Wells Fargo To Repay Borrowers $80M For Insurance Charges

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Wells Fargo will reimburse $80 million to car loan borrowers who were wrongly charged by the bank for insurance, it said late Thursday. The 570,000 borrowers had car loans with Wells Fargo but, because “there was no evidence” that they had car insurance, the bank would buy insurance on their behalf and bill them for it. The insurance was called CPI, or collateral protection insurance, protecting cars that were collateral for loans. “Customers may have been charged premiums for CPI even if they were paying for their own vehicle insurance, as required, and in some cases the CPI premiums may have contributed to a default that led to their vehicle’s repossession,” Wells Fargo said in a statement released after 11 p.m. on Thursday night. The reimbursements — including $64 million in checks and $16 million in account adjustments — follow a review that started last July and that within two months had yielded enough concerns that the bank ended the CPI program in September. Reimbursements have already begun but could take as many as five more months to complete, the bank said. The 20,000 borrowers that may have had their cars repossessed because of Wells Fargo-caused defaults will receive a total of $16 million, an average of about $800 each. Another 60,000 customers in five states whose disclosure laws were not followed will receive an average of $650 each. The remaining 490,000 borrowers will receive a total of $25 million, or about $51 each, the bank said. Customers “expect and deserve better from us,” consumer lending head Franklin Codel said in a statement, adding that the bank was “extremely sorry.” The level of contrition may stem in part from the fact that this is not the first revelation of widespread consumer abuses by the bank in the last year. Earlier this month, a California federal judge preliminarily approved a $142 million deal to compensate a class of Wells Fargo customers who found out that unauthorized accounts were opened in their names by bank staff. Putative class actions piled up after Wells Fargo agreed to an $185 million settlement with the Consumer Financial Protection Bureau, the Office of the Comptroller of the Currency and the Los Angeles City Attorney’s Office in September. Those agencies alleged that bank employees created more than 2 million deposit and credit card accounts without customer authorization between January 2011 and Sept. 8, 2015. –Additional reporting by Jon

Hill, Evan Weinberger and Dorothy Atkins. Editing by Rebecca Flanagan.