



# Trust and Fairness in Financial Services: Summer 2014

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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

## **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

## 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

## 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

## 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.

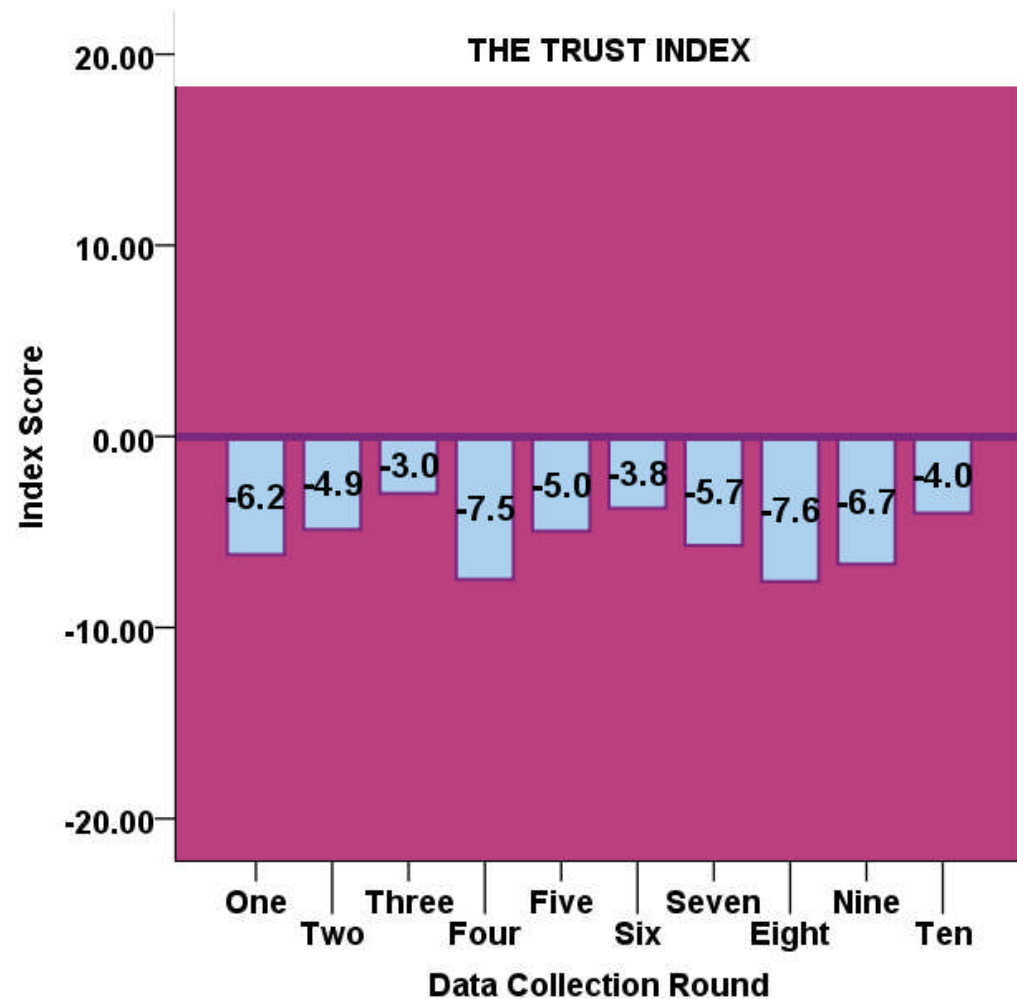
## **Our Approach:**

- 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**

### Commentary:

Ratings of trust in the financial services sector have shown a marked improvement since Autumn of 2013. Although trust has been rated more highly in the past five years, taking the last three measures together we see an upward trend in ratings generally.

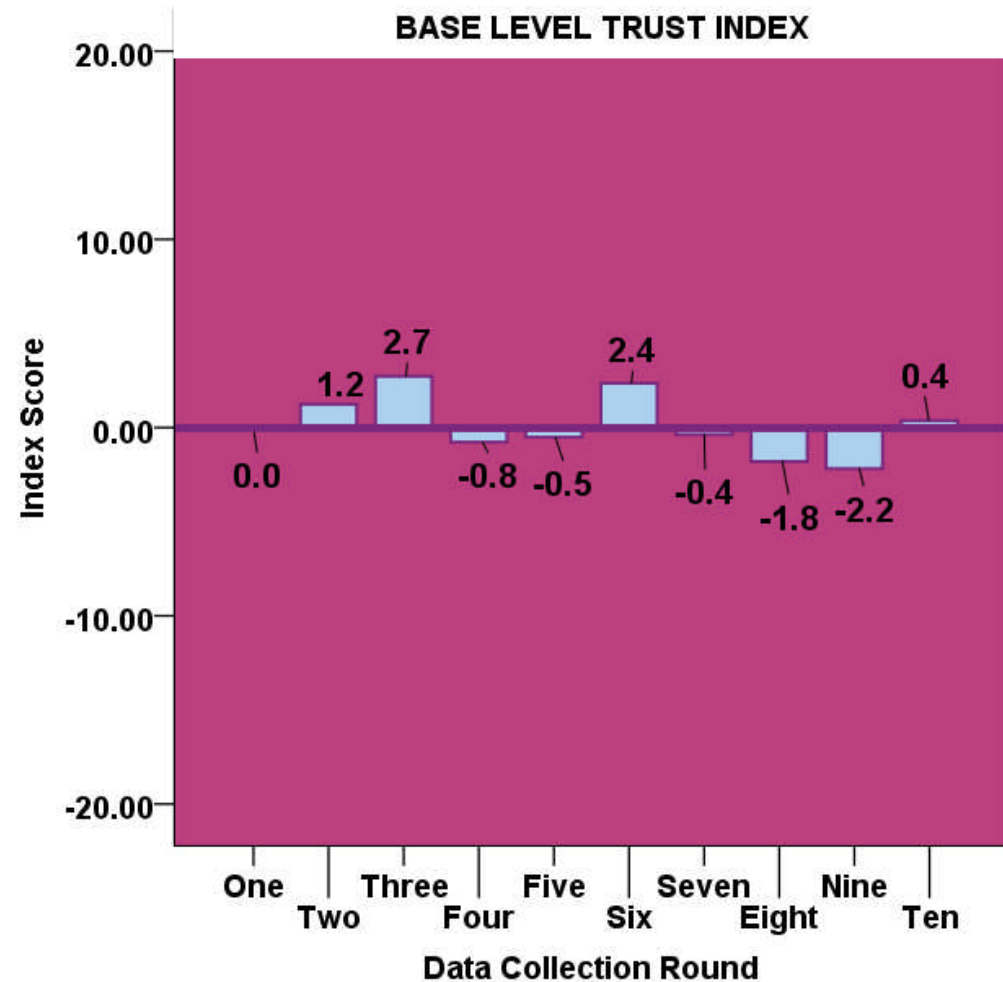
Given the gradual improvement in economic conditions and fading memories of the extremes of the financial crisis, then such a trend is perhaps to be expected



