

**What we talk about
when we talk about**

trust

The future of trust in
insurance and financial services

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Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.¹⁰

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Foreword

Trust lies at the heart of any business relationship, inherent in any service you pay for. It is the licence to operate, the foundation of trade, the catalyst for growth.

As we have seen recently, when trust fades, or is suddenly shattered, reputations that have taken a generation to build can be irrevocably damaged.

For our part, trust and confidence is absolutely central to the mission of the Chartered Insurance Institute, which was first set out in our Royal Charter: “to secure and justify the confidence of the public”.



The following paper illustrates that today’s ‘crisis of trust’, which much of the commentariat has deemed unprecedented, is in fact nothing new. At the CII, we know this from experience.

Our ongoing campaign to promote higher professional standards for financial advisers has engaged not only our members but also other practitioners in the sector, the regulator, and the wider public, well before the recent crisis.

We have been steadily gaining support for our new vision of what it should take to advise people on financial matters, crucial to their livelihood and wellbeing.

We think it should take a higher minimum standard of qualification, subscription to a rigorous code of ethics, participation in continuing education, and professional body monitoring and discipline that is visible to the public.

But a higher degree of professionalism is not an end in itself. In today’s fast-changing world, communication is just as important. Our objective is not just improved standards, it is improved trust in what our sector does.

As the following paper shows, financial services in the UK has had a long-term trust deficit. The banking crisis has made this worse – even for parts of the industry not connected to ‘casino’ banking.

This research is part of our contribution to enabling a debate – both within and beyond our sector – which examines the key issues and helps us to form lasting solutions.

We want to help deliver change that not only improves the public’s perception of financial services, but the reality.

Dr Alexander Scott
Chief Executive Officer
Chartered Insurance Institute
February 2010

Executive summary

This is the opening shot in a debate on how to rebuild trust in UK insurance and financial services – a debate that is core to the mission of the Chartered Insurance Institute to “secure and justify the confidence of the public” in the insurance industry.

Starting with defining the meaning of trust, and how this has changed over past decades, **What we talk about when we talk about trust** provides a new framework for what must be an ongoing debate that will shape the future of trust in insurance and financial services.

Why the CII is involved

As a professional body, we at the CII believe that it's not just reputation at stake. It's the sustainability of the sector, the future growth of a trusted profession, and above all the public interest of all those people and businesses who rely upon insurance and financial services and products in their everyday lives. It is important that we take the lessons of the economic crisis to heart, and that our sector sees the urgent wake-up call as an opportunity to address longstanding problems – rather than retreating behind blame culture and hoping for a return to 'business as usual'.

What 'trust' means today

Trust means a willingness to take on a certain level of risk because of a positive belief in the intentions and behaviour of another person or institution. Generalised trust is different from trust in specific individuals or events; the former is much harder to gain. And trust is not the same as confidence; although trust can inspire confidence, confidence relates more to approval of performance and reliability than trust in a system or actor's intentions or probity.

The perceived 'crisis of trust' and rise of public scrutiny

The idea that we are facing a 'crisis of trust' is not new. But the evidence is mixed, and some criticise the way trust is measured. What is more likely is that we have become more sceptical as a society, which is no bad thing, if it means we have also become a society of more active and capable consumers.

Untrammelled trust, which is not properly grounded in a responsible level of consumer understanding, can be just as detrimental as unwarranted lack of trust – see, for example, the high confidence in mortgage and housing markets that drove real estate prices to unsustainable levels before the crisis. If we want consumers to be better informed and exercise greater responsibility, a discriminating attitude is essential.

The specific problem in financial services

While the 'crisis of trust' may not be as pervasive as doom-sayers would have us believe, there is a real, ongoing problem of distrust in financial services caused by the actual behaviours of some market participants, which has been exacerbated by the crisis and recession. Only time will tell how much damage has been done. Ongoing distrust could be crippling to the industry, to consumers, and to the economy as a whole.

What we can do about it

There is no silver bullet, and it will take time to build trust. Any revival is likely to depend as much on the detailed day-to-day actions of participants as on any single policy or institutional measure. But we have identified five key building blocks that we think are essential to success.

Five keystones of trust

1. Professionalism

Insurance and financial services lacks parity of esteem with 'traditional' professions like law and accountancy. How might higher standards of knowledge and behaviour go beyond compliance to encourage pride in professionalism, a label the public can trust, and better services?

2. Transparency

The sector is notoriously complex, and it has been criticised for being slow to adapt to consumer-centric products and modes of communication. How can products be made easier to understand and information conveyed more simply, without losing diversity and appropriate innovation?

3. Regulation

The knee-jerk reaction to the financial crisis has focused on reform of the regulatory structure. The deeper issue is what the scope of regulatory power should be. Can we learn from changing models of regulation in other professions?

4. Corporate responsibility

Many leading figures in the sector have paid lip service to ethics, integrity, and corporate values. But how can we translate rhetoric into reality and encourage the behavioural changes the public want – from diversity at the top to executive compensation?

5. Outcomes

For citizens, what counts the most is the bottom line. Many say they won't begin to trust the sector until their own personal finances recover – debt, homes, and jobs. How do we encourage a savings culture and a proper understanding of risk?

Next steps

The questions for further research and debate outlined at the end of each chapter provide a starting point for us to design original research, highlight best practices from our sector and other professions, and keep the conversation going.

The next stage of this project will see us working with research partners to focus on the critical issue of professionalism and its potential role in building trust. We will publish our findings and recommendations in the next edition of the trust series.

Call to action

Our aim is to advance the debate about trust, taking it beyond the surface assumptions and claims to contribute practical insights, recommendations, and sustainable solutions. We have a critical role to play, and it can start here. Let's grasp the opportunity.

Introduction: Everyone's talking about it

More than a year after the credit crunch led the country, and the world, into recession, a widespread consensus has emerged amongst the media, politicians, business leaders, pollsters, and pundits. The consensus is that our society has lost trust, and we need to get it back.

Every day there seems to be a new scandal in the papers. If you believe what you read:

- We have lost trust in the entire financial system, from the regulator to the bankers, for taking too many risks, failing to foresee or prevent the crisis, and continuing to dole out handsome bonuses throughout.
- We have lost trust in politicians, for their role in backing the economic model that failed, and for the cushy expense claims which were brought to light in the midst of it all.
- We have lost trust in the police, after high profile incidents of incompetence and gratuitous violence, from de Menezes to the G20 protests in the City.
- And we've lost trust in the media, as we saw scandals rock not only commercial networks but also the publicly-owned BBC, from phone-in scandals to prank calls.

Similar stories could be told for social workers, NHS hospitals, and more.

But trust is a complex concept, and the evidence that we are in the midst of a 'crisis of trust' is far from certain. The current debate assumes that perceptions are reality. It oversimplifies the issues, suggesting that trust is the panacea for all of our problems; yet, the question of how to rebuild trust is rarely broached. The media multiply the problem by clinging to negative stories and encouraging further cynicism, rather than honest assessment.

Consequently, we lack coherent and viable suggestions about what actions to take to redress levels of trust in society. And it is surely what lies behind trust, the qualities, structures and behaviours that encourage and inspire trust, that matter as much as the concept in and of itself.

As the leading professional body for financial services and insurance in the UK, the Chartered Insurance Institute has a key role to play in promoting an open and thoughtful debate on trust in financial services. After all, trust is at the heart of all truly professional services. The intangible 'goods' a professional provides – based usually on a promise of future performance or returns – must be taken on trust. At the same time, 'my word is my bond' is no longer enough.

We hope to advance debates about the state of trust in our sector and how to repair it, where repair is needed. This starts with understanding the broader trends that have characterised our relationship with trust over the past decades, as well as the various conceptions of trust across disciplines and sectors.

What do we talk about when we talk about trust?

Trust is a complex concept, and the evidence that we are in the midst of a 'crisis of trust' is far from certain. The current debate assumes that perceptions are reality.

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There is a big gulf between saying we don't trust others and refusing to place trust, between (claimed) attitudes and action. Bit by bit I concluded that the 'crisis of trust' that supposedly grips us is better described as an attitude, indeed a culture, of suspicion.”

Onora O' Neill ¹

What does 'trust' mean today?

- The definition of trust
- Historical decline?
- Rise of instant information

Trust has long been considered an important facet of a society's economic and political advancement. Many years before the credit crunch, British society was said to face a crisis of trust. Stories about breaches of trust have filled the news for some time, highlighting professional malpractice and scandal. In 2002, Onora O'Neill addressed the supposed 'crisis of trust' in the BBC Reith Lectures:

"there is a big gulf between saying we don't trust others and refusing to place trust, between (claimed) attitudes and action. Bit by bit I concluded that the 'crisis of trust' that supposedly grips us is better described as an attitude, indeed a culture, of suspicion."

It is surprising how true O'Neill's sentiment rings today, even after a massive economic failure, with multiple parties blamed. Indeed, Anthony Seldon highlights the same "toxic culture of suspicion" in his most recent book titled *Trust*.²

There is some statistical evidence that trust in institutions is declining, but many argue that the evidence is inconclusive or biased. Other evidence suggests that levels of trust are staying the same over time. How can we reconcile these findings? Are we sure that we are measuring the same thing – and if so, what does it mean?

The definition of trust

In the context of the recession and the assumed 'crisis of trust', our assumptions may be based on different conceptions of what trust is. 'Trust' itself is a contested term. It means different things depending on whether one is looking at generalised, impersonal trust or trust in specific individuals and personal matters. Conceptions of trust also vary across disciplines, with economists, sociologists and political scientists each defining and analysing trust in different ways.

