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Empowering Consumers as Co-regulators: Firm conduct information for consumers

Final report

Prepared for:

Financial Services Consumer Panel

An independent voice for consumers of financial services

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Contents

1. Executive summary

1.1 Introduction

This research was tasked with exploring:

- How important firms' reputations are in consumers' buying or switching decisions;
- The kind of information they use and would find helpful to know about a firm's conduct when assessing 'reputation'; and
- How those kinds of information might be made available to consumers in a format they would notice and be likely to use.

A series of 8 extended-length focus groups were held with consumers who had either recently acquired a financial product or switched providers, or were considering doing so in the near future. The research was conducted in mid-late February 2015.

1.2 Key findings

At present, few consumers are making choices about financial products or providers based on a conscious assessment of firm-level reputation generally or firms' conduct specifically.

A key reason for this is that consumers have other more immediate priorities at the decision-making stage, which tend to be confined to determining the most suitable product features and pricing. The significance of this relatively narrow focus is that people are not thinking forward to what else will be important to them once they become customers. In particular, most consumers are not giving advance consideration to 'how well they will be treated' by the provider, despite perceiving this to be critical in retrospect and at the heart of what reputation means to them.

Consumers' lack of focus on reputation is also related to the difficulty they currently have in evaluating firms on this. In particular, the struggle to judge how new providers are likely to behave towards them once they become a customer. In addition, consumers feel unable to differentiate firms based on their wider market conduct as they perceive poor conduct to be widespread and firms to be 'all as bad as each other' in this way.

In this context, information on firm-level behaviour has the potential to be of significant value to consumers and to correct some of the information asymmetry that currently exists in the financial services sector.

While consumers don't spontaneously identify an information gap in this area, upon consideration there is an appreciation that this is currently an unmet need. As such, the response to the idea of such information was enthusiastic and consumers could see how it could be of benefit to them.

The evidence therefore suggests that consumers would respond positively to an intervention of this kind and use the information provided to make more confident and informed choices.

The appeal of firm-level reputation and conduct information is predicated on it being 'impartial' which to consumers means being unbiased and not favouring any provider. In addition, to be most useful both market conduct and aspects directly relevant to the customer experience would need to be covered in order to provide a holistic measure of reputation. The early indications on presentation are that simplicity and incorporation into existing information channels will be key. Overall, there is a preference for such information to be based on professional assessment compared to anecdotal user feedback.

As well as potentially having direct consumer benefits, it was felt that such information may help drive improved standards from providers. There were also seen to be some potential advantages to firms if such information assists good performers in differentiating themselves based on the quality of their behaviour. In addition, this research suggests that the provision of information of this kind may be helpful in framing the FCA's supervisory and enforcement activity in a way that is both more positive and relevant to consumers than media-based coverage.

2. Introduction

2.1 Background and research aims

This research was commissioned by the Financial Services Consumer Panel (the Panel) which represents the interests of consumers in providing advice and challenge to the Financial Conduct Authority (FCA).

The underlying context for this project is the Panel's interest in exploring how to empower consumers to act as more effective co-regulators in the financial services sector. The ultimate goal is for it to be possible for consumers to engender positive change in firms' conduct, either directly in response to their current behaviour or in anticipation of future behaviour.

As part of this, the Panel wished to understand if and how information related to the FCA's supervisory and enforcement activity could help consumers make meaningful decisions about the providers they use based on an understanding of firms' conduct. Therefore, the potential information of interest in this research is not at a product level but in relation to firms' overall standards of conduct, and it would be based on impartial information as distinct from say user feedback.

Overall, there were four high level questions that this research was tasked with addressing:

1. How important is firm-level reputation, as distinct from specific products and their features, in consumers' buying or switching decisions?
2. What does reputation mean to consumers and how is it assessed?
3. What, if any, information do consumers currently use and what would they find helpful to know about a firm's conduct when evaluating reputation?
4. How might those kinds of information be made available to consumers in a format that they would notice and be likely to use?

The focus on reputation generally as well as conduct specifically was to ascertain if and where conduct fits into consumers' definition of firm-level reputation, and how important this is to them relative to other reputational considerations.

2.2 Research design

A qualitative research methodology was adopted for this research consisting of 8 extended length (2 hour) focus groups that were held across four locations (London, Leicester, Newcastle and Edinburgh) in mid-late February 2015. The sessions were longer than standard focus groups in order to allow for sufficient time to explore consumers' decision-making processes and considerations, and to understand if and where reputation and conduct fits in, prior to embarking on more prompted discussion about the proposition.

To ensure the research would be grounded in real life decision-making, all respondents were required to have acquired a financial product or switched provider within the last 6 months, or alternatively to be considering doing so within the next 3 months. Each respondent was also asked to complete a pre-task prior to attending the group to capture information on their recent decision-making process and factors they considered.

The groups were structured according to age, socio-economic grade and the type of product that the consumer had made decisions about. In addition, the sessions were split evenly across the four locations covered. The sample frame is highlighted in Figure 1 below:

Figure 1: Sample frame

Session	Age	SEG	Product category	Location
Group 1	20-44	ABC1	Longer-term or more complex	London
Group 2	45+	C2D	Day-to-day	London
Group 3	20-44	C2D	Longer-term or more complex	Leicester
Group 4	45+	ABC1	Day-to-day	Leicester
Group 5	20-44	ABC1	Day-to-day	Newcastle
Group 6	45+	C2D	Longer-term or more complex	Newcastle
Group 7	20-44	C2D	Day-to-day	Edinburgh
Group 8	45+	ABC1	Longer-term or more complex	Edinburgh

More detail on product categories:

- Day-to-day products included: current accounts; savings products such as savings accounts, cash ISAs or savings bonds; short-term insurance such as home or car insurance; and credit cards.
- Longer-term or more complex products included: personal loans; mortgages; long term insurance such as critical illness or income protection insurance; private pensions; and investments such as stocks, shares or investment ISAs.

Additional quotas:

- All groups were mixed gender.
- At least half of each group had acquired the product/switched provider in the last 6 months; the rest were considering acquiring/switching in the next 3 months.
- Quotas of 1-2 of each relevant product type were set in each group.

2.3 This report

The detailed findings to follow cover:

- **Consumers' conscious impressions of financial services providers**, including what firm-level reputation means to them, how it is assessed, and if and where conduct fits into this consumer definition.
- **Firm-level reputation and decision-making**, including the relative importance of firm-level reputation in consumers' decisions, and how they are making judgements on this.
- **Appetite for information to appraise firm-level reputation**, including the extent to which there is interest in this kind of information, what consumers would find most helpful to know, and how they would prefer this information to be provided and presented to them.

There is also a Conclusions section that summarises the main implications of this research.

In addition, the materials used in the group discussions (pre-task, discussion guide, stimulus pack) are included in the Appendix.

3. Findings in more detail

3.1 Consumers' impressions of financial services providers

This section explores what firm-level reputation means to consumers (to the extent that they are able consciously to express this), and how they assess this. The intention of this section is to establish a consumer-based definition of reputation and, as part of this, to understand if and where conduct fits in. It is not concerned with determining consumers' decision-making factors, or if and how reputation contributes to choices, as this is covered in Section 3.2 which follows.

