

Bank of America Sued for Failing to Protect the Accounts of Thousands of Unemployed Californians

Insecure accounts led to rampant fraud, frozen accounts, and millions in lost benefits
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A major lawsuit was filed today in the U.S. District Court in San Francisco, alleging that Bank of America failed to protect the unemployment benefits of thousands of Californians. The Complaint, filed by the law firm of Cotchett, Pitre & McCarthy, alleges that under its exclusive contract with the California Employment Development Department (EDD), Bank of America was required to provide secure accounts for unemployment payments; but failed to provide basic security measures, such as industry-standard chip technology to safeguard EDD debit cards. As a result, thousands have lost their only lifeline due to fraudulent transactions and hacked accounts.

The Complaint further alleges that, despite its “Zero Liability” policy, Bank of America has failed to respond in a timely way to thousands of defrauded customers. The bank’s ineffectual response to rampant fraud takes various forms, including not answering the customer service phone lines it advises EDD debit cardholders to call to report fraud, opening claims and then immediately closing them, failing to extend provisional credit to EDD cardholders, and the worst being freezing EDD cardholder accounts without warning or explanation.

The named plaintiff described her experience, which was typical of many:

"My account was emptied by unauthorized transactions on my Bank of America EDD debit card. When I tried to report the fraud to the bank, I was repeatedly disconnected, told to call back later, transferred to various departments to no end."

Attorneys

Brian Danitz

Noorjahan Rahman

Andrew F. Kirtley

Julia Q. Peng

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To date, like so many out-of-work Californians, she never been reimbursed for any of the unauthorized transactions on her EDD debit card, despite Bank of America's "No Liability" policy.

According to Brian Danitz, a partner at Cotchett, Pitre & McCarthy, representing the many defrauded Californians:

"Bank of America failed to safeguard the accounts of EDD debit cardholders and then failed to handle fraud claims when made. The volume of unauthorized transactions was completely foreseeable given the lack of basic security measures. Hundreds of millions in California unemployment benefits have already been lost to fraud. Bank of America's failure to help these fraud victims in a timely way is unconscionable and must be addressed."

Andrew Kirtley of Cotchett, Pitre & McCarthy, stated:

"It's no secret that this pandemic has been economically devastating for millions of Californians. For many, EDD unemployment benefits are a matter of survival. As alleged in the complaint, Bank of America utterly failed to prevent a massive theft of EDD benefits from Bank of America accounts, and then made it next to impossible for account holders to get reimbursed. EDD benefits recipients may not be Bank of America's most lucrative customers, but they are among its most important. This lawsuit is a wake-up call for Bank of America."

Noorjahan Rahman of Cotchett, Pitre & McCarthy, put it bluntly:

"When a big corporation like Bank of America contracts with the State to administer unemployment benefits, it's not just providing a service, it's taking on a solemn duty to protect some of the most vulnerable in society. As alleged, Bank of America has utterly failed to uphold that duty."

The Complaint alleges that by failing to safeguard these state benefits from fraud and failing to address claims in a timely manner, Bank of America violated the California Consumer Privacy Act, California's Unfair Competition Law, and Regulation E of the federal Electronic Funds Transfer Act; breached its contract with EDD cardholders; failed to warn EDD cardholders about the risks associated with its EDD debit cards; and negligently performed its contract with the California EDD, among other violations of law.

The lawsuit is *Yick v. Bank of America*, Case No. 3:21-cv-00376, in the U.S. District Court for the Northern District of California.