

Wells Fargo's criminal executives were also running the scam to set-up Elon Musk's federal cash payola kick-back say former Deloitte accounting employees

As Wells Fargo is reamed over running a massive fraud scheme even more dirty deeds by Wells Fargo emerge

Wells Fargo was the banker that Tesla Motors used to run its multiple accounts through, as advised by the financial firm: Deloitte. The structure and process used by the Silicon Valley and San Francisco offices of Wells Fargo extended all the way up to the CEO's office say former Deloitte employees, who set up the deal. Deloitte was operating in a conflict of interest as both the advisors to Department of Energy Boss Steven Chu on who to give the taxpayer money to and as the financial program directors for Tesla Motors, who got the money.

Wells Fargo, say former Deloitte employees, used "banking tricks" to create false book-keeping that good be used to rig stock market valuations in a manner which gave Tesla exclusive stock windfalls by using the Wells Fargo bank accounts as slush-funds.

The truth hurts: Wells Fargo Chairman and CEO John Stumpf swears in for his appearance Tuesday before the Senate Banking Committee. But did he tell the whole truth? (EPA)



[Michael Hiltzik](#)

Wells Fargo Chairman and CEO John G. Stumpf, who has been described as "the Mr. Clean of banking," took his unflappable and well-groomed mien Tuesday to a hearing room on Capitol Hill to defend the bank against allegations that it had massively defrauded millions of its customers.

Amazingly, he made himself and his bank look worse. This underscores the question we asked just a day ago: [Why does he still have a job?](#)

The context of this question is the disclosure that Wells Fargo bankers opened as many as 2 million fake accounts in the names of existing customers and others, without their knowledge and permission, and stonewalled their inquiries and complaints. The scam went on from at least 2011 through 2015, though Stumpf revealed that the bank is now reexamining accounts from as early as 2009. On Sept. 8,

it announced an agreement to pay \$185 million in fines and penalties to two federal regulators and the Los Angeles City Attorney's office.

You should resign. You should give back the money that you took while this scam was going on, and you should be criminally investigated. — Sen. Elizabeth Warren confronts Wells Fargo CEO John Stumpf

The bank's explanation has been that this was all a scheme mysteriously concocted by "rogue" employees coast-to-coast, of whom 5,300 have been fired. Stumpf denied on the stand, as he has in interviews, that the root cause of the outbreak of dishonesty was Wells Fargo's relentless pressure on low-level bankers to "cross-sell" products — push credit cards, personal loans and other deals — upon all customers. He stoutly denied that the company's "culture" contributed to the problem.

The company's sales goal was as high as eight accounts per customer, vastly more than rival banks thought reasonable, and it ceaselessly boasted to investors of its cross-selling success as evidence of its expertise in retail banking. Let's call this by its proper name, as did committee ranking member Sherrod Brown (D-Ohio): "I call it fraud because I got tired of the euphemisms a long time ago."

On the whole, Stumpf's performance Tuesday followed the standard playbook for beleaguered CEOs: He mechanically offered contrite apologies, swore to rectify the fraud and not let it happen again, and vowed personally to "accept full responsibility for all unethical sales practices in our retail banking business."

The hollowness of this pledge was promptly punctured by Sen. Elizabeth Warren (D-Mass.). Here's how that went:

"Since this massive years-long scam came to light, you have said repeatedly, quote: 'I am accountable,' " she observed. "But what have you actually done to hold yourself accountable? Have you resigned as CEO or chairman of Wells Fargo?"

He started to reply, "The board — "

"Have you resigned?"

"No, I have not."

"All right. Have you returned one nickel of the millions of dollars that you were paid while this scam was going on?"

"Well, first of all," Stumpf blustered, "this was by 1% of our people, and— and — "

"That's not my question," Warren interrupted. "My question is about responsibility. Have you returned one nickel of the millions of dollars that you were paid while this scam was going on?"

"The board will take care of that."

"Have *you* returned one nickel of the money you earned while this scam was going on?"

"The board will — "

“I will take that as a ‘no,’ then.”

Warren further probed whether Stumpf had fired a single senior executive over the scam. The answer was no.

