

MOTION BY CHAIR HILDA L. SOLIS AND  
SUPERVISOR MARK RIDLEY-THOMAS

November 22, 2016

**Strategic Enforcement of Consumer Protection Laws on Behalf of Los Angeles  
County Residents**

The Los Angeles City Attorney (City Attorney) and Wells Fargo Bank (Wells Fargo) recently settled a lawsuit brought by the City Attorney in 2015 alleging that Wells Fargo engaged in unlawful, unfair, and fraudulent sales and related acts, resulting in harm to California consumers. Wells Fargo agreed to pay a civil penalty of \$50 million, of which the County of Los Angeles (County) is by law allocated to receive \$25 million. Pursuant to statute, these funds must be used by County Counsel and/or the District Attorney exclusively for the enforcement of consumer protection laws. The law is silent as to division of the funds between the two departments, and the Board of Supervisors (Board) may allocate the funds as it sees fit as long as the funds are used for the enforcement of consumer protection laws. It is also noteworthy that many consumer protection investigations are undertaken in partnership with the Los Angeles County Department of Consumer and Business Affairs.

Although the law does not specify what constitutes enforcement of consumer protection laws, courts have interpreted the scope broadly. Permissible uses of this funding include measures to combat and address any violation considered an unfair business practice, including violations of federal, state, and local laws regulating consumer sales and credit transactions, business licensing, wages and work hours, health and safety, employment and housing discrimination, false and misleading advertising, real estate transactions, and environmental protection.

Given the breadth of allocation options, the Board should, to the extent possible, focus the deployment of these funds on significant County priorities, including the five strategic priorities adopted by the Board earlier this year: law enforcement oversight, child protection, consolidated health services, homelessness, and environmental health oversight. In the past year, the County has also undertaken significant initiatives in other policy areas implicating consumer protection laws. These include wage theft, notario fraud, expanding self-help legal assistance centers, identity theft among foster youth,

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and general financial empowerment, including the establishment of a Center for Financial Empowerment. This funding provides a critical opportunity to invest in enforcement efforts related to some of these issue areas.

In addition, the success of the City Attorney's efforts underscores the important service that can be rendered to County constituents through proactive strategic litigation against bad actors who routinely violate consumer protection laws. The City Attorney has established an Affirmative Litigation Division charged with identifying and pursuing complex, high-impact matters focused on a variety of areas, including consumer protection, unfair business and housing practices, wage theft, and environmental justice. The County, which already works proactively to identify such actors and bring legal action where appropriate, should consider establishing a similar Affirmative Litigation program.

**WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:**

1. Direct the Chief Executive Officer, in consultation with the District Attorney, County Counsel, Director of Consumer and Business Affairs, and the directors of any other necessary County departments, to prepare a multi-year proposal for consumer protection, enforcement, and education activities for which the \$25 million in Wells Fargo Consumer Settlement funds could be deployed. The proposal should offer a variety of consumer protection, enforcement and education activities that are aligned with the Board's adopted strategic priorities, the policy initiatives described in the preamble, and/or other Board priorities, and should include a variety of program options that the Board can choose from for final funding and program implementation.
2. Direct County Counsel, in consultation with the Chief Executive Officer, to research the feasibility of using a portion of the Wells Fargo Consumer Settlement funds to create an Affirmative Litigation Division within the Office of County Counsel, charged with identifying and bringing legal action against actors whose routine violations of consumer protection laws harm County residents.
3. Request that the aforementioned parties report back to the Board in writing within 60 days.

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MRT:ew