When misconduct signals reached leadership, why did the sales model remain?

Wells Fargo | United States | Sales practices 2002-2016 | Resolution 2020

COMBINED RESOLUTION	CONDUCT PERIOD	STAFF REFERRED	STAFF TERMINATED
$3 billion	**2002-2016**	**More than 23,000**	**More than 5,300**
S01 | S03	S01 | S02	S02	S02

DOCUMENTED EVENT

On 21 February 2020, Wells Fargo agreed to pay $3 billion to resolve criminal and civil matters concerning sales practices from 2002 to 2016. The DOJ statement of facts describes a volume-based sales model, aggressive growth plans and goals that, by about 2010, were regarded in parts of the Community Bank as too high to meet by selling products customers wanted, needed or would use. It states that senior leadership knew as early as 2002 that unlawful and unethical practices were increasing because of onerous goals and management pressure. Between 2011 and 2016, the company referred more than 23,000 employees for sales-practices investigations and terminated more than 5,300; almost all terminations and resignations were at branch level rather than among managers outside branches or senior leadership. The SEC separately imposed a $500 million penalty within the combined resolution for misleading investors about the cross-sell strategy. [S01 | S02 | S03]

NFRISK SCENARIO ADAPTATION - NOT AN EXTERNAL FINDING

A sales or performance target is repeatedly missed through legitimate activity. Complaints, investigations, disciplinary cases and quality exceptions rise across locations, but each case is handled as individual misconduct. Leadership reporting emphasises completed disciplinary action and the continued success of the target metric. No control aggregates the signals to test whether the target, incentive design and management pressure are the common cause.

STRESS-TEST QUESTIONS

01 Who independently determines whether a performance target is ethically achievable, separate from the executives accountable for delivering it?

02 At what volume or pattern do complaints, investigations and staff exits trigger a challenge to the sales model rather than more individual discipline?

03 Can assurance reconcile reported sales success with product usage, reversals, customer complaints and disciplinary data by location and manager?

04 Does root-cause analysis test target and incentive design, or stop once a frontline employee and a policy breach have been identified?

CONNECTED RISK

Conduct & Governance Risk (primary)
Data & Control Integrity (contributing)
Financial Crime & Control Integrity (consequence)

FRAMEWORK RELEVANCE

DOJ root-cause lens: sales goals and management pressure
The DOJ statement of facts attributes increasing unlawful and unethical practices to onerous sales goals and management pressure and describes leadership awareness from 2002. This is a source-stated causal finding, not NFRisk inference. [S02]

COSO ERM lens: Governance & Culture
NFRisk maps target design, incentive pressure and the failure to aggregate misconduct signals to COSO's Governance & Culture component. COSO did not assess Wells Fargo in this source. [S04]

NFRISK PRACTITIONER INTERPRETATION

A large volume of individual misconduct can be evidence of a system-level control failure. Conduct governance should connect target achievability, complaints, product use, investigation referrals, staff exits and customer remediation. The owner accountable for delivering the target should not be the only authority deciding whether it is ethically achievable. When enforcement concentrates at the frontline while the business model remains unchanged, the root-cause assessment itself requires challenge.

PRIMARY-SOURCE REGISTER

S01 US Department of Justice (2020)
Wells Fargo Agrees to Pay $3 Billion to Resolve Criminal...
S02 US Department of Justice (2020)
Wells Fargo Deferred Prosecution Agreement - Exhibit A, S...
S03 US Securities and Exchange Commission (2020)
Wells Fargo to Pay $500 Million for Misleading Investors...
S04 COSO (2017)
Enterprise Risk Management - Integrating with Strategy an...

EVIDENCE BOUNDARY Official findings are separated from the institutional scenario, framework interpretation and NFRisk practitioner view.