

# **Trust and Fairness in Financial Services: 2015 Report**

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The Centre for Risk, Banking and Financial Services (CRBFS) is an inclusive, collaborative research centre based at Nottingham University Business School. Our aim is to produce world-leading research, insight and commentary focussed on financial services consumers, markets and institutions

## **Headline findings:**

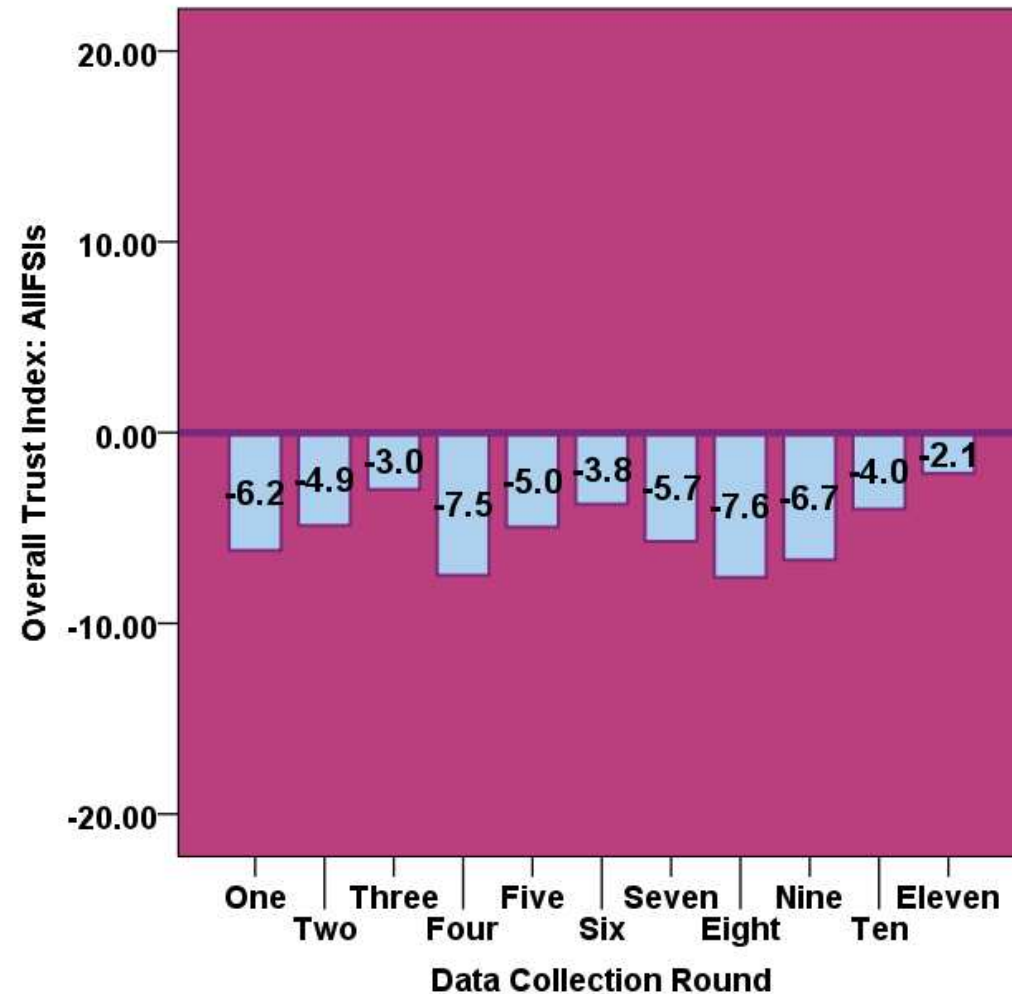
**Trust and fairness in 2015: close, but no cigar**

- **Brokers and Advisers finally toppled**
- **Building societies the new benchmark**
  - **Banks still at the bottom**

### Commentary: OVERALL TRUST INDEX

Ratings of trust in the financial services sector continue their path of gradual improvement. The good news for the sector is that overall ratings of trust are now higher than at any point during the period covered by the current online data collection approach (i.e. since 2009). This development will, no doubt, be roundly welcomed by the sector.

