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## 'Human errors spark financial crises'



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By Vincent Ryan  
Business Reporter

A man walked into a bank in Ireland during the Celtic Tiger and demanded €3m to set up a nightclub in Dublin, which he was granted with scarcely any background check, according to Robert Webb of Nottingham University, who is trying to figure out why this happened.

Dr Webb will be addressing a seminar in Trinity College Dublin on March 26 on the role played by individuals in the financial crisis.

As part of his research, Dr Webb has interviewed a number of senior bankers, some of whom were parachuted into Ireland to see what

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was happening here.

Dr Webb's theory is that complex economic models have very little to do with what sunk Ireland into recession, but that the key to understanding how we got here is analysing the risk and rewards of the economy on a simple human scale.

He believes that the internal hierarchies of financial services institutions make serious fraud, financial loss, and seriously miscalculated risk events almost inevitable, both now and in the future.

Dr Webb has been conducting research with Cormac Bryce and Carly Cheevers at University College Dublin to uncover just why good staff go bad and why bad staff go undetected until crisis strikes.

He believes that it is not in the interest of staff to blow the whistle on practices where internal policies were completely ignored.

"In Credit Suisse, the staff carried out very diligent assessment on clients' risk appetites, but then they completely ignored them and went ahead and sold people what ever product the bank felt like selling," said Dr Webb.

Similarly, he said, in Royal Bank of Scotland under Fred Goodwin, the whole culture of the business was to sell whatever was in the bank's interest.

Dr Webb believes the majority of workers, particularly those at a junior level, often do not understand the rules that are there to protect customers.

"What we have found is a series of risk rules many staff don't understand or care about, and a disconnect between the top and bottom in most organisations," said Dr Webb.

"The effectiveness of any risk training is also never tested. This creates a perfect storm: Lots of people acting subjectively out of sometimes ignorance, sometimes malice and sometimes greed."

His research, using behavioural economics, is now testing call centres, traders, and trainees in how they comply with risk regulation.

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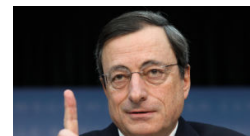
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crises is lots of PhDs as people try and figure out what the hell went on,” said Dr Webb.

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