UNIVERSITY OF WINCHESTER

Do Ethics Exist in Financial Services? An Investigation into the Effect Regulation Has on Ethical Decision-making of Staff in the U.K.

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Doctor of Philosophy

March 2022

This thesis has been completed as a requirement for a postgraduate research degree of the University of Winchester.

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Copyright Statement

Acknowledgments

I would like to express my extreme gratitude and acknowledgement to my supervisory team, initially Professor Alan Murray for inspiring me and subsequently Dr Paul Sheeran and Dr Plamen Ivanov for helping seamlessly to manage the change in the supervisory team, putting up with the odd panic and ultimately helping me complete my thesis. A further thanks goes to David Sharpe for very kindly volunteering to take on the mammoth task of proof reading.

I would like to express my eternal gratitude to the charity Flying Scholarships for Disabled People, without whose help in 2017, I do not believe I would have found the strength and confidence to continue and finish this research.

Finally, but in no means least I would like to pay a special tribute to my husband, Dave who has been by my side from the initial stages of my thesis right up to the final draft. He has listened to my ideas, read chapters, and continued to be the person I go to bounce ideas off. He has been my biggest supporter and given me the strength of conviction and confidence to continue when I did not think I could. It has been a particularly difficult journey as, within months of beginning this research, I became very unwell and was diagnosed with a progressive degenerative condition. Dave has been by my side throughout the hospital appointments, the difficult times, the 43 surgeries, and continues to be so.

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ABSTRACT

Do Ethics Exist in Financial Services? An Investigation into the Effect Regulation Has on Ethical Decision-making of Staff in the U.K.

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A brief look into the history of the financial services will highlight a deep routed and inherent mistrust of the industry and the notion that any sort of ethics within this industry is oxymoronic. It is apparent from the prior literature that when financial services are left to self-regulate the priority is placed on profit maximisation and not on ethical conduct. Whilst in the UK the industry is has been governed since 1984, the regulatory landscape is constantly changing and increasing. However, ever-increasing regulations does not appear to be fundamentally changing behaviour within the industry. A lack of ethical decision-making was a direct contributor to the 2008 global financial crisis. With a reliance on compliance and legal departments to govern decisions there is a common mis conception that if a decision or product complies with regulation it is ethically sound.

It is the purpose of this research to add to the existing literature, particularly in relation to the symbiotic relationship between ethics and regulation. Furthermore, to conclude whether or not increased regulation in the UK is leading to a disassociation in staff from ethical decisions, as well as the impact of continued regulatory and ethical failure. A particular emphasis is given to the extent that regulation might have a negative impact on ethical behaviour of staff and that regulation might require greater ethical insight to enhance a sufficient standard of behaviour in financial services.

This research seeks to answer this main topic using five further research objectives. Utilising a mixed methodology, the primary research was carried out using 134 surveys and 11 in-depth semi structured interviews. Fundamentally, based on evidence presented in the thesis, where profit and money operate under regulatory conditions malfeasance is not consistently eradicated. Ethics and morality therefore ought not to be ignored in addressing problems of probity in financial services.

Keywords: Ethics, Regulation, Financial Services, Banking, 2008 global financial crisis, Ethical Decision-Making, Ethical Banking, Sustainable Banking,

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Prelude – Definitions

Term	Definition
Financial Services	For the purposes of this research the term 'Financial services' shall hence forth be defined as all U.K. based, non-investment retail financial services. This includes retail banking, non-life retail insurance products, retail broking including insurances and mortgages. This research will not specifically be including the payday loans sector as it is widely regarded that ethics in this sector needs to be investigated as a standalone research project. Whilst this research does not specifically include investment funds, stock broking, life assurance, pensions, business banking and business insurance or business insurance broking there will be areas where these market sectors of the industry are mentioned. If those sectors are individually referred to, they will be referred to, by market industry name in order to differentiate them from the 'financial services' sector referred to above. Ethics
Ethics	Ethics in itself is a broad word with multiple definition possibilities. As ethics is also an emotive word the meaning can also vary from person to person. It is therefore imperative that the meaning of ethics is defined specifically for the purposes of this research. Care (2018) draws attention to the fact that financiers tend to be trained in economics subjects and therefore think of profit. This also ties in with the remunerations structures in the financial services industry which reward profit increase. Historically, there has always been a separation between business and moral decisions, Freeman (1994) described this as the separation thesis, where it was proposed that in the discourse of business, ethics can be separated therefore *'X is a business decision and has no moral content, and X is a moral decision and has no business content'.* It can be argued that this is still very much the case in financial services and that a combination of the separation thesis and self-interest-based remuneration led to the 2008 financial crash. The

	idea of ethical banking is not one that rules out profit but one that does not put profit above all else. Therefore, Ethics in financial services can be defined as taking into consideration social and environmental impact. This is further defined by Benedikter (2011) who proposed a three-pronged approach to ethics in financial services: *i. Profit – respectively, economic rationality. There cannot be losses that threaten the development of the bank as a whole.* *i. Environment – natural habitat, protection and sustainable handling of resources.* ii. *People – the primacy of the community and the balanced advancement of society, seen as a whole.* The full range of ethics from Akerlof and Kranton (2010) concept of identity economics, where an individual's actions depend entirely on the identity that the individual associates with at that time. To the theoretical approaches of absolutism to relativism is explored further in section 1.4 with sections 2.2 and 2.3 then further discussing how ethics fit in with commercial financial services business as well as the relevant financial regulation. This is the definition of ethics in financial services that this research will use and build upon going forward. For the purposes of this research ethics in the context of regulation and the financial services industry will be based upon the FCA's Principles of Business, detailed in table 3 and the customer outcomes from the TCF handbook section as detailed in table 4.

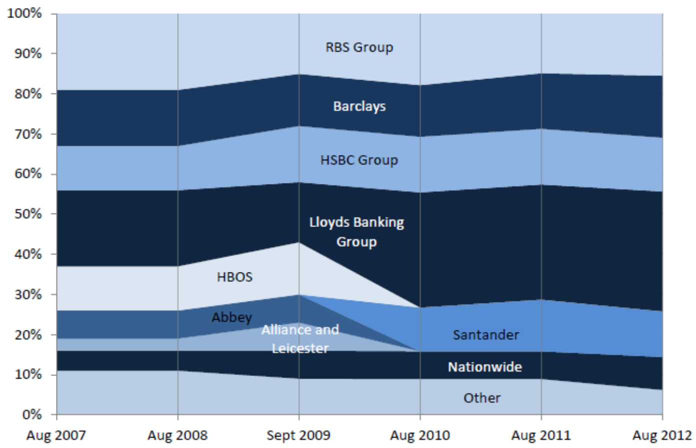
Chapter 1 – Introduction

1.1 Thesis background

The business of making money from money has long been mistrusted. In fact, Aristotle (322BCE) stated, the most hated sort of wealth getting, and with the greatest reason, is usury, which makes gain out of money itself and not from the natural object of it. This suspicion of the financial services industry has not dissipated over time and it has led to an emotive statement by Duska and Clarke (2006) that from the perspective of western culture, the notion that there could be ethics in financial services is at least problematic if not downright oxymoronic.

The financial services market is a small one and it could be argued that it is inherently oligopolistic in structure, with just four major retail banks dominating 75% of the market share (see Figure 1) [1]. Two of those banks are now part nationalised. This could be a key factor when taking into consideration the heavy economic reliance on the financial services sector, questioning whether ethics will ever truly be embedded and whether or not the government has sufficient motivation to ensure that financial services are ethical. In January 2014, the Labour Party announced plans to break up the banking market if they won the next general election by introducing more competition and forcing the larger banks to sell branches. However, the Labour Party did not win the general elections, therefore these plans were never achieved. In April 2014 the responsibility for the competition commission moved from the Office of Fair Trading (OFT) to the Financial Conduct Authority (FCA), the UK's financial services regulator. The FCA therefore not only has power to regulate, but also to control the competition in the industry.

Figure 1 – Banking Market Share



[1] *Mintel Retail Banking Overviews 2007 - 2012*

After the 2008 global financial crisis, there was a wave of change and new entrants to the financial services marketplace and an emerging subsection of Financial Technology (Fintech), on Figure 1 these sit within the other category. Fintech refers to both the technology in existing financial services firms and new entrant that are focused on technology innovation in the marketplace. Over the last decade this emerging market has become established in the U.K. and the U.K. government is looking to launch this technology in emerging economies, with a pilot programme being rolled out in Africa in 2021. From a regulatory perspective The Financial Services Bill is designed to cover the Brexit transition and regulation going forward, the Bill was presented to parliament in October 2020. Technology within financial services firms is included in the systems and controls regulations. However, with the market becoming ever more dominating the FCA has responded with an innovation hub and regulatory sandbox. Ethics within the technology environment is a controversial topic, after all, artificial intelligence does not posses a moral compass and is therefore only as ethical as the algorithms allow. Interestingly, Railsbank (2019) suggested that not only is artificial intelligence an asset for ethics in financial services, it is also actively changing the landscape of ethics in financial services. Fintech start-ups such as Moneemint state that they are built on the foundations of socially responsible banking and cutting-edge technology, their aim is to become the first completely digital ethical bank in the U.K.

In the Duska and Clarke (2006) citation used above, there is a specific reference to the 'perspective of western culture' thus implicitly implying that in a different culture, the notion of ethics in financial services is a far more realistic proposition. The idea that there are different influences on an ethical culture goes right back to the first ethical theories suggesting that individual ethics are made up of a number of component factors, including where one lives and the religious beliefs of the family or country in which one grows up. There is also industry culture to take into consideration. Mahoney (1997) suggested that people go through an ethics lock on their way into work, leaving their personal ethical and moral codes at the door and adopting the corporate ethics. It can be argued that this is dangerous as the business itself operates in a non-ethical way and is only concerned with profit or if individuals within the business are only concerned with personal wealth gain. This is particularly pertinent for financial services, which have dominated the business news over the last several years and been a major contributor to recent economic down turns and recessions. The other contributing factor to ethical culture in business is where ethics sit within the organisation and how much significance is given to ethics by the senior management.

Webley (1993) noted that objections to business ethics fall into two categories. Firstly, some see the subject as a waste of time because, since the business is already regulated by law, codes of ethics are merely a public relations exercise that fails to alter actual behaviour of people employed in the business. Secondly, codes of ethics are a 'second best option' since the behaviour of individuals is formed by values acquired in childhood and introducing codes may undermine the person's right to make moral judgements within organisations. However, Care (2018) suggest that a consequence of the global financial crisis is that there is an increasing demand for Environmental, Social and Corporate Governance (ESG) in firms in the financial services sector, therefore objections to ethics are becoming less of a barrier.

Webley's first proposition links in with two of the main objectives of this research and helps to support the idea that increased regulation is causing a lack of ownership in business decisions. It has been observed that the legal and compliance departments are heavily relied upon within the decision-making process of financial services businesses. This also ties into the idea that ethics in financial services could be cyclical and used purely as a selling tool when the economic environment demands it. Firms therefore go through a cycle of bad publicity leading to overtly advertising their good ethics, until the next scandal and the cycle starts again. Webley's arguments certainly support the idea that ethics can be seen as merely a public relations exercise. Ethics and ethical behaviour can be seen more and more in retail finance advertising campaigns and press releases. However, it can be questioned whether these ethics are built into the culture of the organisation or if they are simply advertising and therefore a clever selling tool in reaction to the mistrust in the global financial markets caused by the 2008 global financial crisis. Care (2018) argues that by offering competitive products and services, introducing environmental risk management processes, increasing the level of disclosure and by complying with rules and regulations banks are not only able to gain competitive advantage and financial stability, but also protect themselves from associated risks.

This research will seek to determine the effect of regulation on the ethical decision-making of staff in financial services and if ethical practices need to be improved. It will:

i. investigate if ethics are used purely as a selling tool when the economic environment demands it.

ii. establish if regulation is causing companies to become complacent about ethics.
iii. estimate the extent to which the industry has become 'dumbed down' by a reliance on pre-programmed workflows and software.
iv. determine if the financial services industry is still remunerating sales staff on a commission basis and to what extent this style of remuneration has on ethics.
v. investigate where ethics sit within the organisational structure.

One of the biggest challenges that will be faced in this research will be the ever-changing landscape of UK regulation. There is potential for a topic to become outdated very quickly. This can be mitigated by concentrating on high-level principles rather than specific sections of regulation or legislation. Another key challenge is interviewer bias, questions must be formulated in a non-leading way and any social and cultural differences must be examined.

It is expected that this research will contribute a substantive theory in the area of business ethics, building on the existing work of others, in particular Mullins (2013) theory on the symbiosis between regulation and ethics. This research will focus on whether businesses regard regulation to be comparable, or even equal to, ethical practice, as well as introducing political, religious, organisational and economic aspects to the research.

The relationship between regulation and ethics is an interesting and possibly even a paradoxical one. This research will specifically investigate the relationship between an increase in regulation and a decrease in ethical decision-making, the degree of this correlation is critical to the role of regulation in financial services.

1.2 Regulatory Background

There is an increasing amount of financial services regulation and an ever-changing regulatory landscape within the United Kingdom. Financial services regulation, in its current format, started in 1985 with the Securities and Investment Board Limited (SIB) who were given their statutory powers under the Financial Services Act 1986. This was a self-regulatory regime which came to an end after a number of scandals including the collapse of Barings Bank in 1995. The SIB became the Financial Services Authority (FSA) in 1997 with increased statutory powers under the Financial Services and Markets Act 2000. The FSA also took over from the Securities and Futures Authority (SFA) which was self-regulating.

The FSA moved away from self-regulation to a strict set of rules and guidance known as the Handbook. This handbook covered practical implementation of the legal obligations as outlined in the Financial Services and Markets Act 2000, this included, but is not limited to, rules on, systems and controls, approved persons, advertising of financial products, customer treatment and financial crime prevention. The FSA remit continued to expand and in 2004, they started to regulate the mortgage market, and then in 2005 the general insurance intermediary's market. After yet another set of scandals, including the banking rescue packages and the collapse of Northern Rock Bank in 2008 Parliament decided to abolish the FSA. From 1 April 2013, the FCA became responsible for regulating the financial activities of the UK, including the banking systems, whilst the Prudential Regulation Authority (PRA) assumed responsibility for prudential regulation, which covers the capital adequacy requirements needed by specific types of firms, such as banks. The Prudential Risk Authority (PRA) sits within the structure of the Bank of England (BoE).

In fact, banks, building societies, credit unions and insurers are now dual regulated by both the FCA and the PRA. These changes were laid out in statute in the Financial Services Act, 2012. In the first eight months of operation (April – December 2013) the FCA took £474m in fines levied[2], of which over a quarter (£125.4m) was from the two banks that were part-nationalised. It is easy to portray a tough stance on banks when effectively the government is moving money internally. In 2014, the amount the FCA levied in fines was £1.4 billion[3]. In April 2014, the FCA's remit expanded dramatically when responsibility of the Consumer Credit Act 1974 moved from the Office of Fair Trading (OFT) to the FCA. This saw the number of firms regulated by the FCA increase from c29,000 to c80,000. The

[2] *The FCA table of fines - 2013*
[3] *The FCA table of fine - 2014*

Financial Service Regulatory Authority under any of the names given has progressively been increasing in power. It could be argued that this latest increase took the power and responsibility of the regulator too far to be ethical.

This research will seek to discover if, since the FSA introduced a heavier focus on Treating Customers Fairly (TCF) sales staff are becoming increasingly lackadaisical when it comes to decision-making around fairness or ethics. The TCF principles have been taken through to the FCA and they have been built upon with the principles of Conduct Risk. It can be argued that it is a fundamentally broken marketplace which needs its regulator to instruct it to treat customers fairly. However, it could be suggested that whilst sales staff are remunerated on number of sales and call centre staff on number of calls taken, the industry can never be fair nor ethical to its customers.

The FCA model of supervision was designed to support both a judgement and pre-emptive approach to meeting the statutory objectives. The FCA state that this model "*will have supervisors conducting in-depth and structured supervision work on those firms with the greatest potential to cause risks to consumers or market integrity."* The 3-pillar approach is not dissimilar to the old FCA regime, meaning that some firms will be intensely regulated whilst others will only have a light touch. The FCA describes this approach is as follows:

"Pillar 1*. Proactive Firm Supervision (Firm Systematic Framework) - 'the purpose of the Firm Systemic Framework is to assess whether the firm is being run, currently and prospectively, in a way that results in the fair treatment of customers, minimises risks to market integrity, and does not impede effective competition.*
Pillar 2*, Event-driven work – 'the purpose of event-driven supervision is to deal with issues that are emerging or have happened and are unforeseen in their nature.*
Pillar 3, *Issues and Products – 'the purpose of issues and products work, or thematic supervision, is to allow the FCA to address our key conduct priorities at the issue and product level [4]."*

Those familiar with the FSA regime will see the similarity in the Firm Systemic Framework against the old Advanced Risk-Responsive Operating Framework (ARROW), and there is very little change between regimes of Pillars 2 and 3. The change really comes about with the conduct classification model, which is based on impact metrics, thus measuring the impact a firm potentially has to make on the FCA objectives and the number of retail customers a firm has. The FCA describes the conduct classification model as follows.

[4] *The FCA Supervision Fact sheet.*

***"C1 and C2 Firms** - will be classed as 'fixed portfolio', which means they will have a dedicated supervisor. The model for C1 and C2 firms involves a threefold approach:*

- *A Business Model and Strategy Analysis (BMSA) that aims to identify the conduct risks that may be inherent in the business model of the firm using a 'follow the money' approach.*
- *Proactive supervisory engagement with C1 and C2 firms through meetings with senior management, management information and analysis of emerging risks; and*
- *Deep dives into certain areas where we need more in-depth work undertaken – these could for example be on a firm's product governance or sales processes.*

***C1 Classified firm** – 'For C1 firms, proactive supervision will be on a 1-year cycle. A C1 firm should expect 2 deep dives during this period. At the end of each 1 year cycle the firm will receive a letter, setting out the FCA view of the firm and the risks it poses to our objectives. This letter will also include the supervision work programme for the next period as well as any actions we will expect the firm to take to address underlying root causes and remedy particular deficiencies (Risk Management Programme).*

***C2 Classified firm** – 'For C2 firms, proactive supervision will be on a 2-year cycle. A C2 firm should expect 2 deep dives during this period. At the end of each 2 year cycle the firm will receive a letter, setting out the FCA view of the firm and the risks it poses to our objectives. This letter will also include the supervision work programme for the next period as well as any actions we will expect the firm to take to address underlying root causes and remedy particular deficiencies (Risk Management Programme).*

***C3 Classified firm** – 'C3 firms will be classified as 'flexible portfolio' which means they will be supervised by a team of sector specialists and not have a dedicated supervisor. We will examine C3s' business models but will be looking more at firms which are outliers compared to their peers. The detailed assessment for C3s will be a focused review of their business, how it is run and how it is controlled. The assessment will be followed by a feedback letter setting out key findings and actions to be undertaken by the firm. The firm-specific assessment for C3 firms will be on a 4-year cycle; however, we will conduct interim reviews of firms where information indicates that the risk they represent is significantly changing.*

***C4 Classified firm** – 'C4 firms will also be classed as 'flexible portfolio' firms which means they will be supervised by a team of sector specialists and not have a dedicated supervisor. A C4 firm will be subject to a 'touch point' once during a 4-year cycle to determine how it runs its business, but this will be a lighter assessment than for C3s. This could range from a roadshow, an interview, a telephone call, an online assessment, or a combination of these. The exact interaction will depend on our assessment of the risk such firms pose to our objectives. We will want to see how firms identify and take action to reduce risks to their business. Only those C4 firms deemed to pose a sufficiently high risk to our objectives will be the subject of further firm-specific proactive work."*

Firms in any conduct category may be included in Issues and Products work[5].

Shoenmaker and Kremers (2014) suggested that conduct of business should be seen as a separate objective with its own supervising authority and its own instruments. The FCA and PRA are far from having conduct risk fully embedded in the UK regulatory culture, and whilst conduct risk remains a feature of the FCA and PRA objectives it is

[5] *The FCA Supervision Fact sheet.*

certainly not their primary concern. In fact, the remit of the FCA is continually expanding. They not only have the objectives under the Financial Services & Markets Act 2000, but also those from the amended Financial Services Act 2012, as well as taking on the responsibility from the now defunct Office of Fair Trading for both Competition Law and Consumer Credit. Therefore, it can be questioned whether the FCA are taking on too wide a remit and too much responsibility to focus truly on conduct risk.

Both the past and present regulatory framework provide an outline of legal responsibility in financial services companies. HM Treasury insist that 'a responsible and well-regulated financial sector is essential to the success of the UK economy'. However, it could be argued it is more accurate to state that a profitable financial services sector is essential to the UK economy. In 2018 the financial services sector contributed £132 billion to the UK economy[6]. Therefore, a responsible and well-regulated financial services sector is essential to the UK population.

The FCA itself states they are operationally independent from the UK Government and funded entirely by the firms which they regulate although they are accountable to HM Treasury and in turn Parliament. Parliament approves all statutory legislation which, in turn, underpins all regulation, it is therefore safe to say that the only way in which the FCA is independent from the UK government is through operational funding. In every other way the FCA is intertwined and reliant on the government. One could argue the government has a financial reliance on the FCA, which begs the question as to whether it is in the government's best interest to have an ethical financial services sector or a profitable financial services sector, and, if the focus is on profit, is that when ethics and even regulation start to take a back seat in an organisation thus leading to such events as the global financial crisis. The FCA itself has, like all organisations, finite resources to be able to monitor, audit and oversee all regulated companies. There are approximately 60,000[7] companies whose conduct is regulated by the FCA's 4000 employees. A further 1500[8] companies are regulated by the PRA, which could be as well as FCA regulation or independently.

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[6] *https://commonslibrary.parliament.uk/research-briefings/sn06193/ [Accessed 14th January 2021]*
[7] *www.fca.org.uk/about/the-fca [Accessed 6th January 2021]*
[8] *https://www.bankofengland.co.uk/prudential-regulation/authorisations/which-firms-does-the-pra-regulate [Accessed 6th January 2021]*

Brexit will have a large impact on the financial services regulations, the largest of these changes will be the introduction of the Financial Services Bill which is designed to cover the Brexit transition and regulation going forward, as well as incorporating Basel III and the Libor transition, the Bill was presented to parliament in October 2020.

1.3 Theoretical Ethics Background

The first recorded contributors to studies of theoretical ethics can be attributed to the ancient philosophers, Socrates (c470-399 BCE), Plato (c428-348 BCE) and Aristotle (c384-322 BCE), who developed various different approaches in line with the heavy theological influences of the time. Socrates and Plato had very similar views that people do not choose to do wrong but did wrong because of ignorance. This contributed to the development Plato's divine Command Theory of ethics, in which the commands of their god can be measured against the forms. However, this theory can be rejected by an insistence that morality is relative rather than absolute. Aristotle's Nicomachea Ethics are effectively the first major piece of sustained ethical theory from a secular point of view, examining purpose in line with superior and subordinate aims. Since the first contributions from those early philosophers' theoretical ethics has moved on, and whilst the focus has now moved increasingly towards applied ethics, it is essential to look back at the ethical theories.

Gordon (2011) suggested that there are eight main theories of ethics starting with truth and reason, which encapsulates the works of the ancient philosophers on such theories as, Subjectivism, Relativism, Proof, Profitability and Moral Realism. Herodotus (484 - 425 BCE) concluded that moral practices were unlike physical phenomena because they were relative to cultural context. Therefore, whilst the rules of nature remain the same everywhere, rules of conduct differ from place to place. To put this into a modern context, theoretically speaking a person's moral practices may differ, for example, depending what country they are in, what religion they are or are not, perhaps even depending on if they are in a work or a home environment. Relativism is an important ethical concept and Subjectivism takes that one step further and reviews the rules of conduct from a personal perspective. For example, if one considers the death penalty, lethal injection, hanging, and the electric chair all have the same end result. The effectiveness of the method is rarely in question. However, the question is rather the moral justification of the act which is subject not only to the country and area but also to individual opinion. Due to Relativism and Subjectivism proof in ethics is a difficult concept, as unlike science, there is no hypothesis to prove or disprove. It can therefore be argued that an ethical disagreement is irresolvable. Hume (1739) referred to Subjectivism as non-cognitivism, meaning not a matter of knowledge, in that in the aforementioned ethical disagreement it is possible to argue both sides of that disagreement as if it were a matter of fact though the reality is that it is subjective. The opposite of Hume's argument is moral realism, which suggests that the views of people are real properties and subsequently their actions. It can be argued that Relativism and Subjectivism play a large part in business ethics in today's financial services industry, particularly where one department or even an individual takes many ethical decisions.

Contractualism reviews the contrast between morality as a personal endeavour and morality as the foundation of society, a set of rules that enable individuals with different views to belong to the same society. Smith (1790) drew a distinction between justice and all other social virtues, stating that society can function without friendliness but not without justice. Whilst morality is simply not like that, Gordon (2011) argued that merely to comply with moral principles because one is told to, or to impress people, or for fear of punishment, one has acted in accordance with morality but has not acted morally. To act morally one must freely choose to do what is right because it is the right thing to do and for no other reason. This is an important principle in the context of this research as it questions where in the organisation morality originates: the individual, corporate, society or law and regulation.

One of the more controversial ethical theories is that of Ethical Egoism, which was first presented by Plato and later supported and defended by Nietzche (1887) in a radical and controversial book, *On the Genealogy of Morality*. Egoism is based on the premise that things are only valuable as far as they are desired, and therefore, to have a good life consequently consists of being successful at getting what you want. This is regardless of others. Gordon (2011) interpreted that if the action required domination of others and the suppression of their aims to pursue one's own then it was acceptable. People lead the best life when they get what they want, regardless of how it affects others. This to many would be a shocking way to behave. However, not to all, this theory has supporters. There is a plethora of arguments against Ethical Egoism, for example Thomas (1980) who presented an argument that reviews the physiological make up of an egoist. There is a medical term for people who are so impervious to the good will of others. They are called psychopaths. Thomas (1980), believes the Egoist would be a psychopath. Not all psychopaths are the criminals the media portrays. The corporate psychopath according to Boddy (2005) is the manager with no conscience who is willing to lie, but able to present a charming façade in order to gain managerial promotion via a ruthlessly opportunistic and manipulative approach to career development. With financial services being an industry notorious for attracting type A personalities, one could argue that ethical egoism is alive and well in

London's financial district. The Type A personality traits, as put forward by Friedman & Roseman (1976) are impatience, competitiveness, work-obsessed, achievement orientated, aggressive and stressed. Clarke (2017) states that the ViewsHub survey of 70,000 financial services professionals noted that the top personality traits in employees of the financial services industry were ambition, workaholic, enjoys stress, extrovert, competitive and dominant. To mitigate against the risk of an abundance of these types of personality traits the Cox & Soobiah (2017) investigation found that some banks were actively and purposefully hiring outside that financial service sector in order to bring in new types of people and personalities. They found that this was particularly the case for recruitment with Human Resources, Business Development and Change Management departments. However, it can be argued that bringing in people outside of the industry could have its' advantages and disadvantages particularly when it comes to those employees being used to the financial services regulation.

An ethical theory closely linked to Egoism is Hedonism. In fact, it can be so closely related that it can be difficult to tell the two theories apart. Whilst the egoist will do what they want, the hedonist will do what pleasures them, for example food, sex and alcohol. Whilst it can be debated that many humans living in a first world society have an element of Hedonism, for example many people eat chocolate but that is not an essential part of a diet, if your diet is purely for sustenance and not for pleasure. However, most people would not covet that chocolate so much that they are willing to get it even at the detriment of others. Ethical Hedonism will have a relevance in this research particularly in reviewing the idea of corporate psychopathy and individuals acting in their own self-interest for their own financial gain to the detriment of customers.

A well-recognised argument against Hedonism lies within the work of Aristotle, who noted that an activity only produces pleasure if it is valuable. For example, if one were to write a book and if that book was terrible, did not make sense and was not published then it is unlikely to be a pleasurable experience. However, if that book was published, revered and won awards, it would more likely be a pleasurable experience. The act itself did not change but the perceived value did. Therefore, Aristotle concluded that the outcome of a good and rewarding human life is not hedos but eudaimonia, meaning life in the world as one active engagement rather than simply passive experience. Aristotle described a happy man as one whose mental faculties are being used productively, healthy appetites and good relationship. It can therefore be seen that Aristotle very much viewed human as animals and took learnings from nature. In more modern times MacIntyre (1999) has moved naturalism on to virtue theory. Virtue Ethics are heavily based on the idea of the soul and behaving well, not only in one off actions but as a whole society. Therefore, by having virtuous personal characteristics one will be able to make the 'right' choices.

Naturalism and to some extend Virtue theory overlooks the freedom that humans have over animals. This is where the concept of Existentialism comes from. The formative author of Existentialism is well recognised to be Kierkegaard (1813 – 1853), who, although a philosopher, was first and foremost a Christian religious thinker. The fundamental principle of Existentialism is that humans are radically free, free to choose their values, the path that life takes and the style of the life. The balance of this freedom is full responsibility for all actions and events. Existentialism means humans are free to choose their own values, even though society may believe these to be wrong or inappropriate. Graham suggests that it is more naturally interpreted as meaning individuals can choose between existing values. This counterargument contradicts the fundamental principle of Existentialism. It can be suggested that true Existentialism would be difficult to maintain in a workplace environment due to the societal pressure to conform and the contractual obligations, which bind a workforce.

Kant (1724 – 1804) reviewed ethical approaches from a slightly different perspective, allowing for the fact that people could abuse benefits perceived to be good. For example, intelligence can be used for evil ends, building bombs that destroy human life. Kant suggested that actions must be guided by universal principles that apply irrespective of the consequences of the actions. Universal principles could be considered to mean law and regulation or in Christianity the Ten Commandments. Kant also related back to Contractualism by considering that an act is only considered moral if carried out as a duty and not because of the consequences or expected rewards. Korsgaard (2009) offered that if self-constitution is at the heart of morality, then this inherently makes it egoist. This therefore implies that all moral acts are as a result of the consequence of that act and so there is no truly moral nor selfless act.

Utilitarianism is based on a consequentialist methodology where more emphasis is put on the consequence of the action than on the action itself. It asks the question, does the end justify the means? Is an action justifiable if there are good consequences? For example, to take the life of another human is generally considered to be wrong. However, if it is the life of a vicious dictator and by taking the life it frees millions of innocent people is it then justifiable? Utilitarianism is a calculated approach to ethics, which assumes that the quantity and quality of happiness can be weighed. This idea first came about as the great happiness principle put forward by Francis Hutcheson (1694 – 1746). Mill (1868 (Reprinted 1972)) stated it is better to be a human dissatisfied than a pig satisfied; better to be Socrates dissatisfied than a fool satisfied. If as a result the fool or the pig is of a different opinion, it is only because they only know their side of the question. To unscramble this almost Orwellian style concept, one would first need to quantify the difference between the happiness of a human and a pig and the happiness of Socrates and a fool. This it could be argued is virtually impossible.

The terms ‘ethics’ and ‘morals’ are often used interchangeably, though ‘ethics’ is broadly defined as a code of behaviour, especially as part of a group, whereas ‘morals’ are broadly defined as relating to the distinction between good and bad or right and wrong. Therefore, it can be determined that ethics are a societal system of guidance, sometimes formal, sometimes informal, and morals are the individual system. Whilst a person’s morals should not change through the influence of the external environment theirr ethics may very well change. Interestingly Smith (1759) spoke of the idea that however selfish man maybe, they still derive pleasure from the fortune of others; therefore, advocating that whilst individuals can always evade regulation, their own conscience is a regulator in itself. Smith (1776) also advocated that markets and self-interested individuals competing in markets are guided by an ‘invisible hand’ to benefit society, even though this may not be intentional.

By the late eighteen century theoretical ethics had moved to a more practical application. Applied ethics in today’s society refers to how ethics and morals are interpreted in different categories or situations. For example, categories or ethics include business ethics and environmental ethics, whereas situational ethics include such controversial topics as abortion and the death penalty. The fundamental premise of applied ethics comes from theoretical ethics. Some of those theories bear more relevance than others to this research, for example Kantianism, Contractualism and Subjectivism will have a heavier influence then Hedonism, Virtue Ethics and Naturalism.

It was suggested by Bowie (2002) that business ethics as a separate area of applied ethics first started to feature during the early twentieth century. However, it was not until the mid-twentieth century that the area as a stand-alone topic really became a fundamental part of applied ethics. Business ethics are the application of ethical theories and values to a business environment or behaviour. The most common way for this to be done is through an organisational code of conduct, which details expected behaviour from staff. This research will seek to review the separation of business ethics from applied ethics and the application of ethical theories and values to a business environment or behaviour. Therefore, this covers individuals and well as the organisation as a whole. A review of where the organisation's ethics come from, individuals, senior management, the chief executive officer, the legal department or compliance department, regulation or elsewhere. Finally, if there is actually a requirement of an organisation to go above and beyond what is laid down in regulation and law.

It can be seen that there is a unique relationship between ethics and financial services. In the act of making money from money particularly in charging interest, the way that financial products are advertised, the way in which staff of financial services organisations are remunerated, the way in which the industry is regulated and even the amount of involvement the UK central government has in the industry and on the regulation of the industry. This unique relationship will be further explored and scrutinised in chapter 2 and then analysed in the context of the research objectives within chapter 6.

1.4 Thesis Organisation

For clarity and ease this thesis has been organised into seven chapters. The empirical research was carried out through two investigations, a survey designed to capture as much information as possible from as wider audience as possible; and interviews that were designed to be more in-depth and further explore some of the finer points raised in the survey responses. Both research investigations were specifically intended to answer five specific research objectives, which in turn were proposed to try answer one major question: Do ethics exist in financial services and what effect does regulation have on ethical decision-making of staff.

Chapter one is a brief introduction to the subject matter, firstly reviewing the background for the thesis and why the research is necessary; a brief look into the history of the inherent mistrust of usury and then the financial services industry including the notion that any sort of ethics within those sectors is oxymoronic. An introduction to the regulatory landscape that has governed the financial services industry over the fifty or so years and a review of the theoretical ethics that underpin the main work of this thesis. Chapter one also contains the full definitions of the terms 'financial services' and 'ethics' that will be used within this research.

Chapter two is the main critical literature review that is further divided into eleven subsections. This is firstly, an introduction to the chapter which is then followed by a review of the current literature in the subjects of; business ethics; regulation and ethics; regulation and politics; the 2008 global financial crisis; post 2008 global financial crisis; corporate ethical decision-making; financial services remuneration; conduct and reputational risk; the impact of ethics on the economy and finally the chapter conclusion.

> Business Ethics: The separation of business ethics from applied ethics and the application of ethical theories and values to a business environment or behaviour. Therefore, this covers individuals and well as the organisation as a whole. A review of where the organisation's ethics come from, individuals, senior management, the chief executive officer, the legal department or compliance department, regulation or elsewhere. Finally, if there is actually a requirement of an organisation to go above and beyond what is laid down in regulation and law.

> Regulation and Ethics: The relationship between regulation and ethics is an interesting and possibly even a paradoxical one. This section contains a more in-depth review of the regulatory landscape that has governed the financial services

industry over the 50 or so years, looking at how self-regulation meant that the priority was placed on profit maximisation and not on ethical conduct. This prioritisation was almost to the detriment of all else. Reviewing the regulation immediately preceding and during the 2008 global financial crisis and then focusing on the more recent changes, particularly the regulatory changes post the 2008 global financial crisis.

Regulation and Politics: Another interesting relationship and one that can be argued is both symbiotic in nature and mutually influential with impact that private organisation have on the socio-economic and political landscape and vice versa. Not only did the UK government intervene in an unprecedented way to stop private organisations (banks) from going into receivership but it can be argued that the reason why the organisations were in such a precarious position in the first place was down to the governmental housing policies that influenced what was ultimately deemed sub-prime mortgage lending.

The 2008 global financial crisis: A short recap of deluge of corporate scandals that preceded the 2008 global financial crisis as well as an analysis of what led to, and ultimately caused, the financial crisis as well the world's countries economic reliance on the financial services industry, and also the huge unethical practices that were uncovered.

Post 2008 global financial crisis: The period after the 2008 global financial crisis saw many changes in the financial services landscape. A complete overhaul of the regulatory body as well as the way in which the financial services are regulated, the many changes in senior management teams in the large financial services institutions and ultimately a change in what customers are now demanding from the industry.

Corporate ethical decision-making: A look into how ethical decision-making is actually carried out in organisations, who in the organisation is ultimately responsible for ethics what comes from regulations; senior management and an individual's own choices. The variance of whether a decision is being made by a group or by an individual, and if an individual with the appropriate level of power and responsibility can originally make a decision, before others are tasked with justifying that decision after the fact. As well as reviewing if increased regulation is, in fact, causing staff to be dissociated from ethical decisions because of an almost co-dependent reliance on legal and compliance departments.

Financial Services Remuneration: A topic that has been the source of much controversy and media attention, from top executives' salaries and bonuses to the way in which staff are incentivised to sell products, there have been an abundance of headlines. The way in which financial services staff are incentivised has such an impact on the customer that the FSA had to release guidance on how to treat customers fairly. This initiative has been continued by the FCA. This section reviews the main issues found within the FSA's thematic review and whether or not the government or regulation should actually have a say in what is fair pay within private organisations. There is a fine line between governmental regulatory guidance and dictatorship over private organisations.

Conduct and Reputational Risk: After many tumultuous years and scandal after scandal the reputation of the financial services industry, as a whole has been left in tatters and in an age of instant reporting and social media a single event can destroy a company's reputation for years to come. Conduct risk was such a massive priority for the FCA that when they were disbanded and a new regulatory oversight body was formed, they were called the 'Financial Conduct Authority', the emphasis being on conduct. Conduct risk is a subject that encompasses reputation risk as well as internal control systems. However, the neglect of conduct and reputation within the field of ethics is questionable, since a good reputation is one of the most valuable consequences of doing the right things and the things right.

The impact of Ethics on the Economy: This section reviews the link between business ethics and profitability, and therefore if ethics are practised because it is the right thing to do or because it pays businesses to do so. In this conext ti will pay particular attention to the advertising strategies of financial services companies in the wake of the 2008 financial crisis.

Ethics in a time of Covid: The Covid-19 pandemic has massively impacted all areas of society and the economy and the impact on the financial services industry and ethics is still very much emerging.

Conclusion: A section that pulls together all of the above subsections and reviews how they are all intrinsically linked and how this research is going to add to the current body of knowledge.

Chapter 3 presents the research design and methodology. It reviews the academic methodological theories, whilst defining and shaping which of those theories apply to this research. It delves deeper into the research objectives and why they are important in the context of this research and ultimately defines the research design - an overarching methodological philosophy of critical realism, with an inductive research approach. The initial observation having taken place during a career spanning fifteen years within regulatory compliance financial services, leading to an initial premise and research idea which now feeds into a methodological choice of a simple mixed method based on the strategies of survey and narrative inquiry. This chapter reviews how the research data was gathered, initially by a survey with 134 responses, then 11 in-depth interviews, the sampling procedures used to collect those responses and the statistical approach to the critical analysis of those responses.

Chapter 4 will review the overall results and findings of the primary research, specifically the surveys. These were chosen as the initial source of primary research because they are an effective way to get large amounts of data relatively quickly. In total 134 responses were received. The questions asked in the survey were all deliberately written to ensure each question had a specific objective and answered one of the 5 main research objectives. The survey questions were also carefully worded to ensure that they were un-ambiguous and only asked one question at a time and care was taken to verify that none of the questions were leading. This chapter details the rationale behind each question and to which research objective it is linked. The findings of all the questions are detailed within this section and have proved to be exceptionally interesting. There were less answers in the extremes of the Likert scale than predicted and more in the neutral point, which can make it problematic to draw comparisons and conclusions. Despite this, the findings can be reviewed in the context of the original research objectives.

Chapter 5 will continue the review and initial results of the primary research, concentrating on the Interviews. In depth interviews were chosen as the secondary source of research to enable further detailed discussion on the main points raised from the surveys. They were semi-structured in order to draw out specific points without leading the interviewee. The questions used are detailed within this section as well as the rationale for each question and the links to the original research objectives. The findings of each questions are comprehensively detailed and the findings proved to be exceptionally interesting, particularly from those that work within the financial services industry.

Chapter 6 introduces the primary research findings with an in-depth analysis, comparison and discussion of the findings within the context of the research methodology, existing literature and original research objectives. This chapter reviews each of the initial research objectives, existing literature and the relevant research, before discussing the key implications of the research in a wider context, fundamentally where there is profit and money to be made, ethics and morality appear to take a back seat.

Chapter 7 concludes the research and presents an overall summary of the research, including the findings, not just in the context of the research objectives but also with a view to the current literature as well, before moving on to evaluate the key implication, original contribution and limitations of the research. The chapter will go on to review further research opportunities and recommendations from the research to the financial services industry, government, policy makers and industry regulators.

Chapter 2 – Critical Literature Review

2.1 Literature Review Introduction

The financial services industry has been mistrusted as far back as records go and this suspicion has not dissipated over time. Duska and Clarke (2006) suggested that from the perspective of western culture, the notion that there could be ethics in financial services is at least problematic if not downright oxymoronic. King (2017) goes as far as to say that alchemy has been the basis of the UK's banking and monetary system, with government pretending that paper money can be turned into gold even when there was far more of the former than the latter. Popular culture and press purport life in financial services is one of excess, in every sense. There have been numerous headlines about white collar crimes, banking bonuses and salaries and even a film based on Jordan Belfort's life on Wall Street as an investment banker. It is questionable whether or not this is an accurate portrayal of ethics in financial services, as these examples focus on sensational storytelling. However, it is an industry that, as a whole, in the UK during 2014 had £1.4 billion worth of fines levied by the regulator[9]. It is therefore, difficult to argue that the industry is taking heed of regulation and considering the ethical consequences of action. The fines in 2014 were a huge increase from 2013. Almost £1billion of extra fines were levied and whilst the remit of the FCA did increase dramatically in April 2014 many of the fines were not within the new area of control. Therefore, this increase could be down to a number of reasons: the industry is inherently worse than in 2013, the fines are larger, or maybe the FCAs business plan is to raise more money. However, the fact is fines are being levied on businesses because they are going against UK law or regulation.

Prior literature suggested that despite the introduction of conduct risk into organisations, it has still to be fully embedded. In 2020 Barclays Bank was fined approximately £26 million and Lloyds Bank approximately £64million[10] for conduct related failings. This meant that organisations were still being fined for conduct related reasons. Llewellyn (2016) proposed that, despite financial services firms claiming that they treat customers fairly, there are major lapses occurring, including the systemic mis-selling of products to potentially vulnerable customers. It is possible to conclude from this that business ethics are not fully embedded with the financial services organisational culture and business structure. An even worse scenario is that ethics are only used as a selling tool, an advertising trick. After all, the backgrounds of the many of the leaders in the financial

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[9] The FCA table of fines - 2014

[10] https://www.fca.org.uk/news/news-stories/2020-fines [Accessed 15th January 2021]

services sector is retail, not finance nor economics. They were brought in to promote and sell. Therefore it could be argued that lack of compliance to regulation could be down to lack of knowledge of the regulatory landscape. It is for this reason the three lines of defence model has fundamentally failed, leaving business with a heavy reliance on legal and compliance departments. If Coffee (2006) and Heineman (2007) are to be believed then the legal and compliance function consist of nothing more than ‘yes’ men who are not truly independent and are compromised by remuneration and bonus packages based on profitability. Llewellyn (2016) suggested that after all the scandals and the Global Financial Crisis there was little dispute that the banking sector had lost the trust of the public and needed to earn it back. The cost of poor conduct can be high; a single event can either destroy a company’s reputation for years to come or even lead to the total collapse of the company. In 2002 Arthur Anderson collapsed after reputational damage caused by a scandal involving document shredding and Enron.

What failed in order to cause the ‘perfect storm’ that led to the 2008 Global Financial Crisis? Did the leaders, managers and employees of financial institutions have a complete disregard for regulation, a breakdown in human ethics, a contempt for customers, or in fact ignorance to anything apart profit and bonuses? If so, will increasing the regulation prevent this from happening again or will increasing regulations cause a dissociation in staff from ethical decision-making and placing an almost co-dependent and ultimately unrealistic reliance on compliance and legal departments, which will in turn set the industry up to fail again? These questions all feed into 5 main research objectives:

i. Are ethics used only as a selling tool when the demand is there?
ii. Is increased regulation causing front line staff to become complacent?
iii. Is a reliance on workflows and scripting ‘dumbing down’ the workforce?
iv. How do remuneration packages impact on ethics and impartiality?
v. Where do ethics sit in an organisation?

2.2 Business Ethics

It was suggested by Bowie (2002) that business ethics as a separate area of applied ethics first started to feature during the early twentieth century. However, it was not until the mid-twentieth century that the area as a stand-alone topic really became a fundamental part of applied ethics. The majority of people have daily interaction with businesses of one form or another; for example, at work, shopping or schooling. Weber (1930) therefore suggested that the ethics of those businesses can have a massive influence on individuals, countries or even national and international economies.

Business ethics are the application of ethical theories and values to a business environment or behaviour. Therefore, this covers individuals as well as the organisation as a whole. Many organisations have an underlying ideology or philosophy. Mullins (2013) drew on the examples of the Walt Disney Corporation and the quality of services that is deeply embedded within its culture. Mullins also used The Body Shop as an example of an organic ethical organisation that took a moral and political stance on using fair trade products and not using any products nor ingredients that had been tested on animals. However, in 2006 The Body Shop agreed a deal to be brought out by L'Oréal Paris, who, at the time, were testing products and ingredients on animals. Therefore, what was such a strong ethos of the company was disregarded when the bottom line became more important. It has to be questioned if lip service is paid to ethics, or worse, if ethics are being used purely as an advertising tool to increase profitability.