The meaning of reputation, and the way it is assessed, is different for consumers than for the financial industry or regulator

The term 'reputation' can be understood in a variety of ways. For example, it has a particular meaning to the City which looks to measure the impact of specific reputation indicators on company value[1]: ranging from leadership, ability to attract talent, innovation, quality of products and marketing, to financial soundness etc. The FCA, on the other hand, is primarily interested in ensuring that firms conduct themselves with integrity, meet the required prudential standards and behave in consumers' best interests.

By comparison, this research found consumers' impressions of firms to be more generalised and vague, and not always based on rational appraisal.

> *"Nationwide, for some reason – I don't know why – I have a good impression of them. I perceive them as small, homely."* (London, 45+, C2D)

In addition, consumers do not fully know how their impressions are formed or recognise how they are influenced. As such, they can be regarded as 'unreliable witnesses' to their perceptions in this area.

A number of influences contribute to consumers' views of firms

Notwithstanding these limitations in self-reporting mentioned above, the discussions revealed a number of potential influences on consumers' views of firms:

- Personal factors such as previous experience or word of mouth from trusted sources such as family and friends.

[1] See for example 'Reputation can be all when it comes to company standards', Anthony Hilton in the Evening Standard, 24 February 2015

- Reviews and assessments from perceived impartial or unbiased sources such as Martin Lewis, other price comparison websites and independent financial advisers (IFAs).
- The media, and in particular stories on poor conduct, which provide ‘background noise’ on the sector.
- Providers’ own product and pricing offers, as well as their branding and associated communications activity.

Perhaps not surprisingly, consumers tend to over-estimate the importance of the personal and underestimate the influence of providers when directly asked how their impressions were formed. However, there were extensive ‘incidental’ references to these provider-led factors throughout the discussions that indicate their importance in shaping consumers’ views of firms.

Providing a positive customer experience is perceived to be at the heart of being reputable

Perceptions of how firms conduct themselves in the financial services market, and how they behave directly towards their customers, each contribute to consumers’ overall impressions of firms. However, beyond the obvious importance of ‘not losing all my money’ and ‘not going out of business’, the customer experience is currently more of a priority to consumers overall as this is regarded to be a more personally relevant measure.

‘Treating me well as a customer’ is at the heart of what being reputable means to consumers. This is potentially a very wide-ranging definition that spans customer service, product features, pricing, the user interface and brand. For example, consumers in the research associated ‘being a reputable provider’ with:

- Offering suitable products;
- Having competitive prices;
- Being familiar either to the consumer or someone they know;
- Being easy to use;
- Being easy to contact;
- Having professional and knowledgeable staff;
- Dealing with problems well; and
- Being fair in its behaviour.

Offering good customer service is regarded to be a particularly important indicator, and this includes both being accessible and providing a good quality response.

> *"Caring about their customers, even if that's a bit naïve. Especially after everything that's happened. I think rightly or wrongly, whether that's marketing or not, that's what I feel about First Direct."* (Edinburgh, under 45, C2D)
>
> *"A big one for me is can I actually get hold of them on the phone. Is there a UK call centre that I can call?... And the other thing I always think of is if the customer service is an 0800 number rather than 0845."* (Leicester, 45+, ABC1)
>
> *"A bad reputation would be if you were waiting ages on the phone and then you got hold of someone and they just didn't really care and weren't really helpful, or they just passed you onto someone else."* (Leicester, under 45, C2D)

Fairness was also frequently mentioned and this again encompasses a number of factors, including honouring of agreements, having transparent terms and conditions, and fair charges. Overall, it is perceived to boil down to whether the provider is perceived to be 'on my side'.

> *"Transparency as well… if Martin Lewis can write it into honest, bite-sized chunks we can understand why can't the huge financial institutions do that?"* (Edinburgh, under 45, C2D)
>
> *"I'd expect them to be trustworthy with regards to insurance. You want it paid out with a minimum of fuss. That they sort it out and you don't have to chase anything...give you what they promised to."* (Leicester, under 45, C2D)
>
> *"Bank charges are massive at the moment. And they're not reasonable – like if you're 10p overdrawn and you get charged £30."* (London, under 45, ABC1)

Given the number of aspects that can potentially make up reputation, it is a heterogeneous measure on which judgements are not perceived to be straightforward. For example, any one firm may be perceived to do well on some counts but not on others. In addition, it may not be possible for consumers to make evaluations on some of these indicators, particularly if they have no previous experience of the firm. As a consequence, brand familiarity is valued by some as it provides reassurance about the stature of the organisation.

Consumers are not able to differentiate between individual firms on the basis of their market conduct

At a sector-wide level, reputation is also influenced by the recollection of high profile market conduct-related scandals reported in the media. The examples referred to ranged from bankers' bonuses and bank bailouts, through to PPI pay-outs, Libor rate fixing and the latest HSBC private banking tax story which had broken just prior to fieldwork commencing.

While not all of these examples strictly constitute misconduct from the FCA's supervisory and enforcement perspective, they nonetheless contribute to a backdrop of consumer cynicism about financial services firms and mistrust of their motives. There is a general perception that firms do not behave fairly and in a way that is on the side of consumers with respect to their market conduct.

> *"The RBS today made a £3bn loss and they're paying out £4bn bonuses. If you're a nurse or a teacher you've had no pay rises for 5 or 6 years and they're making a loss and getting bonuses. That's why I don't trust them."* (Edinburgh, under 45, C2D)

Importantly, there is a strong view that firms are 'all the same' with respect to their market conduct and consumers find it difficult to differentiate between individual providers on this basis.

> *"I don't think there are many that haven't done anything immoral with people's money."* (London, under 45, ABC1)

> *"I think we've come to expect this. Ever since the financial crisis started you've just been hearing story after story. You just think that's what they do."* (Leicester, under 45, C2D)

> *"I think they're all at it. They've all been guilty of something along the way. I know HSBC have been telling people how to avoid tax. I think they've all been misbehaving at some point if you dig deeply enough."* (Newcastle, 45+, C2D)

3.2 Firm-level reputation and consumer decision-making

This section explores the importance of firm-level reputation, as distinct from specific products and their features, in consumers' buying or switching decisions. It also looks at what, if any, information on reputation consumers currently draw on in their decision-making.

Some common traits with respect to financial decision-making provide some contextual background

As mentioned in the introduction, this research intentionally covered a broad range of financial decision-making territory including:

- Consumers acquiring a product for the first time or switching providers.
- Considerers as well as consumers who have made a decision regarding a product or provider.
- Products ranging from the day-to-day (e.g. bank accounts, savings products, credit cards, car/home insurance) to the longer-term or more complex (e.g. loans, mortgages, life/critical illness insurance, investments, pensions).

Reflecting this variety of experience, consumers mentioned a number of different decision-making triggers including contract renewal, poor service or other problems, as well as a range of circumstantial factors and life-stage changes. There were also a number of different decision-making processes reported, with variations in the time spent, extent to which the market was compared, and whether or not advice was sought. Some of these behavioural differences were based on the product type being acquired, and some were related to the particular characteristics of individual consumers, including their age, socio-economic grade and confidence in financial matters.

However, there were also some common themes. One of these is that the market is considered to be increasingly large and complex. Related to this, shopping around for financial products is generally not enjoyed; at best it is regarded as tedious and at worst it provokes anxiety.