Economists often relate trust to confidence: trust is the emotional state, not always rational, which allows people to dismiss doubts and contribute to an environment of business confidence. Keynes famously termed this 'animal spirits' – an urge to action spurred on by a sense of trust and fairness.³

Sociologists, on the other hand, have less of an institutional understanding of trust, preferring to focus on the socially embedded properties of relationships among people. To them, trust is a mental belief based on moral choice, perceived honesty, benevolence, and competence. It is the element of collective life that goes beyond the social contract, which is based on self-interest. Emile Durkheim summarised this concept with the statement, "in a contract not everything is contractual," referring to the underlying importance of social forces.⁴

Trust always involves a certain element of risk and a willingness to be vulnerable. If there is no risk, there would be no reason to trust another person or system to act appropriately on your behalf and prevent loss

Political scientists frequently relate trust to civil society and 'social capital', and are concerned with its impacts on macro-level outcomes such as efficient government, political legitimacy, and democratization. They are interested primarily in the way trust facilitates good governance, political participation, and cooperation.⁵

Finally, generalised trust in institutions, like 'financial services' or 'the government', measures fundamentally different attitudes from trust in specific individuals or events, such as 'my bank'.⁶ People have a much harder time trusting institutions than individuals: for example, 91% of the British public would trust their doctor to tell the truth, while only 71% would trust the NHS as a whole.⁷ The CII's own research in June 2009 found that while 40% of people continue to trust 'their bank', only 17% trust 'retail banks'.⁸

Institutional trust must be based on proxies – perceptions that the institution concerned is trustworthy. Attitudes are often based on outward appearances and communication which demonstrates a certain set of criteria, such as a professional qualifications, ethics, and transparency. Personal trust, on the other hand, is largely down to the lived experience, the personal demonstration of alignment of interest. It is about real events and interactions rather than proxies. Perhaps unsurprisingly, trust in individuals is often higher than trust in institutions.⁹

While the way trust is defined and analysed varies considerably, in every conception there are fundamental traits in common. Trust always involves a certain element of risk and a willingness to be vulnerable. If there is no risk, there would be no reason to trust another person or system to act appropriately on your behalf and prevent loss. Another essential element of trust is positive expectations. Under conditions of risk, trust requires a positive psychological state, a degree of assurance, about the intentions or behaviour of another.

A widely held definition of trust across scholarly writing is:

*Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.*¹⁰

Trust may influence confidence, but it is not the same thing. The difference between trust and confidence is that confidence is often based upon attributes that are ascribed to systems or actors by reputation or indirect sources, without the individual necessarily having any personal experience or making a value judgement.¹¹ It has been found that answers to surveys on confidence in institutions, government, the media, etc often reflect approval or belief in the system or actor's competence and reliability, rather than trust in their intentions or probity.¹²

While trust is purported to have been in long-term decline over the past decades, confidence, Keynes' 'animal spirits', has been high over a very long period of time preceding the financial crisis. One of the most striking examples of this is the trust in mortgage and housing markets that drove real estate prices to unsustainable levels before the crisis. How can we explain this apparent fissure between attitudes and behaviour?

1 O'Neill, Onora. 2002. "A Question of Trust: The BBC Reith Lectures 2002." Cambridge University Press.

2 Seldon, Anthony. 2009. "Trust: How We Lost it and How to Get it Back." Biteback Publishing.

3 See, e.g., "Animal Spirits Depend on Trust." 2009. Robert Shiller. The Wall Street Journal. January 27. Available from: <http://online.wsj.com/article/SB123302080925418107.html>.

4 Durkheim, Emile. 1984. The Division of Labor in Society. New York: Free Press: 158.

5 Levi, Margaret and Laura Stoker. 2000. "Political Trust and Trustworthiness." Annual Review of Political Science: 3: 475–507.

6 Kohn, Marek. 2008. "Trust. Self Interest and the Common Good". Oxford University Press: Oxford.

7 MORI. 2003. Trust in Public Institutions. Research conducted on behalf of the Audit Commission: 16. Available from: http://www.ipsos-mori.com/DownloadPublication/1180_sri_trust_in_public_institutions_2003.PDF.

8 All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2064 adults. Fieldwork was undertaken between 29th May– 1st June 2009. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

9 For further information see: Uslaner, Eric M. 2002. The Moral Foundations of Trust. Oxford University Press: Oxford; Fukuyama, Francis. 1995. Trust. The social virtues and the creation of prosperity. Hamish Hamilton: London.

10 Rousseau et al. 1998. "Not so Different after all: A Cross-Discipline View of Trust." Academy of Management Review: Vol. 23, No. 3, 393–404.

11 Svensson, L. 2006. "New Professionalism, Trust and Competence: Some Conceptual Remarks and Empirical Data." Current Sociology 54: 579–593.

12 Ibid.

Historical decline?

There are now decades of findings from the same survey questions which suggest diminished political and social trust in a number of advanced democracies. Some of the most convincing evidence of a decline of trust comes from the World Values Survey (WVS), which has carried out representative national surveys in 97 societies containing almost 90 percent of the world's population.¹³ These surveys show pervasive changes in what people want out of life and what they believe. They chart a striking intergenerational shift: in almost all post-industrial societies, priorities have shifted from an emphasis on economic and physical security toward an increasing emphasis on subjective well-being, self-expression and quality of life.¹⁴

Some argue that these patterns tell us that values have changed considerably, and this has affected levels of trust. The consensus amongst many social scientists is that these major cultural changes have occurred due to rising levels of existential security. Simply put, those born after World War II, amongst fundamentally different conditions than their parents, including remarkable economic growth and the welfare state, grew up believing that their survival was secure. As a result, this cohort prioritises values beyond survival, like subjective well-being, individual freedom, and self-expression. At the same time this cohort has shifted away from automatic deference to external authority, like the Church, government, and elites. The research suggests that, without the immediate need for protection, people are less likely to trust strong authority figures without question.

Others disagree with this interpretation. The WVS and similar surveys have been subject to criticism for conflating trust with caution. This is because these surveys use the same question to measure general levels of trust, a question which first appeared in a paper published in the American Sociological Review in 1965.¹⁵ The question reads:

Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?

- Most people can be trusted
 Can't be too careful

Gradually, this question has become the default for measuring general levels of trust. Critics allege that the question does not ask respondents to choose between trust and distrust; rather, respondents choose between trust and caution.¹⁶

There is good reason to believe that trust and caution are not opposites. It is possible to believe that most people can be trusted, and at the same time that it is sensible to be cautious.

There is good reason to believe that trust and caution are not opposites. It is possible to believe that most people can be trusted, and at the same time that it is sensible to be cautious. The latter part of the question might be interpreted as an assessment of an individual's willingness to take risks. If so, this complicates the findings, because risk aversion differs by gender, age, the level of crime in a particular area, and many other factors including differences over time. If present, this distinction may undermine a great many past studies which point to a decline in social trust, because the trend may instead be pointing to an increase in caution and related increase in suspicion.

Despite these criticisms, theorists have yet to converge on the best alternative method for measuring trust. O'Neill has suggested that measuring people's actual behaviour – e.g. their use of banks and financial services – is a better indication of trust than generalised survey questions.¹⁷ The issue is likely to become more important as we notice that attitudes expressed in a survey may not match up to behaviours and actions in practice.

Rise of instant information

Regardless of how much trust has declined in recent years, one thing is certain: the 'golden age' of blind trust in the experts is gone, if it ever existed. The emergence of new values emphasising individualism over authority has occurred alongside exponential growth in technology over the past quarter of a century. The Internet revolution has facilitated the unparalleled availability of vast amounts of information, instantly. Members of the public are now able to put claims of professional expertise under ever-sharper scrutiny, tilting the balance of information asymmetry that has traditionally defined the professional-client relationship.

The traditional doctor-patient relationship, for example, is shifting as patients become much more engaged and knowledgeable, self-diagnosing online and seeking a second opinion. A similar story can be told for the legal and accounting professions, with many simple forms and instructions now available on the Internet, for example, 'do-it-yourself' wills and online tax returns.

Rising public scrutiny is a reality, and it is a positive development – to a degree. Societies are more democratic than ever before, and levels of knowledge are increasing across the board. Amidst the constant stream of information we receive every day, the ability to filter what is important – the natural function of expert advice – is more valuable than ever. In this brave new world, professionals must continue to evolve higher standards in order to compete in the global marketplace, maintain relevance, and play their imperative role as our expert class. This is an evolution which we believe is good for professionals, who can take pride in their work and support its long-term sustainability, and good for the public, who can expect access to better services and advice than ever before.

¹³ The WVS is a worldwide network of social scientists studying changing values and their impact on social and political life, in collaboration with the European Values Study (EVS). The American General Social Survey (GSS) is another important source of data (although not necessarily relevant to the UK). It has been measuring trust annually since 1972.

¹⁴ In order to monitor these changes, the EVS/WVS has executed five waves of surveys, from 1981 to 2007. The World Values Survey data and publications are available online: <http://www.worldvaluessurvey.org/>.
¹⁵ Rosenberg, Morris. 1965. "Misanthropy and Political Ideology." *American Sociological Review* 21: 690-95.

¹⁶ Miller, Alan and Tomoko Mitamura. 2003. "Are Surveys on Trust Trustworthy?" *Social Psychology Quarterly*: Vol. 66, No. 1: 62-70; Yamagishi, Toshio and Midori Yamagishi. 1994. "Trust and commitment in the United States and Japan." *Behavioral Science*: Vol. 18, No. 2: 129-166.
¹⁷ Ibid. 2002.

The special case of financial services

- CII research
- Perceptions v behaviour
- Consumer trust and markets

The debate about declining trust in institutions is only part of the story. There is a specific and longstanding problem with cynicism and distrust in financial services.