It is an open question of where in an organisation ethics come from. They could be considered individual, organisational or emanating from the board of directors. The reality is that organisational ethics come from all these places. However, there is an interesting conflict when individual and organisational ethics do not match and it can be argued that when an individual enters the workplace, they leave their personal ethical and moral codes at the door. This is because ethics can often be in direct conflict with remuneration and corporate values can be contradictory to the way in the business operates, for example Lloyds Banking Group values and behaviours are depicted in table 1[11]:

[11] *Lloyds Bank (2015) Vision and Values. Available at: http://www.lloydsbank-careers.com/view/204/vision-values-behaviours-.html. [Accessed 20th January 2015]*

Table 1- Lloyds Banking Group Values and Behaviours

Values	Behaviours
• Putting customers First	• Dedicated
• Keeping it simple	• Empathetic
• Making a difference	• Knowledgeable

The Lloyds Banking Group values and behaviours would appear to be customer centric. However, in December 2013 the FCA issued the largest ever fine to date, for retail conduct failings to Lloyds Banking Group, just over £28 million, for serious sales incentive failings. The incentive schemes led to a serious risk that sales staff were put under pressure to hit targets to get a bonus or avoid being demoted, rather than focus on what consumers might need or want. In one instance an adviser sold protection products to himself, his wife and a colleague to prevent himself from being demoted[12]. The values and behaviours for staff were clearly not being observed. Between January 2013 and December 2020 Lloyds Banking Group were fined a total of £318,831,400[13]. With fines of that level the validity of the values is at best questionable. Even as recently as June 2020 Lloyds were still being issued large fines (0ver £64 million[14]) for unfair treatment of customers. It is therefore apparent that the values are not embedded and are purely a selling tool. Yet this is not unique to Lloyds Banking Group. Royal Bank of Scotland (RBS,) for example, received £435,569,500 between January 2013 and December 2020 for various failings to customers and to the market[15] and yet RBS promote a simple value statement, 'to serve the customer well' [16]. Both examples used are of the partly nationalised banks and perhaps this is an

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[12] *Financial Conduct Authority (2015) Fines. Available at: http://www.fca.org.uk/news/fca-fines-lloyds-banking-group-firms-for-serious-sales-incentive-failings. [Accessed 4th February 2015]*

[13] *Financial Conduct Authority (2015) Table of Fines. Available at: http://www.fca.org.uk/news. [Accessed 25th January 2020]*

[14] *Financial Conduct Authority (2020) Table of Fines. Available at: https://www.fca.org.uk/news/news-stories/2020-fines [Accessed 25th January 2020]*

[15] *Financial Conduct Authority (2020) Table of Fines. Available at: https://www.fca.org.uk/news/news-stories/2020-fines [Accessed 25th January 2020]*

[16] *Royal Bank of Scotland (2015) Our Values. Available at: http://www.rbs.com/about/our-values.html. [Accessed 20th January 2015]*

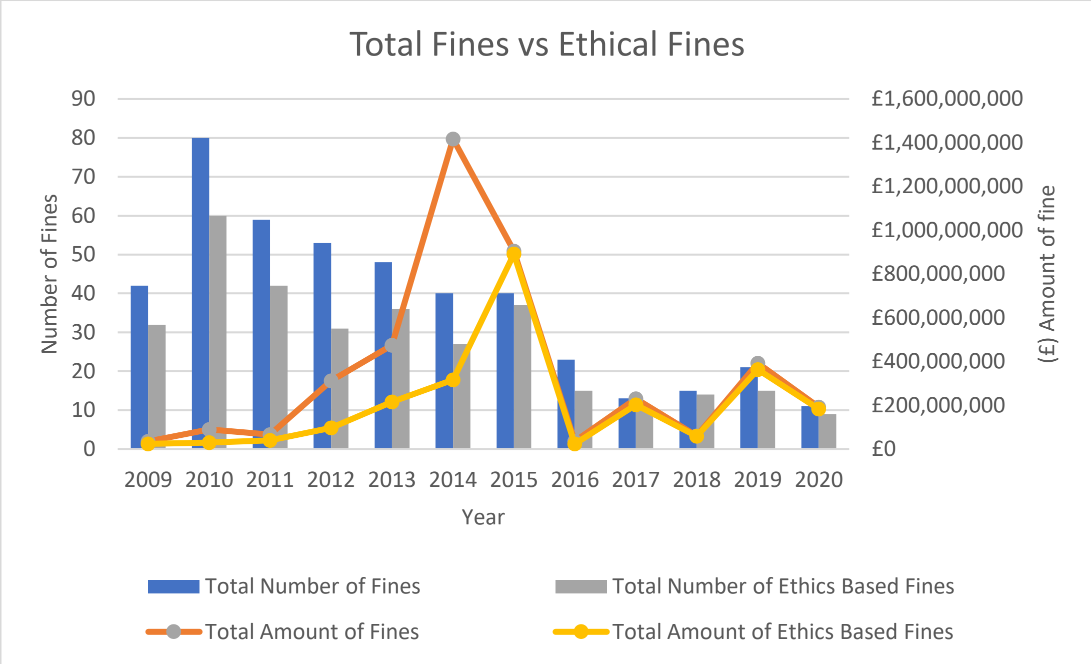
indication in to why such failings happened. The ethical failings in the part nationalised banks not only played a part in the collapse but also led to fines. On the other hand, private banks are not beyond reproach and a number of fines have been issued, for example between 2014 and 2020 Barclays Bank received a total of £374,276,00 in fines[17].

The fines levied on the financial services industry cover a number of different aspects, not all of which impact the customer or have an ethical focus. It can however, be argued that any fines levied under: the FCA 11 main principles of conduct (PRIN); Fitness and Propriety of Senior Management (FIT); Market Abuse Regulations (MAR); Treating Customers Fairly (TCF) and Financial Crime Regulation (FIN), all have an impact on the customer and have an ethical focus. Taking into consideration only fines levied under those 5 areas and in the last 12 years following the banking crisis there has been a total of just over £2.4 billion fines[18] that have an ethical focus. That makes up 58% of all fines issued. It would be logical to expect that fines with an ethical focus increased after the banking crisis and then decreased as the industry became more ethical and customer centric. It can be seen in graph 1 that there was a definite spike in ethics related fines in the immediate time after the banking crisis, however it can also be seen that the ethics related fines are on a steady increase since 2016. It can be seen in graph 2 however, that the % of the fines that were based on ethical behaviors actually decreased after the banking crisis and have been steadily increasing since 2016 to the point where ethical based fines, according to the criteria laid out above, are now making up almost 100% of all fines levied. There are two possible reasons for this, firstly since the FCA and PRA took over there is an increased focus on ethics and conduct or secondly, it could be suggestive that ethical behaviour in finance requires additional interventions to mitigate on-going flaws in financial decision-making.

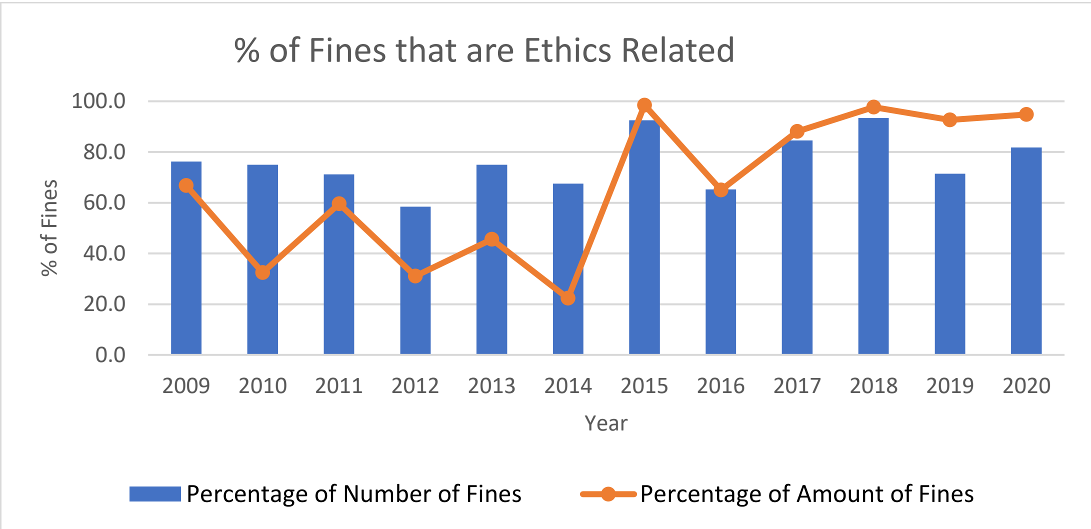
[17] *Financial Conduct Authority (2020) Table of Fines. Available at: https://www.fca.org.uk/news/news-stories/2020-fines [Accessed 25th January 2020]*

[18] See Appendix 1 for a full table of PRIN, MAR, TCF & FIN fines

Graph 1 - Total Fines vs Ethical Fines



Graph 2 - % of Fines that are Ethics Related



Most financial services institutes now also have a code of conduct. For example, RBS, Lloyds, Barclays, HSBC and Metro all have a code of conduct or ethics, which is a set of rules by which staff must abide. These are all freely available online for employees and customers to read. Often staff will have to sign to say that they have read and understood these. This is usually reaffirmed annually. However, Matthews (1987) suggested that it cannot be concluded that codes of ethics demonstrate either (1) social responsibility, (2) a corporate culture or (3) self-regulation. This is a view shared by Stevens (1994) who agreed that there was no clear evidence to suggest that corporations with codes behave more ethically. However, Barchiesi and LaBella (2014) argued that their study revealed that companies, which for a long time are performing high revenues and are gaining admiration of their peers, declare to have founded their business practice on social-responsibility orientated values. Therefore, it could be argued that it is not the mere fact of having values and codes that makes an organisation behave responsibly. It is how seriously these values and codes taken within the organisation. If corporate values or codes are not fully embraced by all management then they are useless, as the actions of management become contradictory to the values as can be seen with the Lloyds Banking Group example.

Should private profit seeking organisations behave in a socially responsible and moral way, beyond the requirement of the law, because it is the right thing to do or because it pays them to do so? This was a question posed by Fisher and Lovell (2009). In order to see truly how much credence organisations give to ethics, the relationships between certain factors must be examined, for example, regulation and ethics, conduct and reputational risk, and ethics in advertising. These relationships will give a better overview of whether or not financial services organisations truly look to be ethical or if ethical decisions are made by accident because the driver is reputation or profit.

There is an interesting cultural dichotomy in ethical decision making in the workplace within the financial services industry. For example, Fashami (2021) suggested that Islamic banks aim to satisfy their social responsibilities rather than to make profits. Moreover, they should remain committed to being environmentally friendly and, they are banned to engage in risky transactions and fraudulent activities. However, Qatar Islamic Bank was fined £1.4 million in 2016 by the PRA for high-risk capital lending and in 2020 Al Rayan Bank were under investigation for money laundering. It could be argued that whilst religious and cultural influences do impact on ethical decision making, they do not appear to always prevent individual unethical behaviour.

Social media plays such a large part in everyday life that it can be suggested that it not only helps to shapes ethical thinking in the formative years but also impacts on ethical decision-making and in the workplace.

2.3 Regulation and Ethics

The UK financial services Industry is heavily regulated by two regulators, the FCA and the Prudential Regulation Authority. Regulations are the rules and principles by which companies must follow in order to obey the legislation that underpins the industry. So it is again necessary to review the question posed by Fisher and Lovell (2009), 'Should private profit seeking organisations behave in a socially responsible and moral way, beyond the requirement of the law, because it is the right thing to do or because it pays them to do so?' There is an implication that the law alone requires an organisation to behave in a socially responsible and moral way. However, this is not always the case. Companies have been known to take advantage of areas of the law where there are loop-holes or where the law is silent on a particular matter. For example, the Consumer Credit Act 1974 does not actively state that a company should not charge interest on a deposit received. However, this could be perceived as unethical and not in line with the FCA Principle 6, 'a firm must pay due regard to the interests of its customers and treat them fairly'. See table 2 for an example.

Table 2 – Interest on Deposit (simplified)

With Interest Charged on Deposit		**Without Interest Charged on Deposit**	
Total Cost	£2000	Total Cost	£2000
Deposit Paid	£500	Deposit Paid	£500
Total Credit	£1500	Total Credit	£1500
Interest Rate	10%	Interest Rate	10%
Total Interest	£200	Total Interest	£150
Total Payable	**£2200**	**Total Payable**	**£2150**

It can be seen in the above example that following the strict letter of the law, or rather taking advantage of an area where the law is silent, is not always in the best interest of the customer. However, it is in the best interest of the organisation's profit. In 1970 Friedman published a controversial article in which he suggested that profit maximisation was the sole responsibility of a private organisation and that corporate executives had no moral duty in the wider interests of society. In more recent times private organisations have concerned themselves more and more with corporate social responsibility. Mullins (2013) suggested that this increasing attention on ethical behaviour at work is to the increased impact that private organisation have on the socio-economic and political landscape. Due to technology, this impact is more visible than ever before. However, it could be argued that organisations are investing more effort and budget into corporate social responsibility in an effort to be seen to be doing this and therefore attracting more business, thus using this as a tool for increasing profit.

In an opening address made by Davies (2001) at the Thirteenth Annual European Business Ethics Network Conference, he suggested that the move away from self-regulation would provide a greater foundation for an ethical framework in the financial services market. He also suggested that the principles the FSA had put forward would bridge the gap between regulatory rules and ethical behaviour, thereby encouraging ethical behaviour in the financial services industry. Interestingly, in the 2012 BBC Reith Lecture, Niall Ferguson,[19] expressed doubt that a more complex and detailed regime would provide the answer to the problems experienced in the financial services sector. Whilst the intent for ethical business in the industry was certainly present by the regulator the Global Financial Crisis of 2008 proved that the intent was not reciprocated by the industry. Curtis (2008) put forward that the root cause of the crisis was the gradual but ultimately complete collapse of ethical behaviour across the financial industry. Conversely Sternberg (2013) recognised that the banks were culpable and suggested the actions of the banks were largely a response to perverse incentives imposed by lax government economic policy and strong regulation. An interesting suggestion that strong regulation could actually bear some responsibility for the Global Financial Crisis and the way in which the financial services industry behaves.

Davies (2001) proposed that it was necessary for the FSA to link together a number of elements, which reinforce each other, to bring the maximum pressure to bear and to move people and organisations in a certain ethical direction. These elements were the establishment of an ethical framework that went above and beyond the rules, guidance and support from the FSA, education and training, the FSA's actions, and the example set by the FSA. It can be said that these elements moved firms in a certain ethical direction, however, it was not a positive direction. It was a direction that led businesses to a reliance on legal and compliance departments to steer a firm through the regulation whilst maximising profits, thus, in turn, breeding a culture of ethics being fused with regulation

[19] *British Broadcasting Corporation (2015) Programmes. Available at:* *www.bbc.co.uk/programmes/b01jmxqp/features/transcript. [accessed 31st May 2015]*

and regulation being ‘someone else’s responsibility’. As noted by Coffee (2006), this also begged the question of the impartiality of in-house compliance and legal departments. When the firm is paying their salary and bonus, it can be argued that these experts focused on profit making. Therefore, decision-making becomes a risk based equation; total profit likely to be made versus total fine likely to be incurred. Legal and compliance experts will often use the phraseology to ‘get comfortable’. This describes a process by which they have reached a conclusion that there is not an overt legal or regulatory risk. However, this does not mean that there is no risk. In having to ‘get comfortable’ it immediately suggests that there was something wrong with what was being decided, so there needs to be a formalised justification to form the counter argument. Langevoort (2012) proposed an obvious danger here. Physiologically, a large cluster of behavioural traits work to enable people not only to see what they want to see, but also that which they are motivated to prefer, objective evidence notwithstanding, is believed to be "right". These traits involve both social-cultural processes and cognitive ones, and can be intensified in cohesive groups and organisations. As a result, the process of "getting comfortable" maybe used too readily by legal and compliance experts. The other alternative is that it is a single person makes the decision. Jackman (2004) suggested that the rules may not be clear enough, and the practitioner needs some legal compliance interpretation. Finally, the answer may not be sufficiently clear and leaves the practitioner making a decision on their own. Therefore it could be argued that many ethical decisions in an organisation are down to an individual, which is at best problematic.

Tax avoidance is an example where both individuals and corporations take advantage of loopholes that exist within the law for their own gain. As these, and many other loopholes exist it can be argued therefore be argued that the law or regulation alone is not enough to ensure ethical behaviour. Tax avoidance is a legal way of minimising the tax paid, whilst declaring all necessary information. Tax evasion is purposefully and illegally misleading or hiding income from HM Revenue and Customs (HMRC). This is the same for both personal and corporate tax. In February 2015, news of HSBC’s alleged actions to help private customers evade tax broke. A purported €180.6 billion was hidden from various tax authorities. By April 2015 HSBC were being investigated through ten different inquiries from around the world, with the possibility of regulatory fines and even criminal charges. The case came about through a former HSBC employee whistle-blowing and sending a dossier of information to HMRC. The employee has since disappeared and until he can be found it is pure speculation on whether his actions were those of a brave man standing up to a large corporation or that of a cornered criminal.

Haynes & Murray et al. (2013) suggested that, as with other dimensions of corporate social responsibility, (Corporate social responsibility is now encompassed within ESG. One of the central questions with regard to taxation is whether a corporation's social responsibility entails more than conformity with laws and is a salient issue when considering a company's responsibility to its different constituents. Does the organisation maximise shareholder value, by minimising its tax liability through various means or does it consider transfers through taxation as a means for strengthening the society in which it operates? This links to the questions posed by Barry (2000) do corporations have any responsibility beyond making a profit, and Fisher and Lovell (2009), should private profit seeking organisation behave in a socially responsible and morale way beyond the requirement of the law? The latter view is inherently more accurate as it takes into consideration the requirements of the law. However, the true argument is whether or not it is ethically and socially acceptable to use legal loopholes.

Boatright (2014) discussed why ethics are needed in financial services over and above legislation and regulation, and why the assumption of 'if it is legal, then it is morally okay' is inadequate. Firstly, the law is a rather crude instrument that is not suited for regulating every aspect of financial service, particularly as situations are frequently one of a kind and based on human interaction. It is impossible to legislate every conceivable scenario. Secondly, laws are often created reactively rather than proactively and therefore it is incorrect to encourage those in financial services to do anything provided it is legal. Thirdly, merely obeying the law is insufficient for managing an organisation or for conducting business, because employees, customers and other interested parties expect, and even demand, ethical treatment and the law is perceived as a minimally acceptable level of conduct.

Barry (2000) put forward a unique and opposing argument suggesting that most businesses could self-regulate, even in the anonymous world of modern financial markets where people meet only via a computer screen. In the absence of coercive regulation, a self-regulated market new entrant would be inducted into the conventions by existing market players. Barry even suggested that most of the spectacular business scandals in the financial services market are the result of over-zealous prosecutors and the myriad of competition destroying rules. However, self-regulation of the financial services markets was tried during the 1980's and 90's and is widely agreed to have failed. Davies (2001) stated that much of the investment business regulation in the past was carried out by self-regulatory organisation (SRO). In the sense SRO tried to build on the commonality of interest of their members, and a shared interest in high ethical standards of business. They operated therefore in mainly by means of peer pressure and by appeals to the membership to behave in the interest of the collective. Davies postulated that it was worth speculating why this SRO system was deemed to have been ineffective in the UK, and why it failed to maintain the confidence of both politicians and the public. This might be thought of as a depressing conclusion for financial businesses, and perhaps a depressing commentary on ethical standards.

It can be seen that when financial services are left to self-regulate the priority is placed on profit maximisation and not on ethical conduct. This prioritisation is almost to the detriment of all else. In fact Curtis (2008) suggested that poor risks controls, massive leverage, and the blind eye were really symptoms of a much worse disease. The root cause of the financial crisis was the gradual, but ultimately complete, collapse of ethical behaviour across the financial industry. Once the financial industry became unmoored from its ethical base, financial firms were free to behave in ways that were in their (and especially their top executives') short term interests without any regard for the longer term impact on the customers, economy, or even on the firm's own employees.

After the 2008 Global Financial Crisis, there was a wave of change and new entrants to the financial services marketplace and an emerging subsection of Fintech. Over the last decade this emerging market has become established in the U.K. and the U.K. government is looking to launch this technology in emerging economies, with a pilot programme being rolled out in Africa in 2021. From a regulatory perspective technology within financial services firms initially was included in the systems and controls regulations. However, with the market becoming ever more dominating the FCA has responded with an innovation hub and a regulatory sandbox. The innovation hub is an opportunity for business and the FCA to understand the impact of innovation on regulation, competition the market and the customer, and the regulatory sandbox allows firms to test innovative ideas with customers. Muriithi & Louw (2017) suggested that these new and emergent markets are increasing sustainability concerns around banking activities and the major drivers of this change are being represented by the development of regulatory framework and guidelines which are trying to make the financial institutions responsible for their environmental and social impacts. In 2018 the FCA introduces initiatives such and the ‘green fintech challenge’ in 2018 as part of the U.K. government ‘green Great Britain week’. In 2019 the FCA took responsibility for ESG further. Working in conjunction with the Prudential Regulation Authority (PRA) they released a statement on joint declaration on climate change, this paper detailed their future plans, including: new requirements for firms; a framework for effective stewardship; ESG disclosures for independent governance committees and the creation of a climate financial risk forum.

The Financial Services Bill is designed to cover the Brexit transition and regulation going forward, the Bill was presented to parliament in October 2020. Technology within financial services firms is included in the systems and controls regulations. However, with the market becoming ever more dominating the FCA has responded with an innovation hub and regulatory sandbox. Ethics within the technology environment is a controversial topic, after all, artificial intelligence does not poses a moral compass and is therefore only as ethical as the algorithms allow. Interestingly, Railsbank (2019) suggested that not only is the artificial intelligence an asset for ethics in financial services, it is also actively changing the landscape of ethics in financial services. Fintech start-ups such as Moneemint state that they are built on the foundations of socially responsible banking and cutting edge technology, their aim is to become the first completely digital ethical bank in the U.K.

It can be seen that ethics within the context of the financial services industry and regulation is an incredibly problematic topic with many different branches to it. As is the case that just because something is legal doesn’t make it right, it is also the case that not every fine or piece of bad press in the financial services industry is due to an ethical problem or has impacted the customer. For the purposes of Graphs 1 and 2, the only fines that were taken into consideration were those that were given on the basis of the FCA Principles (PRIN), Market Abuse (MAR), Financial Crime (FIN) and Treating Customers Fairly (TCF). These sections of the handbook are directly related to customer impact and ethical conduct. The FCA principles for business in table 3 sets out the minimum requirements for firms, this is taken further in the customer outcomes set out in the Treating Customers Fairly handbook section and detailed in table 4. These sections lay out a high-level overview of what good ethics, in the context of the financial services industry, should look like.

Table 3 - FCA Principles for Business[20]

1. Integrity	A firm must conduct its business with integrity.
2. Skill, care and diligence	A firm must conduct its business with due skill, care and diligence.
3. Management and control	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4. Financial prudence	A firm must maintain adequate financial resources.
5. Market conduct	A firm must observe proper standards of market conduct.
6. Customers' interests	A firm must pay due regard to the interests of its customers and treat them fairly.
7. Communications with clients	A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
8. Conflicts of interest	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9. Customers: relationships of trust	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10. Clients' assets	A firm must arrange adequate protection for clients' assets when it is responsible for them.
11. Relations with regulators	A firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

Table 4 - Treating Customers Fairly: Customer Outcomes[21]

Outcome 1:	Consumers can be confident they are dealing with firms where the fair treatment of customers is central to the corporate culture.
Outcome 2:	Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.
Outcome 3:	Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
Outcome 4:	Where consumers receive advice, the advice is suitable and takes account of their circumstances.
Outcome 5:	Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.
Outcome 6:	Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

[20] https://www.fca.org.uk/about/principles-good-regulation [Accessed 13th October 2021}
[21] https://www.fca.org.uk/firms/fair-treatment-customers [Accessed 13th October 2021]

2.4 Regulation and Politics

All legislation is approved through the formal parliamentary process. However, regulation and a set of rules on how the legislation will be met and complied with is set by the regulating body of the industry. The FCA is funded entirely by the firms that they regulate, though they are accountable to both the Treasury and Parliament. The FCA clearly states that it is an independent body and therefore it can be assumed that, whilst there is a political influence over the legislative process, once approved all regulation is independent of political wrangling. However, in the 2014 policy statement (PS14/3) in response to the FCA taking over full enforcement responsibility for the Consumer Credit Act (1974) as detailed in the consultation paper CP13/10, the FCA responded to a number of industry feedback points by stating, 'It is the Government's and our intention…..'; This is far from independent.

It can be argued that the relationship between the UK government and the financial services industry is not just symbiotic but also mutually influential. The government housing policies influenced what was ultimately deemed sub-prime mortgage lending. Periodically the large banks consider the best location for a corporate head office. For example, in April 2015 just before the UK general election, HSBC announced they would be considering moving their head office from London. This review could be considered a threat to the government, given that banks make up 57% of the financial services sector[22] and the oligopolistic nature of the banking market means a decision by one of the main banks to move headquarters abroad could have a large impact on the UK economy. However, the government cannot operate efficiently if it is operating in fear of private business decisions. Gulamhussen et al. (2011) suggested that it is a combination of internalisation theory, market and global economic volatility and geographical distance to the bank's 'home' country that determine if a foreign bank will remain in London. Of course, it could also be argued that financial incentives in the form of corporate tax breaks helps to keep banking headquarters in London. For example, Chancellor George Osbourne's budget of 2011 announced tax breaks of up to £80 million per year for banking and financial services organisation, with a change to the tax acts of 1988 and 2009 resulting in a change in the way in which banking foreign subsidiaries would be taxed. This was a move

[22] *BoE Quarterly Bulletin 2001 Q3*

described by Monbiot (2011) as 'one of the biggest and crudest corporate tax cuts in living memory'[23].

In 2008, in response to the Global Financial Crisis, the UK government announced a bank rescue package of £500 billion. This move saw two of the largest banks in the UK, RBS and Lloyds Group, become part nationalised, meaning the government had a say in the day to day operations. Alistair Darling, the then Chancellor of the Exchequer, explained that the bailout was a move to restore confidence in the country's banking system. The banking bailouts were not limited to the UK, but also occurred in America, Ireland, Denmark and many other European countries. It is unusual to see a country's government step in to save private enterprises from going bankrupt. However, as the country's economies were reliant on these banks, the governments were left with very little choice but to intervene. Grossman and Woll (2013) questioned whether the rescue packages were simply a response to the gravity of the crisis or had the banks' lobbied policy makers for particular advantages. It was suggested that countries with close one-to-one relationships between policy makers and banking management tended to develop unbalanced bailout packages, thus suggesting an amount of influence held by the banks over the governments. It is apparent that the banks and governments are intertwined and have influence over each other. However, it can be argued that this power makes ethics an afterthought in banking.

During the 2008 bailout the then Shadow Chancellor George Osbourne stated in a BBC interview that this was the final chapter of the age of irresponsibility and it was absolutely extraordinary that a government had been driven by events to today's announcement. The day of the bailouts was a historical and pivotal moment for banking regulation and, in turn, for ethics in banking. It was widely agreed that light-touch regulation did not work and the banks were not acting in a suitable way and taking inappropriate risks with investor money. Mullins (2013) explained that the hugely expensive bailouts and nationalisations were followed by further revelations of questionable practice by banks, in the form of the PPI mis-selling scandal. Selling a product to a customer who quite foreseeably cannot benefit from it because of remuneration and job security pressures is clearly immoral and an abuse of trust by the banks. The PPI scandal not only resulted in a court ordered repayment of customer premiums but also compensations to those customers affected, as well substantial regulator fines totalling

[23] *George Monbiot (2011) A Corporate Coup d'Etat. Available at: http://www.monbiot.com/2011/02/07/a-corporate-coup-detat/ [Accessed 6 September 2016]*

£8.4 million[24] levied by the FSA. Fines at that time were still limited. This scandal has now been dwarfed by such other scandals as Libor, FX trading and back dated Principle breaches.

Regulation in financial services has dramatically increased in direct response to the 2008 financial crisis. There has been a change in regulator as well as a change in the underlying legislation to allow, amongst other things, unlimited fines. The American economist and lifelong believer in free markets and light touch regulation advocate, Alan Greenspan, made a surprising speech in front of Congress in 2008 where he stated, *"I made a mistake in presuming that the self-interest of organisations, specifically banks and others, were such that they were best capable of protecting their own shareholders and their equity in the firms…..Those of us who have looked to the self-interest of lending institutions to protect shareholders equity are in a state of shock."* Is it therefore fair to state that an increase in regulation and consequences of unethical actions will result in a direct increase of ethical behaviour and shareholder protection? However, Jackman (2004) argued that regulation born of reaction to a specific crisis is an act of balancing the possible impact of detriment with the likelihood of recurrence and it is therefore not always effective in reflecting ethics. This is because regulation is perceived to give black and white answers and therefore excessive regulation can make the desired outcomes less achievable.

With the change in legislation that now allows unlimited regulatory fines, it is reasonable to ask where that money is going, especially given that in 2014 the total amount taken in regulatory fines was £1.471 billion[25]. From April 2012 onwards the government changed the rules of regulatory fines meaning that since that time all monies taken by the FCA and PRA in both fees and fines, after costs, goes directly to HM Treasury. This puts the government in a precarious position where they can benefit from the regulatory fines but need to be careful not to exploit this as it will prompt banks to move headquarters away from London, particularly those banks that are not British in origin, for example HSBC. One could argue that the change in legislation to allow unlimited fines was purely for governmental financial gain.

[24] *FSA Table of fines 2008 - 2013*
[25] *FCA Table of fines 2014*

2.5 The 2008 Global Financial Crisis

In the years preceding the 2008 Global Financial Crisis there was a deluge of corporate scandals. From the late 80's and early 90's America's Wall Street was a hot bed of insider trading and market manipulation with many high-profile cases being tried and convicted, including America's televised housewife, Martha Stewart. Of course, some might argue that Wall Street still has these issues; certainly popular culture would have you believe that is the case with the press purporting a life in financial services as one of excess, in every sense. There have been numerous headlines about banking bonuses and salaries and even a film 'The Wolf of Wall Street' based on Jordan Belfort's life on Wall Street as an investment banker.

The 90's saw the Salomon Brothers Investment Bank nearly destroyed by auction rigging scandals. The late 90's saw Bankers Trust and the first of many Merill Lynch headlines for out of court settlements for suspicions on concealing risk. The turn of the century came, and things still had not improved, with Enron and Worldcom dominating the media due to concealment of massive amounts of debt and fraud, and Spitzer bringing about charges on banks and investment firms for illegal trading activity. In fact Taibbi (2009) famously described one particular bank as a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smelt like money. With what was to come, one might certainly understand why such a descriptive hyperbole could be used to describe a bank.

2007 then saw the collapse of the subprime mortgage market in America and the UK, and a domino effect that would impact the entire world's financial markets. The only hope that the governments and the general public had was that the banks were too big to fail, certainly words that will haunt those politicians who used them to describe the UK banking market in 2007. Northern Rock became the first bank in modern history to suffer a bank run, the likes of which had not been seen in the UK for over 150 years. In February 2008, Northern Rock became the first bank to be entirely nationalised. The UK government then went on to announce a £50 billion rescue package in a move that saw two of the largest banks in the UK, RBS and Lloyds Group, become part nationalised meaning the government had a say in the day to day operations. The government banking bailouts were not limited to the UK but also happened in America, Ireland, Denmark, and many more European countries. It is particularly unusual to see a country's government stepping in to save private companies from going bankrupt. There are many well known companies that have gone bankrupt over the last ten years that have not had this special treatment from the government. However, the country's economies are so reliant on the financial services industries that the governments were left with little choice but to intervene.

What failed in order to cause the 'perfect storm' that led to the 2008 Global Financial Crisis? Did the leaders, managers and employees of financial institutions have a complete disregard for regulation, was there a breakdown in human ethics, a contempt for customers, or in fact ignorance to anything apart profit and bonuses? If so, is increasing the regulation going to prevent this from happening again or is increasing regulations causing a dissociation in staff from ethical decision-making and placing an almost co-dependent, and ultimately unrealistic reliance, on compliance and legal departments, which is in turn setting the industry up to fail again?

King (2017) states that the main cause of the 2008 Global Financial Crisis was the rapid expansion of the banking system that was primarily based on borrowed money rather than a new capital investment. This expansion based on borrowed money and Acharya & Richardson (2009) view that the crisis is almost universally agreed to have been the combination of a credit boom and a housing bubble. When the housing bubble burst, it had a direct knock-on effect on the financial services industry. The housing bubble and credit boom alone should not have had the massive global effect that it did, but what it highlighted was the unacceptable risks that were being taken with capital adequacy within the financial services industry. This was fundamentally because the banks, investment firms and credit unions were evading capital adequacy requirement regulations. Davies (2010) stated that the lack of capital in the banking system was down to a weakness in the regulatory framework and a serious accountability gap, it can be argued that the lack of accountability saw a rise in unethical behaviour. This can be evidenced by the increase seen in ethical and customer focused fines in the years post 2008, as seen in graph 3 between 2011-15 there was a steady rise in FSA / FCA fines culminating in 98.5% of fines in 2015 being of an ethical or customer focus. Including the 2 largest fines ever imposed by a financial services regulator: Barclays - £284.4 million[26] for a principle 3 breach dating back to 2008 and Deutsche Bank - £226.8 million for principle 6 breach between 2005-10. Immediately post the Global Financial Crisis the industry was witnessing fines for mis treatment of customers, for example GMAC was issued a fine for failing between 2004-8 including, unfair customer charges, inadequate training of staff in arrears handling, proposing unaffordable repayment plans and beginning repossession proceeding before

[26] https://www.fca.org.uk/news/news-stories/2015-fines [Accessed 14th October 2021]

considering alternatives. The list of fines issued for TCF issues discovered to have been within the period immediately preceding the 2008 Global Financial Crisis is lengthy and includes all the major UK banks, as well as a large number of fines for the mis selling of PPI to customers that didn't even know they had the insurance or would not have been eligible to make a claim on it. The unethical behaviour is further evidenced by the UK government decision to dissolve the FSA and introduce the FCA with a focus on conduct in the financial services industry.

The financial services and Markets Act 2000 (FSMA) took the UK away from the concept of self-regulation and put in place a regulating body that had the power to fine, although Davies argued that there was still not enough accountability. However, Barry (2000) puts forward a unique and opposing argument suggesting that most businesses could self-regulate, even in the anonymous world of modern financial markets where people meet only via a computer screen. In the absence of coercive regulation, a self-regulated market new entrant would be inducted into the conventions by existing market players. Barry even went on to suggest that most of the spectacular business scandals in the financial services market are the result of over-zealous prosecutors and the myriad of competition destroying rules, although if the conventions of the existing market players are corrupt then the idea of self-regulation fails immediately. The changes laid out in the Financial services Act 2012 have given the FCA the power of unlimited regulatory fines. In 2014 the total amount fined was £1.471 billion[27] and £905 million in 2015[28] - perhaps this will demand the much needed accountability of which Davies speaks, though it could be easily argued that if the fines are this large then the market is still not operating in line with regulatory requirements, seven years after the crisis. In comparison, the total fines in 2020 were £192,570,018[29] so it could be argued that this reduction in fines means the financial services industry is learning from its mistakes, however, £90,103,200 of that amount was made up of just two large fines to Barclays and Lloyds for unfair treatment of customers, so it can be seen that little has changed.

It might be questioned why financial institutions were evading capital adequacy requirements. It cannot be an accident that so many institutions were doing it. The banking landscape in the UK is a small one and it is arguably inherently oligopolistic in nature, with just four major retail banks dominating 75% of the market share and two of those banks

[27] *FCA Table of fines 2014*
[28] *FCA Table of fines 2015*
[29] FCA table of fines 2020

are now part nationalised. This could be a key factor when taking into consideration not only the heavy economic reliance on the financial services sector but also why the banks are not abiding by the capital adequacy requirements. It could be argued that the banks, knowing they have such a huge sway on the economy, give their leaders a feeling that they can get away with anything. In fact, the Tomlinson Report, commissioned by the UK government to review the banks' lending practices to business in distress, concluded that the past reckless behaviour, size and domination of the two biggest banks leaves businesses extremely vulnerable. If businesses are vulnerable then it must be fair to state that individuals are even more at risk.

The massive ethical issues did not stop at the Global Financial Crisis. Since 2008 there have been a number of very high-profile ethical issues within the banking market, including the PPI mis-selling, Libor Scandal, sanction violations and the inappropriate nature of sales incentive driven remuneration, which almost certainly directly contributed to the mis-selling problems. In December 2013 Lloyds Bank were issued a final notice[30] and a £35 million fine (a 20% discount was applied) for breaches of Principle 3 related to mis-selling, remuneration, and culture/governance in the retail banks sector between 2010 – 2012. Cited in the notice are practices such as putting staff under intense pressure to sell products customers did not want – or face demotion and pay cuts. For example, a sales adviser sold financial protection products to himself, his wife and a colleague in an attempt to avoid being demoted. A "grand in your hand" scheme for advisers at Halifax and Bank of Scotland made one-off payments of £1,000 for hitting sales targets and a "champagne bonus" was awarded to Lloyds TSB staff, worth 35% of their monthly salary, for meeting sales targets. With sales staff being so heavily incentivised just to sell, but not to sell ethically, to customers who want, need or can use the product, the house of cards was bound to come crashing down. It speaks volumes as to where the leadership of the banks were in terms of profit being the number one driver, as the 2008 Global Financial Crisis did not lead banks to question this behaviour. However, it can be argued that this is not purely the fault of the financial services industry. There is a train of thought by Colander (2009) et al that economists not only failed to adequately anticipate the financial crisis but they may also have contributed to it by failing to communicate the limitations and assumptions used in models.

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[30] *Financial Conduct Authority (2016) Final Notices. Available at: http://www.fca.org.uk/your-fca/documents/final-notices/2013/lloyds-tsb-bank-and-bank-of-scotland. [Accessed 21st January 2016]*

Regulatory evasion and certainly the mis-selling, insider trading and fraudulent activity could be argued to be down to personality type. According to Boddy (2005) the corporate psychopath is the manager with no conscience who is willing to lie, but able to present a charming façade in order to sell or gain managerial promotion via a ruthlessly opportunistic and manipulative approach to career development. Boddy (2011) took the theory of corporate psychopathy one step further and presented a theory that not only were corporate psychopaths working in the financial services industry but that they had a major part in causing the 2008 global financial crisis. With the financial services being an industry notorious for attracting type A personalities one could argue that ethical egoism is alive and well in London's financial district and on Wall Street. However, it can be argued that this personality type is fuelled by internal competition in organisation as well as cultural and media influences. The ethical decision-making and behaviour of individuals within the banking structure must be reviewed. If banks are deliberately avoiding regulatory requirements surely the legal, compliance or leadership team must have known, yet there is little whistleblowing in the industry despite all the major institutions having whistleblowing policies. It can be seen that there are step being taken to mitigate against the risk of an abundance of these types of personality traits the Cox & Soobiah (2017) investigation found that some banks were actively and purposefully hiring outside that financial service sector in order to bring in new types of people and personalities. They found that this was particularly the case for recruitment with Human Resources, Business Development and Change Management departments. However, it can be argued that bringing in people outside of the industry could have its' advantages and disadvantages particularly when it comes to those employees being used to the financial services regulation.

2.6 Post 2008 Global Financial Crisis

The period after the 2008 Global Financial Crisis saw many changes in the financial services landscape. Many white papers were released from the European Basel Committee to the UK federation of small business. The European commission set up the Integrated Framework for Predictive and Collaborative Security of Financial Infrastructure (FinSec), and Mark Carney, the former Governor of the Bank of England introduced the Financial Stability Board. It is down to all these initiatives that after the Global Financial Crisis and with raising awareness of environmental and social responsibility issues there started to be a drive towards sustainability in financial services. Ethics and sustainability are not a new concept and Smith (1759) spoke of the idea that however selfish man maybe, they still derive pleasure from the fortune of others. Maslow (1943) suggested that once all the basic needs of man were met, they concentrated on self-actualisation and helping others. Llewellyn (2017) detailed that moral hazards were a feature of the post-crisis regulatory reform led by the G20. These concepts are key in an industry that bases its success model on financial gain and worth. Indeed this must be a key change for any financial services business seeking to move to an ethical way of operating. The financial gains model and remuneration is further reviewed and questioned in this research.

Many financial services organisations operating in the UK produced Corporate Social Responsibility (CSR) policies, Codes of Conduct, and corporate governance strategies. These are a set of documentation which in theory lays out the business approach to social responsibility and how the employees and business should conduct themselves. Of course, it can be argued that policies like this were only set up because the regulation demanded it and not because the financial services companies actually wanted to change. After all proof of good conduct is not in the writing of a policy, rather in the way the business operates on a day-to-day busines. This is further detailed by Leiva (2014) who stated that companies have two main reasons for engaging in social initiatives: altruistic and profitability. Profitability exists because if leaders are seen to be doing good then it helps promote the reputation of the business. Unfortunately, within financial services there is a lot of doing good to look good and, not because it is the right thing to do. This type of attitude filters down throughout the organisation and Walter (2014) suggested it creates a toxic subculture, further reinforced by tight-knit groups in banking which populate hypercompetitive markets in an effort to expose a fast route to exceptional wealth. With this type of behaviour now ingrained within the industry it is no wonder the Global Financial Crisis happened. In the aftermath of the financial crisis, there were some resignations, some 'golden' goodbyes, increased fine abilities, but very few individuals were held personally accountable for what happened. It is widely reported that Fred Goodwin, who although was removed from his position of CEO at Royal Bank of Scotland after bringing the company to the brink of collapse because of ingrained unethical behaviour, still walked away, after negotiating a £17 million pension pot. This equates to a salary of over £700,000 a year for life, although this was later reduced to £342,500 a year after he took a £2.7 million tax free pay out from RBS. If there is no accountability for actions, there is nothing to stop the same situations happening again.

It is examples like this that caused outrage amongst the general public. Goodwin's house was vandalised, and he received death threats because of the lack of accountability. Not only were the policy makers demanding change, but the public were as well. It is down to this that there is an emerging movement for sustainable banking. Becchetti (2011) advocated that social banking entailed a complete change in corporate goals, moving away from a focus on profit maximisation and concentration on social, environmental and economic value with driving principles of transparency, communication and participation. The advertising campaigns of the larger businesses in financial services have made a change to advertise overtly that they are ethical, they care about the individual customer and that they donate to charities. However, it is debatable whether or not these cultures are truly embedded within the industry or if they are advertising them because that is what people want to hear. Therefore the focus is still wholly on profit maximisation and not on ethical issues. This is one of the areas where this research seeks to gain more clarity.

2.7 Corporate Ethical Decision-making

In response to consecutive corporate scandals, the regulatory framework continues to change. However, this raises the question as to whether or not increased regulation is, in fact, causing a dissociation in staff from ethical decisions, because of an almost co-dependent reliance on legal and compliance departments?

As more and more regulatory requirements and increased fines are being levied on the UK financial services industry, and the reliance of businesses on both in-house and external legal and regulatory advice is increasing exponentially. The remit of this reliance appears to be growing to incorporate not just legal and regulatory advice but also ethical decision-making. Langevoort (2012) postulated that law and compliance go hand in hand, so that compliance issues are naturally under the direction of the General Legal Counsel. This, in turn, suggested that legal and compliance roles places the General Legal Counsel and staff as guardians of corporate integrity, the conscience of the organisation. This therefore means that legal and compliance take on ethical responsibilities as well as legal and regulatory responsibilities. Interestingly Heineman (2007) believed that the choice for general counsel and in-house lawyers was to go native as a yes-person for the business side and be legally or ethically compromised, or be an inveterate naysayer excluded from core corporate activity. However, whether legal and compliance departments are separate corporate departments or fall under the same leadership, Coffee (2006) suggested that in-house lawyers, whilst well placed to play a broad guardian role, would ultimately fail as they lacked independence and were subject to pressure and reprisals. It can be argued that this lack of independence, pressure and fear of reprisal therefore influenced the decision-making, or aiding legal and compliance professionals to become comfortable with a corporate idea or process that they would otherwise oppose. It could, of course, be argued that external counsel has the same amount of the pressure and fear of non-renewal of contracts. The lack of true independence in organisations can be viewed as an example of Weber's (1930 (reprinted 2005)) loss of freedom because of the effects of the 'iron cage' of bureaucracy.

Should it be the place of legal and compliance professional to be the conscience of the organisation or is that a role that every individual should adopt? Alternatively, as posed by Fisher and Lovell (2009), should private profit seeking organisations behave in a socially responsible and moral way above beyond the requirement of the law? What space is there for ethical decision-making or even human behaviour in economics? Normative microeconomics is concerned with how humans ought to behave rather than how they actually behave. Conversely macroeconomists' lack of concern with individual behaviour stems from different considerations, firstly there is an assumption the economic decision maker is rational, secondly there is an assumption of competition. Thus classical economic theory of markets with perfect competition and rational agents is deductive theory that requires almost no empirical data once the assumptions are accepted. Herbert (1959) argues that this theory is inherently flawed and suggested that the behaviour of an adapting organism depends only on its goal and its environment. This idea agrees with the premise put forward by Coffee (2006), and it could be taken one step further to argue that natural human behaviour makes it impossible for anyone to be independent.

Davies (2001) proposed that it is necessary for the FSA to link together a number of elements which reinforce each other to bring the maximum pressure to bear and to move people in a certain ethical direction. These elements were, establish an ethical framework that went above and beyond the rules; guidance and support from the FSA; education and training; the FSA's actions and the example set by the FSA. It could be said that these elements moved firms in a certain ethical direction. However, it was not a positive direction, but rather one that caused a reliance on legal and compliance departments to steer a firm through the regulation whilst maximising profits, thus in turn breeding a culture of ethics being fused with regulation and regulation being 'someone else's responsibility'. As noted by Coffee (2006), this also begs the question of the impartiality of in-house compliance and legal departments. It can be argued that when the firm is paying their salary and bonus, these experts are focused on profit making. Therefore, decision-making becomes a risk based equation: total profit likely to be made versus total fine likely to be incurred. Legal and compliance experts will often use the phraseology to 'get comfortable'. This describes a process by which they have reached a conclusion that there is not an overt legal or regulatory risk. However, this does not mean that there is not a risk. In having to 'get comfortable' it immediately suggested that there was something wrong with what was being decided and that there needs to be a formalised justification to form the counter argument. Langevoort (2012) proposed that there is an obvious danger here. Physiologically, a large cluster of behavioural traits work to enable people to see what they want to see, and regard as "right" that which they are motivated to prefer - objective evidence notwithstanding. These traits involve both social-cultural processes and cognitive ones and can be intensified in cohesive groups and organisations. As a result, the process of 'getting comfortable' may too readily become a process of collective rationalisation, thus questioning the objectivity of in-house legal and compliance experts. The other alternative is to leave a single person making the decision. Jackman (2004) suggested that the rules might not be clear enough, and the practitioners might at times needs some guidance.

