



# Case Study

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## Reputation of Banking

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**Oliver Rowe**  
Director, Reputation Research

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## **Reputation of banks at low ebb but the public believes they are critical to UK's economic growth**

The reputation of British banking was hit hard this summer as all four of the UK's major banks ran into problems. RBS suffered a serious computer glitch, Barclays was caught fixing Libor, HSBC was fined for money laundering in Mexico, and a Lloyds employee admitted major fraud. This was all against a backdrop of PPI mis-selling, interest rate swap mis-selling, Standard Chartered being fined for Iranian dealings, and Spanish banks needing a bailout. It led to RBS Chief Executive Stephen Hester stating that banks had become "detached from society".

YouGov research shows that Mr Hester's comments are correct and a gulf exists between banks and their customers. While 42% of UK adults polled in August 2012 feel that "British banks can be good citizens", their reputation is at a very low ebb. Retail customers believe the major banks have poor ethical and moral standards, have failed to learn the lessons of the financial crisis, and are treating their customers unfairly. Despite this, 78% believe 'Banks are critical to getting the UK economy growing again', a role which could provide a chance for reputational amelioration.

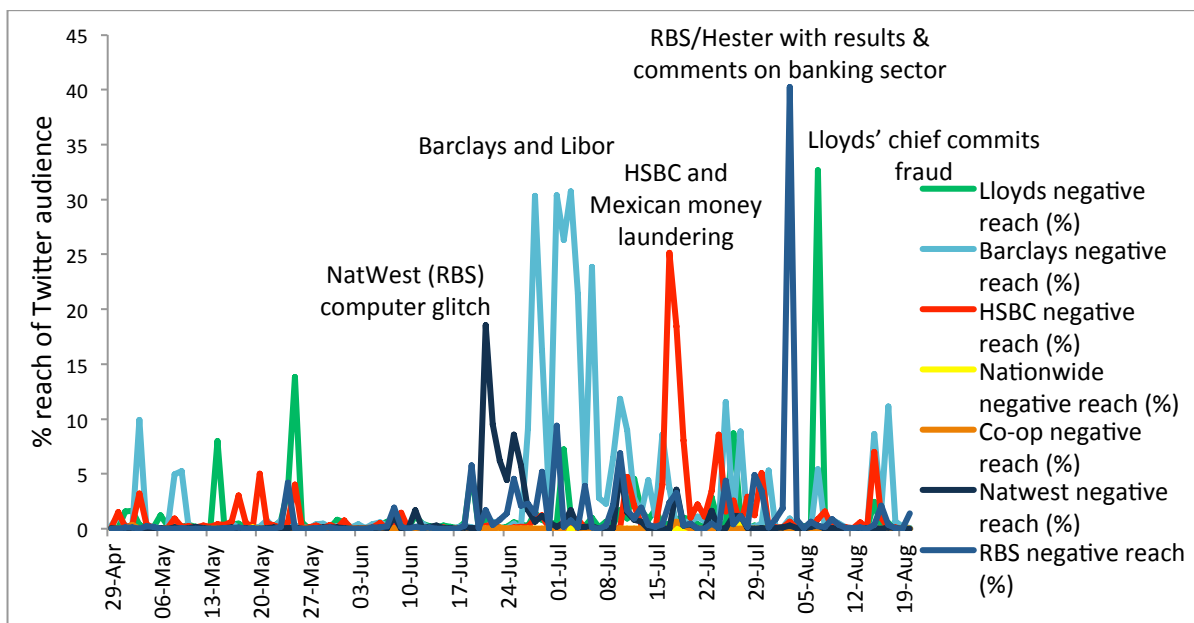
*"With most of the banking scandals, I don't even think about the individual banks involved - I just think that it's representative of the sector as a whole."* UK bank customer

## Monitoring events

### **SoMA – social media monitoring**

SoMA, a YouGov tool which monitors the Twitter feeds and Facebook pages of members of our UK research panel, measured the reach of the summer’s banking stories through social media. It provides an instant read of the severity of news stories and it showed how the Barclays/Libor story dominated the sector but that other events also had a long reach.

