LAWDRAGON

BFA Lawyers Set ‘Gold Standard’ in Wells Fargo Settlement



Nancy Kulesa and Derrick Farrell recently helped secured a landmark settlement with Wells Fargo, putting $100M toward a new lending program. Photo by Nick Coleman.

By James Langford

All that glitters isn’t necessarily gold, a lesson most of the people who thronged to California in 1849 searching for the precious metal learned the hard way.

The same wasn’t necessarily true for Wells Fargo, which built the beginnings of its finance empire storing, selling and shipping gold for the region’s prospectors and mining camps. The vast bullion reserves it amassed in the process helped it weather banking panics that crushed rivals operating in a financial system underpinned by the era’s gold standard.

Copyright Lawdragon Inc. 2026

All of which makes it fitting, and more than a little ironic, that Wells – whose reputation has been tarnished by a series of scandals over the past decade – is now operating under what a federal judge describes as a "gold standard" of another sort: a court-approved settlement related to claims the bank discriminated against minority borrowers and job applicants.

The deal, negotiated by co-lead counsel including Derrick Farrell and Nancy Kulesa of Bleichmar Fonti & Auld and approved by U.S. District Judge Trina Thompson in May, resolves litigation consolidating a series of shareholder lawsuits that accused Wells Fargo's board of failing to ensure the company complied with fair lending and hiring laws. It provides $100M in mortgage assistance for low- and moderate-income borrowers and requires the insurer for Wells' board member defendants to pay $10M to the company.

The settlement is the product of counsel's zealous advocacy for over three years, which included extensive investigation, litigation of the defendants' motions to dismiss, and substantial fact discovery, including depositions and the resolution of several discovery disputes before the court as well as the exchange of opening expert reports.

While the settlement includes a financial award, "the real benefit here is making sure the conduct doesn't happen again and ensuring genuine change at the company," says Farrell, a Wilmington, Delaware-based partner with BFA, a class-action firm based in New York City that specializes in securities litigation and corporate governance cases.

RESPONDING TO RED FLAGS

While banks are among the most heavily regulated industries in the U.S., "investors can't rely on government institutions to redress every wrongdoing," Kulesa explains. "That's why it's important for shareholders to be vigilant and take action when it's required. Our firm and the investors we represent – particularly institutional investors – can play a significant role in making sure things don't fall between the cracks, making sure that red flags are not ignored and making sure that practices that are not in the best interests of the company are not going on and on, unchecked, forever."

In re: Wells Fargo was a derivative action, a type of suit filed by investors on behalf of a company, typically against insiders such as CEOs or board members, over claims that the officers' actions have run counter to the

Copyright Lawdragon Inc. 2026

business's best interests. The company, rather than the investors who filed suit, is the direct beneficiary when such cases succeed. The resulting gains may be filtered to shareholders, employees and sometimes, as with Wells Fargo, to communities it serves.

"This $100M lending program creates real change, impacting real people and real communities," Farrell says. "And that's something that you don't see in the typical case where there's just a check written and somebody gets some money."

PAST & PROLOGUE

The claims leading to the settlement followed years of regulatory investigations and Congressional hearings for Wells Fargo, which had been something of an industry darling during the 2008 financial crisis because it was strong enough not to require a government bailout like rivals Citigroup and Bank of America.

Wells faced issues in other parts of its operations, however, including claims of discriminatory lending practices that led to a $184.3M settlement with the U.S. Department of Justice in 2012 and a $10M settlement with the city of Philadelphia in 2019. Its standing on Wall Street, meanwhile, soured in 2016, when the bank paid $185M to resolve claims that employees struggling to meet ambitious sales goals had opened millions of unauthorized accounts.

> ***"'This $100M lending program creates real change, impacting real people and real communities,' Farrell says. 'And that's something that you don't see in the typical case.'***

The San Francisco-based lender eventually paid billions of dollars more not only to settle subsequent claims over the accounts but also to resolve US government allegations that it pushed some auto borrowers into buying insurance they didn't need by convincing them they might not qualify for loans otherwise and that it knowingly sold mortgages it knew were higher risk than they seemed prior to the financial crisis.

Tens of thousands of those loans were packaged into mortgage-backed securities whose values plummeted when the borrowers couldn't repay the loans, eventually costing investors billions of dollars and threatening the U.S. financial system, the Justice Department said.

Copyright Lawdragon Inc. 2026

The scandals cut short the tenure of two CEOs: John Stumpf, who abruptly stepped down in 2016 and later agreed to a $17.5M fine and a permanent ban from employment in the banking industry, and his successor, Tim Sloan, who stepped down in 2019 amid pressure for the bank to install a "change agent" in its top role.

