

**IN THE UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
TAMPA DIVISION**

**AUSTIN SCHAFF,  
on behalf of himself and on behalf of  
all others similarly situated,**

**Plaintiff,**

**v.**

**Case No.:**

**ROBINHOOD MARKETS, INC.,  
ROBINHOOD FINANCIAL LLC, and  
ROBINHOOD SECURITIES, LLC.,**

**DEMAND FOR JURY TRIAL**

**Defendant.**

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**CLASS ACTION COMPLAINT AND DEMAND FOR JURY TRIAL**

Named Plaintiff Austin Schaff (“Plaintiff”), files this Class Action Complaint against Defendants Robinhood Markets, Inc., Robinhood Financial LLC and Robinhood Securities, LLC, (collectively “Robinhood”) and states as follows.

**INTRODUCTION**

1. Named Plaintiff Austin Schaff is an adult citizen of Florida and resides in Hillsborough County, Florida.

2. At all times material hereto, Plaintiff Austin Schaff acquired the Robinhood mobile phone application and utilized the same to acquire, trade and hold securities in Florida.

3. Defendant Robinhood Markets, Inc. is a financial services holding company incorporated in Delaware, whose subsidiaries provide financial and investment services via an internet/cloud-based platform that is also available on mobile phones. Its subsidiary, Defendant Robinhood Financial LLC, is a full service securities firm engaged in the retail sale of securities and various other financial products. Its subsidiary, Defendant Robinhood Securities, LLC, is a full

service securities firm engaged in the retail sale of securities and various other financial products. Defendants Robinhood Markets, Inc., Robinhood Financial LLC, and Defendant Robinhood Securities, LLC, provide internet and mobile phone based securities sales and services to approximately 10 million customers and/or users.

4. On January 28, 2021, Robinhood banned “buying” shares of GameStop Corp (“GME”).

5. At the time Plaintiff owned thousands of dollars’ worth of GME stock and options.

6. Robinhood’s banning of trading shares of GME caused the GME stock price to drop significantly. Robinhood also cancelled millions of dollars in orders, causing further harm to the stock.

7. Plaintiff suffered a tangible injury in the form of economic loss due to Robinhood’s banning of trading shares of GME.

8. As a result of these violations, Plaintiff seeks statutory penalties, injunctive relief, attorneys’ fees, costs and expenses, and other appropriate relief as set forth herein and provided by law.

### **JURISDICTION, VENUE, AND PARTIES**

9. This Court has original jurisdiction over this matter under the Class Action Fairness Act and 28 U.S.C. §1332. This is a putative class action in which: (1) there are 1 million or more members in the Class; 2) at least some members of the proposed class have different citizenship from at least one Defendant and the claims of the proposed class members exceed \$5,000,000.00 in the aggregate.

10. Venue is appropriate as: Robinhood Securities, LLC, has a headquarters in this district; Defendants conduct business in this district; a substantial part of the events and omissions

that give rise to the claims alleged herein occurred in this district; and brokerage records related to sale of securities and its books and records are maintained and administered in this district

### **FACTUAL ALLEGATIONS**

11. Robinhood provides “commission-free” trades in stocks, funds and options using an internet/cloud-based platform for individual customers and/or users.

12. It offers these services to its customers and/or users through its mobile phone based application as an alternative to the traditional financial services provided in person, over the telephone or on the Internet.

13. On January 28, 2021, Robinhood blocked Plaintiff and the putative class members he seeks to represent from trading GME.

14. In the days and weeks prior to this traders, like Plaintiff, had noticed that the short interest on the stock relative to the float was somewhere between 140-250%.

15. In layman’s terms, when someone shorts the stock, they borrow it from a brokerage and sell the stock right away, and when they want to exit their position they buy the stock back and give it back to the brokerage. If the stock goes down in that time frame they make money, if it goes up they lose money.

16. There were roughly 70M shares of stock shorted with only approximately 40M shares of the stock available. Traders saw an opportunity for a short squeeze to force those shorts to have to buy back their shares at much higher prices

17. As a result of this analysis, which was readily available to the public, GME had been skyrocketing for two weeks. Many “Reddit” users also made it known that large Wallstreet hedge funds had “bet against” GME, and many took issue that that position.

18. At approximately 1:00 a.m. EST on January 28, 2021, Plaintiff received an email stating he was no longer able to buy options contracts on GME but was still able to close out (or sell) his existing positions.

19. At some time around 7:00 a.m. EST on January 28, 2021, Robinhood issued the same restriction to purchasing common stock of GME.

20. GME went from trading around the \$450 mark at 7 a.m. down to 126 at 11:19 a.m., causing common stock shareholders a greater than 70% loss of value. As a large percentage of Robinhood users own GME, and virtually all Robinhood users being retail traders, there was no way for Plaintiff and the putative class members to participate in a free market.