> *"It's a necessary evil. You've got to make sure that you're getting a reasonable deal and you've got to spend a bit of time to make sure you've got the right outcome."* (Newcastle, under 45, ABC1)
>
> "*You have to root through to find what's good for you. It isn't like there's only one product out there. So it's up to you to figure out the one that best suits your needs."* (Newcastle, 45+, C2D)
>
> *"The market's so big as well. I don't know about everybody else but when I was younger and we went for our first mortgage they didn't ask many*

> *questions. You walked into the first building society and you took your wage slips and before you knew it you had it. And you trusted them then."* (Edinburgh, 45+, ABC1)

In this context, decisions are often not extensively researched or based entirely on rational factors. Consumers also commonly look for ways to shortcut their decision-making process, such as:

- Using comparisons sites (especially for everyday products such as car/home insurance, credit cards, current accounts and ISAs).
- Adopting rules of thumbs (such as only looking at the top 3 listings on comparison sites).
- Relying on advisors for more complex products.

This practice of short-cutting contributes to consumers' focus on immediate considerations related to product features and pricing at the expense of thinking about what are likely to become priorities once they become customers.

Firm-level reputation is not currently a primary consideration in financial decision-making

Given this focus on immediate considerations, reputational factors tended not to be mentioned spontaneously by consumers in reference to their recent decision-making. Instead, this process was dominated by product-level considerations.

> *"The product has to be secure, have a good interest rate and be comparable to other things on the market."* (Edinburgh, under 45, C2D)

In addition, the ease and speed of the transaction and brand familiarity also influenced choices in some cases.

Where reputation factors were mentioned, they tended to be lower in the decision-making hierarchy. There was a greater tendency to consider aspects related to service delivery than market conduct amongst these.

One key reason is that reputation is difficult for consumers to assess at the decision-making stage

Upon discussion, consumers admitted they hadn't given much, if any, consideration to the post-sale customer experience when weighing up options in their recent decision-making. They also acknowledged that there is a lack of information in this area, with the focus of the available information being on product-level factors rather than related to firm-level reputation. However, this gap was not one that they were conscious of prior to participating in this research, so can be considered to be an 'unrealised unmet need' among consumers generally.

> "*I admit that you don't (think about reputation). I didn't to be honest. It's not until perhaps you go for something like aftersales as you don't necessarily need the customer service part at (the shopping around) stage."* (Leicester, 45+, ABC1)

> *"Price is the initial thing you look at. Things like if they're good to deal with and easy to access, that's not something that you'll find out until you're with them."* (Leicester, under 45, C2D)

But reputation is not without significance to consumers

While product-level considerations clearly dominated decision-making, some consumers additionally mentioned that the brand profile or image of the provider influenced them. In these cases, brand was used as a kind of reputational proxy and it gave them some level of reassurance about their choice.

> *"I suppose you go with what you know, don't you?... I'm more comfortable with high street names like Barclays and Natwest… Personally I'd be reluctant to go with a company I had never heard of."* (Leicester, 45+, ABC1)

> *"I'd go with someone I knew in case anything went wrong, then you have a good fall-back. Especially when it's your money. Well-known companies have more to lose if they're not treating you right in terms of their brand. You can put something on Facebook, a bad experience, and all of a sudden you've got however many people liking it and it's bad publicity for them."* (Edinburgh, 45+, ABC1)

Some amongst this group were even prepared to pay a small price premium for brand that was familiar or recommended.

> *"I think if someone really trusted a company, and someone recommended them, and I had to pay x amount of pounds more then I probably would, as long as it wasn't too ridiculous. As long as it's a minor percentage you'd go with a better known company."* (Newcastle, under 45, ABC1)

However, for others, brand was not knowingly considered indicating that consumers can and do currently choose products offered by firms about which they have no conscious impression.

> *"There are so many different businesses out there now. Some I've never heard of but they seem to do a good deal. So I'd say that brands are less of an issue for me nowadays."* (London, under 45, ABC1)

Despite these point-of-sale differences, there was a general consensus that firm-level reputation is more of a consideration post-sale. It is at this stage that the quality of the customer experience can become a key priority, particularly for high touch-point products or in circumstances where the customer has a problem that requires resolution. As a result, positive experiences with a provider were sometimes reported to contribute to loyalty and, conversely, negative experiences could trigger switching.

> *"I was with Natwest for about 15 years and then I wanted to get a loan and they said no. I've been with them so long and I was so annoyed and that's when I changed to Halifax."* (London, 45+, C2D)

Reputation is regarded as being particularly relevant for certain product choices

Consumers believe that the reputation of the provider potentially matters more for certain types of products:

- Where the consumer is likely to be in regular contact with the provider (e.g. current accounts).
- Where the consumer is relying on the provider to honour an agreement (e.g. with insurance claims).

Conversely, the reputation of the firm is regarded as being less important where the consumer is borrowing from the provider (e.g. via credit cards, mortgages or loans). This de-prioritisation relates to consumers not considering the possibility of having post-sales problems with borrowings, such as difficulty with repayment.

> "*With an insurance policy you're relying on them to be there and to pay out. In that situation you want a reputable sort of company. It's about the support as well – if you have a crash at 3am you want to be able to ring them…With a loan I'm not overly bothered about the company because once they lend you money you've got it, so it doesn't really matter who it is in that sense."* (Leicester, under 45, C2D)

> *"It depends what you're buying. If I was changing bank account I would be much more interested in customer service. For my mortgage I probably never spoke to anybody in the entire time I had it. So I don't know what their customer service was like and I don't particularly care."* (Edinburgh, under 45, ABC1)

> *"I would say it's more important for car and home insurance than say credit cards as there it's the company that's giving you money and there's not too much that can go wrong there. All the risk is with them, whereas the other way around the risk is with you…With insurance it's potentially a big thing if they didn't pay out and your house is in ruins. It can be quite a gamble and I'd certainly be hoping that the company I'm dealing with is established, has a good track record and conducts itself as it should.*" (Edinburgh, 45+, C2D)

The relevance of firm-level reputation is less clear-cut to consumers in the case of longer-term products such as pensions and investments. This is for a variety of reasons:

- Consumers are more likely to defer to professional advice on which product and provider to choose (in which case it is the advisor's reputation that counts most in order for the consumer to feel that they can trust their recommendations).
- As these are low touch-point products there is typically infrequent or no consumer contact with the provider post-sale.
- In this and other research, consumers find it difficult to disentangle poor financial performance that is directly attributable to the provider's behaviour compared to unavoidable product-related risk.

Market conduct influences impressions but does not result in discriminatory choices

As mentioned in the previous section, poor market conduct is associated with some of the biggest brands and is regarded as being widespread in the financial services sector. As such, consumers don't see how they are able to reflect their general mistrust across the sector in their choices between individual firms – as they are deemed as being 'all as bad as each other' in this way.

> *"If you're talking about ethics you may as well put your money under a mattress and be done with it."* (London, under 45, ABC1)
>
> *"I think basically we just decided that you couldn't use that as a criteria (sic) because they all do it. Unless you found one specifically that you knew didn't do it."* (Edinburgh, under 45, C2D)

Not understanding the detail of specific misconduct cases also contributes to consumers not feeling able to make informed choices in this basis.

> *"I think some of these other things are less accessible for us to understand. With the Libor thing or whatever, you've got to have a degree of understanding about the financial markets and I think it's harder to judge that."* (Edinburgh, under 45, C2D)

In addition, market conduct is a lower priority for some due to it being less personally relevant than aspects of firms' behaviour that are felt to be directly related to the customer experience. This is because they don't necessarily see a negative knock-on effect of market conduct to individual customers. In fact, with the recent HSBC case, some noted a positive impact for the bank's private banking customers.

