

Chartered Banker

Leading financial professionalism

Kirsten is a customer adviser working in a retail bank. Her job is to advise new and existing customers on products and services offered by the bank. The retail advisory staff are rewarded on the basis of basic salaries plus performance-related rewards based on capital balances and new sales. The company also uses a points system through which each outlet accumulates points which are then totalled to decide the best performers each quarter. One powerful incentive is that the 'branch of the year' is awarded a prize, which is usually a foreign holiday for staff and their spouses or partners. Kirsten's branch is a front runner for the award this year.

Kirsten's manager has called a team meeting at which she has stressed the need to be more pro-active in cross-selling products. This, she explained, will not only have a positive effect on individual performance appraisals but will also increase the chances of the office winning the annual prize. All of Kirsten's colleagues have agreed to put extra effort into sales. However, Kirsten is unhappy about the pressure that the system puts on her as an individual.

In Kirsten's view, many of the products and services offered compare poorly with offerings of competitors. She knows many of her customers personally, and feels that she should not be making recommendations that are inappropriate to them. For example, the bank offers commission-free foreign currency, but the exchange rates are much poorer than those of competitors. The payment protection product offered alongside mortgages is restrictive, and although it offers a repayment buffer in the event of sicknesses and accidents, it is virtually worthless to self-employed persons whose businesses fail. The block buildings and contents insurance policy offered to new mortgage borrowers is more expensive than many on the market.

Kirsten enjoys her work, particularly the ability to work with many different types of customer and meet their needs on a daily basis, but she is increasingly concerned that she cannot reconcile her duty to her manager and the team with her own conscience.

Kirsten is in a similar situation to many people working not only in financial services but also sales of physical products. For example, a car salesman in a company that is an agent for one marque may not be particularly impressed by the models offered and perhaps would not dream of purchasing one. In a similar way, there are many people who work for distilleries and breweries who do not consume alcohol. This does not mean that they cannot do their job, though like Kirsten they may encounter occasional 'twinges' of conscience.

The financial services industry has become increasingly regulated in relation to the sales of some but not all products. Two of the products cited in the example, payment protection policies and household insurance, are covered by the ICOB rules. However, customer inertia often leads them to purchase products and services that are either more expensive or of lower quality than those offered by competitors.

It is almost certain that Kirsten as well as her manager and colleagues will be aware of the requirements under the 'Treating Customers Fairly' initiative, introduced by the FSA some years ago. This, together with the FSA sourcebooks, provides significant safeguards that customers can rely on. The organisation is obliged to provide certain information at different stages of the sales cycle, and customers can then make their own choices.

Kirsten does not have to tell lies or deceive people. She can bring the products and services of the bank to the attention of customers and give them factual information on the benefits, backed by technical information on features (good and bad) as required or as they emerge in the discussion. She should also accept that customers are not stupid – they are bombarded on a daily basis by television advertisements and on the internet as well as through junk mail by a plethora of companies promoting their offerings. There is a greater choice of comparison websites than ever before.

As long as Kirsten is truthful, she should have no conscience. If she is asked if a product is the cheapest and it is not, she should say so (or if she does not know, admit that). If a feature of a product is clearly disadvantageous to a customer, she should also state that this is the case.

One point she should accept is that customers often buy for reasons other than price or quality. One powerful motive is the convenience of the 'one-stop shop', as customers of banks rarely find the products as exciting as other shopping experiences.

If the role that she plays troubles her sufficiently, Kirsten will probably find it difficult to remain in her role in anything but the short-term.

It is clear from the scenario that the bank's incentive strategy is flawed, and could potentially work to the detriment of customers. Given the increase in the need to treat customers fairly, it is almost certain that it would soon be considered to be at odds with the spirit, if not the letter, of regulations.