

Chapter 3: Wells Fargo: The Stage Coach Went Out of Control : 3-3b Relevant Ethical Values

Book Title: Business Ethics: Ethical Decision Making and Cases

Printed By: Ileana Gonzalez (Ileana.Paez001@mymdc.net)

© 2018 Cengage Learning, Cengage Learning

3-3b Relevant Ethical Values

The scandal had a far-reaching impact on Wells Fargo. The banking and financial services industry depends on a public perception of trustworthiness for its success. Due to public perception and weight on credibility, arguably the scandal could be more destructive to Wells Fargo than a business in a different industry. While ultimately the underlining goal for banks is to make a profit, the financial services industry has a duty to responsibly manage their clients' assets. Thus, when a bank puts the company's interests above the interests of its depositors, consumer trust rapidly shatters.

The scandal also cast significant doubt as to whether Wells Fargo believed in the vision and values it claimed to hold so dear. The illicit activities directly conflicted with Wells Fargo's publicly expressed Vision and Values, which states that Wells Fargo strives to set "the standard among the world's great companies for integrity and principled performance," and goes as far as to express, "We value what's right for our customers in everything we do." This underlying value of honest business practices comes into direct conflict with the Wells Fargo scandal. Ultimately, the acts undertaken by Wells Fargo were not only unethical, but they were also highly illegal, opening Wells Fargo up to the possibility of criminal charges. While setting goals is a legitimate business practice, senior management failed to communicate the appropriate sales practices expected. Even worse, their failure to check to make sure employees were using appropriate practices seems to indicate an attitude of ethical indifference on the part of top leadership. Senior management's lack of communication and their lack of action in making sure sales goals were reasonably achievable led branch employees to deal with company pressures in ways that would save jobs—even if it meant engaging in illegal behavior. These activities clearly compromised Wells Fargo's value of honesty and the importance of its clients' trust.

The facts point to a cultural failing on the behalf of Wells Fargo's senior management. It was senior management that fostered a culture in which lying was acceptable. Over a long-term period, Wells Fargo issued credit cards without customers' authorization, misusing the concept of assumed consent. Assumed consent occurs when customers imply consent through their actions or lack of actions, even if they do not consent verbally. There was no such consent in this case. In fact, customer signatures were often forged, making these activities an obvious example of fraudulent behavior.

Bank customers felt deceived. The bank reported that checking-account openings had fallen 43 percent and credit-card applications 55 percent from the year before. The Wells Fargo scandal has been compared to the Volkswagen emissions scandal due to the blatant deception of the company and massive loss in consumer trust. Since the Great Recession, the financial services industry has been struggling to recoup lost trust. The Wells Fargo

scandal will likely not only affect its own business but could impact the level of trust for the entire industry.

Chapter 3: Wells Fargo: The Stage Coach Went Out of Control : 3-3b Relevant Ethical Values

Book Title: Business Ethics: Ethical Decision Making and Cases

Printed By: Ileana Gonzalez (Ileana.Paez001@mymdc.net)

© 2018 Cengage Learning, Cengage Learning

© 2022 Cengage Learning Inc. All rights reserved. No part of this work may be reproduced or used in any form or by any means - graphic, electronic, or mechanical, or in any other manner - without the written permission of the copyright holder.