

**The Financial Services Trust Index
2009**

Christine T Ennew

**Financial Services Research Forum
University of Nottingham**

May 2009

The Financial Services Trust Index

Synopsis

It has been widely assumed, by policy makers and industry observers, that the combined effects of the credit crunch, global recession and the crises that have bedevilled the banks in particular would lead to a crisis in consumer trust in financial services. It may be an inconvenient truth, but the reality is that trust in the financial services industry is not at rock bottom.

This new survey of more than 1400 consumers, the most recent in a series of annual studies by the Financial Services Research Forum, demonstrates that consumer trust in financial services is in fact remarkably robust in the face of industry specific crises and economic difficulties.

The report, the first of its kind to look past simple yes and no answers to develop a more complete understanding of consumer trust, offers a timely boost to the financial services sector, with results showing consumers' trust financial services even more than venerable institutions like the BBC and NHS.

In terms of different types of financial services institutions, brokers and advisers are seen as the most trustworthy, with credit card companies seen as least trustworthy.

However, evidence showing that current conditions have not provoked a "crisis of trust" is not grounds for complacency.

Behind an overall average that suggests consumers have moderate levels of trust in financial services providers, there is considerable variability. Indeed the evidence suggests that a significant proportion of customers (around 20%) can be characterised as low trust; over-represented in this group are the young, male consumers and consumers who use remote channels. And average industry figures hide a wide disparity in trust for individual institutions within specific sectors.

Enduring relationships must be founded on high levels of trust. And, if industry and government are to enhance consumer engagement with financial services, there is still significant work to be done in terms of developing trust and trustworthiness.

But, if the research tells us one thing, it is that the Government and regulator must move the debate surrounding the future of financial services onto a more constructive footing. Significant levels of consumer trust do exist, which should serve as a foundation on which to alleviate the current economic crisis.

Executive Summary

Background Context

- The Trust Index has been developed as a tracking study to monitor consumer evaluations of trust in and trustworthiness of their financial services providers. As such it offers unique insights into the evolution of consumer evaluations over time and provides both institutions and policy makers with a better understanding of how these important outcomes change. The analysis contained in this report draws on a database of over 13000 observations collected over 5 years.
- The findings contained in the current report will be of particular interest, as they provide systematic evidence of consumer attitudes in the context of a major credit crunch and a global recession.
- This report discusses a wholly new approach to the measurement of the concept of trust that goes beyond the usual method which, typically, is based upon a simple a simple yes/no answer to a question regarding whether a given entity is trusted.
- The approach adopted in the report explores trust using a process that yields new insights into the nature of trust. It identifies two core forms of trust and their underlying drivers. Such a forensic approach is needed to enable the debate about trust to progress beyond the current elementary discourse. Additionally, it facilitates the identification of issues that might be addressed in order to improve levels of trust.
- Trust and trustworthiness may exist on two levels. Base level (cognitive) trust or trustworthiness relates to the extent to which an organisation can be relied on to do what it says it will do. Higher level (affective) trust or trustworthiness relates to the extent to which the organisation is concerned about the interests of its customers.
- Organisational trustworthiness, which is defined as the extent to which consumers perceive that an FSI (financial services institution) is worthy of their trust, is thought to be determined by communications, shared values, integrity, ability/expertise and benevolence.
- Following a pilot study in early 2005, full scale studies were carried out in 2006, 2007 and 2008. The 2009 study involved interviews with over 1400 consumers and gathered 2700 evaluations of providers across 7 distinct product/institutional contexts with most respondents being asked to provide data for 2 randomly selected, relevant contexts. Respondents were also asked to provide comparative data for non-financial institutions.
- The interviews focused specifically on consumer evaluation of their own financial service provider as this would provide the most accurate, experience based measures of trust and trustworthiness.

