CASE STUDY

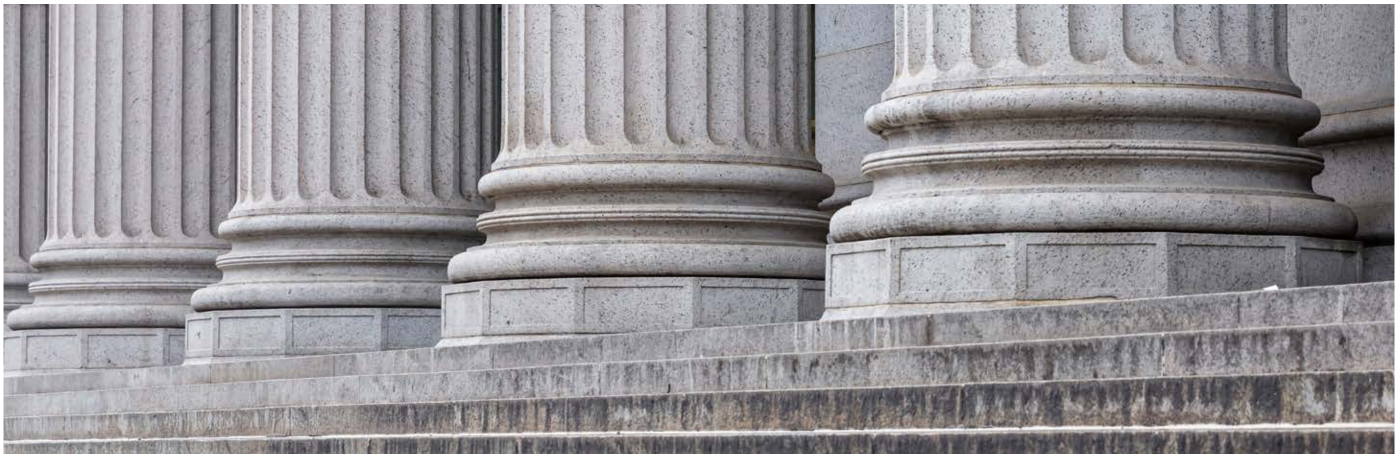
Investigating Complex Sales Practices

September 8, 2016, the Consumer Financial Protection Bureau (CFPB) imposed a fine of $100 million — the largest in its history — against Wells Fargo & Company for secretly opening accounts without its customers' knowledge or permission. The Independent Board of Directors of Wells Fargo & Company launched an investigation to understand the causes of this improper and illegal practice and to identify the best ways to rebuild customer confidence. To conduct the investigation, the Board retained Shearman & Sterling, who retained FTI Consulting.

SITUATION

For years, Wells Fargo had emphasized selling as many products to consumer households as possible (e.g. checking accounts, savings accounts, credit cards, home equity lines of credit, etc.). Wells Fargo's Community Bank pressured employees to meet aggressive sales goals. Because of this top-down pressure, employees sold unnecessary accounts to customers and even their own families. For example, one branch manager had a teenage daughter with 24 accounts, an adult daughter with 18, a husband with 21, a brother with 14 and a father with four.

To get around account opening procedures, employees had used, for example, "simulated funding" to meet minimum opening deposit amounts, transferring customer funds from one account to another surreptitiously. These allegedly improper practices were extensive and complex, and a formidable amount of data – hundreds of terabytes – had to be analyzed.



OUR ROLE

FTI assembled a team of industry and functional experts, examined voluminous account, transaction and financial data, and participated in interviews of bank personnel.

We also prepared comprehensive analytics to identify trends over time and the geographic distribution of allegations of sales-integrity violations and related terminations/resignations. In addition, we analyzed account data to determine, for example, which accounts were funded (i.e., a sufficient amount was deposited into the account at the time of opening) and which were not.

OUR IMPACT

Based upon the findings of Shearman & Sterling and FTI, the Independent Directors of the Board of Wells Fargo & Company released a 113-page Sales Practices Investigation Report on April 10, 2017, referencing the assistance FTI provided Shearman & Sterling and the various analyses performed. Based on the report's findings, the Board clawed back $75 million in past payments to two former executives.

$75M

Based on the report's findings, the Board clawed back $75 million from two former executives

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