“OK. So you haven’t resigned, you haven’t returned a single nickel of your personal earnings, you haven’t fired a single senior executive. Instead, your definition of accountable is to push the blame to your low-level employees who don’t have the money for a fancy PR firm to defend themselves. It’s gutless leadership.”



Sen. Elizabeth Warren cuts to the chase in questioning Wells Fargo CEO John Stumpf.

She concluded her questioning with the bluntest assessment of the day: “You should resign. You should give back the money that you took while this scam was going on, and you should be criminally investigated by both the Department of Justice and the Securities and Exchange Commission.”

As Warren and other committee members on both sides of the aisle pointed out, Wells Fargo didn’t seem to take serious steps to rectify the damage done to customers, [first revealed in 2013 by The Times](#), until it started to face pressure from regulators. Stumpf touted the bank’s decision to hire consultants at PricewaterhouseCoopers to help determine the scope of the problem — but that happened in August 2015, years after it knew a problem existed.

Under Brown’s questioning, Stumpf revealed that it took that step not on its own, but “in consultation” with federal regulators and the L.A. City Attorney’s office, which was investigating. In other words, Wells Fargo had to be goaded into seeking outside help.

“It never occurred to you to bring in somebody?” Brown asked.

“It was early in 2015,” Stumpf replied, “that we finally connected a dot.”

Nor has the bank ever disclosed in its public filings to the SEC that its activities were under investigation. Stumpf explained that it considered the problem immaterial. In strictly financial terms, that may be true: The bank collects revenue of about \$90 billion a year and profits of more than \$20 billion. But the damage to its reputation and future profitability may be enormous; treating this as “immaterial” and sweeping it under the rug was clearly a bad and dishonest call. But Wells Fargo still wishes to trivialize the matter. “I disagree with the fact that this is a massive fraud,” Stumpf said.

The questions from Senate Banking Committee members that Stumpf refused to answer directly may have outnumbered those to which he did offer a response. Asked whether he thought fraud had been committed, he pleaded that he is not a lawyer. He was vague about when he first learned of his bankers’ “unethical” conduct, although he met weekly with Carrie Tolstedt, the much-lauded executive who led the division where the conduct occurred.



Not a problem of the bank's culture, Mr. Stumpf? Linda Edwards of New Jersey, standing next to Sen. Bob Menendez (D-N.J.), describes the runaround she got from Wells Fargo in trying to get to the bottom of fraudulent accounts opened in her teenaged daughter's name.

Stumpf dodged questions about how the bank would calculate the real damage done to customers whose credit ratings may have been marred permanently because of credit card accounts fraudulently opened in their names. Some may have bounced payments on bills because Wells Fargo bankers stole money from their checking accounts to fund fake accounts.

He said the bank has been refunding fees charged for fake accounts, but that’s nowhere near sufficient. Some customers could face decades of higher mortgage or loan payments because lenders downgraded their creditworthiness based on the fake accounts. This is the untold disaster caused to Wells Fargo customers under Stumpf’s regime, and even calculating the personal costs could be a superhuman task.

Stumpf refused to say whether he would recommend that some of Tolstedt’s compensation be clawed back, stating that was up to the board of directors and he didn’t want to “influence or prejudice” its

deliberations. But of course, Stumpf is chairman of the board. Isn't it part of his job description to "influence" the directors?

Noting that Stumpf's personal stockholdings increased in value by more than \$200 million while the scam was ongoing — thanks in part to Wells Fargo's boasts about its cross-selling skills — Warren said: "You squeezed your employees to the breaking point so they would cheat customers and you could drive up the value of your stock and put hundreds of millions of dollars in your own pocket. And when it all blew up, you kept your job, you kept your multimillion-dollar bonuses and you went on television to blame thousands of \$12-an-hour employees."

Then she connected the most important dots: "Wall Street executives ... almost never hold themselves accountable. Not now, and not in 2008, when they crushed the worldwide economy. The only way that Wall Street will change is if executives face jail time when they preside over massive frauds. ... Until then, it will be business as usual, and at giant banks like Wells Fargo, that seems to mean cheating as many customers, investors and employees as they possibly can."

TOPICS: CEO John Stumpf, wells fargo, Deloitte consulting, Tesla Motors, Silicon Valley