

Public and Stakeholder Consultation Report 2019



**Irish Banking
Culture Board**

“[Banks should] Re - establish personal, meaningful, honest links with their customers - those people who are their raison d’etre.”

- Public stakeholder

“One of the key aims of the IBCB should be to rebuild trust between the banking sector and citizens. Because as a society we need a functioning, vibrant banking sector. It underpins the strength of our economy.”

Gary Tobin, Assistant Secretary General with
Responsibility for Banking and Financial Stability,
Department of Finance



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FOREWORD FROM CHAIR

For the Irish banking sector, this is no time for business as usual. The recent tracker mortgage scandal has further damaged confidence in a sector already under fire following the impact of the 2008 financial crisis. With both their competence and integrity called into question, our nation's banks are faced with a massive challenge to regain public trust.

The decision to establish an independent Irish Banking Culture Board (IBCB) is a positive step towards meeting that challenge. I am delighted to chair this Board and consider it a most worthy endeavour. The mission is clear: assist the banking sector in its clearly expressed determination to improve operating practices and rebuild its reputation.

Thus, the IBCB's role will be that of a facilitator. It will be an independent body helping and driving the nation's banks towards achieving fairer customer outcomes and a sustainable and open future, while holding them accountable to the highest possible standards of ethics and professionalism.

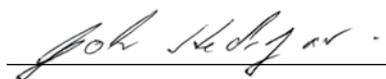
I would like to thank all participants who have taken part in the consultation, from the members of the public who have taken the time to give their viewpoints, to the employees in the 5 founding banks – Allied Irish Banks; Bank of Ireland; KBC Bank Ireland; Permanent TSB; and Ulster Bank – who provided open and honest feedback in a separate independent culture survey undertaken internally with the banks. I have met with the CEOs of each of these banks and I commend them for taking this initiative to set up the IBCB, for supporting this consultation process and for being prepared to listen to the wide-ranging views of the public and stakeholders and using the experience constructively to support the delivery of positive cultural change.

I welcome the findings of this report as a way to help us shape the structure, role and operating model of the IBCB. By asking for, listening to, analysing and acting upon the views of the Irish public and various leading experts from the worlds of politics, business and academia, we are giving ourselves the best possible chance of improving the culture of Ireland's banks and rebuilding faith in the sector.

This report is just the beginning. It is one of the first steps in an ongoing programme of consultation and reform that will help ensure we achieve real, lasting and effective cultural change. It will also help us focus our efforts on the needs of those who matter most: banking customers.

All our ambitions for reform will not be achieved in a single year or even within my three-year term. But we have begun, and we are committed in the long-term. We are, however, still in the design phase. The course we set now may shift and evolve as we go. Yet we shall at no point lose sight of our goal to achieve the highest ethical standards in banking and to create fair customer outcomes.

It may take time, but I am confident we will get there.



Mr Justice John Hedigan
Chairman
Irish Banking Culture Board

INTRODUCTION FROM ACTING CEO

In establishing the IBCB, we have been acutely aware of the fundamental importance of asking for and listening to the views of bank stakeholders and, crucially, bank customers as regards to current banking culture and how the IBCB can work to change this for the better.

The quotations used throughout the report are expressed verbatim. Many of the views and issues raised have been sobering to hear, and often cathartic for those expressing them. It was important and necessary that the industry asked for and listened to these views and they will help inform the work of the IBCB. Our aim is that when we next seek the perspectives of the public and stakeholders, the narrative will be more positive.

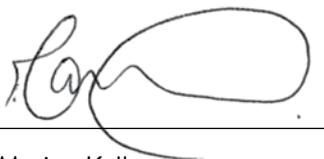
The challenge now is to translate these views into actions that result in positive change. Many of these actions will be taken directly by the IBCB itself, while others may need to be taken by individual banks or industry representative bodies. However, all actions resulting from this process will be tracked by the IBCB to ensure tangible progress is being made.

We would like to thank all of the stakeholders – public and expert – who generously gave of their time to contribute to the consultation process. Your views have been heard and will form the foundation of both how the IBCB is structured and what it focusses on.

Equally, we understand why many people are reserving judgement about the value of the IBCB. It will need to earn respect and trust via its actions and influence. However, the hugely positive sentiment towards its establishment, with 85% of the public who participated in the consultation saying they support the IBCB's creation, is a great starting point.

We see the establishment of the IBCB as an immensely important development for the Irish banking industry. One that can drive positive change in how our nation's banks engage with their customers, staff and society.

We are committed to making it a success. Thank you again for having your say and for the trust you have placed in us.



Marion Kelly
Acting CEO
Irish Banking Culture Board

EXECUTIVE SUMMARY

The findings of this report suggest that the Irish banking sector is at a tipping point. After a decade characterised by crisis and scandal, the nation's banks face an unprecedented loss of public trust.¹

The need for cultural reform is urgent. The industry must be ready to change. To do this it must accept the failures of the past and shortcomings of the present. It must give its customers a voice on the major issues, challenges and opportunities to be addressed. It must work towards a more open, sustainable future characterised by fair customer outcomes.

The establishment of the Irish Banking Culture Board (IBCB) is a key step in building that future. The Board will be chaired by Mr. Justice John Hedigan and will be majority non-bank. It will be comprised of trusted and experienced individuals representing various cohorts in Irish society, in addition to senior representatives from Ireland's five retail banks – Allied Irish Banks, Bank of Ireland, KBC Bank Ireland, Permanent TSB and Ulster Bank. Crucially, the IBCB will operate as an entirely independent body tasked with holding the banking sector accountable to the highest standards of professionalism and ethics. This is the first time such a body has existed in Ireland.

The IBCB's creation is a strong signal of intent from the Irish banking sector. How it is structured and the specific role it fulfils will be shaped by the results of this extensive public consultation process and further surveys.

Throughout this consultation **51 stakeholders** were interviewed from across Ireland, amassing **2092 minutes** of interview time from:

1 Chief of Staff for An Taoiseach **4 TDs**
1 union representative 5 individuals representing the vulnerable and the elderly
2 Department of Finance representatives 1 Economic Policy Advisor
1 Financial Services and Pensions Ombudsman
2 Financial Analysts / Economists
1 Government Minister **12 consumer advocates**
7 individuals representing wider Irish society - 1 academic
including students and those from rural communities
1 Director General in the Central Bank of Ireland
1 consumer affairs correspondent
11 individuals representing the business community
747 members of the public took part in the public consultation -
sharing **over 208,000 words** as part of their submissions

¹2019 Edelman Trust Barometer

As is to be expected, this consultation process has identified a great deal of frustration, anger and distrust around the current banking system, especially among the members of the public consulted but likewise among the various academic experts, policymakers and industry commentators interviewed.

