

**Centre for Risk, Banking
and Financial Services**



**Nottingham University
Business School**

UNITED KINGDOM • CHINA • MALAYSIA

Trust and Fairness in Financial Services June 2013

The Centre for Risk, Banking and Financial Services (CRBFS) is a 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.

Centre for Risk, Banking and Financial Services



Nottingham University
Business School

UNITED KINGDOM • CHINA • MALAYSIA

Our Approach:

- We collect data on a six-monthly 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

Centre for Risk, Banking and Financial Services



Nottingham University
Business School

UNITED KINGDOM • CHINA • MALAYSIA

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 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

Centre for Risk, Banking and Financial Services



Nottingham University
Business School

UNITED KINGDOM • CHINA • MALAYSIA

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 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.

**Centre for Risk, Banking
and Financial Services**



Nottingham University
Business School

UNITED KINGDOM • CHINA • MALAYSIA

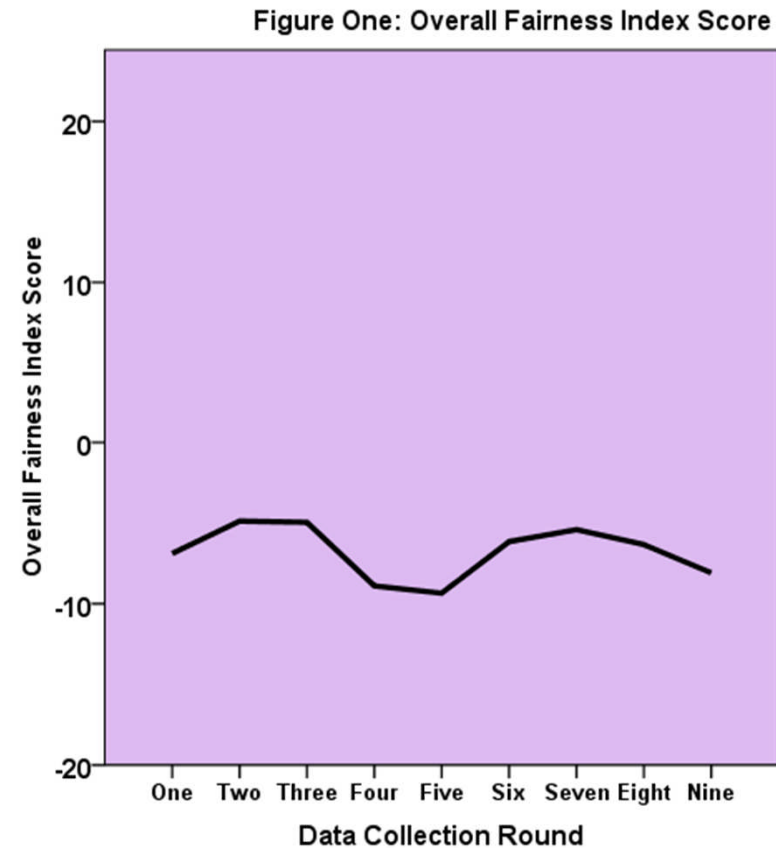
Our Approach:

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

**Centre for Risk, Banking
and Financial Services**

Comment:

The overall fairness index score has remained in negative territory for each of the nine waves of data collection to date. The data show a distinct drop in overall perceptions of fairness in late 2010 – early 2011. Ratings subsequently recovered, but more recently have deteriorated again up to early 2013.



Nottingham University
Business School

UNITED KINGDOM · CHINA · MALAYSIA

**Centre for Risk, Banking
and Financial Services**

Comment:

Measures of perceptions of procedural fairness over the period late 2009 – early 2013 are closely aligned with those for the fairness index in general, reaching their nadir in the same period before recovering and heading downwards once again. Perceptions of procedural fairness are also in negative territory for the duration of the study to date.

