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Wells Fargo Targets the Weak

By Camila Piedrahita Abello, J.D. Candidate 2019 | November 8, 2016

On September 8, 2016, Wells Fargo agreed to pay $185 million in fines as a result of illegal banking practices its employees had engaged in for years. Since as early as 2005, Wells Fargo employees opened about two million unauthorized bank accounts and sent out countless unsolicited credit cards.

According to regulators, bank employees would shift small amounts of money from customers' existing accounts to new ones. These new accounts were then closed and the money moved back to the original accounts, all without customer knowledge or authorization.

These fraudulent practices helped Wells Fargo employees get credit for opening new accounts, which in turn allowed them to meet steep sales goals and avoid being fired. This process also generated additional revenue for the company since the bank was able to collect fees and charges from unsuspecting customers.

Since the scandal broke, dozens of former employees have described their efforts to report the illegal activities they had witnessed. They allege that those who heard their complaints took no actions and even continued to be employed by the company. According to a Wells Fargo spokeswoman, the bank did not become aware of the larger problem until 2013 since the company handled account fraud complaints individually.

Former employees have also reported on the groups of customers the bank targeted—including, immigrants, the elderly, college students, military veterans, and small business owners. Simply put, they were some of the most vulnerable clients and those least likely to resist the actions by Wells Fargo employees.

Government officials have taken steps in the hopes of finding justice for the many victims. In May 2015, the Los Angeles City Attorney filed a lawsuit against Wells Fargo over the fraud allegations. On October 20, 2016, the California Attorney General's Office launched a criminal investigation against Wells Fargo, obtaining a seizure warrant for customer records, the identity of employees that may have opened the accounts, information about fees and charges, and the like. Following his appearance before Congress, CEO John Stumpf resigned and was replaced by COO Tim Sloan. Wells Fargo has taken steps to refund customers for the illegal charges.

It remains to be seen, however, whether these practices were limited to Wells Fargo or part of a troubling industry-wide effort to take advantage of customers.