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FALSE CLAIMS ACT - CALIFORNIA

JPMorgan Chase Bank, N.A. v. Superior Court of City and County of San Francisco

Court of Appeal, First District, Division 4, California - November 18, 2022 - Cal.Rptr.3d - 2022 WL 17076589

Plaintiff filed qui tam action alleging that two banks violated the California False Claims Act (FCA) by failing to report and deliver millions of dollars owed on unclaimed cashier's checks to the State of California as escheated property.

The Superior Court denied banks' demurrers to the complaint. Banks filed separate petitions for writs of mandate, which were consolidated.

The Court of Appeal held that:

- In a matter of apparent first impression, prior notice from State Controller to banks was not prerequisite to filing of qui tam action under FCA predicated on violation of California Unclaimed Property Law (UPL);
- Plaintiff stated plausible claims against banks under the California FCA predicated on violations of California's UCL; and
- Banks would not be deprived of due process by judgments against them in the FCA action.

Prior notice from the California State Controller to banks, as alleged holders of funds subject to escheat, was not prerequisite to filing of qui tam California False Claims Act (FCA) action against banks predicated on the failure to report and deliver escheated property in the form of unclaimed cashier's checks in violation of the California Unclaimed Property Law (UPL).

Plaintiff plausibly asserted that two banks were obligated to report and deliver to California money owed on uncashed cashier's checks, as required to state qui tam claims against banks for violation of the California False Claims Act (FCA) predicated on violations of California's Unclaimed Property Law (UCL), based on allegations that cashier's checks were "written instruments" similar to money orders, that the checks were purchased in California, that the checks were uncashed, and that they were made payable to payees with last known addresses in California, so that they escheated to California.

Banks would not be deprived of due process by escheat judgment against them in qui tam action alleging that two banks violated the California False Claims Act (FCA) by failing to report and deliver millions of dollars owed on unclaimed cashier's checks to the State of California as escheated property, even if banks were not protected from competing escheat claims by other states to the same funds, absent showing that any other states had asserted claims or obtained judgments for the money owed on the uncashed cashier's checks.

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