The way in which humans make decisions differs greatly from individual to individual; the current influences over that decision; the likely outcomes; and if the decision is being made socially or on behalf of an organisation. Focusing solely on organisational decision-making theory there are several different approaches. Social action is representative of sociology and attempts to view an organisation from the perspective that each individual will have not only their own goals but also their own interpretation of what is being asked of them. In contrast is the unitary approach, suggesting that the organisation is integrated and harmonious with all individuals working towards the same goal with a shared loyalty. A pluralist perspective will, however, view the organisation as a number of different powerful competing subgroups, all with different agendas, loyalties, objectives and leaders. whereas a postmodernist organisation rejects rational systemic approaches and becomes highly flexible and responsive with decentralised decision-making and a fluid structure. It can be argued that the reality of organisations is that they overlap various theoretical approaches depending on the CEO and the culture of the organisation.

Organisational decision-making also varies significantly depending on whether the decision is being made by a group or by an individual. An individual with the appropriate level of power and responsibility can originally make a decision before others are tasked with justifying that decision after the fact. To some extent that can be seen in the example put forward by Langevoort (2012) of legal professionals ‘getting comfortable’. Though many organisations make decisions in a group, or often in the form of a more formalised committee it can be argued that the adage ‘two heads are better than one’ is not always accurate in an organisational setting. Mullins (2013) argued a disadvantage of groups is the concept of social loafing or the Ringlemann effect. This is a tendency for individuals to expend less effort when working as a member of a group than as an individual, thus forming a negative synergy, 2+2=3. Between the Ringlemann effect and Coffee’s (2006) suggestion that pressure and fear of reprisal dominate decision-making, it could be argued that organisational groups or committees are coerced into making decisions that are only in the interest of the organisation or, worse, the interests of the most wilful character at the table. Interestingly Smith (1776) advocated that markets and self-interested individuals competing in markets were guided by an ‘invisible hand’ to benefit society, even though this might not be intentional. This suggests that companies automatically benefit the society in which they operate in, the most obvious way of this is through payment of taxes.

Akerlof and Kranton (2010) developed the concept of identity economics, where an individual's actions depend entirely on the identity that the individual associates with at that time. This identity can be different in different circumstances, for example at work a person may identify as the CEO and the person making all the decisions, whereas, that same person in the setting of their own home may then identify as a parent whose life and sleep is dictated to by a small child. Therefore, it is entirely possible that the ethics of an individual can differ depending on the identity that they identify with at the time and within a given situation. This relates back to Gordon's (2011) eight main theories of ethics and in particular to subjectivism, the notion that a person's ethical practices may differ in different circumstances, for example, depending what country they are in, what religion they are or perhaps even depending on if they are in a work or a home environment.

Mullins (2013) suggested that personal integrity and individual values are important elements in ethical decision-making at work, but this is increasingly supported by a company code of ethics or professional code of conduct. Many financial services firms have implemented a code of conduct or ethics, a set of rules by which staff must abide by and often staff have to sign an annual confirmation to state they have read and understood the rules laid down. However, Matthews (1987) suggested that it cannot be concluded that a code of ethics demonstrate either (1) social responsibility, (2) a corporate culture or (3) self-regulation. This is a view shared by Stevens (1994) who agreed that there is no clear evidence to suggested that corporations with codes behave more ethically. However, Barchiesi and LaBella (2014) argued that if corporate values or codes are not fully embraced by all management then they are useless as the actions of management become contradictory to the values.

Boatright (2014) discussed why ethics are needed in financial services over and above legislation and regulation and why the assumption of 'if it's legal, then it's morally okay' is inadequate. Firstly, the law is a rather crude instrument that is not suited for regulating every aspect of financial services, particularly as situations are frequently one of a kind and based on human interaction. It is impossible to legislate every conceivable scenario. Secondly, laws are often created reactively rather than proactively and, therefore, it is incorrect to encourage those in financial services to do anything provided it is legal. Thirdly, merely obeying the law is insufficient for managing an organisation or for conducting business, because employees, customers and other interested parties expect, and even demand ethical treatment and the law is perceived as a minimally acceptable level of conduct.

It can be seen that when financial services are left to self-regulate the priority is placed on profit maximisation and not on ethical conduct. This prioritisation is almost to the detriment of all else. In fact Curtis (2008) suggested that poor risks controls, massive leverage, and the blind eye were really symptoms of a much worse disease. The root cause of the financial crisis was the gradual, but ultimately complete, collapse of ethical behaviour across the financial industry. Once the financial industry became unmoored from its ethical base, financial firms were free to behave in ways that were in their (and especially their top executives') short term interests without any regard for the longer term impact on the customers, economy or even on the firm's own employees.

With in-house legal and compliance departments under pressure to find ways to 'get comfortable' or circumnavigate through the regulation to get the answer the board want to hear, a truly independent view is difficult if not impossible to gain. This is further emphasised by remuneration and bonus targets and structures. Whistleblowing is rarely seen, despite financial service companies openly advertising that the option is available to staff. Maybe the financial services firms are not failing to treat customer fairly, or failing even to treat their own staff ethically. However, the fines and notices as shown in charts 1 and 2 issued by the FCA tell a very different story: that the financial services industry is failing in many regulatory areas and the impact of this continued failure is yet to be determined, there is therefore the possibility that with the right combination of factors, another Global Financial Crisis could happen.

2.8 Financial Services Remuneration

The remuneration of staff in financial services has been a source of contention for a number of years due to the impact that it can have on the customer so much so the FSA had to release guidance on how to treat customers fairly. From top executives' salaries and bonuses to the way in which staff are incentivised to sell products, there have been an abundance of headlines. The few published salaries are usually those of company directors and CEOs. It is certainly not a representative example of all employees of a bank. For example, in January 2015 RBS announced that up to 27,000 staff would be subject to a pay freeze. However, the then CEO Ross McEwan was set to receive a minimum of £2.35 million in 2015. Stephen Hester the previous CEO of RBS received £1.6 million in 2012. Whilst this may seem unfair, it can be argued that as this is industry standard it is reasonable. The more concerning trait is that of how sales staff are incentivised to sell to customers and if this is largely the reason for customer mis-selling.

The former head of the FCA, Martin Wheatley stated there is no doubt that the way sales staff are paid influences their behaviour. Incentives are, by definition, designed to make someone do something. Wheatley went on to say where incentives led to a bad outcome for customers, things had to change, enough is enough[31]. Ultimately, the FCA picked up work started by their predecessors the FSA. A thematic review into financial incentives was carried out in 2012, the report highlighted a number of areas of concern and the FSA expected firms to:

- consider if their incentive schemes increased the risk of mis-selling and, if so how;
- review whether their governance and controls were adequate; and
- take actions to address inadequacies.

The FSA believed that their report and follow up action had made significant change to the awareness and way in which financial incentives operated within firms. The FCA confirmed in 2014, that although financial incentives would remain on the agenda, they were not proposing any rules changes. When the FCA took regulatory control of consumer credit firms in 2014, they confirmed that a thematic review of remuneration and incentives in consumer credit would take place. The work would be starting in mid-2015 and the report was expected to be ready for mid-2016. The idea was to get consumer credit firms up to the same point as retail financial service firms, which the FCA estimate around one in ten of

[31] *FCA TR14/4 – Risks to customers from financial incentives – an update.*

the firms with sales teams had a higher-risk incentive scheme features, including a selection that were witnessed during the thematic review field work:

- ***"Disproportionate rewards for marginal sales*** *- Reaching a certain target or a goal that triggers an increase in earnings much higher than the normal rate at which incentives accrue. An example is a 'retrospective accelerator' where passing a target increases the level of incentive earned for all sales over a period, rather than just those above the target. Example of a retrospective accelerator – bonuses multiplied up to eight times - One firm's sales staff could see their bonuses multiplied by up to eight times for cross-selling protection products. This resulted in a strong incentive for staff to sell protection products to consumers, regardless of their needs, to reach a certain number of sales and dramatically increase their bonus, backdated for the whole month. This incentive scheme was likely to drive sales staff to mis-sell, for example misleading consumers by exaggerating the benefits of a product while playing down the limitations.*
  Other examples include schemes where high performance can trigger significant additional incentives, both monetary and non-monetary (such as foreign travel). Example of disproportionate rewards – 'first past the post' competition bonus - One firm operated a 'Super Bonus' scheme competition which was run on a 'first past the post' basis for reaching a sales target or threshold. The first 21 people to reach this target earned up to £10,000. This created a strong motivation to reach the 'Super Bonus' target as soon as possible, increasing the risk of mis-selling.
  Example of disproportionate rewards – enhancing annual bonus - One firm had an incentive scheme where advisers were paid commission on products sold over the course of the year. If they reached a series of targets, they could lock in an enhanced commission of up to 35% for the whole of the next year. This created a heightened risk from a series of 'cliff edge points' at the end of the year, to exceed the target and secure enhanced commission for the following year.

- ***Accelerators (or stepped payments)*** *- A higher rate of incentive is earned with higher volumes of sales – where the higher rate only applies to sales over a target. This form of incentive creates increased risk as staff try to maximise their sales before the end of the incentive period.*

Example of an accelerator - A monthly bonus is based on a set payment for each product sold up to 100% of a target and the payment per product is increased for the rest of the month if the target is reached before the month-end.

- ***Inappropriate incentive bias between products*** *- There is an inappropriately larger incentive for one product compared with another, whether the products are substitutable or not. Where the incentive is different for substitutable products, there is an even higher risk that sales staff will sell the higher earning product.*
  Example of incentive bias between products - A firm excessively incentivised one product type over another, where that product was more profitable. The high difference in value meant that staff could only earn a significant bonus by selling the more highly incentivised products. The firm claimed to offer holistic advice, but there was a clear risk that advisers would sell one product over another because there was no prospect of earning large bonuses from selling the other product range. The firm did not seem to have considered the risk to customers.

- ***Variable 'salaries'*** *- Incentive schemes may vary basic pay (up or down) based on performance against sales targets in a set period. This could include a substantial reduction if sales staff do not continue to meet their sales targets. A reduction in basic pay may have a significant impact on an individual's ability to meet financial commitments and may reduce other employee benefits linked to pay.*
  Example of variable salaries - A firm reviewed staff salaries every quarter, and moved staff between salary bands depending on how much they sold. The highest salary band earned more than three times the lower salary band so there was a strong incentive to achieve the sales targets required to get the higher basic salary. Staff may also have put themselves under pressure to sell enough to stay in the higher salary bands once they got there, increasing the risk of mis-selling further. Staff could move through salary levels quickly. One top performer described coming in at grade 1 and rapidly moving to grade 5, which meant his annual salary increased by more than £25,000. He then exceeded sales targets in the next 18 months, adding another £20,000 to his salary.
  We were concerned that the variable salaries significantly increased the risk of mis-selling at this firm. In a review of advisers who were close to dropping a salary band, several made a lot of sales at the end of the quarter, including to family

members, and these sales did not always follow proper procedures. In particular, one adviser cut corners to rush through six sales in the last few days of a quarter to avoid his pay being reduced.

- ***Inappropriate requirements to determine if incentives are paid*** *- For example, incentive payments are accrued but will not be paid unless a minimum target is met for each of several different product types, which potentially leads to sales to meet quotas rather than meeting customer needs.*
  Example of inappropriate requirements - From our thematic work on payment protection insurance (PPI), we saw one firm where sales staff could earn an incentive of up to 100% of their basic salary for sales of loans and PPI. However, no bonus would be paid unless staff sold PPI to at least 50% of all customers. This incentive increased the risk of sales staff mis-selling PPI.

- ***100% variable pay/commission only*** *- Where firms remunerate staff or advisers purely by variable pay (such as sales commission with no basic salary or a proportion of the revenue earned for the firm). This significantly increases the risk of mis-selling because staff need to make a minimum level of sales each month to be able to meet their financial commitments.*

- ***Inappropriate levels of incentives for sales of additional products*** *- Where sales staff receive an inappropriate level of incentives for cross-selling additional products or selling product 'add-ons', compared to the incentive for only selling the primary product. There may be a greater opportunity to increase the sales of additional products and add-ons through inappropriate sales conversations than is the case for primary product sales. For example, sales staff may not make it clear to customers that the additional product is optional and a separate product. This type of mis-selling occurred many times in relation to PPI.*

- ***Thresholds -*** *Once staff achieve a certain 'threshold' (a minimum level of sales), they get bonuses on each sale above the threshold. The threshold might be 50 sales a month or 100 sales a quarter, for example. There is a risk that staff will want to sell as much as possible after they have met such a threshold and before the end of the month/quarter, as sales may be worth more than those in the next period. This* *may be exacerbated where deficits from previous periods need to be met in addition to the current threshold.*

- ***Incentives linked to the level or type of premium, investment amount or length of term*** *- There is the risk that sales staff seeking to maximise income will persuade customers to invest more than is appropriate or take out more insurance cover than they need, or select a product term that is longer than required. This can also include differences in incentive levels where there is a product with a choice between regular or single premiums.*

- ***Competitions/promotions*** *- Campaigns or competitions designed to increase sales volumes, or based on similar measures, where staff can earn additional payments or win prizes. These can be product-specific or simply based on general sales volume. With product-specific promotions, there is a risk of product bias leading to mis-selling.*

- ***Sanctions not applied*** *- Sanctions in the bonus scheme were not applied despite problems occurring. For example, staff remained part of the bonus scheme even when the quality standards were not met.*

- ***Quality failures not having a material impact*** *- One firm had both a monthly and quarterly bonus scheme for sales staff, with the monthly scheme providing the majority of the bonus available. Where the firm's file checking identified failures (such as giving poor advice that needed corrective action), sales staff were penalised by losing only their quarterly bonus.*
  However, they were still eligible to receive the more significant monthly bonuses, which in some cases were more than £7,000 over the course of three months. Since staff could still earn significant bonuses while giving poor quality advice, this scheme was unlikely to have the right impact on staff behaviour.

- ***Flawed 'quality gateway'*** *- A firm had an incentive scheme with a 'quality gateway' that was meant to stop staff receiving bonuses if certain sales quality standards were not met. It was based on a points system driven by the firm's monitoring of advice quality, upheld complaints, product lapses, the mix of products sold and other measures.*

The firm had presented this as a positive example of how their incentive scheme was linked to sales quality. However, this was not an effective control because staff could have any number of sales failed for incorrect advice and still qualify for a bonus payment, if the other categories the firm measured met the standards.

- ***Doubling bonus even if mis-selling*** *- One firm doubled the monthly bonus of staff who met a high standard of compliance with sales processes as long there was only one mistake. Administrative errors (e.g. getting a customer's name wrong) were treated the same as mis-selling (e.g. withholding key product information). Sales staff could therefore still have their bonus doubled even if they had mis-sold."*[32]

The thematic review reviewed a large number of firms including banks, building societies, insurance companies and investment firms. Shockingly, after a very long list of poor practices, the FSA could only find one example of good practice. One firm took a strong stance if the quality of sale was poor. Following this review, in December 2013 Lloyds Bank were issued a final notice[33] and a record £35 million fine (though a 20% discount was applied). The fine was for breaches of Principle 3 related to mis-selling, remuneration and culture/governance in the retail bank part of the business, specifically between the years 2010 and 2012. Cited in the notice are practices such as putting staff under intense pressure to sell products customers did not want – or face demotion and pay cuts. Examples of this include a sales adviser sold financial protection products to himself, his wife and a colleague in an attempt to avoid being demoted; a "grand in your hand" scheme for advisers at Halifax and Bank of Scotland made one-off payments of £1,000 for hitting sales targets; and a "champagne bonus" was awarded to Lloyds TSB staff, worth 35% of their monthly salary, for meeting sales targets. This behaviour of companies appears to be particularly unethical, not just to the customers but also to their staff, putting them under immense pressure to, in some cases, just earn their salary or avoid demotion.

It is widely agreed and backed up by the FSA and FCA thematic reviews and fines that remuneration of sales staff causes mis-selling and customer detriment. However, the

[32] *Financial Services Authority. Final Guidance. Available at; http://www.fsa.gov.uk/static/pubs/guidance/fg13-01.pdf. [Accessed 21st January 2016]*

[33] *Financial Conduct Authority (2016) Final Notices. Available at: http://www.fca.org.uk/your-fca/documents/final-notices/2013/lloyds-tsb-bank-and-bank-of-scotland. [Accessed 21st January 2016]*

decisions to implement these risky remuneration structures and to accept an overall high-risk strategy for the business lie with the senior managers, executive teams and ultimately the CEOs. It could be argued that the salary and incentive schemes directly impact executive decision-making on risk appetite. Bhagat & Bolton (2014) suggested that executive compensation had been a constant focal point in the extensive list of factors contributing to the 2008 Global Financial Crisis. Their view was compensation directly led to excessive risk taking. Bebchuck et al (2010) suggested that in the aftermath of the financial crisis many believe that executive pay arrangements may have encouraged excessive risk taking. Given the structure of executive pay the possibility that risk taking decisions were directly influenced by incentive should not be dismissed but rather, taken seriously. However, the study that was carried out by Bebchuck et al carried out was severely limited in its scope, comparing just two organisations, both of which were declared bankruptcy in the wake of the financial crisis. Hagendorff & Vallascas (2011) suggested that the empirical evidence on how pay incentives affect risk taking in the banking industry was surprisingly limited and at best the results are mixed. Whilst Fahlenbrach & Stulz (2011) conducted a study of 132 financial organisations and concluded that there is no evidence to suggested that banks with CEOs whose incentives were less well aligned with the interests of the shareholders, performed worse during the crisis. In fact, they further stated that many CEOs lost personal wealth during the crisis and were therefore worse off. Therefore, it could be argued that the calls for regulation on financial services executive compensation packages and incentives is more a result of public misconception brought about by scandal driven headlines rather than empirical evidence.

It can be argued that it is not the place of the central government to regulate pay and incentives of private organisations and financial services executives, however since 2013 and the banking reform this has been the case. Chu et al (2021) suggested that government intervention over pay is required to fix market failings and such fixes should be based on: better and transparent disclosures, restricting certain types of pay contracts, and mandating binding shareholder votes on pay policies. However, it can be seen that executive pay in other industries is not controlled by regulation even though the average pay gap ratio between CEO and employee is 201:1[34]. Therefore, it could be argued that this disparity is unjust.

[34] *https://www.statista.com/statistics/424159/pay-gap-between-ceos-and-average-workers-in-world-by-country/ [Accessed 28th January 2021]*

The idea of regulators providing guidance for sales staff incentives appears to be based on evidence that customers and employees were suffering. However, the fact that governments had to intervene to save the industry during the crisis should mean they hold sway to prevent that from happening again. The European Union's Commissioner for Competition announced at the 2009 G20 summit that they will be reviewing bank compensation in light of the government support received during the crisis. Conrad (2015) suggested that compensation packages for CEOs and other managers in financial services have become out of control being based on short term profitability rather than the long term health of the industry. Conrad went on to suggested that risk adequate compensation and accountability should be a prerequisite for good performance. Bhagat & Bolton (2014) recognised that executive compensation reform was not a 'cure all', rather a fix of a small part of the problem. They suggested that compensation should only consist of restricted stock and restricted stock options that could only be sold or exercised two to four years after their last day in office. It is completely inappropriate that executive should be profiteering at the cost of customer and market detriment. However, there is a fine line between governmental regulatory guidance and dictatorship over private organisations.

Akerlof and Kranton (2010) developed the concept of identity economics, where an individuals actions depend entirely on the identity that the individual associates with at the particular time and within that particular situation. They took this a step further and reviewed the difference between individuals that considered themselves to be firm 'insiders' or outsiders', they noted that individuals that identify in a situation as an 'insider' will put in a higher level of effort than an individual that considers themselves an 'outsider'. Thakor (2016) suggests that a key result of this finding is that the presence of identity utility reduces the need to highly incentivise an individual. Therefore, if banking culture can create a mechanism to change an individual's identity to consider themselves an 'insider' banks could then rely less on compensation strategies to encourage desired behaviours, this strategy however, relies on the corporates desired behaviours to be in line with regulation.

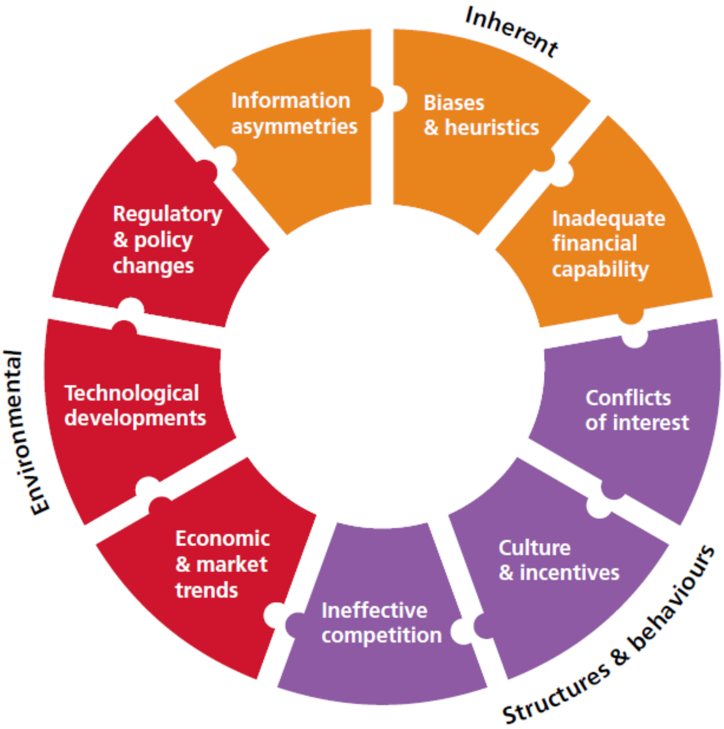
2.9 Conduct and Reputational Risk

After a number of tumultuous years in financial services, the reputation of the industry has been left strained to say the very least. The reputation of an organisation is an unquantifiable asset and in this day an age of instant reporting and social media reputations are easily destroyed. A single event can destroy an organisation's reputation for years to come or even lead to a total collapse of the organisation. Take the case of Arthur Anderson, once one of the 'big five' accountancy and consultancy firms in the world. After a huge scandal involving fraudulent accounts reporting for Enron both firms suffered irreparable reputational damage that ultimately caused them to file for bankruptcy. This is an extreme case, but it highlights just what a damaged reputation can do. In the end the case of Arthur Anderson and Enron led to criminal charges against both firms as well as subsequent changes in legislation. The legislative change was in the form of the Sarbanes-Oxley Act 2002 (SOX). This, along with a myriad of other legislative and regulatory changes, has seen the role of the risk function in an organisation change dramatically over the last few decades. Of course, such changes as the SOX legislation and the Basel regulation have forced a change in the way in which risk is analysed. In more recent years the changes in regulation have been to encompass conduct risk in the ERM approach. Enterprise Risk Management (ERM) has been widely embraced by risks experts to enable a holistic view of all organisational risks.

Although conduct risk has been a concept for a number of years, it really started to become a separate recognisable section of risk management around 2013, coinciding with the demise of the FSA and the introduction of the FCA, the conduct regulator. This change was a direct response to the Global Financial Crisis. The FCA has a clear mandate to organisations, that they must have effective processes for: identifying; managing; monitoring; and reporting risk exposures. The FCA set out some of the key drivers of conduct risk in the 2013 Risk Outlook, (see figure 2). Whilst the FCA have given guidance to firms on the types of framework they might expect to see, they have not dictated a single 'regulator approved' conduct risk framework, stating that firms need to put the consumer and the integrity of markets at the heart of their business models and strategies[35].

[35] *FCA (2013) Business Plans. Available at: https://www.fca.org.uk/publication/business-plans/fca-risk-outlook-2013.pdf [Accessed 6 September 2016]*

Figure 2 – Key Drivers of Conduct Risk



The Conduct Cost Project is a project that aims to quantify the cost associated with poor organisation conduct in fifteen of the major international banks. This project started life at the London School of Economics and is currently residing at the Conduct, Culture, People Research Foundation (CCP). McCormick (2015), the Director of the project stated numbers tell a story. In the case of bank behaviour, they speak louder than words, and tell a big, and scandalous, story. Table 5 below shows the conduct costs between 2009 and 2013.

Table 5 – The cost of Conduct 2009 - 2013

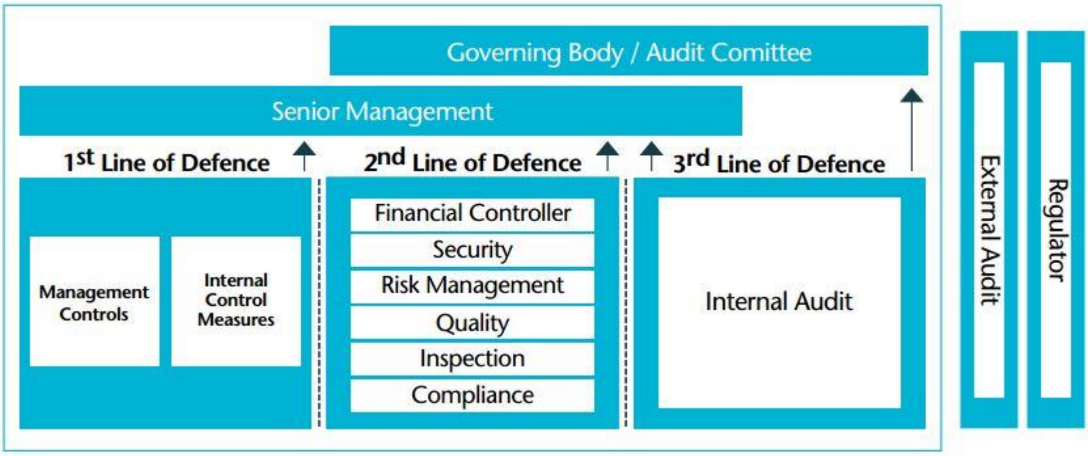
Banks	Total Costs 2009–2013 (GBP bn)	Provisions as at 31 Dec 2013 (GBP bn)	Grand Total 2009–2013 (GBP bn)	Grand Total 2008–2012 (GBP bn)	Relative Position to 2008–2012
Bank of America (now Bank of America Merrill Lynch)	39.09	27.31	66.4	54	↔
JP Morgan Chase & Co	26.61	9.17	35.78	24.65	↔
Lloyds Banking Group plc	8.91	3.82	12.72	9.24	↑
RBS	3.54	4.92	8.47	4.24	↑
Barclays PLC	4.88	3.01	7.89	5.06	↑
Citigroup, Inc	4.55	3.02	7.57	11.84	↓
HSBC	4.97	2.24	7.21	6.25	↓
Deutsche Bank	3.87	1.75	5.62	3.95	↑
UBS	3.08	1.1	4.18	24.65	↓
GS	1.48	2.17	3.65	3.95	↑
Credit Suisse	2	1.58	3.58	3	↑
Santander	2.42	1.15	3.57	4.14	↓
BNP Paribas	0.62	2.92	3.54	1.89	↔
National Austrialia Bank Group	2.01	0.33	2.34	n.a.	n.a.
Société Générale	0.12	0.58	0.7	1.28	↔
Grand Total (GBP bn)	108.15	65.07	173.22	158.14	

Table 5 above includes costs such as regulator fines; customer compensation paid and accrued for and repurchase of securities at the behest of the regulator. It does not include such costs as legal and compliance costs or lost man-hours. In five years, the cost to these fifteen businesses alone is in excess of £170 billion. Therefore, it can be argued that from the organisational point of view, conduct risk is less about putting the customer at the heart of the business and more about increasing the bottom line.

The FCA define operation risk as ‘the risk of loss resulting from inadequate or failed internal process, people and systems or from external events’. Clearly reputational risk and conduct risk sit under the overall umbrella of operational risk. Whilst many organisations have an operations department, risk usually sits in a separate department. This is mainly because of the three lines of defence risk strategy model. Recently there has been the introduction of governance departments within organisations, which sit within the business operations department to embed first-line defence.

The three lines of defence model is widely used by financial services to define risk management responsibilities and boundaries. The Chartered Institute of Internal Auditors version of the model (figure 3) clearly shows that the responsibility of a business’s first line of defence in risk management is the day-to-day operations. The model itself was accepted by the FSA as industry standard in the 2003 paper titled, *Building a framework for Operational Risk Management: the FSA’s observations*. However, it is not clear if the so called ‘industry standard’ was actually an attempt by the FSA to put in place a standardised risk process. To date there has been no claim staked on the origins of this model. However, the model did become widely used within the financial services industry after the 2003 FSA paper. Given the fines and activities in the years after 2003 it can easily be argued that the model has failed.

Figure 3 – Three lines of Defence Model



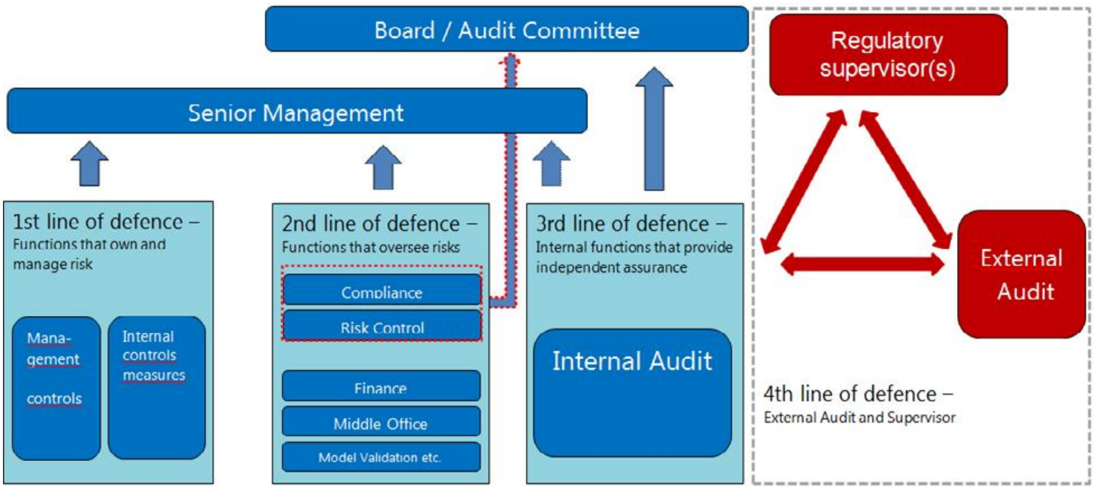
Arndorfer (2015) stated that the banking scandals over the last few years have been caused, in part, by failures of internal control systems, leading to substantial financial losses and near bankruptcy. In response to the failure of internal control systems they analysed the root cause of the problems and weaknesses of the three lines of defence model. Their findings were:

1. misaligned incentives for risk takers in first line of defence;
2. lack of organisational independence of functions in second line of defence;
3. lack of skills and expertise in second-line functions; and
4. Inadequate and subjective risk assessments performed by internal audit.

These findings go hand in hand with the findings of the FSA and FCA on inappropriate staff remuneration. They also support the suggestion by Heineman (2007) that in-house legal and compliance are turned into 'yes' men by the business, and can therefore be legally and ethically compromised and are not truly independent functions. Of course given the evidenced by Arndorfer (2015) the same could be said for in-house internal audit functions.

There has been a renewed interest in internal control systems since the global financial crash. Arndorfer (2015) questioned if a four lines of defence model should be introduced into financial services. The argument was that the three lines of defence model is unsuitable for dealing accurately with an organisations operational peculiarities, stemming not only from the business but also from regulatory framework. This suggested a fourth line of defence is to assign specific roles to external parties, namely external auditors and regulatory supervisors. Whilst there is an existing role for auditors and regulators in financial services, the suggestion is that there is a more open line of communication between external and internal as demonstrated in figure 4. It is an interesting concept, whilst opening up communication lines is a positive thing, it remains to be seen how open the compliance and regulatory lawyers would be to letting internal audit be the regulatory contact. It is usual for compliance within organisations to have strict control over communications with the regulating bodies. In 2016 Clive Admanson, (the then Director of Supervision at the FCA) gave a speech at the Association of Professional Compliance Consultants where he stated that whilst he supported a strong three line of defence model. It seemed that the conduct question was more a business model and cultural challenge and therefore should firmly be rooted in the first line. This then directly contradicted the fourth line of defence sitting external to the day to day operations of the business.

Figure 4 – Four Lines of Defence Model



It can be argued that reputational risk is the responsibility of the front line worker. Walter (2014) suggested that the recent reputational crisis in financial services has shown that the “bad apple” syndrome is a defining characteristic of risk meaning it takes just a few malignant individuals, or even one, to create a significant incident. This creates a question, why are those malignant individuals allowed to stay in a profession where employees are supposed to be ‘fit and proper’? Unfortunately, the individuals and groups in question are often the good sellers of high earners; therefore, they are profitable, and it comes back to the equation, total profit likely to be made versus total fine likely to be incurred. Reputational risk and conduct risk are concepts that are intrinsically linked to each another. Bad conduct breeds bad reputation and reversely a bad reputation can breed bad conduct. Reputation and conduct risk are therefore shaped by the actions of management and leaders and business can fail because of poor management or weak leadership.

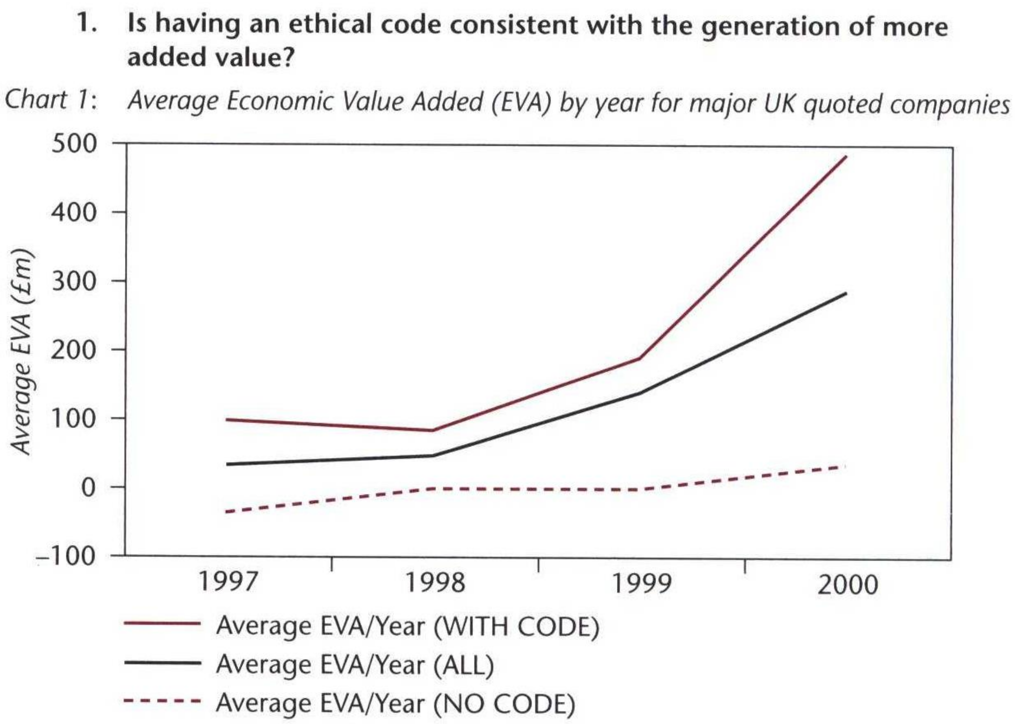
The concept of corporate social responsibility in business is not new. Leiva (2014) suggested that companies have two main reasons for engaging in social initiatives: altruistic and profitability. Profitability exists because if leaders are seen to be doing good then it helps promote the reputation of the business. However, there is a dichotomy in leadership in financial services where the senior management team can engage with social initiatives but then still make decisions which are unethical and go against regulation. Unfortunately, within financial services there is a lot of doing good to look good, not because it is the right thing to do. This type of attitude filters down throughout the organisation and Walter (2014) suggested it created a toxic subculture, further reinforced by tight-knit groups in banking which populate hypercompetitive markets in an effort to expose a fast route to exceptional wealth. With this type of behaviour now ingrained within the industry it is no wonder the Global Financial Crisis happened, and it can be argued that this behaviour has not changed enough to prevent this happening again. In the aftermath of the financial crisis, there were some resignations, some 'golden' goodbyes, increased fine abilities, but very few individual were held personally accountable for what happened. If there is no accountability for actions, there is nothing to stop the same situations happening again.

It can be argued that protecting the reputation of a business part of business ethics. Fisher (2009) put forward a map of business ethics that includes corporate social responsibility; Corporate governance; risk management and amongst others, reputational management. It is Interesting that Fisher's map of business ethics contains the whole of risk management approach. Leiva et al (2014) suggested that corporate reputation has been a frequent issue in many disciplines, but scarcely was present in the field of business ethics. This neglect is odd since a good reputation is one of the most valuable consequences doing the right things and the things right.

2.10 The Impact of Ethics on the Economy

Again, looking at the question posed by Fisher and Lovell (2009), should private profit seeking organisations behave in a socially responsible and moral way, beyond the requirement of the law, because it is the right thing to do or because it pays them to do so? Considering the point 'because it pays them to do so', this is to be interpreted that business ethics are linked to the profitability of the business. Before the Global Financial Crisis Webley (2003) sought to answer the question of whether or not it pays for a business to have ethics. One of the key graphs from the research is displayed below, Graph 1. Of course, this research focuses only on measurable ethics. Just because a company has a code of conduct does not mean that people within the organisation abide by it. However, the graph clearly shows that companies with a code of conduct are more profitable than those without. A code of conduct is the tangible side of business ethics and can have an advertising campaign built around it to raise awareness, both internally and externally, of the organisation, whereas the ingrained ethics on a personal level are much more difficult to sell. A code of conduct, a vulnerable customer policy, or in fact any policy written off the back of regulation, is just words. The implementation of that policy and day to day living is the fundamental key to change.

Graph 3 – Is having an ethical code of conduct consistent with the generation of more added value?



A fundamental of economics is the supply and demand model. If there is more supply than demand or there is more demand than supply, then there is a negative impact on the business. It can be argued that businesses have a renewed interest in business ethics on a cyclical basis. Similar to the supply and demand model, business will pick up ethics as and when they need to in order to repair reputational damage and in turn negative impact on profitability. However, as with the supply and demand model once the demand for ethics has gone, for example the business has recovered from scandal, then the need for an ethical focus is also perceived to have gone. The trouble with this pattern is that it is a reactive firefighting cycle, constantly on the back foot waiting for the next problem. This is similar to people with medications, for example, for depression. A person takes anti-depressant tablets, feels better and so stops taking the tablets. Of course they then feel worse and have to restart the cycle. If businesses had a continued focus on ethics then it would naturally create an environment where staff were able to make the right choice, not just the profitable choice.

Mullins (2013) stated that applying ethics in a business setting is complicated by the fact that ethics deals mainly with good and bad conduct on the part of individuals, resulting in difficulties in applying these ideas to impersonal corporate entities like companies. It is because of these difficulties that many organisations still view compliance and legal departments as the moral compass of the business and as having responsibility for business ethics, rather than everyone in the business. When policies are not truly embedded then there is the risk of ending up having Codes of Conduct and Corporate Social Responsibility programmes that are great for advertising purposes but do not add value to the business. In 2009 many of the banks that were directly involved in the financial crash, were still boasting they had a very good corporate social responsibility programme. If these ethics had been truly embedded in the business then perhaps the 2008 Global Financial Crisis could have been avoided.

Care (2018) suggest that a consequence of the Global Financial Crisis is that there is an increasing demand for ESG in firms in the financial services sector and Muriithi & Louw (2017) suggested that new and emergent movements are increasing sustainability concerns around banking activities and the major drivers of this change are being represented by the development of regulatory framework and guidelines which are trying to make the financial institutions responsible for their environmental and social impacts. A study conducted by Cek & Eyupoglu (2020) proved that ESG has a significant positive influence on the economy and that ESG is a significant predictor of corporate economic performance.

2.11 Ethics in a time of Covid

Over the last 12 months life as we have known it has changed dramatically. An outbreak of viral infection called Covid-19, which is believed to have originated in China plunged the world into a global pandemic. According to the World Health Organisation (WHO), as of the 10th January 2021, there have now been globally 88,383,771 confirmed cases of the virus and 1,919,126 deaths caused by the virus. In the UK alone there have been over 80,000 killed by the virus[36]. There have been global lockdowns, flight embargos and millions put on furlough schemes as they have been unable to work due to nationally imposed lock down measures. In the UK there have been 3 separate total lockdowns, with people being forced to work from home, children being home-schooled and only a very short list of specific reasons why people were allowed to leave their homes.

The pandemic has had a huge impact on education and industry, children of school age have had to be taught remotely and examination grades have had to be determined differently to previous years. Universities have been unable to hold lectures on campus, examinations or graduations. The impact on the retail sector has been massive as non-essential shops have had to shut during lockdown. This has driven large numbers of small businesses out of business as well as some of the large high street names. Debenhams went into receivership in December 2020 as well as Philip Green's Arcadia group, meaning Top Shop, Wallis, Evans, Burtons, outfit, Dorothy Perkins and Miss Selfridges will all disappear from the High Street. It is not over dramatic to say the impact of this pandemic will be seen for years to come and have the potential to dramatically change the landscape of the High Street as well as office working life. Of course, adequate risk management would mean that business continuity planners should have had global pandemic on the risk register and also a plan of what an organisation would do in this situation. The financial services industry has adapted and continues remotely, with no one venturing into offices; London Financial District is now a ghost town.

The impact that the pandemic is having on ethics within the financial services is still very much emerging and changing. There has been even more of an uptake of financial services companies using ethics in advertising and giving customers forbearance, or at least advertising that they are giving customers forbearance. In reality, there are suggestions that those that have been worse hit by the pandemic are also being hit by bank charges, and even in some cases closure of accounts without prior discussion. Hongwei & Harris

[36] https://covid19.who.int/ [Accessed 11th January 2021]

(2020) argued that the financial strains, both short and long term, caused by the pandemic could significantly push firms into short-terms gains, sometimes even through fraud and misconduct. It has been reported that there has already been an estimated £3.5 billion in fraudulent furlough claims to HMRC[37]. Whilst they did not specifically earmark the financial services industry, it is certain that the impact of the pandemic on ethics and regulation is yet to be seen.

The impact of the pandemic will be long lasting and far reaching, particularly on the UK and global economy. To try to limit the economic shock of the pandemic, the USA has gone so far as to issue helicopter money, Switzerland, Denmark, and Japan are amongst the countries that now have negative interest rates. In the UK, the Bank of England have lowered bank rate interest to just 0.1%. To put that into context, in July 2007 the bank rate interest was 5.75% and then throughout 2008 and 2009 the rate was incrementally dropped to a low of 0.50% in March 2009. This was to try to kick start the economy after the financial crisis. The rates then did not rise again until August 2018 where they started to pick up to 0.75%. On 11th March 2020 the rate dropped to 0.25%, and then just one week later in an unprecedented move the rate dropped to just 0.1%[38]. Not only is this lower than after the 2008 financial crisis but it is the lowest in the 325-year history of the Bank of England. This is probably the worst possible timing of the pandemic, just as the UK economy was starting to see the green shoots of recovery 10 years after the financial destabilisation cause by the financial crisis, the economy is plunged back into arguably a worse crisis.

The FCA's response to the pandemic has been to create a digital sandbox pilot, this is a collaboration of firms to provide enhanced innovation and support to challenges caused by the global pandemic. It allows firms to test innovative products and services on customers for a set amount of time.

King (2017) predicted that another financial crisis is not just a possibility but is a certainty because of the failure to tackle the disequilibrium of a low interest rate cycle since the financial crisis. He suggested that the epicentre of the next financial earthquake was as difficult to predict as a geological earthquake. Arguably this disequilibrium combined with the economic impact of the pandemic is surely the epicentre of what is sure

[37] *https://www.bbc.co.uk/news/business-54066815 [Accessed 28th January 2021]*
[38] *https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp [Accessed 11th January 2021]*

to be a massive financial earthquake, set to plunge the UK into a serious recession and the possibility of negative interest rates. This will surely now take decades recover from.

2.12 Literature Review Conclusion

The UK financial services industry is heavily regulated by two regulators, the FCA and the Prudential Regulation Authority. Regulations are the rules and principles by which companies must follow in order to obey the legislation that underpins the industry. In the financial services industry ethics and regulation have a symbiotic relationship, whilst they exist together, they are not in harmony. The face of regulation has changed repeatedly over the last 30 years. The UK has gone from having self-regulated financial services industry, too one that was heavily reliant on regulatory rules, and finally to guidance led regulation.

It can be seen that when financial services are left to self-regulate the priority is placed on profit maximisation and not on ethical conduct. This prioritisation is almost to the detriment of all else. In fact Curtis (2008) suggested that poor risks controls, massive leverage, and the blind eye, were really symptoms of a much worse disease. The root cause of the financial crisis was the gradual but ultimately complete collapse of ethical behaviour across the financial industry. Once the financial industry became unmoored from its ethical base, financial firms were free to behave in ways that were in their (and especially their top executives') short term interests without any regard for the longer term impact on the customers, economy or even on the firm's own employees. The root causes were intertwined with political exposure, economic instability, reputational risk and inappropriate conduct.

Inevitably the industry collapsed in what was widely agreed to have been a combination of a credit boom and a housing bubble. There was also a large political and economic element in that home ownership was on the political agenda and the mortgage market was taking ever increasing risks with its lending. When the housing bubble burst, it had a direct knock-on effect on the financial services industry. The housing bubble and credit boom alone should not have had the massive global effect that it did, but what it highlighted was the unacceptable risks that were being taken with capital adequacy within the financial services industry and the rapid expansion of the banking system that was primarily based on borrowed money rather than a new capital investment. The reason for the knock-on effect in financial services was because banks were lending unethically and taking massive risks by gambling with capital adequacy reserves. This led to an unprecedented move by the UK government to put together a £500 billion rescue package to save two of the big four banks going into receivership. The banking bailouts were not limited to the UK but also America, Ireland, Denmark, and many other European countries.

It is unusual to see a country's government step in to save private enterprises from going bankrupt. However, as the countries' economies were reliant on these banks the governments were left with very little choice but to intervene.

The massive ethical issues in financial services did not stop at the Global Financial Crisis. Since 2008 there have been several very high-profile ethical issues, including the PPI mis-selling scandal, Libor Scandal, sanction violations and the inappropriate nature of sales incentive driven remuneration, which almost certainly directly contributed to the mis-selling problems. As more and more regulatory requirements and increased fines are being levied on the UK financial services industry, the reliance of businesses on both in-house and external legal and regulatory advice is increasing exponentially. The remit of this reliance appears to be growing to incorporate not just legal and regulatory advice but also ethical decision-making. With in-house legal and compliance departments under pressure to find ways to 'get comfortable' or circumnavigate through the regulation to get the answer the board want to hear, a truly independent view is difficult, if not impossible to gain. This is further emphasised by remuneration and bonus targets and structures. Whistleblowing is rarely seen, despite financial service companies openly advertising that the option is available to staff.

