Wells Fargo has rewritten the book on corporate crisis management, and it’s done so by writing a book.

At 110 pages, the San Francisco bank’s report on its phony-sales scandal is the size of a slim novel. The report, which was released Monday, is based on 100 interviews and searches of more than 35 million documents. It offers the most detailed account to date of what went wrong inside the bank and why senior leaders were so slow to respond.

Wells Fargo has been under pressure from its shareholders to undergo a well-researched self-examination, and this report meets that minimum standard. Yet for all of its new information, the report will leave many readers wanting more.

Perhaps the biggest shortcoming is that despite the report’s billing as being the product of an “independent investigation,” its authors have a fundamental conflict of interest.

The report assesses the actions of the company’s board, yet it was written by a special committee of the same board. Furthermore, three of the committee’s four members have been serving on Wells Fargo’s board since at least 2009, before the period of the most widespread branch-level misconduct.
Among them was Carrie Tolstedt, the retail banking chief who is accused of misleading the board’s risk committee in 2015 about the scope of the problems. They also included Claudia Russ Anderson, a risk officer who argued to exclude from a presentation to the risk committee the fact that 1% of all retail banking employees were being fired each year for misconduct; and an unnamed lawyer who also questioned the basis for the number.

One board member who did know that 1% of retail banking employees were being let go for misconduct each year was John Stumpf, who was chairman and the bank’s CEO. According to the report, he knew about the scale of the firings by late 2013.

Stumpf did not view the 1% figure as bad news, which could explain why he apparently did not share the information with other board members.

“Stumpf reacted positively to the 1% number; in his view, the fact that only 1% of Wells Fargo employees were terminated meant that 99% of employees were doing their jobs correctly,” the report stated.

A lawyer for Stumpf, who left the company in October, declined to comment.

The report portrays Tolstedt in an even more negative light. It calls her “insular and defensive,” “obsessed with control” and “extremely reluctant to make changes.”

Tolstedt, who was fired in September, declined to be interviewed, on the advice of counsel. Her decision not to participate gave former colleagues who did speak the opportunity to shape the narrative.

In an email, Enu Mainigi, a lawyer for Tolstedt, said the report is one-sided. “We strongly disagree with the report and its attempt to lay blame with Ms. Tolstedt,” Mainigi wrote. “A full and fair examination of the facts will produce a different conclusion.”

Before Wells Fargo’s September 2016 settlement with regulators, the board of directors twice turned to big consulting firms in an effort to get its arms around the company’s problems. In 2013, McKinsey & Co. issued a 402-page report on the firm’s risk management program, including the risks associated with cross-selling. Two years later, Accenture presented a report to Wells Fargo’s board on the company’s retail banking sales practices. Those reviews were in addition to the previously disclosed review of phony accounts that PwC conducted in 2015 and 2016.

Unfortunately, the new report does not shed much light on what the consultants determined, or what Wells Fargo did with all the paper they produced.

The report portrays one member of the special board committee, Risk Committee Chair Enrique Hernandez, in a particularly positive light. “Hernandez was especially critical of Tolstedt, whom he believed was intentionally misleading the board,” the report states.
All four members of the special committee — the other three are board Chairman Stephen Sanger, Vice Chair Elizabeth Duke and Donald James — are up for re-election at Wells Fargo’s annual meeting on April 25. The proxy advisory firm Institutional Shareholder Services recommended earlier this month that shareholders vote against all four of them.

Over the next two weeks, the bank’s shareholders will have to decide how much stock to put in an investigation in which board members passed judgment on themselves.

“A ‘The stagecoach is off the road,’” said Sister Nora Nash, director of corporate social responsibility for the Sisters of St. Francis of Philadelphia, an order of Catholic nuns that holds stock in Wells Fargo and is pushing for changes at the company. “They have to look at culture. They have to look at leadership. They have to look at management across all the segments.”