Wells Fargo changing practices that led to fake accounts scandal, new CEO tells lawmakers

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In Brief

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Wells Fargo has been changing management practices, including the setting of aggressive sales targets tied to employee compensation, that led to a years-long scandal involving fabrication of possibly millions of customer accounts, new Chief Executive Officer Charles Scharf told the House Financial Services Committee today.

“Anything related to those sales goals that drove that kind of behavior, and the management processes that went along with it, are no longer there,” he said during a hearing.*

Scharf said he has focused his efforts since taking the helm four months ago on changing the bank’s “broken” culture by moving toward direct customer feedback and prioritizing risk management and consumer experience in employee evaluations.

“Today, our sales employees are evaluated on a number of criteria, none of which are sales goals,” he said. “It’s things such as customer experience, it is [account] balances in the overall count, and things like that,” he said.

Last month, the bank reached a $3 billion settlement with the US Justice Department and the US Securities and Exchange Commission, admitting that management pushed employees from 2002 to 2016 to meet unrealistic sales goals in a way that led to the creation of millions of fake accounts under false pretenses or without customers’ consent.

Scharf today conceded the sins of his predecessors, saying he agreed with the sharply critical findings of a recent investigation by Democratic committee members. Scharf said he has been trying to address these problems by creating independent risk management, changes within the board of directors, and centralizing and flattening the management structure.

About 70 percent of board members are new since 2017, he said.

Scharf’s predecessor, Tim Sloan, resigned a year ago shortly after facing the committee. Today the panel’s chairwoman, Maxine Waters, asked the DOJ to review what she described as Sloan’s “inaccurate and misleading testimony” (see here).

**House Financial Services Committee hearing on "Holding Wells Fargo Accountable: CEO Perspectives on Next Steps for the Bank that Broke America’s Trust." Washington, DC. March 10, 2020.*

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Wells Fargo - Investigations

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