However, should private profit seeking organisations behave in a socially responsible and moral way, beyond the requirement of the law, because it is the right thing to do or because it pays them to do so? This question was posed by Fisher and Lovell (2009). Boatright (2014) discussed why ethics are needed in financial services over and above legislation and regulation and why the assumption of 'if it is legal, then it is morally okay' is inadequate. Firstly, the law is a rather crude instrument that is not suited for regulating every aspect of financial service, particularly as situations are frequently one of a kind and based on human interaction. It is impossible to legislate every conceivable scenario. Secondly, laws are often created reactively rather than proactively, and therefore it is incorrect to encourage those in financial services to do anything provided it is legal. Thirdly merely obeying the law is insufficient for managing an organisation or for conducting business, because employees, customers and other interested parties expect and even demand, ethical treatment and the law is perceived as a minimally acceptable level of conduct. Care (2018) suggested that a consequence of the Global Financial Crisis is that there is an increasing demand for ESG in firms in the financial services sector, this could potentially have an impact on the issue of firms behaving in a socially responsible way.

The three lines of defence model that is widely used in the financial services industry clearly puts the initial responsibility of conduct risk on the front line staff. Given the number of conduct related fines since the introduction of this model, it is safe to say the model has failed. Financial services are now in a position where the basic three lines of defence risk model has failed and the control functions are 'yes men' purely there to increase profitability. All of this is at a time of great political instability.

Further investigation is required to try to quantify the amount of unethical behaviour that is witnessed within the financial services industry. In addition, it is also necessary to determine if the option of whistleblowing is not taken up by staff for fear of reprisal, how far then is increased regulation is leading to a disassociation in staff from ethical decisions and the impact of this continued regulatory and ethical failure? In conclusion, after a number of tumultuous years in financial services, the reputation of the industry has been left strained to say the very least. The industry is failing in many regulatory and ethical areas, as evidenced by the continued fines. The impact of this continued failure has not yet been determined and because the behaviour has not changed there is every chance that, given the right set of circumstances, another Global Financial Crisis could happen. There is also a gap in the literature in regards to the over-reliance of staff on legal and compliance departments to review the ethical points of view. Further more there is a gap in the literature in relation to the impact of social media on ethical decision making in the workplace.

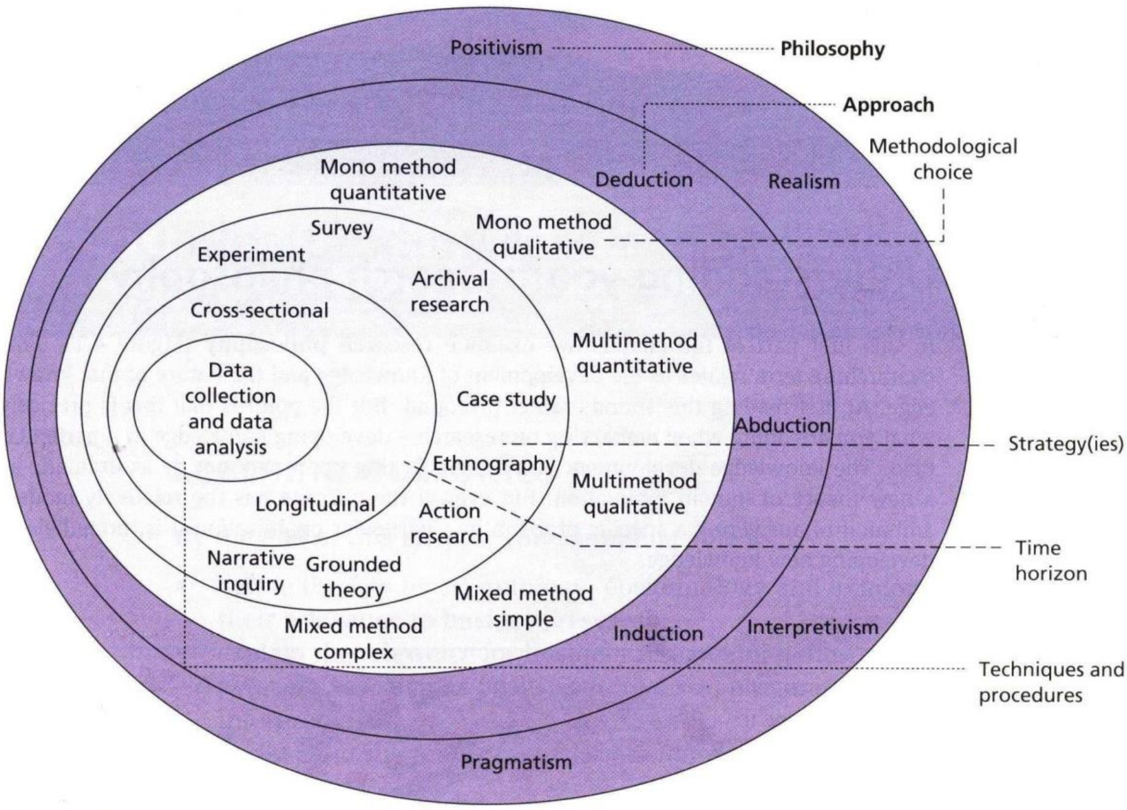
It is the intention of this research to review the underlying ethics of the industry as well as the symbiotic relationship between regulation and ethics. As well as further exploring the reliance on compliance and legal departments for organisational ethics.

Chapter 3 - Methodology

3.1 Methodology Introduction

Methodology in this context is the theory of how research is conducted. This includes not only the data collection and analysis but also how the analysis is interpreted and what existing assumption are made. Figure 5 depicts the *Research Onion* as put forward by Saunders et al (2012). This represents the philosophies, approaches and strategies that need to be considered as part of the methodology. Whilst this is a useful framework for developing a rounded methodology, it could be argued that there are some fundamental philosophies missing, particularly those of a post-positivism approach, social construction, and critical realism. Therefore, whilst it is useful, it should not be used as an all-encompassing framework. It is the intention of this research to use a methodological philosophy of critical realism, with an inductive research approach. This will be combined with a survey and narrative inquiry strategy, using statistical analysis to draw out conclusions.

Figure 5 – The Research Onion



The research philosophy is a predominant viewpoint that relates to the nature and development of knowledge, whereas a paradigm is a model of beliefs that guide actions. The history of the research paradigm is a long one and fraught with academic conflict. Saunders et al (2012) described how the original debate of ontology versus epistemology was often framed as a choice between the positivist or interpretivist approach, thus a quantitative / qualitative research choice. Through the so-called paradigm was Kuhn (1962) it was realised that the approach was not as simple as black and white and evidence based research emerged. Therefore, before starting on the outside layers of the research onion and forming a central philosophy, an overarching paradigm must first be explored. Saunders et al (2012) explored the two main paradigms, ontology and epistemology, though Denzin and Lincoln (2011) argued that axiology should also be considered as part of the basic foundational philosophical dimensions of a paradigm proposal.

The main concern of an ontology approach is the nature of being (reality) and the differences between reality and perception. Saunders et al (2012) suggested that this therefore raised questions of the assumptions researchers have about the way in which the world operates. There are therefore two main philosophical positions of ontology: objectivism and subjectivism. The theories of objectivism and subjectivism have a long history dating back to the ancient Greek philosophers. Objectivism characterises the position that social entities exist in reality un-reliant and independent of social actors. However, Saunders et al (2012) described objectivism in a modern day management setting as managers in an organisation have job descriptions which prescribe their duties, operating procedures and the structural hierarchy in which they operate. Aspects of the structure may differ between organisations, but the essence of the function is very much the same. Subjectivism, however, denotes that social phenomena are created through the perceptions and consequent actions of affected social actors. Therefore, in the Saunders (2012) analogy, the objective aspect of management is less important than the way in which the managers themselves interpret their own job descriptions.

Comparatively, epistemology is concerned only with the facts, and what constitutes acceptable knowledge in the field of research. The knowledge deemed to be acceptable must have gone through a rigorous testing process in order to prove it as factual. The main philosophical positions associates with epistemology, according to Denzin and Lincoln (2011), are Positivist and Post positivist, constructivist-interpretive, critical, and feminist-post structural. As a complete contrast to epistemology, the axiology paradigm studies the judgements about value and opinion and allows the researcher to understand and recognise the role of their own values and opinions on the collection and analysis of data.

Axiology will be covered to some extent in the Research Ethics section of the Methodology, although, given the nature of the research, axiology will also be drawn upon in the findings. Epistemology is more relevant for scientific research where a rigorous process of testing against a hypothesis can be carried out. Therefore, the overarching philosophical paradigm for this research will be an ontological stance. However, the underlying research philosophy will be developed in the Research Methods and Philosophies section of the Methodology.

3.2 Research Objectives

This research will seek to determine the effect of regulation on the ethical decision-making of staff in financial services and how ethical practice can be improved. It will:

i. investigate if ethics are used purely as a selling tool when the economic environment demands it,

ii. establish if regulation is causing companies to become complacent about ethics,

iii. estimate the extent to which the industry has become ‘dumbed down’ by a reliance on pre-programmed workflows and software,

iv. determine if the financial services industry is still remunerating sales staff on a commission basis and to what extent this style of remuneration has on ethics, and

v. investigate where ethics sit within the organisational structure.

These objectives are critically analysed in the context of this research in chapter 6.2.

3.3 Research Philosophies and Approaches

Taking into consideration Saunders et al (2012) research onion as depicted in figure 5, the very outer layer of the onion shows the philosophical approach to research. As previously stated this model does not show the initial overarching philosophies of ontology and epistemology. This research will be using a combination of the two overall philosophies depending on which is appropriate. Within the aforementioned model the philosophy of method is split into 4 main principles; positivism, realism, interpretivism and pragmatism, although within this there are subcategories. Niglas (2010) suggested that it was sometimes more appropriate for researchers to think of the philosophy adopted as a multidimensional set of continua rather than separate positions. Saunders et al (2012) suggested that if this were the case then the research philosophy would be one of pragmatism.

Positivism was first introduced by Comte at the beginning of the nineteenth century. Saunders et al (2012) define positivism as adopting the philosophical stance of the natural scientist. This adopts an ontological approach, which means collecting data though observation and searching for a pattern to create generalisations, which works very well when using data collected to a defined hypothesis. Data collection of this verity relies heavily upon facts. Alvesson & Skoldberg (2009) suggested that the concept of positivism has often varied depending on who was defining it.

The positivism approach works well in an environment where the theory being tested does not involve the human element but instead relies completely on statistical analysis. It is also a useful approach if a full hypothesis is yet to be defined as the positivism approach defines the hypothesis from the data collected. However, as the data collection is solely based on observable facts the feelings of the data respondents are not taken into consideration. Therefore, the evaluation and interpretation of the data collected relies on interpreting every response with computer like accuracy. This is difficult to achieve in a social science setting if the research has an element of open questions or interpretation of human emotion.

Whilst in this research there will be a large element of statistical analysis of data, there will also be a large element of open interpretation and evaluation of human feeling. Therefore, there is a limited role for a positivism approach in this research.

A methodological theory which is not taken into consideration by Saunders et al (2012) research onion (figure 5) is constructivism. Constructivism evolved from the restrictions which positivism possesses, particularly within the social science arena. Unlike positivism, constructivism adopts an epistemological approach and believes that social phenomena cannot be adequately theorised through observation alone. Owens (2011) described constructivism at understanding the world, especially the social world, at least partly as the product of social cognitive construction since humans are always situated within some sociocultural and linguistic framework. Therefore, constructivism views reality as being entirely socially constructed. It is for this reason that there is a limited role for constructivism within this research.

There are other post positivism methodological philosophies that look beyond the immediately observable, required in positivism. One of these is realism, which is still a scientific approach and, according to Saunders et al (2012), a branch of epistemology. Saunders et al (2012) describe the essence of realism as what we sense is reality, therefore, building on positivism. Owens (2011) states a realist's position is to tread the middle ground between strong forms of constructivism and positivism. There are two specific forms of realism, direct and critical. The philosophical originator of critical realism Bhaskar (1979) eloquently summed up the critical realist suggesting that social analysis should include both underlying social phenomena without rejecting the importance of subjective experience. Direct realism, also sometimes referred to as naive realism, is rooted in perception and the idea that what human experiences through their senses is reality. Critical realism argues that the senses do not give the information required to perceive reality. Optical illusions are the mainstay argument of a critical realist. Whilst critical realism is a relatively new philosophy many of the fundamentals are linked back to other philosophical ideologies, Marxism in particular would figure as a major precursor.

Critical realism has two distinct steps. The first is the perception of the object under investigation and the sensation that the object conveys and the second is the mental processing of that object that the human brain does. Direct realism is unconcerned with the first step. Saunders et al (2012) use the analogy of an umpire in a sports match. A critical realist would say, 'I give them as I see them', whereas the direct realist would say, 'I give them as they are'. The approach of direct realist allows no room for perception or doubt. In contrast, the critical realist recognises that everyone perceives the same events differently based on exactly what can be seen and sensed at the time and makes allowances the mind process senses differently.

Saunders et al (2012) recognised the importance of research to make change and argue that another of the differences between direct and critical realism was a direct realism perspective would suggest the world was changing. Therefore, a major strength of critical realism is that it recognises the importance of multilevel study and left the capacity for research to make change. Another strength of critical realism is the ability for a mixed methodological choice analysis. Potter (2015) argued that the use of quantitative methodology does not automatically result in a positivist approach and that there is a place for both quantitative methodology and mathematical modelling in critical realism.

One of the perceived criticisms of critical realism as suggested by Alvesson & Skoldberg (2009) is a tendency to objectify and exaggerate, modest claims are not the trademark of critical realist. Alvesson & Skoldberg (2009) cite Bhaskar (1991) as an example, speaking of the necessity to reclaim reality which has been kidnapped by dangerous forces. However, it could be argued that a lack of modesty in claims is actually a strength of critical realism, particularly if there is a view to incite change and challenge authorities in a business area such as financial services which had grown sensationalist headlines. The strengths and philosophies of critical realism resonate with this research and would appear to be a good fit in terms of the overarching methodological philosophy.

Another of the methodological philosophies mentioned in Saunders et al (2012) research onion (figure 5) is interpretivism. Interpretivism is said to be the opposite of positivism and is, therefore, also called anti-positivism or negativism. This methodological approach stems from the concept that conducting research is different when it is in regards to people and not objects. Saunders et al (2012) suggested it is necessary for researchers to understand differences between humans in roles of ‘social actors’. The term social actors is of particular significance as it implies that humans act in a particular way in accordance with their own interpretations of societal roles and duties. Whilst this methodological philosophy is used within a social science setting, the regulatory and rules-based aspect of this research makes this philosophy of limited use.

The final methodological philosophy in the research onion (figure 5) is pragmatism. Alvesson & Skoldberg (2009) describe pragmatism as ‘social utility, social control as an outcome of research constituting the criterion of truth’ meaning that pragmatism asserts that any research concepts are only relevant where they are supported by an action. A pragmatist can operate within different philosophical positions provided the research question has not dictated a philosophical stance. Saunders et al (2012) suggested that this view is taken because the pragmatist recognises that there are many different ways of interpreting the world and undertaking research. One of the big advantages of this approach is the ability to change the methodological approach. However, this could also be considered a disadvantage at the researcher must define the methodological approach each question.

Throughout this research a methodological philosophy of critical realism will be used. This is because of the versatility of critical realism, which gives the ability for a mixed methodological choice analysis. Critical realism also allows for the consideration of human perception of events as well as an allowance for a lack of modesty in the theories put forward.

The research philosophy is the overarching ideology that relates to the nature of knowledge and how that knowledge is developed further. The research approach, however, is the theory that underpins the research. It is widely accepted that there are three different methodological approaches, deductive; inductive; and abducted.

A deductive approach is common in the area of natural scientific research. Ketokivi (2010) explained that deductive reasoning occurs when the conclusion is derived logically from such premises. Therefore, the conclusion is true when all the premises are true. Thus, this method is of particular use when testing a hypothesis. Saunders et al (2012) describe the deductive approach as the dominant approach and scientific research, where laws prevent the basis explanation, allow the anticipation of phenomena, predict their occurrence and therefore permit them to be controlled. According to Blaikie (2010) there are six steps that deductive research must follow:

1. a testable idea, premise or hypothesis;
2. deduce a testable proposition or propositions;
3. examine the premise and logic of the argument and see if it advances understanding;
4. using appropriate data, test the premise;
5. if the results are not consistent with the premise in the premise is false and must either be rejected or modified; and
6. if the results are consistent with the premise then the theory is corroborated.

This type of research is highly structured and based on empirical evidence. Therefore, there is no place for human emotion or perception. This is why a deductive approach is often used in a scientific research.

An inductive approach is based more on qualitative data, therefore theories devised from gaining a better understanding of the problem. That is not to say that there is no place for quantitative data in an inductive approach. It is not uncommon to use a combination of data collection methods. Unlike Blaikie (2010) sequential steps for a deductive theory, inductive theory does not have that set path, although it could be argued that the reverse of the six steps is almost the path of an inductive theory. Visual observation leading to noticing patterns, leading to a tentative premise and progressing onto a defined theory.

There is an alternative approach to both inductive and deductive approaches and this is an abductive approach. Which moved between the two approaches. Saunders et al (2012) describe this as, deduction moving from theory to data, induction moving from data to theory, and abduction moving back and forth between the theory and data; in effect combining deduction and induction. Alvesson & Skoldberg (2009) suggested that actually in practice this was probably the method used in many case study based research processes.

The table below (table 6) is a very succinct outline of the three approaches as put forward by Saunders et al (2012).

Table 6– Deduction, induction and abduction: from reason to research.

	Deduction	Induction	Abduction
Logic	In a deductive inference, when the premises are true, the conclusion must also be true	In an inductive inference known premises are used to generate untested conclusion	In an abductive inference, known premises are used to generate testable conclusions
Generalisability	Generalising from the general to the specific	Generalising from the specific to the general	Generalising from the interactions between specific and the general
Use of data	Data collection is used to evaluate propositions or hypotheses related to an existing theory	Data collection is used to explore phenomenon, identify themes and patterns and create a conceptual framework	Data collections is used to explore phenomenon, identify themes and patterns, locate these in conceptual framework and test this through subsequent data collection and so forth
Theory	Theory falsification or verification	Theory generation and building	Theory generation or modification incorporating existing theory where appropriate, to build new theory or modify existing theory

Easterby-Smith et al (2008) suggested that there were three reasons why it was important to define a research approach:

1. it enables more informed decisions about research design;
2. it will enable a more informed approach to the strategy and methodological choices; and
3. the knowledge for the different research approaches enables adaption for known or suspected constraints.

This research will be taking an inductive approach with the initial observation having taken place over the span of a fifteen-year career within regulatory compliance in the financial services sector. This led to an initial premise that ethics were sadly lacking in the industry and, even more interestingly, industry staff, who outside of the industry appeared to have a strong moral and ethical compass, seemed to lose that once in the work environment. It is this insight that formulated the research idea and hypothesis, which now needs further testing and observation before a defined theory can be concluded in order to make an advancement in the field.

3.4 Research Design

Referring back to Figure 5, Saunders et al (2012) research onion, the two outer layers, philosophy and approach have been considered above. Research design takes into consideration the next three layers, methodological choice, research strategy, and the time horizon. The methodological choice consists of six variations of qualitative and quantitative research techniques. Quantitative research is synonymous with the collection of data that results in number driven analysis, for example, statistics and graphs. Examples of data collection that result in numerical output, include, closed question surveys and scientific experiments. The opposite is true for qualitative research techniques. These result in word driven analysis, for example, explanation, patterns and trends. Examples of data collection that result in non-numerical data are, interviews, observations or focus groups.

Mono-method for either qualitative or quantitative is to use one method in either category. For example, a mono method qualitative methodological choice might mean the only research technique used is an interview, while a mono method quantitative methodological choice might mean the only technique used is a closed question questionnaire. In these methodological choices the one research technique is the primary source of research, as opposed to multimethod techniques which then can use more than one technique, the primary source of research. The mono method is associated with a number of weaknesses. The main one was suggested by Saunders et al (2012), that only one source of data is not considered to be reliable enough and therefore, the multimethod is advocated because of this weakness.

Within mixed method research multiple techniques are used from either the qualitative or quantitative systems. For example, in this method a quantitative survey could be used and followed up with a qualitative interview. If this method is used but the data is collected and analysed independently this is the simple mixed method. If, however, the qualitative and quantitative data is fully integrated throughout the research then this is a complex mix method. Cresswell (2007) further expanded the mixed method choices beyond the work of Saunders et al (2012), discussing sequential or concurrent mixed methods research. Sequential mixed methods research involves more than one phase of data collection and analysis, whereas concurrent mixed methods research involves the use of both qualitative and quantitative data collection with only a single phase of collection and analysis.

The research strategy is the plan by which the hypothesis or research objectives will be answered. There are a number of different possible strategies, some of which are linked to the methodological philosophy, approach and choice. Saunders et al (2012) suggested that there are open boundaries between methodological philosophies, approaches, and strategies and, in a similar way, a particular research strategy should not be considered inherently superior or inferior to any other. That being said, some are principally linked to a particular methodological choice.

Experiment and survey are inherently linked quantitative research, whether that be mono, multimethod, or mixed. An experiment strategy is of particular relevance in the natural science arena, for example, laboratory experiments which strictly test a hypothesis using a deductive approach. A survey strategy is also inherently linked with a deductive research approach although that can be dependent on the question types used, either closed or open. Closed questions will result in the numerical data output and therefore, fit with a quantitative methodological choice. Saunders et al (2012) suggested surveys are particularly popular in business research because they allow for the collection of standardised data from a sizeable population in a highly economic way. The economy of the survey strategy has improved dramatically over the last twenty years due to wide use of the Internet and such tools as survey monkey®. One of the criticisms of the survey strategy is the dependence on others for information. Despite the name, surveys are not the only method of data collection belonging to the survey strategy. Saunders et al (2012) suggested that structured interviews and structured observations were also within this strategy.

Methodological strategy of archival research is to use data records, administrative records, and archives to source data. This could mean anything from ancient historical archives to census information, or up-to-date electoral roll data. An archival strategy is likely to be a mixture of qualitative and quantitative data and therefore a concurrent mixed method research or triangulation design. Another strategy that uses triangulation design is a case study strategy. This strategy uses either single or multiple case studies in order to study a research premise. In a case study strategy Yin (2009) highlighted the importance of context. A case study strategy is often seen in a medical context, outside a laboratory in a hostel or patient facing setting. A case study strategy is used to study a research premise in the individual context, if that context is a group setting, for example a focus group. This then becomes an ethnography strategy. Saunders et al (2012) suggested ethnography was the earliest form of qualitative research, with the origins dating back to colonial anthropology. The applications of this strategy can vary greatly from semi-organised focus groups to pure observational research, where the researcher is inserted into a group to watch behavioural traits. An example of this is anthropologist Dian Fossey who studied the behaviour of mountain gorillas by observing them for eighteen years, or anthropologist Jane Goodall who is the world's foremost expert on chimpanzees, and who spent fifty five years studying their behaviour.

Saunders et al (2012) described an action research strategy as an emergent and iterative process of enquiry that is designed to develop solutions to real organisational problems through a participative and collaborative approach. Levin & Greenwood (2011) argued that action research is a viable research strategy enabling a balance between rigour and relevance and that it had a great transformative potential. However, this strategy does rely on participation, which can be difficult in organisational setting as opposed to university setting. The process of action research is a qualitative choice that requires a continual spiral of evaluation, learning and action.

Grounded theory was first introduced by Glaser & Strauss (1967), who stated the grounded theory method consists of flexible analytical guidelines that enabled researchers to focus data collection and to build middle range theories. Saunders et al (2012) described grounded theory as being able to develop theoretical explanations of social interactions and processes in a wide range of contexts, including business and management. Grounded theory is usually perceived as an inductive approach. However, Saunders et al (2012) argued that it could be more appropriate to think of it as moving between inductive and deductive, therefore, abductive. The researcher collects and analyses data simultaneously developing analytical codes as they emerge. Strauss & Corbin (1998) suggested that there are three coding strategies:

1. open coding - reorganising data into categories;
2. axial coding - reorganising relationships between categories; and
3. selective coding - integration of categories to produce a theory.

The final methodological strategy in Saunders et al (2012) research onion (Figure 5) is a narrative inquiry strategy. This strategy is a personal account of the situation or event. This is often seen in open question interviews. This allows for more in-depth reviews than simple numerical data. However, it also allows for a person's own bias to be put on the situation. Therefore, samples must be chosen carefully. Narrative inquiry is interpretive and a qualitative strategy, which can also be used as part of a mixed method.

The final layer of Saunders et al (2012) research onion (Figure 5) within the research design section is the time horizon. This means that research can either be cross-sectional meaning a snapshot of how things are at the moment the research is done, or a longitudinal approach, which is more akin to a representation of events over a period of time. Saunders et al (2012) stated that most research projects were cross-sectional because of time constraints. An example of a longitudinal project would be charting the development and behaviour characteristics of a group of children from birth to 18 years of age. Whilst this may give powerful insight, many projects do not have that type of time capacity.

Though qualitative research design is split into three layers within the Figure 5 Saunders et al (2012) research onion, although it is actually extremely intertwined, particularly the methodological choice philosophy, choice and strategy. Saunders et al (2012) suggested that there are set paths that research takes depending on the overall research philosophy. This is summarised in Table 7 below.

Table 7 – Summary of Research Paths

	Quantitative	**Qualitative**	**Muti-Method**
Methodological philosophy	Positivism	Interpretive	Realism and Pragmatism
Research Approach	Deductive	Inductive	Deductive and Inductive
Methodological Choices	Quantitative, numerical based data	Qualitative, non-numerical based data	Mono-Method and Multiple Methods
Research Strategy	Experimental and Survey	Action research, Case-study research, Ethnography, Grounded theory and Narrative approach	Concurrent triangulation design, Concurrent embedded design and Sequential explanatory design.

This table shows how these different ideologies, philosophies, and strategies fit in with one another to make the research design. This research will be using an overarching methodological philosophy of critical realism, with an inductive research approach. The initial observation having taken place over a 15+ year career within regulatory compliance financial services, leading to an initial premise and research idea which now feeds into a methodological choice of a simple mixed method based on the strategies of survey and narrative inquiry. The time horizon will be cross-sectional.

3.5 Research Collection and Critical Analysis

The very centre core of the Saunders et al (2012) research onion (Figure 5) is the techniques and procedures, which plans the data collection and data analysis. This research intends to use a combination of strategies the first of which will be a survey strategy using questionnaires. Though questionnaires can take a variety of forms, including closed question interviews, this research will use a survey approach. Therefore, the person answering the questions will record the answers themselves, although this will be digitally rather than manually. As each respondent answers the same set of questions it will provide an efficient method for data collection. Saunders et al (2012) postulated that this was the reason why questionnaires continued to be one of the most widely used data collection methods.

There are a number of factors that go into the choice of the type of survey used. Saunders et al (2012) suggested that there are six factors:

1. characteristics of the respondents;
2. importance of reaching a particular respondent;
3. importance of answers not being contaminated or distorted;
4. size of the sample required;
5. types of questions that need answering; and
6. number of questions to be asked.

The special characteristics of respondents required for this research is that the respondents must have had some dealings with the financial services industry, for example, a bank account; loan; credit card; mortgage; insurance products; or car finance. This is therefore inclusive of the majority of the population. The only two caveats are that a respondent must be over eighteen years of age and resident in the U.K. As the respondent characteristics are very wide it makes it ideal for an Internet-based questionnaire. This will also help to ensure answers are not contaminated, as the respondent will complete the survey themselves. Internet-based questionnaires are also ideal for large sample sizes. As the questions will be simple to understand and do not require any special education, training, nor insight into financial services (other than having had a product), it also makes it ideal for a large population Internet-based questionnaire.

Questionnaires need to be rigidly structured and therefore each question will be planned in advance. There are a number of different question types that can be used in the questionnaire. Dillman (2009) suggested that these are:

1. opinion - recalled how respondent fields about something;
2. behavioural - record information about individual past habits; and
3. attribute - record data about the characteristics of the respondent.

It is the intention of this research to use a combination of question types, including some dependent variable questions. This is dependent on whether the respondent is only a consumer of financial services or if the respondent is an employee and a consumer of financial services. As well as the question types there are also a number of different styles, for example, close or open questions; category questions; rating questions; quantity questions; and matrix questions. This research will use the style appropriate for the question.

One of the biggest criticisms of questionnaires is the low response rate. However, as the potential audience is so large and questionnaires will follow general operating guidelines or netiquette as put forward by Hewson et al (2003). This helps to mitigate the risk of a low response rate. Also cross-referencing to other published survey outcomes can help to mitigate limitations.

The other method of data collection that this research intends to use is the research interview. There are a number of different interview categories: structured; semi-structured; or unstructured / in-depth. A structured interview is similar to a survey in style with each interviewee being asked the same questions. A semi-structured interview, however, will have a list of key questions or themes to be covered, whereas an in-depth or unstructured interview is very informal and will cover one particular topic in depth with no set questions. This research intends to use semi-structured interviews, with the structured areas coming directly from the survey response.

Interviews can be held in a variety of formats, for example on the telephone; using video conferencing software; and face-to-face. Research interviews can be on a one-to-one basis or in a group. It is the intention of this research use one-to-one interviews, the format of which will vary depending on the most appropriate to the interviewer and interviewee.

Saunders et al (2012) suggested that one of the biggest criticisms of interviews was data quality issues. These can come in a variety of different forms: reliability; forms of bias; generalisability; and validity. Reliability can be called into question with a lack of standardisation. To mitigate against this, this research proposes to use a semi-structured approach based on the survey response. There are three forms of bias: interviewer bias for example, leading the interviewee through either verbal or non-verbal prompts; interviewee bias, when the interviewee has obvious preconceived ideas about the interview; and finally, participation bias, relating to the research and not completing the initial sample size due to the time-consuming nature of interviews. Biases can be mitigated against to some extent, by using well-defined questions, where appropriate and an appropriate data sample size.

Unless a census is carried out, there will need to be an element of sampling. Becker (1998) suggested that when selecting a sample to study, it should be representative of the full set of cases in a way that is meaningful, and which can be justified. Therefore, a sample must not be selected because of a bias, but rather because it is a good representative sample. There are two different types of sampling methods, probability, and non-probability sampling.

Probability sampling is based on the premise that within the research population there is an equal chance of selection to answer the research objectives. This is based on random sampling and of particular used with large population sizes. Saunders et al (2012) suggested it is commonly used in conjunction with a survey strategy. If a probability sampling approach were to be taken, then the target sample of this research population would be all individuals living within the UK, who are over the age of eighteen and have had dealings with the financial services industry, this would equate to a sample size of approximately 28million. However, due to the highlighted issues around obtaining survey responses and that a sample size of 28million is unrealistic for this level of research and with the limited budget and resources, it is therefore the intention of this research to use non-probability based sampling. This means that each UK adult with financial services exposure does not have an equal likelihood of being selected to take part in the survey. The survey itself is online, so the respondent must have access to a computer and internet connection and be able to use the survey programme. It is also the intention of this research to use existing contacts through Facebook and LikedIn, and their contacts, therefore creating both a self-selection and snowball sampling technique on a volunteer basis.

Dawson (2019) suggests that using a snowball sampling approach is particularly pertinent when the survey sample is hard to reach or difficult to identify, Saunders et al (2012) attest to this notion and maintain that self-selection is also useful in those circumstances. This was the main reason for choosing this approach. Whilst the sample may not be difficult to identify, the sample is hard to reach on the basis that many individuals do not want to talk about their experience of financial services with a stranger, even though no specific financial information was asked for or even personal identifiers, there is however still a privacy concern barrier that exists. Therefore, in order to get a relevant sample size of statistical significance this combination of approaches was chosen.

A sample size of the survey phase of this research will take into account the research population size and the statistical importance of a high response rate. The sample size would initially take into account the contacts made on Facebook - 375 and LinkedIn – 473. This would therefore give an initial sample population size of 848 for self-selection. As the snowball selection was then done anonymously through the forwarding of a hyperlink it is not possible to know who forwarded the survey link and their contact pool, and Dawson (2019) suggests that this is a recognised disadvantage of the anonymised snowball selection technique. This means that only the initial sample population can be used for calculation, for example to get a 10% response rate 85 surveys would need to be completed. However, put this into a wider context: According to the Office of National Statistics (ONS) in June 2016 the UK population was estimated at 65,110,000 of which 29,900,000 were under the age of eighteen. Therefore, there is a total adult population of approximately 35,210,000[39]. Of the adult population 85% have access to the Internet leading a research population of 30,280,600[40]. It is also estimated that 1.5 million people in the UK do not have a bank account. Whilst a bank account is not essential for this research there is an assumption that if this population does not have a bank account, they will not have used other financial services products either. This leaves a total research population of 28,780,600[41]. Therefore, to reach 1% of the entire research population total would mean a survey response of 287,806. It is therefore important to note that the research is limited in so far to say it is not wide enough for the conclusions to be considered reflective of the entire UK population.

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[39] *Office of National Statistics (2016) People, Community and Population. Available at: http://www.ons.gov.uk/peoplepopulationandcommunity. [accessed 8th August 2016].*

[40] *Office of National Statistics (2016) Business and Industry. Available at: http://www.ons.gov.uk/bunsinessandindustry. [accessed 8th August 2016].*

[41] *Financial Inclusion Commission (2016) Facts. Available at: http://www.financialinclusioncommision.org.uk/facts. [accessed 8th August 2016].*

The narrative inquiry strategy stage will follow on from the survey strategy and will also use non-probability sampling. This stage will be based on further information required from the survey strategy stage. The survey will give the opportunity for participants to leave their contact details if they wish to be a part of the interviews, therefore there is an element of self-selection. The final selection will be based upon this self-selection and the type of individual, in so far as if the person has personal or business dealings with the financial services industry, if they are employed within the industry or if they consult to the industry for example external legal counsel. This therefore also makes the narrative inquiry stage purposive, in that the selection of interviewees with be based on Judgment sampling, in order to get specific representation from individuals with interactions within the financial services industry from a personal, business, legal and employee perspective.

This will be a sample size of an estimated 10% of the survey responses, Saunders et al (2012) state that semi structured / in-depth interviews should aim to have a sample size of between 5-25 to be considered relevance. However, it is worth noting that as this sample is purposive it cannot be considered a fair representation of the entire population.

The critical analysis and statistical approach of the data will differ as this research is using a mixed method. The quantitative data from the majority of the survey questions will need to be processed and analysed in order for it to have meaning, as in its raw form is a list of number that will bear very little relevance to the research objectives. To define the statistical approach needed it is first necessary to classify the type or types of quantitative data with the survey. Each question is classified individually in chapter 4.4 Survey Question Rationale for the purpose of defining the statistical approach table 8 below can be used to see the survey data classifications.

Table 8 – Survey Question Data Classifications

Questions	Total	Data Classification
1, 2 & 3	3	Descriptive Data
4, 18, 20, 31, 33, 34, 36, 42, 44, 46	10	Dichotomous Data
5-17, 22-30, 32, 35, 37, 38-41	29	Interval Data
19, 20, 43, 45, 47	5	Open / Qualitative

For the purposes of the statistical approach the 5 questions that are open / qualitative data will be defined with the semi structured interview data. Therefore, it can be seen that there is a mix of descriptive, dichotomous and interval data types. Descriptive data is usually a defined list of categories, for example the question 2 in the survey asks the respondent to tick which part of the UK they are living in, this is a set list of 12 locations. Saunders et al (2012) suggest that all descriptive data should be unambiguous to prevent confusion in which category the respondent belongs to. The statistical approach to descriptive data is usually a simple count to establish which category has the most or if the count is evenly split between all categories, from this count graphical data can be produced and conclusions drawn. The next category of data in the survey is dichotomous data, this is where the question is closed has only 2 possible answers, for example in the survey question 4 it asks the respondent if they work within the financial services industry – yes or no. In total there are 10 closed question types in the survey producing dichotomous data. The statistical approach to dichotomous data is identical to that of descriptive data.

The final data classification and most represented in the survey is interval data that comes from Likert scale questions, in total there are 29 of these questions. Interval data uses a numerical scale to answer the question. Dawson (2019) explains that this is a more precise comparison method than descriptive data alone. Saunders et all (2012) take interval data and further define it into either continuous or discrete data, continuous data is what is used in the survey, this means that the data could be represented by any number. Discrete interval data has to be represented by a specific number for example heat measured on a thermometer. The more precise the scale of data is the greater the range of tools available for analysis, as the interval data used in the survey is a relatively simple 1-5 Likert scale then the analysis is also relatively simple. The statistical analysis will initially use a count of each scale to extract graphical data using the analysis reporting programme within Survey Monkey, this will be used to draw simple conclusions and report the initial findings and results of the data in Chapter 4. The analysis will then go a step further in chapter 6 and use excel to compare and contrast linked questions to draw more in-depth conclusions and fulfil the research objectives.

The qualitative data in this research from both the 5 open survey questions and the semi structured interviews will take on an inductive critical analysis approach, this means that the conclusions will be led by the themes and issues that arise within the question answers. Whilst there is no statistical approach to the qualitative data it will be used in the critical analysis to further explore the conclusions drawn from the quantitative data.

3.6 Research Ethics

Ethical concerns in a research capacity relate mainly to the subject of the research, whether this be, for example, human tissue samples, animals, or individuals. In the case of this research, ethics will directly relate to the individuals involved in the data collection portion of the research. Saunders et al (2012) put forward a number of principles that had been designed to recognise the ethical issues that occur across research approaches, these are outlined in table 9. It was noted by Dawson (2019) that research in the UK comes under the jurisdiction of an institutional research ethics committee board. This research has sought and gained the approval of the research ethics committee for both the survey and interview portion of this research. The biggest concern of ethics within this research project is compliance with data protection rules, privacy of those taking part, and integrity and objectivity.

Table 9 - Ethical principles, the ethical rationale and development of each principle

Ethical Principle	Ethical rationale for and development of this principle
Integrity and objectivity of the researcher	The quality of research depends in part on the integrity and objectivity of the researcher. This means acting openly, being truthful and promoting accuracy. Conversely it also means avoiding deception, dishonesty, misrepresentation, partiality, reckless commitments or disingenuous promises. Where appropriate, any conflict of interest or commercial association should be declared.
Respect for others	A research division is based on the development of trust and respect. The conduct of the research entails social responsibility and obligations to those who participate in or are affected by it. The rights of all persons should be recognised and the dignity respected.
Avoidance of harm	Any harm to participants must be avoided. Harm may occur through risks of emotional well-being, mental or physical health, or social or group cohesion. It may take a number of forms including embarrassment, stress, discomfort, pain or conflict. It may be caused by using a research method in an intrusive or zealous way that involves mental or social pressure causing

	anxiety or stress. It may also be caused by violating assurances about confidentiality and anonymity, also harassment or discrimination.
Privacy of those taking part	Privacy is a key principle that links to or underpins several other principles considered here. Respect for others, the avoidance of harm, the voluntary nature of participation, informed consent, ensuring confidentiality and maintaining anonymity, responsibility in the analysis of the data and reporting the findings, and compliance in the management of data are all linked to or motivated by the principle of ensuring the privacy of those taking part.
Voluntary nature of participation and right to withdraw	The right not to participate in the research project is unchallengeable. This is accompanied by the right not to be harassed participate. It is also unacceptable to attempt to extend the scope of participation beyond that freely given. Those taking part continue to exercise the right to determine how they will participate in the data collection process, including rights: not to answer any questions, or set of questions; not to provide any data requested; to modify the nature of their consent; to withdraw from participation; and possibly could withdraw data they have provided.
Informed consent of those taking part	The principle of informed consent involves researchers providing sufficient information and assurances that taking part to allow individuals to understand the implications of participation and to reach a fully informed, considered and freely given decision about whether or not to do so, without the exercise of any pressure or coercion. This leads to the right of those taking part to expect the researcher to abide by the extent of the consent given and not find the researcher wishes to prolong the duration of an interview or observation, or to widen the scope of the research without first seeking and obtaining, or to commit any subsequent breach of the consent given.
Ensuring confidentiality of	Researchers designed to answer who, what, when, where, how and why questions, not to focus on those who provide the data

data and maintenance of anonymity of those taking part	to answer these individuals and organisations should therefore remain anonymous and the data they provide should process to make it non-attributable, unless there is an explicit agreement to attributed comment. Harm may result from an authorised attribution or identification. Reliability of data is also likely to be enhanced where confidentiality and anonymity are assured. This principle leads to the right to expect assurances about anonymity and confidentiality to be observed strictly.
Responsibility in the analysis of data and reporting of findings	Assurances about privacy, anonymity and confidentiality must be upheld when analysing and reporting data. Primary data should not be made up or altered and result should not be falsified. Finding should be reported fully and accurately, irrespective of whether they contradict expected outcomes. The same conditions apply to secondary data, the source or sources of which should also be clearly acknowledged. Analysis and the interpretations that follow from these should be carefully checked in correlation made to ensure the accuracy of the research report and any other outcome.
Compliance in the management of data	Research is likely to involve the collection of personal data. Many governments have passed legislation to regulate the processing of personal data. There is therefore a statutory requirement to comply with such legislation. In the European Union, European directive 95/46//CE have led member states to pass data protection legislation. Other laws may exist in particular countries relating to the processing, security and possible sharing of data. It will therefore be essential for researchers to understand and comply with the legal restrictions and regulations that relate to the management of research data within the country or countries within which they conduct research.
Ensuring the safety of the researcher	The safety of the researchers is a very important consideration when planning and conducting a research project. A social research Association’s code of practice for the safety of social researchers identify possible risks from social interacting

	including, risk of physical threat or abuse; risk of the psychological trauma…; Risk of being in a compromising situation…; Increased exposure to risks of everyday life (social research Association 2001:1) research designs therefore needs to consider risks to researchers as well as participants.

3.7 Expected Research Contributions

It is expected that this research will contribute a substantive theory in the area of regulatory ethics, building on the existing work of others, for example Mullins (2013) theory on the symbiosis between regulation and ethics. This research will focus on whether businesses regard regulation to be comparable or even equal to ethical practice and decision-making in everyday business operations as well as reviewing the perceived area that responsibility for ethics sits within a business. It is expected that this research will not add just to the theory but also to the practical application of ethics in the financial services industry.

3.8 Methodology Conclusion

This research will be using an overarching methodological philosophy of critical realism with an inductive research approach. The initial observation having taken place over a fifteen year career within regulatory compliance in the financial services industry, leading to an initial premise and research idea which now feeds into a methodological choice of a simple mixed method based on the strategies of survey and narrative inquiry and the time horizon will be cross-sectional.

3.8.1 Methodology Overview

Table 10 summarises the choice made in the context of Saunders et al (2012) research onion, the theoretical framework of research methodologies discussed in Section 3. The table lists the combination of philosophies, approach, strategies, methods, time horizon and data collection that are the most appropriate given the core research objectives raised at the beginning of the thesis: Does increased regulation impact on the ethical behaviour of staff in the U.K. financial services industry? The rationale behind each methodological selection is presented subsequently.

Table 10 – Summary of Research Onion

Philosophy	Critical Realism
Approach	Inductive
Strategy	Survey and Semi-Structured Interviews
Method	Mixed Methodology
Time Horizon	Cross Sectional
Data Collection	Non-Probability Sampling for Surveys, using a self-selection and anonymised snowball sampling approach. Non-probability Sampling for Semi-Structured Interviews, using a purposive and judgement sampling approach.

Philosophies - In contrast to mainstream approaches to conducting economics research, this research piece takes a critical realist perspective. The fundamental reason for selecting this research philosophy is that it examines the surrounding reality without making a suite of potentially unrealistic assumptions. For example: perfect information and no time constraints as is the case with the Friedmannian (1966) positivist framework. Therefore, whilst this research benefits from an extensive literature review, which creates a theoretical underpinning, it does not attempt to fit the data to an initial hypothesis. It instead examines the collected data through real world observations and only then will draw conclusions. Whilst some experts in research methodology may argue that quantification of observations is inconsistent with critical realism, this research proves the opposite with the detailed analysis of questionnaires, which enables for the formulation of clearly defined conclusions with major policy implications.

Approach - The critical realist perspective predisposes towards an inductive research approach. Therefore, this is the approach adopted in this research piece. The inductive approach allows for data to be gathered and only then to build a theoretical understanding of the observations. However, it should be recognised that a number of the survey questions have been partially informed through the existing literature as well as through professional experience and observations in a fifteen-year career in financial services.

Strategy – This research has adopted a two-fold research strategy, surveys and semi-structured interviews. The first stage of data collection and analysis in this research piece is surveys, the second stage is a set of semi-structured interviews.

Survey -The survey style will be highly dependent on the respondent type. There are only two types of respondents: firstly, a consumer of financial services products, secondly a financial services employee who will also be a consumer. The maximum number of questions posed to a respondent was 48 (see Appendix B for a full list). The type of questions and answers is mixed with both open-ended and closed with a goal of allowing control for anomalies in responses. It was felt that this is an appropriate method to control for any bias in the responses.

Semi-structured interviews - Following the completion of the first stage survey, a set of non-probability, semi-structured interviews were held. These were held at the onset of the COVID-19 pandemic, therefore, they were completed online rather than face-to-face, due to government restrictions and self-isolation. Though the advancement in information technology enables the collection of data even in those strenuous times, it must be recognised that some visual cues may have been missed limiting the potency of interpretation of answers. The semi-structured interviews, nonetheless, consisted of 13 open questions (listed in Appendix 3). All interviewees were split in 3 categories, consumers of financial services products, financial serves employees who are also consumers and then a sub-set of financial service employees, which was legal representation both in-house and external. These categories were to allow for differentiation towards ethics taking into consideration their roles in the financial services industry.

Method - Given the dual strategy adopted at the previous research step, the methodology adopted is mixed. The two pillars of this piece, as good research principles postulate, are surveys and in-depth semi-structured interviews with various types of finance professionals. This type of methodology allows the research to develop a full understanding of the current attitude of consumers and finance professionals towards ethics and regulation. The Likert-style survey questions allow for quantitative analysis, whilst the in-depth semi-structured interviews allows for further explorations of the key issues identified in the first stage of research and qualitative analysis.

Time Horizon - This is cross-sectional as it allows to capture and contrast the attitudes of consumers and finance professionals towards the concept of ethics in the financial services industry. Nonetheless, it is recognised that this methodological choice has its own demerits. It cannot be used to analyse behaviour over a period to time, does not help to determine cause and effect and the timing of the snapshot is not guaranteed to be representative. Therefore, results and the policy recommendations should bear this in mind.