Figure Two: Procedural Fairness Index Score



Nottingham University
Business School

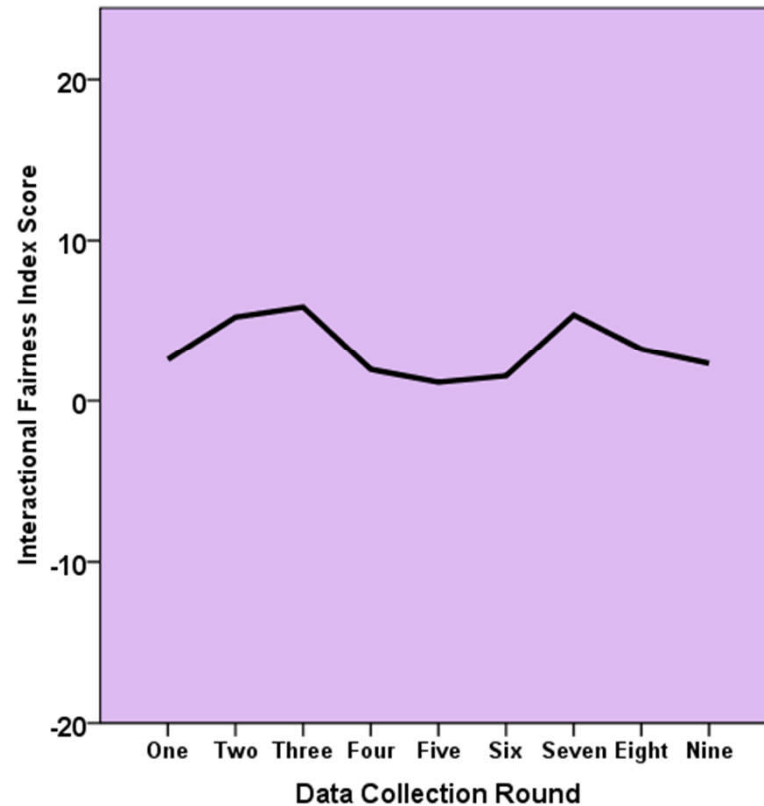
UNITED KINGDOM · CHINA · MALAYSIA

**Centre for Risk, Banking
and Financial Services**

Comment:

Perceptions of levels of interactional fairness are marginally positive for the duration of the study, in contrast to other dimensions of fairness. Interestingly, perceptions of interactional fairness took longer to recover from their low-point, but are now trending downwards in common with other fairness perceptions.

Figure Three: Interactional Fairness Index Score



Nottingham University
Business School

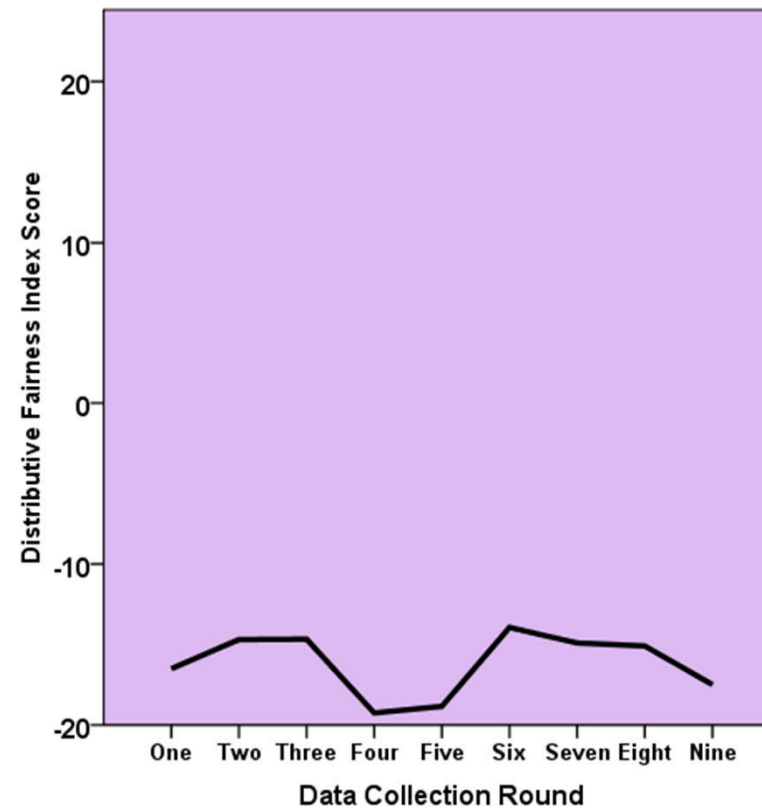
UNITED KINGDOM · CHINA · MALAYSIA

**Centre for Risk, Banking
and Financial Services**

Comment:

Perceptions of levels of distributive fairness are significantly lower than for other dimensions of fairness and for overall fairness perceptions. They are generally at least 10 index points lower than other fairness perceptions. Given that other analysis shows that distributive fairness is the most important driver of overall fairness perceptions, this is an unwelcome outcome for firms.

