Wells Fargo’s Ethical Bankruptcy

- Wells Fargo is an exceptional bank.
- They survived the economic crisis in 2008, and managed to acquire another bank
- Very high return of investment for investors, and a customer-oriented culture
- Considered to be the bank for everyone
- This all collapsed when the fraudulent scheme the bank was running was exposed in 2016.

Wells Fargo

- Wells Fargo had been cross-selling various services to customers,
- Some customers realized that they had unidentified fees on their account from other accounts they never setup.
- This unraveled a scandal where authorities discovered that employees had been setting up 3.5 million fake and unauthorized bank accounts and credit cards
- On top of that many customers received fraudulent charges on loans, credit cards, etc…
- 5300 employees were fired
- 185 million in fines initially by the consumer financial protection bureau.
- One of the main figures: Carrie Tolstead retired with 125 million dollars, but afterwards the bank took back 54% of that compensations

Wells Fargo

- Every employee had to sell 8 different products to customers.
- They also needed at least 8-10 new accounts per day. If no customers came in, they needed to be at the phone to find customers
- Sales had to increase 35% each year
- The targets became harder to attain every year.
- Sales quotas were checked every day by regional managers
- If the employees didn’t meet the quotas they would not receive any bonuses, Or promotions
- Instead they would be disciplined or terminated.
- The average customer had 5.5 accounts at Wells Fargo
- Employees took to fraudulent practices to keep up: slipping authorization forms between documents customers had to sign, creating personal pin numbers so they could pretend to be the customer, having friends or family setup accounts, forging signatures.

Wells Fargo

- Employees would spread initial deposits over the different accounts, and afterwards customers would get hit with fe
- The Los Angeles times, a customers’ lawsuit and some employees reported the fraud
- Regional managers were aware of what happened but never did anything.
- Bank repaid customers 2.6 million in fees
- At a Senate hearing the CEO John Stumpf shifted the responsibility away from the leadership
- Senators argued that the leadership should assume its responsibility and give back any compensation he received d the time of the fraud
- The CEO resigned a month after.
- Due to his overly optimistic nature, he believed that just a few rotten apples had been causing the problems at the b
- He led regional manager Carrie Tolstead take care of the situation, and didn’t order an audit
- The regional managers had a great deal of autonomy.

Wells Fargo

- - Employees who were terminated allege that they were terminated for reporting the scandals.
- They start class action lawsuits for wrongful termination
- In 2017 Wells Fargo is hit with more scandals:
- Mortgages: Wells Fargo made unauthorized changes to mortgages, and unlawfully charged fees to customers
- Just as well as illegally reposed vehicles from soldiers, and obliged car lenders to take on car insurance they didn't nee
- One whistleblower wins 5.4 million and their job back
- Accused of overcharging small businesses for credit cards and termination fees.

- 2018: Federal Reserve limits the size of Wells Fargo

- 1 billion dollars settlement for the car and mortgage claims
- 480 million dollars for the fake accounts –in 2020 – it was increased to 3 billion
- 5 million dollars for the small businesses credit card fraud
- Refunds of tens of millions over addons like pet insurance to customers
- $2.1 billion fine after facing allegations that it had improperly represented mortgages it sold to investors during the ho
- 8 million dollars to compensate customers who were incorrectly denied loan modifications