Data Collection - To collect the data, two approaches have been adopted. Firstly, non-probability sampling was utilised for the surveys due to the large target population. Non-probability sampling was also adopted for the semi-structured interviews.

Non-probability sampling for Surveys - It is the intention of this research to use existing contacts through social media, and their contacts, therefore creating both a self-selection and anonymous snowball sampling technique on a volunteer basis. The sample size of the survey phase of this research will take into account the known research population size and the statistical importance of a high response rate. The sample size would initially take the contacts made on Facebook - 375 and LinkedIn – 473. This would therefore give an initial sample population size of 848 for self-selection. Further details on the surveys and the respondents can be found in Section 4.

Non-probability sampling for interviews - The narrative inquiry strategy stage will follow on from the survey strategy and will also use non-probability sampling. This stage will be based on further information required from the survey strategy stage. The final selection will be based upon this self-selection and the type of individual, in so far as if the person has personal or business dealings with the financial services industry, if they are employed within the industry or if they consult to the industry for example external legal counsel. This therefore also makes the narrative inquiry stage purposive, and selection of interviewees with be based on Judgment sampling, in order to get specific representation. This will be a sample size of an estimated 10% of the survey responses, however, it is worth noting that as this sample is purposive it cannot be considered to be indicative of the entire population.

The critical analysis and statistical approach of the data will differ as this research is using a mixed method. The quantitative data from the majority of the survey questions will need to be processed and analysed in order for it to have meaning. There is a mix of descriptive, dichotomous and interval data types within the survey questions and these require slightly different statistical approaches. The statistical approach to the descriptive and dichotomous data will be a simple count to establish which category has the most or if the count is evenly split between all categories, from this count graphical data can be produced and conclusions drawn. The majority of the survey is in the form of Likert questions which produce continuous interval data. The statistical analysis of this data will initially use a count of each scale to extract graphical data using the analysis reporting programme within Survey Monkey, this will be used to draw simple conclusions and report the initial findings and results of the data in Chapter 4. The analysis will then go a step further in chapter 6 and use excel to compare and contrast linked questions to draw more in-depth conclusions and fulfil the research objectives. The qualitative data in this research from both the open survey questions and the semi structured interviews will take on an inductive critical analysis approach, this means that the conclusions will be led by the themes and issues that arise within the question answers. Whilst there is no statistical approach to the qualitative data it will be used in the critical analysis to further explore the conclusions drawn from the quantitative data.

Chapter 4 – Initial Results and Findings - Surveys

4.1 Survey Introduction

Overall, the follow two chapters will review the initial results and findings of the two primary research methods, the surveys, and interviews. Surveys were chosen as the initial source of primary research because they are an effective way to get large amounts of data relatively quickly. It was chosen that the majority of questions would utilise the Likert scale. This ensures ease of use for the target audience as well as forming a solid basis for the statistical research analysis. In total this research survey received 134 responses, whilst this is a relatively high number of responses, 15.8% of known sample size. As the approach used was one of non-probability sampling and an anonymised snowball approach the results are not representative of the entire UK population but form a basis for initial conclusions to be drawn against the research objectives that can underpin further research.

The surveys were split into two distinct categories: the first being, consumers of UK financial services products. There was then the category for those respondents who work in the UK financial services sector. The responses of this survey were split with 100% of respondents answering the first section, the consumer section, and 36% (48) of respondents answering section two, the financial services employee section. The reason for having the split between consumers and financial services workers was to understand if there was any marked difference in the responses between the two groups, to observe whether working in the industry gave an added insight that consumers did not have whether that be to ethical behaviour or unethical behaviour.

The survey was written online using a specific survey tool, Survey Monkey. The reason for using this tool was because it was the intention to disseminate the survey via social media outlets, specifically Facebook and LinkedIn. This was also chosen because it is a cost-effective method of collecting data as well as ease of use for the respondents who would be entering their own response data. All data was collected digitally to aid analysis. Social media was the most successful method of collecting data, with 91% of responses coming from either Facebook or LinkedIn. This includes the element that came from the anonymous snowball approach of existing contacts forwarding the link to their own contacts. The remaining 9% came from the link to the survey being sent out via an email, this was used for contacts who were aware of the research and requested the link due to not being on social media, there will also be an element of the snowball approach within that 9%.

The quantitative data from the majority of the survey questions will need to be processed and analysed in order for it to have meaning. There is a mix of descriptive, dichotomous and interval data types within the survey questions and these require slightly different statistical approaches. The statistical approach to the descriptive and dichotomous data will be a simple count to establish which category has the most or if the count is evenly split between all categories. From this count graphical data can be produced and initial findings and conclusions drawn. The majority of the survey is in the form of Likert questions which produce continuous interval data. The statistical analysis of this data will initially use a count of each scale to extract data to form graphs using the analysis reporting programme within Survey Monkey. This initial data extration will be used to draw simple conclusions and report the initial findings and results of the data in this chapter. The critical analysis will then go a step further in chapter 6 and use excel to compare and contrast linked questions to draw more in-depth conclusions and fulfil the research objectives.

The survey sections of this chapter will proceed to review the survey sample, how the survey was split and how the data was collected. It will then go on to review the survey questions and specifically the rationale for each question and which research objective they were trying to help answer. This chapter will then move on to the initial survey findings and will then have a short conclusion focusing only on the initial findings of the survey.

4.3 Survey Sample

It was decided that the survey would be split by respondent with two distinct categories: consumers of UK financial services products and employees in the financial services industry. It was expected that 100% of respondents in both categories would answer the consumer sections, as people working in financial services would certainly have a UK bank account and therefore automatically also be consumers. Though the split made the question set much longer for financial services workers, this did not prevent the questions being answered and of the 134 respondents 48 (36%) of them were financial services employees. The main reason to split the categories was to observe if there was a difference in opinion between the two groups, whether or not the employees of the financial services industry had witnessed more or less ethical behaviour than consumers. This split also helped to evidence if the perception was real or perceived and possibly the influence the media has on the perception of financial services. In 2012, Bennett and Kattasz (2016) conducted a study of public attitudes towards UK banks after the 2008 Global Financial Crisis and found that attribution of blame for the financial crisis may well have resulted in anger at the banks behaviour. This anger was based on three factors: firstly, if the person had directly suffered as a result of the crisis; secondly if the person attributed blame for the crisis to the banks and thirdly if the person had obtained information about the crisis from (largely hostile) media sources. Therefore, a difference of opinion between the two groups might be observed.

As projected in the methodology, the survey was made up of rigid, unambiguous questions that primarily used the Likert scale for answers. As the survey was completed by the respondents this meant that the answers remained uncontaminated. The survey was written online using a specific survey tool, Survey Monkey. The reason for using this tool was because it was the intention to disseminate the survey via social media outlets, specifically Facebook and LinkedIn. This was also chosen because it is a cost-effective method of collecting data as well as ease of use for the respondents who would be entering their own response data. All data was collected digitally to aid analysis. Social media was the most successful method of collecting data, with 38% of responses coming from the professional network LinkedIn and 53% of responses coming through Facebook. This includes the element that came from the anonymous snowball approach of existing contacts forwarding the link to their own contacts. The remaining 9% came from the link to the survey being sent out via an email, this was used for contacts who were aware of the research and requested the link due to not being on social media, there will also be an element of the snowball approach within that 9%. As stated in the methodology it is the intention of this research to use an existing, industry specific professional network for the non-probability data collection. It is therefore expected that there would be a comparatively high number of financial services employees who respond and in total 36% of respondents were financial services employees.

The survey was released in November 2016 and 71 responses were received in the first month. It was originally suspected that the lower than sought after response rate was down to the time of year as the response rate dropped to 2 received in December. It was therefore decided to do a targeted request via LinkedIn in January. This resulted in a further 51 responses being collated. In a further effort to increase the response rate, requested were posted via social media in the following 6 months. However, that only resulted in a further 7 responses being received and therefore it was decided that the survey would be closed.

The sample size of the survey phase of this research will take into account the known research population size and the statistical importance of a high response rate. The sample size will initially take into account the contacts made on Facebook - 375 and LinkedIn – 473. This would therefore give an initial targeted sample population size of 848 for self-selection. As the snowball selection was then done anonymously through the forwarding of a hyperlink it is not possible to know who forwarded the survey link and their contact pool. Dawson (2019) suggests that this is a known disadvantage of anonymised snowball selection. In total this research survey received 134 responses, achieving a 15.8% response rate of known sample size. Whilst this is a relatively high number of responses, as the approach used was one of non-probability sampling and an anonymised snowball approach the results are not representative of the entire UK population but form a basis for initial conclusions to be drawn against the research objectives and can underpin further research.

4.4 Survey Question Rationale

The questions asked in the survey were all written to ensure each question was linked to a specific research objective and answered one of the five main research objectives. The survey questions were also carefully worded to try to ensure that they were un-ambiguous and only asked one question at a time. Care was also taken to verify that none of the questions were leading. Consideration was taken in the planning stages as to how the results were going to be analysed and therefore predominantly only two types of question were asked: open and coded. Of the coded questions asked these answers were either closed, yes or no, or, based on a Likert scale. There were also a couple of range and tick box questions used in the very initial screening questions. The open free text questions were included only because there was no alternative and their use was limited as much as possible. This is because they can be difficult to analyse and respondents can miss them out as they can be viewed as time consuming to complete. The aim of this section is to review the rationale and justification for each question included in the primary research survey.

Table 11 – Survey Question Set

Screening Question Set					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
1	Range Question Descriptive Data	Screening	No	Please enter your age range	It was decided that the survey would only be open to those over the age of 18 and whilst it is possible to have financial services products under the age of 18 it was felt that those over 18 would have more experience of the financial services industry and a more defined opinion about ethics in financial services. If a respondent had ticked the under 18 age range, they would have been directed to a survey closing screen.
2	Tick Box Question Descriptive Data	Screening	No	Please tick your geographical location	This question was included firstly to ensure only those located in the UK proceeded to answer the survey and secondly to see if there were any geographical nuances in the opinions. If a respondent had ticked that they were outside the UK they would have been directed to the survey closeing screen.
3	Tick Box Question	Screening	No	Please tick all financial services products that you have used	This screening question was included to ensure that the respondent had indeed had financial services products and to see if there was any correlation between the

	Descriptive Data				products held and opinions. If the respondent had ticked that they had not had any financial services products then they would have been directed to the survey closing screen.
4	Closed Question Dichotomous Data	Screening	No	Do you currently work in the financial services industry?	This question very simply decided which question sets would be given to the respondent. If the answer was ‘no’ then only the consumer questions set was given. If the answer was ‘yes’ then both the consumer and the financial services employee question set was given.

Consumer Question Set – Overall Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
5	Likert Scale Interval Data	All	No	Thinking about the financial services Industry as a whole: How ethical do you think the industry is overall?	It was felt that this question was pertinent to give an overall impression from the respondent as to their view of the ethical nature of the industry as a whole, before getting into specifics. The responses were gathered using a 1 to 5 Likert scale ranging from very unethical to very ethical.
6	Likert Scale Interval Data	v	No	What priority do you think management boards of financial services Companies give to ethics?	This question was included because it was felt, not only that this would give a good indication as to how the general public perceive where ethics sit within the financial services organisation but also to determine if there is a difference in the answers between the consumer and those who work within the industry. This difference could give a good indication as to the difference press articles and advertising campaigns make to public perception. The responses were gathered using a 1 to 5 Likert scale ranging from low priority to high priority.
7	Likert Scale	ii	No	To what extent do you think financial regulation is taken	This question was included not only to review the extent to which the general public think that regulation is taken

	Interval Data			seriously by the financial services Companies?	seriously but also to review the difference in responses between the general public and the financial services employees. It was also felt that this question could help to answer if there is a discord in the way in which regulation is viewed in comparison to the way in which ethics are viewed. It will also help to answer if regulation is causing ethical complacency. The responses were gathered using a 1 to 5 Likert scale ranging from not taken seriously to taken very seriously.

Consumer Question Set – Overall Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
8	Likert Scale Interval Data	ii	No	To what extent do you think increased regulation has made the financial services industry more ethical?	This question was included to evaluate if there is a perceived direct correlation between increased regulation and ethics. The question would also help evaluate if increased regulation is causing complacency in companies. This would be of particular use in the differences in responses between the consumers and the financial services employees. The responses were gathered using a 1 to 5 Likert scale ranging from very unethical to very ethical.
9	Likert Scale Interval Data	i	No	Do you think the UK government is dependent on the financial services Industry in order to keep the economy afloat?	It was felt that this question added particular pertinence to the views on whether or not regulation is only paid lip service to by the financial services industry and therefore in turn if ethics are really viewed as a separate entity to regulation. Again the differences in responses from consumers and financial services employees will be of particular relevance. The responses were gathered using a 1 to 5 Likert scale ranging from dependent to independent.

10	Likert Scale Interval Data	ii	No	To what extent do you believe that ethical failings in the financial services industry were to blame for the 2008 global financial crises?	This question reviewed if there is a perceived direct link between ethical failings and the 2008 Global Financial Crisis. It also helped to form an opinion around the industry balance between ethics and regulations. There maybe difficulty in unpicking the difference between perceived and actual ethical failings. The differences in responses from consumers and financial services employees would be relevant. The responses were gathered using a 1 to 5 Likert scale ranging from completely to blame to not to blame at all.

Consumer Question Set – Overall Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
11	Likert Scale Interval Data	iv	No	To what extent do think the way in which staff are paid in the financial services industry is ethical. i.e. remuneration based on number of sales?	This question directly related to the research objective regarding financial services remuneration and the effects the remuneration style had on ethical decisions making and sales techniques. The differences in responses from consumers and financial services employees, were again of particular interest. The responses were gathered using a 1 to 5 Likert scale ranging from very unethical to very ethical.
12	Likert Scale Interval Data	ii	No	Thinking about the advertising used by financial services companies: Do you think it is always, clear, fair and not misleading?	This question used the wording laid out by the financial services authority and related to both the research objective about regulation causing complacency and reviewing the selling tools used by financial services companies. This question also gave a view on whether consumers perceive the advertising to be not misleading. The responses were gathered using a 1 to 5 Likert scale ranging from misleading to clear and fair.

13	Likert Scale Interval Data	i	no	When there has been bad press about a financial services company, to what extent do you think ethics are used more in their advertising campaigns?	This question reviewed if there was a direct correlation between bad press and ethics used in advertising campaigns and directly related to the research objective, questioning if ethics are used as a sales tool only when the economic environment demands it. The responses were gathered using a 1 to 5 Likert scale ranging from used less to used more.

Consumer Question Set – Individual Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
14	Likert Scale Interval Data	ii	No	Thinking about the financial services products that you have used: How ethical do you think the companies are?	This question wss specifically to give an overall view of the respondents opinion of the service they had received when purchasing and using financial services companies. The responses were gathered using a 1 to 5 Likert scale ranging from very unethical to very ethical.
15	Likert Scale Interval Data	ii	No	In your dealings with financial services companies do you believe the number 1 priority is the customer or profits?	This is another overarching question to establish the respondents opinion of where, in their experience, financial services companies place their priorities. This will seek to answer the research objective of if regulation is causing companies to become complacent about ethics. The responses were gathered using a 1 to 5 Likert scale ranging from profit to customer.
16	Likert Scale Interval Data	iv	No	In your dealings with financial services companies to what extent has the way in which staff are being paid always been transparent?	This question is seeking to answer if remuneration strategies, commission and bonuses has been transparent, when the respondent has had dealings with the financial services industry. The question directly correlates to the research objective in relation to remuneration of sales staff.

					The responses were gathered using a 1 to 5 Likert scale ranging from hidden to transparent.
17	Likert Scale Interval Data	iii	No	To what extent do you feel your dealings with the financial services companies are scripted?	This question reviewed the extent to which financial services companies rely on scripts during interactions with customers. This directly sought to answer part of the research objective discussing the reliance on pre-programmed workflows and software. The responses were gathered using a 1 to 5 Likert scale ranging from completely scripted to not scripted at all.

Consumer Question Set – Individual Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
18	Closed Dichotomous Data	ii	Yes - 19	Have you had an experience of good ethical behaviour in financial services?	This question was specifically included to understand if the respondent has had a positive experience. It could also be used to determine if the behaviour was enforced by regulation or an actual ethical choice. The research objective which this correlated to is establishing if regulation is causing companies to become complacent about ethics. This is a closed 'yes or no' response question.
19	Open Qualitative Data	viii	Yes - 18	If yes: Please explain	This was an open free text question and was included because it would be impossible to determine if the behaviour was enforced by regulation or if it was an ethical choice, without knowing what the experience was.
20	Closed Dichotomous Data	ii	Yes - 21	Have you had an experience of bad ethical behaviour in financial services?	This question was clearly the reverse of the previous question and was included in order to get both viewpoints, though it might be more difficult to determine what has driven this behaviour. This relates

					to the complacency about ethics question and was a closed ‘yes or no’ question.
21	Open Qualitative Data	viii	Yes - 20	If yes: Please explain	This was a free text question and as above was included to help determine what cause an unethical experience.

Financial services Employee Question Set – Overall Company Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
22	Likert Scale Interval Data	viii	No	Thinking about the company you work for: how ethical do you think that they are overall?	It was felt that this question was pertinent to give an overall impression from the respondent as to their view of the overall ethical nature, this time specifically of the company that they worked for. The responses were gathered using a 1 to 5 Likert scale ranging from very unethical to very ethical.
23	Likert Scale Interval Data	viii	No	Thinking about the company you work for: how ethical do you think that they are towards customers?	Whilst this may feel like a very similar question to the one above, it was felt that this question directed the focus of the respondent specifically towards the ethical treatment of customers. The responses were gathered using a 1 to 5 Likert scale ranging from very unethical to very ethical.
24	Likert Scale Interval Data	ii	No	To what impact has the increased regulation had on the company you work for?	This question was designed to review the respondent's views on the impact of increasing regulation on their company and their work life. Given the massive regulatory changes over the past 10 years, it was envisaged that every financial services employee would have an opinion on this.

					The responses were gathered using a 1 to 5 Likert scale ranging from very no impact to massive impact.
25	Likert Scale Interval Data	ii	No	To what extent has that impact made the company more ethical?	There was an assumption with this question that there had been some kind of impact within the organisation of increased regulation. This question directly correlated with the research objective around increased regulation causing complacency. The responses were gathered using a 1 to 5 Likert scale ranging from less ethical to more ethical.

Financial services Employee Question Set – Overall Company Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
26	Likert Scale Interval Data	ii	No	To what extent do you think the company you work for abides by regulation?	This was a very direct question and was included to help answer the research objective, if increased regulation was causing complacency. The responses were gathered using a 1 to 5 Likert scale ranging from ignores regulations to strictly abides by regulation.
27	Likert Scale Interval Data	ii	No	To what extent do you think the company you work for actively try's to circumvent regulation?	This was again another very direct question and it was hoped that respondents would answer honestly, especially as the survey could be completely anonymised. This question linked in very closely with the previous question. It could be argued that it was a different way of asking the same question. However circumvention and using loopholes are viewed differently to actively breaking the rules. The responses were gathered using a 1 to 5 Likert scale ranging from strictly abides to actively circumvents.
28	Likert Scale	i	No	To what extent do you think the advertising material used	This question directly linked into the FCA wording on how financial services advertising should be: clear, fair and not

	Interval Data			by the company you work for is always clear, fair and not misleading?	misleading. This question could create an interesting dichotomy between the responses of the two previous questions. This was included to partly answer the research objective about ethics in advertising. The responses were gathered using a 1 to 5 Likert scale ranging from always clear to misleading.

Financial services Employee Question Set – Overall Company Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
29	Likert Scale Interval Data	iii	No	To what extent are ethics embedded in the culture of the company you work for?	It was felt that this question would help test the levels to which companies have truly embedded ethics within the culture, most financial services organisations will have goal, values and a code of conduct. However, just because something is written down does not mean it is truly embedded in the organisation and in every decision that an employee makes. The responses were gathered using a 1 to 5 Likert scale ranging from not embedded to fully embedded.
30	Likert Scale Interval Data	v	No	Are ethics or profit the higher priority in the company you work for?	This question was designed to review the respondents view of the company's priorities. The responses were gathered using a 1 to 5 Likert scale ranging from profits to ethics.
31	Closed	iv	Yes – 32 & 32	Does the company you work for pay sales staff based on sales performance?	It was felt that this question was important in answering the research objective around staff remuneration. There is also a wider question of if sales staff can ever be truly

	Dichotomous Data				ethical if their remuneration is based on number of sales. This question was specific to sales staff within the organisation because non sales staff cannot be remunerated in this way and are not responsible for ethical sales at the point of sale. This was a closed 'yes or no' question.
32	Likert Scale Interval Data	iv	Yes - 31	If yes: Are ethics taken into consideration within the pay structure?	This question was linked to the above question and was an open text based question asking for more detail if the respondent answered yes to the previous question, specifically asking if ethics were considered within the remuneration structure.

Financial services Employee Question Set – Overall Company Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
33	Open Qualitative Data	iv	Yes - 31	If yes: To what extent is compliance taken into consideration within the pay structure?	This question was linked to the previous questions and was another open text based question asking for more detail if the respondent answered yes to the previous questions, specifically asking if compliance to regulation was considered within the remuneration structure.
34	Closed Dichotomous Data	i	Yes - 35	Does the company you work for use ethics in their advertising campaigns?	It was felt that this question was pertinent to answering the specific research objective around when ethics are used in advertising. This was a closed 'yes or no' question.
35	Likert Scale Interval Data	i	Yes - 34	If yes: In your opinion are the ethics used in advertising done so because the ethics are fully embedded in the business or because it makes the company look good in order to maximise profit?	This question was directly linked to the above question and is an open question where respondents were encouraged to give more details. The question was also specific with regards to seeking the opinion of the respondent and not their company's guidelines.

36	Closed Dichotomous Data	iii	Yes - 37	Does the company you work for rely on scripts and or pre-programmed work flows in order to ensure regulatory needs are met?	This question was directly linked to the research objective around an over-reliance on pre-programmed workflows and scorecards to make decisions, instead of staff making their own decisions in order to meet regulatory requirements. This question also tied in with the research objective about where ethics sat within the organisation.
37	Likert Scale Interval Data	iii	Yes - 36	If yes: to what extent do you believe this has the effect of 'dumbing down' the workforce as it prevents them from thinking for themselves?	This question was directly linked to the previous question and is seeking an open descriptive response.

Financial services Employee Question Set – Individual Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
38	Likert Scale Interval Data	ii	No	In your opinion, to what extent do the senior management team of the company you work for believe that if regulation is met then the company is automatically ethical?	The next few questions sought the individual respondent's opinion of their organisation and not the organisational view. This question was included to review the belief that if something is legal it must therefore automatically be ethical. The responses were gathered using a 1 to 5 Likert scale ranging from do not believe to believe.
39	Likert Scale Interval Data	iv	No	To what extent do you think the pay structure in the company you work for is fair to employees?	This question was included to review if the pay structure was fair to employees. This should be viewed alongside question 32. The responses were gathered using a 1 to 5 Likert scale ranging from fair to unfair.
40	Likert Scale Interval Data	iv	No	To what extent do you think the pay structure in the company you work for is fair to customers?	This question was the same as the previous question but from the customer perspective. This should be viewed alongside question 32. The responses were gathered using a 1 to 5 Likert scale ranging from fair to unfair.

41	Likert Scale Interval Data	iv	No	To what extent do you think the pay structure in the company you work for promoted staff to sell unethically?	This question, in conjunction with the previous two questions was specifically designed to help answer the research objective around the effect remuneration has on ethics. The responses were gathered using a 1 to 5 Likert scale ranging from ethically to unethically.
42	Closed Dichotomous Data	v	Yes – 43	Do you know the person in your organisation that is responsible for Ethics?	This question was explicitly designed to answer the research objective regarding where ethics sit within an organisational structure. It was a closed 'yes or no' question.
43	Open Qualitative Data	v	Yes – 42	If yes: Please give the job title or department etc. that of the person / people who are responsible for ethics.	This question directly linked to the previous question and was an open design asking for more detail about who in the organisation was responsible for ethics.

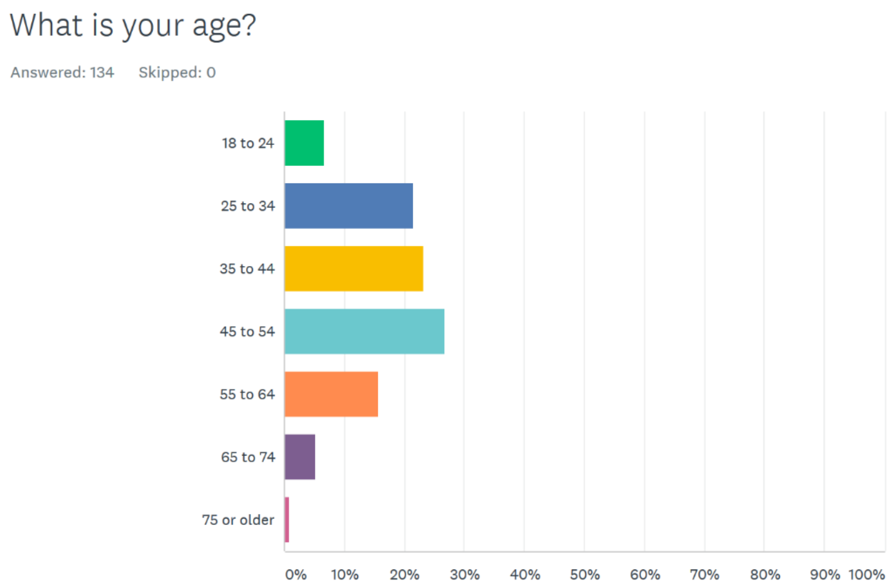
Financial services Employee Question Set – Individual Experience					
Question Number	**Coding**	**Research Objective**	**Linked Question**	**Question**	**Rationale**
44	Closed Dichotomous Data	viii	Yes – 45	Have you had an experience of good ethical behaviour in the workplace?	This was an overarching question designed to drill down further into the specific experience the respondent had had. This also helped shape the view of what people thought was ethical behaviour. This was a closed 'yes or no' question.
45	Open Qualitative Data	viii	Yes – 44	If yes: Please explain	This was an open question designed to extract further information from the previous question.
46	Closed Dichotomous Data	viii	Yes – 47	Have you had an experience of bad ethical behaviour in the workplace?	This was another overarching question designed to drill down further into the specific experience the respondent had had. This also helped shape the view of what people thought was unethical behaviour. This was a closed 'yes or no' question.
47	Open Qualitative Data	viii	Yes - 46	If yes: Please explain	This was an open question designed to extract further information from the previous question.

4.5 Survey Findings

The initial findings of the survey will be presented over the following chapter. The majority of the survey questions have produced quantitative data with a mix of descriptive, dichotomous and interval data being generated. The statistical approach to the descriptive and dichotomous data will be a simple count to establish which category has the most or if the count is evenly split between all categories. From this count graphical data can be produced and initial, simple conclusions drawn. The majority of the survey is in the form of Likert questions which produce continuous interval data. The statistical analysis of this data will initially use a count of each scale to extract graphical data, this will be used to draw simple conclusions and report the initial findings within this chapter. The critical analysis will then go a step further in chapter 6 and use excel to compare and contrast linked questions to draw more in-depth conclusions and fulfil the research objectives. The qualitative data from the survey will be displayed in tabular format, as written by the respondent and an inductive approach will be used to form initial simple conclusion with the further critical analysis against research objectives in Chapter 6.

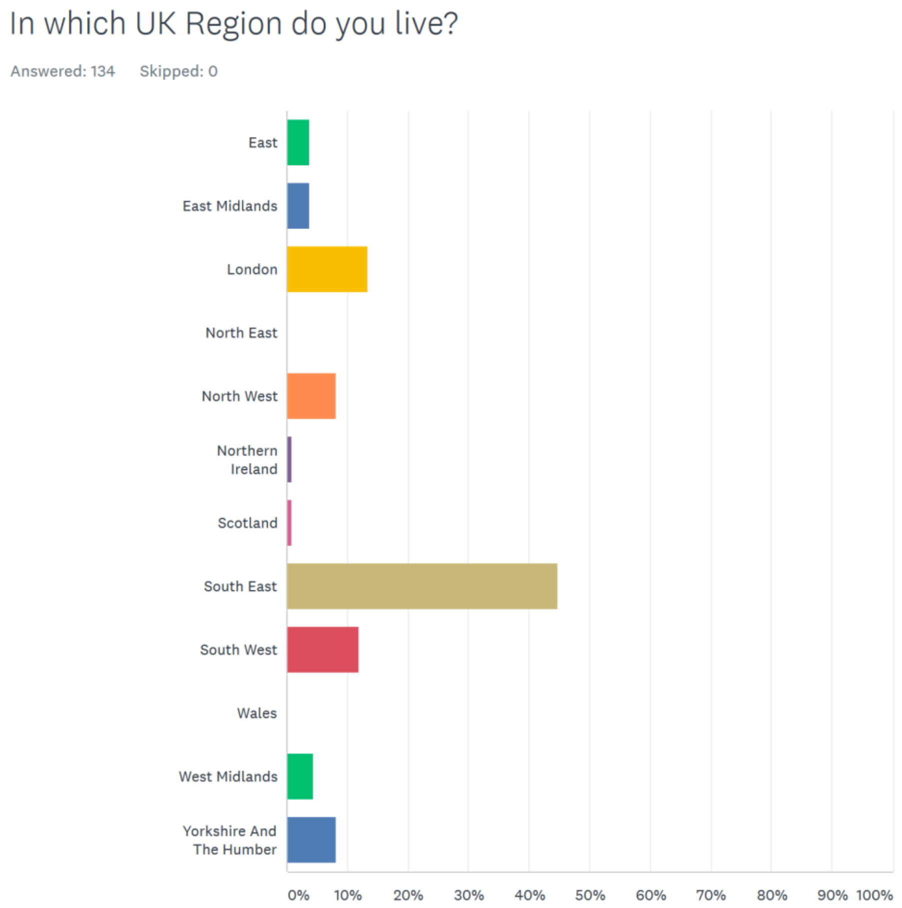
4.5.1 Survey Findings – Screening Question Set

Graph 4 - Survey Findings - Question 1



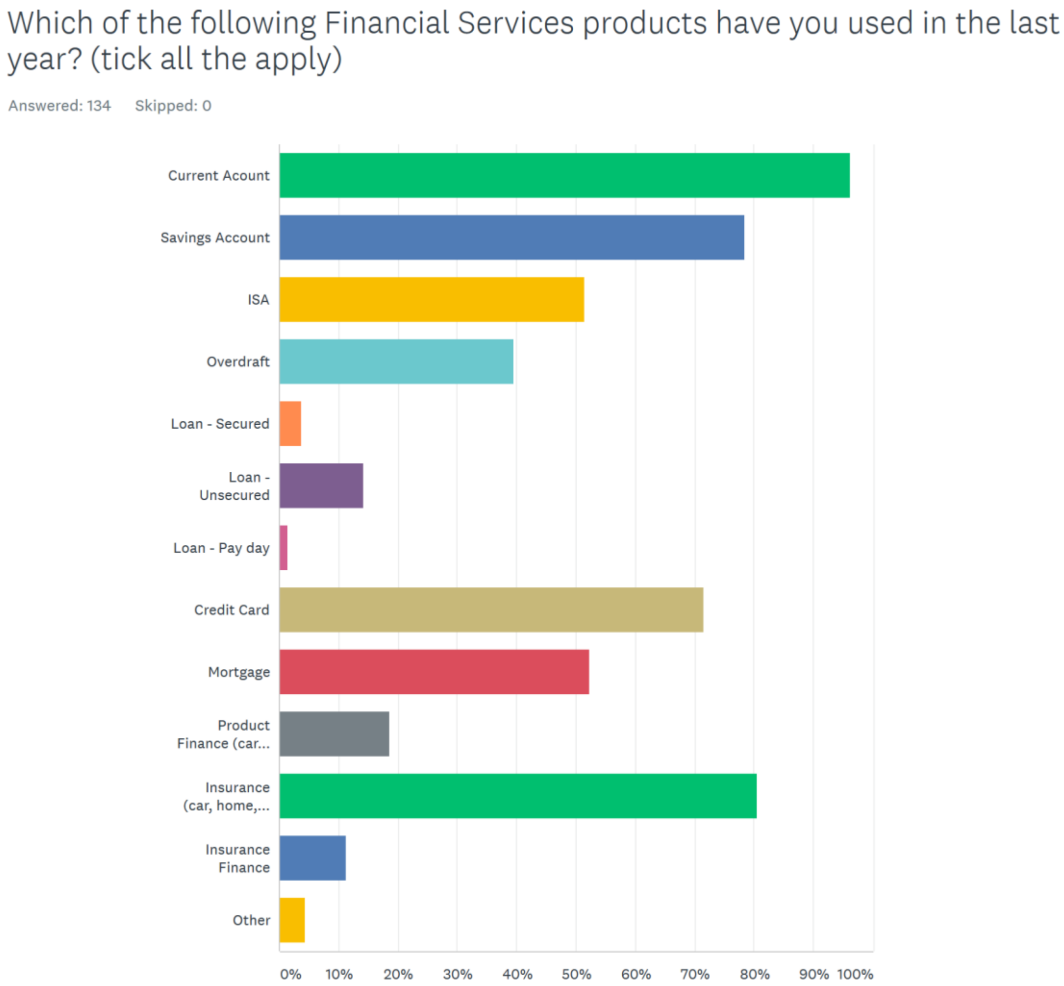
It can be seen that 100% of respondents answered this question. With 87.31% between the ages of 25 and 64, this is to be expected given the target audience of this survey was people of working age, particularly those in the financial services industry.

Graph 5 - Survey Findings - Question 2



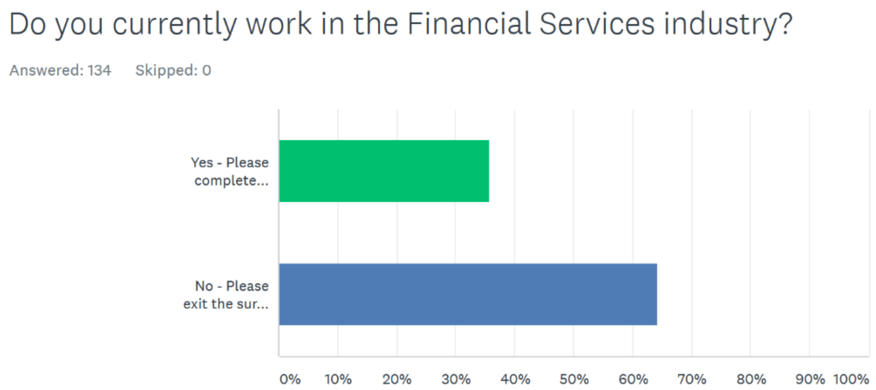
Again, it can be seen that 100% of respondents answered this question. There is a high majority of respondents living in the South East of Great Britain. This is to be expected as the target audience was those in the financial services industry and most of the financial services institutions are based in London and the South East.

Graph 6 - Survey Findings - Question 3



This question also had a 100% response rate. Interestingly only 96.27% of respondents have a current account. It would have been reasonable to have expected that to be 100%. It would also have been reasonable to have expected 100% of respondents to have some type of insurance product. However, only 80.6% stated they had any type of insurance with only 11.19% having insurance finance. This means that 69% of respondents pay for their insurance in one lump sum rather than monthly. This is unexpected as many people spread the cost of insurance products so either they do not understand that by paying insurance monthly they are actually taking out a finance product or 69% of people really do pay for insurance in full.

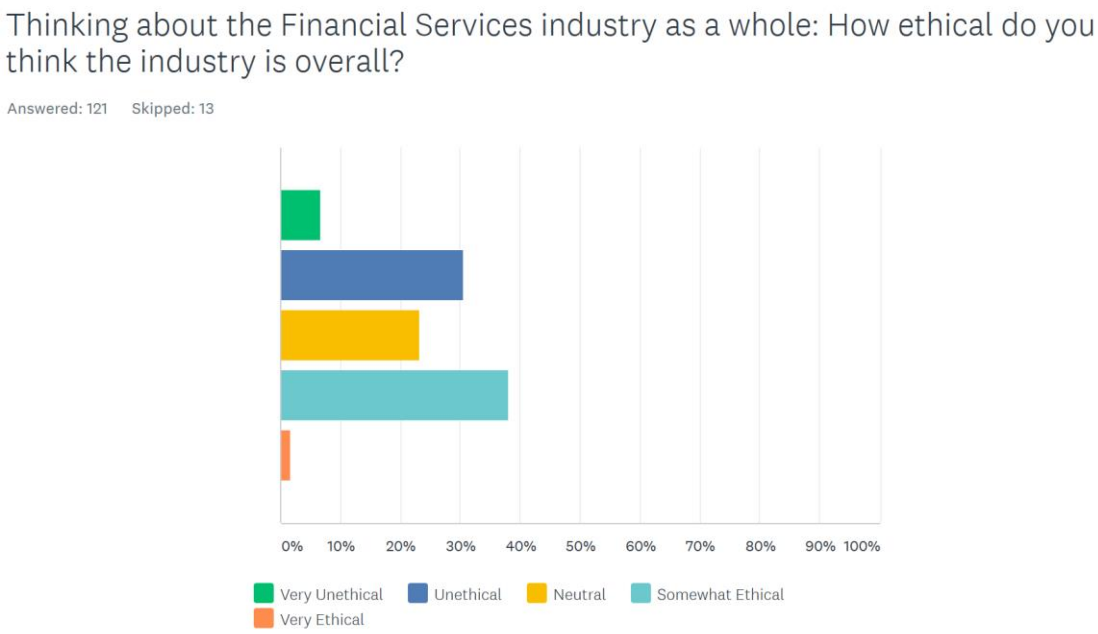
Graph 7 - Survey Findings - Question 4



100% of respondents answered all of the screening questions, meaning there is all the required background information and the knowledge that those completing the survey are the intended recipients. It can be seen that 35.82% of respondents work within the financial services industry, this is 48 of the 134 respondents. This number is purposefully high because the financial services sector employees were specifically targeted. It was felt that it would be appropriate to get the views of both those inside the sector and those external to it.

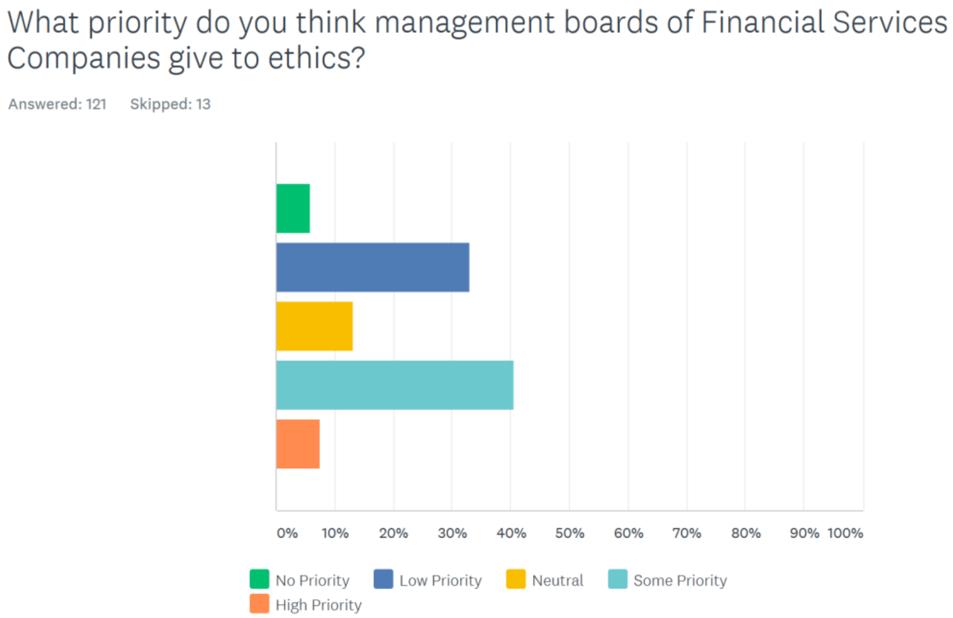
4.5.2 Survey Findings – Consumer Question Set – Overall Experience

Graph 8 - Survey Findings - Question 5



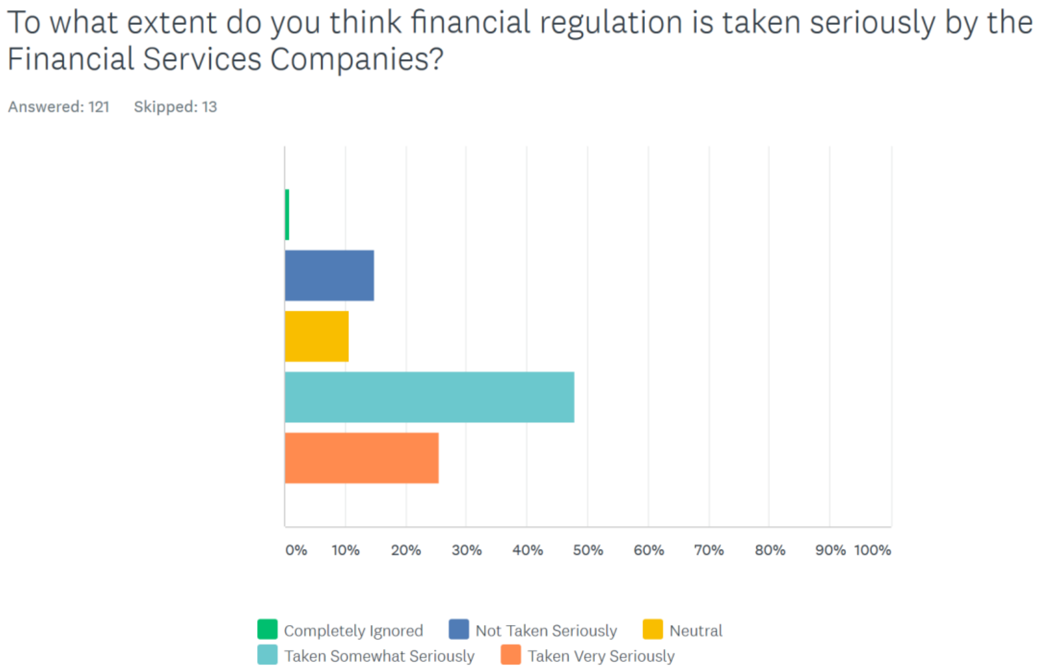
Interestingly not every respondent chose to answer this question, 13 declined to answer. However, of those that answered 23.14% were completely neutral on the subject of the overall ethics in the industry. It was then a very even split between those that felt the industry was unethical – 37.10% and ethical 39.67%. However, with the extremes, only 1.45% felt the industry was very unethical but 6.61% felt that the industry was very unethical.

Graph 9 - Survey Findings - Question 6



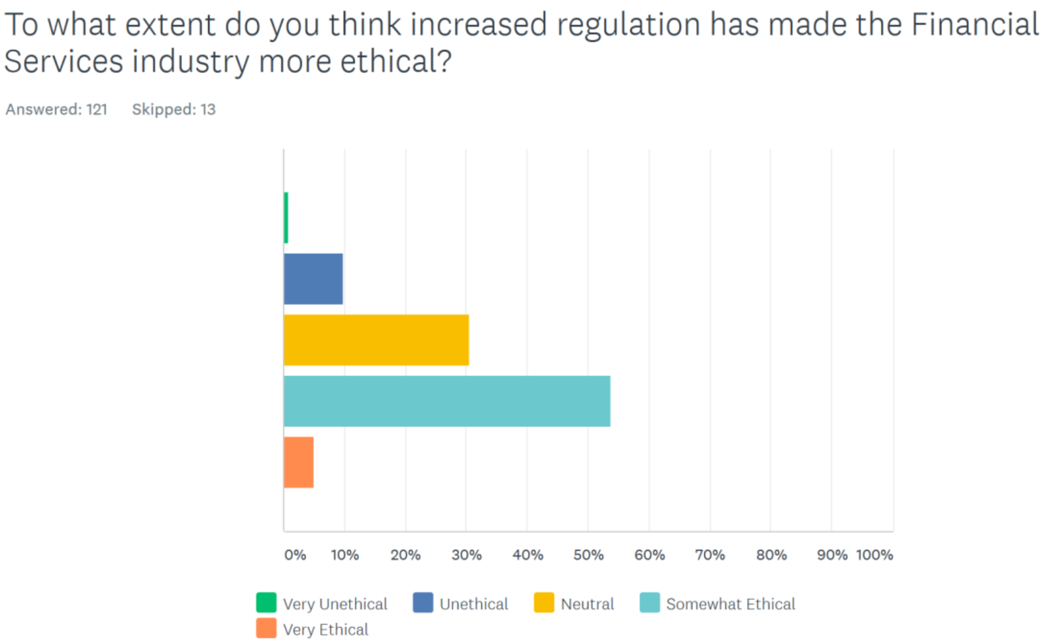
It can be expected that this would have a very similar split to the previous question as if respondents felt that financial services companies are ethical, then it would correlate that the boards would give ethics a high priority. It can be seen that whilst only 1.65% of respondents felt that the financial services industry was very ethical, 7.44% of respondents felt that boards give a high priority to ethics. Therefore, it can be questioned if more people think a high priority is given to ethics by management boards than people think that the industry is ethical as a whole surely something is becoming lost in the dissemination of ethical behaviour. Apart from those that were neutral on both the board's priorities and the overall ethics the rest had the similar correlation as expected.

