

New Florida Legislation Proposes Notification Requirements for Certain Financial Institutions When They Terminate, Suspend, or Take Similar Action to ‘Restrict’ Customer Account Access

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On Nov. 20, 2023, Florida Rep. Bob Rommel (R-Naples) introduced legislation in the Florida House of Representatives, Florida House Bill 585 (**HB 585**), to require, *starting July 1, 2024*, that state-chartered and state-authorized financial institutions in Florida (including Florida-chartered banks, trust companies, credit unions, international bank agencies and international branches of foreign banks) and Florida qualified public depositories (**QPDs**) (collectively, **Financial Institutions**), file a termination-of-access report with the Florida Office of Financial Regulation (**OFR**), each time the Financial Institution terminates, suspends, or takes any “similar action restricting” a customer’s account access, unless such action was a result of:

- (i) the customer initiating the access change;
- (ii) a lack of activity in the account;
or
- (iii) the account is presumed unclaimed pursuant to Chapter 717, Florida statutes.¹

OFR Investigation and Reporting Obligations

HB 585 would require the OFR, **within 90 days** from receipt of a termination-of-access report, to investigate the Financial Institution's action and **determine whether the action was taken in bad faith** "as substantiated by competent and substantial evidence that was known or should have been known to the [F]inancial [I]nstitution at the time of the termination, suspension, or similar action."

Within 30 days of making a determination of a "bad faith" termination, suspension, or similar action restricting a customer or member's account access, the OFR must report its finding to the Florida Attorney General and the Florida Chief Financial Officer (**CFO**). The report to the Attorney General and CFO will: (i) describe the findings of the OFR investigation; (ii) provide a summary of the evidence; and (iii) state whether the Financial Institution allegedly violated the Florida financial institutions codes. Upon sending the report to the Attorney General, **the OFR must send a copy of the report to the customer by certified mail, return receipt requested.**

To the extent required by law, the OFR will provide copies of termination-of-access reports, including information contained in such report to any federal, state, or local law enforcement or prosecutorial agency, and any federal or state agency responsible for the regulation or supervision of the Financial Institution.

Fines and Penalties

Financial Institutions found to have terminated, suspended, or taken a "similar action restricting" a customer's account access in bad faith or that failed to timely file a termination-of-access report as required by HB 585 may be found to be in violation of Florida financial institutions codes and be subject to sanctions and penalties.

Financial Institutions that are **QPDs may be subject to suspension or disqualification** if the CFO determines, pursuant to a report delivered by the OFR, that the QPD: (i) acted in bad faith when terminating, suspending, or taking similar action restricting a customer's account; or (ii) failed to timely file a termination-of-access report with the OFR. In lieu of suspension or disqualification, the CFO may decide to impose administrative fines/penalties amounting to no more than \$1,000 per day of violation.

Customer Right of Action

Critically, the HB 585 provides that an aggrieved customer of a Financial Institution determined by the OFR to have acted in bad faith would have a cause of action against the Financial Institution for damages, including costs and reasonable attorney fees, **if** the customer establishes, **beyond a reasonable doubt**, that the Financial Institution acted in bad faith in terminating, suspending, or taking similar action restricting the customer's account access. The proposed statute of limitation for filing such a cause of action is **12 months** from the OFR's bad faith determination.

Florida HB 587 – Public Records Exemption

Florida House Bill 587 (**HB 587**), which was introduced in the Florida House of Representatives on Nov. 20, 2023, by Florida Rep. Bob Rommel with HB 585 (HB 585 and HB 587, collectively, the **Bills**), proposes to make all termination-of-access reports and any information obtained by the OFR in the termination-of-access reports and as the result of the OFR's investigation and examination duties, **confidential** and exempt from public disclosure under Section 119.07(1) of the Florida Public Records Law, Chapter 119 of the Florida Statutes.

That said, HB 587 provides that the proposed public records exemption is subject to the Open Government Sunset Review Act and would be repealed on October 2, 2029, unless reviewed and saved from repeal through reenactment by the Florida Legislature.

Developments on the Bills and Expectations

The Bills were introduced following the enactment of the controversial House Bill No. 3 on May 2, 2023, which impacts the environmental, social and corporate governance (**ESG**) initiatives of the financial industry in Florida.²

For the Bills to become law, bills identical to HB 585 and HB 587 must be passed by the Florida Senate (and not vetoed by the Florida Governor), but as of this date, no such bills have been introduced in the Florida Senate. On Nov. 30, 2023, the Bills were referred to each of the Insurance & Banking Subcommittee, the State Administration & Technology Appropriations Subcommittee, the Ethics, Elections & Open Government Subcommittee and the Commerce Committee. If passed, either in their current form or with amendments, the Bills could be referred to other committees, prior to consideration by the full House. As of the date of this Alert, the Bills were added to Insurance & Banking Subcommittee agenda for its December 13, 2023 meeting.

If bills similar to the Bills are introduced in the Senate, a similar process will unfold. If passed by the House and Senate prior to the March 8, 2024, conclusion of the legislative session, the Bills will be considered by the Florida Governor, who may sign the Bills into law, veto the Bills, or let the Bills become law without his signature.

At this time, it is unclear whether the Bills will pass without amendments, or if passed, if or when implementing regulations required thereunder would be promulgated. Nonetheless, Financial Institutions affected by the Bills should be aware of the potential impact they may have on their current operations.

¹ GT covered the Florida House Bill No. 3 in detail in this [GT Alert](#).

² The term "similar action restricting" is not defined in HB 585.

National Law Review, Volume XIII, Number 346

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