> *"(Conduct would) probably sway me but when it's up against what I could potentially get, ok they've maybe mis-sold this but in terms of what I could get that would maybe be the overriding thing."* (Edinburgh, 45+, ABC1)

"If the naughtiness isn't affecting you then you're not really bothered. If your account is tickety boo and everything's fine, why would you worry?" (Edinburgh, under 45, C2D)

"All (HSBC) have done is the best for their billionaire customers…I don't have that sort of money where it would affect me – it's only if you're rich that are saving money. But you could say that they've gone above and beyond." (Newcastle, under 45, C2D)

Of the conduct examples provided, it is those perceived to have a direct consumer impact that are regarded to be most serious overall

A number of examples of poor conduct (both real and hypothetical) were provided in the research sessions in order to draw out consumers' views on conduct further.

The examples relating to deliberate misleading or exploitation of customers were perceived to be most serious overall:

- 'Inaccurate mortgage information provided in a key facts illustration'.
- 'Packaged bank accounts provided without customers' knowledge'.
- 'Loans provided at a rate that will be unaffordable for customers to repay'.
- 'Insurance sold to people who won't be able to claim'.

In addition, examples that illustrate a lack of transparency were also high on consumers' list of seriousness as these were also felt to have the potential to mislead and disadvantage customers:

- 'Pension value ending up being low due to very high provider charges'.
- 'Credit card company hiding fees in small print'.

By comparison, market breaches where it was felt that customers would be less directly affected were regarded as being of slightly lower order. Of these, there was more concern about apparently institutionalised practice ('banks involved in fixing interest rates') than if the behaviour was limited to selected individuals ('a small number of investment bank staff found guilty of insider trading').

"If the whole company is doing it and it's a widespread issue then I think that's a different thing – that would mean that they're an unethical company." (London, under 45, ABC)

"I'd be more concerned about the whole business's conduct as opposed to bad apples." (Edinburgh, under 45, C2D)

As mentioned previously, customer service is a very important personal priority to consumers, particularly once they become customers of a provider. Interestingly however, relative to the other conduct examples provided 'placing 50% of customers on hold for 30 minutes' and 'putting staff under pressure to meet financial targets at the expense of customers' were not regarded as being in the same league of seriousness as some of the other potentially illegal and exploitative practices highlighted. Respondents did not identify the potential risks of putting staff under financial pressure leading to mis-selling.

> *"(Putting staff under pressure to meet financial targets) is not a good thing but it's just a fact of life in some of these businesses now where people are under pressure to sell, sell, sell. For me it's less of an issue than deliberately mis-selling things or leading people on."* (Edinburgh, under 45, C2D)

Another example, concerning 'the withdrawal of a product by an investment firm for being too risky', was felt to be difficult to judge with respect to firm conduct. It was perceived that this might be a case of 'buyer beware' where it is up to the customer to judge what level of risk they are prepared to take.

The example provided of 'an IT error affecting customers' ability to withdraw cash/make payments for several days' was most tolerated overall, suggesting that consumers are most accepting of accidental issues. However, in this case the provisos were that this was a one-off issue and that consumers were adequately compensated.

Overall, the response to these examples suggests that market conduct information has the potential to be more relevant to consumers if it is framed in a way that focuses on the impacts of the conduct on consumers.

There is low understanding of how the market is regulated and the ways in which consumers are protected

There is mixed awareness of the FCA and its role, and confidence also varies in the extent to which consumers are protected in their dealings with financial services firms.

> *"It's regulated by the Financial Conduct (sic). It's like a stamp of approval; they've been through it so they must be ok. They've had to comply with certain rules and regulations, and they've got a code of conduct that they follow hopefully."* (Newcastle, 45+, C2D)

> *"In the Nineties there was quite a lot of mis-selling going on with pensions. I certainly know people who lost out and that always puts a bit of doubt in your mind. I understand a lot of regulation came in (since then) and it's a lot less likely to happen… But I still wouldn't put it past them."* (London, under 45, ABC1)

> *"They always say that they're governed by the FSA don't they? But then how do you know what that is and what it covers?... They're toothless tigers aren't they?"* (Leicester, 45+, ABC1)

The best-known consumer protection overall is that money in UK bank accounts is protected to a certain limit (although fewer know the actual amount). Awareness of other protections is negligible.

As mentioned previously, the public's sourcing of their information on the FCA's supervisory and enforcement actions is predominantly or entirely through the media. This appears to be contributing, not just to negative impressions of firms' conduct, but also to a view that the FCA's activity may be insufficiently robust and proactive.

There is no evidence from this research that consumers assume that someone else looks after their interests so they don't have to. Instead, it is other barriers as previously mentioned (particularly other more immediate consumer priorities at the decision-making stage, and a lack of information on conduct that currently helps consumers differentiate between providers) that are preventing consumers engaging more with firm-level reputation and conduct when making choices.

3.3 Appetite for information to appraise firm-level reputation

This section covers whether there is interest in information to help consumers appraise firm-level reputation. It also specifically explores what consumers would find helpful to know about a firm's conduct when evaluating reputation. Finally, it presents some initial findings on how those kinds of information might be made available to consumers in a format that they would notice and be likely to use.

The proposition of firm-level conduct information is of interest to consumers

Once their current decision-making behaviour and priorities had been explored, consumers in this research were asked 'what, if any, information on the behaviour of providers would have been useful to know in their recent product choice or consideration'.

Respondents were genuinely interested in the idea of firm-level conduct information as they could see how it might be helpful to them as a shorthand way of gauging the overall 'quality' of providers. In fact, the prevailing view, following discussion, was that this sort of information *should be* available and the fact that it is not currently was identified as a gap.

> *"I think it would be very helpful as part of the research before you actually make your decision. It would tell you at a glance who's good and who's bad."* (Leicester, 45+, ABC1)

> *"At the moment it's all hidden; you assume that they're all the same. But actually if you have something like this you can immediately see who's got the most stars."* (Edinburgh, under 45, C2D)

The appeal of such information was predicated on it being impartial or unbiased to any provider. However, consumers did not have a fixed view on who the source of such information should be, and the FCA, Which? and Martin Lewis were each mentioned as possibilities.

> *"If it was independent then I'd really listen to that… I would value an independent expert's view."* (Newcastle, 45+, C2D)

Information would be particularly valued in areas with the potential to affect consumers directly

Consumers were particularly interested in information that would help them discern how well the provider treats its customers, or the quality of the customer experience. For example, they spontaneously mentioned the value of information on providers' customer service standards, both with respect to accessibility and the quality of response.

> *"If you see the customer service ratings are really good that's the main thing you can't find out until you're with them."* (Leicester, under 45, C2D)

Some specific customer service indicators that people mentioned being interested in include:

- Whether freephone or non-premium telephone numbers are used.
- Whether the call centres are UK-based.
- Whether there is a complex telephone menu system that customers are required to navigate.
- How long customers typically wait before their call is picked up.
- Whether the organisation has won any awards for their customer service.

Consumers were also informed of the sorts of conduct information that the FCA currently collects or could potentially get access to, as summarised in Figure 2 below, and their views on this type of information were then explored.

Figure 2: Conduct information options

What sorts of conduct information would it be useful to see?