**Figure 1: Negative comments on Twitter during summer 2012**

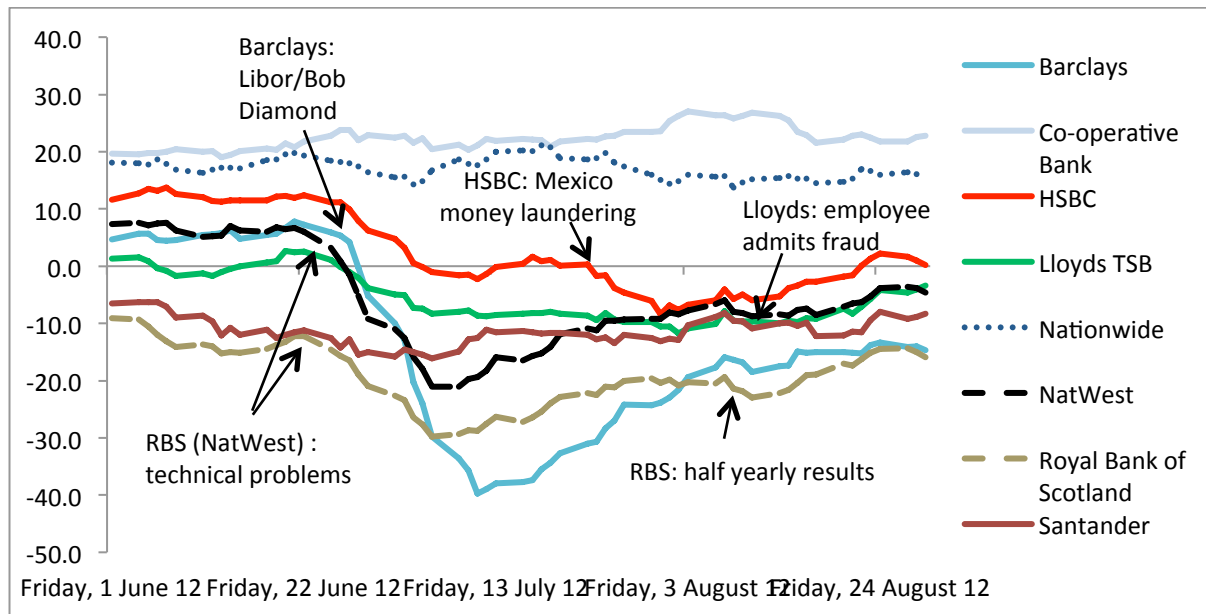


Source: YouGov SoMA, monitoring of representative panel of Twitter users’ feeds Negative Tweets about Barclays/Libor reached over 70% of Twitter users across the summer, with other banks often being mentioned at the same time. Negative Tweets for NatWest reached a peak audience of just 18% but RBS’ results and Stephen Hester’s comments in early August reached over 40%.

### **BrandIndex – daily tracking of consumer attitudes**

YouGov’s ‘BrandIndex’ monitors consumer attitudes to brands every day, and it shows Barclays reputation score fall from +5 to -40, almost twice that of rivals NatWest (+6 to -20) or RBS (-12 to -29). Here reputation refers to the pride or embarrassment a person might feel working for a company, and the Barclays score is lower than that of BP during the Macondo well disaster (-33). Yet by August 22<sup>nd</sup> Barclays’ score was already recovering and back to -16 compared to -19 for RBS. Scores for all banks were driven down by older, better off, male respondents in particular, with the RBS glitch and Libor scandals bringing all larger banks down.

