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20 *Attorneys for Plaintiff Joe Rudy Reyes and*
21 *the Class*

22 UNITED STATES DISTRICT COURT
23 CENTRAL DISTRICT OF CALIFORNIA
24 WESTERN DIVISION

25 JOE RUDY REYES, individually and on
26 behalf of all others similarly situated,

27 Plaintiff,

28 v.

JPAY, INC.; SUNRISE BANKS
NATIONAL ASSOCIATION; AND
PRAXELL INC.,

Defendants.

No.

CLASS ACTION COMPLAINT

DEMAND FOR JURY TRIAL

1 Pursuant to this Court’s jurisdiction conferred by 28 U.S.C. § 1331 (1980),
2 Plaintiff Joe Rudy Reyes (“Plaintiff” or “Mr. Reyes”), on behalf of himself and all
3 others similarly situated, brings this Class Action Complaint and Demand for Jury Trial
4 against Defendants JPay, Inc., Sunrise Banks National Association, and Praxell Inc.
5 (together, “Defendants”). The following allegations are based on personal knowledge as
6 to Plaintiff’s conduct and are made on information and belief as to all other matters
7 based upon the undersigned counsels’ investigation.
8
9

10 I. INTRODUCTION

11 1. Over the course of nearly thirty years in the California correctional system,
12 Plaintiff Joe Rudy Reyes earned his Associate’s Degree in social work and earned the
13 trust of his fellow inmates and prison officials. He was elected Chairman of the Inmate
14 Advisory Council, where he served as an intermediary between prison officials and the
15 prison population and helped transform prison policies regarding the treatment of
16 disabled inmates.
17
18

19 2. After serving his time, Mr. Reyes was paroled in January 2017, leaving
20 Susanville, California’s High Desert State Prison and vowing to use his freedom to
21 develop rehabilitative programs within the California Department of Corrections and
22 Rehabilitation (“CDCR”) and to work with former gang members as part of Criminals
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1 and Gang Members Anonymous.¹

2 3. When he was released on Monday, January 16, 2017, he was given his
3 personal effects and the remaining balance of his inmate trust account, along with his
4 California-provided release funds, or “gate money,” of \$200 to help him return home to
5 Los Angeles.² In total, Mr. Reyes had \$424.20 to his name when he was released.
6

7 4. Yet upon his release, the CDCR officers did not return this amount in cash.
8 Instead, the CDCR gave him a prepaid debit card loaded with both the balance of his
9 inmate trust account and his gate money. The card was issued by Sunrise Banks National
10 Association (hereinafter “Sunrise Bank”) and bore the insignia “Progress,” a brand of
11 prepaid card offered by JPay, Inc. (hereinafter “JPay Card” or “Card”).
12

13 5. Mr. Reyes wanted to receive his cash back, but CDCR officers forced the
14 prepaid JPay Card upon him without offering any alternatives. That Card required Mr.
15 Reyes to pay unreasonable and excessive fees to Defendants in order to access his own
16 money. Mr. Reyes never assented to receiving the Card instead of his property and never
17 assented to any contract with Defendants. CDCR did not give Mr. Reyes an opportunity
18 to reject the JPay Card or take immediate possession of his money in any other form,
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23 ¹ *Solitary Confinement in the California Prisons*, UCLA SCHOOL OF LAW,
24 [https://law.ucla.edu/news-and-events/3449/2017/2/27/solitary-confinement-in-](https://law.ucla.edu/news-and-events/3449/2017/2/27/solitary-confinement-in-california-prison-c--history-and-experience/)
25 [california-prison-c--history-and-experience/](https://law.ucla.edu/news-and-events/3449/2017/2/27/solitary-confinement-in-california-prison-c--history-and-experience/) (last visited Jan. 1, 2018).

26 ² Cal. Penal Code § 2713.1; *see also* Kate J. Wilson, *State Policies and Procedures Re*
27 *‘Gate Money’* at 2, CENTER FOR PUBLIC POLICY RESEARCH, UNIVERSITY OF
28 [http://www.cdcr.ca.gov/Adult_Research_Branch/Research_Documents/Gate_Money_O](http://www.cdcr.ca.gov/Adult_Research_Branch/Research_Documents/Gate_Money_Oct_2007.pdf)
[ct_2007.pdf](http://www.cdcr.ca.gov/Adult_Research_Branch/Research_Documents/Gate_Money_Oct_2007.pdf) (last visited Jan. 2, 2018).

1 such as cash.

2 6. Mr. Reyes's experience is illustrative of the experience of thousands of other
3 individuals who have received JPay Cards across the country.
4

5 7. Mr. Reyes was literally a captive consumer for Defendants, and Defendants
6 took full advantage of Mr. Reyes's complete lack of bargaining power by requiring him
7 to pay various exorbitant, unreasonable fees to retrieve his own money and state-issued
8 benefits. Of course, Mr. Reyes never would have agreed to receive his money in the
9 form of the expensive JPay Card if he had been given any choice or had any bargaining
10 power.
11

12 8. A CDCR correctional officer first used Mr. Reyes' JPay Card to purchase a
13 bus ticket for Mr. Reyes shortly after his release.
14

15 9. Mr. Reyes then attempted to use the Card at an ATM—but it was declined.
16 Next, he successfully used the Card to buy additional bus and train tickets to return home
17 to Los Angeles, as well as a prepaid cell phone and food for his journey.
18

19 10. Once home in Los Angeles and just days after he received the Card, all his
20 transactions were denied. After calling the consumer service number located on the back
21 of his JPay Card, which routed him to representatives from Praxell, Inc., he was told his
22 account was frozen due to suspected "suspicious activity." They offered no basis for
23 these suspicions.
24

25 11. Praxell representatives told him he needed to provide a copy of his driver's
26 license, then a copy of a utility or cell phone bill in his name, and then a signed and
27
28

1 notarized letter from his landlord before he could restore his account.

