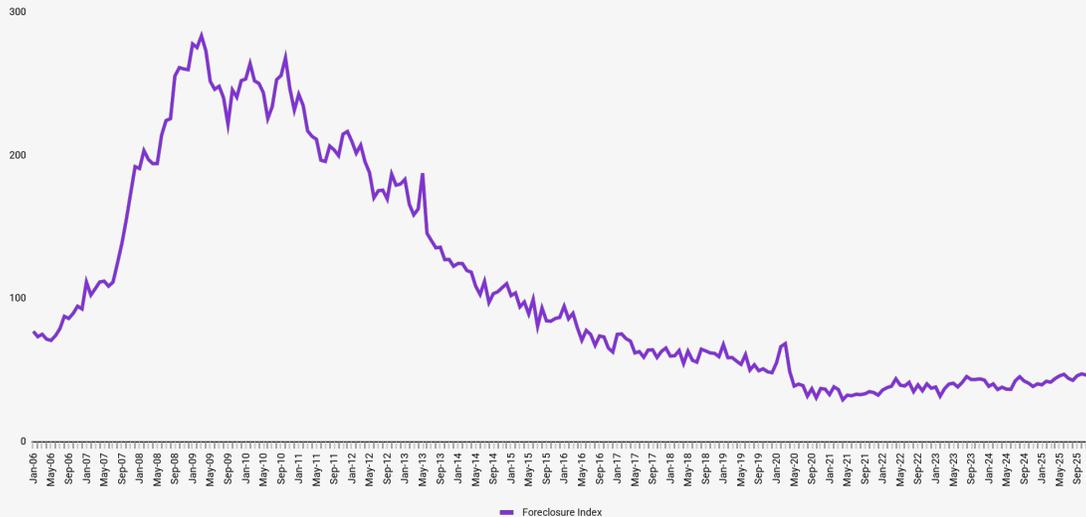
Monthly:

- October: **47.1**
- November: **46.3**
- December: **46.1**

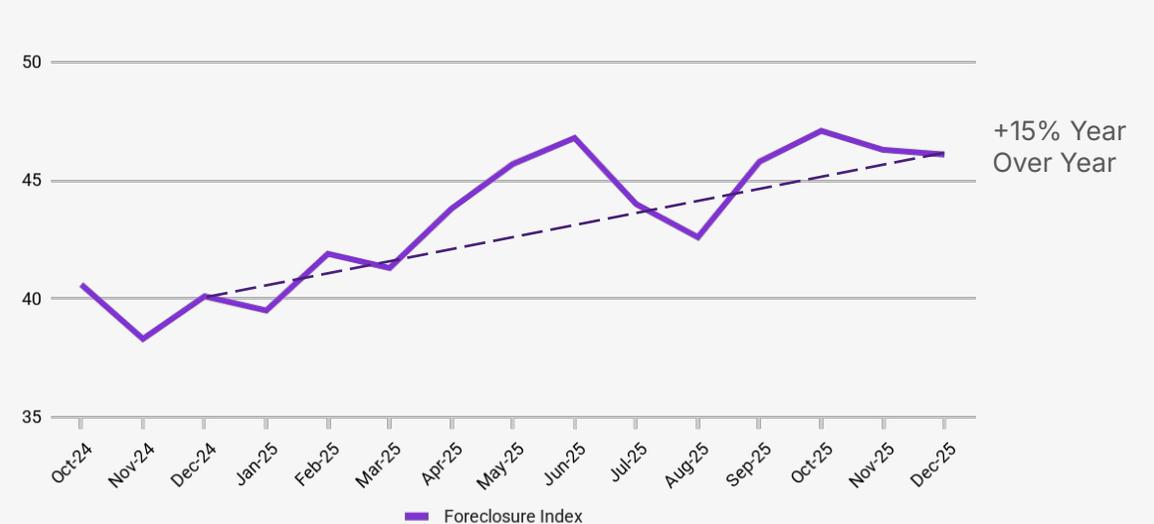
Completed foreclosures remain low by historical standards, but the volume of legal inquiries is high. Homeowners are seeking help with escrow resets, rising insurance costs, and property tax hikes. Most stress is currently being absorbed through loan modifications and forbearance, which can lead to larger financial burdens in the future.

**Outlook:** The persistent gap between "stress" (calls to lawyers) and "action" (completed foreclosures) suggests that homeowners are fighting to stay in their homes but are running out of financial options.

**Historical Trends**



**Foreclosure Index: YoY**



# Consumer Finance Index

**Summary:** The Consumer Finance subindex reflects the number of intakes related to consumer finance issues such as billing disputes, auto repossessions, loan modifications and payday loans, as a share of total intakes across all areas of law.

The Consumer Finance subindex surged to **115.6** in December, marking a **6.7%** increase for the fourth quarter, and **18.1%** since Q1 2025.