The industry's poor image stems from behaviours that are perceived to fall short of acceptable standards in parts of the industry, including high profile and systemic product mis-selling, and associated deeply embedded negative views on the industry on the part of the media. As a result, consumer trust in the industry, and particularly confidence in investment and long-term savings products, has long been low. A survey undertaken for the FSA in 2005 found that 43% of consumers are not confident that financial products will provide for their long-term future.¹⁸ Compare this to other sectors: 90% of people are satisfied or very satisfied with the way doctors do their jobs.¹⁹

Financial services has a triple problem, over and above other professions such as law or medicine. The sector is mostly selling against a future promise, delivery of which depends on changes in the economic environment and external events. In addition, consumers' circumstances may change over time. Finally, successful performance is largely dependent on the knowledge and motivation of those making the initial sale (professionalism). For these reasons, generalised trust in the sector is a high hurdle, and change will not happen overnight.

Low confidence in financial services has been exacerbated, at least temporarily, by the current recession. Yet, again data fails to confirm the consistent and significant decline in trust that many people assume.

Major surveys undertaken before and during the recession have found:

- Over a third of people (37%) think that banks can't be trusted to act in the best interests of the UK economy. (Which? 2009)²⁰
- Trust in the finance industry dropped 5% in the first half of 2009, with 71% of consumers stating that they did not trust the industry and one in ten consumers pronouncing a complete distrust of marketing information supplied by banks. (DMA Financial Services Tracking Study 2009)²¹
- Since 2007, trust in banks to do what is right has plummeted 20 points from 41% to 21% in the UK (Edelman Trust Barometer 2010)²²

43% of consumers are not confident that financial products will provide for their long-term future.¹⁸

At the same time:

- The Financial Services Research Forum published a report in May showing that levels of trust had remained stable throughout the crisis. In some cases, the financial services industry even ranked higher than supermarkets, the BBC or the NHS. (FSRF 2009)²³
- Despite 54% of consumers agreeing that they lost trust in their primary bank since the financial crisis, and 64% lost trust in the entire industry, rates of trust in primary banks remain at a very high 72%. (Datamonitor 2009)²⁴
- Banking brands still hold far more trust than supermarket brands when it comes to managing personal finances: just 4% of people would trust a supermarket more than a bank to look after their money. (moneysupermarket.com 2009)²⁵

Again, the evidence is somewhat contradictory. It indicates that consumers are differentiating between generalised and individual trust. Generalised trust in any financial services sector, whether it is IFAs or banks, is low, but personal trust in 'my IFA' or 'my bank' remains high. In their November 2009 report for the FSA, Jackie Wells and Mary Gostelow suggest that low levels of generalised trust might act as a barrier to engagement where individuals are not already active, or might act as a barrier to switching, whereas higher levels of personal trust sustain existing relationships.²⁶

This raises the question, how much has or will this generalised distrust translate into behavioural change for consumers? Going back the meaning of trust, what is the more important measure – perceptions or behaviour?

CII research

In order to examine into these issues more deeply, the CII undertook our own research in June 2009, commissioning YouGov to carry out a nationally representative survey.²⁷ We surveyed over 2000 adults across the UK to get a broad picture of how the recession might be affecting levels of trust in the financial services industry and various types of institutions. The survey found that one in five (21%) of UK consumers believe they will never trust financial services again.

While some financial services institutions are suffering as a result of the recession – as one might expect, trust in investment companies stands at a mere 8% – levels of trust are not uniformly poor across the board (Figure A). Two in five people still trust their own bank 'a great deal' or 'quite a lot'. In our sector, about one in five consumers say that they trust general insurance providers (22%) and financial advisers (18%) a great deal or quite a lot. While this represents higher levels of trust than other institutions, for example the UK government, the results still paint a bleak picture.

Some of the variation in levels of trust that we found may be the result of low public knowledge of or contact with some of these organisations. The types of organisations compared here are very different, with some much less visible to the general public. It is likely that the average man on the street knows comparatively little about, for example the Quality Assurance Agency for Higher Education (QAA). The same could be said for investment companies; many people have little or no personal experience of investment banks. A survey of those people who have investments (as opposed to savings) might find the level of trust to be much higher.

¹⁸ IIF Research. 2005. Consumer survey on behalf of the FSA. October. In FSA's Financial Risk Outlook 2006. Available from: http://www.fsa.gov.uk/Pages/Library/corporate/Outlook/fro_2006.shtml.

¹⁹ MORI. 2004. "Opinion of Professions: How Well Do They Do Their Jobs?" Data available from: <http://www.ipos-mori.com/researchpublications/researcharchive/poll.aspx?oltemId=14&view=wide>.

²⁰ Which? 2009. "Banks fritter away their trust fund." Available from: <http://www.which.co.uk/about-which/press/campaign-press-releases/personal-finance/2009/02/banks-fritter-away-their-trust-fund.jsp>.

²¹ DMA. 2009. Financial Services Tracking Study. 12 October. Available from: www.dma.org.uk.

²² Edelman. 2010. "Trust Barometer 2010." 26 January. Available from: <http://www.edelman.co.uk/trustbarometer/>.

²³ The Financial Services Trust Index. 2009. Christine T Enew. Financial Services Research Forum. University of Nottingham. May 2009. Available from: <http://www.theforum.co.uk/Documents/WhitePapersReports/Public/TrustIndex.pdf>

²⁴ Datamonitor. 2009. "Rebuilding Consumer Trust in Day-to-Day Banking." Data from global consumer FSCI survey. Available from: http://www.datamonitor.com/store/Product/rebuilding_consumer_trust_in_day_to_day_banking?productId=DMFS2392.

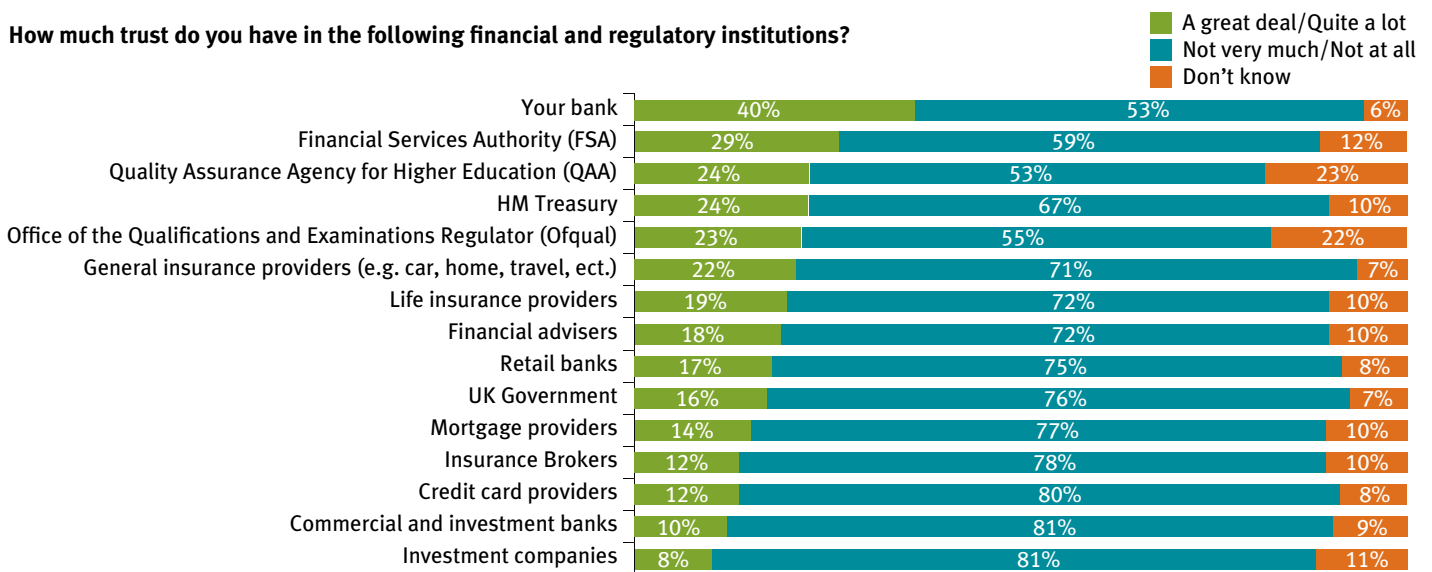
²⁵ Opinion Research carried out an online poll of 2012 British adults for moneysupermarket.com in October 2009. Available from: <http://www.moneysupermarket.com/c/press-releases/study-reveals-consumer-attitudes-towards-supermarket-banks/0007184/>.

²⁶ Wells, Jackie and Mary Gostelow. 2009. "Professional Standards & Consumer Trust." A summary of existing research prepared for the Financial Services Authority. November. Available from: <http://www.fsa.gov.uk/pubs/other/psct.pdf>.

²⁷ All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2064 adults. Fieldwork was undertaken between 29th May-01st June 2009. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Figure A: The recession and trust in institutions

How much trust do you have in the following financial and regulatory institutions?



Source: CII/YouGov 2009

Perceptions versus behaviour

It is unclear how much the perceived lack of trust in financial institutions translates into consumers ‘voting with their feet’. Disengagement with financial products could have the effect of widening the protection gap, lowering rates of pension saving, reducing investment returns as individuals leave cash in liquid current accounts, and other longstanding implications for financial capability. To what extent do we see evidence of this occurring?

The same CII survey asked whether people were changing their behaviours as a result of recent events (the banking crisis and recession). We found that the recession has impacted how people manage their personal finances (Figure B). One in four (25%) have sought to pay off their credit cards and/or personal loans as a result of recent events in banking over the past few months. One in ten have reduced their regular savings, although slightly more say that they have increased savings (12%). Nearly one in ten (9%) say that they have obtained financial advice to help them through the recession.

Figure B: The recession and behavioural change

In the light of recent events in banking over the past few months, what steps have you taken regarding your own personal finances?