2 12. After satisfying their ever-changing demands, he was then told he would
3 need to contact CDCR to regain access to the balance of his JPay account. No one told
4 him why or how CDCR would be able to unfreeze his account.
5

6 13. Mr. Reyes then asked the Warden of High Desert Prison—with whom he
7 maintains a working relationship due to their cooperation as part of the Inmate Advisory
8 Council—about regaining access to his JPay Card account. The Warden insisted that
9 the prison had no involvement with account maintenance, would not be able to assist
10 him, and that JPay managed the release card accounts.
11
12

13 14. On or before January 8, 2018, JPay closed Mr. Reyes' account.

14 15. To date, he still does not have access to his account. It has been nearly a
15 year since he has been able to use the Card.
16

17 16. Defendants have engaged in a pattern of unlawful, deceptive, unfair, and
18 unconscionable profiteering and self-dealing with respect to the prepaid release Cards
19 that they force upon individuals who are released from jails and prisons. In so doing,
20 Defendants have violated the law, including the Fifth Amendment's prohibition against
21 the taking of property without just compensation, the Electronic Fund Transfer Act, 15
22 U.S.C. §1693, *et seq.* (2010), and the California Unfair Competition Law, Cal. Bus. &
23
24
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28

1 Prof. Code §§ 17200, *et seq.*, and California’s common law actions for conversion,
2 trespass to chattels, and for an accounting.
3

4 17. As such, Mr. Reyes files this class action lawsuit to redress injuries that he
5 and other individuals have suffered and continue to suffer as a result of Defendants’
6 practices of forcing prepaid release Cards that carry unreasonable and excessive fees
7 upon pretrial detainees and former inmates who, like most consumers, would never agree
8 to receive the balance of their inmate trust accounts and gate money in such a manner if
9 given a choice.
10
11

12 II. PARTIES

13 18. **Plaintiff Joe Rudy Reyes** lives in this District and is a citizen of Sylmar,
14 California.
15

16 19. **Defendant JPay, Inc.** (“JPay”), a wholly owned subsidiary of Securus
17 Technologies, Inc., is incorporated in Delaware and located at 12864 Biscayne
18 Boulevard, Suite 243, Miami, Florida 33181. JPay touts itself as “the most trusted name
19 in corrections” and offers myriad **services to the correctional industry in over 30 states.**
20 JPay markets its prepaid Cards to government entities, including CDCR, and these
21 entities in turn disseminate JPay’s products to the general public. JPay contracted with
22 CDCR to provide prepaid debit release Cards to prisoners released from California’s
23 prison facilities.
24
25

26 20. **Defendant Sunrise Banks National Association** (“Sunrise Bank”), a
27 subsidiary of University Financial Corp. that is incorporated in Minnesota, is a member
28

1 of the Federal Deposit Insurance Corporation and is both a member and board member
2 of the Network Branded Prepaid Card Association. Sunrise Bank has over \$978 million
3 in assets³ and operates 6 locations throughout Minnesota, as well as an operational
4 office with 26 employees dedicated to prepaid card services in Sioux Falls, South
5 Dakota.⁴ Sunrise Bank “seeks to radically change the way urban communities and
6 underserved people thrive by empowering them to achieve their aspirations”⁵ and has
7 contracted with JPay to issue prepaid debit Cards nationwide to released prisoners and
8 is located at 200 University Avenue West, Saint Paul, Minnesota 55103.
9
10
11

12 21. **Defendant Praxell, Inc.** (“Praxell”) was founded in 1999, and is a private
13 company offering cloud-based payment solutions for businesses and support services for
14 custom prepaid card programs, including customer service for institutions using prepaid
15 debit cards. Card programs using Praxell’s services are issued by Sunrise Banks National
16 Association. Praxell is incorporated under the laws of Delaware and is located at 54
17 West 39th Street, New York, New York 10018.
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25 ³ iBanknet, http://www.ibanknet.com/scripts/callreports/getbank.aspx?ibnid=usa_860053
26 (last visited Jan. 1, 2018).

27 ⁴ *Sunrise Banks is a Prepaid Card Leader*, <https://sunrisebanks.com/sunrise-banks-is-a-prepaid-card-leader/> (last visited Jan. 1, 2018).

28 ⁵ *Id.*

1 **III. JURISDICTION AND VENUE**

2 22. This Court has jurisdiction over the subject matter of this action pursuant to
3 28 U.S.C. § 1331 (1980) because this is a civil action arising under the laws of the United
4 States, namely 42 U.S.C. § 1983 (1996) and 15 U.S.C. § 1693, *et seq.* (2010).
5

6 23. This Court may exercise supplemental jurisdiction over state law claims
7 pursuant to 28 U.S.C. § 1367 (1994).
8

9 24. Venue is proper in this District pursuant to 28 U.S.C. § 1391 (2011) because
10 each Defendant is subject to personal jurisdiction in this District, Mr. Reyes lives in this
11 District, and a substantial part of the events or omissions giving rise to the claim occurred
12 within this District.
13

14 **IV. FACTS**

15 **A. Background**

16 25. Over 650,000 individuals are released from state and federal prisons
17 annually, and local jails nationwide process an estimated 11.6 million people each year.
18

19 26. JPay is one of many for-profit businesses in an increasingly privatized
20 prison industry. State spending on corrections was over \$52.4 billion in 2012.
21 Hundreds of private-sector contractors now provide food, clothing, riot gear, phone
22 service, computers, and health care, in addition to directly operating many correctional
23 facilities.
24

25 27. At least 10 companies, including JPay, now offer prepaid release cards to
26 state and local correctional systems.
27
28

1 28. JPay has been offering prepaid debit release card services to jails and
2 prisons since at least 2006, and has provided these services for at least 16 state prison
3 systems,⁶ including California. By 2014, and before JPay contracted with California,
4 over half a million JPay prepaid debit release cards had been issued to released inmates.
5

6 29. Defendants market and distribute their prepaid debit release cards to the
7 general public and specifically market their products on their website.
8