### Commentary:

Base level trust has always been the more highly rated element of overall trust. To all intents and purposes, the current assessment of base level trust is neutral, with a measure of just .4 on a scale that could vary between -100 and +100.

No obvious trends are apparent in base level trust, with all previous measures within a range that represents statistically insignificant differences.

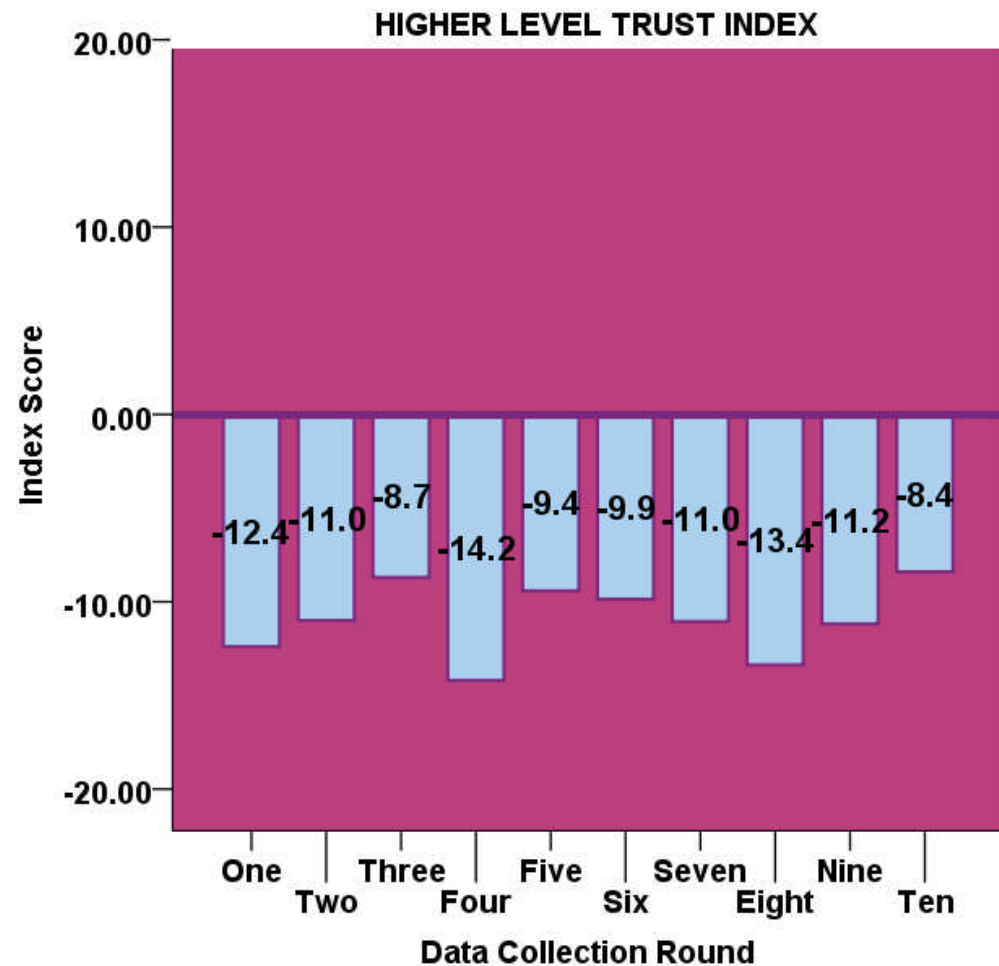




### Commentary:

Attaining reasonable perceptions of higher level trust has always been more problematic for the sector and current ratings remain negative. However, a definitive upward trend is apparent and ratings for higher level trust are the highest they have been in the past five years.

