

GOP Report Accuses Watchdog of Going Easy on Wells Fargo

Bank's problems may have gone back to at least 2006

By **KENSWEET**
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NEW YORK— The Consumer Financial Protection Bureau could have fined Wells Fargo in excess of \$10 billion for its illegal sales practices but instead settled for \$100 million, according to the agency's internal documents released by Congressional Republicans last week.

The CFPB also had evidence that the bank's sales problems went back to at least 2006 — far earlier than the 2011 to 2016 timetable that Wells Fargo originally admitted to, the documents show.

"The bank knew since at least 2006 that its employees were gaming its incentive compensation program, yet failed to take actions sufficient to stop it," CFPB employees wrote in a 2016 confidential memo.

The documents were released as part of a politically charged report by the staff of House Financial Services Committee Chairman, Rep. Jeb Hensarling of Texas.

Hensarling is a critic of the CFPB who along with other House Republicans has called for the firing of its director, Richard Cordray, an appointee of President Barack Obama, as well as for new laws to curtail the bureau's authority over the financial services industry.

It would take months for Wells Fargo to acknowledge publicly that its sales practices problems, in which em-

ployees had opened, the penalty against the bank could be in excess of \$10 billion before taking into account mitigating factors. That's according to a confidential memo written to Cordray in July 2016 that outlined potential sanctions the bureau could take against the bank.

CFPB employees ultimately recommended a \$100 million fine against Wells Fargo — representing the largest fine ever levied in the CFPB's history at the time — to "sufficiently deter similar violations" by the bank and its competitors. That amount was adopted by the agency when it publicly announced its order against Wells Fargo in September.

The San Francisco-based bank also paid another \$83 million in fines to the Los Angeles

Attorney's Office and the federal bank regulator the Office of the Comptroller of the Currency for its sales practices violations, for a total of \$183 million.

The report and publicly disclosed documents are meant to imply that the CFPB went easy on Wells Fargo. However, Cordray accused House Republicans of "Monday-morning quarterbacking."

"The fact is that the CFPB worked effectively with our partners to expose the Wells Fargo scandal and put a public spotlight on their practice of secretly opening unauthorized accounts," Cordray said in a state-

ment. "In response, we levied our largest fine ever and secured broad, nationwide relief for consumers."

The Los Angeles City Attorney's Office, which has been credited with starting the first investigation into Wells Fargo back in 2013, did not agree with Republicans' argument that the CFPB was asleep at the wheel regarding Wells Fargo.

"The CFPB was integral to our collective work holding Wells Fargo accountable for fake accounts, including assuring Wells' customers across the nation got relief," said City Attorney Mike Feuer.

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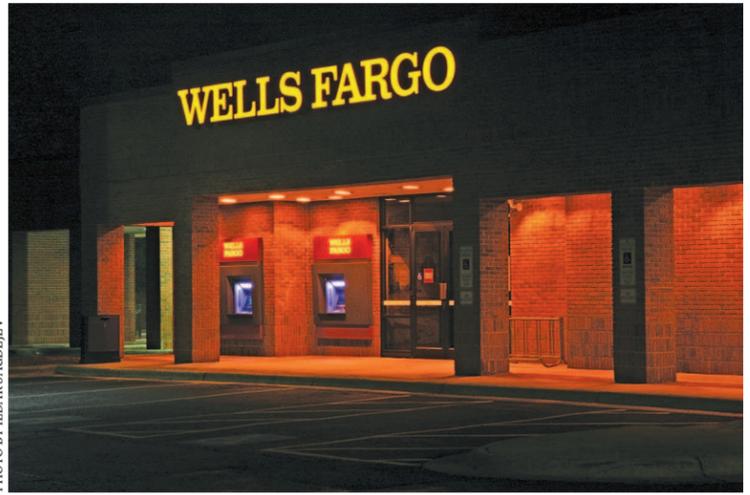


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ployees trying to reach unrealistic sales goals opened accounts without customers' permission, dated earlier than 2011. At first, then-Wells Fargo CEO John Stumpf agreed to expand its internal investigation to 2009. But when testifying in front of the Senate Bank-

getting Wells Fargo to admit its sales practices problems. A Wells Fargo spokeswoman declined to comment on the date issue, but said the bank is reviewing the report.

CFPB employees estimated that based on the 2 million fake accounts that Wells Fargo's em-

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