9 30. CDCR, like all jails, prisons, and detention facilities, keeps an individual's
10 confiscated cash until his or her release. These funds are kept with the understanding
11 that the State will hold these funds in trust and protect the property on the individual's
12 behalf.
13

14 31. Traditionally, when inmates were released from jails, prisons, and other
15 detention facilities, their jailers returned to them in the form of cash or check any money
16 that the jailers confiscated at booking. The jailers also traditionally returned to them, in
17 the form of cash or check, any monies that had accrued or been added to in the
18 individual's inmate trust account.
19
20

21 32. According to a 2014 Association of State Correctional Administrators
22 survey, government agencies across the United States that handle inmate funds are
23
24

25 ⁶ At the time CDCR contracted with JPay for its prepaid debit release card services, JPay
26 offered the program for the state correctional facilities in Colorado, Michigan, Virginia,
27 Florida, Missouri, Georgia, Nevada, Indiana, North Carolina, Louisiana, and Oklahoma.
28 On information and belief, JPay now has contracts with at least three additional states,
including New Jersey.

1 increasingly using prepaid debit cards to return personal funds to former inmates. Over
2 half of responding agencies reported using prepaid debit cards to return inmates'
3 property, and a majority of those agencies reported that a fee is charged when using the
4 debit card to get cash from a bank.⁷

6 33. Unlike typical consumers, released individuals are not given the choice to
7 accept a fee-laden financial product like the JPay Card, and they never fill out an
8 application for this financial product.

10 34. Moreover, the typical released individual suffers from poor financial
11 literacy. A study by the University of Arkansas-Little Rock Anderson Institute on Race
12 and Ethnicity of inmates in Arkansas found that only 33.1 percent of inmates could
13 correctly answer the question, “If you put \$100 in a bank account paying 5 percent
14 interest, how much will you have in your account after one year?” In contrast, 79.6
15 percent of non-incarcerated men got the same question right.⁸

18 35. Over two-thirds of states in the United States provide “gate money” to those
19 released from a prison facility.⁹

21
22 ⁷ See *Proposed Amendments to Reg. E: Curb exploitation of people released from*
23 *custody*, PRISON POLICY INITIATIVE 2, March 18, 2015,
24 <https://static.prisonpolicy.org/releasecards/CFPB-comment.pdf> (last visited Jan. 1,
2018).

25 ⁸ David Koon, *New UALR survey finds a lack of basic ‘financial literacy’ among inmates*,
26 [https://www.arktimes.com/arkansas/new-ualr-survey-finds-a-lack-of-basic-financial-](https://www.arktimes.com/arkansas/new-ualr-survey-finds-a-lack-of-basic-financial-literacy-among-inmates/Content?oid=3351524)
[literacy-among-inmates/Content?oid=3351524](https://www.arktimes.com/arkansas/new-ualr-survey-finds-a-lack-of-basic-financial-literacy-among-inmates/Content?oid=3351524), June 19, 2017 (last visited Jan. 1, 2018).

27 ⁹ See *supra* note 2; see also *Gate Money by State*, HARD TIME: LIFE AFTER PRISON,
28 <http://americanradioworks.publicradio.org/features/hardtime/gatemoney/> (last visited
Jan. 2, 2018).

1 36. These funds are statutorily-conferred benefits. In California, inmates who
2 serve over six months in prison receive \$200, less the costs of clothing, if needed.
3

4 37. That Defendants market financial products rife with fees—all so released
5 individuals can access their own money and their state-provided benefits—is predatory,
6 unfair, and deceitful.
7

8 **B. CDCR’s Inmate Release Card Program**

9 **1. JPay’s Bid**

10 38. Before contracting with JPay, CDCR issued the vast majority of inmate
11 funds via cash, with some returns via check.
12

13 39. CDCR chose to move to a debit-card-based property return system as a
14 means of reducing accounting department staffing and overhead costs. Without cash at
15 each institution, CDCR claims it can reduce the amount of time spent processing
16 transactions in the institution’s accounting office, which frees staff to complete other
17 work.
18

19 40. CDCR’s prior cash-based system required CDCR officers to count and
20 reconcile cash, as well as manually review hardcopy records to confirm a releasee’s
21 receipt of his or her cash. This process required CDCR officers to expend additional
22 time and money. Furthermore, CDCR facilities—especially those in far-flung locations
23 in rural California—complained of costs in replenishing their cash storage.
24

25 41. Yet one of CDCR’s motives for switching to a debit-card-based system had
26 nothing to do with cost-saving measures: the switch removed incentives for CDCR
27
28

1 officers to skim funds out of designated inmate cash accounts. Officer theft resulted in
2 at least 17 documented cash shortages resulting in losses of \$15,200 between July 2012
3 and May 2014. These shortages then had to be investigated internally, which again
4 required CDCR to devote time and resources to the task.
5

6 42. In May 2014, CDCR publicly requested bids from private contractors to
7 offer prepaid debit release card services to replace the cash-based system. Their request
8 for bids mandated certain conditions, including those related to card accessibility and
9 user fees.
10

11 43. CDCR insisted that these services needed to be privatized because the debit
12 card system it sought was “not available within civil service, cannot be performed
13 satisfactorily by civil service, or are of such a highly specialized or technical nature that
14 the necessary expert knowledge, experience and ability are not available through the
15 civil service system.”
16
17

18 44. JPay was the only company to submit a bid.
19

20 45. JPay insisted in its CDCR bid that it treats cardholders “with the utmost
21 care” and that cardholders can reach one of their 100+ customer service representatives
22 24 hours a day.
23

24 46. To better help cardholders track their Card balances and avoid insufficient
25 funds fees, CDCR asked JPay to ensure that cardholders would receive an accounting of
26 their balance at each point of sale transaction. JPay insisted it could not fulfill that
27 request, and the request was ultimately dropped.
28

1 47. After accounting for the number of hours CDCR staff spend counting and
2 verifying cash and other costs under the cash-based system versus the costs associated
3 with a debit-card-based system, the agency calculated that it would save \$878,533.20 a
4 year by contracting with JPay.
5

