

Consumer News & Views

Published twice monthly

October, 2016



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Consumer Confidence Jumps to Highest Level in Four Years. Consumers continued to express support for the U.S. economy as the Conference Board's monthly Consumer Confidence Index surged to 104.1 in September following an uptick from August when it hit 101.8.

Economists were somewhat mystified by the surge because they expected consumer confidence to drop. But, job growth and wage growth countered any negativism among consumers as they increased both spending and savings across all regions of the country.



Thomas Hinton, president of the American Consumer Council, a non-profit consumer education organization, stated, "Consumers are feeling more optimistic about their short-term economic prospects given a steady track record of job growth, wage increases and the overall mood of consumers. This bodes well for a strong holiday retail season, especially for online sales."

Hinton noted that online retail sales should surpass 10% for the first time in history. ACC also anticipates that consumers will spend nearly \$100 Billion online this holiday season. "Barring any unforeseen surprises," Hinton added, "we expect

this holiday season from Halloween to Christmas to be one of the best years ever for retailers."

Wells Fargo Bank's Phony Account Scheme Hurts Consumers. Calling the recent Wells Fargo Bank "shameful, illegal and hurtful to thousands of consumers," the American Consumer Council criticized Wells Fargo Bank for "allowing phony accounts to be created without customers' knowledge or approval and giving banks another black eye."

"This is blatantly wrong and deceitful," said Thomas Hinton, president of the American Consumer Council, a non-profit consumer education and advocacy organization with 183,000 members. Hinton added, "The leadership of Wells Fargo Bank must be held accountable and punished for allowing this fraudulent practice to take place."

It was reported by various news sources that Wells Fargo's Chief Executive John Stumpf will forfeit compensation worth about \$45 million as the bank tries to appease angry lawmakers and regain the trust of customers amid the still-unfolding scandal over fake accounts. Stumpf will give up about 910,000 shares in unvested stock awards, and will not get a bonus this year, according to a statement released by Wells Fargo's board of directors.



Carrie Tolstedt, the executive in charge of the division where much of the fraudulent activity took place, will give up about \$19 million worth of stock. She recently announced her retirement effective at the end of 2016, but sources say Tolstedt has already left Wells Fargo. Tolstedt's holdings, including stock and vested stock options, amount to about \$77 million. Stumpf's holdings add up to \$109 million in stock, plus more than \$24 million in accumulated pension and 401(k) benefits

The American Consumer Council stated that Carrie Tolstedt should have been fired by Wells Fargo without any settlement or bonus compensation, and banned from future banking jobs for allowing a culture of deceit and fraud to exist under her watch.

Also, Wells Fargo's board announced it has hired a law firm to investigate the bank's sales practices. Stumpf, the chairman of the board, will recuse himself from matters related to the investigation, according to the statement.

Steven Sanger, Wells Fargo's lead independent director, said members of the board are "deeply concerned" about the bank's practices and will conduct its investigation "with the diligence it deserves." Sanger also said the investigation could lead to more executives losing stock awards or even other compensation already paid. "The independent members of the board will take such other actions as they collectively deem appropriate," he said. "Consumers will not be satisfied with stock penalties and, lost compensation," ACC's Hinton said. "This type of activity is criminal in nature and deserves to be investigated by federal authorities and prosecuted," he added. California's State Treasurer announced new sanctions against Wells Fargo, and ordered the suspension of business relationships between his office and the bank for one year after a scandal that has rocked the nation over the opening of two million fraudulent bank accounts. State Treasurer John Chiang's move is unprecedented since he is the first state treasurer to issue such measures.

The San Francisco banking giant has acknowledged that some 5,300 bank workers opened as many as 2 million checking, saving and credit card accounts for customers without their knowledge.

The bank has agreed to pay \$185 million to federal regulators and the Los Angeles City Attorney's office over the fake accounts, a practice regulators say was encouraged by an aggressive and poorly supervised sales culture.

Federal prosecutors are investigating the bank to see whether criminal charges should be filed, and the Labor Department said Tuesday that it is investigating possible labor law violations. Meanwhile, the company is facing a mounting number of lawsuits from customers, employees and shareholders, including prospective class actions seeking billions of dollars in damages.

