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Wells Fargo Has to Pay $3.7 Billion Over Abuses

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The settlement, which includes the largest fine ever imposed by the Consumer Financial Protection Bureau, allows the bank to resolve claims that it had harmed millions of consumers since 2011.

Wells Fargo's yearslong mistreatment of its customers has resulted in another record-breaking fine and a warning that more restrictions on its ability to do business could soon follow.

On Tuesday, the bank agreed to pay $1.7 billion in penalties and another $2 billion in damages to settle claims that it engaged in an array of banking violations over the last decade that harmed millions of consumers, the Consumer Financial Protection Bureau said.

The latest developments contribute to a picture, years in the making, of Wells Fargo as one of America's worst-run big banks. For decades, the 170-year-old bank has struggled to fix its practices despite run-ins with regulators, even as employees and customers continued to identify new problems.

The consumer protection bureau said Wells Fargo did not record customer payments on home and auto loans properly, wrongfully repossessed some borrowers' cars and homes and charged overdraft fees even when customers had enough money to cover purchases they made with their bank cards. Wells Fargo stopped the conduct this year as part of a larger effort to clean up other unlawful practices stretching back to 2011, the filing said.

The fine is the largest ever imposed by the regulator, breaking a previous record of $1 billion, also set by an action against Wells Fargo. It brings the total penalties the government has levied against the bank for mistreating customers and investors to $6.2 billion since 2016 and almost $20 billion since the financial crisis.

The settlement is the latest development in a series of a crises that led to the ouster of two of the bank's previous chief executives, John G. Stumpf in 2016 and Timothy Sloan in 2019. Mr. Sloan took the top post to help clean up the bank's reputation, which was reeling from self-inflicted scandals, but he became a lightning rod for criticism and was replaced after three years on the job by Charles W. Scharf.

But Wells Fargo continues to grapple with other regulatory challenges, including a consent order imposed by the Federal Reserve in 2018 that restricted its growth until it fixed its many problems, and limits on its mortgage servicing abilities levied in 2021 by the Office of the Comptroller of the Currency for similar reasons. Federal prosecutors are also investigating whether the bank violated the rights of its employees and job candidates when it conducted fake interviews of minority candidates for jobs that had already been filled in order to juice its work force diversity statistics.

The consumer protection bureau's director, Rohit Chopra, told reporters on Tuesday that the action against the bank ''should not be read as a sign that Wells Fargo has moved past its longstanding problems or that the C.F.P.B.'s work here is done.''

As part of its settlement with the regulator, Wells Fargo has begun repaying customers, returning improperly charged fees and offering some financial relief to those whose finances and credit ratings were hurt by the bank's practices.

The damages include returning overpayments on home and auto loans, restoring the value that customers lost when the bank took away their cars and foreclosed on their homes and returning money it improperly kept after offering auto loan customers ''Guaranteed Asset Protection'' insurance, which would cover the difference between their outstanding loans and their vehicles' value if totaled or repossessed.

In all, the redress payments of $2 billion are destined to reach 16 million customers. Some of the money has already reached victims, including 11 million accounts to which $1.3 billion was restored to remediate improperly serviced auto loans. Other payment programs are new, including a directive to repay $205 million in overdraft fees.

In a statement on Tuesday, bank officials emphasized that the latest agreement with the regulator showed the bank's progress in improving its business practices.

"This far-reaching agreement is an important milestone in our work to transform the operating practices at Wells Fargo and to put these issues behind us," Mr. Scharf said in the statement. Wells Fargo is "a different company today," he added.

The $1.7 billion fine also covers improper mortgage and auto loan fees that Wells Fargo charged customers, as well as the bank's practice of freezing customers' bank accounts too quickly and closing them when automatic **fraud detection** systems flagged unusual activity. Some of the practices began as early as 2011, but almost all continued well beyond the bank's initial reckoning with regulators over its widespread violations, which began in 2016.

The consumer protection bureau warned that the bank would be closely monitored as it worked to make amends for its latest violations, and that it would examine whether other restrictions on the bank's activities were needed.