Figure Four: Distributive Fairness Index Score



Nottingham University
Business School

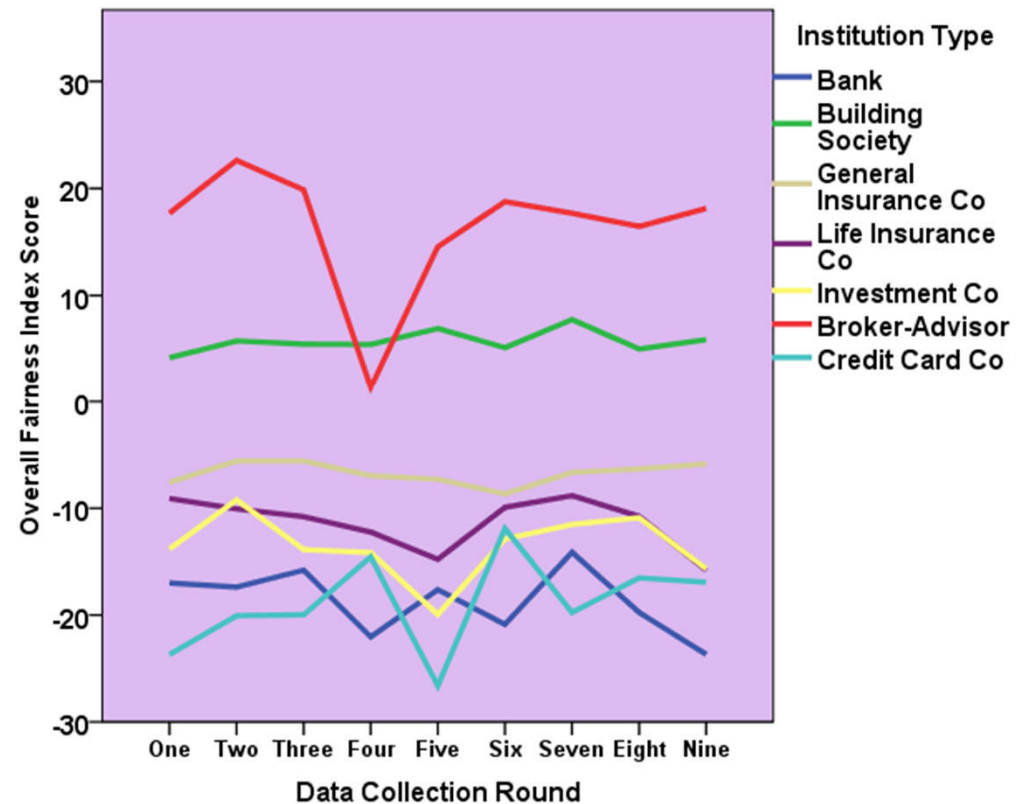
UNITED KINGDOM · CHINA · MALAYSIA

Centre for Risk, Banking and Financial Services

Comment:

Sector differences in perceptions of fairness are marked and enduring. Except for one round of data collection, which could be considered an outlier, brokers/advisors are rated as far more fair than other types of firms. Building societies are also well rated, whilst banks and credit card providers are laggards in the sector.