6 48. Moreover, the agency also calculated that it would cost \$170,502.17
7 annually for CDCR staff to administer the JPay debit release Card program. With 32,802
8 released inmates per year, the “cost per inmate” to administer the program would be
9 \$5.20. Without the JPay contract, the “cost per inmate” would remain approximately
10 \$25.00 to \$30.00.
11
12

13 49. CDCR accepted JPay’s bid and contracted with JPay in July 2014 for myriad
14 correctional services, including lock boxes and electronic funds transfer services to
15 facilitate deposits into inmate trust accounts, as well as a prepaid debit release card
16 program at no cost to CDCR.
17

18 50. Pursuant to that contract, Defendants enjoy a monopoly at all CDCR
19 detention facilities.
20

21 51. Under the JPay contract and its amendments, Defendants are to perform the
22 traditional government service of returning money relinquished by inmates at booking.
23

24 52. JPay contracts with Sunrise Bank as an issuing bank for its JPay-branded
25 Cards, and with MasterCard as the payment network sponsor.
26

27 53. Upon information and belief, prepaid card issuance agreements between
28 banks and servicers like JPay provide for the marketing of prepaid cards to government

1 entities for distribution to released inmates, and reference the applicability of the
2 Electronic Fund Transfer Act (15 U.S.C. §§ 1693, *et seq.*) and Regulation E thereunder
3
4 (12 C.F.R. Part 205, each as may be amended from time to time) to those agreements.

5 54. CDCR negotiated every line and term of its agreement with JPay.

6 55. In an effort to achieve a cost-free program, CDCR accepted the JPay prepaid
7 debit release Card program and acknowledged that costs associated with the program
8 would be paid by releasees in the form of fees.

9
10 56. In accepting JPay's bid, CDCR specifically negotiated JPay's Card usage
11 fee schedule and required that the Card be cost-free to CDCR.
12

13 57. JPay agreed to impose the following fee schedule on cardholders:

14 A. \$1.00 point-of-sale or ATM decline fee;

15 B. \$5.00 lost/stolen/damaged Card replacement fee;

16 C. \$3.00 "monthly maintenance fee," to be charged monthly with the
17 first charge five days after the Card's activation; and
18

19 D. \$9.95 cancellation fee, whereby the account holder would receive
20 their balance via check or money order.
21

22 58. On information and belief, nothing in JPay's contract with CDCR prohibits
23 Defendants from charging in-network ATM fees or fees for balance inquiries or
24 transfers after the first four free transactions are completed. Those fees, if imposed, are
25 not disclosed in the contract.
26
27
28

1 59. JPay’s fee structure for CDCR was designed to match the agency’s stated
2 wishes in its request for bids—but not all fee structures for detention centers are the
3 same. In New Jersey, for example, JPay Cards come with a mandatory \$2 weekly
4 maintenance fee.¹⁰ North Carolina inmates face \$6 monthly maintenance fees, and
5 cardholders issued JPay Cards by correctional facilities in Colorado, Georgia, and
6 Tennessee are charged \$0.70 *per transaction*. In addition to the account maintenance
7 fees, cardholders in Tennessee and Michigan are penalized for not using their Card—
8 their accounts are docked \$2.99 if there is no account activity after 90 days.¹¹
9
10

11 60. Though JPay insists that its Cards are accepted everywhere and convenient
12 for cardholders, the design of these products leaves balances that are absorbed by
13 Defendants as fees.
14

15 61. Cardholders must know their exact balance before making purchases, as
16 any point-of-sale or ATM withdrawal for a cent over the balance will result in a \$1.00
17 decline fee.
18

19 62. If a cardholder uses the Card at an out-of-network ATM, he will be
20 charged a fee from the processing bank. If the account balance does not cover both the
21 requested amount and the bank’s fee, Defendants charge a decline fee.
22

23
24
25 ¹⁰ *Release the Power of Progress*, New Jersey Corrections,
26 <http://www.nj.gov/corrections/pdf/OTS/FRARA/JPAY/What%20is%20a%20JPAY%20release%20card%20-ENGLISH.pdf> (last visited Jan. 1, 2018).

27 ¹¹ *Proposed Amendments to Reg. E: Curb exploitation of people released from custody*,
28 PRISON POLICY INITIATIVE, 4, <https://static.prisonpolicy.org/releasecards/CFPB-comment.pdf> (last visited Jan. 1, 2018).

1 63. [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 64. On information and belief, individuals who are deported after their arrest

7 and released back in their home country, may not be able to access their funds at all—

8 and then face a \$1.00 decline fee each time they try. Released individuals report that

9 Cards and/or their PIN numbers do not work abroad, or that limits on international

10 ATM withdrawals force them to accrue additional out-of-network withdrawal fees.

11

12

13 65. CDCR also required that JPay provide customer service to all cardholders

14 issued a JPay Card upon release. Those customer services include the issuance of

15 replacement Cards if lost, stolen, or inoperative. JPay also agreed to ensure that funds

16 would be available to cardholders once activated.

17

18 66. [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 67. [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 68. D [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 70. CDCR officials do not have access to a cardholder's account information,
18 and according to Walter Mazza, a CDCR Accounting Administrator II, the agency does
19 not have the right to view that activity under federal law.
20

21 71. [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]

25 72. [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]

1 then, CDCR hoped that most releasees would use an in-network ATM instead. Out-of-
2 network ATMs are subject to bank fees.

3
4 93. CDCR and Parole Unit officers are trained to know that any problems with
5 the Card are to be directed to JPay, and that they should direct releasees to the number
6 on the back of the Card or to the JPay website for assistance.

7
8 **3. CDCR's Property Release Procedures**

9 94. Releasees do not sign anything confirming that they agree to receive their
10 JPay Card, or that they have received or agree to any of its terms.

11
12 95. For CDCR's records, released prisoners are to sign a "release fund debit card
13 log," but this log acknowledges that the Card may be given to either the releasee or his
14 parole agent. The log only documents the receipt of "release funds," which includes
15 only state-issued gate money, and not the balance of an inmate trust account.