Graph 10 - Survey Findings - Question 7



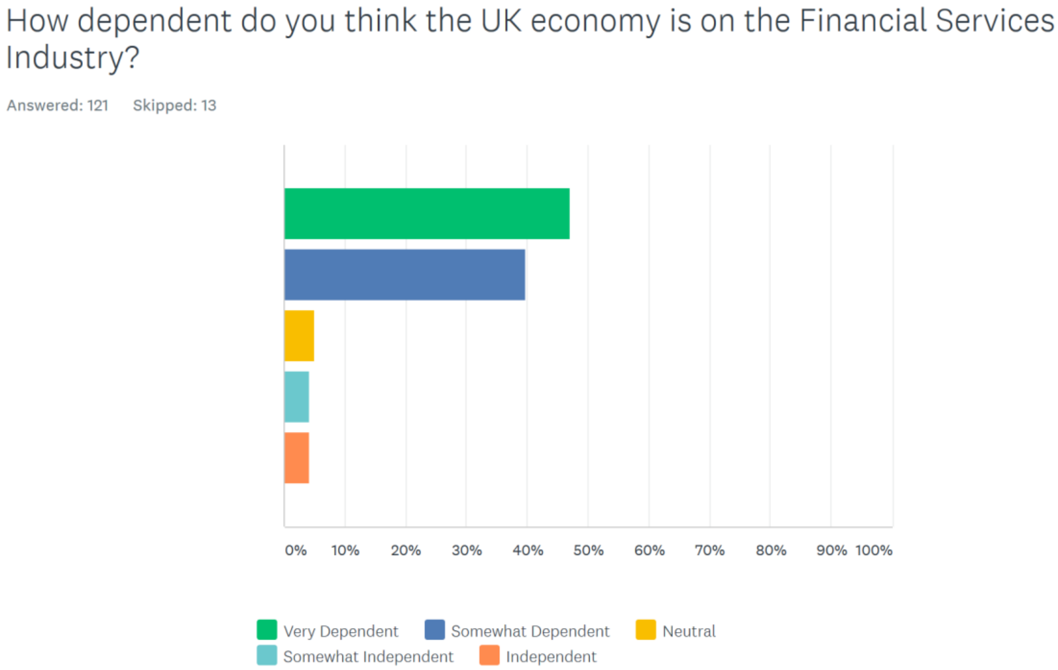
It is encouraging to see that only 15.71% of respondents think that financial regulation is not taken serious or completely ignored by financial services companies. The overwhelming majority 74.55% believing that financial services companies take regulation either somewhat or very seriously.

Graph 11 - Survey Findings - Question 8



It can be seen that 10.75% of respondents felt that increased regulation had actually made the financial services industry unethical and 30.58% of respondents were neutral and felt that regulation made no differences to the underlying ethics within the industry. Therefore 58.68% felt that regulation directly effected the ethics of the industry in a positive way.

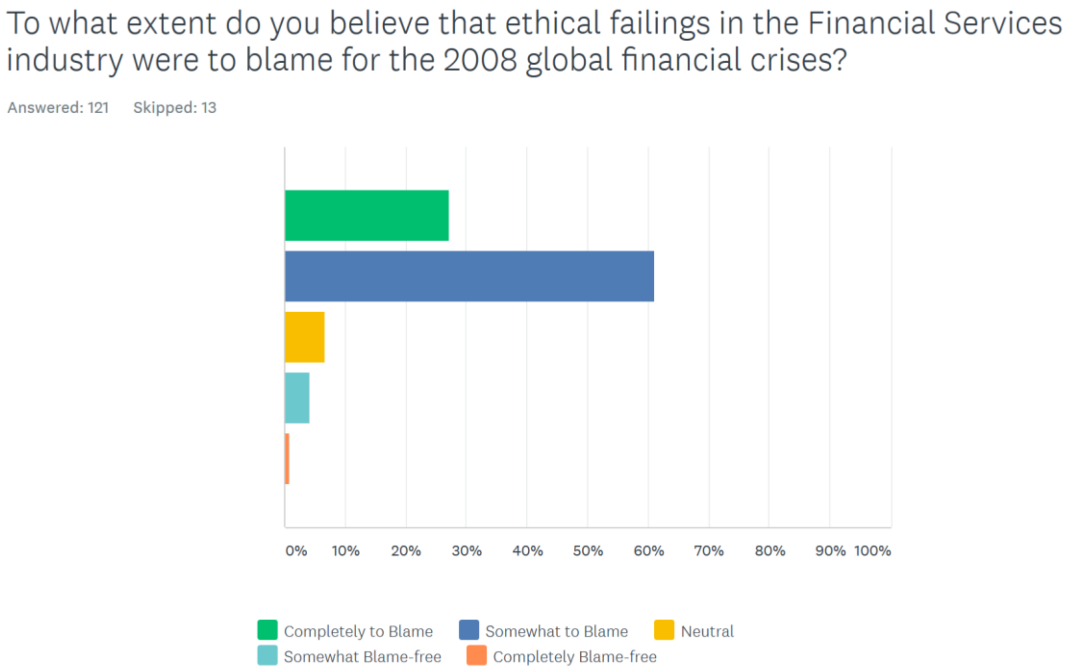
Graph 12 - Survey Findings - Question 9



It is clear that an overwhelming majority, 86.78% of the respondents feel that the UK economy is either very or somewhat dependent on the financial services industry. According to the Office of National Statistics[42] from 2008 to 2018 roughly 70% of the UK GDP was contributed by the services sector, which is predominantly made up of financial services. It can be seriously questioned that with that much reliance on the financial services just how much influence the government has over the industry.

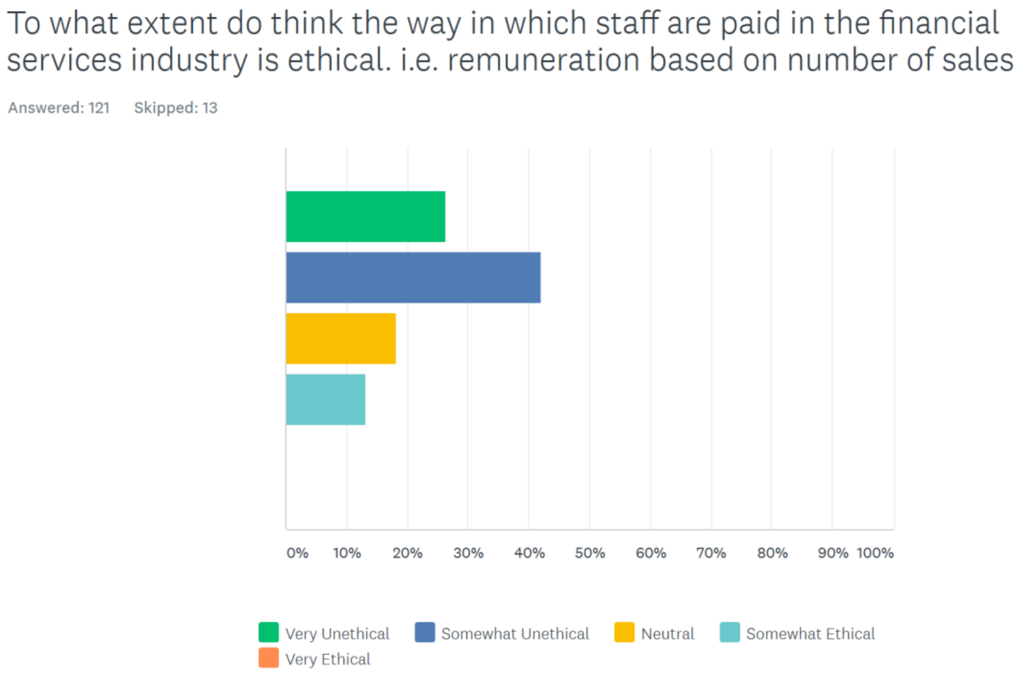
[42] *https://www.statista.com/statistics/270372/distribution-of-gdp-across-economic-sectors-in-the-united-kingdom/*

Graph 13 - Survey Findings - Question 10



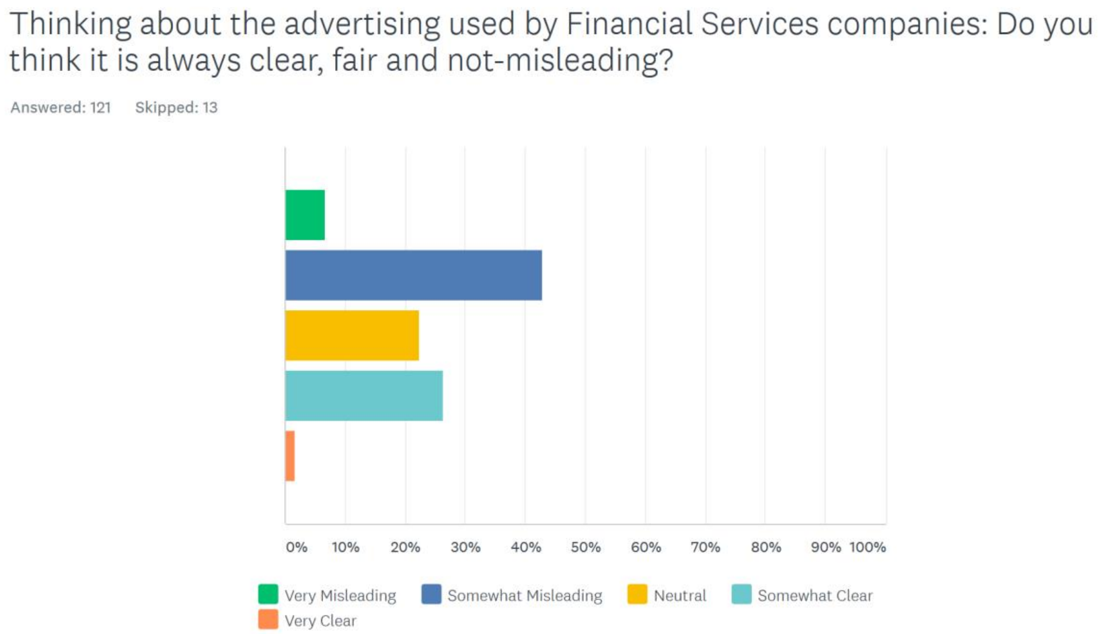
It can be seen that an overwhelming majority, 88.43% of respondents thought that ethical failings in the financial services industry where either partially or fully to blame for the 2008 Global Financial Crisis. There was only one person who felt that ethical failings had absolutely nothing to do with the financial crisis.

Graph 14 - Survey Findings - Question 11



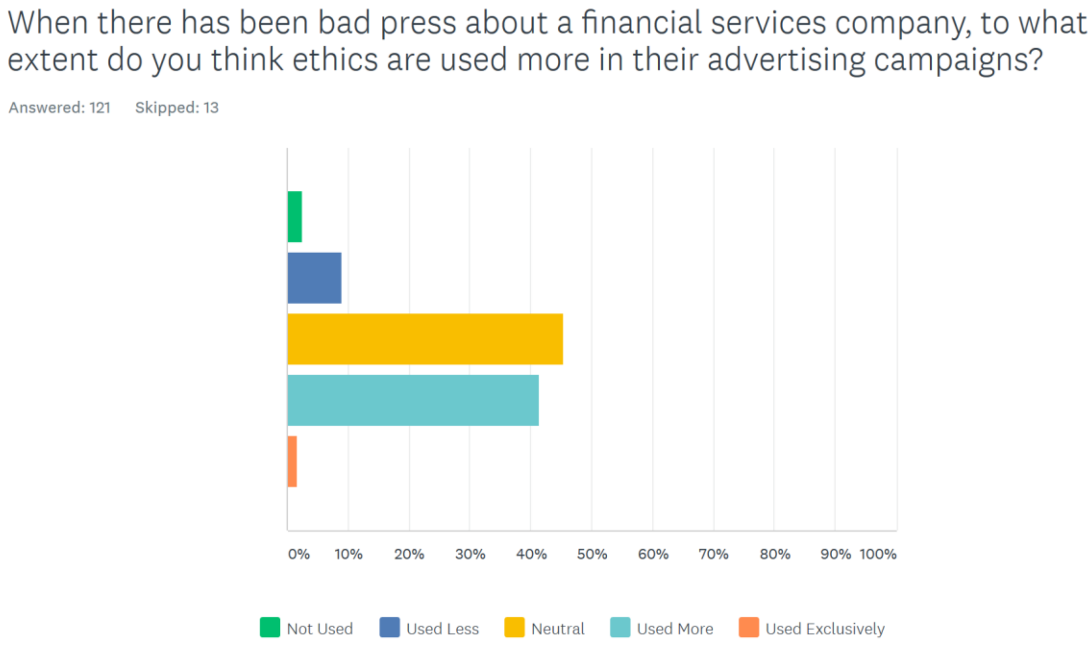
Interestingly, none of the respondents thought that financial services industry remuneration was very ethical. A large majority, 68.60%, felt that the remuneration in the industry was either very or somewhat unethical.

Graph 15 - Survey Findings - Question 12



The FCA have a very specific rule in all of the financial services industry handbook stating that all advertising should be clear, fair and not mis leading to the customer. It is interesting to see that of customers and industry staff only 1.65% felt that the advertising that they see is very clear with almost 50% believing that the advertising they see is either somewhat or very misleading. It is therefore the perception that 50% of advertising breaks FCA rules and it could therefore be argued is particularly unethical, not just because of the rule breaking but also in actively mis leading the public. This can be seen in the PPI scandal which not only resulted in a court ordered repayment of customer premiums but also compensation to those customers effected as well substantial regulator fines from the FSA. Remembering that at that time FSA fines were still limited, the FCA now have the power of unlimited fines, so if this were to happen again it could be predicted that the fines would be considerably larger.

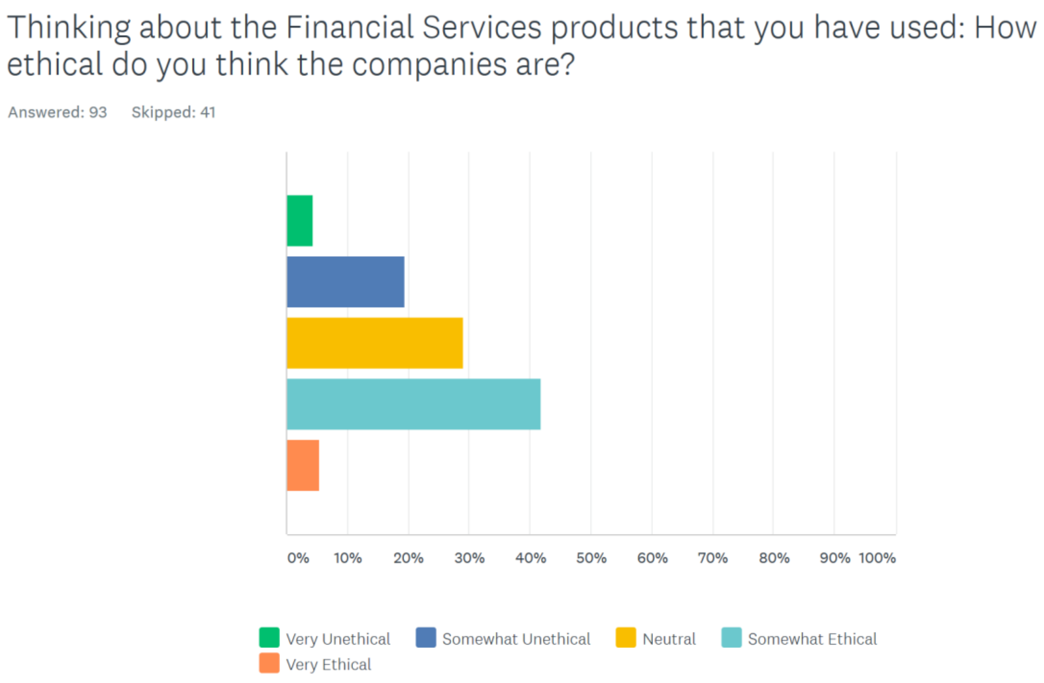
Graph 16 - Survey Findings - Question 13



Evidently 42.97% of respondents felt that financial services companies used ethics more in their advertising campaigns after there had been bad press about them. It could be argued that this was used purely as a selling tool and to divert attention away from the bad publicity rather than the company had actually changed and become more ethical. However, there was a similar percentage, 45.45%, of respondents who felt completely neutral on the subject and didn't feel that companies were swayed into using ethics in advertising after bad publicity.

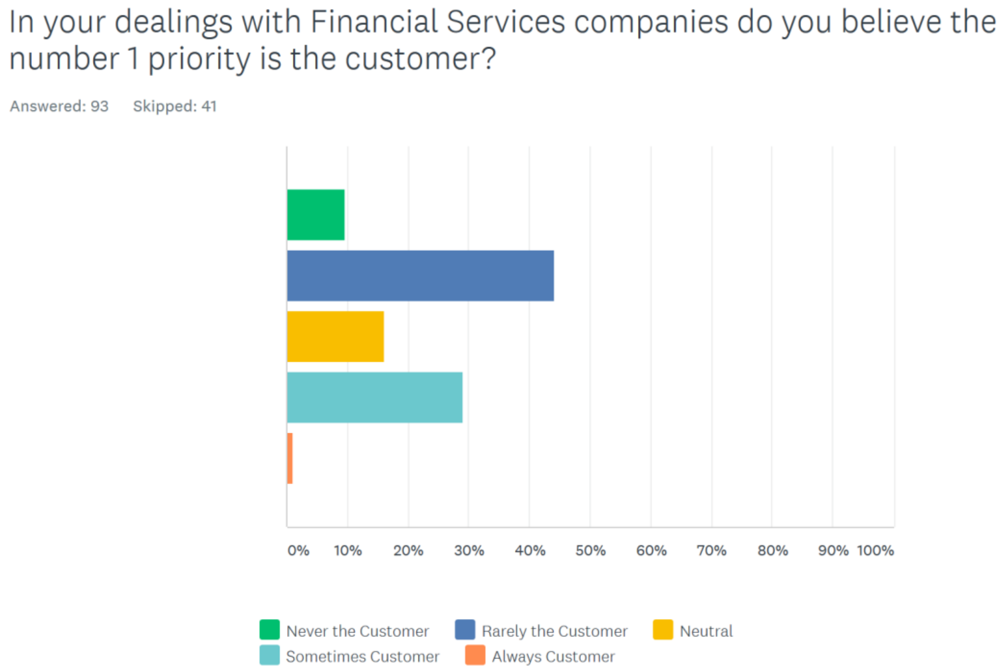
4.5.3 Survey Findings – Consumer Question Set – Individual Experience

Graph 17 - Survey Findings - Question 14



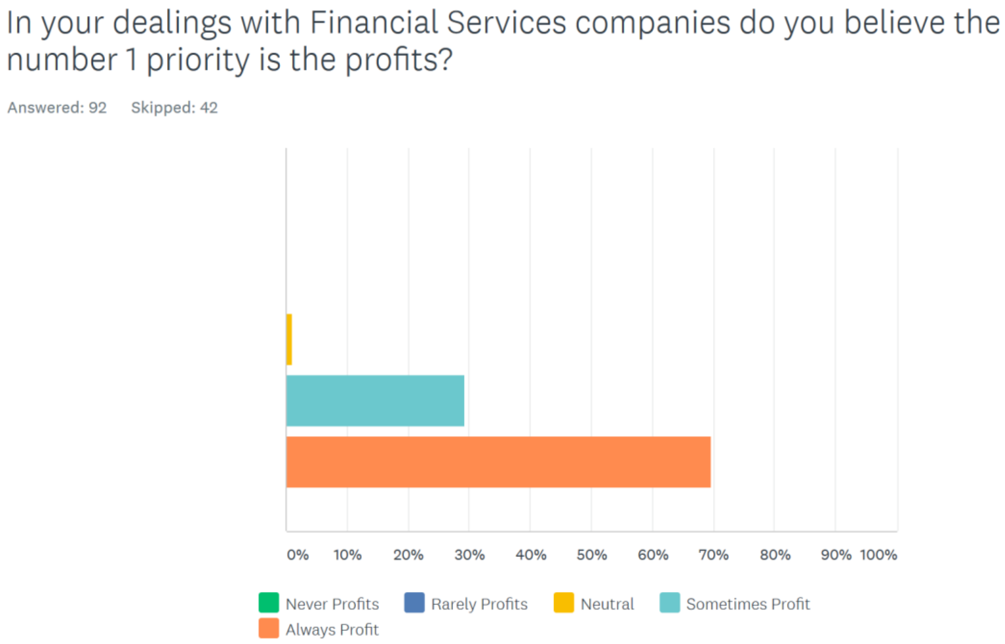
At this point the question set changed from being focused on the respondents' overall experience and views of financial services companies to their individual views and experiences. Interestingly, 47.32% of respondents felt that the financial services products and companies they had used were somewhat or very ethical in their dealings and a large portion, 29.03% were completely neutral on the subject.

Graph 18 - Survey Findings - Question 15



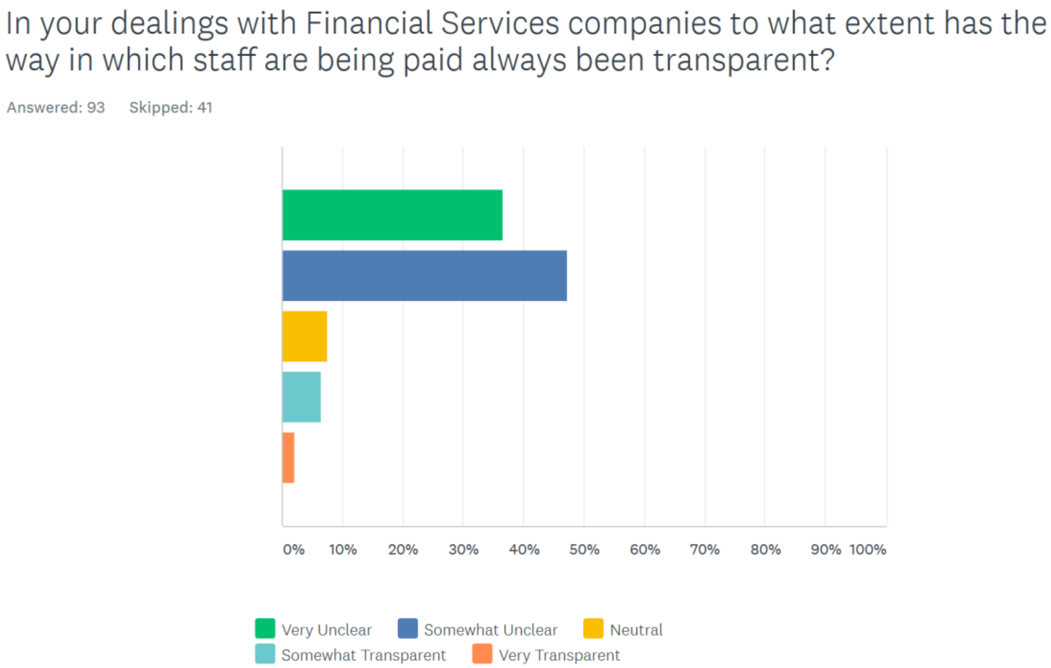
It can be seen that over half of respondents, 53.77%, believed that in their dealings with financial services companies the customer was never or very rarely the number one priority and 16.13% were completely neutral on the topic. Only one respondent felt the customer was always the top priority. This is interesting in a services industry where the FSA brought out treating customer fairly (TCF) guidelines and the FCA continued with these guidelines. Can a financial institution really be abiding by TCF guidelines if over 50% feel of customers feel like they never or rarely the priority?

Graph 19 - Survey Findings - Question 16



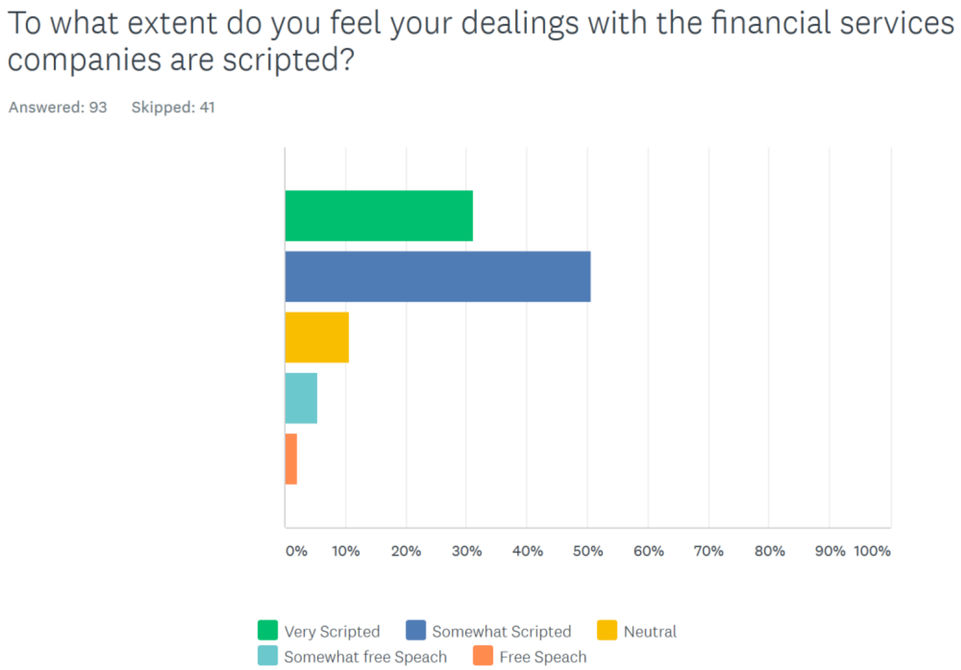
An overwhelming majority, 98.92%, of respondents perceived profits to be the number one driver of financial services companies. It can be argued that as private companies' profits should be a large driver and factor of success. However, should that be over and above the customer, as surely it could be argued that if the customer is truly the number one priority then profits will certainly follow. It could also be suggested that this goes against the FCAs principles and the TCF guidelines.

Graph 20 - Survey Findings - Question 17



This tied in with the previous question, as if financial services companies are putting profit above all else, they will most likely not be clear about their staff pay structures. This is reflected in 83.87% of respondents stating that in their dealing with financial services companies, the way in which staff were paid had been either somewhat or very unclear. With only 8.60% of customers believing that pay structures were either very or somewhat transparent it can be argued that the majority of financial services were not taking the FCA rules seriously as in the consumer finance handbook it is specifically stated that commission must be disclosed to the customer in good time before a financial transaction takes place.

Graph 21 - Survey Findings - Question 18



It can be seen that a sizeable majority of respondents, 81.72%, believe that their dealings with financial services companies are either somewhat or very scripted, with only 2.15% perceiving the interaction to be completely unscripted and free speech. It can be argued that by scripting interactions experts can make sure that specific items that need to be stated are covered. However if the customer query does not fit within what has been tightly scripted then this can be extremely frustrating for the customer and lead them to believe that they are not the number one priority.

Graph 22 - Survey Findings - Question 19

It can be seen that only 30.11% of respondents have had an experience of what they consider to be good ethical behaviour, meaning 69.89% of respondents have not witnessed, first-hand any good ethical behaviour in their dealings with the financial services industry. Respondents were asked to expand further on those good ethical experience and a specific institution was mentioned four times out of twenty responses. Many of the expansions were limited to statements such as good dealings with a sales agent or around a recent purchase of home insurance. Some did go into more detail, with one person suggesting that ethical dealings are the 'norm' and people do not set out to behave unethically. As Shakespeare (1604) exclaimed, "*tis one thing to be tempted, tis another thing to fall.*" If this is genuinely the case then what is making people cross that metaphorical line? it was seen in the FCA remuneration thematic review[43] that staff were being driven to sell unethically by unrealistic bonus target and low pay, they needed to increase their pay, not for luxuries but for basics, to be able to buy food and pay rent. However, one statement in the survey claimed that having worked in the industry they have seen that the company does not procure for this type of behaviour unless it is to avoid a complaint. This whilst possibly resulting in ethical behaviour, implies there may have been some less than ideal behaviour in the first instance and that the company is now only changing its behaviour because it has no choice.

[43] *Financial Conduct Authority (2016) Final Notices. Available at: http://www.fca.org.uk/your-fca/documents/final-notices/2013/lloyds-tsb-bank-and-bank-of-scotland. [Accessed 26th January 2020]*

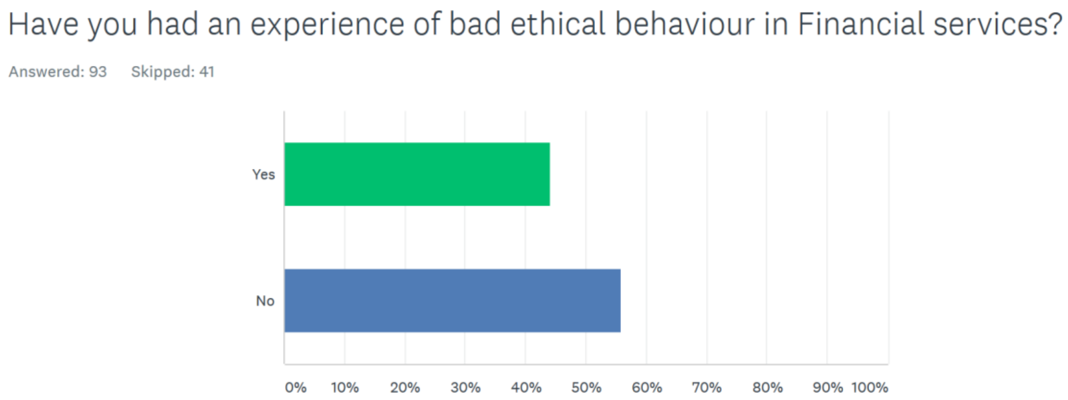
Table 12 – Survey Answers – Question 20

NB: These answers are exactly as written by the respondents in the survey.

Respondents	Responses
1	Most dealings are ethical and people generally do not set out to do anything differently. Targets and bonuses are not always helpful in driving behaviour but some bad examples are not the norm
2	Nationwide
3	Around recent purchase of Home Insurance (Privilege)
4	think i got lots of info when decideing what mortage to move to after 2 yaers
5	Some clients we recruit for have ethical behaviour, however very few
6	Using an independent ex-pat mortgage provider who provided full details of his earnings and also undertook an extensive interview with me to understand what my financial needs were and what aspects of that were important to me
7	Made payment to incorrect account and went into overdraft - bank waived fee when I called to explain.
8	through a representative of openwork
9	Nationwide are good and have good service with no outsourced rubbish from India and the like.
10	Nationwide - generally good
11	Rejecting recruitment agency gifts...
12	Nationwide are very good and when we were paying off the mortgage early talked though ability to keep it live in case we needed to borrow back at a low interest rate, which we did during a home extension. Proved cheaper than a loan.
13	A recent meeting between am elderly family friend and her IFA who declined to be paid for the meetings because he could see that I had already done some research and his suggested solution to the issue of Equity Release was the same as mine and the lady's.
14	My financial adviser is very clear about how he is remunerated and has declined to undertake a transaction which was of neutral benefit to me even though it would have been remunerative to him.
15	Always available and give prompt solutions.

16	Setting up a savings account with a leading bank.
17	small lender like penrith and furness building societies are very ethical.
18	I've worked in insurance for the last 2 years and a half. The companies do not procure for this kind of ethical behaviour unless it is at the expense of a complaint. However, many employees do try to be fair on the customer. My team in a local insurance company in Winchester (afraid I cannot disclosed specifics..) has a great care for vulnerable customer care. My other half has lead the team's cases advising of customers that may be vulnerable and therefore taken advantage unethically by the company (people who are blind, have mental health problems, are ill or cannot comprehend). Over 5 cases were reported and sorted helping these people in the last quarter. But this good service only comes from team members with a high ethical aaproach, common sense and sympathy.
19	My dealings with First Direct have always been very good. They are very clear about their policies and emphasise the need for affordability when discussing credit options e.g. Mortgage, Credit Cards.
20	Recent sales by agent

Graph 23 - Survey Findings - Question 21



It would be reasonable to expect this question to reflect the exact opposite of question 19. However whilst 69.89% of respondents had not witnessed any good ethical behaviour, only 44.09% had witnessed any bad ethical behaviour. It could be reasonable to suggest that the difference is made up of customers who have not witnessed any behaviour they perceive to be ethically good or bad. Of the 41 respondents who said they had witnessed unethical behaviour, 35 expanded further on this in question 22. The examples of unethical behaviour include a number of mis-selling claims, passing data onto third parties without permission, companies changing the financial product half way through the process and banks being more interested in the computer-based decisions that the customer.

Table 13 - Survey Answers – Question 22

NB: These answers are exactly as written by the respondents in the survey.

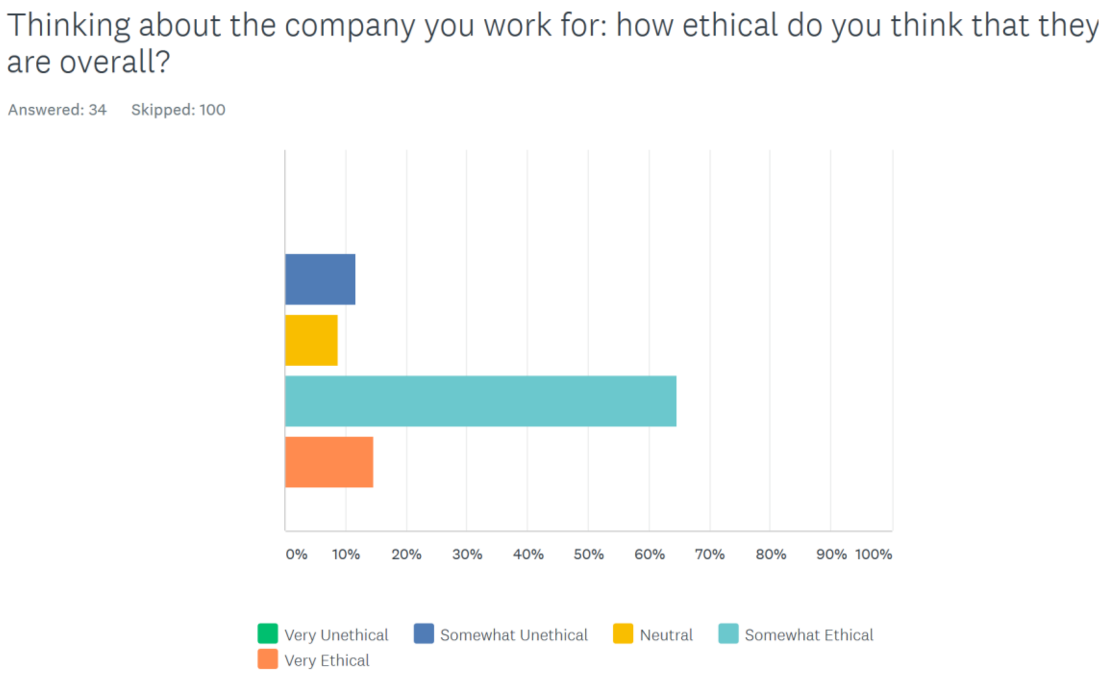
Respondents	Responses
1	Company offering loans and changing their view on it depending on market , interest rates. Currently experiencing financial company refusing to accept their responsibility! Has caused me unimaginable distress, anxiety and personal loss. Total nightmare.
2	Confidential.
3	Sold an Endowment mortgage that will not produce even 25% of the forecast return, leaving me worth over 75% deficit. "Compensation" didn't even come close to getting me back on track with the shortfall - I will probably have to sell my house before the end of the term in order to repay the mortgage.
4	Insurance small print
5	Changing overdraft terms and conditions to benefit themselves; selling the wrong (unsuitable) credit card product
6	RBS complete lack of records concerning PPi Claim
7	Ppi miss selling on loan
8	PPI selling Pushing certain products
9	pre PPI times
10	Passing contact details to 3rd parties despite requests not to; Repeated cold-calling despite requests not to; Even greater cold-calling whenever make large deposits to current account.
11	PPI misselling
12	Outsourcing stuff they shouldn't
13	Not been directly impacted personally, but have been aware of incidents in the media.
14	not at liberty to say
15	Whilst conducting audits as part of my job and seeing how intermediary profit drives a lot of behaviour
16	L&G refusing to pay for a claim.

17	Missoled First Time Buyer ISA.
18	In previous companies I have worked for where sales and profits were number one priority regardless of what the outcome was to the customer
19	Interview feedback not PC
20	When opening a savings account we were not informed of the interest rate offered. Also when opening an account for my daughter only one parent can have primary responsibility (eg receive post) although both of us have to sign off on transactions.
21	Mis-selling of insurance policies and over selling of insurance. Mis-selling of expensive mortgages which have higher commission rates for brokers.
22	PPI
23	mis sold ppi
24	Paying in more than you get out.
25	Been sold a van insurance only to find out that the repayments were via a financial group and there were hidden charges every time you want to change the simplest thing, even in the beginning when they are still gathering more information they never asked for in the first place.
26	8 years ago my IFA recommended a Pension product (SIPP) to myself and hundreds of other pensioners knowing that the Business Model of the investment company showed a break-even point in 6 years' time. In the meantime part of our investment capital would be used to fund income payments!! A few years later their "economies of truth" led to them collapsing. When the Luxembourg authorities (CSSF) became aware of the situation and the fact that they were operating without authorisation, they eventually forced the investment company (ARM Asset Backed Securities in Luxembourg) to go into liquidation. I also have a number of other "clear cut" examples of unscrupulous behaviour without any regard to ethics or the
27	When I made a car insurance claim, I was given a very low valuation for my stolen car and was told that the valuation was FCA approved (which is untrue). I complained and received an improved offer, but I am sure customers who did not complain would receive a poor deal.
28	Large increase in premium on auto renewal of policies - no concept of reward for loyalty

29	Was offered a credit card for an amount which was refused as an addition to our mortgage. Unethical to the consumer as the interest rate on the credit card was 5x that of the mortgage rate. I didn't want a credit card so refused the amount.
30	PPI
31	Non-disclosure
32	id rather not !!
33	Brokers are the worst: between 5 to 10 misseling complaints per day.
34	Always being unsold such as an income protection plan which I didn't really want!
35	Bank more interested in computer system than client

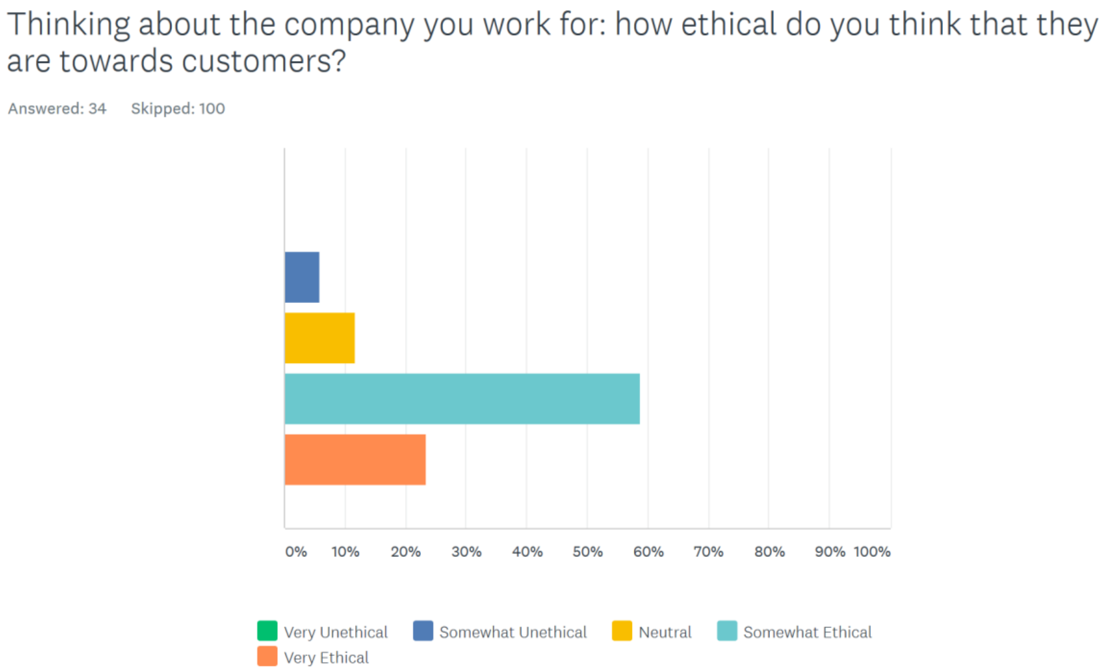
4.5.4 Survey Findings – FS Employee Question Set – Overall Experience

Graph 24 - Survey Findings - Question 23



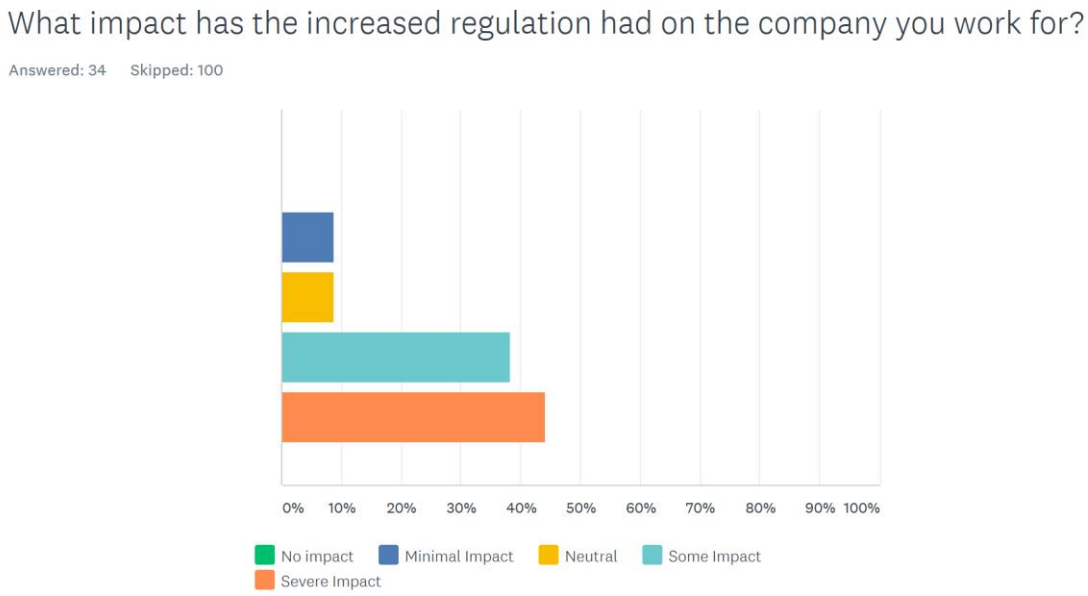
It can be seen that only 14.71% of respondents believed that the financial service company they were working for was very ethical. However, a large proportion, 64.71%, believed the company they worked for was somewhat ethical, and only 11.76% of respondents believed that the company they worked for was somewhat unethical. It can be deducted that the vast majority of financial services employees perceived the company they worked for to be trying to be ethical.

Graph 25 - Survey Findings - Question 24



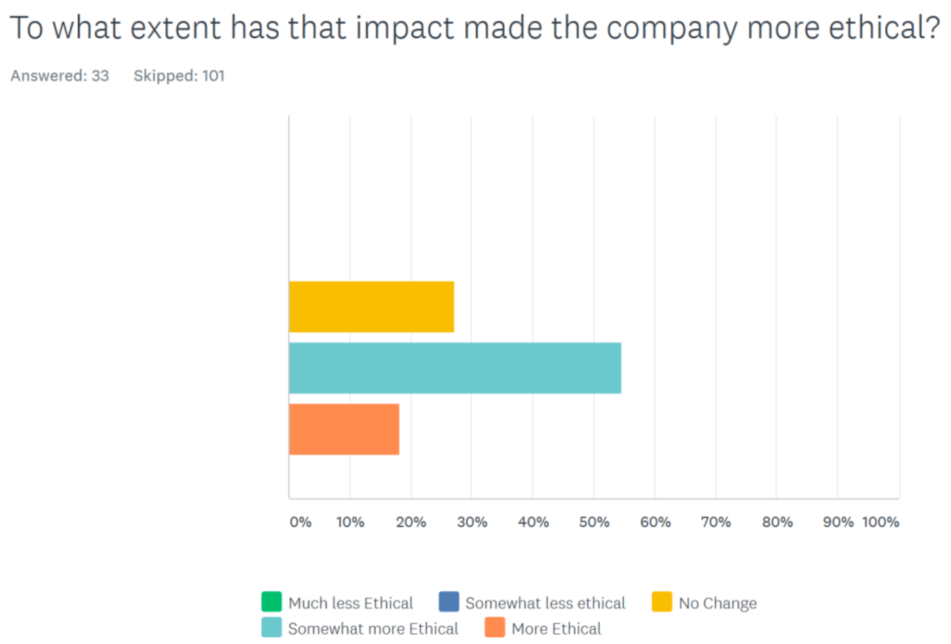
It is evident that whilst only 14.71% of financial services employees who responded thought that the company they worked for was overall very ethical, this figure increased to 23.52% when employees were asked specifically about how ethical the company was towards customers. It could be suggested that this is down to the FCA treating customers initiative. However, the reverse of this means that 76.47% of financial services employees thought that the company they worked for was not always very ethical in their treatment of customers. It is encouraging to see that not one person felt that the company they worked for was very unethical towards customers, however, it is also in stark contrast to the number of fines that have been issued by the FCA for unsatisfactory conduct towards customer.

Graph 26 - Survey Findings - Question 25



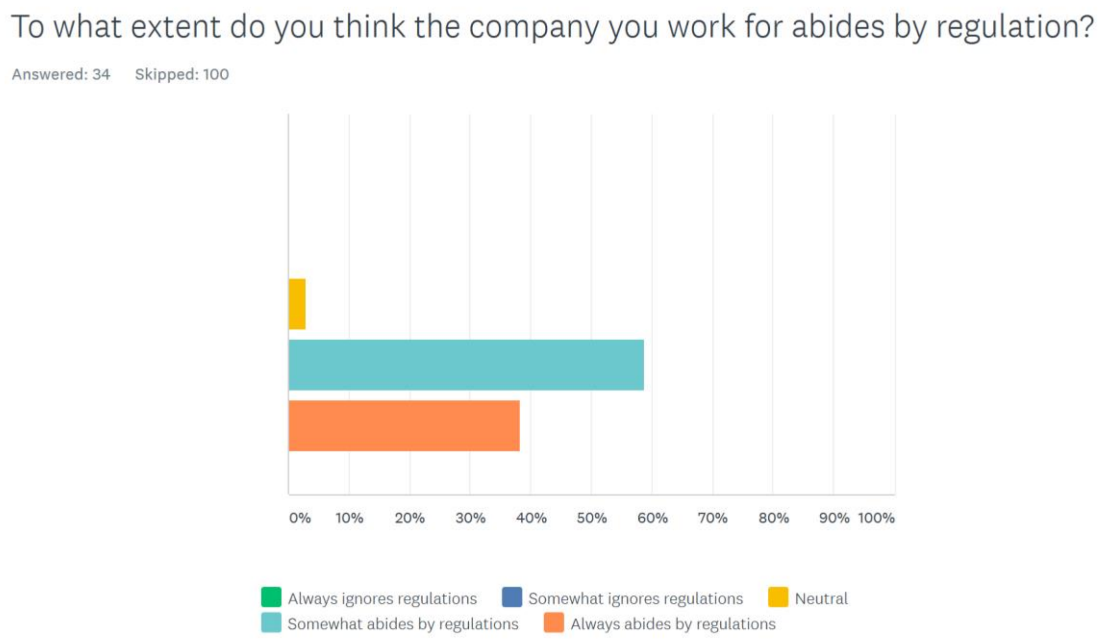
It was largely agreed by, 82.36%, that increased financial services regulation had had an impact on the company, that being either some impact (38.24%) or a severe impact (44.12%). This response is entirely expected. Most organisations need to amend regulatory frameworks when new or increased regulations come out and this naturally has some element of impact on the business. Interestingly, 8.82% of those responses stated that increased regulation had minimal impact on the financial services company where they work. This could be explained because the company is either very used to dealing with regulation and has in place the entire regulatory framework that would be expected, or the regulation is disregarded or loosely followed. Either would explain a minimal impact.

