Wells Fargo Customers Will Have Chance to Be Compensated Under 50 State Settlement That Includes Delaware

Agreement resolves state consumer protection claims for alleged unfair and deceptive trade practices involving millions of accounts

Under a settlement filed December 28, 2018 with all 50 states and the District of Columbia over violations of state consumer protection laws, Wells Fargo Bank N.A. will create a consumer redress review program through which consumers who have not been made whole through other restitution programs already in place can seek review of their inquiry or complaint by a bank escalation team for possible relief.

The settlement resolves allegations by Delaware and other state attorney general offices that Wells Fargo violated state consumer protection laws by (1) opening millions of unauthorized accounts and enrolling customers into online banking services without their knowledge or consent, (2) improperly referring customers for enrollment in third-party renters and life insurance policies, (3) improperly charging auto loan customers for force-placed and unnecessary collateral protection insurance, (4) failing to ensure that customers received refunds of unearned premiums on certain optional auto finance products, and (5) incorrectly charging customers for mortgage rate lock extension fees.

The Delaware Department of Justice Consumer Protection Unit, which joined in the investigation and settlement, said any Delawarean who was or currently is a customer of Wells Fargo and experienced any of the above issues, will be able to utilize a dedicated website that will go live in late February 2019 to take steps to be compensated. Delaware DOJ will provide an update for consumers once more information concerning consumer redress is made available. The consumer redress process will be overseen by the federal Office of the Comptroller of the Currency and the federal Consumer Financial Protection Bureau.

The Dec. 28 settlement represents the most significant engagement involving a national bank by state attorneys general acting without a federal law enforcement partner. In addition to the consumer restitution, as part of the settlement, Wells Fargo will pay a total of $575 million to the states and D.C.

In addition to the settlement with the states, Wells Fargo previously entered consent orders with federal authorities, which include restitution to consumers in excess of $600 million. Further, the bank settled a related consumer class-action lawsuit, and will pay over $1 billion in civil penalties to the federal government. Additionally, under an order from the Federal Reserve, the bank is required to strengthen its corporate governance and controls, and is currently restricted from exceeding its total asset size.

Wells Fargo has identified more than 3.5 million accounts where customer accounts were opened, funds were transferred, credit card applications were filed, and debit cards were issued without the customers’ knowledge or consent. The bank has also identified 528,000 online bill pay enrollments nationwide that may have resulted from improper sales practices at the bank. In addition, Wells Fargo improperly submitted more than 6,500 renters insurance and/or simplified term life insurance policy applications and payments from customer accounts without the customers’ knowledge or consent. The states alleged that Wells Fargo imposed aggressive and unrealistic sales goals on bank employees that created an impetus for employees to engage in improper sales practices.

The states also alleged that Wells Fargo improperly charged premiums, interest, and fees for force-placed collateral protection insurance to more than two million auto financing customers, despite evidence that the customers' regular auto insurance policy was in effect. Additionally, the states alleged that Wells Fargo failed to ensure that customers received proper refunds of unearned portions of optional Guaranteed Asset/Auto Protection (GAP) products sold as part of motor vehicle financing agreements.
Finally, the states alleged that Wells Fargo improperly charged residential mortgage loan consumers for rate lock extension fees even when the delay was caused by Wells Fargo, a practice contrary to the bank's policy.

Beyond the direct consumer relief, Delaware's share of the $575 million Wells Fargo will pay to the states and DC as part of the settlement is just over $2 million, which will go to the state's Consumer Protection Fund. The Fund pays the investigative costs, consumer outreach activities and operations of Delaware DOJ's Consumer Protection Unit, with excess amounts returned to the state's General Fund for allocation by the state legislature and Governor through the normal process.

Please click here to view the states' agreement with Wells Fargo.