From the erosion of human relationships with local bank staff to the rise of ‘decisions by algorithm’, there is a sense that banks not only act solely in their own self-interests but there are fears that certain sections of society are being ignored and let down.

As we see in the pages that follow, all of which feature feedback and assertions taken directly from those who took part in the consultation process, there is no shortage of issues to address.

Yet on a more positive note, the stage is set. The banks are committed to reform. There is strong support for the establishment of the IBCB and a strong consensus about how and where the IBCB’s efforts should be targeted. 83% of the public feel that the IBCB’s top priority should be to ensure banks act ethically and 62% believe it must take action to guarantee customers are treated fairly. These views – and many others expressed during the consultation process – will form the cornerstone of the IBCB’s roadmap for change.

Several of the experts who participated in the consultation process have noted that the level of cultural reform necessary across the banking sector cannot happen overnight. Culture is difficult to identify, to improve and to measure. It is likely to be a slowly evolving process. Yet one message comes through loud and clear: for the banks to regain the trust and confidence of the Irish public, it’s time to turn their positive words into real action.

To ensure the insights gleaned from the public and key stakeholders are captured to the greatest extent possible in this report, the narrative that follows contains a series of assertions that directly reflect the feedback received and are not opinions independently arrived at by the author.



THE IRISH BANKING LANDSCAPE

The last decade has seen a dramatic erosion of confidence in the Irish banking sector as a whole. Despite some gains in 2019, trust in the banks has still yet to recover. Trust levels² in the Irish banking sector are 22 points behind trust levels in the global banking sector (40% in Ireland vs. 62% globally). Due to the unprecedented nature of the Irish financial crash, and the many difficult decisions required to save the country's financial system, it has taken time to bounce back from this crisis.

Destabilised – and, in many cases, defeated – by the financial crisis, then enraged by the tracker mortgage scandal, it was clear from

² 2019 Edelman Trust Barometer

the strong feedback received during the IBCB consultation process that the Irish public finds itself at odds with an industry they believe to be, at best, mis-managed and, at worst, actively protecting its own interests at the expense of its customers.

“Banks have for too long acted without any regard to people.”

- Public stakeholder

There is also a risk that certain vulnerable groups, such as the elderly and those receiving

state benefits, are being left behind. For example, while many banks are moving their services online, a lack of digital competence and/or access, and even the absence of broadband in various parts of the country, are rendering some of these services inaccessible to large sections of society.

Similarly, small businesses say that a deteriorating – or even non-existent – relationship with their local branch is leading to a lack of humane, empathetic interaction when it comes to decisions regarding business loans, mortgages and other financial matters.

Indeed, despite some shoots of recovery, the sector continues to deal with a series of challenges – strategic, operational and reputational.

As Philip Lane, Governor of the Central Bank of Ireland, recently pointed out: “It remains critical that banks manage risks prudently, price credit risk sustainably, and that remuneration and incentive structures are appropriately governed to support a resilient business model going forward.”³

Perhaps even more pressing than the functional reform, though, is the cultural one. The sector is unfortunately not trusted by the public to act responsibly, fairly or transparently. It is too often seen as detached, unscrupulous and in breach of a fundamental social licence to perform as a functioning commercial entity while acting in the best interests of the public.

The handling of mortgage debt, in general, remains a bone of contention while, unsurprisingly given Ireland’s particular sensitivities around home ownership, there is considerable fear about housing repossession.

It all adds up to an urgent need to repair confidence in banks’ competence and social conscience. First and foremost among the general public, but also among politicians and regulators who are increasingly losing patience with the sector’s conduct.

At the same time, technology is changing the face of the industry at a rapid pace. While the rise of mobile banking and a new generation of digital banking solutions are, in many cases, making the process of managing money easier for customers, automation is presenting new and unprecedented challenges.

Decisions about credit and other monetary issues are often seen as distant and impersonal, rather than nuanced to individual needs. Advances in technology should be utilised to enhance customer relationships. There is no reason why innovation in the banking sector and customer service cannot coexist alongside service with a human touch.

In short, cultural change is much needed and long overdue. Yes, people’s relationship with their money and the banks that manage it is evolving. Yes, banks are never likely to be the subject of great warmth or public affection. And, yes, for the most part, new financial technologies should be embraced, not feared.

But, even so, one thing has never and will never change: the strongest relationships are based on a mutual feeling of trust. For banks and their customers, it’s time to rebuild it.

³ Philip Lane, Governor of the Central Bank of Ireland, Joint Oireachtas Committee on Finance, Public Expenditure and Reform, 20 December 2016

ESTABLISHING THE IRISH BANKING CULTURE BOARD

“Culture is set from the top down. It is a matter for boards and senior management, in the first instance, to set an effective culture that places the best interests of their customers first. Banks still have a distance to go to live up to their slogans of putting customers first.”⁴

- Derville Rowland, Director General,
Financial Conduct, Central Bank of Ireland

The financial crisis of 2008 changed the Irish banking industry forever. Many of the nation’s financial institutions required urgent capital and liquidity injections, forcing the Government to step in with an unprecedented €64 billion bailout.

Only a further intervention from the International Monetary Fund prevented the nation’s financial sector collapsing entirely. The political effect was also seismic.

Yet along with the huge economic and political upheaval – the legacy of which still remains – there came a massive cultural impact, and it is that which concerns this report. With public trust in the banking sector all but destroyed post-crisis, the recent tracker mortgage scandal has seen confidence in the nation’s financial institutions collapse again.

“The reputation of Irish banks has been severely damaged over the last ten years in particular. There is a lack of trust and confidence in the banking sector, both of which are fundamental to banking.”

- Public stakeholder

Reversing this trend and restoring faith in the system requires decisive action and lasting cultural change across the sector. Indeed, as Andrew McDowell, Vice President of the

European Investment Bank, explained: “The restoration of the public’s faith in the banks’ basic competence is probably ... one of the biggest challenges.”

The banks themselves acknowledge this. Yet while attempts have been made by individual institutions to effect cultural change, this has not been enough – as proven by the handling of the tracker mortgage scandal. Nevertheless, there appears to be an emerging openness and willingness to embrace the cultural transformation required and to focus on achieving fair customer outcomes. Crucially, the banks have made it clear that they are eager to be part of shaping and driving real, meaningful, and effective cultural change.

As an industry-led initiative, the formation of the independent IBCB is a vital step in introducing the real change that is required. Its role initially is to bring together the nation’s five main retail banks and facilitate the process of delivering widespread, collective cultural change.

The establishment of the IBCB was first mooted prior to the tracker mortgage scandal and expedited thereafter. The cost of establishing and running the IBCB will be covered by the five retail banks who make up the Board’s founding members. These are: Allied Irish Banks, Bank of Ireland, KBC Bank Ireland, Permanent TSB and Ulster Bank.

