

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

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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, a private arbitrator decides the dispute 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 has repeatedly engaged in illegal conduct and aggressively uses forced arbitration.

Fake accounts: Wells Fargo opened up to 3.5 million fake bank and credit card accounts from 2002 to 2015 without customers' consent. People tried to sue Wells Fargo in a class action in 2013, but the bank kicked them out of court into individual arbitrations, keeping the massive fraud out of the spotlight and allowing it to continue. Wells Fargo is still trying to use forced arbitration to block class actions, even after being called out by members of Congress for denying justice to its customers.

Overdraft fees: Wells Fargo is trying to use forced arbitration to avoid justice for manipulating bank accounts to charge more overdraft fees. The bank changed the order of consumers' payments so accounts would be overdrawn sooner. 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 use forced arbitration to block relief in the other 49 states and to avoid repaying up to \$1 billion, even after all other big banks have settled similar charges. Wells Fargo no longer reorders payments, but it has found other ways to increase overdraft fees, faster than 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. Forced arbitration clauses in loan documents can block servicemembers' access to the courts.

Class actions are critical to providing justice when millions of people are harmed. Since 2009, only 215 consumers have filed arbitrations against Wells Fargo. Arbitration can be far too expensive for a single person with a small claim and cannot provide relief for everyone.

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.

Wells Fargo offers online banking and credit cards nationally and has over 6,000 branches in 39 states and D.C., including eight branches on military bases.

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

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