

Date of Hearing: April 21, 2026

ASSEMBLY COMMITTEE ON JUDICIARY
Ash Kalra, Chair
AB 2674 (Schiavo) – As Introduced February 20, 2026

As Proposed to be Amended

SUBJECT: FINANCIAL ABUSE AND DECEPTION: PREVENTIVE MEASURES

KEY ISSUE: SHOULD FINANCIAL INSTITUTIONS BE REQUIRED TO TAKE PREVENTIVE MEASURES TO PROTECT CUSTOMERS FROM FINANCIAL HARM IN A SUSPECT TRANSACTION?

SYNOPSIS

According to the Federal Trade Commission (FTC), in 2025, Californians reported over \$700 million in financial losses related to fraud. Often scammers pretend to be government employees or business representatives and falsely tell unsuspecting individuals that they have an unpaid fine or their computer has been compromised. Worried about the consequences, these potential victims will do what the scammer asks and wire money out of their bank account. But often, in order to execute the transfer, a potential victim comes in contact with an employee of their financial institution. This employee can be another line of defense in preventing financial fraud and scams. This bill requires financial institutions to take specified preventive measures to help protect their customers from financial abuse or deception. Of note to this Committee, the bill provides financial institutions with protection from liability for any harm that arises from a suspected transaction, if the financial institution implemented the specified preventive measures.

This author-sponsored bill is supported by senior citizen advocacy organizations. The bill is opposed by the California Chamber of Commerce and banking advocacy organizations. The Assembly Committee on Banking and Finance will be hearing this bill the day prior to this Committee. Pending its passage, and due to the shortened timeframe to hear the measure in two committees, the author will take amendments agreed to with the Committee on Banking and Finance in this Committee. The amendments are reflected in the analysis.

SUMMARY: Requires financial institutions to take specified preventive measures to help protect customers from financial harm stemming from suspect transactions. Specifically, **this bill:**

- 1) Requires a depository institution to provide any customer-interacting employee both of the following when new information becomes available but no less often than once every six months:
 - a) Current information about new patterns, modes, and basis for financial abuse or deception; and
 - b) Training to recognize the signs of financial abuse or deception in customers.
- 2) Prohibits a depository institution from ignoring or devaluing any sign of financial abuse or deception based on the age, language capacity, or education of a customer.

- 3) Requires a depository institution to maintain and execute procedures, including those required by 4), to intervene for the purpose of eliminating or mitigating financial harm in any suspect transaction.
- 4) Requires a depository institution that suspects financial abuse or deception with respect to any in-person suspect transaction to employ all of the following preventive measures:
 - a) Advise the customer to contact the person for whom the customer is initiating the suspect transaction if the customer did not initiate the communication from which the suspected transaction originated and inform the customer that the transaction can wait for independent verification because the transaction cannot be undone;
 - b) Encourage the customer to contact a nonprofit, nationally recognized fraud hotline that can help determine if the situation is harmful;
 - c) If a customer has provided the depository institution with contact information for an optional trusted third party and the depository institution does not have reason to believe that the trusted third party is causing, or will cause, financial harm to the customer, the depository institution may contact the trusted third party for assistance to intervene in the suspect transaction;
 - d) For any suspect transaction, disclose to the customer, in the same language the customer customarily conducts transactions or communications, that the depository institution cannot be held liable for harms related to the suspect transaction that result in financial abuse or deception if it has complied with this section.
- 5) Requires a depository institution, at a minimum, to provide a specified warning to a customer, if the financial institution suspects a transaction, not made in person, of financial abuse or deception.
- 6) Protects a depository institution from liability for any harm related to financial abuse or deception that results from a specific suspect transaction if the depository institution has complied with this section, and approved the distribution of, delayed, or denied funds for the suspect transaction. This protection does not apply to a customer who is a minor.
- 7) Allows a depository institution to deny a suspected transaction pursuant to contractual terms without providing the customer with the preventive measures described in 4) and 5).
- 8) Defines the following terms:
 - a) "Account" means a contract for the deposit of funds between a depositor and a depository institution that meets either of the following criteria:
 - i) The account is a customer account owned by a customer, whether individually or with one or more other persons; or
 - ii) The account is a line of credit owned by a customer, whether individually or with one or more other persons.
 - b) "Customer" means an individual or sole proprietor who has transactional authority over an account with the depository institution.

