

CLAY AWARDS | MAY 6, 2026



**PICTURED:** Randall Baron, David A. Knotts, Michael J. Nicoud and George C. Aguilar

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## SHAREHOLDER DERIVATIVE ACTION

# \$100 Million Settlement Caps Years of Litigation Over Wells Fargo Oversight Failures

*HIMSTREET ET AL. V. SCHARF ET AL.*

DAVID A. KNOTTS, RANDALL J. BARON, TAEVA C. SHEFLER, LION WINTEMUTE, ROBBINS GELLER RUDMAN & DOWD LLP; GEORGE C. AGUILAR, MICHAEL J. NICLOUD, CRAIG W. SMITH, SHANE P. SANDERS, ROBBINS LLP

In July 2025, a Robbins Geller team, together with co-counsel from Robbins LLP, secured final approval of a record-breaking \$100 million cash payment to Wells Fargo & Co. It was the culmination of a long-running, multi-jurisdictional shareholder derivative action alleging certain bank officers and directors breached their fiduciary duties. *Himstreet et al. v. Scharf et al.*, CGC-22-599223 (S.F. Super. Ct., filed Dec. 10, 2020).

David Knotts and Randall Baron led the litigation effort for Robbins Geller; George Aguilar and Michael Nicoud headed up the Robbins team. The case involved more than a dozen individual defendants and, in discovery, required the navigation of complex governmental privileges, confidentiality issues, and a myriad of regulations and objections from federal agencies.

"It took years of litigation to get to this outstanding result," Nicoud said. Added Knotts, "It definitely took a lot of work."

A series of Wells Fargo banking scandals led the institution to agree to numerous reforms, including consent orders and settlements with various government agencies. After regulators realized that enterprise-wide management problems persisted, the plaintiffs came forward with claims for breaches of fiduciary duty by certain officers and directors.

A central problem in the case was the so-called "Caremark claims," a name derived from a 1996 Delaware case, involving difficult-to-prove allegations that fiduciary breaches result from bad faith activities by defendants.

"There were management failures and ineffective oversight of consumer abuses," Knotts said. "The government flagged many of them, but that fell far short of what it took to prove them in a court of law."

"We had a unique intersection of Caremark claims with the complex corporate structure of Wells Fargo," Nicoud said.

The defendants frequently pointed out that the claims at issue are possibly the most difficult theory in corporation law upon which a plaintiff might hope to win a judgment. Despite those challenges, the plaintiffs kept the pressure on by moving to compel the production of even more documents and by establishing a massive document review process that uncovered further evidence to back its claims.

The \$100 million payment to Wells Fargo is the largest cash payment made directly to a company in connection with a derivative action in California state court.

In addition to the cash payment, Wells Fargo has adopted several corporate governance reforms including improvement to the bank's risk structure, programs, policies, and procedures, additional training for employees, expanded and enhanced oversight of risk management by the board of directors, and changes to the board's composition.