

**Statement by Martin J. Gruenberg**

**Member, Board of Directors, FDIC**

**Dissent from Settlement with PricewaterhouseCoopers LLP for Accounting Malpractice at  
Colonial Bank**

**March 15, 2019**

The FDIC as receiver for the failed Colonial Bank announced today a settlement with PricewaterhouseCoopers LLP (PwC) of \$335 million. This settlement resolves professional negligence claims brought by the FDIC against PwC arising out of audits of Colonial Bank of Montgomery, Alabama. Colonial Bank failed on August 14, 2009, with \$24.455 billion in assets and a loss to the Deposit Insurance Fund estimated at \$2.958 billion as of December 31, 2017.

I voted against authorizing the settlement because the settlement did not include a written admission of liability by PwC.

In the lawsuit, the FDIC alleged that PwC failed to follow required auditing standards which, if followed, would have led PwC to detect a massive multi-year fraud perpetrated on Colonial by the bank's biggest customer, Taylor Bean & Whitaker Mortgage Corporation, a large mortgage originator. As a result of its failure to follow required auditing standards, PwC did not detect that hundreds of millions of dollars of assets claimed by Colonial did not in fact exist, had been sold to others, or were worthless. If PwC had complied with auditing standards, it would have discovered the fraud, the fraud would have been stopped, and the damages to Colonial Bank would have been limited.

On December 28, 2017, the U.S. District Court for the Middle District of Alabama, following a four-week bench trial, concluded that PwC did not design its audits to detect fraud and PwC's failure to do so constituted a violation of auditing standards. On July 2, 2018, the district court awarded damages to the FDIC of \$625 million on its claims.

As noted, the settlement announced today did not include a written admission of liability by PwC. Given PwC's professional negligence, which contributed directly to the failure of Colonial Bank and large losses to the Deposit Insurance Fund, I voted against authorizing the settlement without a written admission of liability by PwC.