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Wells Fargo: Customers Cheated on Car Insurance May Get Nothing in Confused Payout

When Wells Fargo (WFC) admitted in 2016 that it created phony customer accounts to hit unrealistic sales goals, the bank tapped an outside firm to untangle and remedy its wrongdoing.

The consultant searched 165 million accounts to find the fakes, and refunds were on the way by the scandal's first anniversary. The bank's CEO, Tim Sloan, called the independent review "an important milestone" to help "rebuild trust and to build a better Wells Fargo."

When the bank admitted to a fresh scandal in July 2017 involving unneeded car insurance for about 850,000 drivers who took car loans from Wells Fargo, the bank took a different tack—one that Sloan hasn't touted. There has been no sweeping outreach. There has been no independent review. And Wells Fargo does not intend to repay all the victims; in fact, the bank is fighting in federal court to limit its payouts.

Wells Fargo has said it's looking carefully for tainted insurance. But the bank handed off much of the job to a few dozen laid-off employees who were brought back to meet daily quotas for their work, according to internal emails and three workers who have been involved in Wells Fargo's effort. The pressure the bank has put on these employees has made a thorough investigation impossible, said the workers, who were interviewed in the last six months.

"Let's make sure we are not researching these too deep," one manager wrote to about 20 remediation workers last March.

Another manager that same month reminded workers to spend no more than five minutes on any customer account. "We want to keep a focus on quality but also incorporate quantity," she wrote.

Wells Fargo's handling of the car-insurance payouts has drawn skepticism since the bank paid a $1 billion fine for wronging drivers and other customer abuses.

The bank's primary regulator, the Comptroller of the Currency (OCC), quietly rejected Wells Fargo's remediation plan last summer and told the bank that it must try harder to find drivers who were hurt. In October, Comptroller Joseph Otting told a congressional committee that he was "not comfortable" with the remediation effort Wells Fargo had begun.

So far, the OCC hasn't required an outside auditor to decide which customers get paid and how much. But that could change if the regulator ultimately determines the Wells Fargo effort to be insufficient. Any additional OCC requirements could be costly and time-consuming as Wells Fargo struggles to rebuild its reputation and to shake a Federal Reserve order to freeze its balance sheet.

An OCC spokesperson declined to comment.

In a statement, Wells Fargo said the remediation program is effective and is being tweaked to serve drivers even better.

"Eligible customers are receiving checks as part of our effort to make things right," according to the statement. "If we find quality control issues, we fix them."

Wells Fargo plans to spend roughly $385 million in remediations, according to a settlement reached last year between the bank and state attorneys general.

That total would deliver $450 on average for each customer—not nearly enough, according to lawyers who represent Wells Fargo customers in a class action suit against the bank.

Wells Fargo's Sloan will have a chance to answer questions about the car insurance program during a House Financial Services Committee hearing on the bank's controversial business practices scheduled for March 12.

Ballooning loan balances. The car insurance program began in 2002 and ended in 2016 when the bank was engulfed in the phony bank account scandal.

In that 14-year period, the bank billed about 2 million drivers for car insurance. Roughly 850,000 of those policies were flawed, according to the state attorneys general settlement. Lawyers for Wells Fargo customers said the program involves an additional 1 million drivers.

Regardless of the total, drivers often received similar treatment.

Wells Fargo required car-loan borrowers to carry insurance that would cover the cost of a vehicle being totaled or stolen. Drivers would either buy private insurance or Wells Fargo would charge them for a policy it arranged.

A few months after they left the car lot, many new owners were surprised to see their loan balance had ballooned. That was the charge for a "force-placed" policy Wells Fargo issued with its insurance company partner. A typical force-placed policy cost $1,000 and customers had to pay down that balance alongside each monthly car payment.

To manage the force-placed policies, Wells Fargo teamed up with a company that changed hands several times and is now called National General Insurance. A spokesperson for the insurer didn't respond to requests for comment.

"Deceptive" practices. A Wells Fargo audit in 2015 concluded its force-placed billing practices were "deceptive," according to an internal memo cited in the class action lawsuit against the bank.

In 2017, Wells Fargo began a program to identify and reimburse customers wrongly charged for the policies. The bank brought back some laid-off employees and hired temporary workers to review hundreds of thousands of customer files at offices in Charlotte, North Carolina.

Performing the brunt of the work were the roughly three dozen formerly laid-off employees, known as STARs—short-term assignment resource. STAR employees were either fired after 18 months or rehired for full-time work.

Bank managers encouraged workers to examine as many as 120 customer files per eight-hour shift—or one file every four minutes, according to internal emails.

In one email, a manager urged workers to keep up the pace. "Let us try to not get below this range with everyone hitting no less than 90," according to the email.

In a separate email, another manager congratulated workers for clearing 10 files in two minutes. "We barely hit our goal," the manager wrote, "but we did it!!!!!!!"

When workers got stumped, managers hurried them along.

"Don't overthink this too much," a third manager wrote to workers who were confused about overlapping insurance dates.

Current and former workers said they feared that speaking up about the flaws could jeopardize getting a permanent position. *The Capitol Forum* isn't naming those workers or the managers who set work goals, and all are below the rank of assistant vice president. The bank, in its statement, said no senior executives set quotas.

Computers stored in vehicles. In the final days of 2017, the bank reassigned many remediation workers to a different Charlotte office. The bank instructed the workers to pack their desktop computers and 10-pound processing towers into their own cars and safeguard them over the weekend until the new office opened.

Fulfilling that errand meant personal data for hundreds of thousands of customers was vulnerable to theft, workers said.

A Wells Fargo official confirmed that some employees had taken desktop computers out of a Charlotte office and that the bank was investigating. However, the official said, all customer data is encrypted and safe on or off the Wells Fargo premises.

Spreadsheet flaws. Workers said the bank showed little commitment to dealing with even the most sensitive cases—such as the roughly 50,000 customers whose cars were repossessed after being charged for a force-placed policy.

Wells Fargo last year conceived a spreadsheet to identify the repossession cases, workers said. For months, workers entered data into the spreadsheet to determine what triggered the repossession—the force-placed policy or a driver's spotty payment record. But the bank scrapped the database last summer because it was too unreliable and difficult to manage, the workers said.

In a statement, Wells Fargo said its decision to abandon the repossession spreadsheet pointed to its commitment to a quality review.

"That work was performed nearly a year ago and was never used in the final remediation as we developed a new methodology," the bank said.

Wells Fargo declined to say how it's currently detecting wrongful repossessions.

Bank slows review process. The OCC in the summer of 2018 rejected Wells Fargo's remediation plan, forcing the bank to slow its pace. Workers now are expected to complete only a few reviews per hour, said a source familiar with the effort.

The bank is trying to show regulators that the remediation program is reliable, providing daily samples of customer reviews in the form of screenshots, said sources familiar with the effort.

Despite changes to the program, problems remain, workers said. Wells Fargo is relying on co-workers instead of an independent auditor to check each other's reviews, compounding the chances for errors, workers said.

The bank said its review process has correctly identified affected customers. "Accounts went through multiple levels of review to ensure that customers who are eligible for remediation receive it correctly and in a timely fashion," the bank said.

Wells Fargo also is hindering the remediation effort by not seeking input from the affected drivers, said two sources familiar with the work. One Wells Fargo website tells drivers they should rely on the bank to decide if they deserve a refund.

"Eligible customers should receive this remediation automatically and are not required to take any action," according to the site.