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A branch-based retail banker, you are reviewing the credit situation of Alison, a 46 year-old single parent. She is coming to see you tomorrow, together with her elderly mother, Bronya. File notes reveal that Alison's relationship with your bank goes back over 30 years.

While never wealthy, for much of this time, Alison had a good credit record. In her twenties, she had had a number of steady jobs and a prudent approach to her financial affairs. In her early thirties, she had married, had two children, taken a career break then returned to work part-time. Despite some form of protracted separation from her husband and reduced family income, she continued to manage her finances well. She avoided overdrafts for much of the time and always paid off promptly the balances on her one credit card (linked to the bank), whatever the seasonal temptations.

However, about four years ago problems started to appear. Her alimony income had become more erratic and she stopped having part-time work. Concurrently, her outlays increased, perhaps to satisfy the growing spending habits of her children, now in their teens.

Alison's overdraft appeared now permanent. Its limit was often probed and occasionally breached. She had become a significant net debtor, albeit able to pay the interest – just. There were a number of changes of address in short succession, though Alison and her children now live in rented accommodation shared with Bronya.

Bronya has had an account with your branch for over 50 years. She has a small widows pension, otherwise state benefits are the only reliable sources of income into this three generational household. Nevertheless, Bronya, over the years avoided any borrowings, carefully maintaining a small positive balance on her ordinary account. Additionally, she periodically added to a sum on deposit that had accumulated to £1,500. According to an old file note, this is 'for her funeral'.

Two years ago the situation changed suddenly and dramatically. There is a letter on file to the branch manager from Alison's younger sister, Charlotte, a successful entrepreneur in Canada. This explains how, on a visit to the UK, she decided to make a single payment by credit transfer to clear all of Alison's accumulated overdraft and credit card debt and to give Alison a positive balance of £1,000. Charlotte also made similar arrangements in respect of Derek, Bronya's third child. He also banks at your branch and has had money difficulties too over the years.

However, Charlotte in this letter, which was copied to Alison, Derek and Bronya, was explicit. While she had provided a sum of £40,000 to clear off all her sister and brother's debts, this was to be seen by every party as a one-off. She has discussed the matter with them both and with her mother. All agree that their own financial independence is important to their personal integrity, now and in future. Charlotte has a young family and considers her financial priorities are for them. Nevertheless, the letter went on to explain that there will be a new arrangement for Bronya, for whom Charlotte has set up a standing order to give her CAN\$ 1,000 a month. This is to cover her mother's rental and basic expenditure.

Despite these expressed intentions, four months ago, it was apparent that Alison's financial position had again become unstable. She was frequently at, and occasionally over, her authorised overdraft limit. With her credit card (still linked with the bank) she seemed to have been doing little more than paying off the monthly minimum. Her interest payments were ballooning, despite that Bronya, apparently, was transferring to her most of each month's standing order.

Rescue had again come by means of a cheque from Charlotte. This time rather than simply send a letter, Charlotte had insisted on a meeting with the bank manager with Alison and Bronya present. The manager's notes describe how Charlotte had been the main speaker with Alison monosyllabic and Bronya tearful. Charlotte had started the meeting rather dramatically by formally handing over the cheque that would clear the overdraft, the credit card balance and leave a positive balance, this time for £5,000. Despite Alison's embarrassment, Charlotte had then gone on to describe that the underlying cause of Alison's financial difficulties was severe depression. This condition had been medically certified and Alison was now receiving medication. She had sought relief through periodic drinking binges, often following these by extravagant shopping trips when she would indulge herself, or her children. The bouts of depression had become more frequent and acute as her anxieties had spiralled over the debts incurred.

Charlotte had expressed the view that no person was to blame. However, she had made clear that, in her opinion, the extent of the borrowings and interest that she herself was now settling had been exacerbated by the bank's implicit encouragement. It had extended credit not just through the overdraft but also through the credit card, which charged a much higher rate of interest.

Charlotte, with Alison's nodded agreement, had then asked that the bank remove completely Alison's overdraft facility and close her credit card. The manager had processed both these requests. Documentation had been signed immediately to cancel the credit card and a subsequent letter sent to Alison confirming withdrawal of the overdraft facility, although she had not acknowledged this.

Yesterday, Alison had phoned the branch and spoken with your colleague who had arranged tomorrow's appointment on your behalf with both Alison and Bronya. Your research reveals that the £5,000 had gone within weeks and latterly Alison's account has kept dipping into unauthorised overdraft. Today, for the first time ever, Bronya's account too is in overdraft. The Can\$1000 goes within days and last week even the £1,500 in the deposit account was transferred and spent.

Your colleague's jotted notes of the phone conversation indicate that Alison's comments had been somewhat rambling. However, she had raised the following issues:

- Alison wants the bank to restore her overdraft and credit card facility to at least the levels before Charlotte 'interfered'. Preferably, she would like these now to be much higher in recognition that all the previous outstanding balances have been settled. Alison had particularly demanded to know what else was different for the bank between then and now?
- She had asked why, having each been loyal customers of the bank for decades, both Alison and Bronya should not enjoy any credit facilities?
- Given their unblemished credit ratings, what was to stop both Alison and Bronya applying elsewhere for credit cards?

Alison had also referred to the weekend supplement in the regional newspaper. You have a copy. It features Charlotte under the heading, *'The Local Girl who has made it Big over there'*. Her Canadian business is booming and she is thinking of setting up a franchise operation in the UK. The accompanying photo shows her with all the trappings of prosperity. Tactfully, she ascribed her financial success not just to a mixture of caniness, determination and hard work but also sticking close to her root values. There was even a black-and-white picture of her old, rented family home ~ where Bronya, Alison and her children now live ~ although no reference was made to Charlotte's family apart from her own children.

Charlotte has a personal account with your bank but it has a small balance and has been inactive for some years. As far as you are aware, her banking arrangements in Canada are with another banking group.

Your colleague tells you that Alison ended the phone call as follows: "Your bank's quite safe. Charlotte's got money oozing out of every pore and she's proud of it. At heart, too, she's a very moral person. She would never allow the shame or humiliation of her mother, sister or brother going bankrupt. Besides, deep down, she knows I have looked after Bronya on behalf of the family while she's been off earning all that money. That's been worth a very good deal to her, and she knows it. Just now, she wants to be the clever little sister. She gets a real buzz out of bossing us all around but then bailing us out. So why not let her! In the end she'll pay up whatever your bank demand, so we might as well enjoy it. You might as well coin it on the fees and interest rates – just don't tell her I said any of this."

What are you going to say to Alison and Bronya in response to their requests for credit?

This case study was originally written by David Molyneaux for the Institute's Hutton Prize for Professional Ethics.