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18 **UNITED STATES DISTRICT COURT**
19 **NORTHERN DISTRICT OF CALIFORNIA**

22 *In re: Robinhood Outage Litigation*

Case No. 3:20-cv-01626-JD

**SECOND AMENDED CONSOLIDATED
CLASS ACTION COMPLAINT**

DEMAND FOR JURY TRIAL

INTRODUCTION

1
2 1. Plaintiffs bring this putative class action against Defendants Robinhood Financial,
3 LLC (“Robinhood Financial”), Robinhood Securities, LLC (“Robinhood Securities”), and
4 Robinhood Markets, Inc. (“Robinhood Markets”) (collectively, “Robinhood”), demanding a trial
5 by jury. Plaintiffs make the following allegations pursuant to the investigation of counsel and based
6 upon information and belief, except as to the allegations specifically pertaining to each individual
7 Plaintiff, which are based on personal knowledge.

8 2. Robinhood is an online brokerage firm founded in 2013 that states it is “a pioneer
9 in commission-free investing.” Robinhood’s customers can place securities trades through the
10 firm’s website and by using a web-based application (or “app”). Robinhood permits customers,
11 when its trading platform is operational, to purchase and sell certain securities, including option
12 contracts, and engage in trading on margin. The company has no storefront offices and operates
13 entirely online. Robinhood is a FINRA¹ regulated broker-dealer

14 3. Unfortunately for Robinhood’s customers, including Plaintiffs and the putative class
15 (the “Class”), Robinhood’s trading systems have repeatedly crashed—preventing Plaintiffs and the
16 Class from accessing their accounts and making any trades through the firm’s website or app. The
17 most significant crash occurred on Monday, March 2, 2020, and extended through mid-day
18 Tuesday, March 3, 2020. The March 2-3 outage crashed all of Robinhood’s operating systems for
19 more than a full trading day.

20 4. Several days later, on March 9, 2020, Robinhood again experienced another
21 complete system outage. Plaintiffs and Class members again experienced significant outages on
22 March 13, 16, and June 18, 2020. In total, the Robinhood website and app have gone down 47
23 times since March.² The service outages are individually referred to as an “Outage” and

24 ¹ Financial Industry Regulatory Authority, Inc. (FINRA) is a private corporation that acts as a a
25 non-governmental, self-regulatory organization that regulates member brokerage firms and
exchange markets.

26 ² Nathaniel Popper, *Robinhood Has Lured Young Traders, Sometimes With Devastating Results*,
The New York Times (July 8, 2020)

27 [https://www.nytimes.com/2020/07/08/technology/robinhood-risky-
trading.html?searchResultPosition=2](https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html?searchResultPosition=2) (last visited Aug. 19, 2020).

1 collectively as the “Outages”.³

2 5. During the Outages, Robinhood’s customers were completely unable to use the
3 services, including to buy or sell securities or to exercise option contracts through Robinhood’s
4 website and app. Robinhood’s help center, which should provide email and phone support, was
5 also unavailable during the Outages and customers were unable to obtain any information or
6 meaningful assistance from Robinhood. During the Outages, Class members repeatedly attempted
7 to contact the help center, by phone and email, to no avail. Robinhood has admitted that during the
8 Outages the help center was unavailable and that Robinhood’s phone support was non-existent.
9 Customers were thus left with no recourse during the Outages, unable to access their funds or
10 exercise time-sensitive trades. They were forced to sit helplessly until services were re-established.

11 6. The Outages on March 2 and 3, 2020, were particularly devastating for Plaintiffs
12 and the Class as the Dow Jones Industrial Average rose 5.1% during that time.⁴ Meanwhile,
13 Robinhood users were locked out of their accounts and unable to access their funds or make
14 trades—while the markets gained a record \$1.1 trillion. The Outage on March 9, 2020, was
15 similarly harmful, as the Dow Jones Industrial Average had its largest point plunge in history up to
16 that date.⁵ Again, Plaintiffs and the Class were unable to access their funds or make trades and
17 suffered significant losses as a result. Trades that were placed before the Outages, for which
18 Plaintiffs and the Class received trade confirmations, also failed, or were processed at incorrect
19 times or incorrect prices during the Outages. Additionally, Plaintiffs and the Class members were,
20 at times during the Outages, able to seemingly place trades, and again the Plaintiffs and class
21 received trade confirmations; however, it was later learned that those trades also failed, or were
22

23 ³ Plaintiffs and the Class seek damages related to the Outages on March 2, 3, and 9, 2020.

24 ⁴ Fred Imbert and Eustance Huang, *Dow roars back from coronavirus sell-off with biggest gain*
25 *since 2009, surges 5.1%*, CNBC (March 2, 2020) [https://www.cnbc.com/2020/03/01/awaiting-](https://www.cnbc.com/2020/03/01/awaiting-us-stock-futures-open-at-6-pm-after-wall-streets-worst-week-since-2008.htm)
26 [us-stock-futures-open-at-6-pm-after-wall-streets-worst-week-since-2008.htm](https://www.cnbc.com/2020/03/01/awaiting-us-stock-futures-open-at-6-pm-after-wall-streets-worst-week-since-2008.htm) (last visited Aug.
27 19, 2020).