**Figure 2: BrandIndex ‘reputation’ of UK banks**



% of UK adults saying they would be proud or embarrassed to work for the brand  
 Source: YouGov BrandIndex, sample size 1250 over two week period

**Deeper Reputation of Companies by Customers**

When measuring reputation a little more deeply, the key markers are familiarity of an organisation, how favourable someone feels towards it, and what they know about it. For favourability, the banks in our study scored between 4 and 5 out of ten, with RBS and Barclays below BP, and all banks well below Sainsbury’s and the BBC.

Looking only at the responses of each bank’s customers, Barclays comes last for favourability, with customers rating it 5.5, compared to 6.2 for RBS, 6.6 for Lloyds and 6.8 for HSBC, amongst each bank’s own customers. The Co-operative Bank scores 7.8, putting it above the BBC’s score.

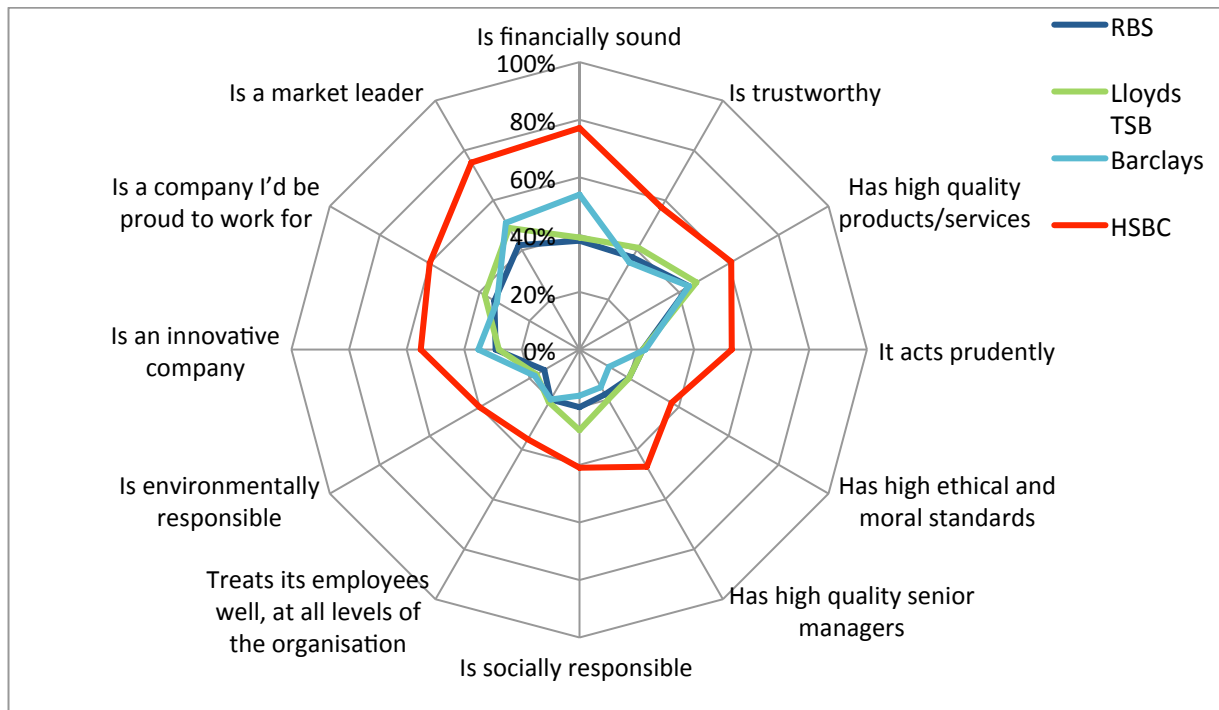
When customers rate the banks against 12 key reputation attributes (Figure 3), we find: HSBC: leads the way on every measure with clear blue water between it and the other three majors, including being the market leader (also chosen by 36% of the UK adults sampled);

Barclays: perceived by customers to be more financially sound than RBS or Lloyds TSB, but with lower ethical/moral standards and poorer senior management;

Lloyds TSB: performs poorly across all measures, but just staying above RBS and showing a little differentiation in being slightly more socially responsible;

RBS (NatWest/Ulster/RBS): on average it has the lowest reputation of the big four amongst customers and non-customers on these measures.

