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PRESS RELEASE

Attorney General Frosh Announces $575 Million Settlement with Wells Fargo

Agreement Resolves State Consumer Protection Claims for Alleged Unfair and Deceptive Trade Practices for 50 States and the District of Columbia

BALTIMORE, MD (December 28, 2018) – Maryland Attorney General Brian E. Frosh today announced a multistate settlement with Wells Fargo Bank N.A. (Wells Fargo) resolving claims that the bank violated state consumer protection laws by:

1) Opening millions of unauthorized accounts and enrolling customers into online banking services without their knowledge or consent;
2) Improperly referring customers for enrollment in third-party renters and life insurance policies;
3) Improperly charging auto loan customers for force-placed and unnecessary collateral protection insurance;
4) Failing to ensure that customers received refunds of unearned premiums on certain optional auto finance products; and
5) Incorrectly charging customers for mortgage rate lock extension fees.

"Wells Fargo cheated its customers. It mislead them. It created phony accounts. It charged illegal fees," said Attorney General Frosh. "Wells Fargo's outrageous conduct requires punishment, and today we hold them accountable."

Under today's settlement with all 50 states and the District of Columbia, Wells Fargo will create a consumer redress review program for consumers who believe they were affected by the bank's conduct, but have not been made whole through the bank's other restitution obligations. Under the program, which will be implemented within 60 days of the settlement, consumers can contact Wells Fargo to be reviewed for possible relief. Wells Fargo will create and maintain a website for consumers to access the program, and will provide periodic reports to the states about ongoing restitution efforts.

The states alleged that Wells Fargo imposed aggressive and unrealistic sales goals on bank employees and implemented an incentive compensation program encouraging employees to sell certain products to customers. The states further alleged that the bank's sales goals and the incentive compensation program created an impetus for employees to engage in improper sales practices in order to satisfy such sales goals and earn financial rewards. More than 3.5 million customer accounts were opened, had funds transferred, credit card applications filed, or debit cards issued without the customers' knowledge or consent. The improper sales practices also may have resulted in 528,000 online bill pay enrollments nationwide. In addition, Wells Fargo allegedly improperly submitted more than 6,500 renters insurance and/or simplified term life insurance policy applications and payments from customer accounts without the customers' knowledge or consent.

The states also alleged that Wells Fargo improperly charged premiums, interest, and fees for force-placed collateral protection auto insurance to more than two million auto financing customers, despite evidence that the customers' regular auto insurance policies were in effect, and despite numerous customer complaints about such unnecessary placements. Additionally, the states alleged that Wells Fargo failed to ensure that customers received proper refunds of unearned portions of optional Guaranteed Asset/Auto Protection (GAP) products sold as part of motor vehicle financing agreements.

Finally, the states alleged that Wells Fargo improperly charged residential mortgage loan consumers for rate lock extension fees even when the delay was caused by Wells Fargo, a practice contrary to the bank's policy. Wells Fargo has identified and contacted affected consumers and has refunded or agreed to refund over $100 million of such fees.

As part of this nationwide settlement, Wells Fargo will pay $575 million. Wells Fargo has previously entered consent orders with federal authorities—including the Office of the Comptroller of the Currency (OCC) and the Consumer Financial Protection Bureau (CFPB)—related to its alleged conduct. Wells Fargo has committed to or already provided restitution to consumers in excess of $600 million under these consent orders as well as through settlement of a related consumer class-action lawsuit. Additionally, under an order from the Federal Reserve, the bank is required to strengthen its corporate governance and controls, and is currently restricted from exceeding its total asset size.

More information on the redress review program, including Wells Fargo escalation phone numbers and the Wells Fargo dedicated website address for the program, will be available on or before February 26, 2019.

In making today's announcement, Attorney General Frosh thanked Assistant Attorneys General W. Thomas Lawrie and Elizabeth Stern for their work on the case.