Later the same year, Wells named Charles Scharf – the former head of payment network Visa as well as the Bank of New York Mellon and a protégé of JPMorgan Chase CEO Jamie Dimon – to take Sloan's place as CEO, tasking him with resolving the bank's regulatory and image issues.

'DIGITAL REDLINING'

The challenges continued, however. A March 2020 report from the House Financial Services Committee concluded that Wells Fargo customers had been harmed by "countless abuses, including racial discrimination."

Two years later, according to the lawsuit, Bloomberg reported that U.S. housing data showed that Wells Fargo – one of the nation's largest mortgage lenders – had been the only major lender to reject more refinancing applications from Black homeowners than it accepted in 2020. Just 47 percent of applications from Black homeowners were approved, compared with 72 percent of white homeowners, the suit says. Other lenders approved 74 percent of refinancing applications from Black homeowners.

Wells Fargo approved significantly fewer loans for Black applicants than rival lenders partly because of "digital redlining," the suit argues: The bank relied on an opaque underwriting algorithm that deemed borrowers in majority-Black neighborhoods a higher lending risk than those in white neighborhoods and used inaccurate, racially biased appraisals.

Bias was affecting internal operations as well, the complaint argues, citing an $8M settlement with the U.S. Labor Department in August 2020 over claims the bank discriminated against more than 34,000 Black job applicants as well as a $35.5M class-action settlement between Wells Fargo Advisors and Black employees in 2013.

In 2020, the bank began requiring that at least half of candidates interviewed for positions paying $100,000 or more per year be diverse in terms of race, ethnicity, LGBTQ status or other factors, to make its workforce more inclusive.

Copyright Lawdragon Inc. 2026

Nonetheless, according to the suit, many "non-diverse candidates" were hired for or promised the jobs before the interviews even began, rendering them shams conducted simply to fulfill the new requirement.

The years-long history of complaints and settlements show a pattern of Wells Fargo's board and senior managers failing to resolve issues, even well-publicized ones, while touting progress in diversity and inclusivity efforts, the suit says.

UNDER A MICROSCOPE

A background like that is particularly relevant in derivative cases, Farrell explains.

"Derivative cases are really about going against who we view as the actual wrongdoers, the people at the board who are leading the company," he says. "The fact that there were all of these investigations and all of these issues, including with discrimination, in the past really puts a microscope on it. It means the board should have been giving this a lot of attention."

While the settlement's benefit to shareholders who filed the case – such as lead plaintiffs including the City of Pontiac (Michigan) Reestablished General Employees' Retirement Fund and City of Plantation (Florida) Police Officers' Retirement Fund – is indirect, it is tangible, he adds.

"If you have a bank that's engaging in discriminatory conduct, people aren't going to want to work with it, and that, in turn, affects the bottom line and lowers the value of the stock," says Farrell, who majored in biomedical science at Texas A&M University and earned his law degree at Georgetown University.

Improving corporate governance, which a derivative lawsuit is designed to do, can help counter that effect.

"When a company's value is diminished because of mismanagement or wrongdoing, corporate governance needs to be improved so that history doesn't repeat itself," Kulesa explains. "Preventing any future misconduct will help the company going forward."

Copyright Lawdragon Inc. 2026

PUTTING THE 'AMERICAN DREAM' WITHIN REACH

For long-term investors such as the Pontiac and Plantation retirement funds, "this is really an effective mechanism to effectuate change and gain reforms at a company, which is especially relevant when investors plan to continue to hold the shares of that company," she says.

For company boards and executives, the case underscores the importance of digging deeper into complaints when they surface, says Kulesa, who earned degrees from Fordham University and the University of Connecticut School of Law during the dot-com bubble, when billions of dollars in market value were wiped out, and began her career in securities litigation.

> ***"When a company's value is diminished because of mismanagement or wrongdoing, corporate governance needs to be improved so that history doesn't repeat itself.***

"Many of the allegations in this instance stemmed from artificial intelligence-based decision-making that didn't jibe with Wells' public statements and initiatives," she says. "It's important for corporations to make sure that processes are yielding the right results. There needs to be testing and analysis of what is actually happening to ensure that it's in line with what the corporation is saying, and reporting, to investors."

The settlement, on which BFA attorneys collaborated with co-lead counsel firms Motley Rice and Cotchett, Pitre & McCarthy, may provide a model for other institutions to follow, Thompson, the judge overseeing the case, said at a final approval hearing.

"It may have its own synergy as we move through what can be characterized as a very difficult time for those who don't have the type of means to be able to place a down payment on a home," she said. "This program at least provides an exceptional amount of hope for a lot of people who did not think the American dream would be available to them under these economic times," Thompson explained.

"I don't throw out a bunch of compliments, but when I see gold standard, I know it," she added. "This is it."

Copyright Lawdragon Inc. 2026