However, key to the IBCB’s success is the fact it will operate as an entirely independent body tasked with holding the banks to account and driving cultural reform – the first time such a body has existed in Ireland.

As well as introducing and advocating for cultural change, the IBCB will work alongside (not in place of) the various institutions and regulatory organisations currently operating within the nation’s financial services industry. These include: The Central Bank of Ireland; the Competition and Consumer Protection

⁴ [Behaviour and Culture of the Irish Retail Banks, Central Bank of Ireland](#)

Commission; the Banking & Payments Federation Ireland; and the Financial Services and Pensions Ombudsman (see Collaboration not Competition in the Appendix for a full list).

Additionally, the IBCB is also actively supporting two new University College Dublin accredited programmes developed by the Institute of Banking in consultation with the Association of Compliance Officers of Ireland. These modules are focussed on leading and managing effective cultural change in the financial services industry, and staff from each of the five member banks commenced the programmes in Q1 2019. It is impressive that both of these programmes have been fully subscribed.

The IBCB is an entirely independent body tasked with holding the banks to account and driving cultural reform – the first time such a body has existed in Ireland.

Of course, change will be incremental. There is no single silver bullet when it comes to restoring trust while true, lasting cultural reform cannot be achieved in a vacuum nor overnight. As Carol Andrews, Country Lead, 30% Club Ireland and A Managing Director, BNY Mellon, notes: “Culture doesn’t change tomorrow. Culture has to evolve.”

The formation of the IBCB and the composition of this report follows an extensive period of consultation. A process that has seen the IBCB Establishment Office seek the views and recommendations of various industry leaders,

policymakers, financial experts and, crucially, the general public.

The findings of this consultation – which are explored in detail later in this report – offer a unique insight into the challenges and opportunities of building a more transparent, customer-centric and sustainable banking sector for the future. They are also helping inform the precise role, responsibilities and objectives of the IBCB.

Driven by the willingness for cultural transformation within the country’s various financial institutions, the creation of the IBCB is a strong signal of intent from the sector to recognise the mistakes of the past and foster a positive banking culture that adheres to the highest levels of professionalism.

While the assertion that “changing banking culture is possible” may understandably be met with scepticism, it is a process that can and must be undertaken.

I do think banks have the capacity to change culture. But when any institution is serious about changing culture, it has to recognise those who have been most immediately affected by poor practices in the past.

- Andrew Forde,
Vice President for Postgraduate Affairs,
The Union of Students in Ireland



PUBLIC STAKEHOLDER FINDINGS

Given the urgent need to rebuild public confidence and trust in a discredited banking sector, a key pillar of the IBCB consultation process has been to obtain and analyse the views of customers.

A positive platform for change

And the good news is that sentiment towards the establishment of the Board is overwhelmingly positive. Of the members of the public we spoke to, 85% said they are in favour of setting up the IBCB. Meanwhile, responses were universally passionate, in-depth and, often, cathartic.

Clearly, then, there is a strong public appetite for the creation of an independent body capable of tackling the cultural and ethical issues associated with the banking sector.

As one person told us: “Every effort must be made to repair trust in the system and regain public confidence. The creation of an independent board to advocate for the highest standards of ethics and competence and to facilitate the adoption of guidelines for the industry is a very positive step in that direction.”

The ethical question

This perceived lack of ethical behaviour is, unquestionably, one of the key driving forces behind the trust deficit surrounding the banking sector. Often, this is expressed in terms of greed, a blinkered focus on profits and lack of respect for and transparency with customers.

“The absence of ethics [in the banking sector] culminated in behaviours that contributed to the economic crash of 2008 and which were reflective of a very poor operational culture.”

- Public stakeholder

Many people also believe the sector has failed to take responsibility for its actions, even in the light of high-profile cases of incompetence

and/or misconduct. It is therefore easy to see why more than eight in 10 (83%) of the public stakeholders we spoke to feel the top priority for the IBCB should be to ensure banks act in accordance with – and are held accountable to – the highest possible ethical standards.

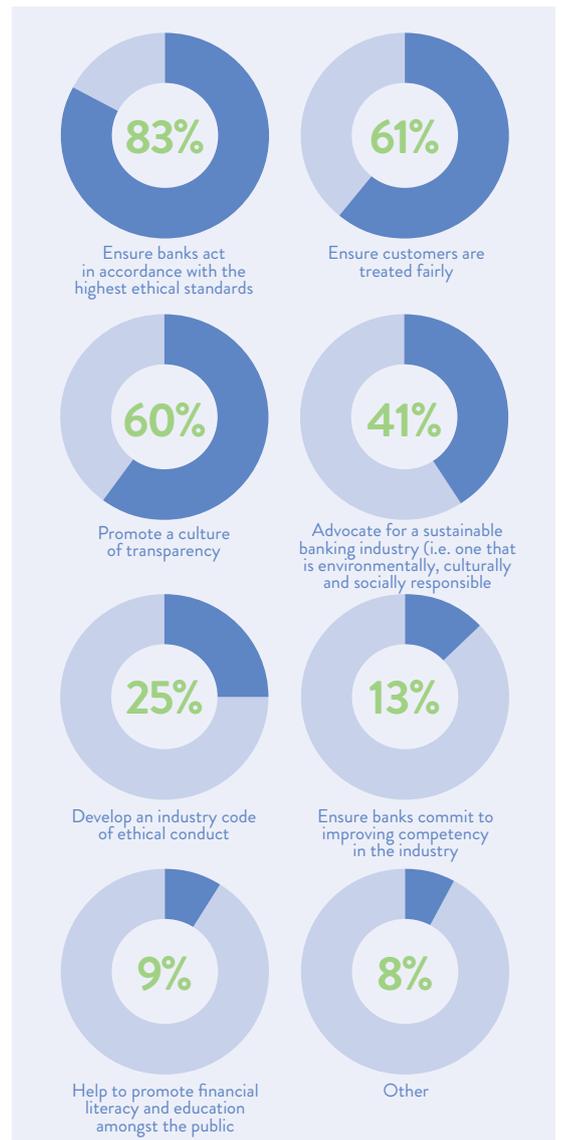


Figure 1. The most important areas that the Irish Banking Culture Board should focus on

Many members of the public made suggestions for how the banking sector – and, indeed, society as whole – could promote a stronger focus on ethical conduct. One person told us, the IBCB should: “have people with vision in positions of responsibility who can plan success based on equal considerations of society and economy.”

Customer focus

As well as questioning their integrity, there is a strong sense among the public that banks are detached and unempathetic when it comes to how they deal with the problem's customers face. While many cite the unwillingness of banks to acknowledge, let alone take responsibility for, their mistakes.

There is also a feeling that banks are over-estimating their customers' understanding of financial products or, worse, hiding behind legalistic terms and conditions.

