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## Wells Fargo chief to forfeit more than \$40m in pay

Ben McLannahan in New York and Barney Jopson in Washington

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John Stumpf testifies on Capitol Hill before the Senate banking committee

John Stumpf, Wells Fargo chief executive, is to forfeit more than \$40m in pay, as the bank tries to defuse political pressure over a scandal involving bogus accounts that has triggered lawsuits, investigations and a record penalty from US regulators.

The bank's decision to claw back unvested stock awards, announced late on Tuesday after an emergency board meeting, comes weeks after it was fined \$185m for allowing employees chasing sales targets to open as many as 2m accounts that customers did not authorise.

Since then, Wells Fargo has faced calls for a government probe into possible labour law violations, while Mr Stumpf has been questioned on Capitol Hill by a Senate banking committee.

The chairman and chief executive is due back in Washington on Thursday for a hearing of the House financial services committee. That committee's chairman, Jeb Hensarling, said on Tuesday that he would be "outraged" on behalf of shareholders if Wells did not take action on pay after such a "massive fraud".

Mr Stumpf, chief executive of the bank since 2007 and chairman since 2010, is to give up unvested equity awards worth about \$41m, the board announced, and will also forgo his salary during the investigation into the bank's sales practices.

The board also said that Carrie Tolstedt, who stood down after a nine-year stint at the head of Wells' retail division in July, would forfeit unvested equity awards worth \$19m and has left the company without severance pay about three months ahead of schedule. Neither Ms Tolstedt nor Mr Stumpf will receive a bonus for 2016.

Stephen Sanger, lead independent director, said that following a "thorough" investigation the independent board members may take further action on pay, including docking bonuses for 2016 and clawing back money already paid out.

"We are deeply concerned by these matters, and we are committed to ensuring that all aspects of the company's business are conducted with integrity, transparency and oversight," he said.

The scandal has been a blow for a bank that came through the financial crisis with its reputation relatively unscathed. Since the news broke, Wells Fargo has shed about one-tenth of its market capitalisation, losing its crown to JPMorgan Chase as the most valuable US bank by that measure.

Mr Stumpf has been forced to stand down from a prestigious advisory committee to the Federal Reserve, and last week faced calls from two senators to leave Wells before his mandatory retirement in 2018.

Sherrod Brown, the top Democrat on the Senate banking committee, said in a statement on Tuesday evening: “Tonight’s announcement is a step in the right direction but there are still dozens of unanswered questions. We still don’t know how many customers were harmed and how long this fraud continued. We also don’t know how many low-paid employees got fired for failing to meet quotas that Wells Fargo now recognises were too high.”

Clawbacks of pay are rare at the big banks, and especially for top staff. In 2012 JPMorgan halved the pay of Jamie Dimon, chairman and chief executive, after the “London Whale” scandal, while several senior executives handed back the maximum amounts allowable under their employment terms.

According to Wells’s public filings, executive pay can be taken back in the event of conduct that causes “significant financial or reputational harm”.

Last week CtW Investment Group, a Wells Fargo shareholder, wrote to Mr Sanger saying the board had shown a “troubling lack of attention” to managing staff properly, and threatened to reject the re-election of directors at next year’s annual meeting if certain steps were not taken. It demanded a clawback of pay for Ms Tolstedt and a “comprehensive and unrestricted” review of Wells’s HR practices.

A significant return of pay is probably punishment enough for Mr Stumpf, 63, said one Wall Street analyst who spoke earlier on Tuesday, on condition of anonymity. “This is clearly a big black eye but black eyes heal,” he said.

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