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MOTION

BUDGET & FINANCE

On May 4, 2015, Los Angeles City Attorney Mike Feuer filed a civil suit against Wells Fargo, alleging bank employees opened unauthorized accounts and used other illegal tactics to meet the company's rigid and unrealistic sales goals. By fall of that year, federal bank regulators had opened an investigation into these company practices. After review of Wells Fargo's business practices, federal regulators found that about 1.5 million deposit accounts and 565,000 credit cards may have been opened without customer permission. On September 8, 2016, the Consumer Financial Protection Bureau (CFPB), working in conjunction with the Los Angeles City Attorney and the Office of the Comptroller of the Currency, punished Wells Fargo for violations of consumer financial laws and for illegal banking practices. Wells Fargo was fined \$185 million, including a \$100 million penalty from the CFPB, the largest such penalty the agency has issued.

Wells Fargo's sales practices created a system where low-level bank workers, such as tellers and call center workers, were in fear of losing their jobs unless they sold these products and services that could harm customers. By incentivizing bank workers to sell more loans and credit cards regardless of the need or quality of those financial products, Wells Fargo's business practices posed a risk to consumers across the entire financial sector.

On May 15, 2012, the Los Angeles City Council unanimously voted to enact the Responsible Banking Ordinance, which included a Responsible Banking Investment Monitoring Program. Wells Fargo's use of overly aggressive sales goals and quotas is contrary to the spirit of the City's Responsible Banking policy because Wells Fargo forced bank workers to push products that harm the community. Recognizing that our communities depend on banks for responsible advice and aid in their financial dealings, the City of Los Angeles should revise its policies to ensure that companies that wish to do business with the City of Los Angeles adhere to responsible banking practices, such as not engaging in predatory sales goal.

In addition, the Office of Finance will soon release a Request for Proposal (RFP) for the City's banking services. That RFP should incorporate consumer protections outlined in this Motion.


I THEREFORE MOVE, that City Council request the City Attorney, with assistance from the Office of Finance, City Administrative Officer and Chief Legislative Analyst, to draft and present an ordinance to amend the Responsible Banking Investment Monitoring Ordinance (Ordinance No. 182138) to add as one of the core purposes of the Responsible Banking Investment Monitoring Program the "promotion of responsible consumer banking by any company doing business with the City of Los Angeles."

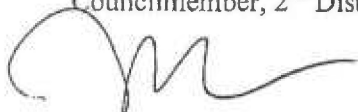
I FURTHER MOVE that the draft ordinance noted above also include additional whistleblower protections for bank workers who report suspected illegal banking practices to authorities.

I FURTHER MOVE that the Office of Finance and City Attorney review all information available from the Consumer Financial Protection Bureau to ensure that each respondent to the City's upcoming banking services Request for Proposal is complying with all consumer financial protection laws.

PRESENTED BY: 
PAUL KORETZ
Councilmember, 5th District

PRESENTED BY: 
PAUL KERKORIAN
Councilmember, 2nd District

SECONDED BY: 



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