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Another Bank Settles Citizenship Discrimination Suit

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The California Unruh Act (specifically, California Civil Code § 51) prohibits “all business establishments of every kind whatsoever” from discriminating based on citizenship or immigration status, among other things. That protection applies to all persons within the jurisdiction of California. At the federal level, (simply put,) the federal civil rights statute (specifically, 42 U.S.C. § 1981), prohibits alienage discrimination.

As early as 2017, we began to see citizenship discrimination class actions filed against creditors. For example, see *Perez v. Wells Fargo & Co.*, 2017 U.S. Dist. LEXIS 122722 (N.D. Cal. Aug. 3, 2017). A few years later, these cases evolved to be about non-credit products, such as failing to open a deposit account due to the applicants’ citizenship. For example, see *Chattopadhyay v. BBVA Compass Bancshares, Inc.*, 2019 U.S. Dist. LEXIS 241400 (N.D. Cal. Nov. 25, 2019).

On May 26, 2023, the Eastern District of California approved a settlement, settling another class action involving non-credit products. In this case, the plaintiffs alleged that the institution denied their checking and saving account applications because they were not U.S. citizens or legal permanent residents. The settlement includes a settlement fund of between \$280,000 and \$325,000, and the bank paying \$25,000 in administrative costs and \$60,000 for the plaintiffs’ attorneys’ fees and costs. *Velazquez v. Ally Bank*, 2023 U.S. Dist. LEXIS 92671 (E.D. Cal. May 26, 2023).

Institutions should remember that settlements for these types of lawsuits can be far more costly. For example, the *Perez v. Wells Fargo* case mentioned above settled for up to roughly **\$20 million**. Buchalter’s regulatory compliance team regularly advises companies, including depository institutions, on fair banking, including avoiding claims of citizenship discrimination.

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