Fines/compensation
- Whether a firm has been fined
- How many times a firm has been fined
- Reason for fines
- Level of fine/ compensation

Formal action
- Whether a product has had to be withdrawn
- Whether the firm has had to change or improve its conduct

Consumer views
- User ratings/ customer review
- Survey findings on the customer experience and customer opinions

Customer complaints
- Number of complaints
- Number resolved
- Speed of resolution

Claims ratios in insurance
- How many claims are paid out

Amongst these options, there was interest in *consumer views* and *complaints* information. Both of these were seen as supplementary ways – in addition to the professionally generated and impartial information referred to previously - of helping people to evaluate the service and customer experience provided by firms. Information on consumer views was anticipated to be most useful if it was based on robust and representative data (e.g. survey findings) rather than just anecdotal user feedback. In the case of complaints, it was information on how well the matters were handled and resolved by firms that was felt to be most useful.

In addition, *claims ratio information* was expected to be helpful to consumers when they are making judgements on potential future insurers.

> "I*n terms of my life insurance policy, the other thing that would be useful is how quickly people are being paid out."* (Leicester, 45+, ABC1)

While there was also interest in data from the FCA's supervisory and enforcement activities (*fines, compensation, formal action*), it was not to the same level as for the potentially more personally relevant areas identified above.

One other area in which there was an appetite for information came up earlier in the discussion - this was *data security and the organisation's record on handling customer information*. Data security was not mentioned spontaneously by consumers but was introduced as an option in stimulus designed to help unpick the importance of various potential factors in contributing to consumers' impressions of firms. In all groups this was one of the factors that consumers selected as a priority when prompted in this way. The discussion that followed suggests that consumers initially expect their data to be secure and do not give this issue much if any consideration. However, on consideration, they feel that good practice here might not be guaranteed. They referred to media reports of high profile breaches in a number of sectors, as well as personal experience of unsolicited marketing that is suggestive of their personal data having been mishandled by existing suppliers. As consumers' financial data are regarded to be particularly valuable, and some had prior experience of fraud on their accounts, respondents were quite sensitised to the potential risks associated with their data in the financial services sector.

> *"I think its good to know your data is safe and not going to different places and it's not being sold on to different companies."* (London, under 45, ABC1)

> *"You would think it should just be there automatically but as we know it's not always there. As Halifax has proved with their bin liners."* (Newcastle, under 45, ABC1)

> *"I think we all agreed that data security is absolutely essential, when you're coming to choose a new financial product 99 times out of 100 you probably have no idea how secure that product is. How secure their internet systems are."* (Edinburgh, under 45, C2D)

There were some minor reservations raised about the idea, but the response was still predominantly positive

There were some reservations raised about the prospect of firm-level reputational information. These were mainly related to customer reviews that were seen to present certain risks, such as of:

- Views not necessarily being representative.
- Bad experiences potentially being relating to trivial matters.
- The mechanism potentially being open to manipulation such as false reviews.

> *"Customers aren't necessarily independent really. You could have people saying one thing but that might not be representative."* (London, 45+, C2D)
>
> *"A lot of people's bad experiences might be silly things that aren't really important to us."* (Leicester, under 45, C2D)
>
> *"I tend to look more at independent reviews than customer reviews. I find that customer reviews aren't impartial… If I went to a website about buying a financial product and there were loads and loads of good reviews and you chose it on that basis, you'd have a lot more to lose if they were fake."* (London, under 45, ABC1)

In addition, some felt that publishing the number of complaints received by providers could, in the absence of contextual information, be misleading as this may be due to the size of the firm or complexity of the product offering rather than poor service. This was another reason that consumers preferred to the idea of receiving information on complaints resolution rather than just their incidence.

> *"The way they normally word it is 99% of all of our complaints were satisfied."* (Newcastle, under 45, ABC1)

There was also a view that the framing of the information options presented in the stimulus was predominantly negative given that a range of conduct sanctions as well as complaints were included. Some people therefore expressed a preference for more balanced information that focused on both positive as well as negative firm behaviour.

> *"We'd like to see some more positive feedback as well as the negative. It seems that all the focus is about the bad news."* (Edinburgh, under 45, C2D)

There was broad agreement on some high level principles for how such information should be presented

More focused research would be required in order to determine the most suitable presentation for any future firm-level conduct information. However, this study indicates a broad level of consensus on some high level presentational principles. At the heart of these are the desire for impartiality, simplicity and incorporation of this new information into sources that consumers already use. In more detail, there was a strong preference for such information to:

- Be independently and accurately produced, drawing on up-to-date professional assessment and representative user views.
- Be developed into a single composite index or small set of indices.
- Be depicted in a straightforward visual way such as star ratings or similar.
- Enable consumers to benchmark and compare providers.
- Enable further drill-down into score/s if consumers so wish.
- Be incorporated into existing decision-making channels such as price comparison websites and IFAs.
- Ideally be developed into a recognisable brand such as food hygiene scores on the doors or energy efficiency ratings.
- Be included in providers' branches and general communications.

Consumers were also asked for their views on the possibility of the FCA requiring firms to write to consumers if their conduct is poor or their rating changes. There was not an appetite for this, and some felt that this could actually be counterproductive. In particular, some felt that this initiative would incur costs that may be passed back to consumers. Another consequence was felt to be that consumers would receive more unwanted direct mail.

Overall, consumers can envisage using and being helped by such information

Evidence of the genuine nature of consumers' interest in the proposition of firm-level conduct information was that they could envisage specific ways in which they could be helped if it was available. For example, there were mentions of such information being used:

- As a search filter so only highly rated firms are considered.
- To determine the best choice from similarly priced options.
- To consider the value of paying a price premium for a more highly rated firm.
- To avoid poorly rated firms.

In general, consumers involved in this research expected that such information could help them make more informed and confident choices, and lead to better outcomes.

> *"It just makes the process easier… We have (food hygiene) scores on the doors here in Leicester and it's easily identifiable, so if you've got a smiley face (sic) it's safe to go for a meal or get a takeaway from there; if there's a frowny face you'd probably want to stay away from it. So that might influence your choice (in financial services too)."* (Leicester, 45+, ABC1)

> *"If you've got two that are very similar in price and what they're offering but they differ in the ratings, then you're going to go with the better one aren't you?"* (Leicester, under 45, C2D)
>
> *"Earlier I said that I get a good feeling about Nationwide, but that's just a feeling. This would make it a reality. I would really look at it before I made that leap."* (London, 45+, C2D)

They also anticipate that such an initiative might drive improved provider behaviour

A number mentioned, without prompting, improvements to provider behaviour as a potential positive knock-on effect of consumers being provided with information on firm-level conduct. When asked about this directly, there was a broad consensus that this initiative would be likely to drive improved provider behaviour.

> *"The knock-on effect of this is that if they've not got a good score they've got something to work towards, to aim to get better."* (Leicester, 45+, ABC1)
>
> *"(Providers) trade a lot on reputation and I think they're going to worry if, as a consumer, I'm looking at things like complaints."* (London, under 45, ABC1)
>
> *"I think it's a good thing. Especially if it's from the centre like that. It's going to force banks to take it a bit more seriously and to actually be a bit more proactive rather than waiting till they get caught before they do anything about it."* (Edinburgh, under 45, C2D)
>
> *"It's the ebay principle. When you're scoring people it seems to encourage people who are selling to want to be good sellers. They'll tend to maybe work a bit harder to resolve any issues before getting the negative reviews and to show that they're maybe decent folk to deal with."* (Edinburgh, 45+, ABC1)

4. Conclusions

Currently, the absence of consumer-focused information on firm-level behaviour means that consumers focus primarily on product features and pricing, and do not consider service-delivery even though this becomes a key priority post-sale.

