

# Trust, transparency issues emerge for banks

NEW YORK, US: As public perception sours about the banking industry, financial institutions need to rebuild relationships and credibility with consumers by being more fair, transparent and innovative in their products, services and communications, according to new research by GfK, a leading global market research firm.



The survey highlights the need for the federal Consumer Financial Protection Bureau (CFPB) and reveals that a majority of Americans agree that federal oversight of the consumer finance industry is urgently needed. 43% of Americans strongly agree that consumers need an agency such as the CFPB to oversee the practices of banks and other financial institutions and 39% moderately agree, even after told of concerns that planned policies could derail economic growth, increase fees and tighten consumer credit. Instead, about two thirds of Americans feel that planned financial reform would help the economy and nearly the same proportion feel it would aid their own personal financial health.

"If the banks don't own their customer relationships, regulators will set the boundaries," said Gregg Poryzees, vice president, Consulting - GfK Financial Services. "In the long run, these customers are best served by institutions that build the right relationships, create innovation in the market, and bring value and transparency to the table."

## Priorities for the street

The GfK survey reports that between 39 and 50% of consumers believe that, despite existing concerns, regulation is not only important but essential in mortgage, credit card and checking (overdraft) policy reform, with 25% indicating that regulation reform is essential in all three industries.

Consumers by a wide margin (47%) believe that reform of the mortgage industry should be the CFPB's first order of business with respondents identifying credit card reform (35%) and checking overdraft reform (12%) as priorities two and three.

"As much as there is an anti-regulatory tone in the Tea Party and libertarian thought that gets a lot of media attention, the broader public sees a great need for reforming how banks and other financial institutions do business," Poryzees said. "Banks need to be very conscious of this when it comes to communicating with their customers, their fee policies and how

they design and market new products to introduce."

## **Adversity leads to opportunity**

When it comes to rating their own primary financial institutions, nearly two thirds of consumers say that the policies they ascribe to are "very fair" but less than half feel that they are "completely transparent" (63% vs. 40%). Feelings of trust are not distributed equally across firms. Those who named large national banks as their primary financial institution were significantly less likely to consider their policies very fair and/or completely transparent than were customers of other banks or credit unions.

"This perhaps indicates some level of uncertainty that they have been provided with or fully understand the requisite details of their own agreements with banks," Poryzees said.

In fact, GfK's 2011 Corporate Trust Survey found that only 36% of American consumers consider financial services firms to be trustworthy - ranking second to last above the federal government. Yet, most industry professionals recognise that relationships are built on trust. As the role of the CFPB is sorted out, financial institutions can take advantage of the crisis to lead change proactively from within by building greater transparency, enacting policies to foster trust, and by building better relationships with consumers.

Many consumers see the financial services industry as a commodity industry which presents opportunities for firms to differentiate themselves, their products and services on the basis of relevance and uniqueness - two characteristics that highlight market success. As such, Poryzees said, "going beyond regulatory and legislative mandates to do what is best for consumers will not only reap rewards for a bank's customers but also for the companies willing to forge new territory and for the industry as a whole."

## **Methodology**

This telephone survey was conducted independently by GfK among 1005 Americans 18+, July 22-24, 2011. The margin of error for results based on the total sample is +/- 3.09 percentage points at the 95% confidence level.

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