



CONSUMER ATTORNEYS OF CALIFORNIA

Seeking Justice for All

Stopping Another Wells Fargo: Fraud & Identity Theft

SB 33

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SUMMARY

SB 33 is a narrow bill that protects bank customers against fraud and identity theft. It only applies when a financial institution steals a customer's personal information (identity theft) AND commits fraud in the creation of an unauthorized account. SB 33 prohibits the bank from claiming a customer agreed to forced arbitration related to claims on the fraudulent account. It leaves intact any arbitration agreement that a consumer enters into knowingly and not as a condition of the service. Amendments made to SB 33 clarify that it applies to claims to compel arbitration on or after Jan. 1, 2018 and narrows the definition of "financial institutions," so SB 33 does not cover insurance companies and other entities. It applies to state-chartered banks, credit unions, licensed industrial loan companies, federal depository institutions, and SEC-registered investment advisors.



arbitration agreements in fraudulent accounts. By forcing arbitration, Wells Fargo kept the scandal out of public view, allowing the fraud to mushroom while the bank evaded accountability.

Job killer?: Foes call SB 33 a job killer.

The real job killer was Wells Fargo, which fired 5,200 employees who simply followed orders.

SOLUTION

SB 33 narrowly prohibits forced arbitration only in cases involving fraud or identity theft related to illegally created accounts.

BACKGROUND

The Wells Fargo Scandal: At least 3,500 Wells Fargo employees opened 3.5 million fraudulent bank credit card accounts without the consent of their customers. A Consumer Financial Protection Bureau investigation found that since at least 2011 "thousands of Wells Fargo employees took part in these illegal acts to enrich themselves by enrolling consumers in a variety of products and services without their knowledge or consent." As evidence emerged of the widespread fraud, Wells Fargo used forced arbitration to hide its scheme.

"Lions Hunting Zebras": A New York Times investigation found that Wells Fargo targeted the most vulnerable victims: Immigrants who spoke little English, older adults with memory problems, college students opening their first bank accounts, and even small businesses owners with several lines of credit.

Secret Arbitration: Customers have tried to sue Wells Fargo over fraudulent accounts since at least 2013. The bank forced those actions into secret, binding arbitration, even successfully arguing that customers were bound to

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