Wells Fargo Bank May Not Be Alone in Creating Phony Accounts. In light of the negative fallout that Wells Fargo & Co. is experiencing as a result of creating over two million phony accounts without their customers' knowledge or approval, consumers are now asking if their banks have used the same tactics to generate sales and profits.

Multiple news sources are reporting that Wells Fargo & Co. may not be the only bank that is guilty of using this unethical and potentially illegal sales tactic. One news agency reports that nearly a dozen current and former employees at large and regional banks such as Bank of America, Citizens Bank, PNC, SunTrust, and Fifth Third tell CNNMoney that a sales obsession pervades their banks. They say they too are under immense pressure to get customers to open multiple accounts.



They described a focus to push as many different products -- think debit cards or new online accounts -- as they can, an industry practice known as cross-selling.

"Wells Fargo is not the exception (with its) absurd sales culture," said one former manager of two large regional banks. No other major banks have been accused by regulators of widespread opening of phony accounts like Wells Fargo has been. But Thomas Curry, one of the country's chief banking regulators, said that "banks are under enormous margin pressure. That could be a bad environment." Curry, the head of the Office of Comptroller of the Currency, told a Senate panel that the agency is investigating whether other banks have employed high-pressure sales tactics that led to fake accounts.

One former banker at a regional bank told CNNMoney he witnessed the practice at his company. "The customers wouldn't even know," said the banker, who insisted his name not be used. "Wells Fargo isn't the only one. This is an industry-wide problem."

Another scam this banker witnessed involved employees rearranging debit charges on customer accounts to maximize the size of the overdraft fees they experienced.

"The competition and pressure in the banking industry is unbelievable," he said. All the people CNNMoney spoke to for this article had to pursue similar aggressive sales goals pushed by senior management.

"We get badgered every single day by management. It's sad," said a 30-year banking veteran who is a branch manager for a big regional bank. Another banker puts it this way: "There is a blurred line between what's best for the customer and what's best for our sales goals."

These concerns are reflected in consumer complaints about banks as well. Customers have filed over 31,000 complaints under the category of opening, closing and management of bank and credit cards, according to stats from the Consumer Financial Protection Bureau.

Likewise, the National Employment Law Project, an advocacy group for low-wage workers, published a report in June detailing how banks' aggressive sales metrics encourage "front-line workers to push multiple banking 'solutions'" on often "unwitting customers."

The report quoted tellers, bankers and other employees from various banks, including SunTrust and Bank of America. "Managers really pushed me to ignore it when consumers say no," one bank employee said.

A spokesman for the American Bankers Association, which represents the banking industry, told CNNMoney: "We condemn any kind of dishonest or unethical behavior at any bank at any time." The ABA added that "banks work hard to make sure customers receive products that they want and value."

A PNC spokesperson told CNNMoney the bank trains employees to have "thoughtful discussions" with customers and "only act on what a customer wants to pursue." Fifth Third said it "always" puts the customer first and has a "well-designed process to identify and meet their needs."

A Citizens Bank spokesman said the bank adheres to "strict" accountability and compliance standards aimed at putting the "customers first." He said, "Our colleagues are incented to do the right thing for our customers."

Cross selling is at the heart of modern retail banking. The relentless focus on cross-selling is not new. Bob Hedges, global head of financial service practice at management consulting firm A.T. Kearney, said the emphasis began in the 1970s and 1980s.

"It's like at McDonald's, if you order a cheeseburger, they ask if you want fries," Hedges said. At a bank, if you open a checking account, they'll ask if you want a debit card." Banks have discovered that the more products customers have, the less likely they'll be to jump to another bank. Multiple accounts can also be profitable for the fees they generate. This has taken on greater importance given how bank profits have been squeezed by the one-two punch of higher regulatory costs and extremely low interest rates. "The retail banking business is under incredible earnings pressure," said Hedges.

Some bankers were surprised Wells Fargo got away with opening as many unauthorized accounts as it did. One employee said his bank has enough controls in place to catch such violations. "It's just mind-blowing you would have that number of accounts that could get through without being audited," he said. But it's now gotten the attention of lawmakers and regulators.