Source: CII/YouGov 2009

The question did not ask respondents to link any changes they may have taken to a lack of trust in the sector. However, we can make some cautious assumptions about how this behaviour may be associated with trust – while also acknowledging that there may be other reasons for the behaviour, most importantly the state of the economy. The only behaviour we surveyed which could imply significant distrust in the sector is ‘withdrawn any savings and kept it as cash’. Only 4% reported taking this action (Figure B), despite most respondents reporting low levels of trust in financial institutions (Figure A).

Our findings are consistent with Datamonitor’s research, which found that global levels of trust in day-to-day banking providers have not been affected by the recession to the extent assumed,²⁸ as well as research conducted by moneysupermarket.com which shows that banking brands still hold far more trust than supermarket brands in terms of managing personal finances.²⁹ Furthermore, Datamonitor found that even those consumers who indicated a complete loss of trust in primary banks were no more likely to change their primary bank or even investigate products from other banks than those who had not lost any trust in their bank.

An open door

It's not all doom and gloom. If a link exists between trust and consumer preference for financial services products, the market is wide open for an appealing proposition, based on transparency.

Good thinking

Financial services is often considered to generate low engagement from consumers, but nearly two thirds actively managing their finances represents an opportunity for the industry.

Consumer trust and markets

While consumers do not appear inclined to take actions that align with their stated attitudes towards financial services, a distrustful environment almost certainly leads to expensive, sometimes irredeemable, problems. Consumers may not disengage with the sector, or even change their banks or financial products, but they may be likely to spend or invest less as a result of a culture of distrust and fear.³⁰ As a result, companies and industries may rein in their spending and cut back employment, and so the vicious cycle continues.

The emotional state of consumers (Keynes' 'animal spirits') helps explain the booms and busts of the market cycle, including how we got into the recession in the first place. Swings in confidence create new markets and drive decision-making. For example, economists have argued that the fateful switch in the U.S. 2000-2007 from equities to investment in real estate (and credit) was partly caused by loss of faith in corporate accounting following the Enron scandal.³¹

Only time will tell just how much consumer trust has been damaged by the financial crisis, if at all. What those in the financial services sector do now may make the difference in preventing permanent harm.

We can characterise the main needs to be:

- improving levels of generalised trust
- doing all we can to ensure that delivered outcomes inspire trust
- minimising the likelihood of events that damage trust and any repeat of mis-selling or scandal, and
- improving the standing of the insurance and financial services sector as a whole.

There is no silver bullet, and it will not be easy. But in setting out our thinking on trust, we have identified a series of building blocks that we think are essential to success.

The rest of this paper is devoted to discussing these keystones to building trust in the sector, which we define to be: professionalism, transparency, regulation, corporate responsibility, and outcomes, and outlining a framework for further discussion over the next year and beyond.

²⁸ Datamonitor 2009.
²⁹ Opinion Research 2009.

³⁰ See, e.g., the spending and investment cutbacks highlighted in YouGov's July 08-July 09 survey, "Where and what next for financial behaviours?" Available from: <http://www.yougov.co.uk/extranets/yg/pdf/specialisms-financial-debtrack-ag.pdf>.

³¹ Akerlof, George and Robert Shiller. 2009. *Animal Spirits – How Human Psychology Drives the Economy and Why it Matters for Global Capitalism*. Princeton University Press.

1 Professionalism

- The meaning of ‘professionalism’
- The best regulation?
- Claiming a stake in society

Trust and professionalism have been inextricably linked for centuries. Professional labels are in effect a proxy for trustworthiness, a signal for a set of behaviours that consumers should be able to rely upon for consistent, high-quality services. In the ideal world we would have a direct representation of these professional values, like ethics, integrity, benevolence, and competence. Instead we use professional designations to symbolise a guarantee of high standards and strong institutional constraints, subject to strict regulation.

This association is now being questioned more than ever before. The answer often suggested is ‘more accountability’, and more regulation. Yet this raises additional questions: who sets the targets? Who regulates the regulator? Could more complex systems of accountability and audit actually damage trust, and reduce time practitioners spend with clients? ³² To what extent are relationships between professionals and the public being replaced by bureaucracy, target-setting, and hierarchy?

The meaning of ‘professionalism’

There is no one, universal definition of ‘professionalism’. It has various meanings. It can refer to traditional professions such as medicine and law, but it is also used to describe expertise or competency in any field – hence the ‘professional sales staff’. Or it can refer simply to someone who is paid rather than amateur or voluntary – the ‘professional footballer’.

The basic consensus, however, is that there are a few characteristics which set professions apart from other occupations – and these have been around since the Victorian ages, when the first professions were formed out of the social clubs and guilds of old. ³³

These characteristics are:

- Standards of knowledge – A first degree followed by a period of further study or professional training, although other routes to the professions are certainly possible (as is often the case for insurance). A professional keeps up his competence in technical knowledge through continuing education (CPD).
- Standards of behaviour – Commitment to a Code of Ethics and a professional body setting and overseeing standards to achieve the highest quality services.

And the last tenet of professionalism:

- A duty to the public interest – Most professions have a special duty to promote the common good. They are our ‘expert’ class, and without them society would be left without guidance in so many aspects of our day-to-day lives – from birth to education, legal and financial affairs, the built environment, business management and employment, and physical and mental health. As a result they have a relationship with the client that goes beyond the purely commercial.

Because professionals have such a major role in our society, helping us make critical decisions in areas that lie in their realms of expertise, it is essential the public interest is always at the core of professional practice. The relationship between professional standards and the public interest is complex, and varies from one profession to another. For example solicitors have a responsibility to uphold the rule of law, even if this conflicts with the interests of the client. For financial services staff, the role of the public interest may be less clear cut. The bigger issue may be ensuring the growth and maintenance of long-term public trust in the brand concerned.

There is a strong view that more can and should be done to raise standards of professionalism in insurance and financial services. For example, in its 2007 Financial Risk Outlook, the Financial Services Authority (FSA) said of financial advice and the financial services industry, “The practitioners’ perceived lack of professionalism is creating a real risk that consumers will not engage with the industry during the very time they need to do so.” ³⁴

Insurance and financial services professionals do not enjoy parity of esteem with the likes of doctors or solicitors in the public’s mind. Yet just as society needs a legal profession which adopts high standards of integrity and professionalism, working to uphold the rule of law and the proper administration of justice, society also needs – to take one example – an insurance profession which adopts their own high standards of integrity and professionalism, working to provide security and peace of mind in the face of potentially catastrophic losses and freedom from liabilities for businesses so that they can grow and innovate.

Professional bodies have a significant role to play here. The Chartered Insurance Institute’s efforts in the savings sector have been highly influential in the FSA’s Retail Distribution Review (RDR), encouraging a renewed focus on professionalism in the sector. The RDR aims to produce a ‘step-change’ in the quality of financial planning and advice by raising the level of minimum qualifications; making ethics and CPD compulsory; introducing disciplinary procedures for those who fail their customers; and, supporting membership of a professional body. ³⁵

As the CII continues to support higher standards of professionalism in the sector, the traditional professions such as solicitors and accountants are natural aspirational models of comparison. But we continue to look forward. The lessons learnt from recent developments in other professions highlight a changing model of twenty-first century professionalism, from new approaches to accounting post-Enron to the move towards multi-disciplinary services in the legal profession.

The best regulation?

Many professions today find themselves in a challenging position, balancing multiple forms of external oversight while still upholding their own standards of knowledge and behaviour. Each profession has their own powerful, specific traditions. Yet each also has the same duty to the client or customer, the same duty to act as trustees for the values inherent in that profession, and the same responsibility to future generations.

In recent years we have seen that most systems of professional self-regulation have undergone reform and upheaval. Professor Michael Moran has called this the 'crisis of club government'.³⁶ He argues that governments have responded to changing social attitudes, and perceived institutional failings, by extending the reach of government control through regulation.

Professions have had to demonstrate how they can continue to benefit the wider community in the face of those allegations of self-interest: "chaps regulating chaps", a lack of genuine consumer focus, elitism and inadequate diversity, irrelevance in the Internet age and unfair barriers to market entry. In his 2009 review of the regulation of legal services, Lord Hunt agrees that an integral part of modern professionalism is the acceptance that our experts should be subject to public scrutiny.³⁷

Yet the recent example of the FSA's widely-perceived failure to regulate the banking profession surely highlights the need for a considered debate about the limits to regulation. CII research conducted by YouGov found that three-quarters (77%) of the public say that real and demonstrable commitment to professional ethics would help them regain trust, and 69 per cent say that making continuous learning and development mandatory would help rebuild trust.³⁸ How might professionalism and the culture it reinforces be an important form of internal regulation, complementing external oversight?

While regulation of firms, brands, codes of conduct, professional standards and disclosures act as mechanisms to support trust in financial services markets, codes of conduct and professional standards are not standardised across the sector. Going forward, if universal standards are required to build trust in the sector, would they be better promoted and enforced or by internal culture or legal compliance? What might be the appropriate balance of stakeholders' interests in the regulatory regime of the future?

Claiming a stake in society

Insurance and financial services face a particular challenge because they are poorly understood by the public. Many professionals in the sector do not have opportunities to interact with the public frequently, making it hard to build personal ties and trust. This is particularly relevant because much research has borne out the notion that remoteness breeds contempt.

Professionalism is about more than delivering good services. Decision-making processes and interpersonal relationships play an equally important role. Raising standards of professionalism is not only about competence and performance, but ethics, transparency, and responsibility. These will pay out different, but equally important, dividends: greater public willingness to engage with the profession, more confidence in its services, and an expanded marketplace, ultimately leading to even higher standards and more talent being attracted into the sector.

