

Chapter 3: Wells Fargo: The Stage Coach Went Out of Control : 3-1 Introduction

Book Title: Business Ethics: Ethical Decision Making and Cases

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3-1 Introduction

Until recently, Wells Fargo was the world's largest bank. In 2015 Wells Fargo surpassed the Industrial and Commercial Bank of China with the highest market capitalization in the world. At \$30 billion the Wells Fargo brand tops the list of most valuable banking brands. Wells Fargo's victory was short lived, however, when J.P. Morgan overtook Wells Fargo in 2016. The loss of its place as the world's biggest bank came in the wake of a large-scale cross-selling scandal when it was revealed Wells Fargo employees had faked 2 million customer accounts to meet short-term sales goals. Approximately 5,300 employees were fired, and the firm was slapped with a \$185 million fine by the Consumer Financial Protection Bureau (CFPB).

The issue was further compounded by a corporate culture that seemed to know of and even encourage these illicit activities. Wells Fargo quickly became the poster boy for financial misconduct as its stock price dropped. Customer and government trust in the firm hit a low. In addition to the millions of dollars Wells Fargo will have to pay to clean up the scandal, new customer checking accounts and credit card applications plummeted. Executives are unsure whether the bank will ever achieve the growth it had attained prior to the scandal.

This case breaks down the Wells Fargo scandal to examine the decisions made that contributed to the scandal and the participants in the fraud. The case will look at Wells Fargo's corporate culture and demonstrate how it led to a toxic ethical environment that encouraged illicit behavior. The immediate aftermath of the scandal will be discussed, as well as what alternatives Wells Fargo faces as it strives to restore its reputation. Whatever course it chooses, Wells Fargo must integrate ethical practices and principles into its operations to avoid similar misconduct in the future.

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