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# Former Wells Fargo Executive Agrees to Plead Guilty to Obstructing Bank Examination Involving the Opening of Millions of Accounts Without Customer Authorization

*LOS ANGELES* – The former head of Wells Fargo Bank's retail banking division has agreed to plead guilty to obstructing a government examination into the bank's widespread sales practices misconduct, which included opening millions of unauthorized accounts and other products, federal authorities announced today.

In a plea agreement filed today in United States District Court, Carrie L. Tolstedt, 63, of Scottsdale, Arizona, agreed to plead guilty to one count of obstruction of a bank examination. Tolstedt is expected to make her initial court appearance in Los Angeles in the coming weeks, with the parties requesting the court to set a hearing for April 7.

The Office of the Comptroller of the Currency (OCC), which investigated misconduct at Wells Fargo, also has reached a resolution with Tolstedt in a regulatory proceeding. As part of the consent order resolving that matter, Tolstedt agreed to a ban from working in the banking industry and to pay a $17 million civil penalty.

"The justice system and regulators rely on corporations and their executives to fully cooperate during investigations into potential wrongdoing. But, in this case, Ms. Tolstedt took steps to cover up misconduct at Wells Fargo," said Acting United States Attorney Joseph T. McNally. "Obstructing an investigation compromises the mission of those seeking the truth, and we will hold accountable any individual who attempts to conceal wrongdoing."

"The plea agreement filed today sends a clear message that bank executives who commit fraud and deliberately deceive regulators will be brought to justice for their actions. I commend our agents and their federal law enforcement partners for their hard work and persistence, which ultimately led to this outcome," said Mark Bialek, Inspector General for the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau.

"Today's plea agreement holds the defendant accountable for her role in obstructing the examination into the unlawful sales practices at Wells Fargo, which deceived millions of clients who placed their trust in the institution," said Acting Inspector General Tyler Smith of the Federal Deposit Insurance Corporation, Office of Inspector General. "We remain committed to working with our law enforcement partners to investigate any individuals, including bank executives, who threaten to undermine the integrity of the banking sector."

From approximately 2007 to September 2016, Tolstedt was Wells Fargo's senior executive vice president of community banking and was head of the Community Bank, which operated Well Fargo's consumer and small business retail banking business. The Community Bank managed many of the products that Wells Fargo sold to individual customers and small businesses, including checking and savings accounts, CDs, debit cards, bill pay, and other products.

Wells Fargo previously admitted that, from 2002 to 2016, excessive sales goals led Community Bank employees to open millions of accounts and other financial products that were unauthorized or fraudulent. In the process, Wells Fargo collected millions of dollars in fees and interest to which it was not entitled, harmed customers' credit ratings, and unlawfully misused customers' sensitive personal information.

Many of these practices were referred to within Wells Fargo as "gaming." Gaming strategies included using existing customers' identities – without their consent – to open accounts. Gaming practices included forging customer signatures to open accounts without authorization, creating PINs to activate unauthorized debit cards, and moving money from millions of customer accounts to unauthorized accounts in a practice known internally as "simulated funding."

Gaming also included opening credit cards and bill pay products without authorization, altering customers' contact information to prevent customers from learning of unauthorized accounts and to prevent Wells Fargo employees from reaching customers to conduct customer satisfaction surveys, and encouraging customers to open accounts they neither wanted nor needed.

According to the plea agreement filed today, by no later than 2004, Tolstedt was aware of sales practices misconduct within the Community Bank and the fact that employees were terminated each year for gaming. By no later than 2006, Tolstedt was learning about the gaming practices from corporate investigations and, over time, learned that terminations for gaming in the Community Bank were steadily increasing, that the misconduct was linked in part to sales goals within the Community Bank, and that termination numbers likely underestimated the scope of the problem.

Although the Community Bank eventually took steps purportedly designed to proactively identify sales misconduct, the measures used by the bank flagged only a small portion of the potentially problematic activity for investigation. As of July 2014, only the most egregious .01 to .05 percent of employees engaging in activity considered a "red flag" for sales practices misconduct were investigated – with the remaining 99.95 to 99.99 percent left unexamined under this process.

In May 2015, Tolstedt participated in the preparation of a memorandum, which she knew would be provided to the OCC in connection with its examination of sales practice issues at Wells Fargo. To minimize the scope of the sales practices misconduct within the Community Bank, Tolstedt corruptly obstructed the OCC's examination by failing to disclose statistics on the number of employees who were terminated or resigned pending investigation for sales practices misconduct. She also failed to disclose that the Community Bank proactively investigated only a very small percentage of employees who engaged in activity flagged as potential sales practices misconduct.

"We are proud to work with our partner agencies to help bring justice to the many people who were harmed by the unscrupulous sales practices of Wells Fargo," said Brian Tomney, Inspector General of the Federal Housing Finance Agency. "The results of this case should be a clear signal that FHFA-OIG and its partner agencies will hold accountable those who seek to put profits ahead of legal and fair banking practices."

"This plea agreement demonstrates the determination and cooperation of Postal Inspectors and our federal law enforcement partners. Postal Inspectors are committed to investigating anyone holding a position of trust in the financial system that would engage in a fraud to deceive their customers," said Rafael Nuñez, Inspector in Charge of the United States Postal Inspection Service, San Francisco Division.

Wells Fargo in 2020 acknowledged the widespread sales practices misconduct within the Community Bank and paid a $3 billion penalty in connection with agreements reached with the United States Attorneys' Offices for the Central District of California and the Western District of North Carolina, the Justice Department's Civil Division, and the Securities and Exchange Commission.

The statutory maximum sentence for obstruction of a bank examination is five years in federal prison. Tolstedt has entered into a plea agreement which calls for a prison sentence of up to 16 months in prison, which prosecutors believe is the high end of the sentencing guideline range for the obstruction offense. The plea agreement is "binding," which means the court must accept or reject all aspects of it. Should the court reject the plea agreement, including the agreed-upon sentencing range, any party may withdraw from it.

The FBI; the Federal Deposit Insurance Corporation, Office of Inspector General; the Federal Housing Finance Agency, Office of Inspector General; the Office of Inspector General for the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau; and the United States Postal Inspection Service are investigating this matter. The OCC and the United States Securities and Exchange Commission provided substantial assistance.

This matter is being prosecuted by Assistant United States Attorneys Alexander B. Schwab and Carolyn S. Small of the Major Frauds Section, along with Special Attorney Benjamin S. Kingsley and Assistant United States Attorney Daniel S. Ryan of the Western District of North Carolina.

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