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Editorial: At $185 million in fines, Wells Fargo gets off easy

By the *St. Louis Post-Dispatch* Editorial Board, Sept. 11, 2016

What began in December 2013 with an investigation by the Los Angeles Times ended Thursday with the announcement that Wells Fargo & Co. had agreed to $185 million in fines for finagling 2 million retail banking customers into credit card and bank accounts without their knowledge.

The bank got off easy; the fine is equal to about 6 percent of the bank's profits from consumer banking in a single quarter. The case was brought by the Los Angeles city attorney, the U.S. Comptroller of the Currency and the Consumer Financial Protection Bureau. This sort of below-the-radar consumer fraud was a big reason why Congress, over the objections of banks and Republican opponents, created the CFPB as part of the Dodd-Frank Act of 2010.

The scam was aimed at boosting profits by tricking customers into paying monthly fees and overdraft fines for bank products — Wells Fargo calls them "solutions" — they didn't sign up for. The Times found that one homeless woman was hooked into six solutions carrying total fees of $39 a month.

Missouri is not among the 39 states where Wells Fargo does retail banking; there are only 20 Wells Fargo branches in Illinois. The retail operation is separate from St. Louis-based Wells Fargo Advisors, the bank's brokerage division.

Until the Times' investigation, the ability of Wells Fargo retail bankers to "cross-sell" services to its customers was the envy of the industry. The bank boasted that its customers averaged 6.15 solutions apiece, four times the national average. Branch managers, whose pay was tied in part to how many products they signed people up for, held as many as four sales motivation meetings a day. This was no accident.

The bank's goal was "the Great 8" — eight solutions for every customer. Employees were paid bonuses for new solutions, sometimes tricking customers into them, other times transferring personal information like Social Security numbers from one account to another and forging signatures.

On Thursday, Wells Fargo issued a statement saying it was "committed to putting our customers' interests first 100 percent of the time, and we regret and take responsibility for any instances where customers may have received a product that they did not request.”

The bank said 5,300 employees involved in the scheme had been laid off since the investigation began. It would not say whether any of them had been top executives, but in July, Wells Fargo CEO John Stumpf announced the retirement of Carrie Tolstedt, senior vice president for community banking since 2007. Stumpf called Toldstedt, who was paid $9 million in 2015, “a standard-bearer for our culture.”

The bank still faces multiple civil lawsuits by customers, and some employees could face criminal investigation. There is more than one kind of bank robbery.