

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 2996

STATE OF NEW JERSEY

DATED: JUNE 17, 2019

The Senate Commerce Committee reports favorably Senate Bill No. 2996.

This bill provides that certain fraudulent arbitration agreements are invalid. Specifically, the bill provides that an agreement to arbitrate is not valid if a business entity seeking to apply an agreement contained in a contract consented to by a consumer is for a purported contractual relationship created by the entity fraudulently without the consumer's consent and by unlawfully using the consumer's personal identifying information.

This bill is in response to the misuse of consumer information by Wells Fargo Bank employees to create new accounts without consumer consent. The employees received commissions for selling consumers more products and services, and fraudulently created new accounts in consumers' names to inflate their sales numbers. Because the commission program was not properly managed, employees were able, and in some cases encouraged, to take advantage of it. The fraudulent practices led to many consumers being subject to various fees and charges.

When consumers brought suit against Wells Fargo in court, the bank successfully compelled many consumers to arbitrate their claims, as the consumers had signed arbitration agreements when opening their original accounts. The arbitrations were carried out behind closed doors, without the due process protections available to claimants who pursue litigation before the civil courts. This bill prevents banks and other business entities with access to consumers' personal identifying information from compelling arbitration in these situations.