Figure Five: Overall Fairness Index and Institution Type



Nottingham University
Business School

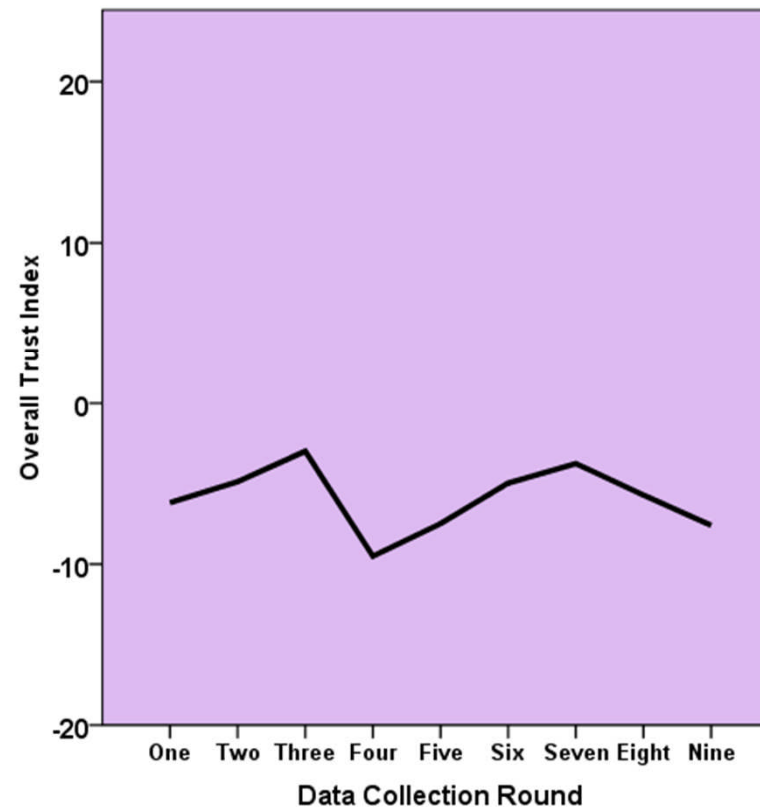
UNITED KINGDOM · CHINA · MALAYSIA

**Centre for Risk, Banking
and Financial Services**

Comment:

The overall trust index score has also remained in negative territory for each of the nine waves of data collection to date and in early 2013 consumers perceptions of trust in the sector reached almost as low a level as at any point during the last four and a half years.

Figure Six: Overall Trust Index



Nottingham University
Business School

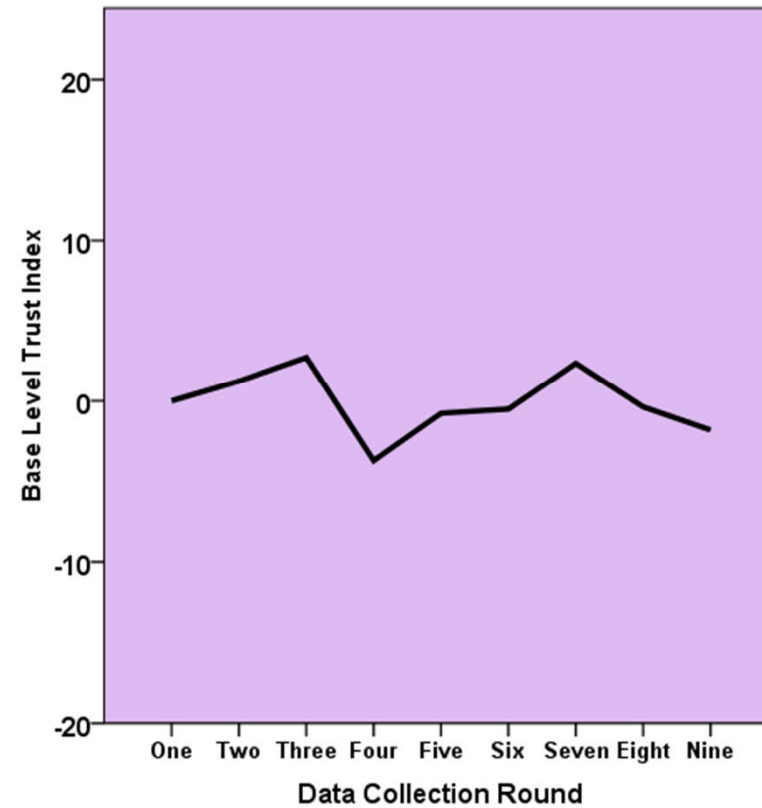
UNITED KINGDOM · CHINA · MALAYSIA

**Centre for Risk, Banking
and Financial Services**

Comment:

Levels of base level trust are somewhat higher than for trust in the sector in general, with levels varying around a broadly neutral level of zero, but recently headed downwards into negative territory. Whilst not a ringing endorsement, consumers do not appear to believe that firms are highly unreliable or lacking in dependability.