Graph 27 - Survey Findings - Question 26



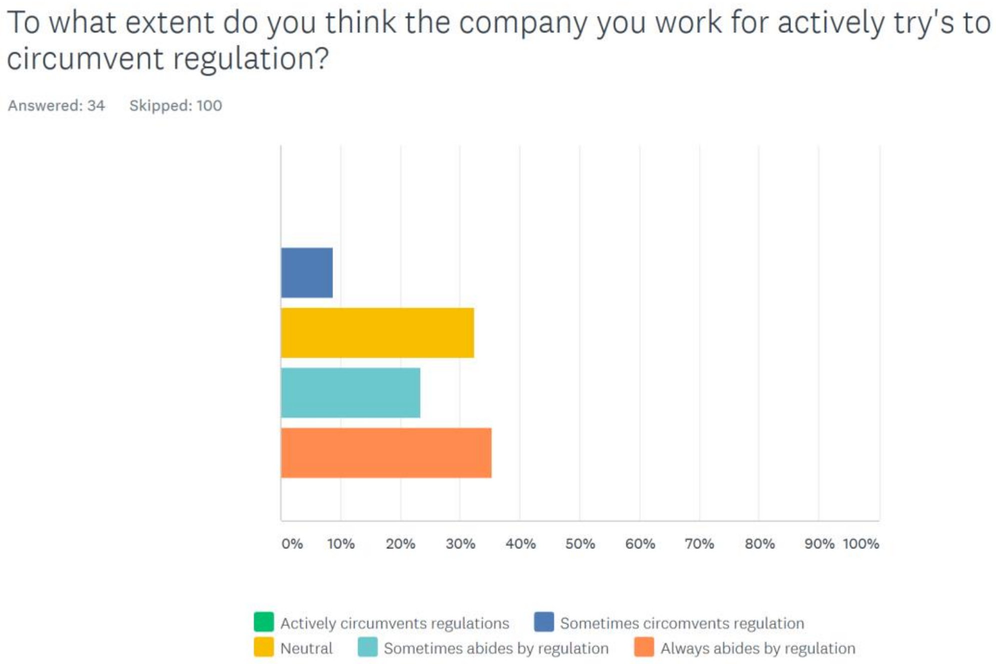
It is encouraging to see that none of the respondents felt that increased regulation had made the company they worked for less ethical. 27.27% felt that increased regulation had made no difference on the ethical standing of the organisation. However, 72.73% felt that increased regulation had made the financial services company they worked for either somewhat more ethical or more ethical. This would suggest that increased regulation either creates the perception of increased ethical standing or actually creates increased ethical standing within the organisation.

Graph 28 - Survey Findings - Question 27



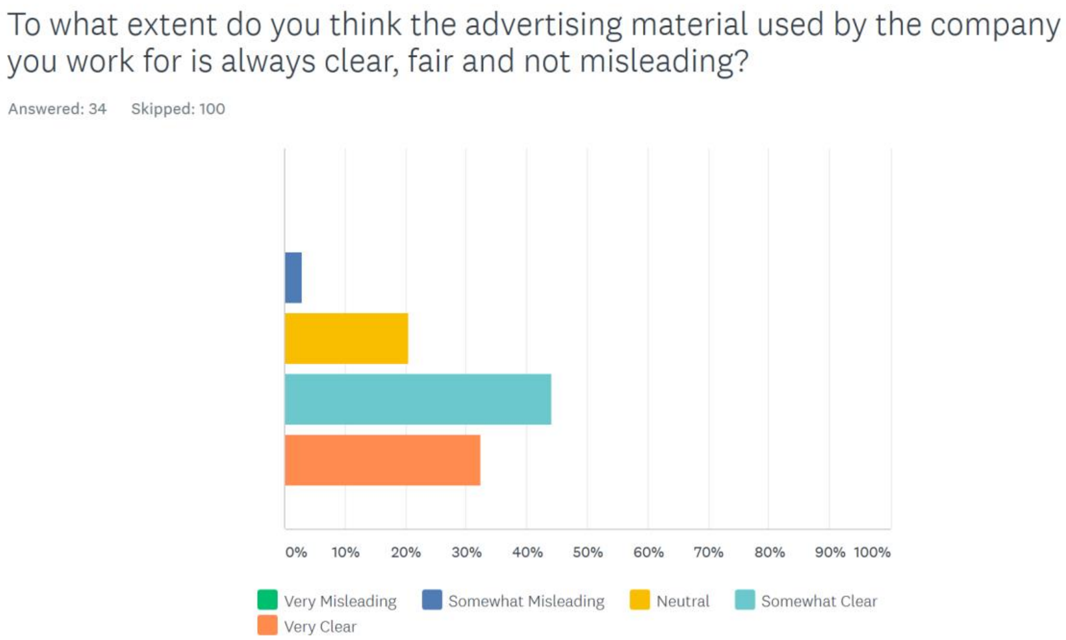
It can be seen that none of the respondents who worked in financial services felt that their organisation ignored regulation in any way. However, over half, 58.82%, felt that their organisation only somewhat abide by regulations. This could mean that the company picked and chose which rules to follow, actively circumventing some regulations or trying to abide by all regulations but failing to actually comply. 38.24% of respondents stated that the company they worked for always followed regulations.

Graph 29 - Survey Findings - Question 28



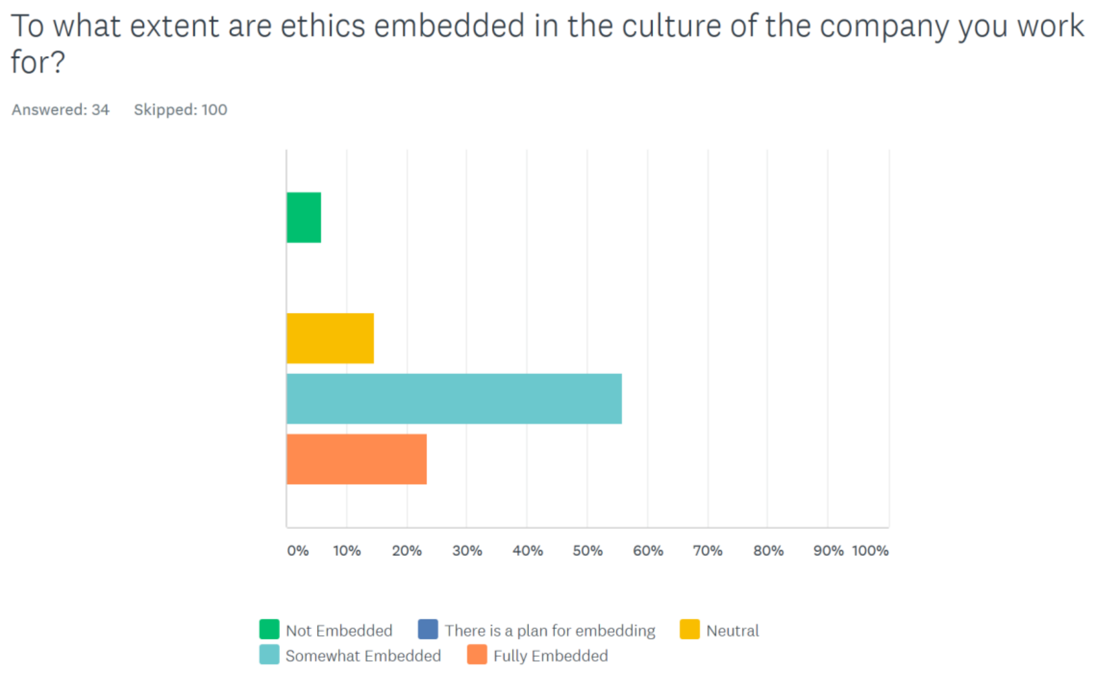
It can be seen that 32.35% were completely neutral about this question. It could be suggested that this was for fear of repercussions. However, there was the option to complete the survey anonymously. 8.82% of respondents stated that the financial services company they worked for had actively circumvented regulations and 23.53% stating that the company sometimes abides by regulations. The action of actively circumventing regulations was vastly different to trying to abide by regulation but failing. Only 35.29% of respondents stated that the company they worked for always abided by regulations. This is a considerably low proportion given that regulation is law, not advices that companies can choose to take or leave.

Graph 30 - Survey Findings - Question 29



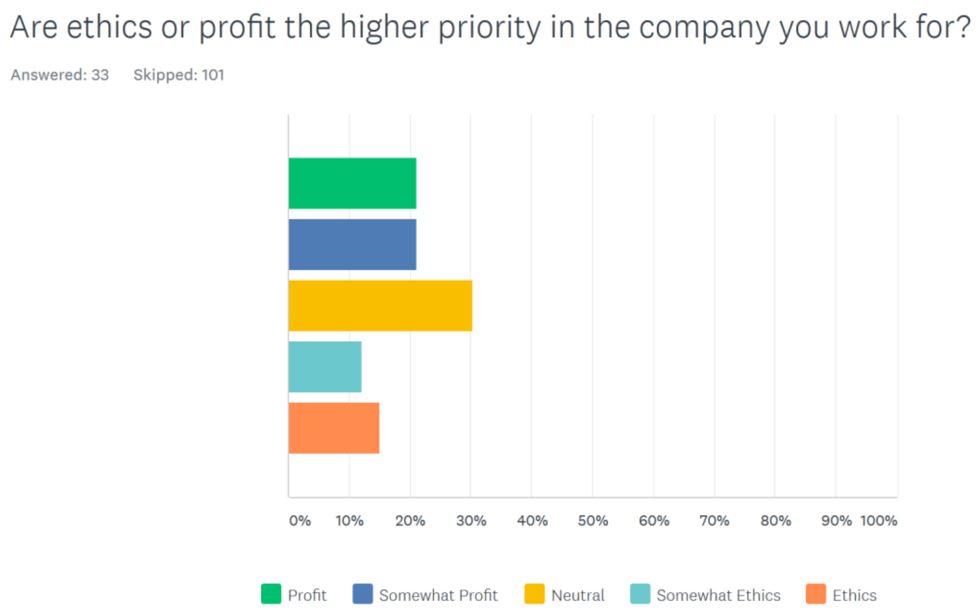
It can be seen that 32.35% of respondents thought that the advertising their company did was clear, fair and not misleading. This directly correlated with the previous question with 35.29% of respondents perceiving that the company they worked for always abided by regulations. This is an FCA regulation in all the various industry handbooks that financial promotion must be clear, fair, and not misleading. It is encouraging to see that no one felt that the advertising the company they worked for was actively very misleading. However, 67.65% of the respondents felt that the advertising the company they worked for did, either somewhat misleading, somewhat clear advertising or were neutral on the subject. It is interesting that 67.65% could not explicitly state that the company they worked for produced clear, fair, and not misleading advertising of financial services products.

Graph 31 - Survey Findings - Question 30



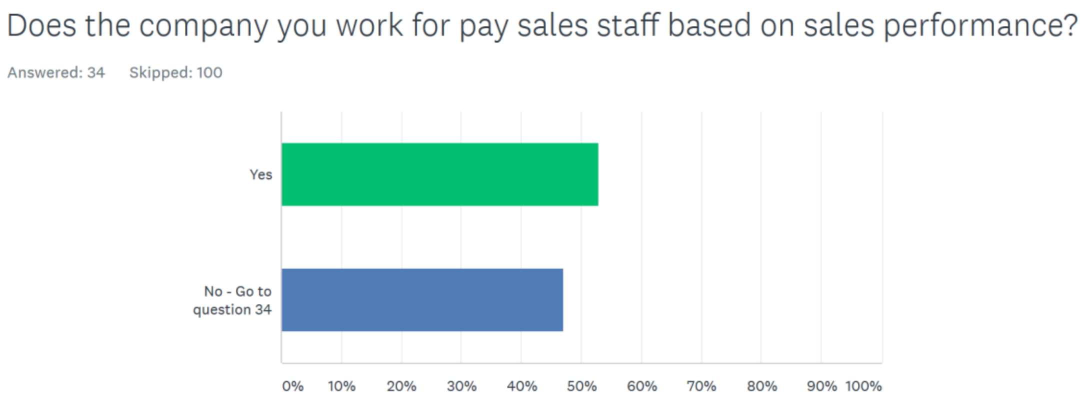
It can be seen that only 23.53% of respondents considered ethics to be truly embedded in the culture of the financial services company they worked for. Remarkably not one person stated that there was a plan for embedding ethics in the organisation and, with only 23.53% considering ethics to be truly embedded in the organisation, it would be reasonable to expect that an company would have plans to embed ethics within the culture on the company, especially as 5.88% of respondents stated that ethics was not embedded in anyway in the company's culture. The majority of respondents, 70.59%, were either neutral on the subject or considered that ethics were partially embedded in the culture of the organisation.

Graph 32 - Survey Findings - Question 31



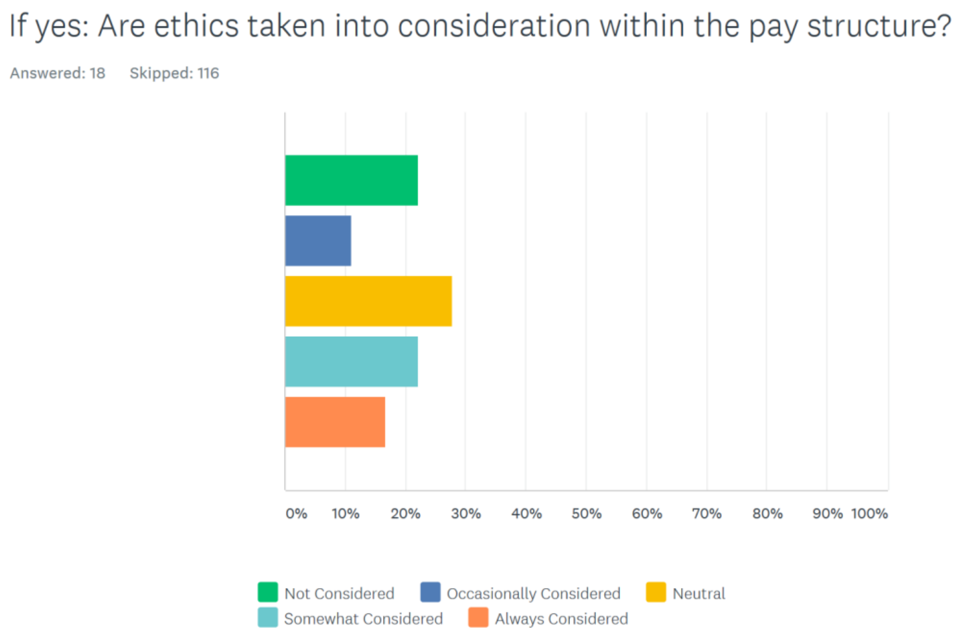
Nearly half of respondents, 42.42%, believed that profits were a higher priority for the financial services company where they worked than ethics. Whilst this is not unexpected as private companies have shareholders and boards to answer to that expect profit, it could be argued that not only is there a place for ethical profits but that, by putting ethics first, it would naturally increase profits in time. Only 15.15% believed that ethics were a higher priority in the company than profits.

Graph 33 - Survey Findings - Question 32



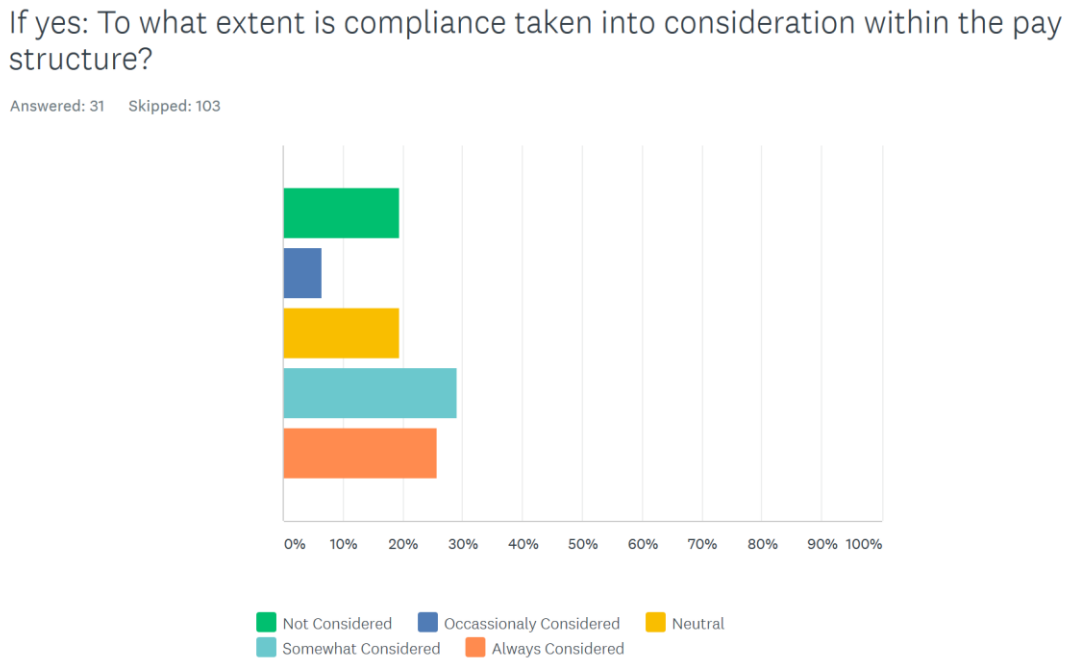
This is a very interesting split, almost 50:50 with regard to sales staff being paid on performance. It can be suggested that the number of sales staff who are no longer remunerated on performance is higher than expected and this could be put down to the FCA rulings and strict guidance on remuneration and incentive requirements. However, as seen in question 11, 68.60% of the general population perceive the remuneration in the financial services industry to be somewhat or very unethical, it could be argued that this number was higher due to the amount of media attention around 'bankers' bonuses rather than actually based on the true pay structure of financial services companies.

Graph 34 - Survey Findings - Question 33



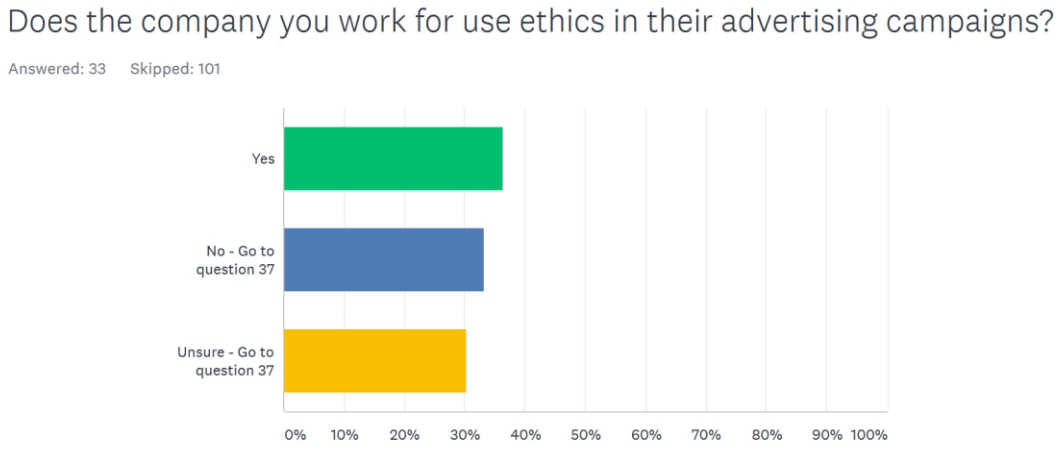
Of the 52.94% of respondents that stated that pay structures for sales staff in the company they worked for were based on performance, 33.33% stated that ethics were either only occasionally or never considered within that pay structure. A further 27.78% were entirely neutral on the subject. However, this means that 38.89% believed that ethics were a consideration to some extent.

Graph 35 - Survey Findings - Question 34



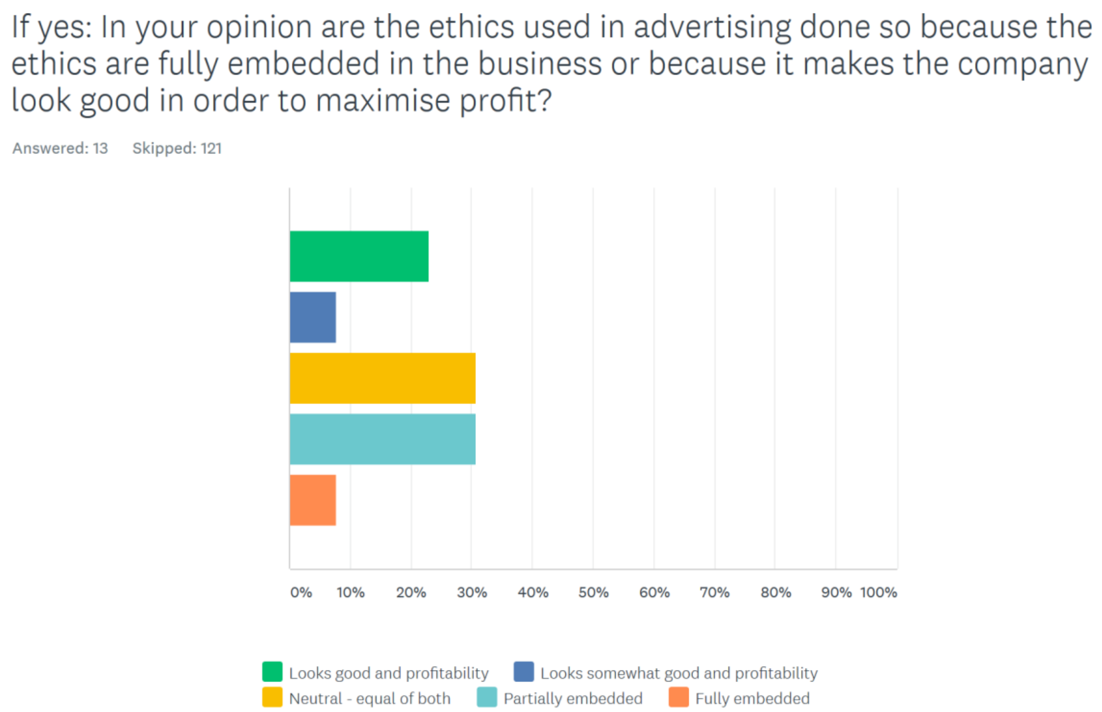
It can be seen that over half, 54.84%. of respondents believe that compliance was taken into consideration within the companies pay structure for sales staff. Interestingly this correlated with the answers to question 32 that nearly half of companies do not use sales performance metrics within the pay structure for sales staff.

Graph 36 - Survey Findings - Question 35



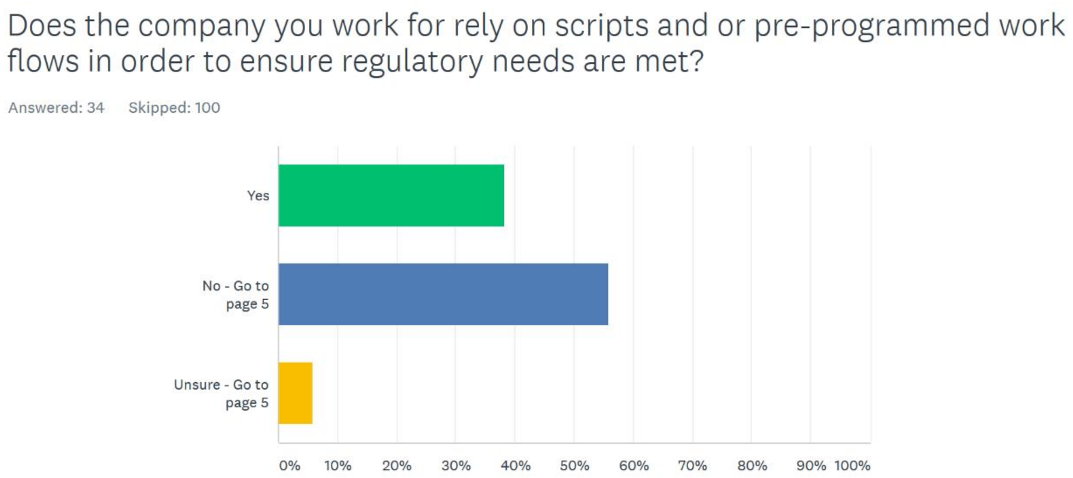
Interestingly, 30.30% of respondents did not know if the company they worked for used ethics within their advertising campaigns. Conceivably they might have never seen one of their company's adverts or perhaps they were unable to distinguish if ethics were being used if it was not blatantly obvious. However, 36.36% of respondents stated that ethics were used in the advertising campaigns of the financial services companies that they worked for.

Graph 37 - Survey Findings - Question 36



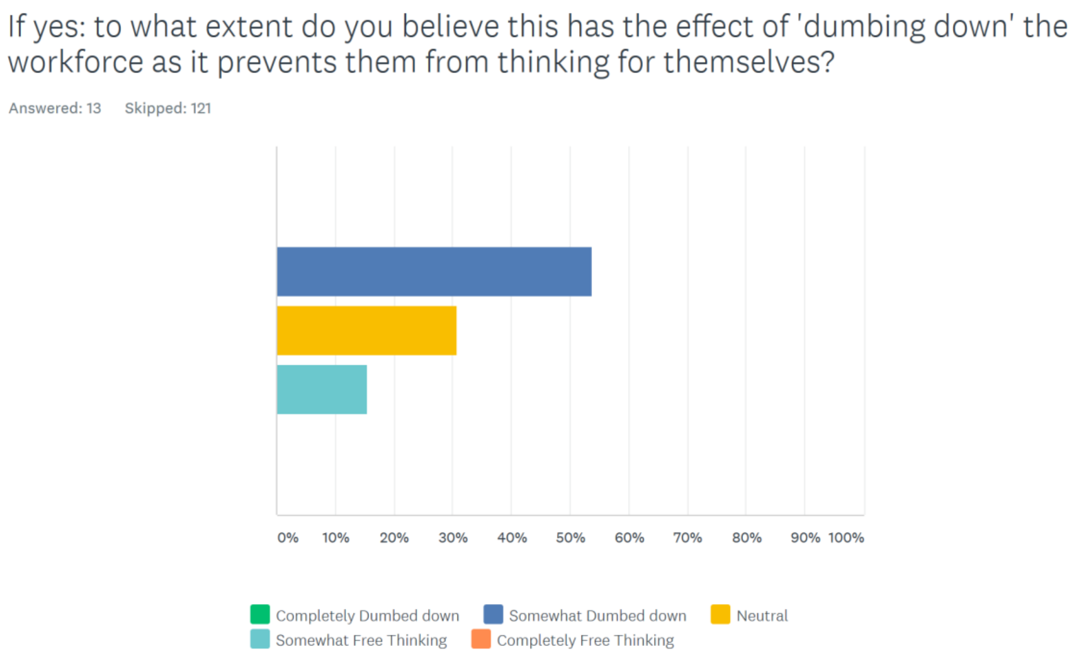
Of those financial services companies that use ethics in advertising 30.77% believed that ethics were only used because it looked good and increased profitability. Only 7.69% of respondents considered that ethics were used in advertising campaigns because ethics were actually fully embedded within the company.

Graph 38 - Survey Findings - Question 37



It can be seen that only 38.24% of respondents stated that the financial services companies they worked for rely on scripts or pre-programmed workflows. This number was lower than expected and that could be attributed to what type of companies the respondents worked for. For example a small mortgage broker with only one or two employees is unlikely to rely on scripted conversations, where as an employee of a large bank in a call centre selling loans would have been reliant on scripted conversations and risk score cards to give an answer of whether or not a loan would be granted.

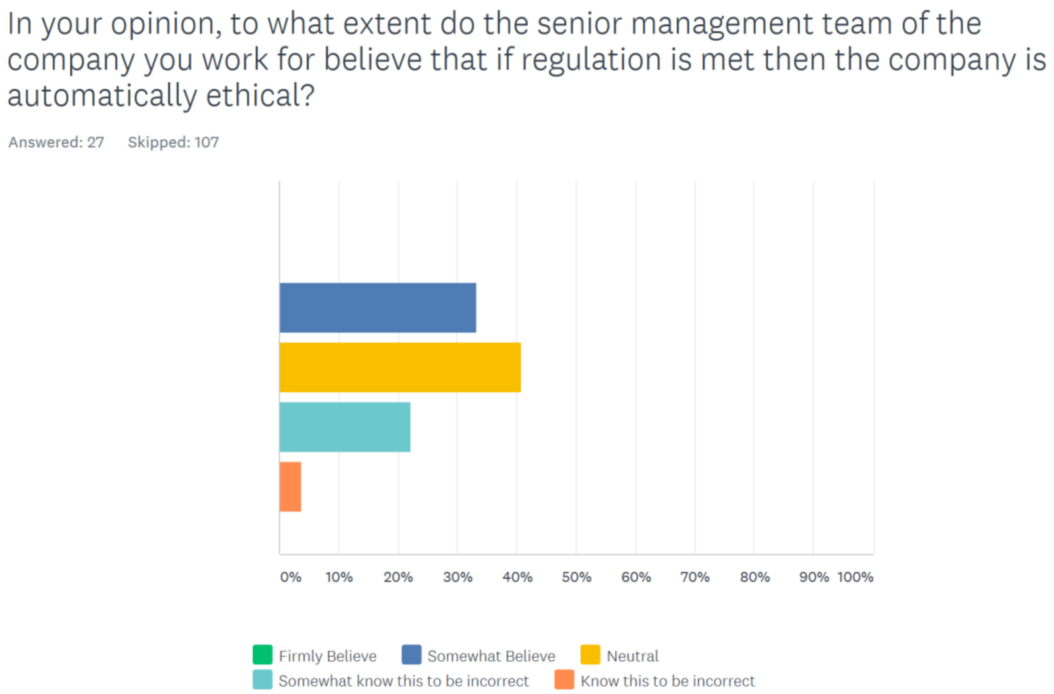
Graph 39 - Survey Findings - Question 38



Of the 38.24% of respondents that stated the companies they worked for relied on scripted conversations and pre-programmed work flows or risk score cards, over half believed that this reliance caused a 'dumbing down' effect on the workforce. Only 15.38% believed that pre-programmed work flows and scripted conversation allowed the workforce to be somewhat free thinking and none believed it led to an entirely free thinking workforce.

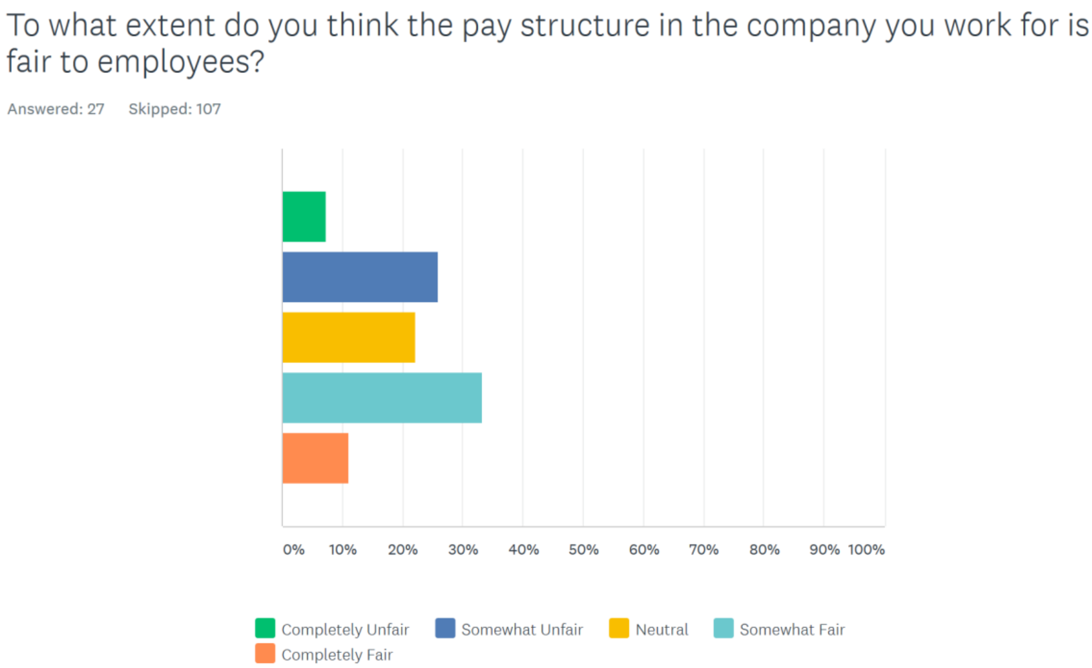
4.5.5 Survey Findings – FS Employee Question Set – Individual Experience

Graph 40 - Survey Findings - Question 39



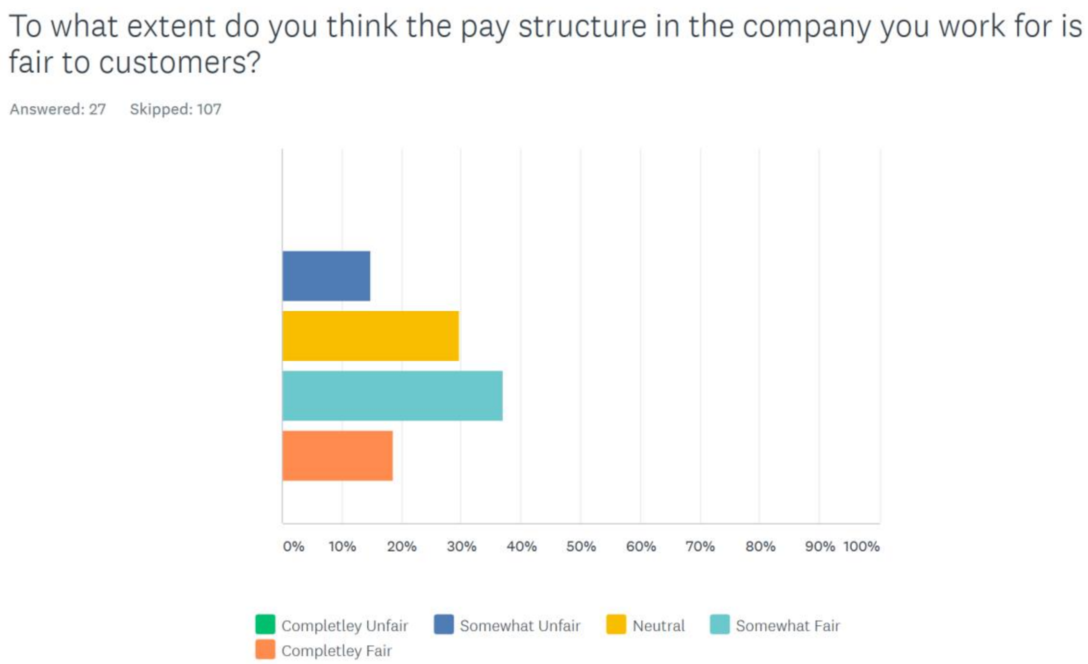
It can be seen that only 3.70% of respondents felt that the senior management team of the financial services company they worked for knew that it was incorrect to assume that just because regulation was met the company was automatically ethical. This means that 55.55% of respondents believed that the senior managers felt regulation in some way automatically made the company ethical and 40.74% were neutral on the subject. It can be suggested that there was an automatic assumption that just because something was not illegal it must therefore have been ethical. However, given that law and regulation are made reactively this cannot always be the case.

Graph 41 - Survey Findings - Question 40



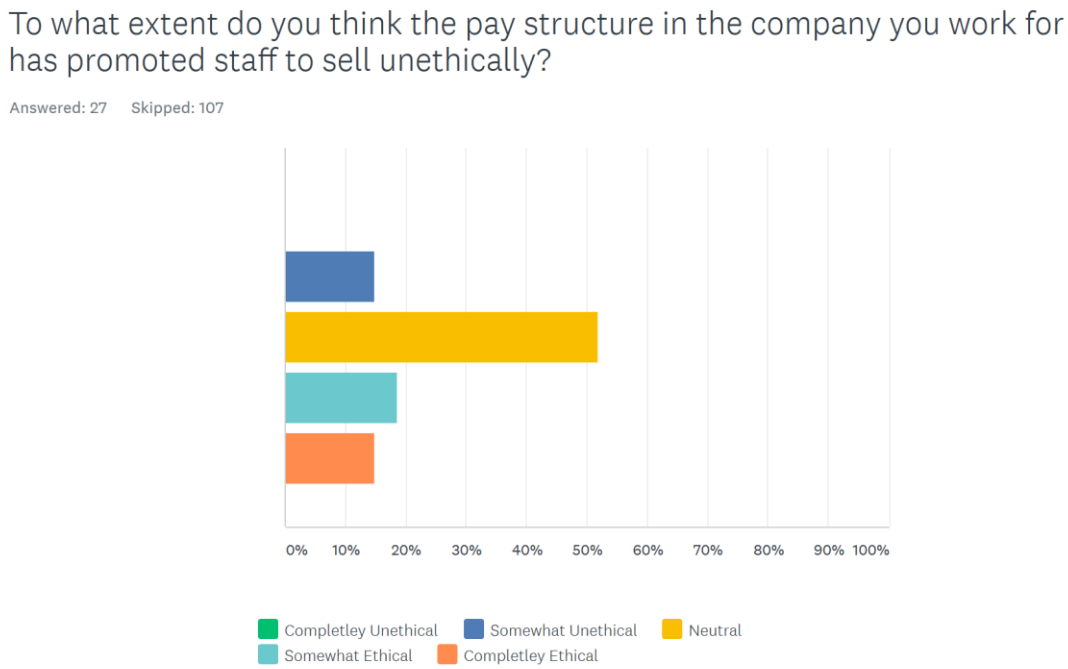
Interestingly only 11.11% of financial services employees perceived the pay structure within the company they worked for to be fair. Therefore 66.64% felt that the pay structure was only somewhat fair, partially, or completely unfair, and 22.22% were completely neutral on the subject. It was surprising that the percentage of neutral answers was 22.22%, it would have been expected that this would have been lower, as salary is usually an emotive topic amongst staff, with many having strong views.

Graph 42 - Survey Findings - Question 41



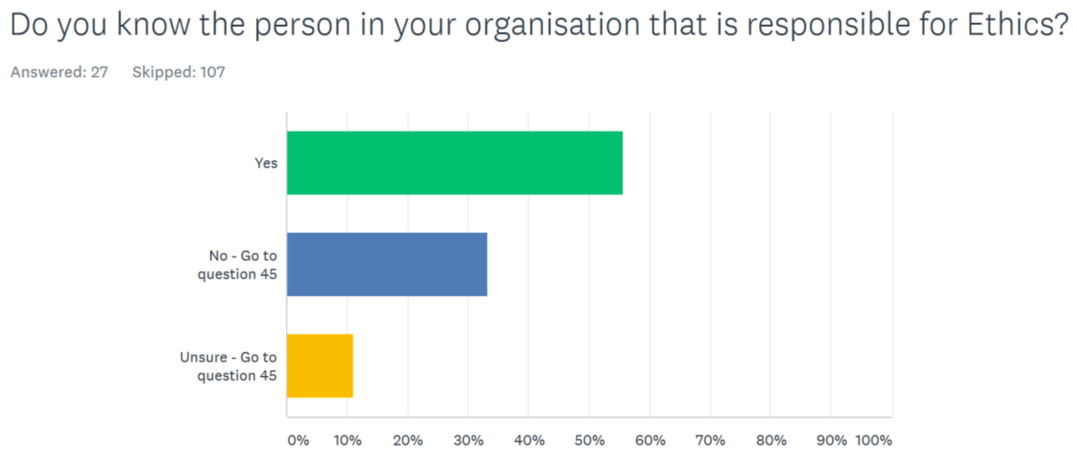
This question was intrinsically linked to question 40 and it was fascinating that whilst only 11.11% of financial services employees felt the pay structure in their company was completely fair to employees, this increased to 18.52% when considering the fairness to the customer. It can also be seen that only 51.85% felt that the pay structure was somewhat unfair or only somewhat fair to customers and 29.63% remained completely neutral on the subject.

Graph 43 - Survey Findings - Question 42



This is another question that was fundamentally linked to questions 40 and 41. It can been that 51.85% of financial services staff believed that pay structures with the companies they worked for, had no impact on ethical selling. This is very noteworthy and much higher than expected. It could therefore be argued that the FCA rules and guidance on remuneration is making a change in the industry. A further 14.81% of respondents believed that the pay structures in their companies completely promoted ethical sales.

Graph 44 - Survey Findings - Question 43



It can be seen that 44.44% of respondents were not aware of who in the organisation was responsible for ethics, whilst 55.56% of financial services employees stated they did know who in the organisation was responsible for ethics. That 55.56% was made up of fifteen respondents. Of those fifteen, fourteen chose to answer question 44, as detailed in Table 14 and of those fourteen only two (14.29%) felt that everyone in the organisation was responsible for ethics. A further six (42.85%) believed that ethics should come from the CEO, board or senior management team in a top down approach, four (28.57%) considered legal, compliance or governance departments to be responsible and two (14.29%) named other job titles.

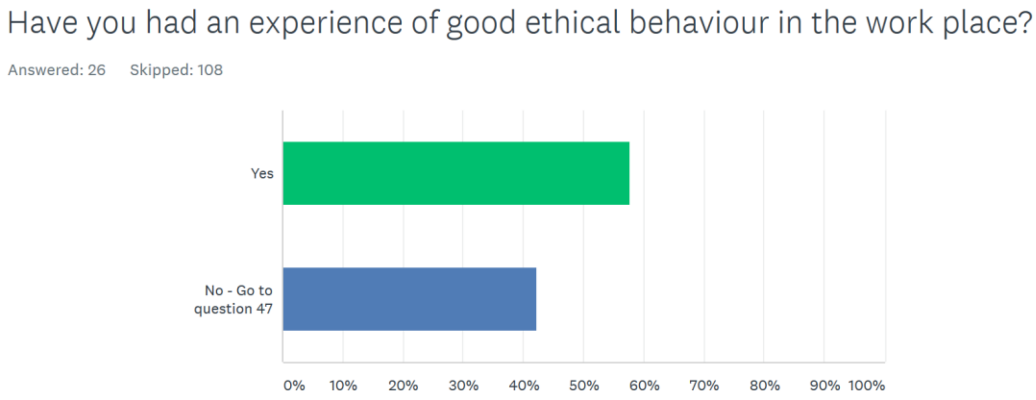
The number of respondents who were unaware of who in the organisation was responsible for ethics or who stated they knew but named an individual was a extremely high at 70.37% with a further 22.22% stating it was solely down to the management teams. Therefore only 7.41% of respondents felt that ethics were the responsibility of everyone in a financial services company and it could therefore be suggested that ethics are not truly embedded in financial services.

Table 14 - Survey Answers – Question 44

NB: These answers are exactly as written by the respondents in the survey.

Respondents	Responses
1	There are different contacts for different countries and different areas such as fraud, TCF etc.
2	Senior management team act as examplars but the whole organisation is responsible
3	CEO
4	Every member of staff is responsible - and there is a confidential whistleblower hotline for the declaration of any ethical issues that management have not dealt with (or which staff are uncomfortable dealing with)
5	General Counsel, Legal
6	All workers are
7	Board / Exec
8	MD
9	MD
10	Business manager
11	Business Governance
12	Directors and Shareholders, we are a consultancy services company that targets FS
13	Head of compliance
14	Compliance Dept

Graph 45 - Survey Findings - Question 45



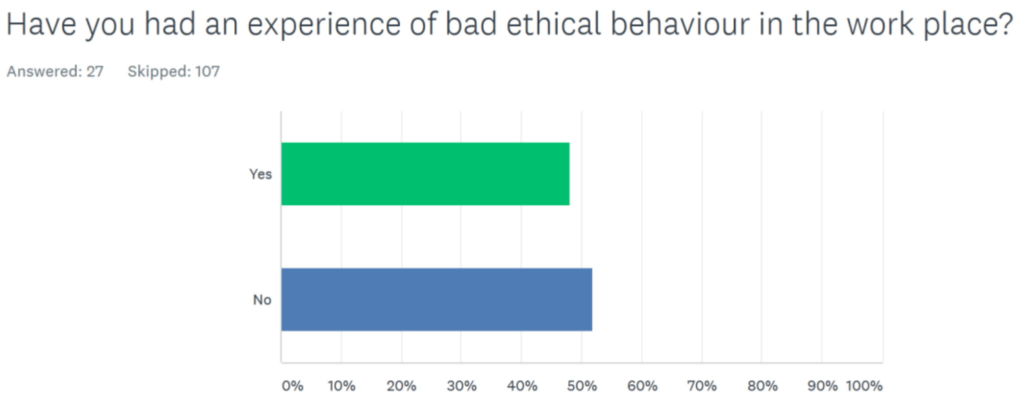
It can be seen that this was a relatively even split, with 42.31% of respondents declaring that they had never witnessed good ethical behaviour in the financial services company where they worked. Encouragingly, 57.69% stated they had witnessed good ethical behaviour in their work place. 46.15% of respondents chose to answer question 46 and expand further on the good experience that had witnessed in the workplace. These examples of good ethical behaviour included: business being turned away because it was unethical to accept it; not offering products due to concerns over ethics; ensuring no customer detriment and even paying out on lapsed life insurance policies because it was in the best interest of the customer. It can be argued that the final example was truly going above and beyond what was expected of a business and was truly an ethical gesture of good will from the company to ensure a customers' relatives were not adversely affected.

Table 15 - Survey Answers – Question 46

NB: These answers are exactly as written by the respondents in the survey.

Respondents	Responses
1	Confidential.
2	Life insurance claims paid even when the policy has expired when it is the best outcome for the customer
3	Numerous instance where business has been turned away on ethical basis
4	Decisions have been made to not offer products based on concerns over ethics
5	Business regularly seeks guidance
6	multiple daily things. More often than not advising of actual fact as opposed to most agencies who lie
7	Compliance and Business Governance teams always promote the interest of the customer and are very strong when blocking any unethical practices.
8	Partnership Agreement declaring an interest
9	When considering new options or incidents the customer is always considered and everything is done to ensure there is no customer detriment.
10	Strong arrears process designed to minimise customer detriment through establishing a sustainable plan or swiftly crystallising the debt.
11	Queries raised when asked to do something unethical by the client.
12	As per previous box.

