

March 5, 2020

Robinhood Attracts Class-Action Suit from Brokerage Lawyer Taaffe

by [Jed Horowitz](#)

The son of a well-known brokerage industry litigator filed a putative class-action complaint Wednesday night against zero-commission brokerage firm Robinhood Markets over its systems collapse on Monday and part of Tuesday.

The suit was filed in U.S. District Court in Tampa, Florida, by Travis Taaffe, the 23-year-old son of Shumaker, Loop and Kendrick broker-dealer and arbitration practice lawyer Michael Taaffe, whose firm submitted the action.

It appears to be the first class-action suit to be filed against Robinhood since the \$912 million-funded Silicon Valley company acknowledged that its approximately 10 million customers were unable to access their accounts or trade for all but three minutes of NYSE trading hours on Monday. The Dow Jones Industrial Average rose a record 1,294 points that day, and other major indexes also soared. Robinhood also was down for just over two hours early Tuesday.

"We are not generally a class-action firm for customers," said Taaffe, who represents brokers and firms in employment law disputes. "But it was kind of organic. Travis called me to say he couldn't access his accounts."

By getting the lawsuit filed ahead of others—a Twitter account from [Robinhood Class Action](#) has almost 7,000 followers—a court could appoint Shumaker as the lead counsel.

Jack Randall, a Robinhood spokesman, declined to comment on the lawsuit or to say if others have been filed by individuals or by class-action lawyers. A lawyer at Debevoise & Plimpton, the corporate law firm representing Robinhood, also declined to comment.

The Taaffe complaint seeks unspecified damages and certification as a class lawsuit. It alleges breach of contract for Robinhood's failure to provide a functioning platform for account access and trading, breach of an "implied warranty of merchantability" related to failure to provide the "kind of goods at issue" and negligence for failing to properly test and maintain the trading platform and have a "redundant/backup system to handle outages."

Robinhood, whose customers trade through mobile phone-based applications, issued a [statement](#) from founders Baiju Bhatt and Vlad Tenev conceding that its systems could not handle trading volume loads and promising "to work to improve the resilience of our infrastructure." They also warned that customers may experience "additional brief outages" as engineers work on upgrades.

“We take our responsibility to you and your money seriously,” they wrote. “We recognize that many of you have questions, and we’re working to respond to them as quickly as possible.”

Robinhood also is offering users of premium accounts a waiver of its \$5-a-month fee for up to three months.

The firm’s revenue model is based on upgrading free-commission customers to premium accounts that offer, among other features, stock research from Morningstar and access to real-time bids and asks on Nasdaq Stocks.

It also offers margin trading at 5% if more than \$1,000 is borrowed and, like other discount brokers, sells its order flow to executing firms. (Finra [fined Robinhood \\$1.25 million in December](#) for failing to ensure that it was routing orders most efficiently.

The Menlo Park, Calif.-based firm’s appeal to millennials has been threatened by the decisions late last year of Charles Schwab and other conventional discount brokerage firms to eliminate commissions on stocks and exchange-traded funds.