In addition, as consumers are mainly informed about market conduct through media reports of ‘scandals’, this contributes to mistrust but does not enable them to make discriminatory choices.

Provision of impartial information on firm-level reputation therefore has the potential to be useful to consumers. In particular, drawing on such information can be expected to provide tangible reassurance to consumers that the firm they have chosen is reputable.

In addition, in a landcsape where the perception is ‘they are all the same’, such information may enable providers to better differentiate themselves which will be beneficial to firms as well as consumers.

Ideally, such information would cover the aspects directly related to the customer experience as well as market conduct. Further research is required to determine the most suitable presentation, but this research indicates the importance of simplicity and incorporation into information sources that consumers already use.

Ultimately, providing consumer-focused information in this way may help to frame the FCA’s supervisory and enforcement activity in a more relevant way than is currently the case. As such, it has the potential to reduce the information asymmetry which currently exists in the financial services sector, empowering consumers to ‘co-regulate’ the market by making more informed choices about which providers they use.

In addition to having a direct consumer benefit, respondents in this research feel that there may also be some influence exerted on providers to improve practices as a result of such information being available. This indicates the potential for this type of intervention to increase the effectiveness of the FCA’s work.

Appendix

A1 Pre-task

[For product acquirers/switchers]

Thanks very much for agreeing to take part in our research. Before you come along to the discussion, we'd like you to fill in this workbook about your most recent decision to get or change providers for a financial services product. It shouldn't take you more than 15 minutes to complete…

	Please write your answers below		
1. What type of product was it?			
2. Did you get it as a new product or change providers for an existing product? (Tick relevant box)	Acquired as new product	Changed providers	
3. Were you the sole or joint decision maker? (Tick relevant box)	Sole decision-maker	Joint decision-maker And was the product in both of your names (Y/N)?	
4. What first triggered you to consider getting this product/ changing providers? (Please be as detailed as possible. For example, an insurance policy might have been up for renewal, you may have noticed a change in cost or your personal circumstances might have changed)			
5. How much consideration and	A lot	A moderate amount	Just a little

shopping around did you do overall? (Tick relevant box)			
6. Please list all the information sources you used, if any, in deciding what product/provider to choose? (Please be as specific and detailed as possible)			
7. Did you get any advice (e.g. from an IFA or friends/family) on what product/provider to choose? (If so, please list sources of advice used)			
8. What were the main considerations in your choice? (Please be as detailed as possible and note anything about both the product and provider that were relevant to you)			
9. Looking back, was there any information you did not have at the time but would have been useful in making your decision?			

10. Overall, how happy were you with your decision making process? (Tick relevant box)	Very satisfied	Quite satisfied	Not very satisfied	Not at all satisfied
11. Why did you feel that way? Please give as much detail as possible.				

[For product considerers]

Thanks very much for agreeing to take part in our research. Before you come along to the discussion, we'd like you to fill in this workbook about your consideration of getting or switching a financial services product in the next couple of months. It shouldn't take you more than 15 minutes to complete…

	Please write your answers below	
1. What type of product is it?		
2. Are you considering getting it as a new product or changing providers? (Tick relevant box)	Acquiring as new product	Changing providers
3. Will you be the sole or joint decision maker? (Tick relevant box)	Sole decision-maker	Joint decision-maker And will the product be in both of your names? (Y/N)
4. What first triggered you to consider getting this product/changing providers? (Please be as detailed as possible. For example, an insurance policy might have been up for renewal, you may have noticed a change in cost or your personal		

circumstances might have changed)			
5. How much research and shopping around have you done so far? (Tick relevant box)	A lot	A moderate amount	A little or none
6. Please list any information sources you used so far in deciding what product/provider to choose? (Please be as specific and detailed as possible)			
7. Did you get any advice so far (e.g. from an IFA or friends/family) on what product/provider to choose? (If so, please list sources of advice used)			
8. What have been your main considerations so far in choosing a new product or provider? (Please be as detailed as possible and note anything about both the product and provider that are relevant to you)			
9. What, if any, additional information and advice do you expect you will use in the next couple of months to inform your decision?			

A2 Discussion guide

Introduction and warm-up
 	
(15 mins)
	• Explanation of research
	    o Independent research
	    o Not a test, just interested in opinions
	    o Topic is financial services and how consumers make decisions
	    o Recording but all responses confidential/anonymised
	    o Ground rules
	    o Housekeeping
	• Respondent backgrounds
	    o Name, age, occupation and family status
	• Warm-up
	    o How frequently or otherwise do people tend to think about getting a new financial services product or changing providers? Why?

Understanding current behaviour (drawing on pre-task)
 	
(30 mins)
	• Go around group asking each participant to explain briefly the type of product their pre-task is focused on and if they acquired it as a new product, switched providers or considering acquiring or switching
	• Couple of volunteers initially to walk through their decision-making process and outline:
	    o Why they decided to acquire/switch/consider
	    o Who was involved in the decision
	    o What have their considerations/priorities been (so far)
	    o What steps they have taken (so far)
	    o What if any information have they used (so far)
	    o How much or little shopping around have

	they done (so far) • Others to indicate similarities or differences in their own behaviour from the examples given • Round table discussion: Moderator to note throughout any differences based on type of product and the term the product is to be held. o How would you describe the experience of deciding/ considering this product? ▪ How did you/ do you feel about your decision ▪ Were you confident about making a good decision? ▪ Were you reassured at the point at which you made the decision? Was there any one thing that made you feel reassured? ▪ Probe around: fear, anxiety, relief, frustration, optimism, etc o How familiar were you with the product set? ▪ Is this a decision you have made/ a product you have considered before? o Did you feel you needed information to help you make the decision? o Did you seek out certain information or were you just looking for any information? ▪ Explore whether they knew from the outset what was important to them or whether they were led by what was available to them. o Did you feel you'd considered enough information/ all the information you wanted to consider before making a decision? ▪ Were there any gaps in information

	or things people wish they had known? Probe fully ▪ Was there any information you struggled to find? ○ Which if any information and advice sources have been useful? What made you go to these? ○ Overall, how easy or difficult a process has it been (so far)? Why? ○ How did this compare to other purchasing decisions? Explore any examples of non-every day items, electrical appliances, cars, new phone contract, etc. Explore what they took into account in their decision making for these products and explore any differences with financial products.
Establishing meaning, importance and assessment of reputation *(45 mins)*	• Exercise on key considerations/choice factors: ○ Each respondent to note down up to 5 factors that were most important to them in their recent decision or consideration ○ Respondents to report back, moderator to note these on a flipchart (in participants' own words), and group to agree an overall hierarchy of factors ▪ Explore whether different factors are more important for different product types ▪ Explore product level features (price, features, performance), service level information (post purchase redress, consumer access channel – online, call centre, etc) and anything else ▪ Explore the extent to which they are guided by what other people they

	know have done (in terms of how they considered the product or even which product they chose) o How important if at all was the provider to the choice and why? Which if any factors mentioned were related to the provider rather than specifically to the product? • Moderator to introduce the term 'reputation' if it hasn't already been mentioned and get the group's top-of-mind definition of this term in relation to financial services providers. o What does the term 'reputation' mean to you? [NOTE: The language of 'reputation' may not be meaningful to all participants. Explore 'good and bad impressions' too to ensure everyone is able to contribute] o Can you give any examples of companies that you have a good or bad impression of? o And what about the types of financial products that we have been talking about? Can you think what a reputable supplier would be like? o Group to come up with a shared definition of reputation: "a reputable financial product provider is…" Moderator to note on flipchart. • Meaning and relevance of specific indicators (prompted exercise): o Moderator to lead a brainstorm on reputation indicators based on hypothetical examples ▪ Group to identify a financial product provider/ brand and state whether they have a good or bad impression of that provider ▪ Discussion on what comprises that