Perhaps unsurprisingly, this perceived lack of support and understanding increased in the wake of the financial crisis – a time when many banks focussed simply on surviving rather than improving the experiences of their customers. Clearly, the pendulum has yet to swing back the other way.

“Banks are unethical in the way they treat their customers. Communication is impersonal, and there is a complete denial and lack of responsibility when they make mistakes.”

- Public stakeholder

Furthermore, a large number of people believe technology has created a greater distance between the banking industry and the general public. Why? Because as digital technologies replace 'real' staff, there is a growing sense that the sector's human face and judgement

are being swept away in a tide of automation, and that banks are using technology as a wall behind which to hide and thus avoid taking ownership of the issues at hand.

As one person pointed out: “We need to restore some level of ‘people to people’ communication between banking staff and customers. Right now, banks are predominantly interacting with customers via computer screens.”

Consequently, there is a groundswell of public opinion that the IBCB should focus on strengthening the experiences offered to those served by the nation's banks. In particular, six in 10 (61%) people believe that a key priority for the Board is to ensure customers are treated fairly (Figure 1). Yet technology should not be a hindrance to this and there is no reason why innovation in the banking sector and customer service cannot coexist alongside service with a human touch.

A voice for the public

As well as wanting greater communication and empathy from the banks, the Irish public are eager to have a voice in how the IBCB goes about making it happen. Of the people we spoke to, 96% believe the best way to build engagement and close the gap between banks and their customers is by ensuring consumers' views are represented in the Board's decision-making processes. As we see in Figure 2 below, 83% also feel the IBCB should undertake periodic consultations with consumer advocate groups while 79% would like to see regular customer meetings. 33% would like to see digital channels (e-mails, website, webinars, live chats) and 10% would like to see other methods.

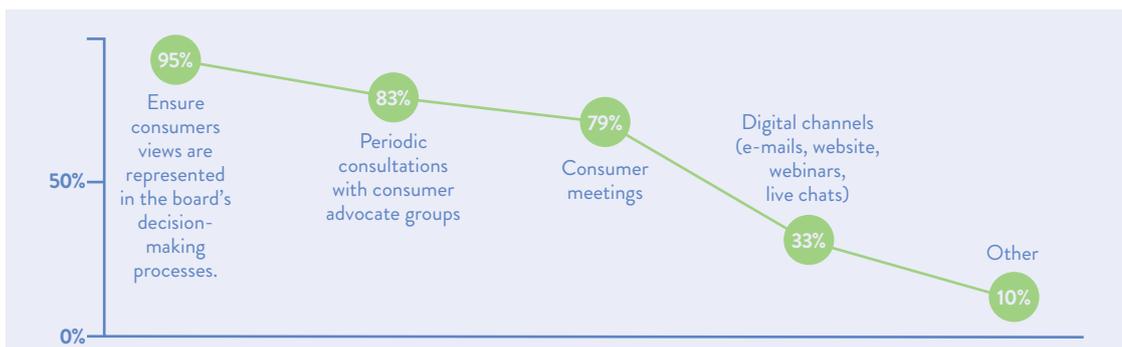


Figure 2. How the IBCB should engage with the public

It is interesting to note that these more face-to-face methods of communication supersede the use of digital communication channels, re-emphasising the public's desire for a human touch when dealing with financial matters.

A culture of transparency

A word that arises frequently in relation to the banking sector is transparency – or rather a lack of it. Indeed, the public believe banks should be more open and honest with customers about how they work.

Many also cite a culture of impenetrable jargon, complicated terms and conditions and opaque communication, especially when dealing with loans and mortgages. At best, this leads to frustration and confusion, at worst, a sense of being conned or deceived.

When asked what transparency means, one member of the public explained: “Transparency in dealing with customers – communicating the progress of the particular process they are engaged in together. And transparency with regards to mistakes – mistakes happen.”

Consequently, nearly six in 10 people (58%) believe promoting transparency should be a main focus for the IBCB.

Six in 10 people believe promoting transparency should be a main focus for the IBCB

The composition of the IBCB

As you might expect given the strength of the views and concerns about the banking sector expressed during the consultation process, the Irish public have some forthright opinions about the formation of the IBCB.

Top of the list is the need for the Board to act with integrity – a kind of antithesis to the perceived unethical behaviour of the banks themselves. This is closely followed by a desire for the IBCB to act consistently in the interest

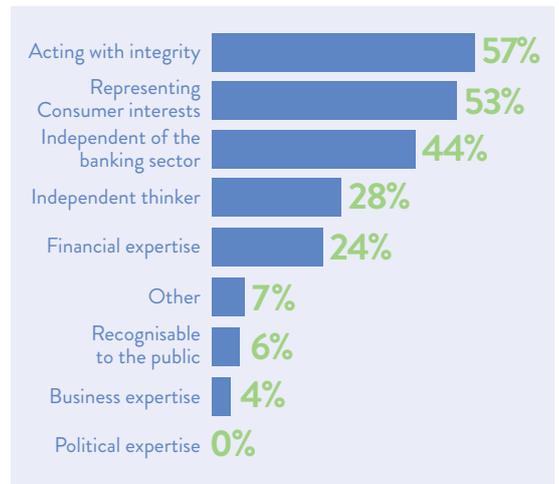


Figure 3. The qualities the public want the IBCB to exhibit.

of consumers and to be truly independent. See Figure 3.

Despite the optimism and support towards the establishment of the Board and its objective to transform the nation's banking culture, scepticism remains about its membership. As one person put it when asked if they supported the IBCB's formation: “All for it - depending on who is on the Board. It will probably be another ‘jobs for the boys’ joke, so all ex-bank managers and politicians earning loads of money for nothing.”

It cannot – and will not – be this way. Indeed, in line with public opinion, the Board's membership will comprise trusted, impartial and experienced individuals.

In summary, people are ready, willing, and able to take the IBCB and its aims seriously. To regain the public's trust, confidence and, in some cases, custom, the banks themselves must be seen to do the same.

“I would hope the banks take it seriously: be more honest and transparent towards their customers rather than viewing them as cash cows to squeeze more money from.”

- Public stakeholder



EXPERT STAKEHOLDER FINDINGS

Alongside the public stakeholder consultation discussed in the previous chapter, it was important to listen to the thoughts, recommendations and considerations of some of Ireland's leading consumer advocacy, finance, political and academic experts.

Among them were the Vice President of The European Investment Bank; Director General of the Central Bank of Ireland; Chair of Finance, Public Expenditure & Reform Committee; Fianna Fáil Spokesperson on Finance; Labour Spokesperson on Finance, Public Expenditure & Reform; Chief of Staff for An Taoiseach; several prominent academics; personal financial advisors; consumer advocates and a variety of other respected journalists, business leaders and industry commentators.

Viewed alongside the perspective of the general public, the opinions of these acknowledged experts can help the IBCB and its members set a clear and collective roadmap for change.