There is a greater societal role to consider. Professionals are our expert class, and they play an important role in public life, helping us make decisions about highly technical matters. In a society where the importance of faith has decreased, and political leaders' authority eroded, professionals have the potential to play an even larger role as one of society's 'checks and balances' – if they are trusted as honest, competent, and consistent.

Professionalism is about more than improving standards within the sector. It is also about improving the capability of customers to better understand what is on offer and exercise informed choice. Scepticism is a good thing – to an extent. Sceptical citizens – and customers and clients – push standards to higher levels and play a certain role in monitoring and oversight. Scepticism becomes more harmful when it is not justified, and limits complex institutions' capacity to perform vital services in the public interest.

In the case of insurance and financial services, scepticism will be countered by positive interactions and outcomes, and it will also be countered by the industry's ability to explain itself better to the wider world, particularly those who are not yet consumers. The view of financial services from the average man on the street today is powerful, self-serving, and irresponsible. The reality is that the financial system, including banks, building societies, insurance, and much more, is vital to the economy and to society. In order for the sector to rebuild its relationship with the public, it must make the case better – by taking a stand on topics that show the value of insurance and financial services to the public and the critical role it plays in aspects of everyday life.

Questions for further research and debate

- How might professional culture facilitate change which complements, and even transcends, external regulation?
- What role might increased professionalism, professional codes of conduct, and ethics play in increasing trust in the financial services sector?
- To what extent could or should professionalism be seen as a mechanism of social order and control, alongside government and regulators?
- What role might the Internet and new forms of communication play in creating or undermining trust in professionalism?

³² Evetts, Julia. 2005. "The Management of Professionalism: a contemporary paradox." ESRC Teaching and Learning Research Programme. Available from: <https://www.kcl.ac.uk/content/1/c6/01/41/71/paper-evetts.pdf>.

³³ See, e.g., definitions given in: Langlands, Sir Alan. "Gateways to the Professions." 2005. Department for Children, Schools and Family. Available from: www.dius.gov.uk/...professions/.../Gateways_to_the_Professions_Report; Lord Benson. 1992. "Criteria for a group to be considered a profession" as recorded in Hansard (Lords) 8 July, 1206-1207.

³⁴ FSA. 2007. Financial Risk Outlook 2007. Available from: http://www.fsa.gov.uk/pubs/plan/financial_risk_outlook_2007.pdf.

³⁵ For further information please see: "RDR: Guiding the Profession". 2010. Personal Finance Society (PFS) website: <http://www.thepfs.org/pages/memberservices/RDR.aspx>.

³⁶ Moran, Michael. 2003. The British Regulatory State, High Modernisation and Hyper-Innovation. Oxford University Press.

³⁷ The Hunt Review of the Regulation of Legal Services. 2009. Rt Hon Lord Hunt of Wirral. October. Available from: <http://www.legalregulationreview.com/files/Legal%20Regulation%20Report%20FINAL.pdf>.

³⁸ CII/YouGov 2009.

2 Transparency

- Complexity
- Financial capability
- Lessons from behavioural finance?
- New forms of communication

Modern society is more and more transparent. The public has access to unprecedented amounts of information. In a world where Google is digitizing everything, insurance and financial services are behind the curve. Yet financial markets are increasingly complex, and the factors underlying their success or failure are increasingly complex too. Consumers face a bewildering array of products – without transparent pricing or fees. In order to remain relevant and gain the consumers' confidence, the industry must simplify, disclose, and communicate responsibly, without jargon, in a manner sensitive to the wider social context.

There is a delicate balance between simplifying and over-simplifying. Many agree with the view of Stephen Green, UK chairman of HSBC and an ordained priest, who calls for, “eliminating various structured and complex products that had no real economic value.”³⁹ At the same time, what about choice? Don't consumers need and want a wide range of products and services? How do we reconcile the need for variety with inherent desire for simplicity?

Nearly half of consumers (48%) say that they do not understand financial products, putting their faith in the person selling them the product.

Complexity

The financial services sector is notoriously complex. There is no better illustration of this than the long list of purported causes of the financial and economic crisis: global macroeconomic imbalances; loose credit conditions; dangerous over-trading in parts of the financial sector; over-clever risk management; pro-cyclical capital regimes and accounting standards; and short-termist compensation structures.⁴⁰

Financial products are complicated to understand. Even those working in the sector lacked a good understanding of the highly complex financial instruments they were wielding in the run-up to the financial crisis – as Warren Buffett (now) famously warned of ‘financial weapons of mass destruction’ in 2003.⁴¹ How, then, can consumers be expected to steer a straight course?

Some believe that the sector should focus more on the customer experience, and less on innovative products. Former investment banker Philip Augur predicts that in the future, “Innovative ideas will be scrutinised much more carefully to cross-check the risks they carry for their providers and the benefits they bring to customers”.⁴² Demand for sophisticated products may fall, and the pace of innovation ease temporarily. Instead, consumers are sending a clear message for a different kind of innovation: products they can understand, with benefits clearly communicated by people they can rely on to deliver.

Financial capability

A fundamental prerequisite to transparency in the sector is that the general public has a reasonable level of financial literacy, a basic understanding of financial services and products. Without this, all the transparency in the world will mean little to the average man on the street, and will do even less to build back trust.

CII research undertaken in the midst of the recession (June 2008) found that nearly half of consumers (48%) say that they do not understand financial products, putting their faith in the person selling them the product. The same research finds an overwhelming demand for more financial education: 96% agree that basic financial literacy should be taught in schools. This figure stands in stark contrast to the 54% who deemed financial education necessary before the recession, in 2004, highlighting the effect that economic difficulty can have on consumers' appreciation of financial understanding.

One of the ways that the FSA has been addressing financial capability, along with help from many practitioners, is the new Money Guidance service which will provide entry level generic financial advice to consumers. Last year, CII research found that 45% of consumers saw themselves or their friends or family as likely to use the service. We are pleased that, after successful pilots, the service will be rolled out nationally from spring 2010. This initiative, if properly implemented, has the potential to improve public access to financial services and help restore public confidence in the sector.

This new agency is a starting point we can build on. It is an opportunity to help enable consumers to discriminate more sharply between those products and people that are worthy of trust and those that are not, rather than encouraging people to be more trusting generally.

Lessons from behavioural finance?

Behavioural finance is an emerging field of research which assumes that investors are not rational – e.g., investors tend to buy when the market is high and sell when it is low – and seeks to explain why. It has become increasingly popular as an instrument to explain the problem of complexity in personal finance. The discipline incorporates elements of classical finance, economics, and psychology and uses social, cognitive and emotional factors to understand the economic decisions of consumers, borrowers, and investors and their effects.

Behavioural finance confirms what many would see to be common sense: more choice and more information can be overwhelming to consumers, and counterproductive. The following experiment illustrates:

A stall was set up in a supermarket for jam tasting. On one day the stall had twenty-four jams, and on a different day only six jams. Although the stall with more jams attracted more attention (60 per cent of the people passing by stopped, compared with only 40 per cent for the small-selection stall), of the people who stopped only 4 per cent at the stall with the extensive selection subsequently bought a pot, whereas 30 per cent of the people who stopped at the small selection stall went on to buy a pot.⁴³

This study suggests that the insurance and financial services sector might consider making efforts to ensure that consumers are not bombarded with too much information or long manuals – in so much as regulation allows. Simple changes like limiting the options available on standard forms and literature, listing information about further options separately or upon request, might make a big difference in helping more people understand financial services, and providing access to the services and products they need and want. It would also point to reducing the range and number of financial products generally.

Already the FSA and others are taking some of these lessons on board, and exploring further applications of the discipline. In 2008 the FSA published the consumer research report “Financial Capability: A Behavioural Economics Perspective”, and stated that it would be incorporating behavioural impact into its cost-benefit analysis for financial capability initiatives.⁴⁴ The Financial Secretary to the Treasury also commented on the need for the right incentives to encourage savings, and the role that behavioural economics might contribute to this decision-making.⁴⁵

A survey by the British Insurance Brokers' Association revealed that 84% of insurance buyers felt that details of policies offered via price comparison websites were confusing.⁴⁶

New forms of communication

While levels of financial capability need to be raised across the board, and some changes made to products and pricing, equally transparency is about communication. There is need for the industry to communicate as openly as possible, and explain why certain actions are taken, as a basic prerequisite to regaining trust. The language of financial services should be accessible, not alienating.

The Internet is a good place to start. The participatory web – collaborative, user-generated content like blogs, wikis, and social networking (“Web 2.0”) – is replacing many authoritative institutions. Edelman’s Trust Barometer 2008, a global survey across all age groups, found that people rely on people like themselves as much as authenticated experts for information they trust. Trust in a “person like me” is 58% while trust in financial or industry analysts, academics, and doctors or healthcare specialists is 57%, 56%, and 55%, respectively.⁴⁶ The financial services sector is some way behind others in the commercial world in its ability to utilise the power of social networking and user-generated content successfully.

There are now comparison sites aplenty. While aggregators can save consumers money, they typically focus on price above all else, including content and service. This can cause serious consumer detriment. Indeed, a survey by the British Insurance Brokers’ Association revealed that 84% of insurance buyers felt that details of policies offered via price comparison websites were confusing.⁴⁷

Looking beyond these straightforward comparison sites to the next stage of online sales and services, we may soon see Amazon-type ratings systems, a renewed focus on customer service as well as cost, and increasingly sophisticated applications emerging. Insurance and financial services could play a major role in developing and making the best use of promising new trends. As such technologies continue to grow, the industry’s presence and engagement with customers online could make or break reputational issues.

Questions for further research and debate

- How can products and pricing be made simpler, and easier for consumers to understand?
- Can regulation be shaped to reward those who offer consumer-friendly products and services?
- What lessons might we learn from the emerging field of behavioural finance?
- What changes does the sector need to make in terms of communicating transparently in today’s world?