	– what made them say that about this providers reputation ▪ Explore where they got this impression from (channel/s) ▪ Moderator to outline a hypothetical example of a financial product that isn't known but appears to offer an attractive product. If participants were trying to form a picture of this provider's reputation, what sort of things would they be looking to find out? o Moderator to introduce a set of potential indicators of reputation (e.g. the provider's brand proposition, brand familiarity, marketing, size, age, network, technology, customer service interactions, dealings with problems or complaints, broader market behaviour, independent comparisons/ratings/reviews, media coverage etc.) ▪ See Stimulus 1: Reputation Indicators o Participants split into 2 groups to sort indicators (including those they have identified themselves) into more/less important piles with respect to their recent choice/consideration ▪ Note whether these apply across the board or only for certain product types. o Discuss choices fully including how specifically the priority indicators contributed to their impressions of providers (e.g. what specifically about customer service is important – getting through to a person quickly and easily, having UK call centres, the nature of

	interaction etc.) o Are there any factors that have become more important since the decision was taken, i.e. when already a customer – which and why? • Bearing in mind your definition of reputation, how important is the reputation of the company providing the financial product: o Compared to other factors mentioned with respect to the previous choice/consideration? ▪ Remind participants of the key considerations they outlined above [in ‘Understanding current behaviour]. Is reputation more, less or as important than these? Explore whether there is a ‘tipping point’ (point at which reputation trumps all other features and what aspect/ indicators of reputation - for example, bad customer ratings - accounts for this) o Once a decision has been made and you become a customer? ▪ Probe any differences as a choice and satisfaction/loyalty factor • Thinking about the recent choice/consideration, what if any sense did they get on how reputable different providers were (against definition above)? How? Probe fully ▪ Explore whether anyone has chosen a provider whom they knew had a poor reputation • To what extent has provider reputation affected any of their past or present financial services choices (e.g. cause to select, switch from or stay with a particular provider)?

	- Probe for any examples where provider reputation has changed and action has been taken as well as where it hasn't and why - Explore what particular aspects/ indicators of reputation accounted for this • Discussion specifically about firm behaviour: o What do you understand by the term 'conduct' in relation to financial product providers? What sorts of things might conduct refer to? o How important is it how firms behave (their conduct) compared to other indicators of reputation? o How important is how financial products companies behave compared to others? Why? o How important do you think it is that financial product providers are known for their behaviour? - And what about as compared to other considerations (as discussed above) o Which elements of behaviour are most important – e.g. how suppliers behave towards customers or more general market conduct? What specific aspects of behaviour to customers are most important if at all? o With respect to these priority areas, what specifically expect providers to do? What expect them not to do? o Introduce scenarios of particular provider conduct and (if required) ask participants to discuss the impact of these (what would they think/feel/do as a result of this

	conduct) ▪ See stimulus 2: Conduct scenarios ○ Does the importance of firm conduct differ by type of product/product category? How and why (e.g. based on cost, product lifespan, extent of interaction etc.)? ○ Does what aspect of conduct is important differ by type of product/product category? How and why? ○ Did you take any aspects of conduct into account in your recent decision-making? ○ If this information had been available to you at the time, do you think it would have changed your decision/ had an impact on your process of considering products or not? Why/why not? ○ What if any protections do you think consumers have in terms of how firms behave? From whom? Are these protected areas any more or less important than other aspects where consumers do not have any external protection? (exploring the extent to which consumers assume someone else looks after an area so they don't have to) ▪ Introduce the role of FCA and explore what, if any, expectations they have of the FCA in communicating poor firm behaviour
Potential additional information on standards of conduct *(30 min)*	• Given the discussion so far, what if any information on the behaviour of providers would have been useful to know in your recent choice/consideration? What if anything on an existing provider conduct would be useful to know? Why/in what way useful? • Is there any information available on behaviour of providers in other sectors that has been useful in your choices (don't worry if it's not directly

	comparable to financial services)? Probe telecoms, energy, consumer products, food/restaurants, travel. What and why/in what way has this been useful?
	• Discuss content possibilities
	    o Refer to Stimulus 3
	• Discuss ratings information on financial providers specifically:
	    o How useful would ratings information on different financial services providers' conduct/how much of a gap currently?
	    o What factors are most important to be rated?
	    o And what level of detail would you want to see? For example, would you want to know what kind of actions were taken by the FCA or just that action had been taken? Would you want to know that complaints levels were high or how this compares to others/ what the nature of the complaints were, etc.?
	    o Compare professional and user ratings. What is the value of each when making a decision and why?
	    o Explore the value of kite marks and quality stamps. What are these taken to mean in the context of firm reputation/ conduct?
	        ▪ Within this explore reactions to 'regulated by the Financial Conduct Authority'. What reassurance does this give/ what does it imply?
	• Exploration of how reputation indicators and conduct ratings could be presented. How easy would this be for consumers to understand/interpret?
	        ▪ Explore participant ideas first
	        ▪ Then refer to Stimuli 4 and 5 [stimulus 5 is print out of FCA

	consumer guides to briefly look at]
	• Design exercise – group arranged into pairs to discuss and write/draw up their ideal information package:
	  ○ What factors (with respect to providers' conduct) should it focus on (content)
	  ○ Who should be in charge of the rating? Should it be overseen and supervised? (sources)
	  ○ How should it be provided (channels)
	  ○ How should it be presented (format, style and tone)
	    ▪ Using Stimuli 4 and 5 and alongside other ideas
	    ▪ Simple rating system, comparison table, consumer guides, etc
	  ○ How would consumers be made aware of it:
	    ▪ Firms required to publish on the door or in a pop up on screen?
	    ▪ Linked to existing comparison tables that people use
	    ▪ Media promotion
	    ▪ FCA requiring firms to write to consumers when a firm's conduct is poor or they drop a star or got up a star?
	    ▪ 'Naming and shaming [explore how this could be achieved, league table, for example?]
	• Pairs to report back on their work and discuss common attributes
	• Probe as required relative interest in:
	  ○ Different indicators – complaints,

	enforcement action, customer satisfaction o Single attribute vs. composite ratings o For composite ratings, single score vs. component parts o Kite mark/quality stamp vs. ratings o Combined ratings (e.g. conduct plus product features/price) vs. solely on conduct o Different sources of ratings - FCA, consumer bodies like Which? etc. o Different formats e.g. guides, comparison tables o Positive vs. negative framing of information • Summing up: o If/how would participants envisage using what they have created? o Which if any consumers apart from themselves would they expect to find this useful? o If/how might it affect how they make decisions/perceive providers? o If/how might it affect providers' behaviour/conduct?