Main Findings

- Overall consumer trust at 75.02 suggests that on average, respondents are moderately trusting of FSIs (a score of 75 would be consistent with an average score of 4 on a 5 point likert scale – see Appendix 1). Base level (cognitive) trust is significantly above high level (affective) trust as might be expected – that is to say, respondents are more convinced about the reliability/dependability of FSIs and less convinced about the extent to which FSIs have their interests at heart
- Brokers/advisers receive the highest ratings on trust and trustworthiness, followed by Investment Companies, General insurers and Building Societies. Banks, Credit card companies and life insurance companies receive the lowest ratings. The fact that Banks receive some of the lowest ratings for a variety of measures of trust and trustworthiness is consistent with the results observed in 2008 and may reflect negative consumer responses following the financial crisis.
- The ratings for brokers who are independent are higher than for brokers who are tied. The high trust ratings for brokers may reflect their greater reliance on face to face contact and the more individualised nature of the service experience suggesting that other financial services organisations may need to pay particular attention to the extent to which service delivery is depersonalised.
- Although, on average, levels of trust in financial services providers are reasonable and indicate a moderately positive assessment of trust, there is evidence of significant variations across providers. There is also evidence of rather greater variability within individual providers suggesting that it is difficult to identify any individual institutions who have been distinctively successful in terms of building consumer trust.
- System trust appears to be relatively high compared to the other aggregate measures of trust suggesting that consumers have reasonable levels of confidence about the effectiveness of the financial system in providing them with appropriate degrees of protection. This may be relatively unsurprising in the light of Government intervention in relation to the banking crisis in the summer and autumn of 2008.
- In terms of the drivers of trust, FSIs attract their highest ratings in relation to ability/expertise and are weakest in relation to shared values, a result which is consistent with findings from previous surveys.
- Comparative analysis suggests that FSIs are more trusted than a sample of other non-financial institutions. It is notable that the ratings for the NHS and BBC are significantly lower than those for supermarkets, mobile phone providers and employers. The most highly rated of this set of institutions – employers - receives lower ratings than all financial services institutions across all trust measures.

- Older customers in financial services have significantly higher ratings of trust and trustworthiness than younger customers. This effect is particularly noticeable in the over 64 age group. The same trend is not strongly in evidence when considering non- financial institutions. This suggests that FSIs may face an important challenge in the future in building and maintaining trust among the younger age groups.
- Compared with previous surveys, there is less evidence of the positive effects of multiple product holdings on trust and trustworthiness.
- Service failures which result in a complaint have a negative impact in all dimensions of trust. However, successful service recovery as measured by satisfaction with complaint handling, does help to restore consumer trust.
- There continues to be some variability in trust by channel, but what is most noticeable is the apparent decline in levels of trust among those who tend to use the internet and this is particularly marked for banks and credit card providers. There is also evidence of an increase in trust for those bank and credit card customers using the branch network and for bank customers using the telephone.
- A regression analysis to explore the relative impact of the five drivers of trustworthiness, suggests that integrity, benevolence, shared values and ability/expertise all have an impact on trustworthiness. The two drivers with the greatest impact are integrity and benevolence. The two weakest influences are shared values and communications.
- Comparative analysis with the results of the Trust Index Surveys in 2005, 2006, 2007 and 2008 suggests a high degree of consistency in levels of customer trust in FSIs. Brokers and advisers are consistently the most trusted FSIs although they experience a marginal decline in 2009; life insurers tend to be the least trusted FSIs, along with credit card companies. Banks, Building Societies, general insurers, life insurers and investment companies all experience a slight increase in 2009 while credit card companies deteriorate after an improvement in 2008.
- Over the 4 year period for which data is available, the financial services sector has consistently recorded higher levels of trust than employers, supermarkets, mobile phone providers, the BBC and the NHS. Interestingly, the commercial institutions in this list are moving increasingly closer to financial institutions, but the BBC and the NHS remain significantly below FSIs – perhaps reflecting the fact that with FSIs and commercial organisations, consumers choose between alternatives in a way that they do not with the BBC and the NHS.
- Segmenting respondents based on trust suggests a reasonably consistent distribution over time between the low, medium and highly trust consumers, although there is evidence in 2009 of a shift from medium to higher levels of trust. Consistently, over the time periods for which the

survey has operated, the proportion of low trust customers is consistent in the range 20-30%.

- Although there is some evidence that the low trust customers are characterised by predictable demographic characteristics (gender, age), what is perhaps surprising is that there is no more variability in terms of the characteristics of individual trust segments.
- This report details results only by broad category of institution. Individual organisations who are able to collect their own data to complement the main sample, will be able to undertake more fine grained analysis of their own performance according to both the characteristics of their customers and also the product categories in which they operate.