



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

March 16, 2017

Senator Bill Dodd
California State Senate
State Capitol, Room 5063
Sacramento, CA 95814

Dear Senator Dodd:

RE: SB 33 (DODD) SUPPORT

Consumer Federation of America (CFA), a nonprofit association of consumer organizations across the United States, including in California, supports your legislation to prohibit financial institutions from using forced arbitration provisions to prevent consumers from taking legal action against them for fraud and identity theft. CFA believes that consumers' ability to go to court when they have been wronged is an important tool for obtaining appropriate redress and deterring harmful business behavior.

There is a growing recognition that forced arbitration is detrimental to consumers. CFA strongly supports the proposal by the Consumer Financial Protection Bureau (CFPB) to prohibit financial institutions from using contract provisions that bar class action lawsuits and has urged the Federal Communications Commission to prohibit forced arbitration in consumer contracts for communications services. Federal law already prohibits forced arbitration agreements and class action bans in most financial service contracts with members of the military and in home loans and lines of credit.

The scandal involving Wells Fargo employees creating millions of accounts that were not authorized by their customers in order to fraudulently charge them fees illustrates why your legislation is needed. Victims of these illegal acts were prevented from bringing civil actions against the company because of the forced arbitration clauses in their contracts. This enabled Wells Fargo to continue the fraud while hiding the full extent of it for years, resulting in massive consumer injury. Arguments that forced arbitration benefits consumers are not borne out by the facts. There is certainly no justification for preventing consumers from having their day in court when they have been defrauded or victims of identity theft. We applaud you for introducing this legislation to protect California consumers and hope that it will be swiftly enacted.

Sincerely yours,

Susan Grant
Director of Consumer Protection and Privacy