³⁹ Green, Stephen. 2009a. “Restoring Governance and Trust.” Speech to the British Bankers’ Association, Annual International Banking Conference. 30 June. Available from: <http://www.bba.org.uk/content/1/c6/01/61/96/BBA%20Restoring%20Governance%20and%20Trust%20Stephen%20Green.pdf>. 40 Ibid.

⁴¹ “Buffett warns on investment ‘time bomb’.” 2003. BBC News. 4 March. Available from: <http://news.bbc.co.uk/1/hi/business/2817995.stm>.

⁴² Quoted in “Twenty twenty vision: 20 years of the Financial Services Survey.” 2010. CBI/PriceWaterhouseCoopers. Available from: <http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/0331676a8f1efa0d802576a9003fbaa8?OpenDocument>.

⁴³ Iyengar, Sheena and Mark Lepper. 2000 “When choice is demotivating: Can one desire too much of a good thing?” in *Journal of Personality and Social Psychology*, 79: 995–1006.

⁴⁴ FSA. 2008. “Financial Capability: A Behavioural Economics Perspective.” Prepared by David de Meza, Bernd Irlenbusch, Diane Reyniers, London School of Economics. July. Available from: <http://www.fsa.gov.uk/pubs/consumer-research/crpr69.pdf>.

⁴⁵ Timms, Rt. Hon. Stephen MP. 2009. Speech made by the Financial Secretary. “SMF seminar – Behavioural Economics & Personal Financial Services.” 9 February. Available from: http://www.hm-treasury.gov.uk/speech_fst_090209.htm.

⁴⁶ Edelman. 2008. “Trust Barometer 2008.” Available from: <http://www.edelman.co.uk/trustbarometer/files/trust-barometer-2008.pdf>.

⁴⁷ “BIBA Calls on FSA for Immediate Review of Regulation of Comparison Sites.” 2008. Available from: <http://www.biba.org.uk/MediaCenterContentDetails.aspx?ContentID=388>. 21 January.

3 Regulation

- Structure versus remit
- Insurance regulation
- Lessons from other professions

Improved financial regulation must be an integral part of building back trust. Consumers want to see that the old system, which failed to predict or stop the financial crisis, is replaced with a stronger and more effective model. The major challenge will be devising new financial structures that allow appropriate financial innovation to progress while also preventing new systemic problems.

This challenge cannot be met by quick fixes or knee-jerk responses. Regulators are easy scapegoats: when times are good, they are criticised for over-regulating and getting in the way of business. For example, in 2005 then Chancellor Gordon Brown slated the FSA for over-regulation in his speech to the CBI, calling for a new model based on: “no inspection without justification, no form filling without justification, and no information requirements without justification, not just a light touch but a limited touch.”⁴⁸ In times of crisis and turmoil, like now, they are accused of dropping the ball and not controlling the institutions for which they are responsible.

How do we ensure that market intervention, from the regulator if not the Government, that is intended to protect consumers will allow sufficient innovation and competition to develop?

But just how much should we rely on the regulator to ‘control’ markets? When markets are going up, should a regulator stop them? How do they decide it’s a bubble – how can anyone? And does the average man on the street understand any of this?

Our view is that regulation for conduct of business should be considered in a wider context, taking into account the potential roles that other, non-regulatory measures like professionalism and self-regulatory organisations (SROs) can play in cooperation with traditional regulation. In addition, any regulatory framework should carefully consider the differences between financial institutions and in particular between banks and insurers and their different approaches to risk.

Structure versus remit

The debate about financial regulatory reform has become highly politicised in the run-up to a general election in 2010, and the views of consumers largely excluded. Currently, proposed reforms focus on the structure of regulation over the more substantive questions of remit. How will reforms address the capability of the regulator to oversee and enforce regulations? Whether the regulators sit at the FSA or the Bank of England, the key question for consumers is what new powers the regulator will be given to prevent a future crisis, or how the regulator can use existing powers more effectively. As former European Commissioner for Consumer Affairs Meglena Kuneva said in her April 2009 speech “Restoring Consumer Trust in Retail Financial Services”, “laws and principles are only as good as their enforcement.”⁴⁹ Or indeed, their power of prevention.

Some argue that banks must become much simpler entities – the so-called ‘narrow bank’. The pros and cons of narrow banking, in which retail deposits are secured on safe assets such as government bonds, have been hotly debated in the UK.⁵⁰ The narrow banking model would see separate institutions (finance houses) invest in risky products, taking away the ‘moral hazard’ incentive from banks, and the potential for another financial crisis to affect people’s savings. Critics argue that this is not a realistic way to achieve stability in today’s world, where markets are interconnected across both geography and products.⁵¹

The Conservative Party set out its plans in a white paper on financial services regulation in July 2009.⁵² Entitled “From Crisis to Confidence: Plan for Sound Banking”, the paper announces that the Conservatives would abolish the FSA and remove the tri-partite relationship. It instead proposes a “twin peaks” approach consisting of prudential regulation by a reformed Bank of England and consumer protection by a new Consumer Protection Agency. While this may be seen as a fundamentally different approach from the Government’s stated intentions (outlined in a white paper also published in July 2009),⁵³ some, like the CBI, counter that many of the big questions remain unanswered, and the main concerns should be about “what regulators do, not where they sit.”

A fundamental question remains about the scope of regulatory power. The Government has undertaken unprecedented interventions in the UK banking sector following the financial crisis, including the full and part nationalisations of banks. Because these interventions were widely regarded as necessary, concerns that they could distort the market and affect competition have not been a priority. Financial markets became a ‘national security’ issue. Going forward, as such concerns continue to be raised, how do we ensure that market intervention, from the regulator if not the Government, that is intended to protect consumers will allow sufficient innovation and competition to develop?

Insurance regulation

Insurers have not been affected by the financial crisis in the same way as banks: unlike banks, insurers do not take deposits and do not play a role in the monetary or payment systems. Yet the role of insurance in the financial crisis has been subject to speculation by policymakers around the world. The perception held by some that insurers are a source of systemic instability may be heavily influenced by the high-profile bailout of the world's largest insurance company, American International Group (AIG).

AIG was the exception to the rule. Most classic insurance risks are real events, rather than financial risks, and thus typically not correlated or likely to lead to systematic instability. They can be safely limited in aggregate by pooling the risks of a large number of individual policyholders in a well-functioning insurance market, as opposed to financial risks which are often correlated, and thus not insurable through the risk pooling mechanism. AIG is an example of this, having allowed itself to become involved in the sale of financial insurance via credit default swaps (CDS).

Proposed reforms to the UK banking sector would affect the whole financial sector (including insurance), and there is much uncertainty over what this reorganisation would mean for insurers. Many argue that extending the scope of banking regulation to insurance could reduce the efficiency of risk pooling by insurers, constraining their ability to promote growth and stability, and increasing the cost to consumers.⁵⁴

The insurance industry could play a major role in supporting economic recovery and growth. For example, as public finances are squeezed, there may be a greater role for private insurance to cover individuals' needs in areas such as healthcare. In order for insurance to play this role, it is important that any reforms proposed for financial institutions take these differences into account, rather than uniformly imposing changes.

At the same time, the mantra many major insurance companies have been repeating, "insurance is not banking" misses the point. The public do not make such fine distinctions. While insurance must advocate proportionality, the sector should also be seen to play its part in developing a long-term, sustainable solution for financial services as a whole.

Lessons from other professions

Financial services is not alone in grappling with the prospect of new forms of regulation over the past few years. Recent developments in other professions have demonstrated considerable best practice that financial services can draw upon to build an appropriate framework of professional standards, e.g. for retail investment and other sectors. Progress in other professions has shown that the concept of independence in particular – both from the industry and professional bodies themselves – should be a central component of future proposals.

Media coverage of scandals like Enron and WorldCom for the accountancy profession, Shipman for the medical profession, and Equitable Life for the actuaries has contributed to damaging public trust across a range of sectors. As a result, there has been a trend away from trusting professions, however competent, to look after themselves, to a more public-facing model where the profession is subject to tiers of independent oversight.

The recent Hunt Review of legal regulation (October 2009) provides an overview of regulatory developments in other professions. It describes how the UK has witnessed the emergence of two key tiers of regulation over recent years: front line regulators and sectoral "meso-regulators".⁵⁵ Front-line regulators are accountable to the meso-regulators and responsible for specific professions such as the accounting and legal professional bodies. Meso-regulators carry overarching responsibilities across sizeable and diverse professions such as law, accounting and health care. For example, in the accounting profession professional bodies like the Institute for Chartered Accountants in England and Wales (ICAEW) act as the front-line regulators while the overarching meso-regulator is the Financial Reporting Council (FRC).

Meso-regulators enjoy a high degree of operational autonomy, and are accountable to ministers and Parliament rather than the regulated professions. They are charged with "providing sustained oversight to the front-line regulators that central Government agencies lack the specialist knowledge to offer".⁵⁶ Such bodies have been designed specifically to address concerns about traditional regulators, namely that self-regulatory bodies have been more responsive to their members' concerns than to those of the general public.

The questions raised in the review of many professional bodies over recent years, not least the legal profession, may be applicable to nascent and growing professions in insurance and financial services. Given expanding, decentred regulation, professional bodies are up against new challenges as powers and functions remain ambiguous. Professional bodies in the sector face a trade-off: does further oversight risk ineffective regulation from multiple bodies and scattered resources, or could it protect consumer interests more effectively? Will more regulation stifle innovation in favour of 'box-ticking'?