**Figure 3: Account holders' attitudes towards main four high street banks (% agree)**



Base: main account holders of 4 banks, sample size varies

Source: YouGov, 21-23 August 2012. 2,061 representative UK adults aged 18+

*"[The banks] have no idea about real customer service."* UK bank customer

## **Financially Sound and Prudent**

When choosing a provider, customers say they prioritise those they consider to be financially sound, and with that, prudent. However less than a quarter of customers at Barclays, Lloyds TSB and RBS (NatWest/Ulster/RBS) consider their banks to be prudent and only a half or less consider them to be financially sound.

**Figure 4: Belief that UK banks are prudent or financially sound**

“it acts prudently”	% of customers who agree or agree strongly	“is financially sound”	% of customers who agree or agree strongly
Co-operative Bank	80%	Co-operative Bank	80%
Nationwide	65%	HSBC	77%
HSBC	53%	Nationwide	75%
Barclays	23%	Barclays	54%
Lloyds TSB	22%	Lloyds TSB	39%
RBS (NatWest/Ulster/RBS)	22%	RBS (NatWest/Ulster/RBS)	38%

Source: YouGov, 21-23 August 2012. 2,061 representative UK adults aged 18+

## **Trust and Ethics**

What has undermined the position of the banks, beyond the how financially sound they may be, is the lack of trust consumers have for them. April 2012's "Trust in Financial Services" report published by YouGov SixthSense shows only 28% of the UK public agree that "In general, you can trust high street banks" although a minority consider any given bank to be 'untrustworthy'. The figure below actually shows how few people state that they actively distrust any particular bank.

**Figure 5: Trust of high street bank brands**

	It's the sort of brand that I don't trust	It's much the same as most brands and I don't trust it more than others	I trust it more than other brands*
Co-operative Bank	4%	18%	72%
Nationwide	4%	32%	56%
HSBC	8%	42%	41%
NatWest	10%	50%	32%
Barclays	10%	48%	32%
Lloyds TSB	11%	49%	31%
Royal Bank of Scotland	14%	54%	25%

\*This score merges three measures: "It isn't very different from other brands but I do trust it more", "It stands out as being somewhat more trustworthy than other brands", "It's a unique brand which I really trust more than other brands".

Source: YouGov SixthSense 'Trust in Financial Services' April 2012. 2,060 representative UK adults aged 18+

A survey of UK opinion formers (July 2012) by YouGov finds 94% agreeing that "the Barclays interest rates scandal is symptomatic of a widespread problem of ethics in the UK banking industry", and 80% of the public sampled in August also agree.

These ethical concerns surface amongst MPs when asked about the wider economy. A representative sample polled in July 2012 by YouGov finds that 44% of MPs agree that 'large UK firms have good ethical and moral standards' but 33% disagree and 23% sit on the fence, while just 29% agree that 'in general these days CEOs of large UK businesses promote a culture of responsibility', as recently called for by Chancellor George Osborne.

## **Sector Attitudes**

The banking sector now sits extremely low in the public's opinion:

- 70% think 'British banks are driven by greed';
- half (51%) feel that 'British banks have lower ethical standards than other major UK businesses such as manufacturers, pharmaceutical companies or retailers';
- only 7% believe 'British banks have learnt their lessons from the financial crisis of 2008'.

Customers don't think banks are fair: just 11% think 'high street banks treat their customers fairly', while 79% say 'when it comes to the current economic problems, we are supposed to 'all be in this together', but UK banks don't think that includes them'.

Focus groups do find some sympathy for bankers, believing they have become scapegoats for politicians, and that not every failure of the financial system should be laid at their door, but most feel they were complicit and greedily played the system, describing the sector as "corrupt", "arrogant", "untrustworthy" and "self-serving".