- c) “Customer-interacting employee” means an employee or contractor of a depository institution whose job duties may include communicating with customers.
- d) “Depository institution” means a bank or credit union doing business in accordance with a license, certificate, or charter issued by the United States or any state, district, territory, or commonwealth of the United States.
- e) “Financial abuse or deception” means any of the following:
 - i) Taking, appropriating, obtaining, or retaining the property of a customer, or attempting to take, appropriate, obtain, or retain the property of a customer, for a wrongful use or with intent to defraud;
 - ii) The inducement of a payment, or attempted inducement of a payment, by a person misrepresenting that person’s identity, that person’s association with or authority to act on behalf of another person, or the ownership of an account to be credited;
 - iii) An act or omission by a person, including through the use of a power of attorney, guardianship, trustee, or conservatorship of an eligible adult, intended to either obtain control or convert the customer’s money, assets, or property.
- f) “Preventive measure” means an action required of a depository institution by 4).
- g) “Suspect transaction” means account activity that is an attempted or successful transfer, withdrawal, or deposit of money, into or from the account, in which the surrounding circumstances are suspicious, unusual, consistent with known deceptive tactics, or likely to be the result of financial abuse or deception.
- h) “Trusted third party” means an individual who is any of the following:
 - i) An adult authorized by the customer to be contacted by the depository institution or any individual who is a parent, spouse, or other adult family member of a customer who the depository institution believes is closely associated with the customer;
 - ii) A coowner, additional authorized signatory, agent under a power of attorney, or beneficiary on a customer’s account; or
 - iii) A trustee, conservator, guardian, or other fiduciary.

EXISTING LAW establishes the California Consumer Financial Protection Law which, among other things, protects consumers from discrimination and unfair, deceptive, and abusive acts and practices in connection with financial practices and services. (Financial Code Section 90000 *et seq.*)

FISCAL EFFECT: As currently in print this bill is keyed fiscal.

COMMENTS: According to the Federal Trade Commission (FTC), in 2025, Californians reported over \$700 million in financial losses related to fraud. (Little Hoover Com., Financial Scams & Frauds (March 2025), p. 5.) Often scammers pretend to be government employees or business representatives and falsely tell unsuspecting individuals that they have an unpaid fine or their computer has been compromised. Worried about the consequences, these potential victims

will do what the scammer asks and wire money out of their bank account. But often, in order to execute the transfer, a potential victim comes in contact with an employee of their financial institution. This employee can be another line of defense in preventing financial fraud and scams.

The author writes in support of this bill:

AB 2674 helps protect people from increasingly common and sophisticated financial scams. Today's scams often use tactics like impersonating trusted individuals, creating a sense of urgency, or even using artificial intelligence to sound convincing, which can lead to devastating and irreversible financial losses. This bill requires banks and financial institutions to better train their employees to recognize these scams, step in when something seems suspicious, and clearly warn customers before money is sent. By taking these simple but important steps, AB 2674 makes it easier to stop fraud before it happens.

Background. Scammers steal millions of dollars from Californians each year. (*Id.* at p. 1) This theft is done using modern technology, frequently with the scammers impersonating government or business entities. Younger Californians report theft most frequently; however, reflecting their lifetime of accumulated wealth, older Californians report greater amounts lost. The Little Hoover Commission, in 2026, released a report about the severity of financial scams and fraud in the state. The report detailed the problem and put forward several recommendations for how to combat the issue. One of the recommendations from the report is to “enact legislation to strengthen fraud prevention and detection measures for financial institutions.” (*Id.* at p. 2.) Scammers will attempt to utilize bank transfers as a way to steal money from their victims.