Figure Seven: Base Level Trust Index



Nottingham University
Business School

UNITED KINGDOM · CHINA · MALAYSIA

**Centre for Risk, Banking
and Financial Services**

Comment:

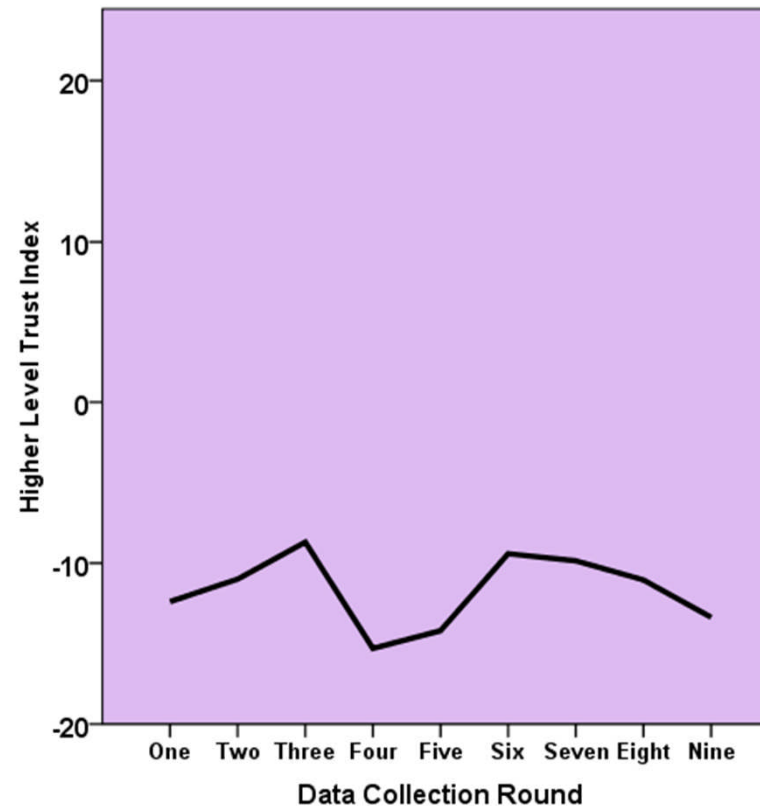
Levels of higher level trust are significantly lower than for trust measures in general. They are on average roughly five index points below trust in general and ten index points below base level trust. Consumers are far less inclined to believe that firms in the sector have consumers' interests at heart, which is a sad indictment on financial services in the UK.