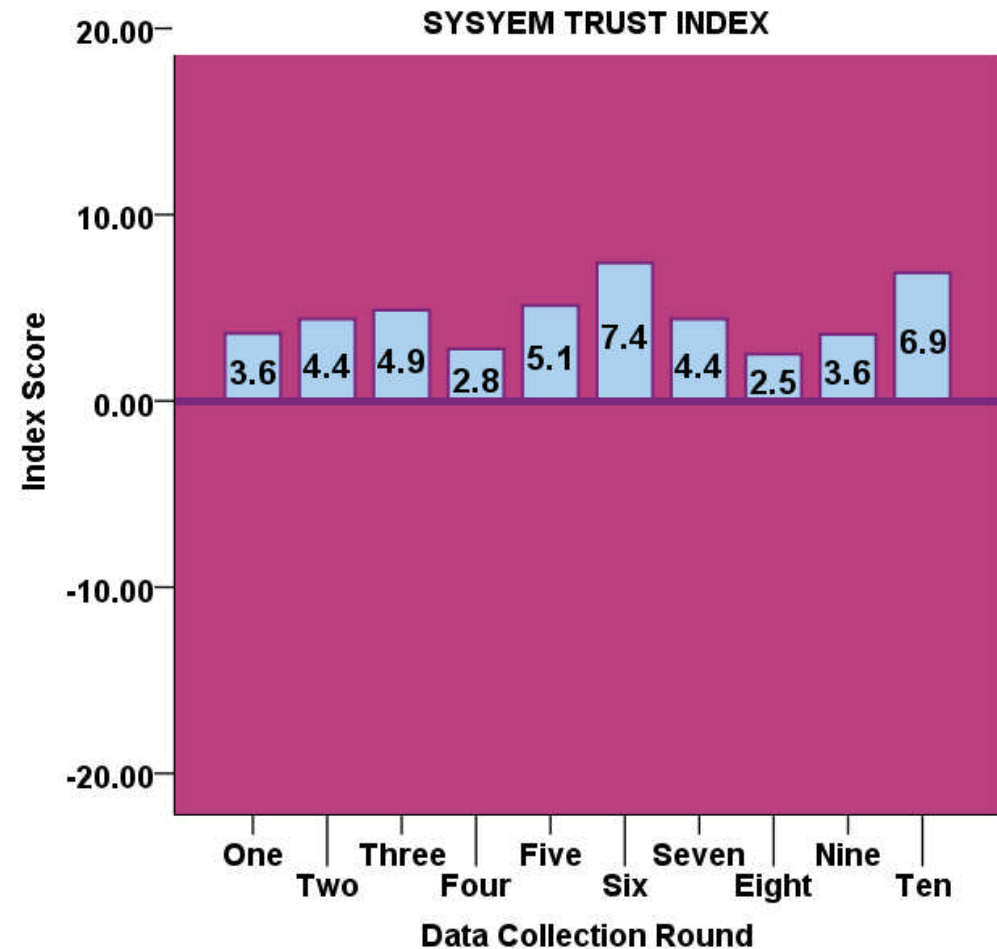
It is apparent that improvements in perceptions of higher level trust are responsible for driving improvements in trust more generally. This is good news, as higher level trust, having the customer's best interests at heart is a critical factor on overall assessments of trust.



### Commentary:

Trust in the system in general, regulators etc has remained remarkably stable and in positive territory. This has always been somewhat of a surprise, given the well documented incidences of mis-selling, solvency issues etc following the financial crisis and associated negative commentary.

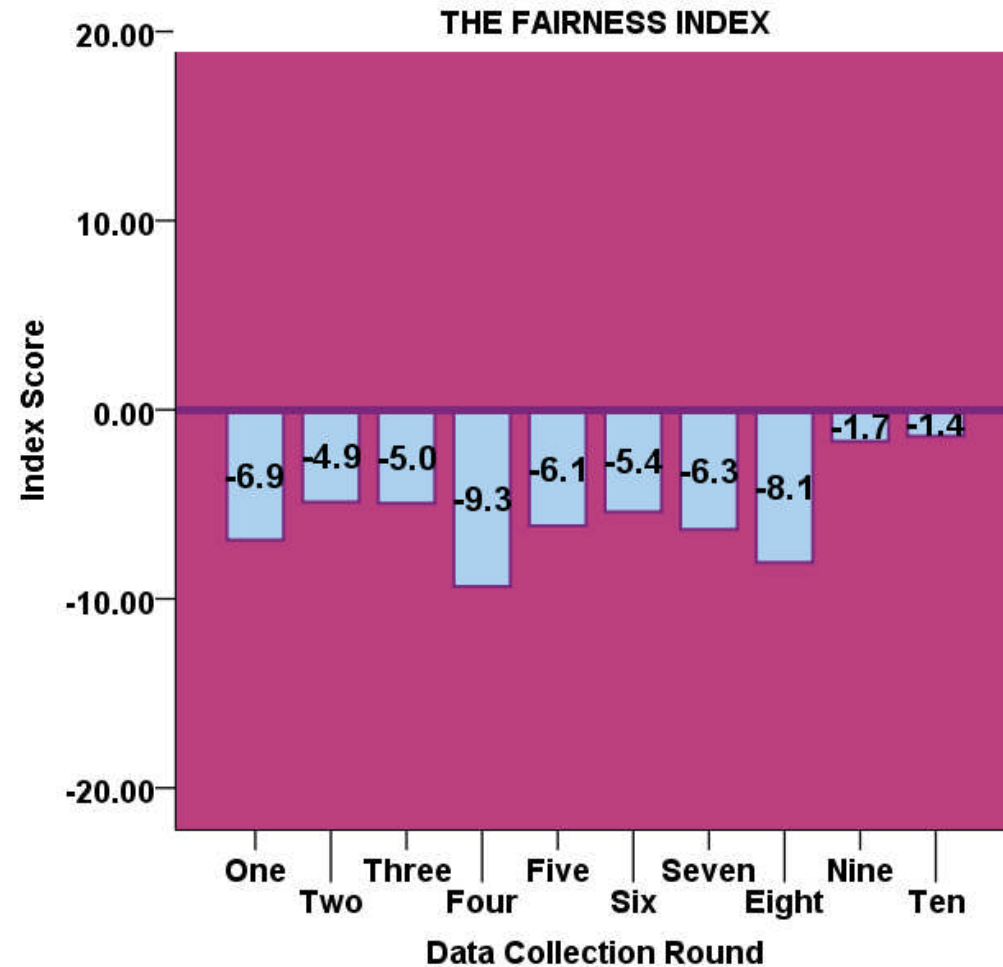
That said, in the main UK deposit holders did not lose large amounts of money, were not asked to participate in "bail-ins" and regulators have generally acted to seek redress for consumers where necessary