16
17 96. Each releasee also signs a Release Statement that accounts for all property
18 items being returned, including clothing, "personal resources," and gate money
19 payments. When signing this form, releasees are informed whether their property will
20 be disbursed via prepaid debit release card or check:
21

| | |
|--|--|
| PAROLE FIELD UNIT: SACRAMENTO NORTH UNIT ✓ | DESTINATION AND FORWARDING ADDRESS: 4616 ROSEVILLE RD SUITE 100 NORTH HIGHLAND, CA 95660 ✓ |
| CHECK ONE: <i>Rel</i> <input type="checkbox"/> ACP <input type="checkbox"/> CTRP/MCRP <input type="checkbox"/> Discharge <input type="checkbox"/> Medical Parole <input checked="" type="checkbox"/> Parole <input type="checkbox"/> Release to DSH <input type="checkbox"/> PRCS <input type="checkbox"/> Release to HOLD <input type="checkbox"/> WFP <input type="checkbox"/> Release to USICE/Deport <input type="checkbox"/> Other (Specify): _____ | 2. RESOURCES AND DISTRIBUTION A. PERSONAL RESOURCES: Debit Card RPID No. _____ \$ _____ Trust Check No. _____ \$ _____ Bonds and Securities <input type="checkbox"/> \$ _____ Total Personal Resources \$ <u>200.00</u> B. STATE ALLOWANCE Less Clothing _____ \$ _____ Less Transportation _____ \$ _____ Less Advance to Temporary Release _____ \$ _____ Net State Allowance \$ _____ <input type="checkbox"/> State Allowance to be requested later by Supervising Agency. C. STATE ALLOWANCE DISBURSED BY: <input checked="" type="checkbox"/> Debit Card RPID No. <u>933247</u> <input type="checkbox"/> State Check No. _____ |
| 1. CLOTHING AUTHORIZATION CHECK ALL THAT APPLY <input type="checkbox"/> Top - Shirt/Blouse/Sweat Shirt <input type="checkbox"/> Bottom - Pants/Sweat Pants <input type="checkbox"/> Undergarments <input type="checkbox"/> Outerwear - Jacket/Coat/Sweater <input type="checkbox"/> Footwear - Shoes/Boots Clothing Authorization Cost: \$ _____ | Total Loaded To Debit Card: \$ <u>200.00</u> |
| I hereby acknowledge receipt of the Card (Debit Card, Medical Card, debit card, check(s), transportation voucher and clothing as indicated above) RELEASEE SIGNATURE: <i>[Signature]</i> DATE: <u>11/5/15</u> WITNESS SIGNATURE: <i>[Signature]</i> DATE: <u>11/5/15</u> APPROVED | |

97. The release form does not list the fees attendant to the Card or require acknowledgement or agreement to the terms of the Card.

98. CDCR and Parole Unit officers are trained to obtain a signature before the Card is released; if the releasee refuses to sign, no Card—and thus no funds—will be given.

99. Releasees have no way of knowing when their Card was activated. With prisons located across the state, many Cards are activated at a centralized CDCR location before they are shipped to remote detention centers for issuance, with days or

1 weeks passing before the Cards are ultimately handed to the releasee.

2 100. A copy of the terms and conditions, which is not given to releasees, notes
3 that “[b]y activating or using” the Card, the cardholder has agreed to the terms set
4 therein. But cardholders have no choice in activating the Card—it is activated by
5 CDCR personnel.
6

7
8 101. Mr. Reyes and the Class are not bound by terms that allow activation by
9 third parties to constitute their acceptance.

10 102. When a releasee is given the Card, it is already activated.

11
12 103. An inmate’s personal trust account funds are loaded onto the Card, as well
13 as the State of California’s statutorily-required gate money. When JPay extracts fees
14 from releasee’s accounts, they not only profit off of their cardholders: they also take
15 public funds for their own gain. On information and belief, JPay and Sunrise Bank also
16 profit off of their cardholders by earning interchange fees on any cardholder’s
17 transactions and by earning interest on releasees’ fund accounts.
18

19
20 104. If the cardholder is returned to custody with the Card on his person and
21 with an active balance, there is no mechanism to extract the balance. Instead, the Card
22 is treated like personal property and left to languish in a locked box with his other
23 physical possessions—and for JPay to extract maintenance fees for the duration of his
24 incarceration and/or until the entire account is depleted. This leads to JPay not only
25 taking the inmate’s personal funds, but also any gate money on the Card.
26

27
28 105. Individuals who are released from CDCR facilities do not voluntarily

1 at the High Desert facility before a van arrived to transport him to Reno, Nevada so he
2 could catch a bus to Sacramento. During those hours, Mr. Reyes read his release
3 paperwork; he saw nothing concerning the JPay Card, its fees, or its terms in his release
4 paperwork.
5

6 111. A correctional officer then accompanied him as he was transported via van
7 from the High Desert facility to the closest major bus depot in Reno, Nevada.
8

9 112. There, the correctional officer waited with Mr. Reyes until shortly before
10 the next Sacramento, California-bound bus departed. Mr. Reyes sat with a single box of
11 his possessions as the correctional officer from High Desert watched over him.
12

13 113. Just before the bus's departure, the correctional officer went to the bus
14 depot window and purchased a bus ticket to from Reno to Sacramento for Mr. Reyes.
15 The officer did not inform Mr. Reyes that he would be buying the ticket for him before
16 he did so. The officer used the prison-issued JPay Card to purchase the ticket.
17

18 114. Needing Mr. Reyes' signature to complete the transaction, the officer
19 beckoned for Mr. Reyes to join him at the window and sign the transaction receipt. It
20 was then that Mr. Reyes was told he would be boarding a bus to Sacramento, where he
21 would need to change to a bus or train to get to Los Angeles, where his family lives.
22