Questions for further research and debate

- What will make consumers feel confident that regulatory reform has occurred?
- How much consumer support and trust does the Conservatives' proposed separate body devoted exclusively to consumer protection have?
- How can the insurance sector do its part to participate in developing a long-term, sustainable solution to financial services regulation?
- How much power should the regulator have, e.g. to intervene on pricing, even at the expense of access to the market for some people?
- What lessons might we take from the regulatory reform of other professions, such as the legal and medical professions?

⁴⁸ Speech available from: <http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/ee59d1c32ce4ec12802570c70041152c?OpenDocument>.

⁴⁹ Kuneva, Meglena. 2009. "Restoring Consumer Trust in Retail Financial Services." Speech to the DECO Seminar on Financial Services and Consumer Interest. Lisbon: April 27. Available from: http://ec.europa.eu/commission_barroso/kuneva/speeches.

⁵⁰ E.g. Treasury Select Committee. 2009. "Banking crisis: dealing with the failure of UK banks." 245. Available from: <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmtreasy/416/41610.htm>; James, Kevin. 2007. Bank of England. See "The case for narrow banking": <http://www.slideshare.net/catlong/creating-stability-in-the-financial-system-narrow-banks>.

⁵¹ Green 2009

⁵² "From Crisis to Confidence: Plan for Sound Banking." 2009. Conservative Policy White Paper. Published July 20. Available from: http://www.conservatives.com/News/News_stories/2009/07/Our_plan_for_sound_banking.aspx.

⁵³ "Reforming financial markets". 2009. HM Treasury. Published July 8. Available from: http://www.hm-treasury.gov.uk/reforming_financial_markets.htm.

⁵⁴ E.g., Zurich Financial Services Group. 2009. "Insurance and stability: the reform of insurance regulation." Available from: <http://www.zurich.com/NR/rdonlyres/8AC5EF02-F748-4C36-AA30-B0E55FE2C1AB/0/systemicrisk.pdf>.

⁵⁵ The Hunt Review of the Regulation of Legal Services 2009.

⁵⁶ Ibid.

4 Corporate responsibility

- Corporate values and ethics
- Compensation
- Diversity

In 1970, the economist Milton Friedman wrote that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits.”⁵⁷ Many now argue that this sentiment, like Friedman’s absolute faith in free markets, is not relevant to today’s world.⁵⁸ Business today must address the various interests of the community it serves, and the financial sector, too, cannot build trust without considering the wider social context within which it operates. As Ken Costa, UBS Chairman, wrote in *The Times*: “Over the past decade some sectors of finance seem to have forgotten that they should be a servant to the economy rather than its master.”⁵⁹

In his assessment of Edelman’s 2009 mid-year Trust Barometer, CEO Richard Edelman confirms the shift from shareholder to stakeholder society: respondents rate customers the most important stakeholders in business (70%) followed by employees (58%) and investors (49%).⁶⁰ In the wake of the crisis, much of this revitalised focus on consumers has played out in very public debates about corporate values and ethics, executive compensation, and diversity.

Corporate values and ethics

Leading figures of the financial sector have led the charge in speaking out about the importance of corporate values and ethics. Adair Turner, chair of the FSA, spoke in the summer of 2009 about the need for banks to become “socially useful” again, saying that parts of the financial system had grown too large, and it would be better for society if they got smaller.⁶¹ Stephen Green followed suit, saying in a BBC interview in October: “This is not just about rules and regulations. You have to expect the leadership of the industry to nurture a real culture of ethics and integrity and that’s the greatest priority of all the boards of banks”.⁶² According to City Minister Paul Myners, the first step in rebuilding trust in the financial services sector is that “the industry itself must acknowledge that the values and ethics which drive its business must be built on the values and ethics of wider society.”⁶³ Similar remarks have been made this year by Paul Tucker and Andrew Haldane from the Bank of England and Jon Pain and Hector Sants of the FSA, amongst others.⁶⁴

Statistics confirm a corporate perception problem in America at least: Pew Research found that just 21% of Americans think business executives contribute “a lot” to society’s well-being. Those thought to contribute more included lawyers (23%), artists (31%), and journalists (38%), and the top three contributors were military (84%), teachers (77%), and scientists (70%).⁶⁵ In the UK, the think tank New Economics Foundation recently highlighted the same issue by calculating the social impact of several jobs through a series of measures including conventional economic returns, environmental impacts, and knock-on effects for jobs and wellbeing in society.⁶⁶ The study found that elite City bankers (earning £1m plus bonuses) destroy £7 of value for every £1 they create, while waste-recycling workers generate £12 for every £1 spent on their wages. According to the analysis, investment bankers create value from the economic activity they facilitate, such as an increase in jobs in wholesale banking and tax contributions, but this value is offset by the cost of the current crisis and the negative impact on public finances. While this is certainly only one way of looking at value, and the methods used subject to debate, it does encapsulate the social feeling that the financial services sector is costing society much more than it contributes at the moment.

While publicly acknowledging the importance of values and ethics is an important step, it naturally begs the question of how leading figures and others working in and around the sector, are promoting the values and ethics they champion in their rhetoric. In addition to ‘trust’, more intangible and difficult to define words – like ethics and values – are added to the mix. But how does one build an ethical culture? What makes values ‘stick’ in an organisation? How are principles-based rules enforced in practice?

“

The industry itself must acknowledge that the values and ethics which drive its business must be built on the values and ethics of wider society.”

Paul Myners⁶²

Compensation

Closely related to the question of corporate ethics and values and practice is executive remuneration: are high wages justified by real economic benefit? One of the biggest scandals that has played out over the course of the crisis is the public outcry over the large amount of compensation that some bankers and others in the financial sector receive, and continue to receive. Bonuses, in particular, have been widely castigated as excessive and even obscene by the public. Attached to short-term gains rather than long-term stability, big bonuses are thought to be a negative incentive that helped cause the financial crisis by encouraging risky, 'casino-style' speculation.

Others argue that bonuses are a symptom rather than the cause. Many suggest that the continued focus on bonuses is a scapegoat that fails to address the deeper issues. Angela Knight, CEO of the British Bankers' Association, has stated that bonuses were "not even one of the principal reasons of the credit crunch", and highlighted the need to address those causes, such as the amount of capital that banks have to hold, to ensure it doesn't happen again.⁶⁷ Former Merrill Lynch CEO John Thain pointed out that senior executives at Lehman Brothers and Bear Stern, for example, received a large portion of their compensation in stock, but that didn't help them.⁶⁸

This may be true, but again it largely misses the point of public perception. Public trust depends on banks and other financial institutions' ability to be sensitive to the wider social context: in this case, that remuneration should correspond to not only commercial gain but hard work, productivity, and social impact. In a world where a head teacher might hope to make one-thirtieth of the salary of a high-flying banker, it is hard to dismiss such concerns.

On the one hand policymakers seem ready and willing to support curbing executive pay. Gordon Brown and Nicolas Sarkozy committed to a tax on bankers' bonuses in their joint editorial to the Wall Street Journal in December: "Stability and confidence requires us to bring financial markets into closer alignment with the values held by families and business owners: Rewarding hard work, responsibility, integrity and fairness." Yet, so far many other countries have not followed in their footsteps, and reforms continue to be driven by domestic politics. No country wants to put itself at a disadvantage by setting prescriptive rules that would make its financial institutions less attractive to potential talent. Consequently, despite the one-off UK 'supertax' on bonuses in for 2009, the question of compensation still looms large, and the media continue to capitalise on stories of even bigger rewards. Will banks and other financial institutions go back to business as usual, and the same old reward schemes? Or will they consider the broader social implications surrounding sky-high compensation and make prescriptive changes? What are the implications for trust in either case?

Diversity

In the wake of the credit crunch, the lack of diversity in the boardroom became a significant part of the mainstream debate. Women, in particular, were conspicuous in their absence from the top of financial institutions. Leading figures, including Neelie Kroes, EU Competition Commissioner, John Thurso MP, Professor Charles Goodhart of the London School of Economics, and Ruth Sunderland of The Guardian, began questioning whether this may have been a contributing factor of the crisis – would 'Lehman Sisters' have survived?

Of course, it is impossible to answer such a counterfactual. Proponents reason that a larger number of women executives in financial services would have lessened the likelihood of a crisis occurring because women tend to be more cautious, less aggressive, and have a longer-term outlook than men – the 'alpha male' argument. Studies have found that firms with a higher ratio of women in management have shown better resistance to the financial crisis.⁶⁹ Critics respond that arguments based on supposed innate differences are misleading, even dangerous, and that variation within subgroups of a population is usually bigger than the variation between subgroups. Differences which can be established on the average say little about specific individuals.

Diversity is yet another area of the trust debate where public sentiment matters more than proving one side of the argument. As a parade of male bankers lined up to testify at the Treasury select committee's hearings into the financial crisis in February 2009, the perception was that women were both absent from the upper echelons of financial services, and absent from the debate about how the UK should go about reconstructing the system. People were angry that so much power was and is entrusted to a group not representative of society as a whole. CII research conducted with YouGov in June 2009 echoed this sentiment, finding that the majority of people, 53%, want to see more women at the top of financial services, with this figure rising to 66% for women.⁷⁰

Businesses, too, see the advantage of a more diverse workforce, and the ability to draw from a wider pool of talent. Although women have been highlighted in the post-crisis debate, they are only one of the many underrepresented groups who could add valuable talent to the boardroom. In February 2008, 17 British business leaders including Sir Philip Hampton of J Sainsbury and Peter Sutherland of BP signed a letter to the Daily Telegraph making clear the urgent need for more women in top finance jobs.⁷¹ In the letter they highlight the fact that just 12% of FTSE 100 directorships are held by women and call for action for progress to encourage innovation and make sure the best talent available is being used.