### Commentary:

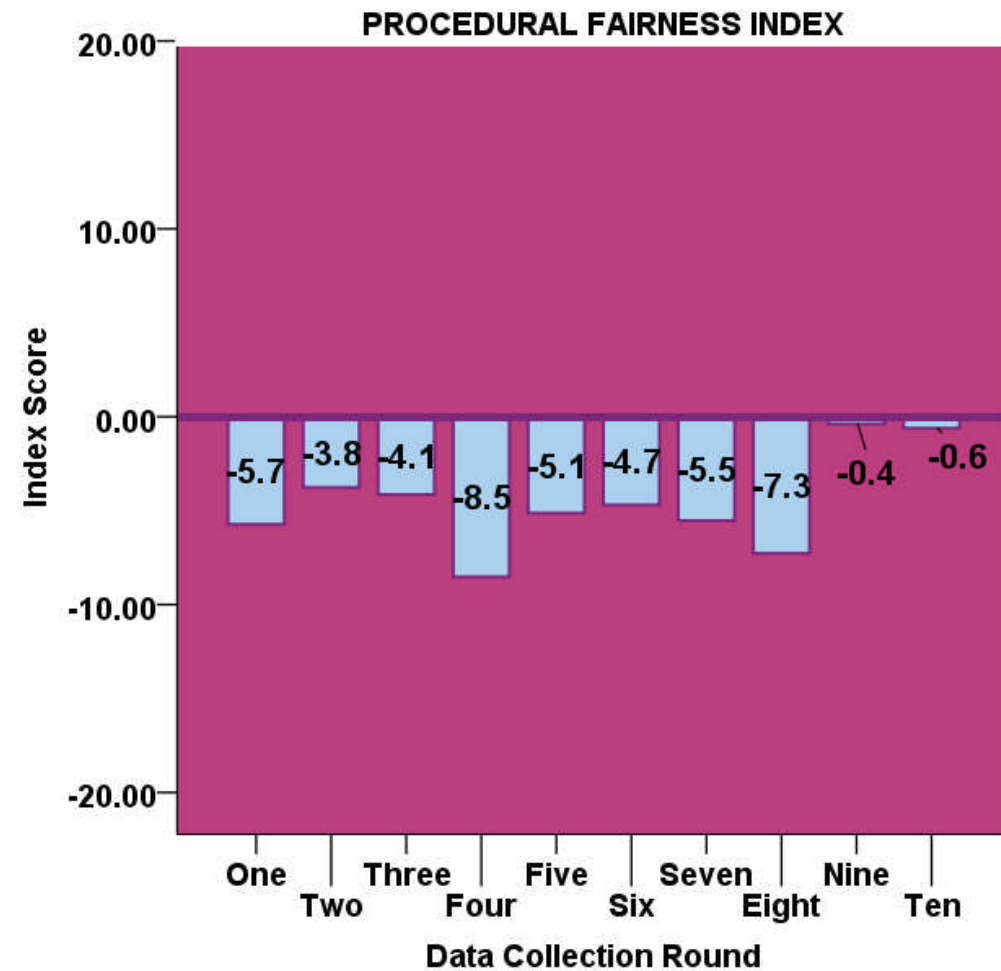
With respect to perceptions of fair treatment, ratings are the highest they have been in the past five years, but have not quite broken into the positive range of the index. That said, financial services firms will be pleased that progress has been made in the area of consumer perceptions of fair treatment by the sector generally.

Should current trends continue, then we would expect fairness perceptions to enter positive territory in the near future.



### Commentary:

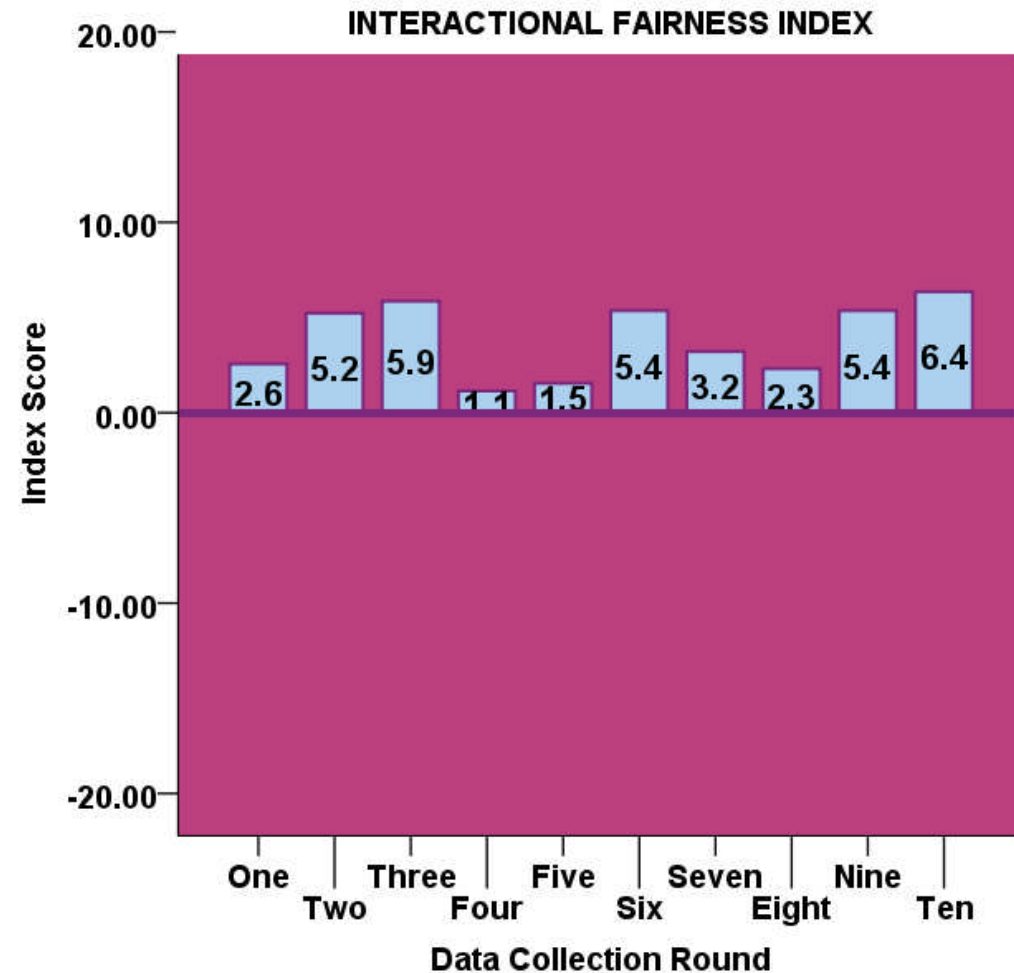
Procedural fairness, the first of three sub-dimensions of overall fairness, has measures that broadly mirror those for fairness overall, i.e. they have moved from more negative assessments to be marginally negative, with a good trend of improvement apparent.