23 115. As the Sacramento-bound bus prepared to leave the depot, the officer
24 handed Mr. Reyes his JPay Card in a plain, white sleeve. Mr. Reyes does not believe
25 there was any writing on the sleeve.
26

27 116. Mr. Reyes discarded the sleeve shortly after the officer handed him the
28

1 interchange fees and interest on JPay Cards issued to the Class;

2 C. Whether Defendants deprived Plaintiff and the Class of a right, privilege, or
3 immunity protected by the Constitution or the laws of the United States;

4 D. Whether Defendants JPay and Sunrise Bank violated the Electronic Fund
5 Transfer Act, 15 U.S.C. 1693, *et seq.*;

6 E. Whether Defendants engaged in unfair or deceptive acts or practices in the
7 conduct of any trade or commerce and thus violated the California Unfair Competition
8 Law, Cal. Bus. & Prof. Code §§ 17200, *et seq.*;

9 F. Whether Defendants converted money belonging to the Class by taking
10 unlawful fees;

11 G. Whether Defendants engaged in an unlawful trespass to chattels;

12 H. Whether and what form(s) of relief should be afforded to the Class; and

13 I. Whether the Class has suffered damages as a result of Defendants' actions,
14 and, if so, the measure and amount of such damages, including any statutory and punitive
15 damages.

16 179. Plaintiff's claims are typical of the claims of the other members of the Class
17 he seeks to represent. Defendants' practices have targeted and affected all members of
18 the Class in a similar manner, i.e., they have all sustained damages arising out of
19 Defendants' practices.

20 180. Plaintiff will fully and adequately protect the interests of all members of the
21 Class. Plaintiff has retained counsel experienced in both complex class action and

1 consumer fraud litigation. Plaintiff has no interests which are adverse to, or in conflict
2 with the interests of the other members of the Class.
3

4 181. A class action is superior to other available methods for the fair and efficient
5 adjudication of this controversy since joinder of all Class members is impracticable. The
6 prosecution of separate actions by individual members of the Class would impose heavy
7 burdens upon the courts, and would create a risk of inconsistent or varying adjudications
8 of the questions of law and fact common to the Class. A class action, on the other hand,
9 would achieve substantial economies of time, effort, and expense, and would assure
10 uniformity of decision with respect to persons similarly situated without sacrificing
11 procedural fairness or bringing about other undesirable results.
12
13

14 182. The interests of the members of the Class in individually controlling the
15 prosecution of separate actions are theoretical rather than practical. The Class has a high
16 degree of cohesion, and prosecution of the action through representatives would be
17 unobjectionable. The damages suffered by the individual Class members may be
18 relatively small. Therefore, the expense and burden of individual litigation make it
19 virtually impossible for Class members to redress the wrongs done to them. Plaintiff
20 anticipates no difficulty in management of this action as a class action.
21
22
23

24 183. The parties opposing the Class have acted or refused to act on grounds
25 generally applicable to each member of the Class, thereby making appropriate final
26 injunctive or corresponding declaratory relief with respect to the Class as a whole.
27
28

1 **VI. FIRST CAUSE OF ACTION**

2 **(Claim Pursuant to 42 U.S.C. § 1983 for Violation to the Fifth Amendment)**
3 **(Against Defendants JPay and Sunrise Bank)**

4 184. Plaintiff re-alleges and incorporates by reference all of the allegations of this
5 Complaint with the same force and effect as if fully restated herein.

6
7 185. The Takings Clause of the Fifth Amendment to the United States
8 Constitution states in relevant part that “private property [shall not] be taken for public
9 use, without just compensation.”

10
11 186. The Takings Clause is applicable to the states through the Fourteenth
12 Amendment.

13
14 187. Defendants engaged in state action under color of law, in that Plaintiff’s and
15 the Class’s unconstitutional deprivation of their property resulted from a governmental
16 policy. Defendants are persons for whom the State is responsible in that: (a) CDCR, and
17 other governmental entities that issue Defendants’ prepaid debit release Cards, bore an
18 affirmative obligation upon release of Plaintiff and the Class to return monies
19 confiscated from them; (b) the State delegated that traditional public function to
20 Defendants and gave to Defendants Plaintiff’s confiscated money; (c) the State
21 negotiated for the exact services and fee schedules attached to each JPay Card, and are
22 thus rules of conduct imposed by the State on Defendants and/or indicia that the State is
23 responsible for Defendants’ conduct; and (d) Defendants voluntarily assumed the State’s
24 obligation by contract. Defendants thereby deprived Plaintiff and the Class of a right,
25
26
27
28

1 privilege, or immunity protected by the Constitution or the laws of the United States.

2 188. The State benefited from the actions of its delegee, as Defendants' business
3 practices allow the State to administer a "cashless" inmate property release system and
4 save the costs associated with its own management of the inmate property release
5 system, as well as minimize opportunities for correctional officers to steal from the
6 inmate property return funds.
7

8 189. The State negotiated its delegation contract with Defendants, and knowingly
9 assented to Defendants' fee structure as a means to transfer its costs onto Plaintiff and
10 the Class.
11

12 190. Plaintiff and the Class possessed a constitutionally protected interest in the
13 monies Defendants took from them.
14

15 191. Defendants' Card fees and the interest earned thereon should be declared to
16 constitute a taking of property in violation of the Fifth Amendment of the United States
17 Constitution.
18

19 192. Defendants should be ordered to compensate Plaintiff and the Class for the
20 taking of property.
21

22 193. Plaintiff and the Class are entitled to their reasonable attorneys' fees
23 pursuant to 42 U.S.C. § 1988(b) (2000).
24
25
26
27
28

1 **VII. SECOND CAUSE OF ACTION**

2 **(Electronic Fund Transfer Act, 15 U.S.C. § 1693, et seq.)**
3 **(Against Defendants JPay and Sunrise Bank)**

4 194. Plaintiff re-alleges and incorporates by reference all of the allegations of this
5 Complaint with the same force and effect as if fully restated herein.