21. Obviously, due to Robinhood's GME restrictions, because Robinhood users could not buy GME but only sell it, there were more sellers in the market and the price went down.

22. This negatively affected Plaintiff and the putative class members portfolio's, as well as the value of the stock for the other shareholders of the 40M of GME common stock.

23. In sum, this is blatant market manipulation by Robinhood which artificially caused the price of the stock to drop while large hedge funds could profited handsomely.

24. According to a Robinhood's website, the restriction was explained as follows:

Our mission at Robinhood is to democratize finance for all. We're proud to have created a platform that has helped everyday people, from all backgrounds, shape their financial futures and invest for the long term. We continuously monitor the markets and make changes where necessary. In light of recent volatility, we are restricting transactions for certain securities to position closing only, including \$AAL, \$AMC, \$BB, \$BBBY, \$CTRM, \$EXPR, \$GME, \$KOSS, \$NAKD, \$NOK, \$SNDL, \$TR, and \$TRVG. We also raised margin requirements for certain securities. Amid significant market volatility, it's important as ever that we help customers stay informed. That's why we're committed to providing people with educational resources. We recently revamped and expanded Robinhood Learn to help people take advantage of the hundreds of financial resources we offer and educate themselves, including how to make sense of a volatile market. In 2020, more than 3.2 million people read our articles through Robinhood Learn. We're committed to helping our customers navigate this uncertainty. We fundamentally

believe that everyone should have access to financial markets. We're humbled to have helped many people invest in the markets for the first time. And we're determined to provide new and experienced investors with the tools and resources to help them invest responsibly for their long-term financial futures.

25. From far its purported mission statement of "democratiz[ing] finance for all, upon information and belief Robinhood's intent to shut down the trading is to protect its own position, and its big-money Wallstreet allies like Melvin Capital and Citadel Securities. This is classic market manipulation.

26. Indeed, GME was trading below \$20 earlier this month.

27. Because GME stock prices have raised significantly, large financial institution investors have been forced to "cover their bets" so-to-speak by buying the stock at the higher prices, increasing the stock even further.

28. Following Robinhood's announcement as to the GME trading restrictions, the GME stock price has since dropped to \$226 per share, inflicting serious economic harm on investors like Plaintiff, and the putative class members he seeks to represent.

29. As explained by one source, "the surge in GameStop's value inflicted devastating losses on Wall Street's hedge funds, which had bet massive sums of money that the video games retailer would fail. Short sellers lost \$14.3 billion on Wednesday alone, according to data firm S3 Partners, with one fund, Melvin Capital, requiring nearly \$3 billion in bailout money from friendly firms to avoid bankruptcy." <https://www.rt.com/usa/513935-robinhood-market-manipulation-gamestop/>

30. Importantly, "[one of the firms that bailed out Melvin Capital, Citadel Securities, also facilitates trades made on Robinhood, working as a sort of middleman between the app and Wall Street's exchanges." *Id.*

31. In sum, upon information and belief Robinhood is manipulating the market to assist

Citadel which, in turn, helps Robinhood.

32. And while Robinhood's website claims that "market volatility" is the reason for its GME trading restrictions, Robinhood only did so after Wall Street insiders demanded something be done about the amateur traders' "manipulation" of GameStop stock.

33. Even the White House is reportedly monitoring the situation.<sup>1</sup>

34. As the above-cited article went on to explain and quote from other sources, " 'It's hard to find market manipulation more flagrant than this.'"

35. Not only that, members of both U.S. political parties have been discussing the actions taken by Robinhood at issue in this lawsuit, including, for example, U.S. Senator Ted Cruz, R-Texas,<sup>2</sup> and Rep. Rashida Tlaib, D-Mich., a member of the financial services committee, who called Robinhood's move "beyond absurd" and demanding a hearing on "Robinhood's market manipulation."<sup>3</sup>

36. Based on the foregoing Plaintiff brings this putative class action seeking damages and injunctive relief against Robinhood.

### **CLASS ACTION ALLEGATIONS**

37. Plaintiff brings this action as a class action pursuant to the Federal Rules of Civil Procedure on behalf of the following persons:

**All Robinhood users in the United States who owned GME securities as of January 28, 2021.**

38. Plaintiff is a member of the Class he seeks to represent. Plaintiff acquired the

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<sup>1</sup> <https://markets.businessinsider.com/news/stocks/robinhood-removes-gamestop-amc-reddit-wallstreetbets-fueled-stock-rally-gme-2021-1-1030015292>

<sup>2</sup> ("AOC, Ted Cruz, Ro Khanna and other lawmakers criticized Robinhood after it restricted trading in GameStop and other companies targeted by the irreverent WallStreetBets Reddit forum."  
<https://www.cnn.com/2021/01/28/gamestop-cruz-ocasio-cortez-blast-robinhood-over-trade-freeze.html>

<sup>3</sup> <https://www.cnn.com/2021/01/28/gamestop-cruz-ocasio-cortez-blast-robinhood-over-trade-freeze.html>

Robinhood mobile phone application and utilized the same to acquire, trade and hold GME shares.

