

Date of Hearing: April 28, 2025

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 665 (Chen) – As Introduced February 14, 2025

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

SUMMARY: 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 § 8330-8332).
- 2) Pursuant to the CCFPL, authorizes DFPI to require covered persons to register with the department (Financial Code § 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 § 90005(f)).
- 4) Requires DFPI to publish an annual report on the following activities of the department pursuant to the CCFPL (Financial Code § 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) Purpose. According to the author:

AB 665 is an important tool to strengthen the Department of Financial Protection and Innovation. It fosters accountability for how complaints are being addressed in the Office of the Ombudsman and will lead to better information.

2) Office of the Ombudsperson¹

The Office of the Ombudsperson (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 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), to provide industry constituencies with early guidance.

DFPI's 2020-21 Budget Change Proposal (BCP) for the department's reorganization includes additional information about the creation of the Office.² 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.

It would be beneficial for the Legislature to receive an update on the number and nature of complaints submitted to the Office. Specifically, a summary detailing the total number of complaints received, their aggregate disposition, and any recurring themes or issues identified would assist in evaluating the implementation and impact of the Office.

3) CCFPL Annual 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.

4) Highlights from the 2024 report include³:

- Received approval and began implementing the first registration regulations under the CCFPL covering four unregistered industries: income-based advances, private postsecondary education financing, debt settlement services, and student debt relief

¹ <https://dfpi.ca.gov/about/dfpi-divisions-and-offices/office-of-the-ombuds/>

² https://bcp.dof.ca.gov/2021/FY2021_ORG1701_BCP3489.pdf

³ <https://dfpi.ca.gov/wp-content/uploads/2025/04/DFPI-CCFPL-2024-annual-report.pdf>

services.

- Obtained a \$4.2 million judgment in the Department's first lawsuit filed jointly with the Consumer Financial Protection Bureau (CFPB) and 10 other states under Title X of Dodd-Frank.
- Received 2,388 consumer complaints related to the CCFPL, a six percent increase from 2023. The top two CCFPL-related complaints involved crypto assets (42 percent) and debt collectors (31 percent).
- Opened 699 CCFPL-related investigations and issued 202 public CCFPL actions, a 12 percent increase from 2023.
- Doubled the number of views and visitors to our Crypto Scam Tracker webpage, with nearly 400,000 individuals visiting the page in 2024.
- Initiated the first examination of a financial services company using CCFPL authority.
- Launched an interactive complaint dashboard to enhance complaint reporting and improve trendspotting of consumer risks and marketplace compliance issues.
- Reached more than 35,000 consumers at 291 outreach and education events.
- Launched the first regional chapter of the California Coalition for Financial Empowerment in partnership with the Federal Deposit Insurance Corporation (FDIC) in the southern San Joaquin Valley.
- Promoted a statewide outreach and education campaign, generating nearly 130 million impressions, 30 million video views, and 1 million consumer clicks.
- Launched a fully redesigned and reimagined public-facing website to better serve consumers and industry.
- Achieved an 83 percent increase in views of DFPI video content on YouTube versus 2023.

5) Prior Legislation

This bill is exactly the same as the introduced version of AB 3148 (Chen, 2024) passed out of the Assembly and was gut and amended in the Senate. The latter version of AB 3148 changed the cost allocation methodology for licensees under the Deferred Deposit Transaction Law from assessments based on the number of licensed locations to assessments based on the pro rata volume of deferred deposit transactions made by a licensee.

6) Policy Item for Consideration

The Office of the Ombudsperson or Ombuds does not exist in statute. The 20-21 BCP states the (DFPI) “will establish a new Office of the Ombudsperson.” The BCP also lists the responsibilities as noted in #2. Confusingly, the DFPI website uses the name Office of the Ombuds. To include the Office as part of the Annual Report, it would be helpful to establish the Office and its responsibilities in statute.

REGISTERED SUPPORT / OPPOSITION:**Support**

None on file.

Opposition

None on file.

Analysis Prepared by: Darci Sears / B. & F. / (916) 319-3081