For MPs, these concerns go beyond the financial sector, with 42% saying CEOs of large British businesses are underperforming, while only 15% disagree. 90% of MPs want shareholders to have greater capacity to scrutinise large UK businesses.

Quotes from UK bank customers:

*"Stop these obscene bonuses."*

*"Stop being meretricious, pretending that customers come first. They obviously don't."*

*"They need to act responsibly and not encourage the chasing of a quick profit e.g bonuses for selling the most products whether it is suitable for the customer or not."*

*"Banks should provide a safe and secure place to deposit money and they should invest that money ethically and they should make adequate funds available to lend to profit-making enterprises."*

*"Not everything is the banks fault. The last government managed to crash the economy into the ground without them."*

## **Switching**

12% of customers polled in August 2012 are considering moving their main current account to another provider, and it is highest amongst customers at RBS (NatWest/Ulster/RBS) (17%), Barclays (15%), Santander (14%) and HSBC (14%). 35% of those thinking of switching are considering The Co-operative Bank, coming top for RBS, Barclays and Lloyds customers. Nationwide comes second with 17%.

Many RBS and Barclays customers are displeased with their bank but few intend to genuinely move accounts due either to laziness or because of how hard they think it will be, with some worrying it might affect their credit rating. There is also a lot of concern that all the banks are simply as bad as each other. There is however some call for portable account numbers which they hope will make the process easier.

*“As a Barclays customer, I'd like to say I changed my bank, but I haven't (yet), why not? Hassle and I figure many have similar skeletons in their closets.” UK bank customer*

Recent YouGov SixthSense research amongst SMEs in the UK (SME Banking Report) similarly finds concerns about how hard it might be to switch to another provider, despite their desire to do so, and very few of those who have switched say the process was easy and painless.

Fear of being charged for their current account is the one factor that respondents in focus groups think might actually motivate them to move.

## Repairing Bank Reputations

*“It's easy to bash them but the UK needs them if we're ever going to get out of the pickle we're in.” UK bank customer*

The UK public as a whole is not positive about banks but it does not want to turn its back on them, with 78% believing ‘Banks are critical to getting the UK economy growing again’. This opportunity for banks to show their worth and perhaps repair some reputational damage comes at a price, because 83% say that ‘It is essential to the future of Britain’s economy that British banks undergo major reform’ with 55% supporting a split of investment and retail operations, while 12% oppose it.

Quotes from UK bank customers:

*“Separate high street banking from other financial activities. Be transparent and honest. Have a fair pay/bonus system not based on short-term interests.”*

*“I think there needs to be regulation though - Banks won't do this on their own.”*

*“...we have also seen the FSA cannot be trusted to do this either”*

YouGov’s analytical team ran a ‘key drivers’ analysis to compare scores given for the reputational attitudes with scores for overall ‘favourability’. This shows that favourability is most impacted by perceptions around being ‘trustworthy’ and being ‘a company I’d be proud to work for’. This gives some idea of what banks need to do while the table below shows the factors people believe actually build trust in a financial brand:

**Figure 6: Top 6 factors that build trust in a financial brand**

Behaving fairly and transparently with their customers	62%
Good opinion given by friends and family	56%
Knowing there is no risk of them going out of business	56%
Offering consistent high-quality customer service	53%
Rewarding loyalty	45%
Only selling me things I need	45%

Source: YouGov SixthSense ‘Trust in Financial Services’ April 2012. 2,060 representative UK adults aged 18+

Echoing Stephen Hester’s comments about being “detached from society”, this report demonstrates that perhaps it is those banking brands which are most in tune with customers or society at large which are enjoying the strongest reputations. Whether this is due to ownership structure or not, there are clear reputational pointers from other financial providers that the big four high street banks cannot ignore.

*“[If] acting in the interests of the country...they would be transparent, open, fair, responsible and honest” UK bank customer*