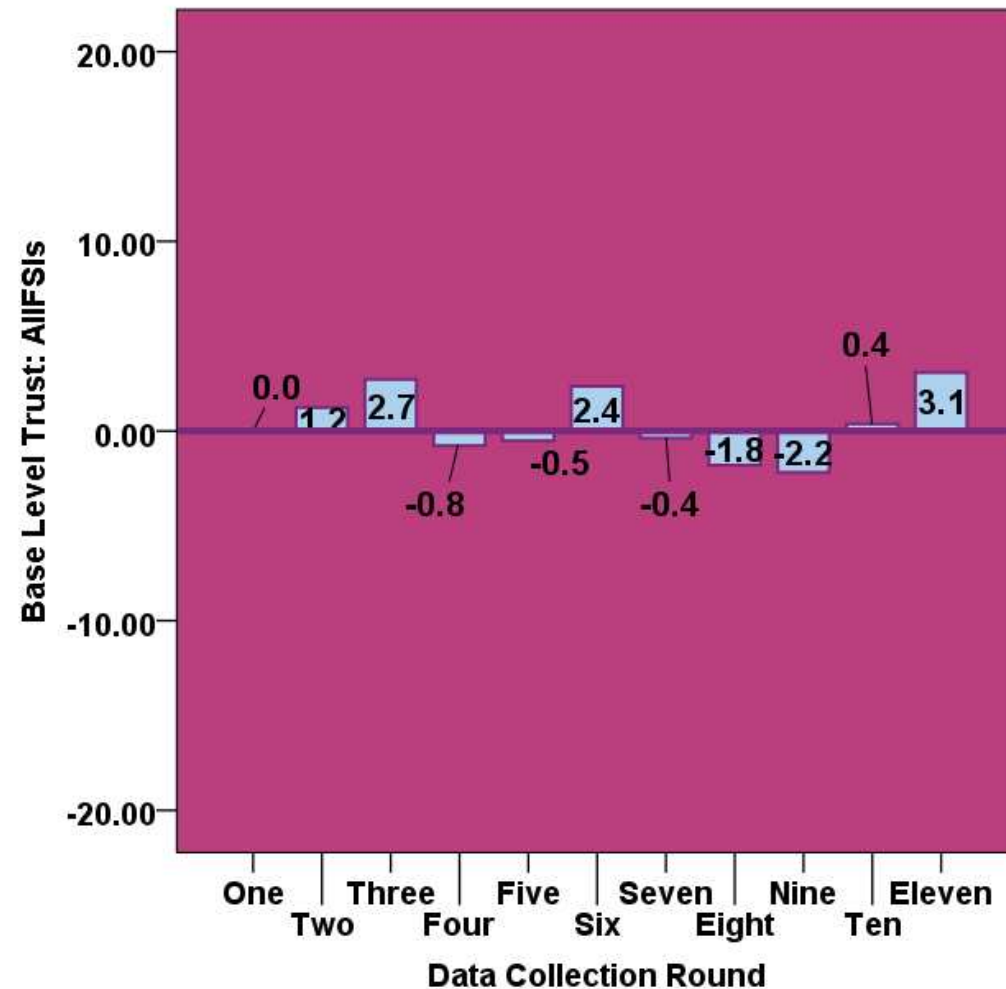
However, the overall rating has not quite broken into positive territory, so whilst promising, the findings from the current data are not a ringing endorsement of the sector.



### Commentary: BASE LEVEL TRUST

Base level trust has always been the more highly rated element of overall trust. Base level trust is concerned mainly with the reliability of organisations and their ability to deliver on promises.

The overall rating is into positive territory and is once again the highest rating thus far witnessed in our survey. Having said that, a grading which is effectively 50%, let's say grade C, is not particularly impressive for the a rating of delivering effectively on promises and the sector clearly has more to do in this area.

