

ASSIGNMENT-2

FINANCE

The 2016 Wells Fargo account scandal exposed the negative effects of unethical business practices and raised important ethical and legal issues for the banking sector. It has involved unethical practices within the bank.

Description:

Employees at Wells Fargo were discovered to have committed fraud, which included issuing credit cards to millions of unidentified users and opening accounts without their knowledge approval. This is because, due to the bank's high sales objectives and incentives, which put pressure on staff to reach the targets, were the driving forces behind the actions. Customers were imposed fees, charges and damaged credit scores.

Ethical:

- Transparency: after the scandal was disclosed, Wells Fargo made leadership changes and fired implicated workers as part of its efforts to hold individuals accountable.
- Wells Fargo acknowledged the misconduct and made efforts to comply with regulations while assisting regulatory agencies with their investigations.
- Employees in the organization well-being: establishing an atmosphere at work where employees' welfare is given priority, and they are not coerced into immoral behavior

Unethical:

- Opening Unauthorized Accounts: Fraudulent practices by opening new accounts and issuing credit cards without customer consent and knowledge.
- Pressures in the workplace: The bank's ambitious sales ambitions produced a work atmosphere where workers felt under pressure to reach unattainable standards.

- Deceitful Behavior: Using dishonest methods to enroll clients without their consent, such as fabricating signatures, email addresses and mobile numbers.

Regulatory and legal ramifications:

- change of leadership: Wells Fargo CEO John Stumpf has resigned, recognizing the need for new leadership to address problems and restore the bank's reputation.
- loss of trust: Due to the massive issue Wells Fargo has lost customer trust and had a decline in the stock market.
- Wells Fargo consented to pay the Consumer Financial Protection Bureau a \$100 million fine, which at the time was the highest fine the agency had ever levied.

Summary:

This illustrates how crucial it is to continue ethical banking practices, openness, and regulatory vigilance in order to protect the public's confidence in financial institutions. Following the crisis, Wells Fargo implemented stronger regulatory compliance procedures, changed its leadership, and settled legal disputes in an effort to deter future instances of the same kind of unethical behavior.

Reflection Questions: –

- How did you decide if particular actions or decisions were right or wrong?

We can decide whether the actions or decisions were right or wrong depending on the ethical analysis based on certain principles and societal norms.

Some of them are:

- Breach of Trust: The essential trust between a bank and its clients was broken by unauthorized account openings without the knowledge or agreement of the consumers, in the banking industry it requires transparency and honesty.

- **Aggressive Sales Targets:** It is deemed immoral to establish ambitious sales objectives and provide incentives that encourage staff members to participate in unethical behavior, such as opening illegitimate accounts. They should not compromise integrity for the sake of business.

- As admitted in agreements with regulatory agencies and law enforcement, violations of banking laws point to improper behavior.

- Were your reasons consistent from one case to the next?

Absolutely, there was a consistent set of causes and circumstances for the unethical behavior in the Wells Fargo affair over several instances. Organizational culture, ambitious sales objectives, and insufficient internal controls all contributed to the widespread unlawful account openings and associated dishonest behaviors. Some of the factors included are:

- Banks aggressive sales culture.
- Consumers in all instances suffered financial loss.
- There are cultural problems at Wells Fargo, such as a reliance on immediate profits at the expense of moral considerations.

-If someone disagreed with you on the answer to one of these questions, how would you try to convince that person that your position makes more sense?

- Persuading someone who doesn't agree, I will provide them with more details and present alternative viewpoints while having a productive discussion.
- I will highlight the ethical principles entailed in the controversy, including responsibility, honesty, and openness. while appealing to common ideals by phrasing the conversation in terms of ethical issues.
- will describe how immoral acts have a detrimental effect on shareholders and customers, by providing the controversy that caused loss of faith in the company, financial damages, and reputational injury which led to loss of shares and market value.
- Will Emphasize how the actions in the scandal violated the fundamental principles such as fairness, trust and accountability which is an unethical behavior, which leads to harm to the society.

Citations:

<https://www.nbcnews.com/news/investigations/phony-bank-accounts-resurface-wells-fargo-twist-rcna98005>

<https://ethicsunwrapped.utexas.edu/video/wells-fargo-fraud>