This bill requires banks and credit unions to take preventive measures to prevent financial scams and deception. These preventative measures include advising the customer to independently verify the validity of the other party in a transaction, encouraging the customer to contact a national fraud hotline for any suspicious potential transactions, contacting a third party—trusted by the customer—to help intervene in a suspected transaction. If the financial institution believes the customer is executing a suspected transaction, then the financial institution must provide the customer with a specified disclosure that warns of the customer's liability for any loss related to the suspected transaction.

In addition to the preventive measures discussed above, this bill also requires regular training for financial institution employees on how to identify financial scams and the current patterns and modes of financial scams. If a financial institution takes the specified preventive measures, then they will avoid liability for any harm the customer may suffer from the suspicious transaction. This liability shield was one of the proposed fraud prevention and detection measures recommended by the Little Hoover Commission. (*Id.* at p. 23.)

Proposed Amendments Narrow the Scope of the Bill. As now in print, this bill requires depository institutions to investigate, when noticed, suspect transactions and whether the institutions should have employed any of the specified preventive measures. The bill also allows for a private right of action against the financial institutions for a failure to investigate or a failure to utilize preventive measures. The author has asked to remove this part of the bill. To accomplish this, the author proposes to amend the bill as follows:

Beginning on page 5, remove Sections 60002 and 60003.

ARGUMENTS IN SUPPORT: The California Alliance for Retired Americans writes in support:

In 2022, adults 60 years of age and older reported 88,262 complaints to the Federal Bureau of Investigation (FBI), with a total loss of \$3.1 billion. The Sacramento FBI reports that in 2024, there were a total of \$4.885 billion in losses from 147,127 complaints. This is a 46% increase in complaints from 2023, as well as a 43% increase in losses. In California, total losses were \$832,710,048 in 2024.

AB 2674 takes a balanced and pragmatic approach. The bill requires depository institutions to take a more active role in protecting consumers by:

- Providing regular training to customer-interacting employees on emerging fraud and deception tactics.
- Maintaining and following procedures to intervene in suspicious transactions; and
- Advising customers to independently verify suspicious requests and warn them that such transactions may be irreversible.

California Senior Legislature write in support:

Financial exploitation is one of the most prevalent and devastating forms of abuse affecting older adults. Aging Californians are disproportionately targeted by scams, fraud, and deceptive financial practices, often resulting in significant financial loss and long-term impacts on their independence and well-being. For many seniors living on fixed incomes, even a single fraudulent transaction can jeopardize their ability to meet basic needs such as housing, food, and healthcare.

AB 2674 takes meaningful steps to address this growing concern by requiring financial institutions to act when they suspect financial abuse or deception. By mandating preventive measures in response to suspicious activity, the bill creates an important first line of defense that can stop exploitation before significant harm occurs.

ARGUMENTS IN OPPOSITION: In opposition to the bill, the California Bankers Association, California Chamber of Commerce, and others jointly write:

While we share the objective of reducing financial fraud, AB 2674 raises serious concerns regarding liability standards, litigation exposure, and operational feasibility within modern payment systems. As currently drafted, the bill establishes a new legal framework that exposes financial institutions to broad civil liability for transactions they did not initiate, control, or have the ability to prevent. In doing so, the bill risks encouraging litigation rather than improving fraud prevention and may ultimately lead to slower payment processing and reduced access to certain services for consumers. For these reasons, we must respectfully oppose AB 2674.

REGISTERED SUPPORT / OPPOSITION:

Support

California Alliance for Retired Americans
California Retired Teachers Association

California Senior Legislature
SCV Senior Center
Unite Here International Union, AFL-CIO

Opposition

American Financial Services Association
California Bankers Association
California Chamber of Commerce
California Community Banking Network
California Credit Union League
Civil Justice Association of California (CJAC)

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