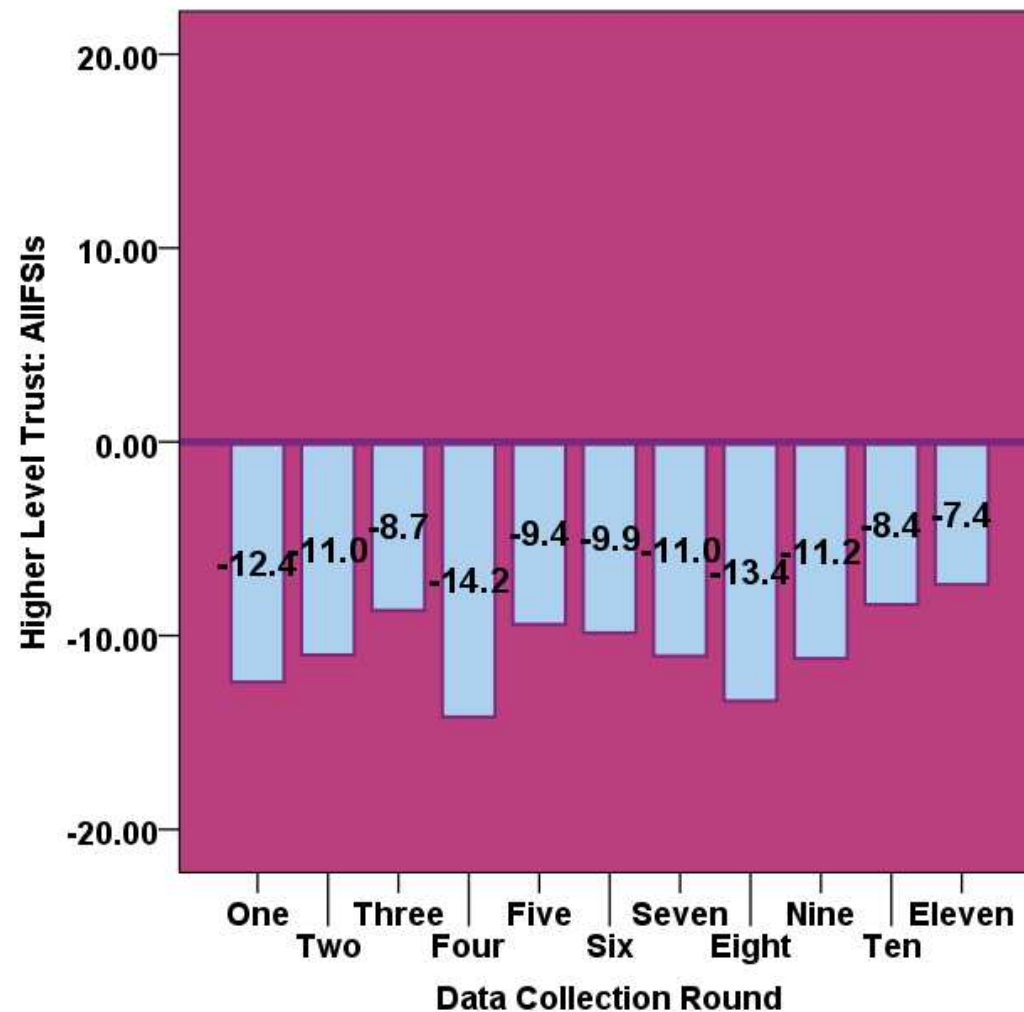


### Commentary: HIGHER LEVEL TRUST

Moving perceptions of higher level trust into positive territory remains more challenging for financial institutions.

Such perceptions are more affective in nature, bound up with feelings of how much an institution actually cares about the customer's best interests.