### Commentary:

At all times during the last five years, interactional fairness perceptions have remained positive. A recent trend of improvement has resulted in the most positive assessments witnessed thus far.

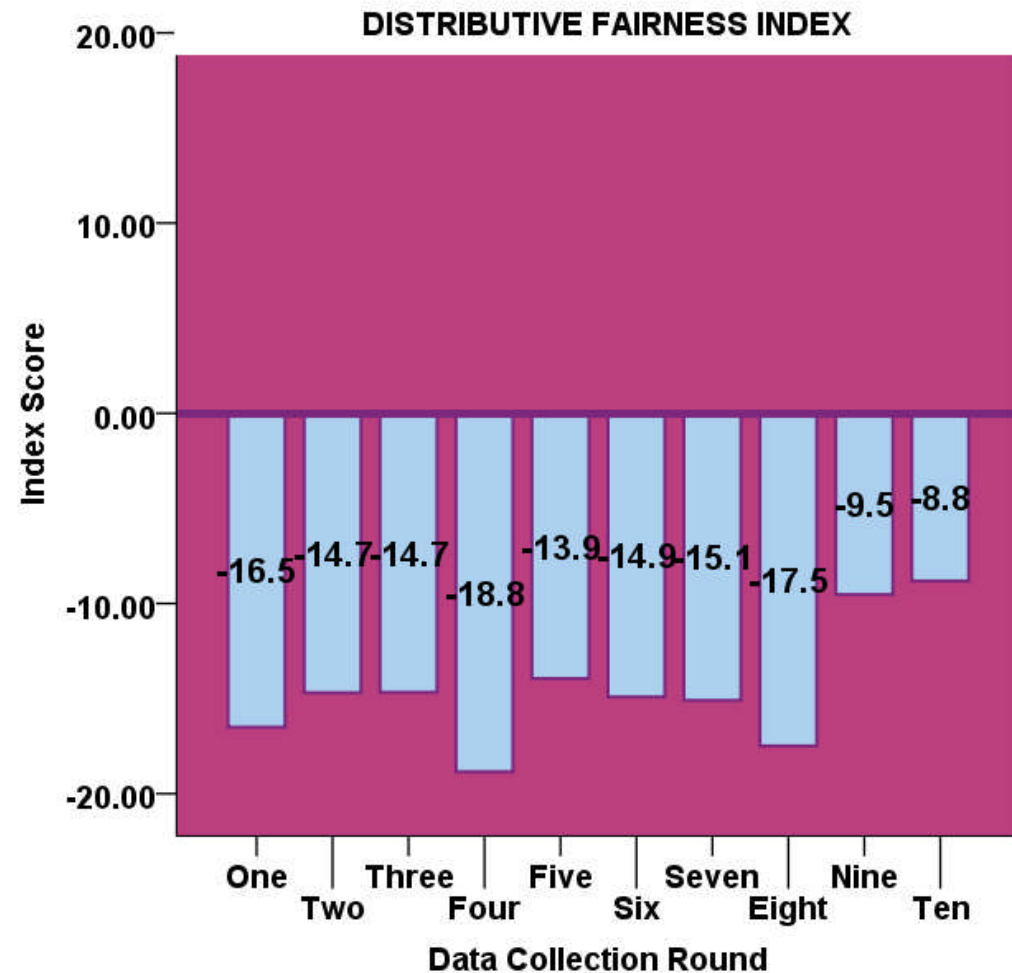
Thus, in terms of courtesy and communication/interactions with consumers, the sector is perceived to be improving, helping to drive increased ratings for fairness overall.



### Commentary:

Previous analysis has shown that perceptions of distributive fairness, how benefits are shared between parties, are by far the most important driver of perceptions of overall fairness. Distributive fairness is generally at least three times as influential in determining overall perceptions as other elements of fairness perceptions.

