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"Small Claims Court" Lawsuits Could Cost Wall Street's Credit Rating Agencies Billions.

This is truly a story about David verses Goliath. Over the past four to five months, two hundred and forty small claims court lawsuits have been filed with the California Superior Court. The plaintiffs claim that the executives at the three largest credit rating agencies, Moody's, Fitch and S&P engaged in securities fraud, mail fraud, wire fraud, bribery, extortion and racketeering when they issued credit ratings on tens of billions of dollars in Puerto Rico municipal bonds. The plaintiffs are seeking to recover two thousand five hundred dollars.

Unbelievably, the credit rating agencies decided to dispute the claims rather than reach a settlement. I say "unbelievably" because of what you are about to read next.

The credit rating agencies dispute resulted in an evidentiary hearing on November 15, 2019. The defendants claimed the court did not have jurisdiction in these cases. The court denied that motion and reaffirmed jurisdiction over these disputes. The defendants claimed one of the plaintiffs did not have legal standing to participate in a lawsuit. That motion was also denied by the court. The court asked the plaintiffs to submit evidence justifying these lawsuits.

The following was submitted to the court: A copy of a forensic accounting audit on the bonds reflecting the fact that the municipal agencies were already bankrupt prior to the issuance of these bonds. Sworn testimony from municipal executives claiming that the credit rating agencies knew them to be bankrupt but would issue good credit ratings in exchange for hefty fees. Sworn testimony that the lead auditor for the municipal agencies stating the agencies have been technically bankrupt since 2010. Documents confirming the existence of recorded telephone conversations reflecting payoffs to Department of Justice personnel to prevent any investigations or prosecutions.

The court determined that sufficient evidence exists to move forward with these small claim cases. The evidence was shared with the Riverside District Attorney, Michael Hestrin who then forwarded the evidence on to the California, Attorney General, Xavier Becerra.

One has to ask? What were the credit rating agency executives thinking? Now they are looking at the possibility of billion of dollars in fines from the Securities and Exchange Commission and the real possibility of criminal charges.

The plaintiffs have recently requested that the court issue subpoenas forcing the appearance of the defendants in these small claims court hearings. There is no doubt that there will be law enforcement personnel in the courtroom eagerly listening to the defendant's testimony. Stay tuned this story can only get better. Honestly, you can't make this stuff up!

ROCKLAND COUNTY TIMES

BY RICHARD LAWLESS

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Richard Lawless is an investigative journalist and one of the plaintiffs involved in these 240 lawsuits. Lawless has written articles on financial fraud that have appeared with major media outlets all over the world. He has 30 years of experience as a senior and executive banker for companies like Wells Fargo Bank and Home Savings and has served on a number of corporate boards.

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