

Forced Arbitration and Wells Fargo: The CFPB's Rule Protects North Carolina's Bank Fraud Victims

A [new rule](#) will soon curb the use of forced arbitration “rip-off clauses” by Wall Street banks and predatory lenders. The Consumer Financial Protection Bureau (CFPB) rule will prohibit the fine print of credit card, bank account, student loan, auto loan, payday loan, and other [financial contracts](#) from containing forced arbitration clauses with class action bans. The rule has [widespread support](#), but [bank lobbyists](#) are pressuring Congress to [block](#) it.

[Forced arbitration clauses](#) take away your day in court when companies violate the law. Instead of a judge, a private arbitrator decides in a secretive proceeding with no appeal. When forced arbitration is combined with a class action ban, neither a court nor the arbitrator can hold a company accountable for widespread wrongdoing. Justice is often completely denied, as few people can afford to fight small or complicated disputes by themselves.

Wells Fargo, which has [299](#) branches in North Carolina, has repeatedly engaged in illegal conduct and aggressively uses forced arbitration.

Fake accounts: Wells Fargo opened up to [3.5 million fake accounts](#) -- including [38,722](#) in North Carolina -- from 2002 to 2015 without customers' consent. People have tried to sue Wells Fargo since 2013, but the bank used forced arbitration to [kick them out of court](#) and prevent class actions, keeping the massive fraud [out of the spotlight](#) and allowing it to [continue](#). Wells Fargo has continuously tried to use forced arbitration to [block class actions](#) over the fake accounts, even after being [called out by members of Congress](#). Public pressure is now forcing a settlement, but the damage is done.

Overdraft fees: Wells Fargo is trying to use forced arbitration to avoid justice for manipulating bank accounts to [charge more overdraft fees](#). A California judge found Wells Fargo's practices “[unfair and fraudulent](#)” and ordered \$203 million in refunds in California. But Wells Fargo has [repeatedly](#) tried to block relief for consumers in the other 49 states -- **including in North Carolina** -- to avoid repaying [up to \\$1 billion](#). Wells Fargo's overdraft fee revenue continues to [increase](#), faster than that of any other large bank.

Disserving Our Military: Wells Fargo was fined millions for [illegally foreclosing](#) on servicemembers or [repossessing their cars](#) in violation of the Servicemembers Civil Relief Act. The [Department of Defense](#) has opposed class waivers and forced arbitration clauses, which can [block servicemembers' access to the courts](#).

Car loan scam: More than 800,000 people who took out car loans from Wells Fargo, **including active duty servicemembers**, were [charged](#) for auto insurance they did not agree to or need. The expense pushed roughly 274,000 people into delinquency, caused almost 25,000 repossessions, and damaged credit reports. Some of the loan contracts had [forced arbitration clauses](#).

Class actions are critical to providing justice when millions of people are harmed; individual arbitration is no substitute. Since 2009, only [215 consumers nationwide](#) have filed arbitrations against Wells Fargo, and [just one has been filed in North Carolina](#). Arbitration can also be [far too expensive](#) for a single person with a small claim and cannot provide relief for everyone.

Congress should not take away our right to join with others in a lawsuit to stand up against big banks.