6
7 195. The primary objective of the Electronic Fund Transfer Act (“EFTA”) is to
8 protect consumer rights by providing a basic framework establishing the rights, liabilities,
9 and responsibilities of participants in the electronic fund and remittance transfer systems.
10

11 196. Defendants JPay and/or Sunrise Bank are financial institutions as defined by
12 15 U.S.C. § 1693a(9), and 12 C.F.R. §1005.2(a)(2)(i) (2013), because they directly or
13 indirectly hold accounts belonging to consumers and/or they issue an access device to
14 consumers.
15

16 197. Defendants’ JPay Cards are accounts pursuant to 15 U.S.C. §1693a(2) and
17 12 C.F.R. §1005.3 (2013).
18

19 198. Plaintiff and the Class are natural persons, and thus consumers as defined by
20 15 U.S.C. § 1693a(6).
21

22 199. Plaintiff and the Class are entitled to release funds or “gate money,” which is
23 a government benefit conferred upon releasees from state prison systems.

24 200. In order to receive this government benefit, Plaintiff and the Class have no
25 choice but to accept their gate money on Defendants’ JPay Card. They are given no
26 alternative means to receive these benefits.
27
28

1 208. Plaintiffs are natural persons, and thus consumers as defined by 15 U.S.C. §
2 1693a(6).

3
4 209. Defendants' JPay Cards are general-use prepaid cards pursuant to 15 U.S.C.
5 § 16931-1(2), and 12 C.F.R. §1005.20, because they are issued to consumers for personal,
6 family, or household purposes and are redeemable at multiple, unaffiliated merchants.

7
8 210. Defendants market their prepaid debit release Cards to the general public by
9 promoting the JPay Cards on their website.

10
11 211. Defendants' JPay Card is distributed generally to any consumer whose cash
12 has been confiscated by CDCR (or by any other governmental entities that have
13 contracted with Defendants for prepaid debit release Cards).

14
15 212. Defendants violated 15 U.S.C. § 16931-1 by imposing dormancy, inactivity
16 and/or service fees—including weekly maintenance fees, transaction fees, and ATM
17 fees—on the general-use prepaid Cards of Plaintiff and members of the Class without
18 satisfying 15 U.S.C. § 16931-1(b)(2).

19
20 213. Among its consumer protection provisions, the EFTA also prohibits the
21 unsolicited issuance to a consumer of an electronic fund transfer Card that does not meet
22 all of the EFTA's unsolicited access device criteria. *See* 15 U.S.C. § 1693i.

23
24 214. Defendants JPay and/or Sunrise Bank violated 15 U.S.C. § 1693i by issuing
25 to consumers already-validated, unsolicited electronic transfer Cards that do not meet all
26 of the EFTA's unsolicited access device criteria.

1 215. Defendants JPay’s and/or Sunrise Bank’s violations of the EFTA have
2 caused and continue to cause Plaintiff and the Class damages.
3

4 216. Plaintiff and the Class are entitled to their actual and statutory damages, as
5 well as reasonable attorneys’ fees and costs pursuant to 15 U.S.C. § 1693m(a)(3).
6

7 **IX. FOURTH CAUSE OF ACTION**

8 **(California Unfair Competition Law, Cal. Bus. & Prof. Code §§ 17200, *et seq.*)**
9 **(Against All Defendants)**

10 217. Plaintiff re-alleges and incorporates by reference all of the allegations of this
11 Complaint with the same force and effect as if fully restated herein.

12 218. Plaintiffs incorporate by reference every prior and subsequent allegation of
13 this Complaint as if fully restated here.
14

15 219. California’s Unfair Competition Law (“UCL”) protects both consumers and
16 competitors by promoting fair competition in commercial markets for goods and services.
17 California’s UCL is interpreted broadly and provides a cause of action for any unlawful,
18 unfair, or fraudulent business act or practice. Any unlawful, unfair, or fraudulent
19 business practice that causes injury to consumers falls within the ambit of the UCL.
20

21 220. Defendants engage in substantial sales and marketing of its financial
22 products and services within the State of California. By contracting to provide JPay
23 Cards within the entire CDCR system, they acquired the exclusive monopoly to provide
24 their Cards to every inmate released within the California prison system.
25
26

27 221. Defendants’ acts and practices, as described herein, constitute unlawful,
28

1 fraudulent, or unfair business practices, in that (1) their practices violate the United States
2 Constitution and federal statutes as described in this Complaint; (2) the justification for
3 Defendants' conduct is outweighed by the gravity of the consequences to Plaintiffs and
4 the Class members; and (3) Defendants' conduct is immoral, unethical, oppressive,
5 unconscionable, and/or substantially injurious to Plaintiffs and Class members.
6
7

8 222. Defendants' unfair business acts and practices, as described above, include,
9 but are not limited to: exploiting their position of power to benefit and profit of off some
10 of our most vulnerable as they reenter society; wrongfully opening accounts without
11 customer authorization and without the privity of contract; starting services without
12 customer approval or authorization; and using customers' personal and state-issued
13 money in illegitimate accounts to pay for fees, costs, and other penalties related to
14 accounts that Defendants' opened without the consent, knowledge, or authorization of
15 Plaintiffs and Class members.
16
17

18 223. Defendants' actions are also unlawful because, *inter alia*, they violate the
19 Fifth Amendment to the United States Constitution and the Electronic Funds Transfer
20 Act, 15 U.S.C. § 1693, *et seq.*
21

22 224. Plaintiffs and Class members have been damaged by these practices.
23

24 225. Plaintiff and the Class lost their personal funds and state-conferred benefits
25 as a result of Defendants' unlawful and unfair conduct. These losses amount to the fees
26 deducted from their inmate trust account funds and state-issued gate money that were
27
28

1 deposited with Defendants for disbursement upon their release, as well as any interest
2 earned on their JPay/Sunrise Bank accounts.
3

4 226. Plaintiff requests that this Court enter such orders or judgments as necessary
5 to enjoin Defendants from continuing their unlawful and unfair practices and to restore to
6 Plaintiff and the other Class Members all monies Defendants acquired through such
7
8 conduct, pursuant to Cal. Bus. & Prof. Code § 17203.

