

An Open Letter to Warren Buffett About Wells Fargo

By Charles Lowenhaupt

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Warren, where are you?

Your company, Berkshire Hathaway, is the single largest shareholder in Wells Fargo, which was recently fined \$185 million by U.S. regulators for fraudulently opening accounts for millions of customers. CEO John Stumpf announced his resignation last week.

Yet, there has been no word from you, one of the most respected investors of all time. You're a man whose social conscience and impact is among the most enlightened on the planet. You set the example for Bil Gates, Mark Zuckerberg and others, but you have been deafeningly silent about the Wells Fargo culture in action. Many shareholders, customers, city officials, federal legislators and others have publicly expressed their dismay and indignation about Wells' egregious practices. Some have even stopped doing business with the bank in protest.

Published reports say you'll comment in November, but why wait until then?

Isn't it a matter of principle to take a stand now and say fraud has no place in American and the financial services industry needs to adhere to the fundamental principle that what is good for customers should ultimately be good for employees and shareholders?

How could it have happened?

In the wake of the financial crisis, few would have thought that such ghastly business practices – incentivizing employees to falsify accounts – would have been tolerated again, but that simply wasn't the case.

The kind of institutional recklessness happened because the bank's focus was on profits and enhancing profits through employee bonuses. In other words, the culture was that what was good for employees would be good for the bank and its shareholders even if it was not good for customers.

In truth, this mentality remains the foundation of the financial services industry today, despite all of the new resignations triggered by the financial crisis to stop it. You simply can't legislate loyalty to customers.

In truth, this mentality remains the foundation of the financial services industry today, despite all of the new regulation triggered by the financial crisis to stop it. You simply can't legislate loyalty to clients.

Corporate culture starts at the top. The CEO is accountable to the board and the board is accountable to shareholders. In this case, that puts you and Berkshire at the top. Wells' careless disregard for clients and communities is the reason that your Berkshire Hathaway, which has created so much wealth for so many people, needs to take a public stand. Malfeasance at one of the nation's largest banks needs to be called out.

Déjà vu all over again

The sad truth in America today is that when you put your trust in the hands of a bank like Wells Fargo, you're likely to get burned.

That goes for clients, shareholders (Wells' stock is down sharply this year), former employees (more than 5,000 were fired over this), and all the current employees who are now tainted by the scandal. In fact, the Wells Fargo affair ends up badly for everyone.

Warren, I'm afraid we're likely to see a repeat of this behavior in the financial services industry, but shouldn't you do something?

Shouldn't you climb up on your bully pulpit, the pulpit as a major shareholder, a citizen who cares, and a sage of Omaha, to say that when the customer is hurt, we are all hurt? To state that we should not tolerate behavior and culture which treats employees and customers with so little regard for their well-being?

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