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First class-action in bank overdraft fee case

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NEW YORK, July 14 (Reuters) - A federal judge overseeing nationwide bank overdraft fee litigation granted class-action status to UnionBanCal customers, the first certification in a case targeting more than two dozen lenders, a law firm for the customers said.

Wednesday's ruling by U.S. District Judge James Lawrence King in Miami means the customers, who could number in the tens of thousands, may sue the parent of Union Bank as a group, which could cut costs and allow higher recoveries.

The judge also threw out a racketeering claim against UnionBanCal, a San Francisco-based unit of Japan's Mitsubishi UFJ Financial Group Inc, court records show.

Lawyers for UnionBanCal did not immediately return calls seeking a comment. UnionBanCal ended March with \$80.6 billion of assets, and operated more than 400 branches in California, Oregon, Washington and Texas.

The overdraft fee litigation consolidates lawsuits filed across the country against JPMorgan Chase & Co, Citigroup Inc, Wells Fargo & Co and other U.S., Canadian and European lenders.

It accuses lenders of routinely processing transactions from largest to smallest rather than in chronological order. This can cause account balances to fall faster, and overdraft fees -- typically \$25 or \$35 -- to pile up sooner.

"To the extent the conduct of other banks is similar to that of Union Bank, and we think it is, the certification makes it more likely than not that class-action cases against other banks will also be certified," said Peter Prieto, a partner at Podhurst Orseck in Miami, whose colleague Aaron Podhurst is co-lead counsel for the plaintiffs.

King in May granted tentative approval to Bank of America Corp's \$410 million settlement of similar charges, in a case involving roughly 1 million customers.

Last year, the Federal Reserve prohibited banks from charging overdraft fees on electronic and debit card transactions without advance customer approval.

Critics say overdraft fees disproportionately burden customers with lower incomes or low account balances.

The case is In re: Checking Account Overdraft Litigation, U.S. District Court, Southern District of Florida, No. 09-md-02036.

(Reporting by Jonathan Stempel)