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## Robinhood's System Outage Spurs Class Action Filed In Fla.

By **Philip Rosenstein**

Law360 (March 5, 2020, 9:55 PM EST) -- The online stock trading application Robinhood is facing a class action lawsuit after its services were interrupted for nearly an entire trading day that saw an explosive stock market rally, with breach of contract and negligence claims being leveled against the fintech company.

Florida resident Travis Taaffe filed the class action lawsuit against Robinhood Markets Inc. and two related entities on Wednesday in the U.S. District Court for the Middle District of Florida on behalf of the users or customers of Robinhood in the United States who were unable to trade or otherwise access their brokerage accounts on March 2.

According to the complaint, Robinhood sports a user base of more than 10 million.

After users and customers were unable to access their accounts from 9:33 a.m. through the end of the trading day at 4:00 p.m. on March 2, Robinhood's systems continued to experience limited issues on March 3, the complaint outlined. On March 2, the Dow Jones Industrial Average rose more than 1,294 points, the largest ever point gain in history. In parallel, the S&P 500 gained 136 points and the Nasdaq was up 384 points.

Robinhood is now fully restored. We know this has been frustrating and we will work diligently to provide the level of service you deserve.

— Robinhood Help (@AskRobinhood) March 3, 2020

Taaffe is alleging breach of contract, breach of implied warranty of merchantability and negligence, and seeks to recover damages suffered as a result of the outage and attorney fees, as well as injunctive relief whereby Robinhood would be required to "implement adequate redundancy" to avoid another such crash of their systems.

"Robinhood has admitted the outage was due to their own failure," Michael S. Taaffe, who is representing the putative class and is Travis' father, said in a statement. "Online apps like Robinhood should have robust and redundant back-ups to prevent situations just like this, but Robinhood's appear to have been inadequate, which is inexcusable."

Michael Taaffe warned Robinhood customers "to be wary of Robinhood's free three months of premium service for the inconvenience of the outage as it may contain a release of claims."

Acknowledging that the complaint was filed rather quickly, Michael Taaffe told Law360 that he had received numerous calls from Robinhood customers "who didn't know if they had lost their funds."

He added that more causes of action, including gross negligence, could be added to the case following the discovery process as the class assesses whether Robinhood had any prior warnings that its systems could face these types of issues.

Robinhood declined to comment on the case when contacted by Law360, but in a statement Tuesday the company outlined what had occurred on their end, adding that the outages were "not acceptable."

"Multiple factors contributed to the unprecedented load that ultimately led to the outages. The factors included, among others, highly volatile and historic market conditions; record volume; and record account sign-ups," Robinhood's founders Baiju Bhatt and Vladimir Tenev said in a statement.

Robinhood faced **regulatory troubles last year**, having to settle with the Financial Industry Regulatory Authority in December for \$1.25 million for allegedly shirking its obligation to make sure broker-dealers executing trades for its users were getting them the most bang for their buck. Through the settlement, Robinhood did not deny or admit the allegations brought by FINRA.

Earlier in 2019, Robinhood **raked in a whopping \$323 million** in a Series E funding round, bringing its value to \$7.6 billion.

Travis Taaffe is represented by Michael S. Taaffe, Michael D. Bressan and Jarrod J. Malone.

Counsel for Robinhood was not immediately available.

The case is Taaffe v. Robinhood Markets Inc. et al., case number 8:20-cv-00513, in the U.S. District Court for the Middle District of Florida.

--Editing by Jay Jackson Jr.