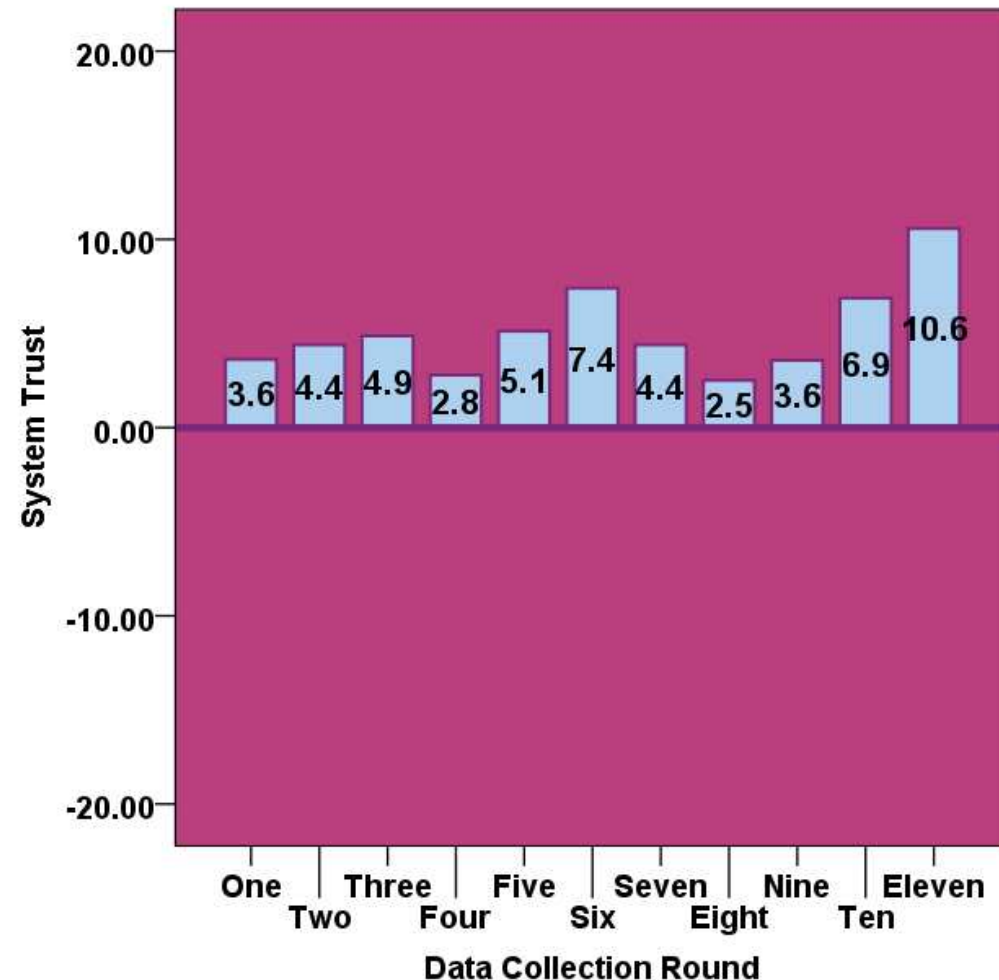
Customers are far from convinced and although recent trends are in the right direction, there is still a significant journey to be travelled before institutions generally find themselves in a position with which they will feel comfortable.



