



CONSUMER ATTORNEYS OF CALIFORNIA

Seeking Justice for All

CAOC leaders applaud new federal rule restoring consumer ability to seek protections in court

Consumer Financial Protection Bureau rule puts dent in use of “kangaroo court” forced arbitration by banks seeking to avoid accountability for fraud

SACRAMENTO (July 10, 2017) – Consumer Attorneys of California applauds the new rule finalized today by a federal oversight agency that will restore the rights of consumers to join together to challenge in court efforts by banks to avoid public accountability for financial fraud.

The new rule by the Consumer Financial Protection Bureau (CFPB), which comes five years after the federal agency first began studying the issue, would restrict the use of forced arbitration to block consumers from challenging illegal behavior in court.

Corporate attorneys bury “rip-off clauses” in the fine print of financial contracts to evade public accountability by forcing their own customers into secret arbitration proceedings rigged in the banks’ favor. These clauses often ban class action lawsuits as well, leaving consumers unable to challenge widespread misconduct since it is often too expensive to pursue small-dollar disputes one-by-one in arbitration.

Wells Fargo repeatedly invoked such hidden clauses to block customers from joining together to sue over fraudulent accounts, a practice that helped the bank hide its misconduct for years. At the state level, CAOC is sponsoring Senate Bill 33 to restrict the use of forced arbitration involving claims against financial services firms who commit fraud by stealing their customer’s personal identity to open unauthorized accounts.

“Wells Fargo’s massive and deceptive scheme exposed a real problem in our state and nation – banks and Wall Street financial firms can perpetrate fraud, then use secretive arbitration to avoid full accountability,” said CAOC President Greg Bentley. “Unfortunately, because law-breaking banks strongly oppose the rule, it continues to face serious congressional and court challenges, so we need to keep up the pressure out here in California by approving SB 33.”

Consumer Attorneys of California is a professional organization of plaintiffs’ attorneys representing consumers seeking accountability against wrongdoers in cases involving personal injury, product liability, environmental degradation and other causes.

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