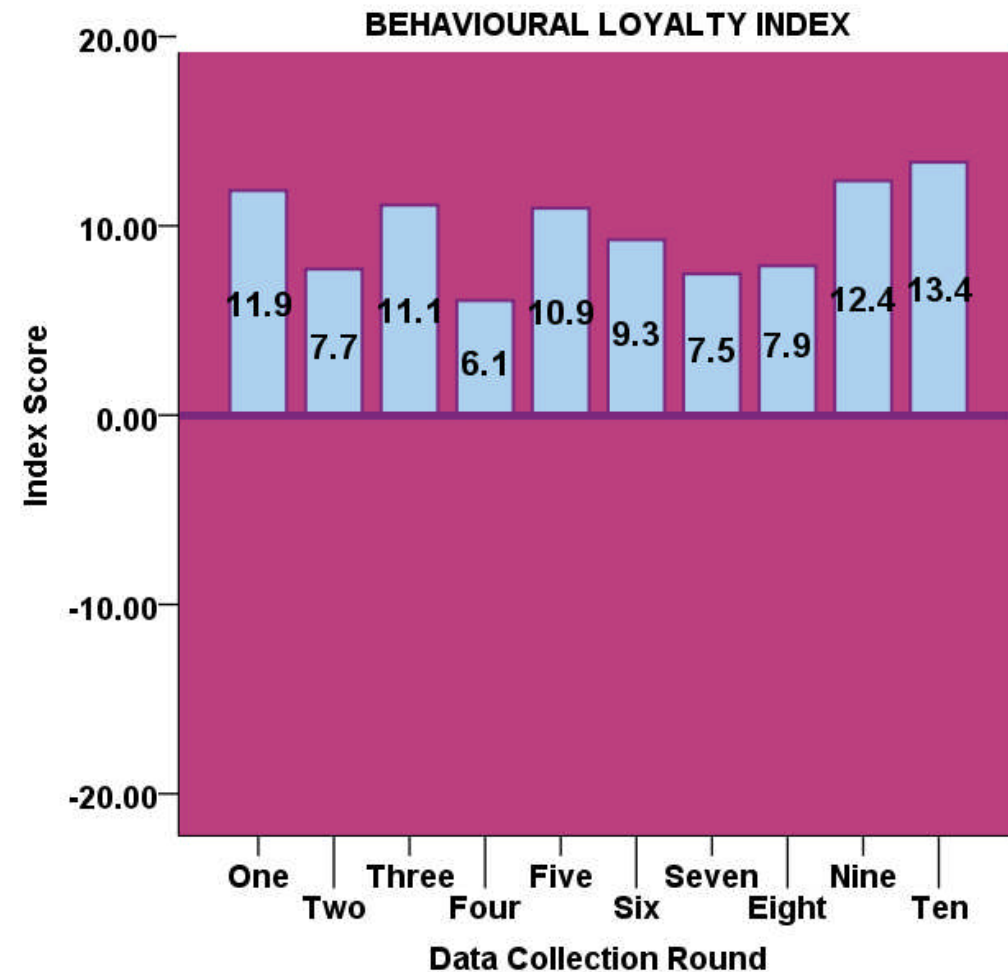
Firms will be disappointed to note that although there are signs of improvement, distributive fairness remains negatively rated by consumers.



### Commentary:

Our Behavioural Loyalty Index is based on three questions; *I consider my () to be my first choice to buy related services, I expect to do more business with my () in the next few years and I expect to continue to use my () rather than changing to another () in the next few years.*

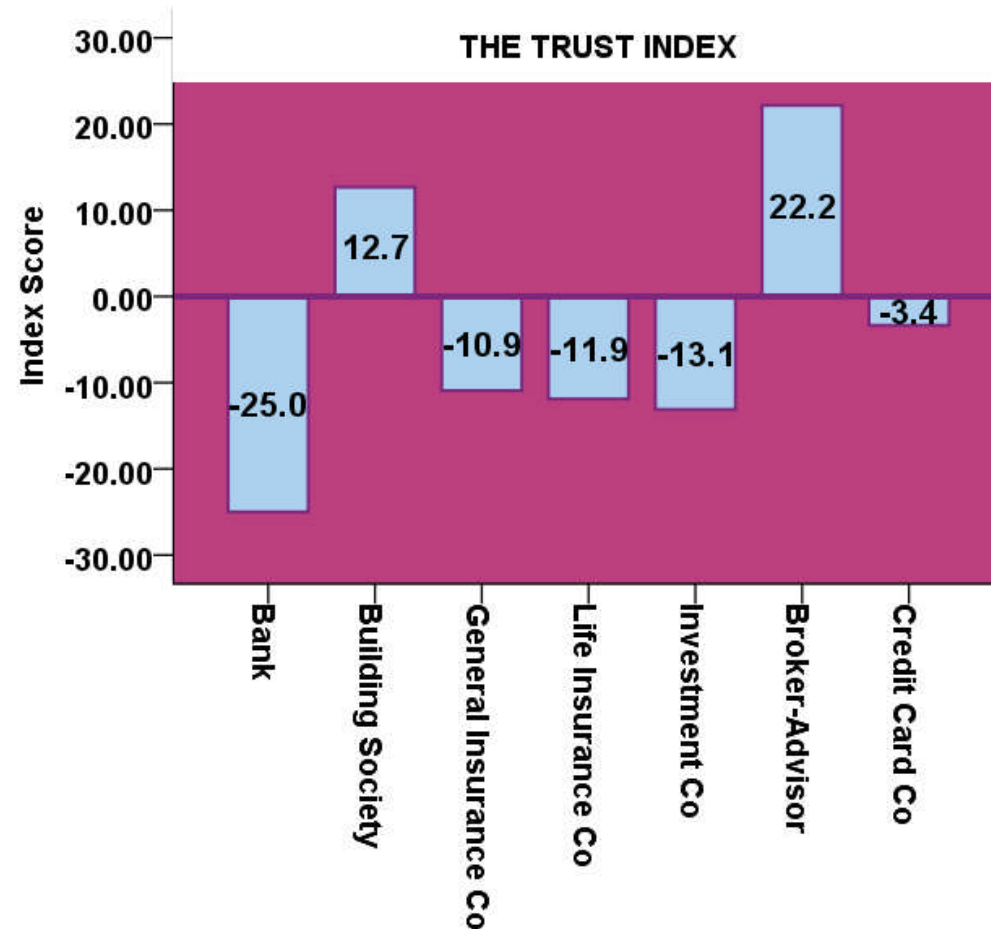
Whilst we cannot definitively prove causality, it is clear that behavioural loyalty is very closely correlated with perceptions of trust and fairness. It is apparent that efforts to increase perceptions of trust and fairness have the potential to bring significant commercial rewards in the form of increased loyalty



### Commentary:

Perhaps not surprisingly, the wave ten snapshot shows that individual institution types are rated similarly for trust in relative terms to previous waves. Brokers/advisors outperform other institution types markedly and banks are by far the laggards.