### Commentary: SYSTEM TRUST INDEX

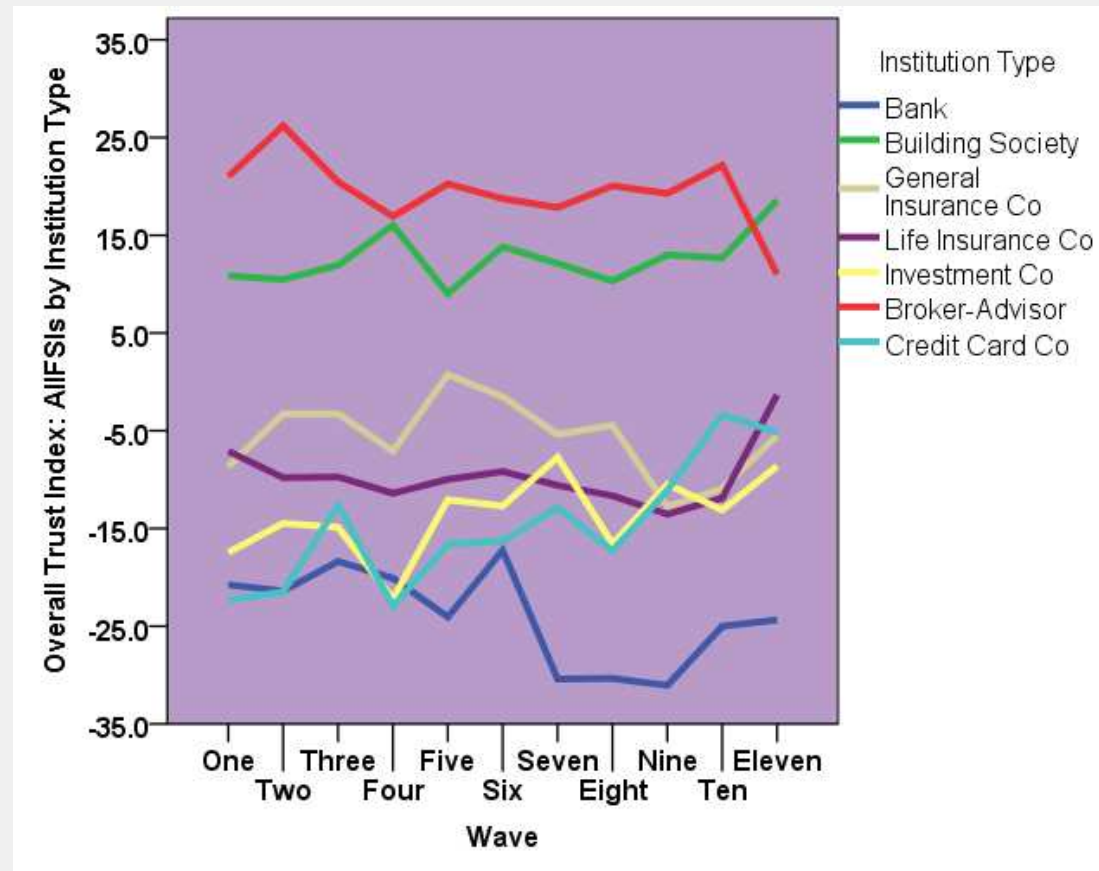
We continue to be surprised by the robustness ratings of trust in the system, given previous incidences of mis-selling, solvency issues etc following the financial crisis and associated negative commentary.

That said, rightly or wrongly, deposit holders probably do not lose too much sleep at night worrying how safe their money is with a large banking institution and those who are benefiting from credit, be it on credit cards or in the form of overdrafts and loans, are probably in the main grateful to have the benefit of such facilities



## Commentary: TRUST AND INSTITUTION TYPE

Perhaps somewhat surprisingly, brokers and advisors have been knocked off of the number one spot by building societies for overall ratings of trust. In previous surveys, their lead appeared practically unassailable, but in the current wave, the gap with other types of provider has also narrowed. Most other types of institution saw their ratings increase, with a particular surge in trust levels for building societies, insurers and investment companies. Banks remain very much at the bottom of the ratings and showed less improvement than other provider types in the current round