A process of evolution

Like the public, there is strong support among experts for the Board and its goals. However, despite this enthusiasm, many also point out the need for the IBCB to have sufficient “teeth” to deliver a meaningful cultural shift.

Much of this scepticism stems from the entrenched nature of the banking sector's behaviours. Indeed, despite the rapid technological advances of recent years, experts acknowledge that it remains a centuries-old industry built on operating practices to match.

Adoption of digital capabilities, in line with the needs of the modern consumer, has been critical to bank's commercial viability. However their challenge is balancing those customers' needs with the needs of more traditional customers and vulnerable groups.

It thus follows that change cannot and will not happen quickly. For the transformation to be sustainable, it must also be incremental – and it requires the full support of the banks themselves.

⁵ [2019 Edelman Trust Barometer](#)

As Padraic Kissane, Financial Services Expert, explained: “Don't expect it to be an overnight success. In fact, if it was an overnight success I would say it's not going to work.” Or put another way: patience is required. This is evolution not revolution.

Social impact

Among the various experts consulted, there is a collective belief that one of the most important ways banks can implement change is by becoming a more positive and proactive servant of the communities in which they operate.

From social housing to personal debt, there is a perceived need for them to step up to the plate and play a more significant role in addressing the country's major societal issues – all while forging stronger, more personal connections with the people they serve. In fact, 76% of the public believe that CEOs generally should take the lead on creating positive change in society rather than waiting for the Government to impose it.⁵

A relationship is built on respect and it goes two-ways. If somebody is engaging with you, even if they are in distress, then they should be dealt with with respect. If you are looking for new customers then you should treat them with honesty. At the end of the day, there's nothing wrong with the banking sector being in business to make money. Everybody knows that that's what they are there for. But if it's a respectful business relationship [between the banks and their customers] then I think [the public] would have more respect [for the banks].”

Regina Doherty TD,
Minister for Employment
Affairs and Social Protection, Fine Gael



Indeed, for Pat Dennigan, CEO, Focus Ireland, “The banks have a role to play in social good in this country, and in the fabric and infrastructure of the nation.”

Of course, Pat Dennigan and the various other experts we spoke to recognise the need for banks to operate in a way that is commercially viable. They are, after all, businesses not charities. Yet even so, there remains an overwhelming sense they could be doing more.

What’s more, the knock-on effect of doing so could be extremely significant, first and foremost, for the prosperity of the communities themselves but also for the ability of banks to repair relationships, re-build reputations and regain the trust of a general public wearied by the negative events of the past. This is their chance to tangibly demonstrate they can have a positive impact on society and the world at large, they could be contributing more given their societal position.

“The banking crisis undermined banks’ social licence, but their economic competitiveness will require developing a new business model, which is going to have to be built around a kind of a personal connection.”

Andrew McDowell, Vice President
of The European Investment Bank

The need to empower customers

Alongside solving key societal issues, experts cite a need for banks to do more when it comes to empowering customers. As we saw during our analysis of the public stakeholder findings in the previous chapter, there are a number of areas where customers feel they are being short-changed, and even failed, by the country’s financial institutions.

In particular, consumer protection is seen as a vital nut to crack. A number of experts

highlighted the need for greater recognition of the customer's point of view during dispute resolution or when dealing with mortgage arrears. This could include facilitating dedicated representatives tasked with putting forward the customer's case to the bank.

Meanwhile, alongside this perceived lack of protection, many of the experts we spoke to pointed to the way in which customers are being actively disempowered due to the difficulty of communicating with their bank.

Time and time again during the consultation process we heard complaints about the lack of contact details for individuals who sign correspondence in relation to arrears. Scripted, inflexible call centres. Delays in responding to queries. And the need for customers to go through a convoluted series of steps, often requiring them to repeat sensitive personal circumstances, such as the death of a family member or the impact of severe financial stress.

It's what Angela Black, CEO of the Citizens Information Board, calls 'the normalisation of distress'. Moreover, as John Trethowan, Head of the Credit Review Office, noted: "Customers want to communicate with banks but they can't find anyone to talk to." Addressing this imbalance could go a long way to giving customers the sense their bank is treating them with empathy and respect.

"I want to change the narrative from customers engaging with their bank, to banks engaging with their customers."

- Angela Black, CEO,
Citizens Information Board

The role of banking staff

Perhaps unsurprisingly then, a number of experts believe the key to empowering customers actually begins with galvanising staff.

At present, there is a perception among those

interviewed that employees, particularly at branch level, do not have enough autonomy to resolve customer issues. Instead, problems are escalated to a faceless HQ, frustrating both the customer and staff member while stagnating the process of finding a solution.

"A model of relationship banking would work here in Ireland, where banks understand the needs and the wants of the people in the local area. And today that's missing. Banking that is geared towards local concerns, local managers and greater local awareness."

- Noel Kinahan,
Policy Researcher, Irish Rural Link

To empower staff, banks should reflect on how best to delegate more decision-making power from head office to local level. This would not only help deliver more positive experiences for customers but also address some of the public's concerns around the sector's missing human face, as initially discussed on page 14 of this report and explored in further detail later in this chapter.

HARNESSING THE POWER WITHIN

As well as asking for and listening to the views of customers and stakeholders outside the banking sector, the IBCB is also committed to empowering those working within the industry. Together with the UK Banking Standards Board (BSB), the IBCB Establishment Office has conducted a survey of 25,000 staff from across the five founding member banks, the results of which will be available in April 2019. Together with the public and expert stakeholder consultations, the survey findings will help build an even more accurate and actionable path to authentic, sustainable cultural change – for customers and employees alike.

As Gary Tobin, Assistant Secretary General with Responsibility for Banking and Financial Stability, Department of Finance, put it: “Many transactions are now online but it inevitably means people don’t know anyone from their local bank branch anymore. There are going to be fewer actual interactions with bank staff and I think that causes a total disconnect. How will I ever know if the banking culture has changed because I never actually meet anybody who works for a bank?”

Promoting financial literacy

Yet while calling on banks to give their customers more positive banking experiences, experts also recognise the need for this empowerment to be supported by a wider process of education. Financial literacy was a key priority area for the stakeholders, and although it was less so for members of the public, many still mentioned the challenges they face with regards to understanding financial products.

“In colleges, people may leave with a degree but they don’t get any idea of financial advice and what to do with the money they are about to earn.”

- Padraic Kissane,
Financial Services Expert

The recent Financial Capability report from the CCPC⁶ found that a significant number of people have little financial resilience. Indeed, 52% of people say they are meeting current financial commitments but have little provision against financial shocks.

Of particular concern are the myriad complexities and nuances that characterise modern financial processes – from long-winded documents to incomprehensible loan agreements. Without access to advice or a

solid understanding of the financial system, it is nigh on impossible for the average person to understand what is required to manage their money effectively and get the most from their bank.

