BIZCOMMUNITY

# Global report highlights financial services as least trusted sector

According to the 2018 Edelman Trust Barometer, the financial services industry was once again the least trusted sector. The report has been measuring trust in business, NGOs, government and the media for the last 18 years.

According to the report, which has a special section devoted to financial services, trust in the industry declined in 13 out of 28 countries in 2017. Overall, the authors characterise trust as having 'stalled' last year in financial services, following a five year rise since 2012. However, that is taking the views of both the general population and the 'informed population into account. When it comes to 'informed' respondents, there were double digit declines in trust in several markets with the USA suffering the worst decline of all. And, the report says, where 'informed' population trust goes, general population trust follows.

## What drives trust?

According to Richard Rattue, CEO of CompliServeSA, researchers can make an expensive meal of what is really a very simple answer: conduct. Being as good as your word; walking your talk. Conducting your affairs with integrity and acting in the best interests of your stakeholders. Treating your customers fairly.

Rattue says it's not surprising the financial services industry is the least trusted sector of the economy. Despite the tsunami of regulation that has hit the industry since the global financial crisis, scandals continue to ensue both here and abroad. Consider the massive miss-selling of credit life policies over more than a decade in the UK; the loss of trust in global accounting firms such as KPMG; the Real Value Arbitrage Fund scandal; Fidentia; and of course, Steinhoff which, while not a financial services company, certainly lost a lot of investors an awful lot of money.

The Edelman report found a new unwillingness to believe information among respondents; a loss of confidence in information channels and sources.

“The rise of ‘fake news’ certainly hasn’t helped,” says Rattue. “Rather, it has instilled a growing scepticism about what is objective truth, and what isn’t. Pity the poor investor in this scenario.”

## What drives misconduct?

“Again the answer doesn’t take an expert to figure out,” Rattue says. “A culture of greed has been ingrained in financial services firms for decades and eradicating it won’t occur overnight. Greed leads to unrealistic sales targets being set by management, and signed off by the board. In turn, this leads at the very least to miss-selling and at the worst to out and out fraud.”

Last year, Thomson Reuters asked compliance and risk practitioners from more than 750 financial services firms across the world, including banks, brokers, asset managers and insurers, how their firms are managing the challenges presented by the regulatory focus on culture and conduct risk. When asked what was the single biggest risk to conduct facing their firms, the overwhelming response was sales practices.

## What can companies do?

“No doubt some boards will commission reports from expensive international consultancy firms that will cost hundreds of thousands yet to my mind the answer remains cloaked in simplicity and largely laid out in the content of this article. We have to get the basics right and make changes to the values that drive respect and trust.

“CEO’s need to stand up to directors who in turn need to stand up to shareholders who bully them into a “profits uber alles” strategy. It is simply not sustainable.”