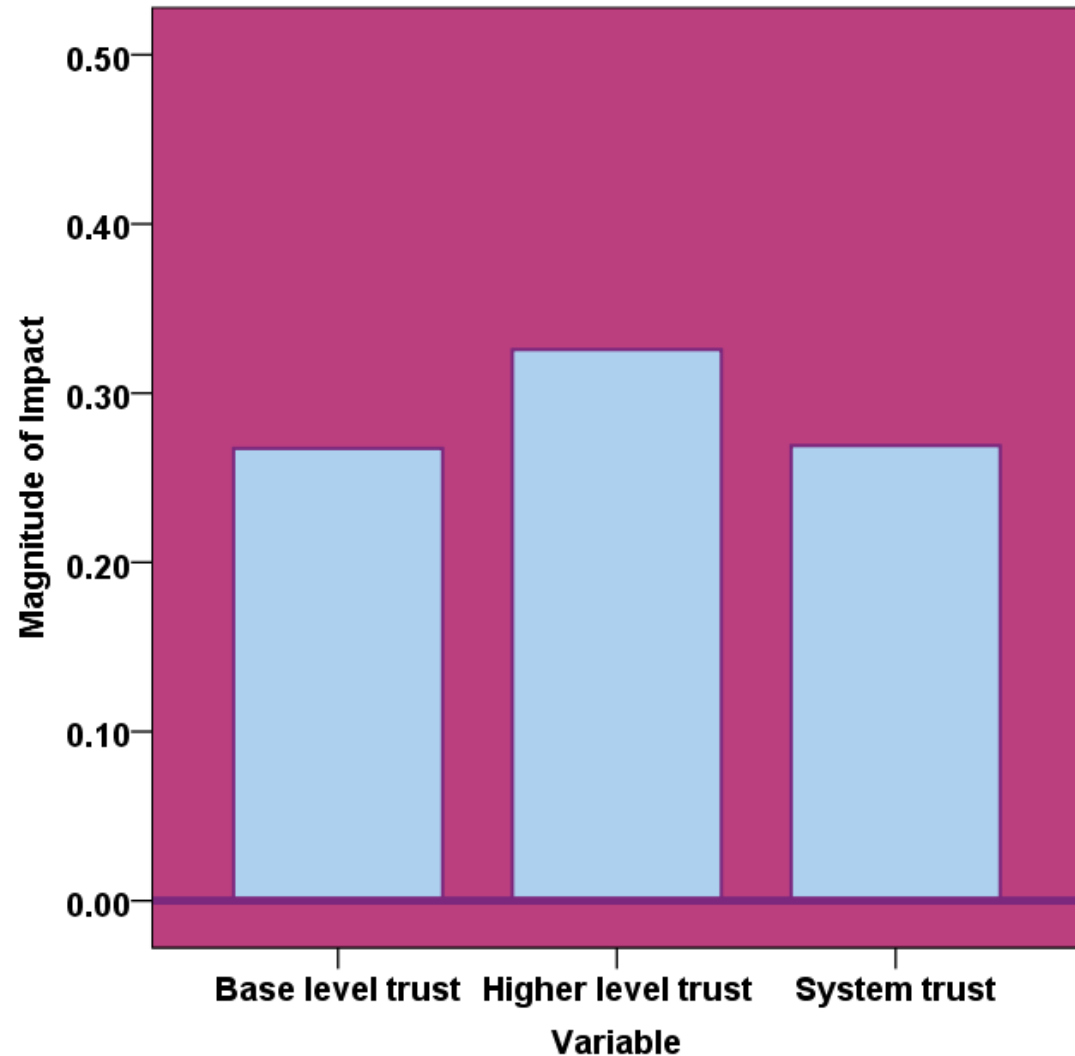


**Commentary:**

**TRUST: RELATIVE INFLUENCES**

The chart opposite shows the relative impact of various elements of trust on the overall trust perceptions of consumers. Analysis indicates that all three elements of trust are highly significant in determining overall levels of trust. Comparison of relative impacts shows that base level and system trust impact on overall levels of trust to practically the same degree. However, higher level trust has a somewhat greater impact than the these other two sub-dimensions.

Thus, the industry is in the unfortunate position of having the lowest ratings attached to the most important overall driver of trust