Several of the experts spoken to during the IBCB consultation process offered compelling views and recommendations for closing this knowledge gap. For Síona Cahill, President of the Union of Students in Ireland, “financial literacy needs to be part of a curriculum as early as possible” while according to John McGuinness TD, Chair of the Finance, Public Expenditure & Reform Committee, “A ladybird version of banking has to be put out there. What is APR? What is an interest rate? Because at the moment, people sign up to leases and they have no idea what they mean.”

Of course, there are a number of organisations – see Collaboration not Competition in the Appendix – already working on behalf of consumers to represent their interests with banks and to provide financial education.

Many banks themselves have various initiatives underway in the area of financial literacy. However, with customers increasingly disenfranchised and a lack of understanding clearly evident, the IBCB has a crucial role to play to ensure awareness amongst consumers of the various resources available.

In the short-term, this could mean supporting the likes of the Financial Services and Pensions Ombudsman in ensuring the banks listen to the issues being raised by that office and are held accountable for making changes to address them.

Meanwhile, in the long-term, it may involve partnering with organisations across the fields

⁶ [Competition and Consumer Protection Commission's financial well-being study](#)

of business and academia to champion the importance of financial literacy and deliver educational programmes that equip the public with the skills and knowledge to take control of their relationship with their bank and/or mortgage provider.

The human connection

As we have touched upon already, many stakeholders have expressed a profound disconnect between the level of human interaction customers desire from their bank and the experiences they currently receive. It is considered that much of this comes down to the increased use of technology, combined with fewer branches across the country.

“We used to walk into a branch and know the names, I don’t know the people in my branch now. You know, we’d have a little banter. I have no idea who works down there now. And I know that if I have to make a call, I will get the call centre.”

- Ger Deering,
Financial Services and
Pensions Ombudsman

There is a feeling that banks are retreating from communities and this has led to a growing sense of distrust and disappointment amongst many. A sense that decisions are made arbitrarily by algorithm rather than empathetically by human staff capable of assessing their individual needs and situation. Gone are the days when everyone knew their local bank manager – and for many people, the sector is far worse as a result.

Redressing this balance is, according to the experts we consulted, key to rebuilding consumers’ dwindling faith in the banking system. Indeed, unless banks can reignite this human connection, it will be very difficult

for them to empower customers and regain their trust.

“One of the features the Irish Banking Culture Board could certainly help with is not just the culture within the banks but also outside, with what can be expected for the customer.”

- Danny McCoy, CEO, Ibec

Even small things can cause big irritation. For example, a number of the experts we interviewed noted the bureaucracy and internal processes that characterise so many banking interactions. These give customers the sense they are not being listened to or respected and can make the process of accessing one’s own financial information infuriatingly difficult.

What’s more, this feeling is often supercharged for marginalised groups, such as the elderly, asylum seekers or those receiving state benefits. Indeed, as the sector rapidly digitises and automates, these groups are at risk of being left behind and the unique nature of their needs overlooked.

Similarly, the erosion of human relationships in the current banking system is creating significant problems for small SME borrowers, such as farmers. Whereas, historically, such businesses relied upon an open, trusted relationship with their local bank manager, the ongoing closures of branches and the growing emphasis on digital decision-making has seen those relationships disappear.

The farming sector provides a powerful example. As Martin Stapleton, Chair of Farm Business Committee, Irish Farmers Association, pointed out: “If you look back 20 years in this country, a farmer went into his or her local bank manager to discuss what their plans were and saw the bank manager as a crucial part of their advisory team. But now, one of the biggest, most common complaints

I hear from IFA members is that when they go into their local bank branch looking for a loan, they are ushered into a cubicle to talk to somebody who has never experienced or given a farm loan before.”

“What we heard from older people across the board is the issue of accessibility, and the barriers in place to do their banking locally but also to find out information on products, to use the systems... As we know they’re a significant cohort of the economy. And they’re feeling that they are not wanted in the banks.”

- Corona Joyce,
Senior Policy Officer,
Age Action Ireland

Unsurprising, then, that small business owners report intense frustration with a system that seems increasingly unfit for purpose when it comes to supporting them.

Computer says no

John Trethowan, Head of the Credit Review Office, explained why banks’ growing reliance on technology is causing difficulties for the nation’s small businesses.

“The banks are trying to put small businesses into boxes so their algorithms can work on their loan applications, but it is not easy to squeeze messy businesses into neat boxes. It is also nearly impossible for a small business that is borrowing under a quarter of a million Euros to talk to anybody in the bank.

“But if these customers can’t communicate directly with their bank to discuss and explain their business or specific circumstances, their applications frequently get rejected by the banks’ automated systems.

“No one has told them they now have to be more financially competent to deal with banks and fit themselves into some of the boxes the bank is trying to fit them into. The upshot is that a lot of farms and other SMEs have missed the train and are still standing on the platform wondering what happened.”

In many cases, the issue comes down to respect and good citizenship. The vast majority of the experts we spoke to would like to see banks doing far more to engage marginalised groups and small businesses rather than focus solely on those they deem ‘most profitable’.

“Information and knowledge about customer rights in the context of how different kinds of bank deals with customers is important. It’s about what’s appropriate and if you like, what’s fair.”

- Joan Burton, TD,
The Labour Party

This may come in the form of greater social responsibility, such as tailored financial services for vulnerable customers. It might involve offering small business owners dedicated contacts within their nearest branch. It could even be as simple as ensuring longstanding, loyal customers are eligible for the same rewards, interest rates and incentives offered to new ones. Either way, change is needed – and quickly.

Not just customers

It’s not only customers who are feeling the frustration though. According to our experts, banks have also taken their eye off the ball when it comes to nurturing strong working relationships with a number of their other stakeholders, including consumer rights groups, financial groups and regulatory bodies.

Put another way, they believe banks’ persistent internal focus over the past decade has led to a lack of strong connections with key stakeholder



groups. These are the very groups who, if engaged with correctly, could support the banks in driving change and developing better relationships with the public.

What's more, ineffective engagement between stakeholders, the public and the banking industry merely serves to create additional distance between banks and their customers. Many experts would like to see the IBCB acting as a catalyst for human – and *humane* – conversations between banks and consumers across all sections of society.

Transparency meets accountability

Similar to public perceptions, there is a shared view among experts that the current banking system needs more transparency and accountability. Whilst having more human contact and empowering consumers are critically important, it will be difficult to show the public and other stakeholders that culture is changing unless banks are transparent about how they operate and the changes they are implementing.

In particular, people need to see that banks are doing more than simply profiteering or acting in their own interests. Even a process of quiet, internal change is no longer enough. In a climate of distrust, silence is increasingly seen as evasion and a failure to identify and remedy what is wrong.