"A lot of us are worried that there's similar doings going on in other banks," said Senator Richard Shelby, chairman of the powerful Senate Banking Committee. Richard Cordray, Director of the Consumer Financial Protection Bureau, a federal consumer watchdog agency, said this while announcing the Wells Fargo settlement: "We've put the industry clearly on notice."

More Online Shoppers Are Starting Their Search Using Amazon Instead of Google. More shoppers are turning to Amazon over Google as their starting point according to Krystina Gustafson, an editor at CNBC.

She reports that roughly 55 percent of consumers begin their online shopping searches on Amazon's site, citing a new study by BloomReach. That's an increase of 11 percentage points from last year, when the data technology firm ran its inaugural study. BloomReach based its results on a survey of 2,000 consumers over Labor Day weekend.



Meanwhile, 28 percent of people said they start their hunt on a traditional search engine, down from 34 percent last year; only 16 percent make another retailer's site their first stop.

Even when shoppers find a product they want on a retailer's page, roughly 90 percent said they'll still compare Amazon's selection or prices. Most often, consumers cited the ease of shopping on Amazon — including its "superior" search and product filtering capabilities — as the reason they went to the site.

"Amazon continues to be the first destination when consumers want to find a product," Jason Seeba, head of marketing at BloomReach, said.

Amazon's grip on American shoppers is expected to carry into the winter holidays, with roughly 94 percent of respondents saying they plan to shop there. Members of its growing Prime service are particularly loyal, as they try to maximize the value of their \$99 subscription fee and free shipping promise.

Yet just because shoppers gravitate toward the site doesn't mean they'll make a purchase.

A majority of respondents said other retailers are better at tailoring their websites and product recommendations than Amazon. Roughly one in five consumers said counterfeit products are their main concern with shopping on Amazon, according to BloomReach.

The retailer has recently grabbed headlines regarding concerns about counterfeit goods on its third-party marketplace, which prompted Birkenstock's decision to remove its products from the site.

Still, Forrester estimates Amazon accounted for roughly 60 percent of all online sales growth in the U.S. last year. It's widely expected to extend its lead over traditional retailers on the web this holiday.

All in, eMarketer anticipates digital sales will increase 17 percent in November and December, to \$94.7 billion, accelerating slightly over last year's 16 percent growth. That should push online sales to more than 10 percent of overall retail revenues for the first time, the research firm said.

ACC's Friend of the Consumer Award Recognizes Outstanding Businesses in 2016.

Is your business consumer-friendly? Does your business deserve greater recognition for its service to consumers? If so, you should apply for the American Consumer Council's Friend of the Consumer Award. Now is the time to apply!

Throughout the year, ACC presents its "Friend of the Consumer" Awards. This prestigious award recognizes manufacturers, retailers, and other businesses that produce or sell products in the United States that meet or exceed federally-mandated standards and are touted by consumers as "consumer friendly."

Each year, ACC awards numerous "Friend of the Consumer" Awards to deserving companies and organizations because they have "demonstrated a commitment to American consumers by providing a specific product or service that fosters consumer confidence and market acceptance."



To apply for the "Friend of the Consumer" Award, complete the online application and return it to ACC with the application fee. Applicants will be notified within 5 days of receipt of their application. Thereafter, a panel of independent judges will review your application and make a formal recommendation within 20 days of receipt of your award application.

For more information, visit: <http://www.americanconsumercouncil.org/awards.asp>

Green CSM Certification Accepting Applications for 2016 Fall Cycle:

If your company or organization would like to increase its credibility with consumers, you should consider applying for the **Green CSM Certification**. Applications for the 2016 Fall cycle are now being accepted through December 2, 2016.

It's a proven fact that consumers want to do business with companies that are eco-friendly and practice Corporate Social Responsibility (CSR). The process is straight-forward and all applicants are recognized by ACC and the Green USA Institute.

All applicants complete the criteria and submit their responses to ACC's Green Consumer Council for review, assessment and feedback. Program details and the **Green CSM Certification** criteria can be viewed at ACC's website located at:

<http://americanconsumercouncil.org/greenc.asp>