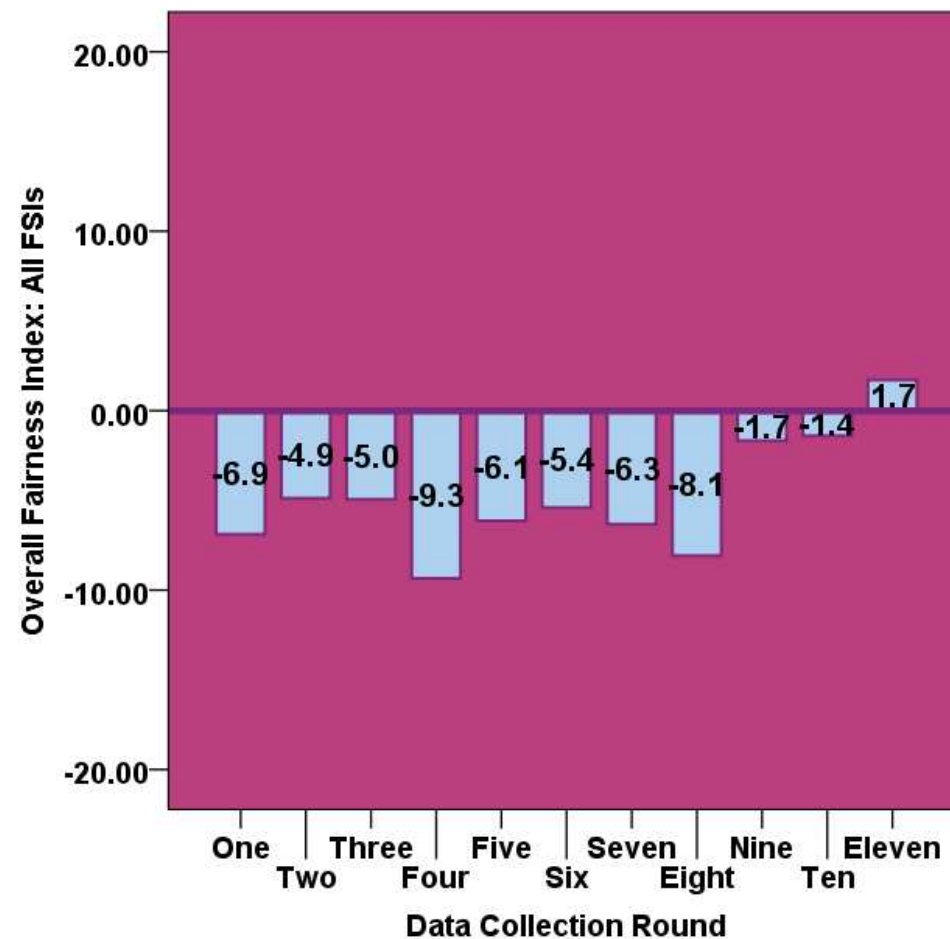




## Commentary: OVERALL FAIRNESS INDEX

For the first time since data collection began in its current form in 2009, general perceptions of fair treatment of customers by financial institutions have moved into positive territory, albeit only marginally.

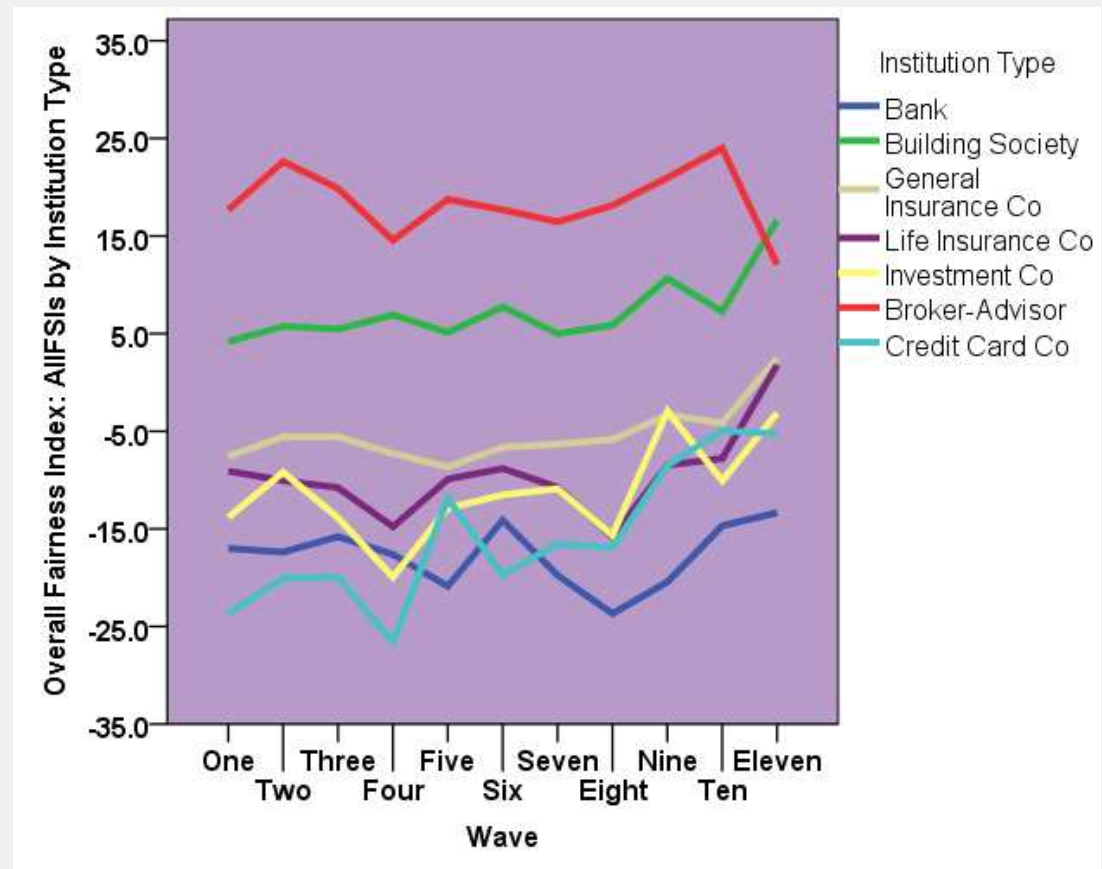
Granted that the rating is not significantly different than the previous wave, however, the move into positive territory continues a trend of improvement witnessed over the past two waves of data collection. In a climate of almost unremittingly hostile coverage, even a marginally positive rating will be welcomed by institutions.



