CALIFORNIA STATE TREASURER JOHN CHIANG

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Treasurer Chiang Keeps Sanctions in Place Against Wells Fargo

Calls upon Federal Regulators to Investigate Other Lines of the Bank's Business

SACRAMENTO – State Treasurer John Chiang announced today that he has decided to extend into a second year California's financial sanctions against Wells Fargo & Company.

The sanctions include the suspension of investments by the Treasurer's Office in Wells Fargo securities; suspension of the use of the bank as a broker-dealer for purchase of investments, and suspension of the bank as a managing underwriter for bond sales in which the Treasurer appoints the underwriter.

Because so many additional questionable practices have come to light, Chiang is also calling on federal regulators to investigate the activities of other lines of Wells Fargo business, including divisions within the company that do business with the State Treasurer's Office and other government entities.

Wells Fargo committed fraud against millions of its retail customers, might it do the same with its government and public sector customers? Hundreds of public agencies that depend on the bank for their borrowing and investment needs deserve an answer.

He noted that there has been an alarming drum beat of new reports of egregious, unethical or illegal actions by the bank over the past year. Among other examples, the bank allegedly denied loans to "Dreamers," students who came to the country illegally as small children and stayed; overcharged veterans under a federal mortgage refinancing program; and forced as many as 800,000 consumers to buy expensive and unneeded car insurance.

"The opaque manner with which the bank continues to do business and the frequency of new disclosures of wanton greed and lack of institutional control makes this decision so clear that there really was no choice at all," said Chiang in announcing his decision to maintain the sanctions he first imposed a year ago in September.

His decision, he said, also took into consideration Wells Fargo's failure to respond to a series of demands he made for greater bank accountability in the wake of the original revelations that it defrauded millions of unknowing account holders.

In a letter delivered today to Wells Fargo's board of directors and Chief Executive Tim Sloan, the Treasurer again outlined the steps he has asked the bank to take in order to remove the sanctions. The goal of each step is to make sure all fraud victims are made whole and that the bank gets to the root of what caused its spiraling descent into abject disregard for customers. The demands include:

- Providing written evidence each quarter that it is in full compliance with the terms and conditions of consent orders entered with the Consumer Financial Protection Bureau, the Los Angeles City Attorney and the Office of Comptroller of the Currency. If the bank is out of compliance, it must present a plan of recovery.
- Providing information on the numbers of California consumers harmed, the concentration of those customers by branch location, ZIP code or city, along with the status of efforts to resolve grievances and make them whole.
- Removing four directors who sat on the board during the unfolding of the bogus account scandal.
- Commissioning and funding a study by a respected consumer organization on how financial institutions can better serve Californians, especially the unbanked.

Such accountability is needed more than ever if the bank hopes to repair the damage done to its customers, shareholders and employees following what is now known to be years of widespread consumer fraud, Chiang said.

Wells Fargo has made progress in carrying out some of the corporate reforms requested by Treasurer Chiang. Those include, separating the roles of chairman and chief executive, the departure of three board members who knew – or should have known – about the bank's abusive practices, the rehiring of 1,780 employees it wrongly terminated, and the claw-back of $70 million in pay to top executives.

On the other hand, the bank in the past routinely insisted that innocent fraud victims be forced to settle their complaints out of public view in secretive, forced arbitration, denying them their right to argue their cases before judges and juries in open court.

Wells Fargo ignored the inherent lack of fairness to its forced arbitration policy and further declined to support efforts to see the practice ended. But the practice will end, thanks to legislation just signed into law by the governor. Senate Bill 33 was authored by state Sen. Bill Dodd, D-Napa, and sponsored by Treasurer Chiang and consumer advocates. The legislation outlaws such forced arbitration in disputes over fraud by banks.

"Given all that has – and has not – happened over the past year," Chiang said, "The question I posed to Wells Fargo executives in September of 2016 remains: 'How can I continue to entrust the public's money to an organization that has shown so little regard for the legions of Californians who have placed their financial well-being in its care?'"

Additional Information:
Read the full letter sent by Treasurer Chiang to Wells Fargo

Wells Fargo Sanctions Fact Sheet

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