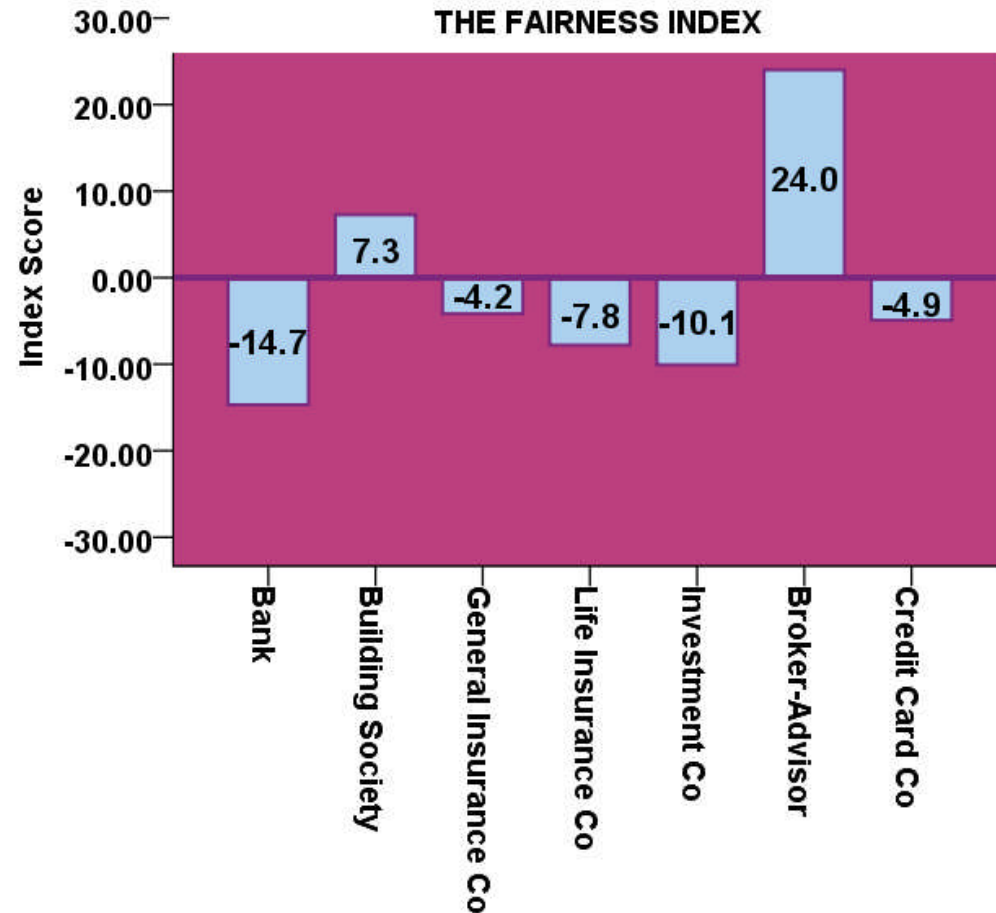
There are some longer term trends which are of interest, but these are returned to below.





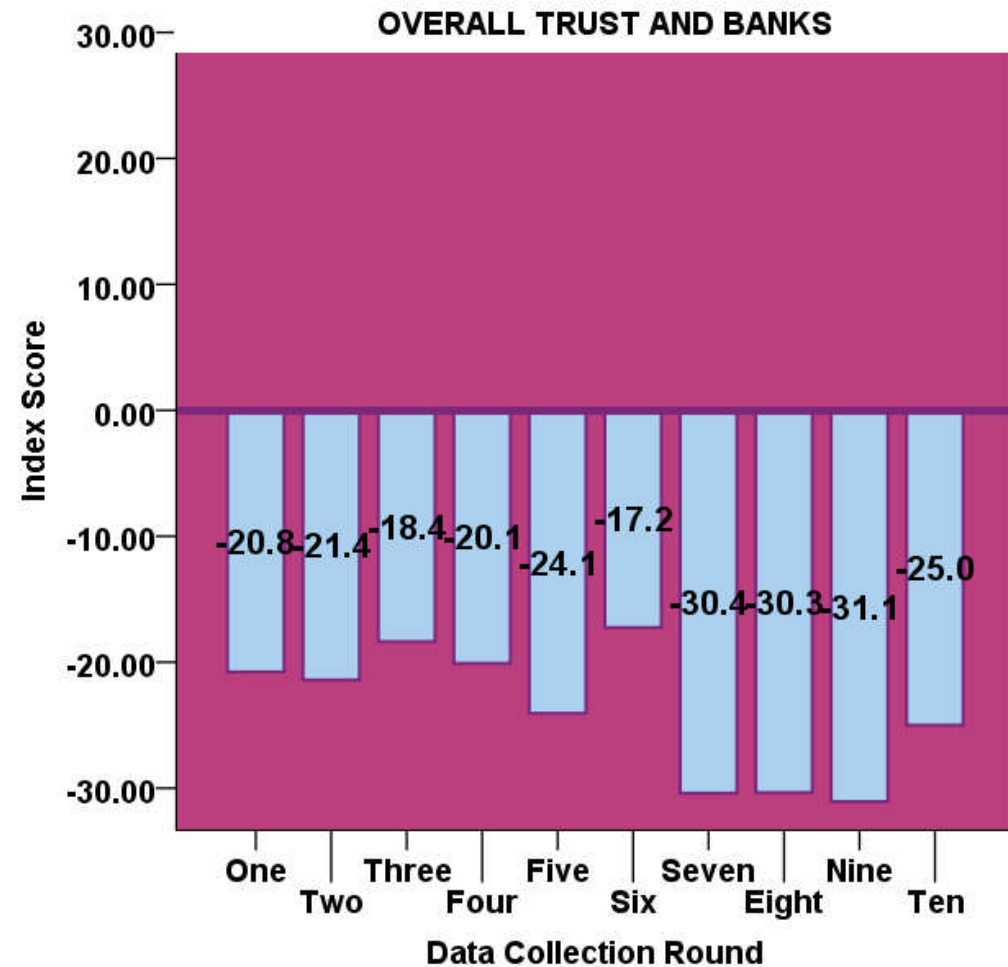
### Commentary:

