
Wells Fargo used “pernicious” and “illegal” sales tactics: LA city attorney

By Editorial Staff Thu, May 7, 2015

The company, as part of its “Gr-eight” growth initiative, pressured its employees to sell each customer eight ‘solutions,’ ranging from credit card services to savings accounts to insurance products, the complaint said.

The Los Angeles city attorney filed a civil [complaint](#) this week against Wells Fargo & Co., charging one of America’s largest full-service financial services firms with coercing its employees to drum up new business and, in the process, defrauding an untold number of Wells Fargo retail customers.

Wells Fargo sent *RIJ* the following statement: “We will vigorously defend ourselves against these allegations. Wells Fargo’s culture is focused on the best interests of its customers and creating a supportive, caring and ethical environment for our team members. This includes training, audits and processes that work together to support our Vision & Values and our commitment to customers receiving only the products and services they need and will benefit from.”

The complaint, initiated after a *Los Angeles Times* investigation, claims that Wells Fargo units “victimized their customers by using pernicious and often illegal sales tactics to maintain high levels of sales of their banking and financial products.”

The company, as part of its “Gr-eight” growth initiative, put extreme pressure on its employees to sell each Wells Fargo customer eight “solutions” or financial products, ranging from credit card services to savings accounts to insurance products, the complaint said.

Wells Fargo bank logos are a familiar site in many parts of the U.S. According to its website, the company’s 265,000 employees serve 70 million customers at more than 8,700 locations with more than 12,500 ATMs.

The company considers itself the top retail mortgage lender in the U.S., the top minority and low-income mortgage provider, the top new and used car loan provider, and the largest provider of student loans among banks.

Various surveys have ranked the company #2 in annuity sales in 2014, #3 in providing full-service retail brokerage services, #4 in 2014 in providing wealth management services to accounts of \$5 million or more, and #6 in providing IRAs in the U.S. in the third quarter of

2014.

Wells Fargo was charged with engaging in at least three types of conduct that the prosecutor called “gaming.” These included:

- “Sandbagging,” the practice of failing to open accounts when requested by customers, and instead accumulating a number of account applications to be opened at a later date. Specifically, Wells Fargo employees collect manual applications for various products, stockpile them in an unsecured fashion and belatedly open up the accounts (often with additional, unauthorized accounts) in the next sales reporting period.
- “Pinning,” the practice of assigning, without customer authorization, Personal Identification Numbers to customer ATM card numbers with the intention of... impersonating customers on Wells Fargo computers, and enrolling those customers in online banking and online bill paying without their consent.
- “Bundling,” the practice of incorrectly informing customers that certain products are available only in packages with other products such as additional accounts, insurance, annuities and retirement plans.

Wells Fargo, which has about \$1.7 trillion in assets under management, made no secret of its ambition to win a bigger share of its clients’ wallets, and to take advantage of its diverse product lines to cross-sell and up-sell.

At its website, the company said it would pursue these opportunities:

1. ***Investments, brokerage, trust and insurance.*** We want to be the nation’s most respected provider of wealth, brokerage and retirement services. Only seven of every 100 of our retail banking customers have purchased an IRA through Wells Fargo or have a brokerage relationship with us. Only eight of every 100 buy insurance through Wells Fargo. We want all our wealth management, brokerage and retirement customers to bank with Wells Fargo. We want all our banking customers to think of us first for all their wealth management needs.
2. ***“Going for gr-eight.”*** Our average retail banking household has about six products with us. We want to get to eight . . . and beyond. One of every four already has eight or more. Four of every 10 have six or more. The average banking household, for example, has about 16 products. Our average wholesale bank relationship has six products with us and our average commercial bank relationship, eight. Our wealth management, brokerage and retirement customers lead the pack with an average of 10 products per customer.
3. ***Commercial bank of choice.*** We want to satisfy every financial need of commercial customers, large and small (including working capital, insurance, real estate financing, equipment leasing, trade finance, investment banking and international banking), and have more lead relationships than any competitor in every market we serve.

4. ***Banking with a mortgage.*** We want all our mortgage customers to bank with us and all our banking customers who need a mortgage to buy it from us. We have some real opportunities here. Only about one of five of our banking households that has a mortgage has it with us, and only about a third of our mortgage households have a banking relationship with us.
5. ***Wells Fargo cards in every Wells Fargo wallet.*** Every one of our creditworthy customers should have a Wells Fargo credit card and debit card. Only one of every three of our banking customers has a credit card with Wells Fargo. Nine of every 10 have a Wells Fargo debit card.
6. ***Be our customers’ payment processor.*** We must be our customers’ first choice for payment processing.