

responsibility,” yet blamed the fraud on ethical lapses of low-level bankers and tellers. He had, he said, led the company with courage. Nonetheless, by October of 2016 Stumpf had been forced into retirement and replaced by Tim Sloan.

Over the next several months, more and more allegations of wrongdoing arose. The bank had illegally repossessed cars from military veterans. It had modified mortgages without customer authorization. It had charged 570,000 customers for auto insurance they did not need. It had ripped off small businesses by charging excessive credit card fees. The total number of fake accounts rose from two million to 3.5 million. The bank also wrongly fined 110,000 mortgage clients for missing a deadline even though the party at fault for the delay was Wells Fargo itself.

At its April 2017 annual shareholders meeting, the firm faced levels of dissent that a Georgetown business school professor, Sandeep Dahiya, called “highly unusual.”

By September, 2017, Wells Fargo had paid \$414 million in refunds and settlements and incurred hundreds of millions more in attorneys’ and other fees. This included \$108 million paid to the Department of Veterans Affairs for having overcharged military veterans on mortgage refinancing.

In October 2017, new Wells Fargo CEO Tim Sloan was told by Massachusetts Senator Elizabeth Warren, a Democrat, that he should be fired: “You enabled this fake-account scandal. You got rich off it, and then you tried to cover it up.” Republicans were equally harsh. Senator John Kennedy Texas said: “I’m not against big. With all due respect, I’m against dumb.”

Sloan was still CEO when the company had its annual shareholders meeting in April 2018. Shareholder and protestors were both extremely angry with Wells Fargo. By then, the bank had paid an additional \$1 billion fine for abuses in mortgage and auto lending. And, in an unprecedented move, the Federal Reserve Board had ordered the bank to cap its asset growth. Disgust with Wells Fargo’s practices caused the American Federation of Teachers, to cut ties with the bank. Some whistleblowers resisted early attempts at quiet settlements with the bank, holding out for a public admission of wrongdoing.

In May 2018, yet another shoe dropped. Wells Fargo’s share price dropped on news that the bank’s employees improperly altered documents of its corporate customers in an attempt to comply with regulatory directions related to money laundering rules.

Ultimately, Wells Fargo removed its cross-selling sales incentives. CEO Sloan, having been informed that lower level employees were suffering stress, panic attacks, and other symptoms apologized for the fact that management initially blamed them for the results of the toxic corporate culture, admitting that cultural weaknesses had caused a major morale problem.

Discussion Questions

1. What moral emotions seem to have been at play in this case? On the part of the bank's employees? The bank's victims? The bank's regulators? The bank's shareholders?
2. What factors contributed particularly to the outrage and anger that legislators, regulators, customers, and shareholders felt?
3. Clearly inner-directed emotions such as guilt and embarrassment affected the actions of Wells Fargo employees. Were they always sufficient to overcome the employees' utilitarian calculation: "I need this job"?
4. Did moral emotions motivate some of the whistleblowers? How?
5. In the wake of everything described in the case study, Wells Fargo has fired many employees, clawed back bonuses from executives, replaced many of its directors, dismantled its sales incentive system and made other changes. Do you think these changes were made out of a utilitarian calculation designed to avoid further monetary penalties, a desire to avoid the shame and embarrassment the bank's managers and employees were feeling, or a combination of both? If a combination, which do you think played a bigger role? Why?

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