

National Creditors Bar Association Scholarship Essay

The U.S. legal system is an incredibly powerful and impactful institution. It can change lives for better or worse, depending on the ability of parties to navigate its complex, intimidating, and expensive infrastructure. AI tools today offer instant, low-cost legal guidance, allowing Americans to receive the help that they critically need. For courts and creditor law firms, AI enhances operational efficiency by streamlining the review and creation of legal work while promoting consistent compliance with regulatory standards. Although generative AI is a promising tool, it is still imperfect, as it introduces new risks such as misinformation, privacy loss, and procedural error. AI can meaningfully help close the injustice gap and improve court/attorney efficiency- but, only if its risks are actively addressed and managed. Without that, it risks deepening inequalities and introducing new systemic harms.

There are multiple benefits of AI to consumers, one of the most important being access to legal support. Legalese can be intimidating and confusing. AI could change this by translating complicated legal concepts into plain language, helping consumers understand their own rights and responsibilities. Moreover, AI will allow consumers to readily create legal documents without hiring attorneys. Nonconforming pleadings can have a disproportionate effect on pro se litigants, who comprise a significant portion of the cases in debt collection. In general, AI lowers the cost of engaging the legal system, and fights against one of the principal reasons why individuals may not assert their rights in the first place. Thus, AI is not a substitute for lawyers. Rather, it provides some minimal level of support to those who would otherwise be navigating the legal system entirely alone or, most likely, not engaging it at all. Having debtors who are more engaged in the legal system isn't just a win for consumers, it also benefits creditors by enabling them to craft collaborative resolutions without additional litigation or post-judgment enforcement resulting in recovery that is effective, efficient, and palatable for all parties.

Generative AI also offers significant institutional benefits to creditors' rights law firms and the court system by improving efficiency. AI helps with greater scalability in high-volume practice areas such as debt collection. AI also enhances decision making by identifying high-probability recovery cases and

anticipating payment behavior, allowing firms to allocate resources more effectively. In addition, AI can support regulatory compliance by standardizing communications and reducing the risk of violations in areas governed by strict rules, such as the FDCPA, TCPA, and associated CFPB regulations. Within the courts, AI can help case processing by summarizing filings, flagging procedural errors, and reducing administrative delays. By easing administrative strain and improving efficiency across these metrics, AI does more than assist individuals; it helps a legal system often overburdened by mass collection filings.

Despite its potential benefits, generative AI introduces significant risks that cut across consumers, law firms, and courts alike. One of the most serious concerns is “hallucinations,” where AI systems generate convincing but incorrect statements. In a legal context, this can include misrepresented statutes, case law, or citations, which may lead to severe consequences such as sanctions, or reliance on flawed legal arguments. Closely related is context failure, as legal reasoning cannot rely on low-quality or irrational responses. AI tools may misinterpret nuanced legal language, overlook critical procedural requirements, or fail to account for strict filing deadlines, all of which can materially harm consumer’s cases and frequently increases costs of litigation for opposing parties, such as creditors. Privacy and privilege risks are another concern, particularly when sensitive financial or personal information is entered into third-party systems that may store, analyze, or use data beyond the user’s control. This is especially frustrating given the great lengths that creditors and collection firms are forced to take in order to protect this same information when it is under their control. Together, these risks highlight that legal systems require more than efficiency; they require reliability, accountability, and trust.

Even when generative AI improves access and efficiency, its effectiveness is ultimately constrained by a trust gap that technology alone cannot bridge. In practice, human representatives still outperform AI, with studies showing approximately 23% higher recovery rates and 34% more debtor engagement when live agents are involved. Human actors are superior to machines in building trust, interpreting hesitance, and adaptation of tone, emotion, and context — all which are highly relevant and vital for negotiation and dispute resolution. Humans have the upper hand thanks to their ability to interpret ambiguity, as AI still struggles with logic and critical thinking skills, contextual clues, and

emotional intelligence. Consequently, even advanced AI may struggle to deliver effective alignment or resolution if the user does not trust or fully engage with it. That actually reveals a much deeper problem: access is not enough. People must trust the information and the system that delivers it. From this perspective, access without trust is no access at all.

Generative AI presents an intriguing crossroads for the legal system, offering both genuine opportunity and significant risk. While it has the capacity to expand access to justice, its limitations raise serious concerns about reliability in a system where precision, efficiency, and accountability are essential for all parties. AI may not be a turn-key solution to the justice gap, but, if carefully wielded, it is a powerful tool that can significantly shrink the justice gap and provide a significant benefit to creditors and courts alike. Ultimately, its impact must not just benefit a single party or class of litigants, it must result in justice for all parties. Only time will tell if it is utilized in such a way, but one thing is abundantly clear: its incredible power is indeed a double-edged sword. As one of my favorite youthful and pure-hearted fictional characters is known to say, with great power comes great responsibility.