

## Wells Fargo Caught Charging Customers for Unwanted Auto Insurance



**Summary:** Auto Loan customers at Wells Fargo were charged for auto insurance despite not asking for it or needing it.

Wells Fargo & Co is having a hard time clearing their name from controversy. The latest accusations against the financial institution are for racketeering and fraud when America's third-largest bank admitted to charging several hundred thousand borrowers for auto insurance the borrowers did not sign up for. The charges resulted in delinquencies for many of the borrowers. The proposed class action lawsuit was filed Sunday in the federal court in San Francisco.

Wells Fargo was in the midst of trying to recover from the last scandal in which they admitted that their employees created roughly 2.1 million unauthorized customer accounts in order to meet sales marks.

The bank stated last week that they would refund \$80 million to roughly 570,000 customers that were charged for auto insurance they did not ask for or need between 2012 and 2017. It is estimated that around 20,000 of those customers had their vehicles repossessed.

The New York Times reported on a 60-page internal report arranged for executives that outlined the improper charges. Less than three hours after the article went live, Wells Fargo made the announcement about the refunds. They claim that they stopped the charges last September when customers expressed "concerns" over the charges.

The lawsuit states that the refunds are not enough for the customers that were affected. Plaintiff lawyer Roland Tellis said, "Wells Fargo has long lost the right to decide what is best for its customers. Refunds don't address the fraud or inflated premiums, the delinquency charges, and the late charges. It will be up to a jury or court to decide the appropriate remedy."

Wells Fargo spokeswoman Catherine Pulley said in an email, "We are very sorry for the inconvenience this caused impacted customers and we are in the process of notifying them and making things right." Wells Fargo Consumer Lending head Franklin Codel added, "We take full responsibility for our failure to appropriately manage the collateral protection insurance program and are extremely sorry for any harm this caused our customers, who expect and deserve better from us. Upon our discovery, we acted swiftly to discontinue the program and immediately develop a plan to make impacted customers whole."

Analyst Kevin Barker pointed out that Wells Fargo identified the problem last July but just now told investors and the public. He said, "Why didn't the company address these issues publicly while they were already dealing the with account scandal rather than address them now? What other collateral damage may have been caused by the re-possession of these cars on peoples' lives?"

Even JPMorgan commented on the lack of disclosure: "It is very surprising that Wells Fargo has not changed the opaqueness in its disclosure and only disclosed this late on Thursday night when it realized a news story was about to break. This raises the question about what other changes Wells Fargo needs in its culture. There has been no change to the Board despite all the scandals, which has been frustrating some shareholders."

A 34-year-old marketing consultant from Indianapolis is leading the lawsuit. Paul Hancock states that Wells Fargo charged him \$598 for insurance that he did not want, repeatedly telling the bank he had insurance through Allstate. Wells Fargo later gave him a late fee once the unwanted policy took effect.

The lawsuit seeks unspecified damages. Under federal racketeering law, the damages could be tripled. Tellis said, "If refunding premiums was just the start, this could be a nine-figure case."

Wells Fargo already received a \$185 million penalty for the fraudulent charges plus \$142 million from a private litigation settlement. Chief Executive John Stumpf was fired for his poor leadership.

The latest scandal hit Wells Fargo's stocks hard with a 2.6 percent drop on Friday, however, recovered 1.2 percent of that fall by closing Monday.

Do you think Wells Fargo needs a complete overhaul of leadership and management in order to recover from this scandal? Tell us your thoughts in the comments below.

To learn more about Wells Fargo scandals, read these articles:

- [Wells Fargo Allegedly Steered Blacks and Latinos to Costlier Mortgages](#)
- [Wells Fargo Employees Caught Creating Millions of Fake Accounts to Collect Fees](#)
- [Wells Fargo Settles Fake Account Class-Action Lawsuit](#)

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