A3 Stimulus

Financial Services Consumer Panel

Empowering the consumer as a co-regulator

Research stimulus

February 2015

Stimulus 1: Reputation indicators

2

Brand image (how much I like it or dislike it)	Familiarity (know the provider through previous experience)
Well-known (the extent to which it is a household name) 1	Marketing (adverts)

What friends and family say about it	Independent reviews/ ratings
Customer reviews 4	Firm performance (what they say about themselves)

Size (big or small company)	High street presence
Clear how I could complain and how they would respond 5	Customer service (easy to access, good to deal with)

Media coverage (what TV shows, newspapers, etc, say)	How they treat their staff
Regulated by the Financial Conduct Authority 6	Their conduct (e.g. fined for mis-selling)

Corporate social responsibility (how well they reflect social, community and environmental concerns)	Customer service record (e.g. level of complaints)
Data security (record on handling customer information) 7	The people who run the company and the decisions they make

Example of brand proposition

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Stimulus 2: Conduct scenarios

10

Firm conduct examples – market activity

- Bank involved in fixing interest rates with other banks (rate rigging - Libor scandal)
- Small number of staff at an investment bank found to be guilty of making money illegally through insider trading

11

Firm conduct examples - sales

- Loan company provides a loan that higher than what the customer can afford to pay back
- The bank sells insurance to lots of people who will not be able to claim on it and are ordered to pay back customers the money
- Customers sold a packaged bank account and start receiving monthly charges without their knowledge

12

Firm conduct examples - communications

- Credit card company hides fees in small print
- Mortgage company provides inaccurate information (key facts illustration) to first time buyer

13

Firm conduct examples – products and pricing

- Investment firm is asked to withdraw a product as the risks far outweigh the potential return
- Somebody saves all their life into a pension and when they come to take it out there's not much there because the business has taken a lot in very high charges

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Firm conduct examples – service

- Putting staff under pressure to meet financial targets at the expense of customers
- 50% of mortgage company customers left on hold for 30 minutes
- The people at the top of the bank don't pay enough attention to what the staff are doing and as a result a mistake with the IT means customers cannot withdraw their cash or make payments for several days

15

Firm conduct examples – some positives

- The bank spots that there has been fraudulent activity on an account and this is promptly refunded
- Customers with a complaint can get through to a person and the issue is resolved quickly and effectively

16

Stimulus 3: examples of conduct information

17

What sorts of conduct information would it be useful to see?

Fines/ compensation

- Whether a firm has been fined
- How many times
- Reason for fines
- Level of fine/ compensation

Formal action

- Whether a product has had to be withdrawn
- Whether the firm has had to change or improve its conduct

Consumer views

- User ratings/ customer review
- Survey findings on customer experience and customer opinions

Customer complaints

- Number of complaints
- number resolved
- speed of resolving complaints

18

Stimulus 4: Ratings examples

19

ebay™

- +1 point for each positive rating
- No points for each neutral rating
- -1 point for each negative rating

A Feedback score of at least 10 earns you a yellow star. The higher the Feedback score, the more positive ratings a member has received. As your Feedback score increases, your star will change colour accordingly, all the way to a silver shooting star for a score above 1,000,000!

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Which?

How cash Isa and savings account providers score for customer satisfaction

We ask savings accounts customers to rate how satisfied they are with their savings account provider. The Isa and savings provider reviews table below reveals the best and worst banks for customer satisfaction.

Find the best savings and cash Isa interest rates

That's not all Which? offers. The Which? savings and Isa comparison tables let you search all available savings accounts and cash Isas from all available providers to choose the best savings rates based on quality of service as well as cost and benefits.

The best cash Isa and savings account providers

Kent Reliance Building Society (68%) and First Direct (67%) are the clear winners in our survey, combining high levels of customer satisfaction with the likelihood of being recommended to a friend by account holders.

Customer satisfaction for savings

Provider	Customer service	Interest rate information	Value	Regular communication	Clarity of statements	Customer Score
Kent Reliance Building Society (KRBS)	★★★★☆	★★★★☆	★★★★☆	n/a	★★★★☆	68%
First Direct	★★★★★	★★★★☆	★★★☆☆	★★★★★	★★★★☆	67%
Saga	★★★☆☆	★★★★☆	★★★★☆	★★★☆☆	★★★★☆	63%
Coventry Building Society	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★★☆	63%
Leeds Building Society	★★★★☆	★★★☆☆	★★★★☆	★★★☆☆	★★★☆☆	63%
Principality Building Society	★★★★★	★★★☆☆	★★★☆☆	★★★☆☆	★★★☆☆	60%
Aldermore	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★★☆	59%
Yorkshire Bank	★★★★☆	★★★★☆	★★★☆☆	★★★★☆	★★★★☆	59%


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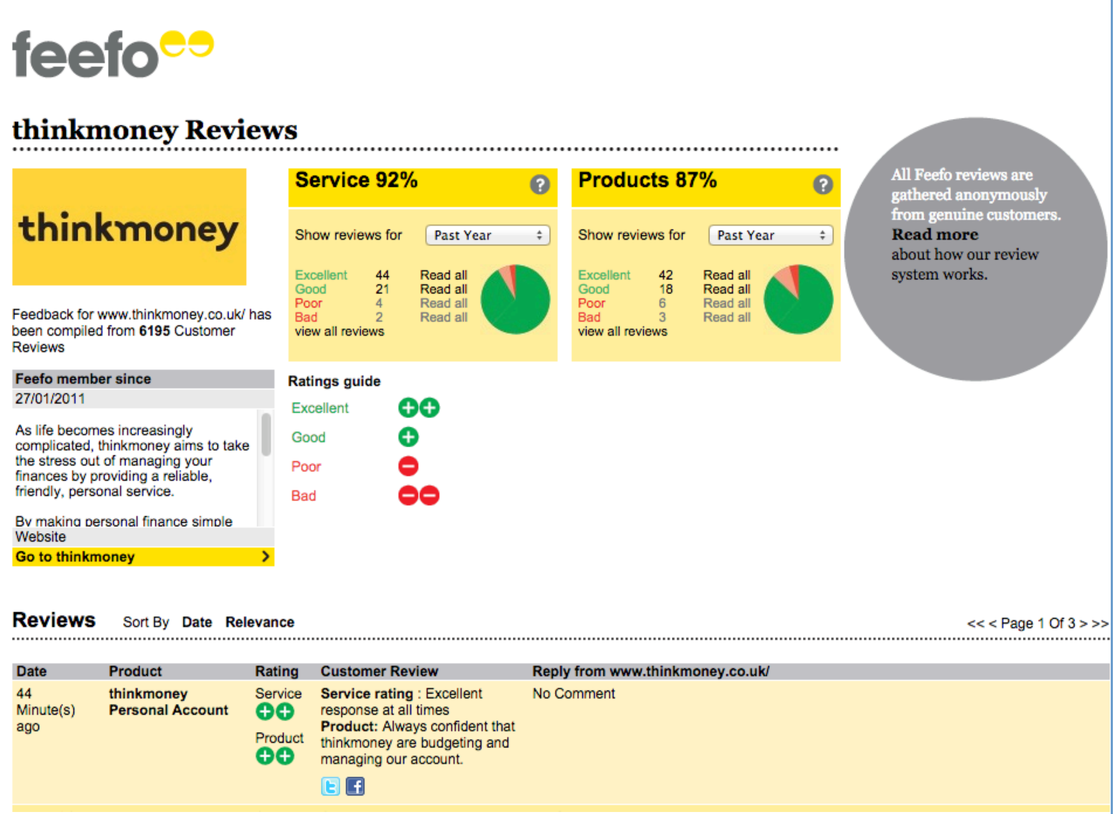
VERY GOOD


VISA
SCORES ON THE DOORS

22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