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TAXPAYER SUES SANTA BARBARA BANK & TRUST FOR SEIZING TAX REFUND

San Francisco, CA – Canieva Hood and others sued Santa Barbara Bank & Trust (SBBT) in a San Francisco court today, claiming that the bank illegally seized her 2002 tax refund to pay back an alleged 7 year-old debt to Household Bank.

SBBT seized Hood's tax refund of over \$2,000 in February, 2002 after Hood signed an application for a refund anticipation loan at a branch of Jackson Hewitt, a commercial tax preparation chain. Unbeknownst to Hood, the application contained a clause permitting SBBT to take the Hood's refund to pay back any debts allegedly owed, not only to SBBT itself, but to any lender that makes refund anticipation loans, including Household Bank. Jackson Hewitt is also named as a defendant in Hood's lawsuit.

"I was counting on my tax refund to pay my rent and bills. I didn't know that SBBT could take it to repay an old debt owed to someone else. I am still struggling financially because of the loss of my refund," said Hood.

SBBT is one of the handful of banks nationwide that make refund anticipation loans ("RALs") through tax preparers, and SBBT has a partnership with Jackson Hewitt for this business. RALs are high cost, high risk loans secured by a consumer's anticipated tax refund. Typical fees for a RAL range from about \$30 to \$100, with effective annualized interest rates ranging anywhere from about 60% to over 700%. RALs target the working poor who receive the Earned Income Tax Credit. RALs have been the subject of several recent reports by the National Consumer Law Center, the Consumer Federation of America and the Brookings Institution, all of which found that RALs cost taxpayers hundreds of millions of dollars per year.

All of the banks that make RALs are allegedly parties to an agreement under which they collect each others' debts for outstanding RALs. "It's bad enough that banks and tax preparers skim off hundreds of dollars from the tax refunds of hard-working taxpayers such as Ms. Hood by selling them expensive RALs. It's outrageous that they are acting as concealed debt collectors for each other without providing consumers real and meaningful notice that consumers

are risking the loss of their tax refunds by applying for a RAL,” stated James Sturdevant of the Sturdevant Law Firm in San Francisco, lead counsel for Hood and the proposed statewide class of consumers.

Hood’s lawsuit alleges that SBBT’s seizure of her tax refund and the bank’s imposition of the clause permitting debt collection was unconscionable, unfair, and violated California debt collection laws. Hood’s lawyers are bringing the case as a class action on behalf of California consumers who had their tax refunds seized by this same practice.

Chi Chi Wu, an attorney with the National Consumer Law Center and one of the co-authors of NCLC’s reports on RALs stated: “We joined in this lawsuit on behalf of Ms. Hood because this cross-lender debt collection imposes a significant hardship on consumers who get caught in this particular trap. We are especially concerned about the effect of SBBT’s debt collection on the millions of hard-working taxpayers who receive the Earned Income Tax Credit like Ms. Hood, and need every penny of that money to support their families.” The Congress for California Seniors, an advocacy organization of elderly consumers in California, also joined the suit as a plaintiff.

For a copy of the complaint or more information, please contact Monique Olivier or Jim Sturdevant at The Sturdevant Law Firm or Chi Chi Wu at the National Consumer Law Center.

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The National Consumer Law Center, with offices in Boston and Washington, D.C., is a national research and advocacy organization focusing on the legal needs of consumers, especially low income and elderly consumers. For over 30 years the National Consumer Law Center has been the consumer law resource center to which legal services and private lawyers, state and federal consumer protection officials, public policy makers, consumer and business reporters, and consumer and low-income community organizations across the nation have turned for legal answers, policy analysis, and technical and legal support.

The Sturdevant Law Firm, based in San Francisco, California, specializes in complex and class litigation on behalf of plaintiffs involving unlawful, unfair and fraudulent business practices and consumer protection. The founder of the firm, James C. Sturdevant, has been engaged in the practice of law for more than 26 years. He has tried or settled many class actions, unlawful business practices cases, and civil rights cases. The firm litigates in the substantive areas of consumer protection, insurance packing, employment discrimination, misleading advertising and misrepresentations in consumer contracts involving consumer goods and services, financial institution charges and practices, fair debt collection practices, vocational school fraud, unlawful charges for financial and mortgage-related services, and toxic torts.