

## Bank Customers Victimized by Alleged Abusive Bank Overdraft Fees Strike Back

by Reuters-News

Marking a substantial step forward in litigation over the banking industry's abusive and excessive overdraft fee policies and practices, plaintiffs' counsel announced that bank customers have filed a series of nationwide class action lawsuits against Bank of America, Wachovia, U.S. Bank, JPMorgan Chase and Citibank. The complaints were filed in the United States District Court for the Southern District of Florida in Miami, where all federal lawsuits brought against the banking industry for abusive overdraft fees have been coordinated before the Honorable James Lawrence King.

"The collection of excessive overdraft fees, usually around \$35 per transaction, impacts millions of Americans each year and has become a multibillion-dollar profit center for the banks," explained lead plaintiffs' counsel Bruce S. Rogow. "In many instances, these overdraft fees cost customers hundreds of dollars in a matter of days, or even hours, when they may be overdrawn by only a few dollars.

Charging a \$35 overdraft fee when a college student uses her debit card to buy a cup of coffee is unconscionable."

How Bank "Overdraft Protection" Works and Why the Abusive Collection of Overdraft Fees is a National Concern

Today, when customers open checking accounts, banks provide debit cards for the withdrawal of cash from ATM machines and the purchase of goods and services.

Many bank customers are not aware that as part of the process of obtaining the debit card, banks automatically enroll their customers in "overdraft protection." The overdraft protection kicks in if the customer spends more than he or she has in the account to cover the purchase, up to a limit of a few hundred dollars.

Banks could simply decline to honor customer ATM or point-of-sale transactions if the account lacks sufficient funds, or could warn customers that if they go through with the transaction an overdraft fee will be assessed. In fact, until a few years ago, most banks simply declined debit transactions that would overdraw an account.

"Banks do not record charges and purchases on ATM or debit cards in the order they actually occur," stated plaintiffs' counsel Michael W. Sobol of Lief Cabraser Heimann & Bernstein, LLP. "Instead, banks reorder the charges and purchases so that the largest charge or purchase is the first one paid by the bank. This manipulative practice is intentionally designed, the complaints allege, to maximize overdraft fee revenue."

"If you buy your kids a \$15 meal at McDonalds on your debit card and your account was overdrawn, that lunch actually cost you \$50," added Mr. Sobol. "The bank won't decline the debit transaction, nor will the bank tell you that you have overdrawn your account and is about to turn your \$15 lunch into a \$50 expense."

In 2007, banks collected more than \$17 billion in overdraft fees. That number nearly doubled in 2008, as more and more consumers struggled to maintain positive checking account balances. In 2009, banks are expected to bring in up to \$40 billion in overdraft charges from nearly 50 million customers.

"While all bank customers have been affected, these overdraft fee policies disproportionately affect young people, the elderly and the poor, who are most likely to maintain low account balances," noted Mr. Rogow. "Moreover, these fees have the tendency to create a domino effect, resulting in even more fees."

Further Information for Bank Customers

Bank customers assessed overdraft fees who wish to learn more about this litigation should visit [www.bank-overdraft.com](http://www.bank-overdraft.com) where they can submit their complaint to plaintiffs' counsel.

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