## Commentary: FAIRNESS AND INSTITUTION TYPE

Building societies have also overtaken brokers in terms of fairness perceptions, confirming the important development apparent in the trust analysis. Here, an even larger previous gap has been reversed to move building societies to the top of the ratings.

Banks seem to be making more progress in the area of fairness perceptions. With fairness generally considered a key driver of trust, it will be interesting to see whether such consumer attitudes feed through to better trust ratings in due course



## **Appendix: Our Approach:**

- We collect data on an annual basis
- We use a nationally representative sample of well over 1000 participants in each round of data collection
- We collect data online, in conjunction with a major market-research company
- We collect data for seven types of financial institution:
  - Banks
  - Building societies
  - General insurers
  - Life insurers
  - Investment companies
  - Brokers/advisors
  - Credit card companies

## Appendix: Our Approach:

- We collect the following **Trust** related measures:
  - **Base level trust** – A belief about firms as to their the competence, honesty, reliability and dependability: Will it do what it says on the tin?
  - **Higher level trust** - degree of emotional connection between customers and firms: Can I trust them to act in my best interests?
  - **The Trust Index** – a combined measure of base and higher level trust
  - **Trustworthiness** - based on the image and reputation of financial institutions
  - **System Trust** - The extent to which consumers believe that the regulatory environment and business system provides adequate protection for them

## Appendix: Our Approach:

- We collect the following **Fairness** related measures:
  - **Procedural Fairness** - The fairness of the processes associated with service delivery, which incorporates the elements of impartiality, refutability, explanation and familiarity
  - **Interactional Fairness** - The courtesy, respect and consideration shown and the degree of genuine two-way communication
  - **Distributive Fairness** - the fairness of the outcomes of the exchange
  - **The Fairness Index** – A combined measure of procedural, interactional and relational fairness

We don't necessarily report all measures in all reports, choosing instead to focus on certain key findings and trends

## Appendix: Our Approach:

- We provide an “Index score” for each measure, which ranges between **-100** and **+100**
- A score of **zero** represents a neutral viewpoint, indicative that consumers perceive that financial institutions are neither particularly fair/trustworthy, nor particularly unfair/untrustworthy.
- Values above **zero** are indicative of **moderate to strong perceptions of fairness/trustworthiness**
- Values below **zero** would range from **moderate to strong perceptions of a lack of fairness/trustworthiness**
- The main data reported here represents consumers’ perceptions of firms in general, rather than their own particular provider.
- We show data for the financial services industry as a whole, as well as for each the seven sectors mentioned above.

## **Appendix: Our Approach:**

- The data collection was carried out at the following times:
  - **Wave One: Late 2009**
  - **Wave Two: Early 2010**
  - **Wave Three: Late 2010**
  - **Wave Four: Early 2011**
  - **Wave Five: Late 2011**
  - **Wave Six: Early 2012**
  - **Wave Seven: Late 2012**
  - **Wave Eight: Early 2013**
  - **Wave Nine: Late 2013**
  - **Wave Ten: Mid 2014**
  - **Wave Eleven: Mid 2015**