Questions for further research and debate

- How can leaders go beyond rhetoric to define and promote values and ethics in a tangible way?
- How might we create balanced compensation structures which reward long-term stability and chime with the mainstream values of hard work and responsibility, while also continuing to attract talent into the industry?
- How might a more diverse financial workforce encourage less risky and more consumer-focused innovation?

⁵⁷ Friedman, Milton. 1970. "The Social Responsibility of Business is to Increase its Profits." The New York Times Magazine, September 13.

⁵⁸ E.g. Edelman 2009.

⁵⁹ Costa, Ken. 2009. "Time to rebuild trust between the City, government and society." The Times, December 16. Available from: <http://www.timesonline.co.uk/tol/comment/columnists/article6958068.ece>.

⁶⁰ Edelman. 2009. "Special Midyear Trust Study." 29 July. Available from: <http://www.edelman.com/trust/midyear/>.

⁶¹ Turner, Adair. 2009. "How to tame global finance" Prospect, 27 August: Issue 162.

⁶² Green, Stephen. 2009b. Interview with BBC, 7 October. Available from: <http://news.bbc.co.uk/1/hi/business/8293981.stm>.

⁶³ Myrers, Paul. 2009. "Developing a new financial architecture: lessons learned from the crisis." Speech to the Financial Times Global Finance Forum, 18 September. Available from: http://www.hm-treasury.gov.uk/speech_fsst_180909.htm.

⁶⁴ See "Bankers lectured on the value of morals." Financial Times, 7 October 2009.

⁶⁵ Pew Research Center. 2009. "Public Praises Science; Scientists Fault Public, Media: Scientific Achievements Less Prominent Than a Decade Ago." July 9. Survey report available from: <http://people-press.org/report/528/>.

⁶⁶ New Economics Foundation. 2009. "A Bit Rich: Calculating the real value to society of different professions." Available from: <http://www.neweconomics.org/publications/bit-rich>.

⁶⁷ Knight, Angela. 2009. "Bonuses did not cause the crunch, time to move on." The Independent, 15 October.

⁶⁸ "Thain defends Wall Street bonuses." Reuters: 17 November 2009.

⁶⁹ Michel. 2008. "Global Financial Crisis: Are women the antidote?" CERAM Business School.

⁷⁰ CII/YouGov 2009.

⁷¹ "Call for more women in the boardroom." 2008. The Daily Telegraph, 19 October. Available from: <http://www.telegraph.co.uk/finance/3227466/Call-for-more-women-in-the-boardroom.html>.

5 Outcomes

- The credit crunch, debt, and savings
- Encouraging a savings culture

As the financial services sector hunts for the magic formula to regain the public's trust, in some ways it is important not to over-complicate the research. For most consumers, trust is down to the bottom line – how they, and their personal finances, are affected. As former European Commissioner Kuneva said, “for citizens, trust will be renewed not by what is said, but by what is done”.⁷² Abstract trust in institutions is vital because it facilitates the initial point of engagement with the consumer, but personal relationships over time are the basis of the deeper, more loyal trust capable of healing the crisis of confidence we face today.

CII research conducted with YouGov found that a third of respondents say that they will only begin to trust the financial services industry when their personal finances recover from this recession (29%); similarly, a third will only begin to trust the financial services industry when the UK economy comes out of recession (33%). Yet twice as many (67%) say that if professionals working in the sector connect with them on a personal level, making sure they understand and are happy with any financial services they offer, it would help to win back their trust.⁷³

Stephen Green said in his speech to the British Bankers' Association in June 2009, “Let's be clear what the *raison d'être* of banking is: it is to provide financial services on a sustainably profitable basis to our customers.”⁷⁴ Trust cannot be renewed if banks and financial institutions are not providing these services, and if consumers are not profiting or in fact losing out because of their interaction with the sector.

For citizens, what counts isn't rhetoric, principles, or laws – it is real outcomes. Homes, savings, debt, retirement, jobs, crises averted or properly handled.

The credit crunch, debt, and savings

The credit crunch has hit Europe hard, and British citizens are feeling the strain. Research commissioned by Janus Capitol Group in June 2009 found that 45% of Europeans thought that they were financially worse off than a year ago, and this figure rises to 50% for British citizens.⁷⁵ 20% of the sample reported that they were going into debt, while 11% said that they were having to draw on their savings. 22% of European respondents reported that they are not saving at all at this time, rising to 29% for British respondents.

At the same time, 46% of Europeans, and 52% of British people, say that they have loans or borrowings other than a mortgage (e.g. credit card debt, a car loan or a bank loan). 30% of Europeans who had a mortgage or other loans felt that their borrowings were too high relative to their income, rising to 35% in the UK.

The financial crisis and recently ended recession have demonstrated just how reliant consumers are on credit, and how averse or unable many are to save, particularly in the UK. Regaining trust in financial services will thus depend on not only financial institutions and professionals making difficult changes to their culture and values, but also the government, politicians, and most importantly consumers themselves.

Encouraging a savings culture

In his article in *The Times*, Ken Costa, chairman of Lazard International and Gresham Professor of Commerce, said that “ordinary people should accept that the obverse of better service from finance is more responsible saving and borrowing.”⁷⁶ There are many things that the financial services sector can do to encourage this, such as initiatives to promote and communicate accessible, jargon-free finance, make products less complex, and improve financial capability. While the role of financial institutions and professionals is important, in the end it is consumers themselves who will have to make difficult changes in their attitudes and behaviours in order to see improvement in their own financial situations.

There is some evidence that consumers are already beginning to see the light. A recent YouGov survey found that consumer sentiment towards borrowing has changed over the past year, with only 35% agreeing that ‘borrowing has become a way of life’ in July 2009 compared to 62% in July 2008.⁷⁷ The government, too, has a major role to play in incentivising a savings culture which encourages people to plan for long-term financial well-being. The immediate fiscal stimulus measures that were employed to increase spending temporarily, such as decreasing VAT and interest rates, were criticised by some for penalising saving at the same time. How do we achieve the right balance between saving and spending, and communicate this to consumers clearly?

⁷² Kuneva 2009.
⁷³ CII/YouGov 2009.
⁷⁴ Green 2009a.

⁷⁵ TNS. 2009. “Janus Capital Group European Survey of Consumer Finances.” TNS conducted fieldwork for the internet-based panel survey of 6,011 European consumers living in France, Germany, Italy, the Netherlands, Spain and the United Kingdom between 17 and 28 June 2009. The U.K sample size was 1000 interviews. The U.K sample size was 1000 interviews.

⁷⁶ Costa 2009.
⁷⁷ YouGov 2009.

Questions for further research and debate

- How long-lasting will the new consumer attitudes towards debt be? Are we seeing a real paradigm shift, or will sentiment towards borrowing revert to old ways post-recession?
- What can financial services institutions and professionals do to encourage consumers to take responsibility for their own financial stability?
- To what extent are outcomes within the industry's control? How can this be signalled to customers without undermining the incentive to engage?
- How do we prevent a reversion to risky/unsuitable behaviours when the downturn ends and there is more money around?

Conclusions and next steps

Socrates said, “The way to gain a good reputation is to endeavour to be what you desire to appear”.⁷⁸

Trust means a willingness to take on a certain level of risk because of a positive belief in the intentions and behaviour of another person or institution. Personal interactions and experiences play the most important role, but perceptions derived from corporate statements and actions are equally important, particularly in attracting those individuals without personal ties to the industry.

This report has outlined five key factors crucial to the future of trust in insurance and financial services: professionalism, regulation, transparency, corporate responsibility, and outcomes.

Professionalism and outcomes are largely concerned with the personal relationships those within the financial services industry have with consumers and the public. They are the alpha and omega of our conception of how to rebuild trust – raising standards, and delivering on them.

Regulation, transparency, and corporate responsibility are more closely tied to the public perception of the industry and its institutions. Rightly or wrongly, the public outcry cannot be ignored, and solutions must go beyond rhetoric. The way that the financial system is regulated must change, and financial products and services made simpler and communicated better, with ethics and integrity a visible part of the process – from the diversity of the people at the top to the compensation paid to the former ‘masters of the universe’. Now is not the time to be defensive, reactive, or even just silent.

Levels of trust in institutions may have declined in recent years – but the evidence is tentative. The rise of scepticism is more certain – and this is no bad thing, in moderation. More knowledgeable, engaged consumers push standards up, and help monitor and oversee important aspects of society. Yet too much scepticism, flat-out distrust, can be crippling.

It is our hope that this report, will support our sector working together with the public, politicians, consumer groups, and others to engage in an open debate about trust.

That is why the insurance and financial services sector has a critical role to play. It is our hope that this report, and the wider strand of trust research it introduces, will support our sector working together with the public, politicians, consumer groups, and others to engage in an open debate about trust.

It is important that we take the lessons of the economic crisis to heart, and that our sector sees the urgent wake-up call as an opportunity to address longstanding problems – rather than retreating behind blame culture and hoping for a return to ‘business as usual’. As a professional body, we at the CII believe that it’s just not reputation at stake. It’s the sustainability of the sector, the future growth of a trusted profession, and above all the public interest of all those people and businesses who rely upon our products and services in their everyday lives.

We have set out the key issues as we see them. The next step will see the CII working with others across the sector and beyond to investigate each of the issues and its relationship with trust in greater depth, one by one. The questions for further research and debate outlined at the end of each chapter provide a starting point for us to design original research, highlight best practices from our sector and other professions, and keep the conversation going. We hope you join us for the journey.

Have your say

We want to hear from you. Are you interested in discussing the issues we raise? Have questions or comments? Email Ana Catalano, Policy & Research Manager, at ana.catalano@cii.co.uk
We look forward to continuing the debate.

“

The way to gain a
good reputation is to
endeavour to be what
you desire to appear. ”

Socrates ⁷⁸

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