

A Partnership for Purpose: Embedding and Reinforcing Purpose in Retail Banking

The delivery of retail banking services has continually evolved – shaped by forces including changing demographics, regulation and technology - since the Chartered Banker Institute was founded in 1875. Throughout our history, though, we have been consistent in our view that the broad purpose of banking is to support the economic life and prosperity of customers and communities in a responsible and sustainable manner.

I was delighted, therefore, to be asked to lead the retail banking sector roundtables as part of the FCA's Purpose Working Group, and hugely heartened by the extent of engagement in this work. Participants in the retail banking sector roundtables included representatives from banks, building societies, credit unions, customer groups and a wide range of other stakeholders.

Firstly, we identified three meaningful goals (summarized below, but with further detail behind them) that, when taken together, could describe the purpose of retail banking:

1. To be a reliable custodian of money and information.
2. To help everyone with their money
3. To generate sustainable returns to enable the delivery of services

It is important to note that these are goals for retail banking (i.e. the service), not necessarily goals for retail banks, building societies and credit unions (i.e. individual institutions). It is also key that these are deliberately stated as grounded, measurable, easily understandable and achievable goals rather than noble, idealistic and philosophical statements of purpose.

The first goal perhaps requires some further explanation. The sector recognises its obligation as a custodian and steward of depositors' funds, but in an era of Open Banking, this needs to be extended to customers' data more broadly. This is an opportunity for our sector as well as a responsibility, as data becomes increasingly valuable, and valued. Helping everyone with their money, and ensuring no-one is excluded from economic life, seems relatively straightforward. As does the generation of sustainable returns: "pursuing purpose requires a surplus", which is as true for mutual organizations as for those pursuing shareholder returns.

Strong consensus from bankers, customers and other stakeholders on these goals was accompanied with an acknowledgement that there is a complex range of barriers and obstacles that get in the way of achieving what seem simple and straightforward objectives. A combination of short-term financial and operational imperatives, regulatory and policy distortions, institutional policies and procedures, a complaints culture, the media spotlight and customer expectations all acted as or led to the creation of barriers that prevented retail banks and bankers supporting customers and communities as they wished. Similarly, it was agreed that there was no 'silver bullet' able to overcome these.

A shared frustration around communication and transparency – or the lack of it - was identified as one of the key barriers. Bank staff and customers both want to hold meaningful conversations about money and financial goals - not necessarily face-to-face, but through multiple channels. Bank staff say they feel fulfilled when helping customers and remember with pride the times when they've really helped. Customers remember times when they were helped by their banks and by the individuals who supported them. In theory, automation frees staff time for problem solving, customer relationships and advice. This does not seem to be the reality, however, perhaps because business models have tended to remove skilled staff from the front line. Retail banking leaders, therefore, could recognise the value created for customers in the front line, and invest more in upskilling and reskilling colleagues to be better equipped to help everyone with their money.

Linked to this is the “small a” versus “big A” advice issue; meaningful and valued conversations about money are difficult without advice but cost and regulation gets in the way for bankers and customers. Acting as reliable custodians and helping everyone with their money places a professional duty on retail bankers, similar to that of doctors for their patients, and lawyers for their clients, where the asymmetry of information can place the customer, patient or client at a disadvantage. Retail banking leaders and regulators can work together to continue to enhance and sustain the re-professionalization of banking that has made some progress over the past decade, although there is still much more to do.

We also looked at how the barriers we had identified could best be overcome. This requires, in our view, a genuine “partnership for purpose” between senior retail banking leaders and their institutions, employees, regulators, consumer representatives and professional bodies. This will develop, embed and reinforce cultures both within firms and a broader, sector-wide culture based on a shared sense of purpose and professionalism. Only through this can purpose help to navigate (at least to some extent) the complexity of the barriers and obstacles that get in the way. But the sector also needs to find ways to overcome first-mover disadvantage and this will require regulatory help.

I would like, therefore, to propose the following four-point plan for a “*Partnership for Purpose*”:

- 1) A joint “Declaration” from the retail banking sector setting out our shared purpose and what this means in practice – this will consist of a set of principles plus several tangible commitments that can be measured and reported on.
- 2) The sector should embrace and promote its existing professional duty as a reliable custodian, and seeking to help everyone with their money, and take positive steps to build this into organisational cultures, and the culture of our sector overall.
- 3) Seek greater encouragement and endorsement of market and professional standards that support purposeful retail banking, and the individuals who achieve these, from senior retail banking leaders and regulators.
- 4) Identify examples from other countries and sectors where purpose has driven value creation over the longer-term and implement these in our own sector.

This is only the start of what I hope will be a continuing process to develop and deliver more purposeful retail banking. There is a real desire to do this, and I believe that by working together as a sector, in partnership with regulators, consumers, professional bodies and others we will help our sector demonstrate its positive social purpose, help reconnect banks and society, and contribute to the process of rebuilding trust in our financial sector overall.

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