

Date of Hearing: April 1, 2024

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Timothy Grayson, Chair

AB 3148 (Chen) – As Introduced February 16, 2024

SUBJECT: Commissioner of Financial Protection and Innovation: report: Office of the Ombuds

SUMMARY: This bill requires the Department of Financial Protection and Innovation (DFPI) to include in its annual California Consumer Financial Protection Law (CCFPL) report information about the activities of the Office of the Ombuds.

EXISTING LAW:

- 1) Requires that all state agencies provide a method or form on the Internet through which individuals can register complaints or comments relating to the performance of that department/agency (Government Code Sections 8330-8332).
- 2) Pursuant to the CCFPL, authorizes DFPI to require covered persons to register with the department (Financial Code Section 90009).
- 3) Defines “covered person” as a person that engages in offering or providing a consumer financial product or service to a resident of this state and affiliates or service providers, as specified (Financial Code Section 90005(f)).
- 4) Requires DFPI to publish an annual report on the following activities of the department pursuant to the CCFPL (Financial Code Section 90018):
 - a) Rulemaking, enforcement, oversight, consumer complaints, and resolutions, education, and research.
 - b) The activities of the Financial Technology Innovation Office.

FISCAL EFFECT: Unknown. This bill is keyed Fiscal by Legislative Counsel.

COMMENTS:

1) **Background: Office of the Ombuds**

An ombuds, also known as an ombudsman or ombudsperson, assists in resolving issues between parties through informal meetings and mediation. In government, the ombuds typically handles complaints directed at governmental bodies and officials.

The Office of the Ombuds (Office) within DFPI acts as an independent and confidential resource for stakeholders, ensuring that complaints about DFPI staff or actions undergo a thorough and impartial review. Anyone, including consumers, licensees, trade groups, or applicants, can submit a complaint, and the Office provides a confidential process for resolving problems. While the Office cannot independently resolve complaints or change policy, its work generally informs DFPI's policies and procedures.

The Office was recently established as part of the department's transition from the Department of Business Oversight (DBO) to DFPI. In 2020, the Governor proposed a name change and a budget enhancement beginning in Fiscal Year 2020-21, alongside language that expanded the department's oversight authority. AB 1864 (Limón), Chapter 157, Statutes of 2020, established the CCFPL and expanded the department's new oversight authority over a wider array of consumer financial products and services. AB 1864 also created the Office of Financial Technology Innovation (OFTI), intended to provide industry constituencies with early guidance.

DFPI's 2020 Budget Change Proposal (BCP) for the department's reorganization includes additional information about the creation of the Office. The BCP states:

The Ombudsperson will promote responsiveness and accountability at DBO by identifying and solving the underlying causes of complaints received. The Ombudsperson will make sure that complaints are addressed as thoroughly and as quickly as possible and that recommendations are sound and capable of being implemented.

2) **Background: CCFPL Report**

AB 1864 also requires DFPI to produce an annual report detailing the department's CCFPL-related activities. This report must summarize the department's activities on rulemaking, enforcement, oversight, consumer complaints, and resolutions, education, and research, as well as the activities of the OFTI.

As an example of the type of information provided in this report, in 2022, OFTI hosted 247 meetings with 161 different external stakeholders to discuss emerging products and services. Moreover, more than 25 organizations met with OFTI staff as part of OFTI's weekly office hours to share their story with the DFPI and to understand the DFPI's expectations.

3) **Purpose**

AB 3148 will update the CCFPL's report requirements to include additional information about the activities of the Office. Because the Office was created along with the OFTI as part of the larger department reorganization, the author argues it is appropriate to include its activities to help ensure that DFPI is accountable and responsible to the public.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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