

## Briefing Paper

### **The banks and society: rebuilding trust?**

The global financial crisis which began in 2007 has had a profound impact on UK mainstream financial institutions and society. Since the near collapse of the UK banking system, many banks have returned to profit. At the same time many people who were once considered 'prime' customers by banks now face barriers in accessing affordable credit which is redefining the term financial exclusion in the process. Therefore as the impact of the financial crisis continues to unfold, trust in banks is being eroded further as households and businesses bare the cost of this crisis. The financial crisis is therefore also a social crisis.

At the launch of the Ecumenical Council for Corporate Responsibility (ECCR) report '*The Banks and Society: Rebuilding Trust*' into social, environmental and ethical concerns of banking activity, the overall consensus by the report, invited panel comprising of Suzanne Ismail (ECCR), Damon Gibbons (Centre for Responsible Credit and the Better Banking Campaign), Professor Andy Mullineux (CHASM), Rev. John Paxton (ECCR West Midlands) chaired by Rt Revd David Urquhart (Anglican Bishop of Birmingham) and following discussion was that banks should play a greater role in exercising financial responsibility.

Knowing that individuals and enterprises increasingly rely on the (global) financial system on a day-to-day basis for their savings, housing and pension, how can banks begin to rebuild trust in the system? The panel put forward a few key suggestions. First, banks need to be more transparent in how they operate by disclosing their lending activity, particularly in underserved geographical markets and environmentally unsound enterprises. Second, the UK government could regulate banks as utilities to ensure that everyone has an opportunity to access financial products and services. Third, banks could partner and invest in alternative sources of finance such as Credit Unions and Community Development Finance

Institutions (CDFIs) to lend to individuals and businesses that are considered to be at the fringes of mainstream finance and therefore too 'high risk' and not sufficiently profitable. Finally, banks could cut bonuses which are deemed excessive when society is paying the price of the financial crisis as a way of restoring public trust in the banking sector. In summary, the banks need to focus on the longer-term to reduce the risk of another financial and social crisis in the UK.

The ECCR report '*The Banks and Society: Rebuilding Trust*' is published in association with a Better Banking Campaign and available at [www.eccr.org.uk](http://www.eccr.org.uk)

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March 2011