# Sales Tactic at Center of Wells Fargo Scandal Is Industry Standard

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The sales practices that led Wells Fargo & Co. to a massive fraud scandal are ingrained at other banks, analysts say.

Cross-selling, the practice of encouraging customers to open multiple accounts, is common at big banks even though some, like Bank of America Corp., are distancing themselves from the sales culture behind the Wells Fargo scandal.

Bank analysts say the practice is here to stay even as regulators turn up the heat on bank sales tactics.

“Everyone does it,” said Mark Calabria, director of financial regulation studies at the libertarian Cato Institute, in an interview. “What you’re going to see a rethink of is, ‘How do you compensate employees for cross-selling?’ Not, ‘How do you stop doing cross-selling?"”

There are cultural differences among banks, but cross-selling is an industry standard, Calabria said. As such, he said, regulators probably won’t crack down too much on the practice itself. They may focus instead on how to ensure that incentives to upsell don’t encourage cheating. Regulators also might look at strengthening banks’ internal systems to root out fraudulent behavior early.

The Office of the Comptroller of the Currency is investigating sales practices at all the large and mid-sized banks it oversees, Comptroller Thomas Curry said at a Sept. 20 Senate hearing. An OCC spokesman did not provide further details on that effort this week, but he confirmed the review is ongoing.

Lawmakers like Rep. Brad Sherman (D-Calif.), a member of the House Financial Services Committee, have called for more information on other banks’ sales practices. Anastasia Christman, a senior policy analyst at the left-leaning National Employment Law Project, said anecdotal stories from workers at other banks show that regulators need to investigate sales practices at all big banks.

Christman compiled many such complaints in a June report that gathered individual stories from workers at seven large institutions, including Wells Fargo, Bank of America and J.P. Morgan Chase & Co. Those stories demonstrate that aggressive sales practices are widespread across the industry, she said.

“It definitely is happening beyond just Wells,” Christman said in an interview.

Christman said cross-selling is not inherently harmful as a business practice, but regulators need to understand how it fits into retail banking as a whole. “Where it starts to go wrong and sideways is when those products are seen not as tools to help your consumers or as an important part of your responsibility to your consumers, but instead are just seen as a profit center,” she said.

Many big banks differ in structure as well as culture. Bank of America’s merger with Merrill Lynch caused that company to incorporate Merrill’s large broker-dealer account portfolio, for example. J.P. Morgan Chase’s investment arm sets it apart from retail banking giants like Wells Fargo.

Both liberal and conservative analysts are quick to point out that not all of banks break the rules.

Still, the Wells Fargo scandal has infected the entire industry with widespread distrust, ramping up scrutiny on all big banks. That could prompt regulators to crack down broadly on the banking industry, analysts say, including on banks that follow the rules.

“It makes sense that consumers are wondering, ‘Did this happen to me? Could it happen to me at my bank?'” said Aaron Klein, a former Democratic banking staffer who is now a fellow in economic studies at the Brookings Institution. “A few bad actors can have a huge negative spillover for the entire industry, particularly for the people who are playing by the rules.”

Klein, who helped craft the Sarbanes-Oxley Act, likened this effect to the tumbling markets after the Enron accounting scandal in the early 2000s, which was also fueled by widespread consumer distrust. “Was every company in America doing what Enron was doing? Absolutely not,” he said. Yet financial markets still felt the ripples of Enron’s wreckage.

The answer, Klein said, isn’t necessarily creating more regulation. Banks should examine their practices to make sure they’re not crossing any lines, and bank regulators should strengthen enforcement of existing rules.