And when mistakes do happen, it is incumbent upon banks to be honest in admitting them, quick in accepting accountability for them and proactive in addressing them fairly and effectively.

“Ethics doesn't mean you don't make mistakes. It's about how you deal with mistakes when they are made.”

- Karl De eter,
Financial Adviser / Analyst,
Irish Mortgage Brokers

Once again, our experts were united in identifying a role here for the IBCB. Not in holding banks accountable for their financial and operational performance - there are a number of organisations already tasked with doing that – but in assessing how quickly they are changing the way they conduct themselves for the good of the people and communities they serve.

Most of all, the IBCB can help encourage and support banks to be more transparent. To share information with the public about how they operate. To lay out a clear path to a more open and collaborative future. And to provide customers with tangible evidence of their commitment to cultural reform.

SUMMARY

The establishment of the IBCB is an immensely important development for the Irish banking industry. One that can drive positive change in how our nation's banks engage with their customers, staff and society.

The findings of this consultation provide the IBCB with important guidance on its structure, role and operating model. The composition of the Board is clearly critical to its success. Stakeholders have expressed their view that the banking sector should be represented on the Board, and their representatives should hold senior positions that can influence company-wide decisions. Stakeholders also supported the principle that the Board should be majority composed of non-bank representatives.

The Board needs to also be composed of independent voices that are not tied to the banking sector and must include the voice of the public. Having a consumer-centric lens will be critical for the Board when advocating for cultural reform in the sector, particularly in relation to transparency and accountability within banks.

Collaboration with many of the organisations who took part in this consultation will also be fundamental to tackling some of the issues raised. For instance, in empowering and protecting vulnerable customers it will be essential for the Board to operate in close collaboration with the relevant consumer organisations and advocates. Only by working together will change occur.

Looking ahead, the views garnered through the consultation with regard to current banking culture will be important to the IBCB in building an accurate and actionable path to authentic, sustainable cultural change.

Through the consultation we have identified a role for the IBCB to help banks be more transparent, and to benchmark their progress in changing the way they conduct themselves for the good of the people and communities they serve.

There was a groundswell of public opinion that the IBCB should focus on strengthening the experiences offered to those served by the nation's banks. In particular, people believed that a key priority for the Board is to encourage fair and respectful treatment of customers.

Another prominent theme throughout our discussions with stakeholders was of banks persistent internal focus. In their view, this has led to a lack of strong connections with key stakeholder groups, the very groups who, if engaged with correctly, could support the banks in driving change and developing better relationships with the public. Many would like to see the IBCB act as a catalyst for promoting these relationships, and for strengthening ties between banks and their customers.

People also recognised the need to strengthen the public's financial literacy and identified a role for the IBCB to work with stakeholders, such as the Financial Services and Pensions Ombudsman, in ensuring banks act on feedback related to these issues and promote and showcase existing financial literacy schemes. Furthermore, they felt there was a role for the IBCB in partnering with organisations across the fields of business and academia to champion the importance of financial literacy, and to deliver educational programmes that equip the public with the skills and knowledge to take control of their relationship with their financial provider.

What is clear from our discussions is that there is a great need, and great opportunity, for change. We must be mindful of the past but focussed on the future. The establishment of the IBCB, and the results of this consultation, provides a solid foundation for building that future and restoring trust in, and the reputation of, Irish banking.

“There is no differentiation in the public’s mind between one bank and another bank. The industry is only as good as its lowest common denominator.”

Des Carville, Head of Shareholding and Financial Advisory Division, Department of Finance

“You have to be careful you don’t cripple the banks, particularly the people at the lowest level. If anything, you want to empower them to be flexible and to be humane.”

Eamon Ryan TD, The Green Party

“It is hard to define culture, but you can think of it as a system of shared values and norms that shape behaviours and mindsets within an institution. No two cultures will be precisely the same but organisations that have an effective culture share a commitment to high standards and values such as honesty, integrity and reliability.”

Derville Rowland, Director General, Financial Conduct, Central Bank of Ireland

“We should just get them to stop doing harm. Just stop doing harm.”

Angela Black, CEO of the Citizens Information Board

“Banks are profit making enterprises, their primary duty is to shareholders. Consumers are a vehicle for maximising return and maximising profit and there’s nothing wrong with that. But I think it’s when issues arise and disputes arise, how transparent is the process for dealing with that.”

Michael McGrath TD, Fianna Fáil Spokesperson on Finance

“Rome wasn’t built in a day, but a relentless focus on culture will raise and sustain standards in financial services.”

Ken O’Sullivan, Director of Risk Management Education, Institute of Banking

“The banks know that no matter what they do they will have their customer base and I think that sense of power, or the power imbalance that exists between consumers and banks, has led to this poisonous culture. This Board can be seen to be advocating, not adjudicating but advocating, on the part of customers who have been mistreated by their banks.”

Conor Pope, Consumer Affairs Correspondent, The Irish Times

“The banks didn’t take responsibility ... at no stage have the boards of those banks actually said; ‘we got this really wrong.’”

Maura Quinn, CEO, Institute of Directors

“Front line staff do their absolute best to work with customers and to represent customers, largely because they themselves are customers, and they themselves are of the community in which they are serving. They want to do what the banks like to call ‘the right thing’, they strive to do the right thing. However, there’s a vast contradiction between the pressures that they are put under internally and doing the right thing.”

Gareth Murphy, Acting General Secretary, Financial Services Union

“We strongly believe that the current banking system simply doesn’t serve rural interests in the way it should.”

Seamus Boland, CEO, Irish Rural Link

“Our members have a jaundiced view of the banking system in general and bank boards in particular. From their point of view they’re thinking, ‘I’m paying you interest. I’ve paid you to ensure that you have a functioning, well-run board.’”

Neil McDonnell, CEO, ISME

“Banks are central to a properly functioning society and as such have a responsibility to ensure that banking and financial services are accessible to all, regardless of the level or source of income.”

Kieran Stafford, National President, St Vincent de Paul

“Our strong sense of purpose is very much around educating, empowering and enabling a community of professionals to deliver financial services to the highest of standards in the best interest of customer outcomes. While education on its own is not going to be the answer to what needs to happen in terms of culture, we very much see the work that we are doing here as being really complementary to the work that [the IBCB] are doing.”

Mary O’Dea, Chief Executive, Institute of Banking

“One of the positive things that the banks have done recently has been to engage in dealing with vulnerable customers by joining the national committee on safeguarding vulnerable adults... But that falls flat when there’s nobody in a branch to notice when such a product or service is needed.”

Peter Kavanagh, Head of Communications and Public Affairs, Active Retirement Ireland

“The reality is that a healthy economy needs a healthy banking sector. A healthy banking sector can only be healthy if it’s making profits ... and it’s easy to bash the banks. It’s very popular”.

