

Why “honestly, fairly and professionally” could become a byword for financial services providers

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Once again we find ourselves debating another financial services scandal caused by defective industry culture. There is clearly a malaise in the City that extends all the way from the counters and dealing floors to the boardrooms.

Something has been lost in the culture of firms in recent years and not just the bowler hats. Financial services were provided on the basis of personal relationships of mutual trust. Now bank staff work in call centres often incentivised by remuneration schemes to push loans, insurance and other financial products whether customers want them or not. Or more worryingly still, whether they are in their best interests or not, as illustrated by the PPI and interest rate swap misselling scandals.

It is not just consumers who suffer. Firms have had to pay £5bn in PPI redress alone, so far. The reputation of financial institutions and the City itself has been badly damaged. US and EU regulators are increasingly starting to question London's pre-eminence and whether the City and its institutions can be trusted with, for example, setting benchmark rates like Libor.

It has been a long time since “Big Bang” and cultural change is overdue in financial services. Change needs to be embraced at all levels in organisations. This is why the Consumer Panel is advocating imposing a duty “to act honestly, fairly and professionally in the interests of consumers” on the face of the Bill currently before the Lords. Similar wording can be found in MiFID and in the FSA's principles of business. The proposal has already attracted strong cross party support. It must now be up to the Government and legislators to decide whether or not to accept the amendment. The Panel remains hopeful that if successful this could lay the foundation of a better relationship for consumers and the industry alike.

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The Consumer Panel is a statutory body under the Financial Services and Markets Act 2000 and advises the FSA on the interests and concerns of consumers.