

AMENDED IN ASSEMBLY APRIL 10, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 1677

Introduced by Assembly Member Charles Calderon

February 23, 2007

An act to add Section 1798.825 to the Civil Code, relating to Internet transactions.

LEGISLATIVE COUNSEL'S DIGEST

AB 1677, as amended, Charles Calderon. Internet transactions: ~~verification.~~ *verification: banking and financial services.*

Existing law sets forth comprehensive provisions governing funds transfers, as defined, including provisions related to the issuance and acceptance of payment orders, requirements for verification, the effect of errors, the effect of acceptance of a payment order, and related provisions.

~~This bill would declare the intent of the Legislature to enact legislation requiring~~ *require* a service provider to contact the person by recorded telephone call in order to confirm a high value transaction over the Internet, ~~and to,~~ *defined as a person or business doing business in California that provides banking or other financial services over the Internet, to use reasonable care, as specified, in confirming the legitimacy of a consumer transaction over the Internet, and would* impose penalties on service providers who fail to meet this requirement ~~and on persons who confirm fraudulent transactions.~~

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1798.825 is added to the Civil Code, to
2 read:

3 1798.825. (a) A service provider is required to use reasonable
4 care in confirming the legitimacy of a consumer transaction over
5 the Internet.

6 (b) A service provider satisfies the requirement of reasonable
7 care if the service provider confirms the transaction by out of band
8 real time identity verification.

9 (c) A civil penalty in the amount of _____ may be imposed on a
10 service provider who fails to meet the requirement of reasonable
11 care when completing an Internet transaction with a consumer.

12 (d) Any customer injured by a fraudulent transaction in violation
13 of the reasonable care standard established by this section may
14 institute a civil action to recover damages.

15 (e) The rights and remedies under this section are cumulative
16 with each other and with any other rights and remedies under law.

17 (f) For purposes of this section:

18 (1) "Out of band" means any process by which consumer
19 identity is verified through contact other than through the use of
20 an Internet transmission.

21 (2) "Real time" means any process that accomplishes
22 verification prior to or simultaneous to the completion of the
23 Internet transaction.

24 (3) "Service provider" means any person or business doing
25 business in California that provides banking or other financial
26 services over the Internet.

27 ~~SECTION 1. It is the intent of the Legislature to enact~~
28 ~~legislation requiring that, when a person initiates a high value~~
29 ~~transaction over the Internet, the service provider contact the person~~
30 ~~by recorded telephone call, in real-time, in order to confirm that~~
31 ~~the transaction is legitimate. It is the intent of the Legislature that~~
32 ~~the legislation would impose penalties on service providers that~~
33 ~~fail to meet this requirement with regard to transactions that are~~
34 ~~claimed to be fraudulent, and would impose strict penalties on~~
35 ~~persons who use these telephone calls to confirm a fraudulent~~
36 ~~transaction.~~

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