The wave ten snapshot also shows that individual institution types are rated similarly for fairness in relative terms to previous waves. Once again Brokers/advisors outperform other institution types markedly and Banks are bottom, however in terms of fairness, they are less far adrift than for trust.



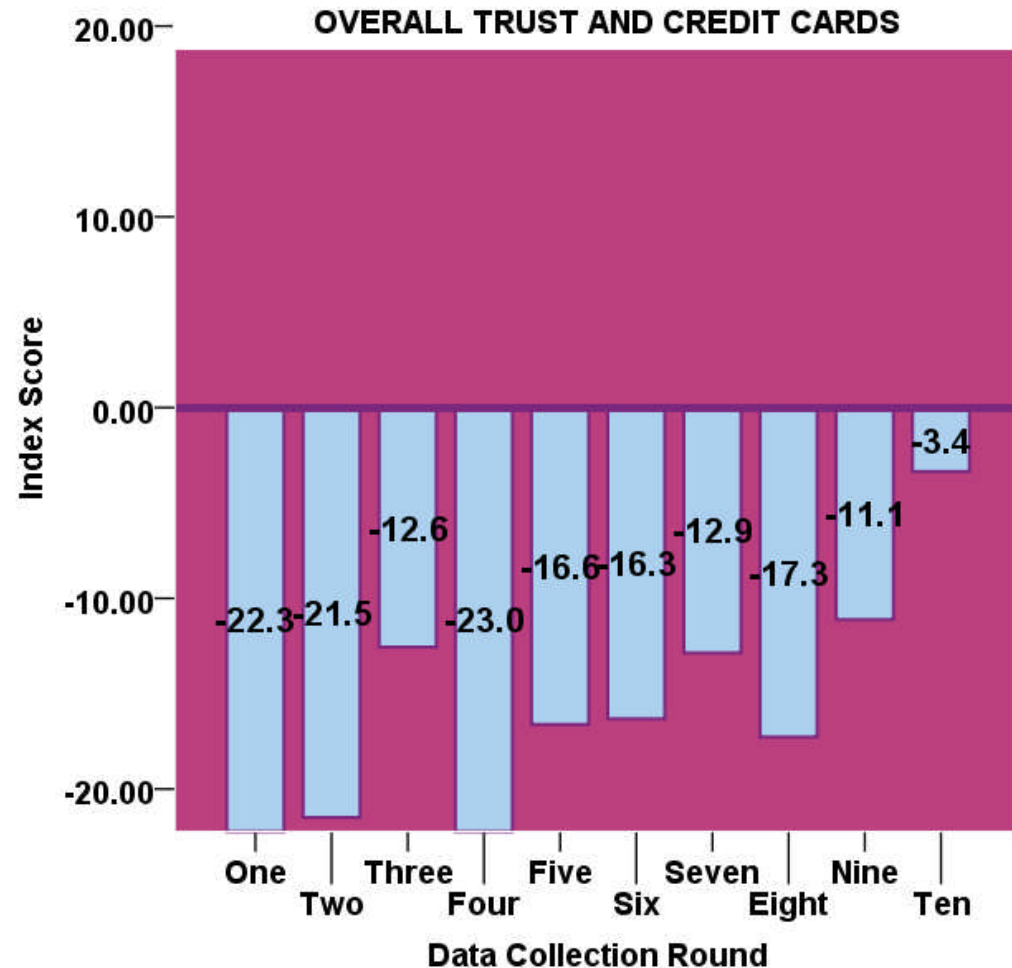
### Commentary:

For longer term trends at the institutional level, banks are an interesting case in point. Granted they have never been particularly highly rated in terms of trust, but in recent waves assessments of trust in banking have plummeted to extremely low levels compared to all other institutions. Although there is evidence of some improvement in the latest wave, ratings remain both very poor and far adrift from other types of financial services firms. Banks appear to be bearing the brunt of negative perceptions consumers related to the aftermath of the financial crisis.



### Commentary:

The situation pertaining to banks provides an interesting contrast to that for credit card providers. Here, the trend is very much in the opposite direction. In wave one, in 2009, credit card providers were rated the least favorably of all provider types. Over the intervening 5 years there has been marked improvement and they now lie third in the relative ratings with only building societies and brokers/advisors above them. The credit card industry has made efforts to be more transparent in their dealings with customers and to apportion payments in a manner more favorable to consumers, factors which may help explain the trend



## Summary:

- We provide evidence that perceptions of trust in the sector generally are improving to a noticeable extent
- We also show that ratings of fairness are improving and now lie to far from positive territory
- We notice a concomitant increase in behavioural loyalty towards firms in the sector
- The relative ratings between firm types remain broadly stable, with brokers/advisors most highly rated and significantly more so than all other types of firm for both trust and fairness.
- Focusing on banks, trends over time have been particularly problematic, with the net result that banks are now by far the lowest rated firm type in terms of trust, significantly below all other provider types
- Credit card providers also stand out, but in their case due to a marked improvement in their relative trust rating. In wave one, five years ago, they were the most lowly rated provider type. Now, after consistent improvements, they are comfortably ahead of the pack.