Nottingham University
Business School

UNITED KINGDOM · CHINA · MALAYSIA

Figure Eight: Higher Level Trust Index

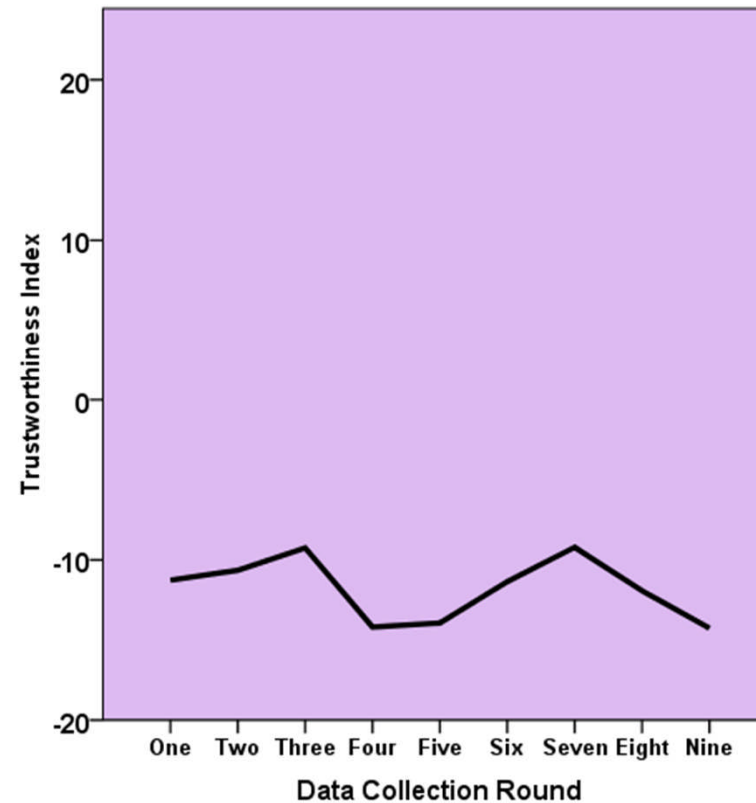


**Centre for Risk, Banking
and Financial Services**

Comment:

Perceptions of the trustworthiness of firms held by consumers are posited to drive the measures of trust reported above. The pattern of responses is similar to other elements of trust and measures are generally poor, of a similar level to those for higher level trust.

Figure Nine: Trustworthiness Index



Nottingham University
Business School

UNITED KINGDOM · CHINA · MALAYSIA

**Centre for Risk, Banking
and Financial Services**

Comment:

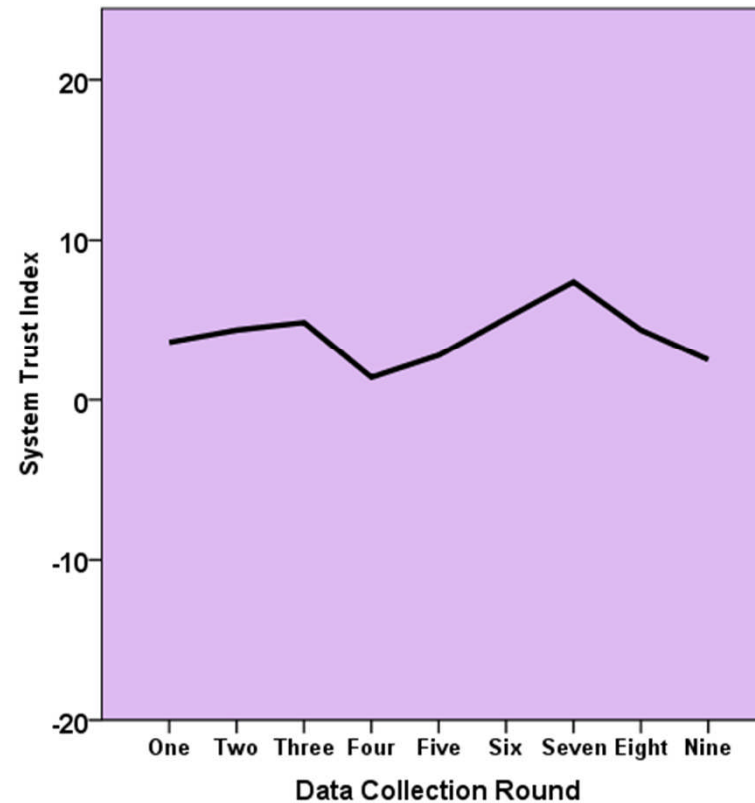
Given the turbulent nature of the period covered by our data (late 2009 – early 2013) and the large amount of negative press coverage, levels of system trust have been remarkably resilient, staying in positive territory for the duration of the study to date. Consumers remain convinced that the regulatory environment and system in general offer them adequate protection.



Nottingham University
Business School

UNITED KINGDOM · CHINA · MALAYSIA

Figure Ten: System Trust Index



**Centre for Risk, Banking
and Financial Services**

Comment

Sector differences in perceptions of trust are also marked and enduring. Brokers/ advisors and building societies enjoy noticeably higher levels of trust than other types of provider. Banks clearly lag the rest of the sector, a trend that has become even more marked recently

Figure Eleven: Overall Trust Index and Institution Type



Nottingham University
Business School

UNITED KINGDOM · CHINA · MALAYSIA