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Testimony To The U.S. Senate Committee On Banking, Housing and Urban Affairs
By The Honorable Michael N. Feuer
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Chairman Shelby, Ranking Member Brown, esteemed members of the Committee, thank you for the opportunity to provide testimony on this critical matter.

On a Sunday morning in December, 2013, I was appalled when I opened the Los Angeles Times and read an investigative story by Scott Reckard regarding Wells Fargo Bank's sales culture. The story read in part, ***"To meet quotas, employees have opened unneeded accounts for customers, ordered credit cards without customers' permission and forged client signatures on paperwork. Some employees begged family members to open ghost accounts."***

I immediately instructed my staff to investigate to determine if the facts warranted our Office filing an action pursuant to California laws that protect consumers against, and provide relief for, unfair business practices.

Because these laws do not afford my Office pre-litigation subpoena power, our investigation consisted of good old-fashioned detective work. We conducted numerous interviews with former Wells Fargo employees and Wells Fargo consumers, pored over public records, including voluminous court records from wrongful termination lawsuits former employees filed against Wells Fargo, and made use of the consumer complaint databases of the Consumer Financial Protection Bureau and the Federal Trade Commission.

We found that the Bank victimized consumers by opening customer accounts, and issuing credit cards and other products, without authorization. Further, we found that the Bank failed to notify customers that these accounts had been opened without their consent and failed to refund fees incurred by those customers for these unwanted products and services. We found instances in which the Bank made it difficult, if not impossible, for customers to receive accurate and clear information as to how this happened. Many were told that the unauthorized accounts would be closed, only to find later that they were not.

We found that Wells Fargo's business model imposed unrealistic sales quotas that, among other things, incentivized employees to engage in highly aggressive sales practices, creating the conditions for unlawful activity, including opening fee-generating customer accounts, and adding unwanted secondary accounts and products, without customer permission.

Underlying all of this egregious conduct, we found a fundamental breach of trust by the Bank through its misuse of consumers' personal information. We sought to enforce the Bank's obligation to inform its customers that their personal and private information had been accessed by Wells Fargo in order to open unauthorized accounts.

Our 16-month investigation culminated in our May 4, 2015, filing of a civil enforcement action in the name of the People of the State of California, an action that both sought relief for consumers harmed by Wells Fargo's conduct and to end the illegal practices Wells Fargo employed.

In the days following the filing of our lawsuit, my Office received calls, letters, and e-mails from over 1,000 current and former Wells Fargo customers and employees. Customers described their experiences, including having money withdrawn from their authorized accounts to pay fees assessed by Wells Fargo on unauthorized accounts. They also complained that their unauthorized accounts were sent to debt collection agencies, and derogatory notes were placed on their credit reports.

Let's be clear what's at stake:

- It's outrageous for a bank to use a customer's private information for any unauthorized purpose, but especially to enhance the bank's bottom line to the detriment of those with whom it holds a position of trust.
- It's outrageous for a bank to open unwanted accounts, and then to transfer funds, without consent, from that customer's existing account to fund an unauthorized account.
- And it's outrageous for a customer to incur unexpected fees or other negative consequences from the bank's conduct.

Earlier this month, we reached a settlement with Wells Fargo, which, in concert with the settlements reached by the federal regulatory agencies, provides for comprehensive retrospective and prospective remediation and corrective actions, and sends a strong message by imposing a \$50 million penalty. Our agreement contains important protections for consumers. It establishes a complaint and mediation system for California consumers harmed by the Bank's practices, and requires Wells Fargo to continue a restitution program for affected customers. Wells Fargo must also alert all its California customers who have consumer or small business checking or savings accounts, credit cards, or unsecured lines of credit, that they should visit their local bank, or call Wells Fargo, to review their accounts, close accounts or discontinue services they do not recognize or want, and resolve any remaining problems. Additionally, every six months for the next two years, Wells Fargo must provide my Office an audit report

assessing the Bank's compliance with our agreement, verified under penalty of perjury by an officer or director of the Bank.

We coordinated our settlement with the enforcement efforts of our federal partners, the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency. As a result of this collaboration, remediation and corrective actions extend nationwide. I would like to thank both agencies for their incredible work. Robust government oversight is key to protecting consumers and it is important to maintain laws that are protective of consumers and support collaboration between federal, state and local enforcement agencies.

There is a sacred trust that consumers put in their financial institutions--a faith that their hard-earned money will be safe and secure, and that their banks' actions will be in the best interests of customers like themselves. Wells Fargo broke that trust. We should all work to assure it never happens again.