

EDD unemployment fraud scandal triggers lawsuit against big bank

Jobless workers claim Bank of America negligence caused unemployment accounts to be hacked and defrauded
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Attorneys

Brian Danitz

Bank of America exposed unemployed California workers to fraud and suspended jobless payments after the banking behemoth failed to properly safeguard their benefits accounts, a federal class-action lawsuit claims in the latest twist involving a widening Employment Development Department fraud scandal.

The lawsuit alleges that that financial leviathan, despite being required by its exclusive contract with the EDD to provide secure accounts for the processing of unemployment benefits, didn't use an array of techniques such as industry-standard chip technology to help ward off fraud against the unemployed workers.

"Bank of America has failed to respond in a timely way to thousands of defrauded customers," the lawsuit claims. "The bank's ineffectual response to rampant fraud takes various forms."

Among the blunders and missteps by the bank, according to the lawsuit, which was filed in U.S. District Court in San Francisco

- failing to answer 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.
- freezing EDD cardholder accounts without warning or explanation.

"My account was emptied by unauthorized transactions on my Bank of America EDD debit card," said Jennifer Wick, a San Francisco resident who is the named plaintiff in the lawsuit.

EDD UNEMPLOYMENT FRAUD SCANDAL TRIGGERS LAWSUIT AGAINST BIG BANK

Yick, a real estate agent, said she did all she could to notify Bank of America that she had been defrauded.

“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,” Yick said.

Bank of America was asked by this news organization to comment regarding the situation.

Law firm Cotchett, Pitre & McCarthy filed the complaint on behalf of Yick and other jobless workers whose accounts were affected by fraud.

The EDD has halted payments on 1.4 million unemployment insurance accounts while attempts are made to investigate and halt the fraud problems. “Faced with the economic devastation of the COVID-19 pandemic, millions of Californians now rely on unemployment insurance and other benefits issued by the state EDD,” the class-action complaint stated. “For unemployed Californians struggling to survive, these EDD benefits provide a lifeline that allows them to pay for basic necessities until they find that next job.”

The legal complaint demands that the federal court order an array of remedies.

Among the demands:

- all affected workers should receive refunds for the value of unauthorized transactions from their EDD accounts
- the bank should issue EDD debit cards with smart chips to all current and future EDD cardholders
- the bank should establish a customer service website, e-mail address, and telephone hotline that allow EDD cardholders to report unauthorized transactions and request reimbursement
- Bank of America should respond to EDD cardholders’ claims of unauthorized transactions and requests for reimbursement within a reasonable time
- the bank should provide a reasonable opportunity for Class members to file claims regarding unauthorized transactions that otherwise would be deemed expired.

“Hundreds of millions in California unemployment benefits have already been lost to fraud,” said Brian Danitz, a partner at Cotchett, Pitre & McCarthy, and a representative for the plaintiffs. “Bank of America’s failure to help these fraud victims in a timely way is unconscionable and must be addressed.”