9 **X. FIFTH CAUSE OF ACTION**

10 **(Conversion)**

11 **(Against Defendants JPay and Sunrise Bank)**

12 227. Plaintiff re-alleges and incorporates by reference all of the allegations of
13 this Complaint with the same force and effect as if fully restated herein.
14

15 228. CDCR, and other correctional facilities that issue Defendants' JPay Cards
16 have taken money from Plaintiff and other members of the Class to hold during their
17 incarceration, acting in the capacity of their representative. Upon their release, CDCR
18 and other correctional facilities were obligated to return the full amount of their money
19 to them. Any purported agreement to use the JPay Card to return that money, less fees
20 charged by the Defendants, lacks consideration and is unenforceable.
21

22 229. Conversion occurs when one wrongfully exercises dominion over the
23 property of another. Money may be the subject of conversion if the Defendants
24 wrongfully received it.
25

26 230. Defendants, exercising their control over the funds in the JPay Card
27
28

1 accounts, have wrongfully collected fees from Plaintiff and members of the Class, and
2 have taken specific and readily identifiable funds from Plaintiff and the members of the
3 Class in payment of these fees.
4

5 231. Defendants, without proper authorization, assumed and exercised the right
6 of ownership over these funds, in hostility to the rights of Plaintiff and the Class, without
7 legal justification.
8

9 232. Defendants continue to retain these funds unlawfully and without the
10 consent of Plaintiff or the Class.
11

12 233. Defendants' unlawful acts of conversion have caused actual damages in the
13 amounts of the unauthorized fees converted by Defendants, plus interest. Defendants
14 actions were also oppressive and malicious, such that Plaintiff and the Class Members
15 are entitled to an award of punitive damages.
16

17 **XI. SIXTH CAUSE OF ACTION**

18 **(Trespass to Chattels)**
19 **(Against All Defendants)**

20 234. Plaintiff re-alleges and incorporates by reference all of the allegations of this
21 Complaint with the same force and effect as if fully restated herein.
22

23 235. Defendants intentionally interfered with the possession of the personal
24 property of Plaintiff and the Class when they deprived them immediate, unencumbered
25 of access to their personal and government-provided funds.
26

27 236. Defendants intentionally interfered with the possession of the personal
28

1 property of Plaintiff and the Class when they froze JPay accounts for supposed
2 “fraudulent activity,” “suspicious activity,” or “identity theft,” knowing that no such
3 activity had occurred.
4

5 237. Defendants then imposed increasingly cumbersome requirements on
6 Plaintiff and members of the Class who sought access to his or her froze account. These
7 requirements were unnecessary, deliberately delayed access to the account, impaired
8 Plaintiff’s ability to use his personal and state-issued funds, and were wholly unrelated
9 to the protection of Plaintiffs’ account from supposed fraudulent or suspicious activity
10 or identity theft.
11

12 238. Defendants’ unlawful acts of trespass have caused actual damages in the
13 amounts of the unauthorized fees converted by Defendants, plus interest. Defendants
14 actions were also oppressive and malicious, such that Plaintiff and the Class Members
15 are entitled to an award of punitive damages.
16
17

18 **XII. SEVENTH CAUSE OF ACTION**

19 **(Accounting)**
20 **(Against All Defendants)**

21 239. Plaintiff re-alleges and incorporates by reference all of the allegations of
22 this Complaint with the same force and effect as if fully restated herein.
23

24 240. Because Defendants maintain financial accounts on behalf of Plaintiff’s
25 and the Class’s personal and state-issued funds, Defendants have a fiduciary
26 relationship with Plaintiff and the Class and/or because Defendants possesses money
27
28

1 belonging to Plaintiff and the Class that Defendants are obliged to surrender.

2 241. By virtue of Defendants' relationship with Plaintiff and Class and/or their
3 obligation to surrender funds belonging to Plaintiff and the Class, Defendants must
4 account for all fees and debits from accounts for the Plaintiffs and the Class.
5

6 242. Plaintiff and the Class therefore request an accounting of their balances, to
7 include a catalog of all fees charged and all transactions processed, associated with their
8 JPay accounts.
9

10 **XIII. DEMAND FOR JURY TRIAL**

11 Plaintiff respectfully requests jury trial of all claims that can be so tried.
12

13 **XIV. PRAYER FOR RELIEF**

14 WHEREFORE, Plaintiff, on behalf of himself and on behalf of the Class, prays
15 for the following relief:
16

17 1. An order certifying this case as a class action and appointing Plaintiff and
18 the undersigned counsel to represent the Class;

19 2. Declaration, judgment, and decree that Defendants JPay, Sunrise Bank,
20 and/or Praxell's conduct alleged herein:
21

22 a. Violates the Fifth Amendment to the United States Constitution, as applied
23 to the States through the Fourteenth Amendment;

24 b. Violates the Electronic Fund Transfer Act (as to Defendants JPay and
25 Sunrise Bank only);
26

27 c. Violates the California Unfair Competition Law;
28

1 d. Constitutes conversion; and

2 e. Constitutes trespass to chattels.

3
4 3. Damages to Plaintiff and the Class to the maximum extent allowed under
5 state and federal law; including, but not limited to, ordering Defendants to pay actual,
6 statutory, and punitive damages;

7
8 4. Costs and disbursements of the action;

9
10 5. Restitution and/or disgorgement of ill-gotten gains and unjust enrichment,
11 including both any interchange fees and/or interest earned;

12 6. Pre- and post-judgment interest; and

13 7. Reasonable attorneys' fees;

14
15 8. An injunction requiring corrective measures to be taken to prevent
16 Defendants from engaging in the above-described misconduct; and

17 9. Such other relief, in law and equity, as this Court may deem just and proper.

18 DATED this 12th day of January, 2018.

19
20 **KELLER ROHRBACK L.L.P.**

21
22 By /s/ Lisa Faye Petak

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