Eamonn Hughes, Financials Analyst, Goodbody Stockbrokers

“There is value in emotional capital and looking at the people that are employed within banking and how they are being cared for and seeing that corporate culture is as much about the people who work in banking as well as your consumers, it is about putting them at the heart of your structures.”

Orla O’Connor, Director, National Women’s Council of Ireland

“Changing culture and eradicating centuries of a behaviour pattern developed to cope with a very hostile environment is incredibly difficult.”

Professor Niamh Brennan, Michael MacCormac Professor of Management at University College Dublin and Founder/Academic Director of the UCD Centre for Corporate Governance

“Since the downturn, processes have changed within the banking sector. Decisions are more centralised now. Companies have lost some of that direct connection.”

Aebhric McGibney, Director of Public and International Affairs, Dublin Chamber

“Helping our small businesses to grow is critical for the success of our economy. Recognising the varied needs of those organisations and the most effective methods of engaging with them is an essential role for our banks in the future.”

Ian Talbot, CEO, Chambers Ireland

“What’s the instrument to change culture within an organisation? It’s strategic in terms of thinking about the change that we need to make, and then it’s also about the development of the front-line individuals, and then there’s training. The culture board is going to be challenging because there are so many constituent pieces.”

Niall O’Donnellan, Head of ICT, International Services and Client Management Development, Enterprise Ireland

“The banks need to stand in their customers’ shoes to truly understand their business, to make sense of the challenges and opportunities they face, and truly learn how they can support them most effectively”

Simon McKeever, CEO, Irish Exporters Association

“What we should be looking at in the future is using the technology we have to improve the culture of the banking industry.”

Dr Cormac Keating, Head of Policy, Regulation and Corporate Affairs, The Insolvency Service of Ireland

“If you ring the bank wanting to get through to someone, you have to speak to 4.2 people. And they’re scripted, they cannot divert from the script.”

David Hall, Director, Irish Mortgage Holders Organisation.

APPENDICES

METHODOLOGY

This consultation process was curated by Edelman, in partnership with the Irish Banking Culture Board Establishment Office.

Stakeholder consultation:

- 38 in-depth face-to-face qualitative interviews
- 51 individuals participated in these 38 interviews
- Conducted November 2018 - January 2019

Public consultation:

- Online questions hosted at www.yoursaybankingculture.ie
- 747 responses received
- Launched 30 October 2018 and closed 10 December 2018
- Radio, digital & press advertising used to raise awareness of the consultation

COLLABORATION NOT COMPETITION

The IBCB does not seek to replicate or replace the regulatory and governance structures already in place for the Irish banking sector. Rather, it will function as an entirely independent body with dedicated responsibility for cultural advocacy. As such, the IBCB will work closely alongside the following organisations:

Banking & Payments Federation Ireland

Central Bank of Ireland

Citizens Information Board

Competition and Consumer Protection Commission

Credit Review Office

Department of Finance

Financial Services and Pensions Ombudsman

The Insolvency Service of Ireland

Institute of Banking

STAKEHOLDERS INTERVIEWED

- Carol Andrews, Country Lead, 30% Club Ireland, A Managing Director BNY Mellon;
- Peter Kavanagh, Head of Communications and Public Affairs, Active Retirement Ireland;
- Celine Clark, Head of Advocacy and Communications, Age Action Ireland;
- Corona Joyce, Senior Policy Officer, Age Action Ireland;
- Derville Rowland, Director General, Financial Conduct, Central Bank of Ireland;
- Ian Talbot, CEO, Chambers Ireland;
- Angela Black, CEO, Citizens Information Board;
- Isolde Goggin, Chairperson, Competition and Consumer Protection Commission;
- Catherine Collins, Deputy Credit Reviewer, Credit Review Office;
- Jane Rogers, Executive Assistant, Credit Review Office;
- John Trethowan, Head of the Credit Review Office;
- Des Carville, Head of Shareholding and Financial Advisory Division, Department of Finance;
- Gary Tobin, Assistant Secretary General with Responsibility for Banking and Financial Stability, Department of Finance;
- Aebhric McGibney, Director of Public and International Affairs, Dublin Chamber;
- Donnchadh Cullinan, Manager of Growth Capital & Banking Relations, Enterprise Ireland;
- Niall O'Donnellan, Head of ICT, International Services and Client Management Development, Enterprise Ireland;
- Andrew McDowell, Vice President of The European Investment Bank;
- Michael McGrath TD, Fianna Fáil Spokesperson on Finance;
- John McGuinness TD, Fianna Fáil;
- Grant Sweetnam, Economic Advisor, Fianna Fáil;
- Ger Deering, Financial Services and Pensions Ombudsman;
- Gareth Murphy, Acting General Secretary, Financial Services Union;
- Regina Doherty TD, Minister for Employment Affairs and Social Protection, Fine Gael;
- Brian Murphy, Chief of Staff for An Taoiseach, Fine Gael;
- Pat Dennigan, CEO, Focus Ireland;

- Eamonn Hughes, Financials Analyst, Goodbody Stockbrokers;
- Eamon Ryan TD, The Green Party;
- Danny McCoy, CEO, Ibec;
- Trevor Noonan, Head of Case Management, The Insolvency Service of Ireland;
- Dr Cormac Keating, Head of Policy, Regulation and Corporate Affairs, The Insolvency Service of Ireland;
- Dr Niamh Lenehan, Assistant Principal Officer, Policy and Regulation Division, The Insolvency Service of Ireland;
- Lorcan O'Connor, (former) Director, The Insolvency Service of Ireland;
- Mary O'Dea, Chief Executive, Institute of Banking;
- Ken O'Sullivan, Director of Risk Management Education, Institute of Banking;
- Maura Quinn, CEO, Institute of Directors;
- Simon McKeever, CEO, Irish Exporters Association;
- Pascal Koenig, Communications and Public Affairs Manager, Irish Exporters Association;
- Martin Stapleton, Chair of Farm Business Committee, Irish Farmers Association;
- Karl Deeter, Financial Adviser / Analyst, Irish Mortgage Brokers;
- David Hall, Director, Irish Mortgage Holders Organisation;
- Seamus Boland, CEO, Irish Rural Link;
- Noel Kinahan, Policy Researcher, Irish Rural Link;
- Neil McDonnell, CEO, ISME;
- Conor Pope, Consumer Affairs Correspondent, The Irish Times;
- Joan Burton TD, The Labour Party;
- Orla O'Connor, Director, National Women's Council of Ireland;
- Kieran Stafford, National President, St Vincent de Paul;
- Padraic Kissane, Financial Services Expert;
- Síona Cahill, President, The Union of Students in Ireland;
- Andrew Forde, Vice President for Postgraduate Affairs, The Union of Students in Ireland;
- Professor Niamh Brennan, Michael MacCormac Professor of Management at University College Dublin and Founder/Academic Director of the UCD Centre for Corporate Governance.



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