"Wells Fargo's rinse-repeat cycle of violating the law has harmed millions of American families," Mr. Chopra said in a statement. "This is an important initial step for accountability and long-term reform of this repeat offender."

Mr. Chopra said that the bureau would work with other bank regulators, including the Federal Reserve and the Office of the Comptroller of the Currency.

Washington lawmakers took notice on Tuesday.

"Today's actions should come as no surprise," said Senator Sherrod Brown, Democrat of Ohio and chairman of the Senate Banking Committee. "Wells Fargo's inability to manage the basic requirements of serving its customers means that consumers, investors, and employees continue to pay the price."

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THE WALL STREET JOURNAL.

Wells Fargo to Pay Record Fine In $3.7 Billion Settlement Deal

By Ben Eisen
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Wells Fargo & Co. reached a $3.7 billion deal with regulators to resolve allegations that it harmed more than 16 million people with deposit accounts, auto loans and mortgages.

The settlement with the Consumer Financial Protection Bureau includes a $1.7 billion penalty, the agency's largest-ever fine, and more than $2 billion in consumer restitution, the regulator said Tuesday.

The consumer watchdog agency said the bank illegally assessed fees and interest charges on loans for cars and homes. Some consumers had their vehicles illegally repossessed while others had overdraft fees unlawfully applied, the agency said.

Wells Fargo's regulatory troubles continue to ripple through the bank more than six years after its fake account scandal burst into public view. At the time, regulators alleged that Wells Fargo executives focused so heavily on meeting lofty sales goals that they pressured low-level employees to open unauthorized accounts. Other problems later surfaced across the San Francisco-based bank, including in its lending and deposit-taking businesses.

The CFPB settlement resolves a major penalty hanging over Wells Fargo but leaves it handcuffed by other regulators. The Federal Reserve has had a cap on the bank's asset growth in place for nearly five years. Politicians continue to target the bank, and investors have filed a series of class-action lawsuits.

"Wells Fargo is a corporate recidivist," said CFPB Director Rohit Chopra, on a call with reporters Tuesday. He said the settlement "should not be read as a sign that Wells Fargo has moved past its longstanding problems."

The bank had been negotiating with the CFPB for months in an effort to lump as many outstanding issues into the settlement as possible, according to people familiar with the matter.

Much of the $2 billion remediation included in the settlement has already been doled out to customers. The bank, for example, has paid $1.3 billion to 11 million customers who had auto-loan servicing issues, the CFPB said.

The CFPB said the bank's actions span over a decade. Wells Fargo incorrectly applied auto-loan payments because of **technology** and compliance failures from 2011 through 2022, the agency said. Errors in its home loan modification process went on from 2011 to 2018, the agency said.

The bank sometimes charged overdraft fees even when a customer had enough funds available to make a debit-card transaction or ATM withdrawal, CFPB said. Wells Fargo is required to refund customers about $205 million in fees since the beginning of last year that weren't yet reversed. CFPB will oversee that process.

Mr. Chopra, an appointee of President Biden, has said he plans to target repeat offenders. "Corporate recidivism has become normalized and calculated as the cost of doing business," he said in a speech earlier this year. He has also sought to make his agency more adversarial toward financial firms.

The CFPB said Wells Fargo has accelerated efforts to clean up its act since 2020. Tied to the settlement, the agency will terminate one of the consent orders it had placed on the bank in 2016 and clarify that a 2018 consent order will terminate in no more than three years.

"This far-reaching agreement is an important milestone in our work to transform the operating practices at Wells Fargo and to put these issues behind us," Chief Executive Charlie Scharf said in a statement.

Mr. Scharf was brought in to clean up the bank in 2019. He has overhauled the top executive ranks, cut its workforce and gave priority to remaking the bank's back-end systems for managing internal controls and risk.

The bank had signaled for months that it expected another big regulatory penalty, and it took a $2 billion charge in the third quarter tied to resolving long-running legal and regulatory issues. The bank said Tuesday that it expects an operating losses expense of $3.5 billion in the current quarter.

Shares of the bank fell 84 cents, or 2%, to $40.98.

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