Wells Fargo executive overseeing fraud receives $124.6 million retirement

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The executive who oversaw the massive customer defrauding scheme at Wells Fargo retired this year with a $124.6 million retirement package, including stock options, special reserved shares, and other perks.

Carrie Tolstedt, Senior Executive Vice President of Community Banking at Wells Fargo, retired July 31, 2016, just weeks before the U.S. Office of the Comptroller of the Currency settled with the bank over allegations that it had opened over one million customer accounts without the customers knowing, in many cases deducting fees and other service charges.

During her nine years in the post, Tolstedt, 56 years old, was repeatedly rewarded and praised for boosting the bank’s earnings. Her total compensation came to $27 million over the past three years. Last year the bank rewarded her with a $7.3 million bonus pay on top of her $1.7 million salary. The bank stated, “under her leadership, Community Banking achieved a number of strategic objectives, including continued cross-sell ratios, record deposit levels, and continued success of mobile banking initiatives.”

In a statement announcing her retirement earlier this year, the bank said, “Tolstedt’s team is a leader in building and deepening customer loyalty and team member engagement across the business, which today serves more than 20 million retail checking households and 3 million small business owners, and employs 94,000 team members.”

Tolstedt’s success at “deepening customer loyalty” and promoting “cross-sell ratios” amounts to enforcing a bank-wide culture of illegal predation on its customers.

According to the U.S. Consumer Financial Protection Bureau (CFPB), the bank opened 1.5 million deposit accounts and more than half a million credit card accounts without customers’ authorization. This practice involved moving customers’ money without their permission and, sometimes, the creation of fake email addresses. Most accounts were quickly closed down, in order to make day-to-day sales quotas, but many remained open.

The CFPB described these practices as “widespread.” Sabrina Bertrand, a former Wells Fargo personal banker, told *CNN Money*, “I had managers in my face yelling at me.” She continued, “The sales pressure from management was unbearable. They wanted you to open up dual checking accounts for people that couldn’t even manage their original checking account.”

Wells Fargo says that it has fired 5,300 employees over the past few years for their role in the fraud. The thousands of workers who were pushed into this behavior, however, are not the culprits but the victims of a bank-wide policy. These workers were under threat of losing their jobs if they did not play their role in the illegal operations that were pushed and decided upon by the management of the company.

According to the lawsuit filed by the city of Los Angeles, district managers discussed sales for each employee “four times a day.” Anthony Try, another Wells Fargo personal banker, told *CNN Money*, “Management was fully aware of this, [but] turned a blind eye… It was ingrained in the culture for a long time.” He said, “There would be days where we would open five accounts for friends and family just to go home early.”

As is characteristic of the financial industry, those who are actually responsible are walking away with astronomical sums. Tolstedt, as stated, will get nearly $125 million in retirement payments. According to Bloomberg, 17 million of unvested shares could be denied to Tolstedt, but this is a fraction of the overall amount. CEO John Stumpf has made $19.3 million each year for the past four years, and is expected to receive the same this year.

Stumpf both knew of the fraudulent behavior at Wells Fargo and rewarded Tolstedt with huge bonuses each year. He praised her as a "role model for responsible leadership" and "a standard-bearer of our [Wells Fargo's] culture." His total lack of accountability has disquieted some investors, with Wells Fargo's stock dropping 7.5 percent since the depth of the scandal was made known last week.

Meanwhile, the $185 million settlement with Wells Fargo allows the bank to avoid any admission of wrongdoing. No executive at the bank has been fined let alone criminally charged.

Even the fine is small change for a bank that made $9.3 billion of profit in its second quarter this year. Tolstedt, herself, salted away nearly as much as the amount of the fine while working for Wells Fargo. Also, because the bank will be able to log the fine as part of its business losses, it has the potential, as with many bank settlement fines with the US government, to write-off part of the fine in its taxes.

The Wall Street Journal reported this week that federal prosecutors have launched their own preliminary investigation, different from the one filed by the city of Los Angeles. If such an investigation resulted in charges, it would likely follow the host of sweet-deal agreements that the federal authorities have made with banks. These rarely target the executives of a bank, and when they do they amount to small wrist-slap fines.

Though greed plays a role in the decisions of these executives, it must be emphasized that the rampant fraudulent behavior at Wells Fargo is not merely the result of personal failings of this or that banker.

The world economy has entered into historically unprecedented territory in the past decade. Amidst widespread economic stagnation, the most "competitive" banks and companies must resort to increasingly fraudulent and illegal activity to satisfy share markets. This is compounded by the regime of near-zero interest rates, which diminishes profits to be made from deposit banking while creating a frenzy in the financial markets for all sorts of fraudulent and speculative behavior. In this economic climate, deposit banks are aggressively pushing as many financial products as possible per customer. It would therefore not be surprising if some of the other leading banks are revealed to have been involved in similar if not worse behavior.