39. Numerosity: The Class is so numerous that joinder of all Class members is impracticable. On information and belief thousands of individuals satisfy the definition of the Class.

40. Typicality: Plaintiff's claims are typical of the Class. All class members suffered the same economic harm with respect to their GME holdings.

41. Adequacy: Plaintiff will fairly and adequately protect the interests of the Class members, he has no interests antagonistic to the class, and has retained counsel experienced in complex class action litigation.

42. Commonality: Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class.

43. Class Members do not have an interest in pursuing separate individual actions against Defendant, as the amount of each Class Member's individual claims is relatively small compared to the expense and burden of individual prosecution. Class certification also will obviate the need for unduly duplicative litigation that might result in inconsistent judgments concerning Defendant's practices.

44. Moreover, management of this action as a class action will not present any likely difficulties. In the interests of justice and judicial efficiency, it would be desirable to concentrate the litigation of all Class Members' claims in a single action.

45. Plaintiff intends to send notice to all Class Members to the extent required the Federal Rules of Civil Procedure. The names and addresses of the Class Members are available from Defendant's records, as well as from Defendant's third-party administrator.

**CLASS CLAIM I FOR RELIEF**  
**BREACH OF IMPLIED WARRANTY OF MERCHANTABILITY**

46. Plaintiff and class members adopt and incorporate paragraphs 1-8, and 11-36, in

full.

47. Defendants breached their implied warranty of merchantability by failing to provide a trading platform that is acceptable and reasonably fit for the ordinary purposes for which it was being contracted, in this case, for including but not limited to: the purchase and sale of GME stocks.

48. Defendants are merchants with respect to the kind of goods at issue, as Defendants are broker-dealers engaging in the securities markets.

49. Plaintiff and class members have all been damaged in a similar manner due to Defendants breach of implied warranty of merchantability.

50. Plaintiff requests relief as hereinafter described.

**CLASS CLAIM II FOR RELIEF**  
**NEGLIGENCE**

51. Plaintiff and class members adopt and incorporate paragraphs 1-8, and 11-36, in full.

52. Defendants owed a duty to Plaintiff and class members to exercise reasonable care in maintaining and supporting Defendants' internet/cloud-based trading platform so that Plaintiff and class members would not be adversely affected by Defendants' unilateral decision to halt purchasing or trading GME.

53. This duty includes, *inter alia*, designing, maintaining, and allowing for buying and trading to ensure Defendants do not manipulate the market and, in turn, cause economic harm to its customers, like Plaintiff and the putative class members.

54. Defendants had a duty to provide a system and platform free from market manipulation.

56. Defendants breached their duty to exercise reasonable care in safeguarding and protecting Plaintiff's and other class members' assets from market manipulation by virtue of halting



all buying or trading of GME on its app on January 28, 2021.

57. Defendants further breached their duty by failing to provide adequate support to the trading platform to ensure that it could continue to function during an uptick in trading volume and user engagement.

58. Plaintiff and class members have all been damaged in a similar manner due to Defendants' negligence.

59. Defendants' negligence was the direct and proximate cause of the damages suffered by Plaintiff and the other class members

### **PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiffs respectfully request that this Court find in favor of them and the Class of similarly situated individuals and against Defendants as follows:

- a. Certify this case as a class action;
- b. Designate Plaintiff as Class Representative;
- c. Designate Plaintiffs' counsel of record as Class Counsel;
- d. Order appropriate equitable relief to remedy the inappropriate conduct;
- e. Award Plaintiff and all others similarly situated the full value of all damages sustained now or in the futures as a result of Defendants' conduct;
- f. Award Plaintiff and all others similarly situated all damages, interest and attorneys' fees recoverable under applicable laws;
- g. Award Plaintiff and all others similarly situated punitive damages, compensatory and other damages;
- h. Order injunctive relief including but not limited to an Order requiring that Defendants' allow for buying and trading of GME stock (as well as

continued selling), as well as requiring Defendants to implement adequate redundancy or backup processes to ensure that should a system outage occur there is another avenue for customers and/or users to access, control and trade their cash, securities and/or other property.

- i. Award Plaintiff and all others similarly situated any and all other relief as this Court deems just and proper; and
- j. That this matter be tried by a jury.

Dated this 28<sup>th</sup> day of January, 2021.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that on this 28<sup>th</sup> day of January, 2021, the foregoing was electronically filed with the Clerk of Court via the CM/ECF system which will send a copy to all counsel of record.



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**BRANDON J. HILL**

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