28 ⁵ Kimberly Amadeo, *How Does the 2020 Stock Market Crash Compare With Others? The*
29 *Balance* (April 27, 2020) [https://www.thebalance.com/fundamentals-of-the-2020-market-crash-](https://www.thebalance.com/fundamentals-of-the-2020-market-crash-4799950#:~:text=The%20stock%20market%20crash%20of,point%20drops%20in%20U.S.%20hi)
30 [4799950#:~:text=The%20stock%20market%20crash%20of,point%20drops%20in%20U.S.%20hi](https://www.thebalance.com/fundamentals-of-the-2020-market-crash-4799950#:~:text=The%20stock%20market%20crash%20of,point%20drops%20in%20U.S.%20hi)
31 [story](https://www.thebalance.com/fundamentals-of-the-2020-market-crash-4799950#:~:text=The%20stock%20market%20crash%20of,point%20drops%20in%20U.S.%20hi) (last visited Aug. 19, 2020).

1 processed at incorrect times or incorrect prices during or after the Outages.

2 7. Such failures constitute negligence, breaches of contract and fiduciary duties, and
3 are violations of FINRA regulations. Per FINRA regulations, Robinhood has a duty to process
4 trades timely and at the best prices for its users. Robinhood is also required to have a business
5 continuity plan identifying a procedure relating to an emergency or significant business disruption.
6 During the Outages, Robinhood failed to process trades in a timely manner or at all, and it was
7 discovered that Robinhood's continuity plan was nonexistent. Robinhood simply abandoned its
8 customers.

9 8. The loss of access to Robinhood's trading platform and absence of contingency
10 plans and customer service support caused concrete, particularized, and actual damages for
11 Robinhood customers. Plaintiffs and members of the class were unable to monitor their accounts,
12 make trades, or exercise their option contracts to capitalize on gains or to mitigate losses. Many
13 Plaintiffs and Class members held options contracts that expired, worthless, during the Outages.
14 And some of those contracts, such as the contracts held by certain Plaintiffs herein, were exercised
15 by Robinhood during the Outages, without express authorization or approval of its customers, at a
16 loss. Other Plaintiffs and Class members were subjected to forced margin calls as a result of the
17 Outages, which they otherwise would have been able to avoid if they had access to their accounts.

18 9. Robinhood accepts fault for the Outages, which it attributes to stress on its systems.
19 According to Robinhood employees, the March 2020 "outage was rooted in issues with the
20 company's phone app and servers. They said the start-up had underinvested in technology and
21 moved too quickly rather than carefully."⁶ These flaws were known and insufficiently addressed:
22 "[s]oftware mishaps have rocked Robinhood before," including in 2018, for example, when
23 its "options trading service had an outage that locked consumers out of their accounts and stopped
24

25
26 _____
27 ⁶ Nathaniel Popper, *Robinhood Has Lured Young Traders, Sometimes With Devastating Results*,
28 The New York Times (July 8, 2020)
<https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html?searchResultPosition=2> (last visited Aug. 19, 2020).

1 them from closing positions[.]”⁷

2 10. In offering trading services, Robinhood assumed a duty to ensure that its systems
3 were sufficiently equipped to reliably deliver such services under reasonably foreseeable customer
4 demands and market conditions, such as those at issue in this case. Robinhood acted negligently
5 by failing to adequately or properly equip itself technologically and systemically to maintain
6 Plaintiff and Class members’ access to trading services. Due solely to its own negligence and failure
7 to maintain adequate infrastructure, Robinhood breached obligations owed to Plaintiff and Class
8 members and caused them substantial losses. Its failures are all the more serious due to
9 Robinhood’s history of such failures, the magnitude of the Outages, the absence of alternative
10 means for customers to protect their positions and investments, and lack of communication and
11 customer support.

12 11. Plaintiffs bring this class action on behalf of Robinhood customers who were denied
13 access to their Robinhood trading accounts during the Outages and for the many, including
14 themselves, who suffered losses as a result of the Outages. Plaintiffs assert putative class action
15 claims generally including negligence, breach of contract, breach of fiduciary duty, and violations
16 of California’s Unfair Competition Law, on behalf of themselves and all other Robinhood
17 customers who are similarly situated. Plaintiffs seek damages, restitution, disgorgement and
18 declaratory relief.

19 PARTIES

20 12. Plaintiff Daniel Beckman (“Plaintiff Beckman”) is a citizen of Florida and is over
21 the age of 18.

22 13. Plaintiff Joseph Gwaltney (“Plaintiff Gwaltney”) is a citizen of Florida and is over
23 the age of 18.

24 14. Plaintiff Emma Jones (“Plaintiff Jones”) is a citizen of Texas and is over the age

25 _____
26 ⁷ John Gittlelsohn, Annie Massa, and Jennifer Surane, *Robinhood Maxed Out a Credit Line Last*
27 *Month as Markets Fell*, Bloomberg (March 10, 2020)
28 <https://www.bloomberg.com/news/articles/2020-03-10/robinhood-maxed-out-credit-line-last-month-amid-market-tumult> (last visited Aug. 19, 2020).

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