Monthly:

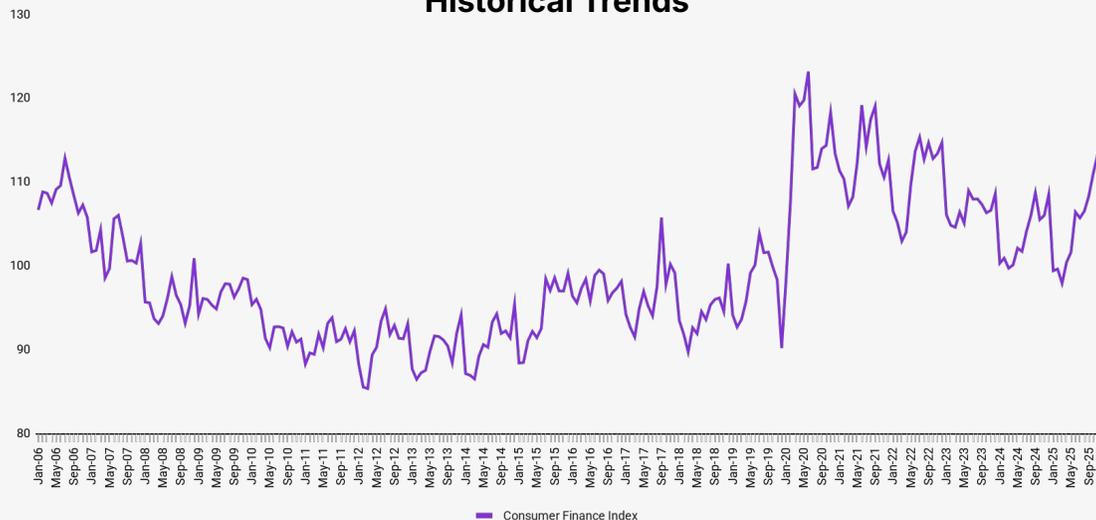
- October: **111.0**
- November: **113.3**
- December: **115.6**

Key drivers include:

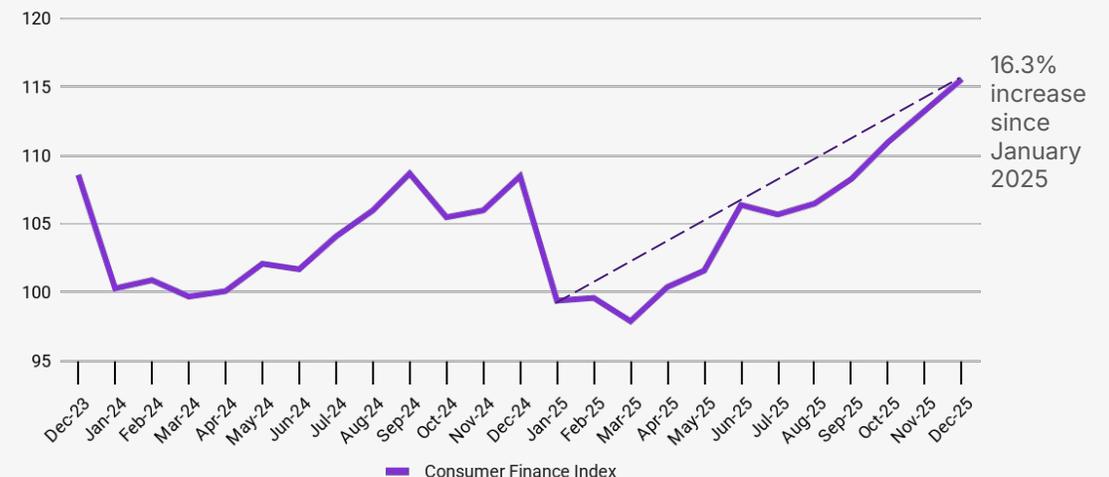
- Total U.S. household debt hit \$18.8 trillion by year-end, a \$740 billion annual increase.
- Serious delinquencies (90+ days) reached 4.8% across all debt types, up from 3.5% a year ago.
- Households are increasingly using credit cards and "Buy Now, Pay Later" (BNPL) services for essentials like groceries and utilities.

**Outlook:** The Consumer Finance subindex saw the most aggressive growth in 2025 (+18.1% since Q1). The high volume of legal inquiries regarding billing disputes and creditor negotiations suggests that "breathing room" today may simply lead to unmanageable debt tomorrow.

### Historical Trends



### Consumer Finance Index 24-Month View





# About LegalShield



**Leader** of subscription-based legal plans to households across North America



**1.8 million+** memberships



**50+ year** history



Serving **140,000** businesses across North America



**40,000+** organizations served by our dedicated B2B division



**39 law firms in 50 states and Canada** with a total of 900 lawyers, and a referral network of 6,000 lawyers, with average of 22 years experience

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