Graph 46 - Survey Findings - Question 47



This question was the reverse of question 45, so it would be reasonable to expect the results to be very similar, which they are with a very near 50:50 split. However, the fact that 48.15% of respondents confirmed that they had witnessed bad ethical behaviour in the workplace is fundamentally inappropriate and a sure sign that ethics were not embedded within the culture of financial services companies. One example of unethical behaviour being identified as: *At Director-level there is often encouragement or even demands to circumnavigate Business Governance team to produce a more compelling message."* Further examples of the unethical behaviour witnessed by the respondents are detailed in question 48, Table 16.

Table 16 - Survey Answers – Question 48

NB: These answers are exactly as written by the respondents in the survey.

Respondents	Responses
1	Confidential.
2	An historical case whereby the customer was advised in error of an incorrect policy value and this was hidden
3	Dubious practice regarding TP's in years gone by.
4	Issuing quotes for business including tasks that are known will not be required to be completed and not reducing the quote once the work has been conducted
5	At Director-level there is often encouragement or even demands to circumnavigate Business Governance team to produce a more compelling message.
6	People not realising or thinking about the impact on customer until it is pointed out to them.
7	A research analyst who had joined from a previous employer retained their systems access to the previous employer's analysis database.
8	As per previous box

4.6 Survey Conclusions

Surveys are an effective way to get large amounts of data relatively economically and efficiently. Overall, the survey had a good response with 134 people taking the time to answer. The survey was split into 2 distinct categories: consumers of UK financial services products and employees within the UK financial services sector, of the 134 responses, 48 (35.82%) work within the financial services industry. There was therefore a reasonable split of solely consumers and those within the industry, 100% of respondents answered the consumer question set. There was a total response rate 15.8% of known sample size. It is worth noting that as the approach used was one of non-probability sampling and an anonymised snowball approach the results are not representative of the entire UK population but form a basis for initial conclusions to be drawn against the research objectives, that can underpin further research in the future. Data collection was predominantly carried out using social media and business networking websites, 91% of all responses came from either Facebook or LinkedIn.

As projected in the methodology the survey combined rigid unambiguous questions principally using the Likert scale and closed question types. There were also five open questions included so that respondents could expand further on particular answers. Each question was specifically written to contribute date to one of the 5 main research objectives. The initial question set was developed to establish that the respondent was within the target audience: over 18 and a user of at least one UK financial services product, and or an employee of the UK financial services industry.

The findings have proved to be exceptionally interesting. There were fewer answers in the extremes of the Likert scale than predicted and more in the neutral point, which can make it problematic to draw comparisons and conclusions. Despite this, the findings can be reviewed in the context of the original objectives.

To investigate if ethics are used purely as a selling tool when the economic environment demands it. Almost 43% of the respondents that are consumers believed that ethics were used more in advertising after a financial services company had received bad press and only 38.5% of financial services employees stated that ethics were used in their companies advertising campaigns because ethics were either somewhat or fully embedded in the organisation. The remainder believed that ethics were used in advertising purely because it looked good for the company and was therefore profitable.

To establish if regulation is causing companies to be complacent about ethics, nearly 60% of respondents believed the increased regulation made the financial services industry more ethical, whilst the majority of financial services employees agreed that increased regulation had an impact on the company they worked for and 72% believed that this impact had made the company automatically more ethical. However, almost 60% of financial services employees stated that the company they work for only 'somewhat' abided by regulation. Unfortunately, 33% of senior management believed that if regulation is met then the company is automatically ethical, meaning there is certainly an element of complacency around ethics in financial services organisations.

To estimate if the extent to which the industry has become 'dumbed down' by a reliance on pre-programmed workflows and software, 82% of respondents considered their interactions with financial services companies to be scripted and, conversely, only 38% of financial services employees stated that they relied on scripts and pre-programmed workflows. This dichotomy requires further analysis. It was found that 54% of financial services employees perceived pre-programmed workflows, scorecards, and scripts to be 'dumbing down' the industry.

To determine if the financial services industry was still remunerating sales staff on a commission basis and to what extent this style of remuneration has on the ethics of the organisation, 69% of respondents thought that financial services remuneration was unethical. However, it was found that only 53% of financial services employees were paid based on sales performance metrics and then 39% stated that ethics were taken into consideration within the metrics and 55% stated that compliance was taken into consideration in the metrics. Therefore, a number of the findings suggest that specific FCA regulation around financial services remunerations structures and bonus schemes is working.

To investigate where ethics sit within the organisation structure, one of the main findings was that ethics were not embedded within the financial services sector, with many respondents believing that following regulation was the same as being ethical. It was also apparent that very few employees in the financial services sector believed that every individual in the company was responsible for ethics, instead passing ethical responsibility to either the management teams or compliance and legal teams. Full comparisons and analysis between questions will take place in chapter 6 – discussion and analysis of the primary research findings.

Chapter 5 – Initial Results and Findings - Interviews

5.1 Interview Introduction

In depth interviews were chosen as the secondary source of research to enable further detailed discussion on the main points raised from the surveys. The interviews were semi-structured with a series of 13 questions designed to answer the research objectives and all interviewees were asked the same questions. The interviews ranged from 30 minutes to 2 hours depending on the person being interviewed and the amount of information they wanted to convey.

In total eleven interviews were completed. This was less than originally predicted due to the complications of arranging diary time with interviewees. At the time of carrying out the interviews the UK and most of the world had been placed in lockdown due to a global pandemic. This meant that people were not allowed out of their homes. This situation brought with it a number of complications, in that people's diaries were suddenly a lot busier than previously, especially with video conferencing calls. However, the advantage of carrying out the interviews during the global pandemic was that interviews could only be completed using video conferencing. This meant that all interviewees could be recorded, subject to verbal consent by the interviews. Consent was asked before starting recording and after starting the recording to ensure it was recorded.

The interviewees were split into two categories, those working in financial services and consumers, the largest section being those that are working within the financial services industry. This also saw a wide range of different job titles to ensure that a rounded view of the industry was obtained. This included both inhouse and external legal representation.

This chapter will review in more detail the sampling of the interviewees, the rationale behind the questions asked, and the findings of the interviews.

5.2 Interview Sample

The narrative inquiry strategy stage followed on from the survey strategy and also used non-probability sampling. This stage was based on further information required from the survey strategy stage. The survey gave the opportunity for participants to leave their contact details if they wished to be a part of the interviews, therefore there is an element of self-selection. The final selection was based upon a combination of this self-selection and the type of individual, in so far as if the person has personal or business dealings with the financial services industry, if they are employed within the industry or if they consult to the industry for example external legal counsel. This therefore makes the narrative inquiry stage purposive, in that the selection of interviewees was based on Judgment sampling, in order to get specific representation from individuals with interactions within the financial services industry from a personal, business, legal and employee perspective.

It was estimated in the methodology that 10% of the primary research respondents would be interviewed. This equates to 13 interviews. However, due to scheduling issues only 11 interviews were carried out. Saunders et al (2012) state that semi structured / in-depth interviews should aim to have a sample size of between 5-25 to be considered relevant. However, it is worth noting that as this sample is purposive it cannot be considered a fair representation of the entire population.

The appropriate representation split was also changed from the projected 50:50 split between consumer and industry employees. This was changed to incorporate the new a wider range of financial services sector jobs including legal representation. It was agreed that this would give a rounded and non-biased view of the financial services. The legal representation category will only include financial services regulation specialists and was further split into a mix of in-house and external legal counsel. The reasoning for including the views of legal counsel is because they are privy to many high-level corporate discussions and decisions that others are not, including privileged conversations. They are also some of the few people who are party to discussions with both the regulator and the regulated. This makes them ideally placed to give an honest view of the situations to which they have been party. It is also essential to get the legal and compliance representation to examine further the relationship between legal and compliance departments and corporate ethics.

The industry employees section is the largest because there is potential for bias if only one company's and or one employees view is taken into consideration. There is the possibility of this platform being used to air a grievance and therefore a number of views will be taken from a number of different companies. These companies are also in different sectors of the industry, whilst remaining in the non-investment retail financial services industry. The industry employees also hold different levels within companies from small business owner to Marketing Director to Regulatory Compliance Specialist. There is also the view of a retired regulatory expert. This viewpoint is particularly important because employees can fear recrimination, even with anonymised interviews. The consumer interviews will also be split into a subcategory of those who have only personal financial products and those who have both personal and business products. There is also an overarching even split in the gender of the interview participants to review if there are any key differences and to avoid any gender bias. It would have been ideal to Interview staff from the FCA and Bank of England also to helps give a well-rounded view of the industry.

So that the interviewees remain anonymous, each has been allocated a number and will only be referred to as that number. All interviewees gave express verbal permission for their interview to be recorded and digitally stored. Table 17 below shows the interview participants, the category that they fall into and their allocated number. The exact details of the organisations the participants worked for at the time of the interview have been intentionally omitted because this would make the individual traceable and therefore not anonymous. It was felt that the anonymity was important so that the interview could take place without fear of recrimination.

Table 17 – Interview Participants – Anonymisation

Participant	**Category**	**Subcategory**
1	FS Legal Counsel	In-House
2	FS Legal Counsel	External
3	Industry	Owner of Mortgage Brokerage
4	Industry	Business Change and IT Director
5	Industry	Personal Banker
6	Industry	Marketing Director
7	Industry	Compliance Director
8	Industry	Retired - Compliance Business Partner
9	Consumer	Consumer Only & Non FS Business Owner
10	Consumer	Consumer and Non FS Business Owner
11	Consumer	Consumer and Non FS Business Owner

5.3 Interview Question Set

The interview questions were all worded to ensure that each question met a specific objective and answered one of the main research objectives. Some of the questions were similar to a question asked in the survey, however, this was because in the semi-structured interview the interviewee would be able to expand on their answer. Interview questions were carefully worded to avoid ambiguity and also to avoid any interviewer bias being put to the interviewee. The phraseology of the questions was also given careful consideration to ensure that all of the questions were suitable for all of the interviewees no matter which of the categories they were in, legal counsel, financial services employee or consumer. The interview participant was asked to consider some questions from both their experience as a financial services employee and from their personal experience as a consumer. There were only 13 questions asked and this was because they were deliberately open questions to let the interviewee talk about their own personal experiences. Therefore, the timings of the interviews were taken into consideration when writing the questions and choosing how many to ask. In the end the interviews varied in time between 30 minutes and 2.5 hours

Table 18 – Interview Question Set Rationale

Number	Coding	Research Objective	Link	Question	Rationale
1	Open Question	All	No	How ethical do you think the financial services industry is as a whole?	This question was designed to be a good introduction question as it is such an emotive subject that it is hoped it will get people talking. The question also helped to develop a baseline understanding of the interviewee's perception of the industry whatever their involvement. This also helped to shape the interview and set the tone.
2	Open Question	All	No	How dependent do you think the UK government is on the financial services industry?	This was another overarching question and continued to establish the interviewee's perception of the financial services industry. It was an introductory question that continued to help shape the interview.
3	Open Question	i.	No	Do you think financial services companies use ethics as a sales tool?	This question helped to start to direct the interviewee to answer the specific research objectives. It directly answered the research objective i - are ethics used purely as a sales tool when the economic environment demands it?
4	Open Question	i.	Yes - 3	Do you think ethics are being used more in advertising because financial services companies have genuinely become more ethical or because they want to appear more ethical to demanding consumers.	This question was linked directly to the previous question and to the research objective i. The purpose for putting in the either-or example in the phraseology of the question was to help with the interviewee's understanding and both ends of the spectrum. These were given equal weight so as not to show bias or to lead the interviewee.

5	Open Question	ii.	No	How seriously do you think financial services companies take regulation?	This was linked directly to research objective ii - to help establish if regulation is causing companies to become complacent about ethics. This helped to develop the interviewees perception of the weight financial services companies give to regulation.
6	Open Question	ii.	Yes - 5	Do you think regulation and ethics are directly linked?	This question was also linked directly to research objective ii and interview question 5. It sought to establish if there was a relationship, perceived or otherwise, between regulation and ethics.
7	Open Question	ii.	Yes - 5	Have you ever been aware of financial service companies actively trying to circumvent or avoid regulation?	This was another question directly seeking to answer research objective ii and linked to interview question 5. Initially it was proposed that this question would only be for those within the financial services industry, but given personal experience when purchasing products using finance, specifically in the motor trade - it is common to hear *'I am supposed to read this out to you but...'* in a sales circumstance as the consumer.
8	Open Question	v.	No	Who is a financial services company do you think should be responsible for ethics? - In reality who is responsible?	This question is aimed at answer research objective v and to investigate where ethics sat within an organisation and if the interviewee believed that they sat with one person or with everyone. The question was very carefully worded in order not to show any researcher bias or to lead the interview.
9	Open Question	iii.	No	Do you think financial services have become overly reliant on computer based decision making rather than personal interaction?	This question was linked directly to research objective iii - reviewing the extent the industry had become 'dumbed down' by a reliance on pre-programmed workflows and software. This question was in two parts. The first part sought to establish if financial services companies were reliant on pre-programmed workflows and software. The question was phrased with the either-or example to give both sides of the discussion and to help shape the question with showing bias or leading the interviewee.

10	Open Question	iii.	Yes - 9	Do you think it is ethical to operate in that way?	This question was linked to the interview question 9 and to research objective iii. It was the second part of the question and sought to establish if the interviewee believed that pre-programmed work flows and software impact on the company's or individual's ethics.
11	Open Question	iv.	No	Do you think salaries in financial services are directly linked to number of sales made?	This question is linked directly to research objective iv and aimed to determine if financial services companies were still remunerating sales staff based on numbers of sales made, or if consumers perceived that this was still happening. The question was purposefully phrased so as not to make an assumption or show bias.
12	Open Question	iv.	Yes - 11	Do you think this style of remuneration promotes ethical behaviour?	This question was again aimed to answer research objective iv and was part 2 of interview question 11. It was purposefully worded to ensure that there is no assumption in the answer to question 11.
13	Open Question	All	No	In your dealings with financial services companies, do you believe that the number one priority is the customer?	This is a general question and interviewees were asked to answer this question in 2 parts, if appropriate - firstly from the point of view of the financial services company they worked for and secondly from their own personal interactions with financial services companies.

5.4 Interview Findings

This section will review the findings of each of the thirteen questions asked to the eleven interview participants. For the purposes of anonymity, the participants will be numbered 1-11. Each question will include a summary of what each interview participant answered.

Table 19 - Interview Participant list

Number	Category
1	Legal Counsel - In-House
2	Legal Counsel - External
3	Financial services Industry - Owner Small Brokerage
4	Financial services Industry – Operations Director
5	Financial services Industry – Personal Banker
6	Financial services Industry – Compliance Consultant
7	Financial services Industry – Marketing Director
8	Financial services Industry – Retired Compliance Business Partner
9	Financial services Consumer – Personal and Business user
10	Financial services Consumer – Personal and Business user
11	Financial services Consumer – Personal and Business user

The interview findings are in the form of qualitative data and will take on an inductive critical analysis approach, this means that the initial findings and conclusions will be led by the themes and issues that arise within the interview answers. Whilst there is no statistical approach to the qualitative data it will be used in the critical analysis in Chapter 6 to further explore the conclusions drawn from the quantitative data in the context of the research objectives.

The answers will be summarised but will contain the main points in the participant's own wording.

Question 1 – How ethical do you think the financial services industry is as a whole?

Participant 1 – Generally financial services companies try to take into consideration all aspects of what is right for the customer but also bearing in mind what is right for the business. Large companies with heavy regulatory oversight are more ethically aware than smaller companies with less regulatory oversight. Overall companies try.

Participant 2 - Heavily involved in the industry and it has certainly improved but the attitude and the appetite to take risk varies significantly.

Participant 3 - Generally quite ethical and there have certainly been a lot of changes over the last 5 to 6 years. Things like the PPI scandal certainly woke the banks up. Currently they do put the customers first and previous unethical types of products are no longer offered.

Participant 4 - I think it is a lot more ethical then when I started my career in financial services. This is down to a lot of changes in legislation and thinking to put the customer at the heart of the business.

Participant 5 - I think the industry is only as ethical as it can be. It is high on everyone's priority because of having to deal with regulations, treating customers fairly, risk to reputation and always being under a microscope. However, it really is down to the individual to make the ethical part of the business work.

Participant 6 - Not massively so, I think they are certainly more switched on to various ethical matters of the last couple of years, but I think predominantly most people within financials services are there to make money. There are some new financial services start up that are pitting themselves as particularly ethical, but I am not sure how ethical they actually are or if this is just advertising. I think that things are slowly getting better and will change more over the next couple of years but predominantly there is a large base there that just want to make the most amount of money possible and there are firms out there that will cut corners to do that.

Participant 7 – Having always worked in financial services for PLC's I do not think they are massively ethical. I think they think they are, and they think it is important to be to increase dividends and share price. Now I work for a non-PLC company and they have ethics truly weaved into the culture of the business and the difference is extremely visible. Without having shareholders it leaves the business free to reinvest the profit back into our customers and employees, instead of having a standard corporate CSR programme of charitable giving, which is more of a tick box exercise. The company I now work for genuinely believes that they are there to play a part in helping society. If you do not have quarterly results to hit and shareholders to please then you are free as a business to think about the impact you want to have on society. An example of this is during the pandemic and lockdown, many companies offered a 3 month payment holiday, which means that you have a payment break for 3 months, but those 3 months payments are still due and are just added on at a later date. The company I work for offered a true 3 month break to customers who called in and said they were struggling with payments. What this meant is that the 3 months was not added on anywhere, we genuinely said, to help our customers if they are struggling during this unprecedented time they can have 3 months on us.

Participant 8 – Generally the FCA has changed old unethical behaviour, but they have done it by force, and it has taken a long time for this wanted behaviour to become part of business as usual. This has taken from about 2004. This change has taken a particularly long time because of the staff who have been in the industry for a good number of years, who are used to the old, self-regulated ways. As those people start to retire out of the business there will be another big change.

Participant 9 - I fear that it is not ethical in anyway. I have never really seen anyone in financial services being ethical. A good example of this is during the pandemic and lockdown of course non-essential workers were not travelling by car but no one has been given a refund on their car insurance. It is an industry that will keep your money and not look after the consumer in anyway.

Participant 10 - I think it is very mixed. There are organisations that are very well intended and start off with good intentions but the power of money and financial wealth, whether that be individual or corporate is very strong. It can also depend on the kind of area they are focusing on. It is about 50:50 there are some very unethical organisations in the market but equally there are some organisations that want to work in an ethical way.

Participant 11 - I would say they are only ethical as far as they have to be, to be seen as a company you want to do business with, and to cover the minimal amount of regulation. They would not be ethical if they did not have to be.

Summary – There is an overall consensus of opinion of those interviewed that work within the industry that things have improved over the last several years. However, there is still a way to go. Even in 2020 the FCA were still issuing multi-million-pound fines for unfair treatment of customers, therefore institutionalised deception is still ongoing in the industry. There is an understanding that private companies have to manage shareholder expectations and therefore always have to balance meeting expectations and making profit. Interestingly, this is in stark contrast to those that do not work within the financial services sector who overall were quite scathing of the industry and felt there was a distinct lack of ethics and where there was ethical behaviour it was only because the company's hands were forced by regulation to behave in this way.

Question 2 – How dependent do you think the UK government is on the financial services industry?

Participant 1 - The government is more dependent on the financial services industry than it thinks it is and certainly more than they like to admit. It helps to keep the economy going and the influence the financial services industry has over different aspects of everyday life is quite significant. This is managed through the competitions and markets commission but the dependency is more than the consumer believes.

Participant 2 - Evidence would suggest that it is an incredibly important part of the economy and reputationally it is on parlance to talk about the City of London and the output from the City of London. Brand UK generates a lot of its trade credibility from being a financial services superpower as well as the finances derived from it is a great deal of income.

Participant 3 - Massively dependent, financial services and tourism are the two biggest inputs to the economy. Financial services particularly has a huge knock-on effect to the economy. For example, a house purchase is not just a mortgage, there is a good chance there will be other purchases, carpets, furnishings, white goods etc. Without financial services the economy would go into a huge decline.

Participant 4 - Massively, probably the biggest industry in the country, financial services is now the biggest provision in the country.

Participant 5 - I think that people do not realise how important the financial services industry is. I think the government is very dependent on it and the country would not work very well without it and therefore there should be more flexibility.

Participant 6 – Within the UK they are pretty hugely dependent. London is a massive financial hub and whilst things over the last few years have been decentralised it is still very large within the global market. Brexit has been a test to the industry of what would happen and if some of the global organisations would leave London. However, at the moment the impact does not seem as big as feared. Although only time will tell as the pandemic has masked Brexit to some extent. Financial services are a massive part of the UK economy and it is something that any government will protect as much as they possibly can.

Participant 7 – Hugely, and I think this has been seen particularly with Brexit and the massive tax breaks that were given to one specific non-UK bank to get them to keep their headquarters in London. The top five banks and top five insurers are based in London.

Participant 8 – Heavily dependent, but the understanding of the government of how the financial services industry works is extremely limited and really only extends to banking and not the whole market.

Participant 9 - Far too dependent. Many decisions made in the government and the groups behind the government who make decisions are driven by rich white men who work in the City. The lack of diversity makes a huge difference in ethics. Everything is being driven by big institutions and then the underlying more secretive groups that are not visible to the consumer and those groups are not ethical in anyway. The financial services industry pays lip service to being ethical but in no way actually is.

Participant 10 - I think we have built ourselves into a situation where we are now totally dependent on it and the government looks to the financial services industry and sees it as a support for the country. We are a country that is widely regarded as a tax haven for companies and the government put a lot of trust in financial services, probably a lot more than the everyday people realise.

Participant 11 - A lot. You hear a lot about the amount of money generated by the City of London.

Summary – Everyone interviewed felt that the UK government and the economy as a whole is heavily reliant on the financial services sector. No divide was seen between those within the industry and those that are purely consumers of the industry. Many actually believe that the UK government is overly dependent on the industry and that there are deals that go on behind closed doors to keep financial institutions head quartered in London and financial services lobby groups have too much influence in politics and policy making.

Question 3 - Do you think financial services companies use ethics as a sales tool?

Participant 1 – Yes! Absolutely financial services companies use ethics as a sales tool. It does depend and some companies use it for the right reasons. The support through the covid-19 pandemic is a good example of companies using it for the right reasons. However, the flip side is that others say they are regulated by the FCA, using that as an endorsement and proof that they do 'everything right'.

Participant 2 - Yes, some do. Some businesses are prepared to almost self-inflict compliance on themselves as a tool to demonstrate their commitment to ethics. For example, law firms are not regulated but some advertise the fact that they operate to compliance gold standard to the FCA regulation when they do not have too.

Participant 3 - Possibly now, however not previously. There was not the focus on ethics and treating customers fairly that there is now.

Participant 4 - Some of them do. There is something out there for everyone. If you are ethically minded there are financial services companies out there that cater for that and at the other end of the spectrum there are companies like pay day loans companies, who are not necessarily very ethical, but the users of these companies probably do not care about that as it is a product of last resort.

Participant 5 - Some companies do but at the end of the day they are companies, and they are there to make a profit.

Participant 6 – Yes! Certainly, some do. It is a bit of a trend at the moment with a lot of firms jumping on that band wagon to get themselves front and centre in the customers eyes. It is good that firms are advertising things like carbon offsetting and ethical behaviours. However, I get sceptical of why firms are doing that, and the primary driver is sales because good ethics is likely to attract more customers.

Participant 7 – Yes, they do and there are very few that have ethics built into their core and I believe that once the fintech banks have settled in and are more commonplace, you will see customers leaving the big banks. However, there is the possibility that if that happens one of the big banks will buy a company or the company will float on the stock exchange and either way will end up back in the model of pleasing shareholder over customers.

Participant 8 – If you come from the position that ethics translates to reputation then yes, the organisations do use it as a sales tool and bad press is to be avoided at all cost. It does not come from an altruistic approach but the knowledge that the stakes are too high for a business not to operate honourably.

Participant 9 – Yes, but I do not think that is only financial services companies. Many industries do that. When financial institutions do use ethics in advertising, they do it to pay lip service to something they think they should join the bandwagon on.

Participant 10 - I think some organisations do use ethics as a selling tool, but I think where your route to income is making money out of other people and using their money to make money it is very easy for ethics to be diluted. I think ethics should be there to provide the backbone of the business but when commission is there it is very easy for financial services to be very grey about ethics.

Participant 11 - Yes, all the time. Everything they do is about making you want to buy from them. The pandemic is a great example of financial institutions saying how much they are doing for their customers, which they may or may not be doing, but genuine do-gooders tend to just do it and not tell people they are doing it. Having big advertising campaigns highlighting what they are doing is only to bring in more sales. The ethical organisation are the ones that you hear about through word of mouth rather than the ones that have huge advertising campaigns.

Summary – The majority of those interviewed considered that most financial services companies used ethics as a sales tool. However, it was also commented on that this is not exclusive to the financial services industry. It was also remarked upon more than once that those companies that are genuinely ethical very rarely use those organisational behavioural traits in advertising campaigns. In fact, it could be argued it is not ethical to do so.

Question 4 - Do you think ethics are being used more in advertising because financial services companies have genuinely become more ethical or because they want to appear more ethical to demanding consumers?

Participant 1 - It is a mix of whether companies are using ethics in advertising to manipulate or if it is evolution. Customers more and more are looking at financial services companies and if they are ethical and supportive, diverse environments, and so if the company is not open about what they offer then this could negatively impact them. A lot of financial services companies do use ethics in advertising for genuine reasons. However, there will always be a balance of how ethical they can be balanced against the bottom line. Looking more at diversity in the top five banks boards, there is very little. It is predominantly white, middle class men and at the moment there is not the diversity coming up through the ranks. However, this has to change as more customers demand diversity.

Participant 2 - If I start from the positive end of the scale, there are a lot of people who want to purchase financial services products that do have ethics at their very core, for example mortgages that are carbon offset or car insurance that is reduced if you do less miles. However, businesses that are solely concerned with profit, which represent about 20-30% of the market, do gloss over ethics in advertising.

Participant 3 - Businesses want to appear more ethical, 'it is the hip and cool thing to be doing'. A bit of both though, customers are thinking more about ethics, so the companies want to appear more ethical but not all have actually become more ethical.

Participant 4 - Regulation has changed massively because consumers will no longer allow failure. Some companies use ethics in advertising because they believe in it, but it does depend on the company. Consumers want to be reassured and feel good about themselves and be seen to do the right thing because it is the trend, so they may choose a company that highlights ethics in their advertising for that reason, whether they are truly ethical or it is marketing spin. Ethics probably do not go beneath the surface of these companies and consumers buying for a feel good factor probably do not look too closely to see if the company is truly ethical.

Participant 5 - It is not necessarily a case of '*using'* ethics. Ethics are there to ensure the customer knows what they are purchasing and to ensure that the product is fit for purpose, and it stops the mis-selling that has been seen previously in the industry.

Participant 6 - It is a bit of a trend at the moment with a lot of firms jumping on that bandwagon to get themselves front and centre in the customer's eyes. It is good that firms are advertising things like carbon offsetting and ethical behaviour. However, I get sceptical of why firms are doing that, and the primary driver is sales because good ethics is likely to attract more customers.

Participant 7 – Ethics are definitely being used more in advertising to satisfy customer demand. Generally speaking, the companies that are highlighting how ethical they are in adverts are the ones that are the least ethical. It is the ones in the background who do not shout about it who are genuinely making a difference to society. I do not believe customers trust that style of advertising.

Participant 8 – It is a bit of both. Firms have had to become more ethical, but trust is used as a sales pitch in the mid-market commercial sector due to the amount of competition in this sector.

Participant 9 - Ethics are especially when there has been bad publicity, for example, bad press on 'bankers' bonuses' so the company will give to charity or dial up their CSR message and then consumers will forget the bad press. But all corporations do this, it is not exclusive to financial services.

Participant 10 - I think we live in a world where it is much easier for a consumer to research a company and their back ground, so in that respect companies will use a more ethical advertising campaign to distance themselves from their competition. But I genuinely do not think they are more ethical. It is being used as an advertising support and the ethical environment in financial services has not changed in years. It is all about them earning money. It is just in this day and age they need to appear more ethical.

Participant 11 - I think that ethics in advertising is only being used to get more customers and that the organisations are not genuinely more ethical. There are more than likely a group of people within the companies trying to make it more ethical, but the majority of the company are swayed by more customers and higher profits.

Summary – Those interviewed that are purely consumers stated quite strongly that ethics were only used in advertising to increase product sales and profits. Whereas those working in the industry were more split between if the industry is using ethics in advertising as a manipulation to increase profit or because they are genuinely more ethical. A number of those interviewed used the phraseology *'jumping on the bandwagon'* which is suggestive of the industry using ethics in advertising purely because it is the trend to do this and therefore customers are demanding it more. However, the majority of those interviewed felt that whilst companies had increased the use of ethics in advertising that is as far as it had gone, and the organisations had not actually become more ethical in their behaviour.

Question 5 – How seriously do you think financial services companies take regulation?

Participant 1 - Financial services companies do take regulation relatively seriously, in particular the themes. Recently in the pandemic the regulator has come through with forbearance to help customers through these difficult times. However, unfortunately, the regulator is playing catch up as regulation is written reactively. Companies try to be genuinely helpful and do the right thing for customers, but the regulation comes in behind the curve and this sometimes means the regulator gets bad press. On the whole the larger companies take regulation seriously. However, the fintechs do not take regulation as seriously and will take a lot more risk. It can be seen in adverts that are put at that are not compliant in order to push certain products. As they start out small it is not until they hit a certain size that the FCA will start to take notice of them, and they escape under the radar. Regulation can be quite alien to the fintech sector as they are true entrepreneurs, so it will depend on their management team as to how much regulation is pushed.

Participant 2 - Generally, most financial services companies take regulation seriously. However, there are different appetites to risk within the market. The reputational risk of being unethical is too significant.

Participant 3 - A lot more seriously than they did a few years ago, the possibility of being de-regulated or having unlimited fines is worrying to financial services companies. However, if companies do take regulation more seriously, they will get better customer retention because the company is doing their job properly. Regulation stops companies doing things a certain way because that is the way it has always been done.

Participant 4 – The companies that I work for take it massively seriously but equally I know of companies that have not taken it seriously. I would like to think that regulation has standardised the business and made people want to comply, but I believe there are still companies that do the absolute bear minimum to meet regulatory demands.

Participant 5 - Regulation is number one on everybody's mind all of the time. Industry workers have to ensure that regulation is priority. Particularly with the business I work for we concentrate on stewardship and leaving a situation in a better place than when we came to it.

Participant 6 - I think they take it much more seriously than when I first started in the industry. The way that regulation, the regulator, and the industry has progressed and has changed over the years. Firms take more notice of regulation than they previously did.

Firms used to be self-regulated and got away with a lot. However firms and regulation have matured and now firms know that they have to treat compliance to regulation in a particular way because of they are aware of the consequences. However, that is not to say that there are not firms out there who fly close to the wind and do things they should not do. These are companies who are only interested in sales and are there to make a quick buck. Generally though, the industry has moved to a much more mature position of firms looking to and wanting to comply. It can be difficult with new firms in the marketplace as they may not be used to regulation and not fully aware of the FCA and the powers it has.

Participant 7 – I think they are taking regulation a lot more seriously than they did. When I started my career insurers only had a self-imposed code of conduct. In the business I work for regulation and customer sit front and centre in everything we do. That being said there are a number of very large financial services companies that fly very close to the wind and those big companies tend to only respond when they or one of their peers get a big fine. Regulation will not materially impact ethics because, as a general rule, the large organisations can afford the fine, so whilst it will have an impact on shareholder value and profit that is probably the only impact. I do not imagine that customers read about a bank's fine and immediately move their accounts elsewhere. It does not impact customer choice.

Participant 8 – The have no choice but to take it seriously due to the sanctions that can be imposed on them. The Financial Crime Act 2008, had a massive impact on the industry and made sure that companies had a robust enterprise risk management framework in place. The other large piece of regulation to change the sector was Insolvency II, that was put in place after the 2008 Global Financial Crisis to ensure that if a company were to go bust, there was enough funds saved so that customers could be compensated.

Participant 9 – I would like to think that they take it seriously. However, I believe it is something akin to going to the dentist for them, they have to do it and do the bear minimum. From a consumer perspective the financial services industry talks about regulation a lot and they moan about regulation a lot, but they do the bare minimum to remain legal. They have huge sway into how that regulation is written so they can tread that fine line of appearing to be legal and ethical.

Participant 10 - They do not take it seriously until they get caught, though I think it depends on the size of the company. The small companies and the independent financial brokers take it very seriously because of the impact on their business. If they were to be fined or sued it would have a huge financial and reputational impact. However, the bigger the organisation the more knowledge they have on how to make the rules more flexible and the more input they have into the rules and pushing the boundaries of those rules.

Participant 11 - They take it more seriously now that the fines are bigger, but I think that they would not care if they did not get fined or thought they could get away with it.

Summary – There is again a distinct split between those interviewed within the industry and the consumer. Those within the industry tended towards the view that regulation is taken seriously and the consequences of not taking it seriously are too high to be complacent. It can be seen again that the industry opinion is that this has been a gradual improvement over time and regulation is taken far more seriously than it was several years ago. It can also be seen that there is the view that the start-up fintechs struggle more with regulation because they are not used to it. In contrast, consumers have a tendency towards the view that regulation is not taken seriously in the industry and it is only paid lip service too and the only thing that makes organisations pay lip service to regulation is the fines.

Question 6 – Do you think regulation and ethics are directly linked?

Participant 1 - Yes! Regulation and ethics are directly linked, and they have to be.

Participant 2 – Regulation and ethics are intrinsically linked and the risk of not taking regulation seriously is a reputational risk of being unethical.

Participant 3 - They can be to a degree, but they are not intrinsically linked.

Participant 4 - No, not really. Regulation represents the minimum standards whereas if a company has strong ethics it will drastically change the business.

Participant 5 - I would not say they are directly linked but I would say they are on the same 'hymn sheet'.

Participant 6 - Yes and no. A lot of regulation is based on ensuring the customer is treated fairly and principle one, firms operating with integrity and therefore ethics is built into the regulatory framework. There are therefore some linkages between ethics and regulation. However, many of the rules were written before such a large consideration was given to ethics. The general ethos of regulation is there to ensure that firms are being fair in the way they treat customers.

Participant 7 – They should be, but I do not think they are. I think one of the main problems is that financial services companies still see them in their individual silos. If an organisation is morally and ethically right then the regulator poses little threat because you are inherently doing the right thing for the customer, therefore, you are naturally abiding by the FCA guidelines. The FCA have seen what we were doing with payment right offs during the pandemic and they were impressed that we are doing great things for the customer. However, it was not done to impress the FCA, or to be part of an advertising campaign. It was done because it is inherently the right thing to do for our customers.

Participant 8 – I think they are linked. When regulation started in the industry it was voluntary and so there was resistance at first because the business felt that something was being done to them rather than the business wanting to do it. With the changes the businesses are starting to want to be more ethical.

Participant 9 – Yes, it is intrinsically linked, and it should be. Having gone through the recession it feels that regulation has been put in place because of the unethical behaviour of financial institutes. It is like they could not control themselves and have been told off. Ultimately the financial services industry is unique in that is all money driven and if you work in an environment were money is everything, money is king . Money is the thing that everybody wants and the more you have of it the better you are as a person and it is related to how good you feel about yourself – you could go into the industry extremely ethical but ultimately you will be worn down by the environment and then it just becomes a trade off that you are not as bad as another person.

Participant 10 – Yes, I think that they are linked and the people that set the regulation out would like to think that they are.

Participant 11 - Regulation is put in place to protect people from malpractice so yes to a certain extent they are linked.

Summary – The majority of those interviewed, felt that regulation and ethics are directly linked and if they are not, they should be. There was no discernible difference between the answers of those in the industry and those not in the industry.

Question 7 – Have you ever been aware of a financial services company actively trying to circumvent or avoid regulation?

Participant 1 - Unaware of a business actively going out to do something illegal, there is absolute black and white legislation that business have to do, and the guidance that is the gold standard, many companies will operate in the grey. Bigger financial services companies will always err on the sensible side and be risk adverse. Pay day lenders before they were under the FCA, operated particularly unethically.

Participant 2 – It depends on the structure and product offerings of an organisation. For example, if an organisation was doing a majority of unregulated products then they could make the decision to only do unregulated products and therefore by de facto be avoiding regulation. However, this is not necessarily unethical. A few years ago, pay day lending companies specifically challenged absolutely every aspect of regulation to see how far they could push them. Going back even further the store cards products earned huge amounts of profit from the ad-hoc charges before they were fixed, with arbitrary amounts being assigned. This has since been fixed to a £12 fee. Also, there were board conversations around profit vs fine amount, back when fine amounts were fixed, this is almost impossible to do now. However, there are still organisational conversations of can we leave that out, in terms of wording being ‘obvious’ or it being boring to the customer.

Participant 3 - No, never been aware of a financial services company trying to avoid regulation.

Participant 4 - Not at the time but later found out that they did. The company believed that they were doing the right things at the time, but it was found later that they were not acting within the regulatory framework.

Participant 5 - I think this is down to individuals rather than organisations. There is always going to be someone who wants to try and bend a rule and that might be for the benefit of the consumer. At the company I work for we have strict whistle blowing rules and if we see something unethical, we are encouraged to pick up the phone. Whistleblowing is 100% anonymous and there is no backlash in the organisation, no financial backlash or risk of job loss from speaking out. There has been a very big push in recent years to do things the right way.

Participant 6 - Yes absolutely. Most certainly there are firms that just blatantly do not want to do it and it is because they perceive there to be a negative impact on their business and their bottom line. This behaviour is driven from the senior management team and if they have a reluctance to follow regulation then it will permeate throughout the organisation. However, some of the rules were written many years ago and are effectively outdated now, especially in firms that are heavily technology focused and therefore some of the rules do not always fit well in the modern world. Yes, there are still firms that still blatantly say they are not going to comply.

Participant 7 – Yes, I have certainly been party to the conversations of what is the expected fine, what is the expected profit, is it worth it and this also goes back to the point that even with fines customers are not lost, at least not in the amount to materially impact the business.

Participant 8 – In the side of the industry that I work in I do not think companies could circumvent legislation as there are only three main companies in the sector and therefore the reputation risk is too big. Given the distinct lack of competition the regulator is heavily involved with the three main companies in the marketplace. I have been aware of a client trying to circumvent tax using the company I work for as a facilitator, but this was picked up and stopped. However, the regulator itself is quite inexperienced in the different business sectors of financial services and it is therefore possible for the wool to be pulled over their eyes by a CEO telling a good story and therefore circumvention is possible.

Participant 9 – The PPI scandal is a prime example but as a consumer you feel "*if they could screw you over, they would take any chance to*". Of all the industries the financials services are pretty much as dodgy as they can get, they will keep your money and give you the bare minimum.

Participant 10 - Personally not in anything that I have been involved in but that could be down to my lack of understanding about financial services regulation and what is and is not allowed. I have been in situation previously where boundaries were pushed in terms of securing finance for people, particularly in finance packages when buying cars, inflating the cost of the part exchange car on the paperwork so that the customer didn't have to put down a deposit, but this was back in the 1990's.

Participant 11 - I do not think so and certainly not recently. 20-30 years ago, I was aware of financial advisors being judicious with the truth and selling products purely for commission. Withholding of the truth can be common and you hear stories about the ways in which staff are told to sell packages and that can be disingenuous.

Summary – Interestingly, the consumers interviewed said that they had not been aware of financial services companies circumventing regulation, unless it had been reported in the press. However, this could be down to a lack of awareness of the regulation that the companies should be following. A number of those within the industry stated that they had been aware of nefarious dealings going on in the past but not so much recently and many pointed out that regulation avoidance if seen now was at an individual level rather than a company-wide level.

Question 8 – Who in a financial services company do you think should be responsible for ethics and in reality who is responsible?

Participant 1 - Ultimately everyone is responsible for ethics in financial services and if it is to be truly embedded it needs to come from the top, the board. If it doesn't come from the top then there will never be true buy-in from staff. This can really be seen when a CEO changes.

Participant 2 – Involved recently with a large global business who were hacked and part of that problem was senior management didn't take it significantly enough when they were warned and they didn't listen. Fundamentally these messages need to come from the top.

Participant 3 - The senior management team and this is because of the recent changes in the senior management regulatory framework and that is what the FCA are trying to do, bring accountability.

Participant 4 - I think everybody who is a manager is responsible for ethics and doing the right things, but it has to come from the top. If the person at the top does not care then that will filter through the business. Companies do have to work a lot harder to make sure they are ethical at the heart of business and are not just paying lip service to it.

Participant 5 - Regular testing and reading and signing to say that staff will abide by rules and guidelines but fundamentally it is down to the individual. Integrity in financial services in a 'must have' trait for employees.

Participant 6 – It is an organisation thing and has to be both bottom up and top down and the tone at the top sets the organisation culture. It is everyone's responsibility, but the accountability should be at the top.

Participant 7 – Everybody should be responsible for ethics and it should be part of the culture and there is a requirement of the leadership team to set the expectation and to put in place the appropriate framework to allow ethics to flourish and the leadership team need to embody the behaviour that they expect in others. There is also a responsibility of everyone in the organisation to call it out if they see someone going against this behaviour.

Participant 8 – Everyone should be responsible for ethics and this comes down from the top senior management through the business.

Participant 9 – CEO. It has to be driven from the top down and has to be something that you live and breathe. Unless the CEO and senior management team are demonstrating that behaviour the rest of the company will not buy in. However, in reality it is probably HR that is responsible, with compliance mopping up.

Participant 10 – The CEO should be responsible for ethics. The ethics and morality should filter down throughout the business. In reality I would say it is the individual salesperson who is responsible for managing the customer.

Participant 11 - Board of management should be responsible for ethics but suspect there is only one person who is kept tucked out of the way who is actually responsible.

Summary – There is a consensus of opinion of those interviewed that ethics is the responsibility of everyone and predominately that it should be implemented by senior management in a top-down approach. If the senior management team do not truly embody ethical behaviour then it will never be inherently embedded within the organisation.

Question 9 – Do you think financial services have become overly reliant on computer-based decision making rather than personal interaction?

Participant 1 - Yes! In some markets, fintechs, retails finance and large bulk business will rely on computer-based decision-making for under-writing and some of those products that is the right thing to do. A good example of that is insurance premium finance, which customers do not really understand. All the customer wants is to pay for their insurance monthly and do not realise they are taking out another finance product to do that. However, if someone wants to take a store card for example for non-essential items then this perhaps should be looked at more closely, but it will all go through the same computer-based decision-making. This gives the credit referencing agencies a lot of power and these are private profit driven unregulated organisations, with only 3 main companies in the credit referencing industry. Where the computer-based decision-making can go wrong is that credit referencing has a month or two, time lag. Therefore, a customer could take out a new loan or credit card based on the previous months credit score, knowing that actually they have been made redundant or furloughed, thus being a reliance on the customer to tell the truth in time when they are possibly desperate.

Participant 2 – Much of previous banking was done on basic knowledge of the customer with no objective data to back up the decision. A personal experience of lack of personal interaction and common sense meant that business was taken elsewhere. There are outlying examples of both extremes being relied upon to the detriment of the customer. However, on balance, customers know where they stand with the objectivity of systems-based decision-making.

Participant 3 - Yes, not everybody fits into the boxes that are provided by financial services companies and not being able to speak to an underwriter can make things more difficult and sometimes what appears to be a bad situation may actually be explainable, but you need to be able to speak to someone.

Participant 4 - I work within the advice business, so all of our advisors are qualified to give advice. We are in the process of putting in place a framework of standardising decision-making. At the moment you could go to three different advisors and get different advice. The computer-based model we are trying to put in ensures that if the parameters are the same then the same advice is given each time, so it is partly computer-based, using the best of both worlds, so that the customer is still getting the personal interaction. We found that computer-based models were not what our customers wanted, when making large, life changing decisions with finances. Customers want to speak to someone and want the personal advice, the computer-based system is a tool to aid our qualified advisors. The wider financial services, is solely based on a points based system. If you meet the criteria then you will be eligible for the finance without ever interacting with a person. In some situations this can be particularly unfair, for example in a mortgage market if someone can't afford to pay a financial advisor then they do not get access to the best offers and sometimes will be declined when they could actually be approved.

Participant 5 – Decision-making by algorithms is very important and the ability to, for example, go online and apply for a loan is what customers want. However, during the pandemic the ability to do that has been removed by some banking institutions because of the concern of customers applying and not using up to date information. The algorithms are there to protect customers and form part of the responsible lending piece. There is, however, a more personal approach in certain types of banking, for example personal banking, and this gives the benefit of both the algorithms and explanation of what is happening with a customer's account. Without the initial algorithms then it would be more dangerous.

Participant 6 – Yes there is a heavy reliance on computer-based decision-making but that is brought about because that is what the customer wants. Customers want to do things online, with quick decisions. These days customers don't want to make an appointment and go and meet someone and therefore the automated scorecard approach is the only thing a firm can do. That being said, sitting down with a financier and going through all the relevant details is a much better way and more thorough way of doing it. However, people just don't have the time anymore. Everyone wants things instantly. If firms do not move to computer-based, automatic decision-making then they will be pushed out of the marketplace.

Participant 7 – Yes, I think people see robotics and technology as a way of taking cost out of a model rather than being there to facilitate the model. Credit decisions are a great example of this. Some are incredibly easy but where there are rejections by the computer models it should then turn into a conversation and this may even just be to explain why to the customer.

Participant 8 – I think there is no choice. I.T. has now become a part of everyday life and since I started in my career things have sped up incredibly, things that would previously take several days or weeks can now take several minutes. Customers are demanding quick responses. In insurance broking it is the current objective to have 75% of all business underwritten done automatically. These are not simple car insurance policies but massive complicated policies, for example an international airline arranging its insurance for all its aircrafts, baggage, staff, passengers, taking into consideration all the local country laws and regulations where they are landing etc. The aim is to have artificial intelligence that is capable of writing these in-depth complicated worldwide business policies with a pre-determined attitude to risk. This will also cut down on staffing costs.

Participant 9 – 100% yes. Algorithms make assumptions about people based on input and those assumptions are not always correct. It is impossible these days to speak to someone about general everyday finance. A financial advisor will cost a fortune and are great for big decisions such as mortgages but general everyday advice about a loan, or a credit card or how it is best to pay for a holiday are questions that are not answered by anyone. There is a large gap in the market that the everyday consumers have no where to go for general advice. The only option is to talk to *'meerkat'* and that feels fundamentally disappointing and when people need the help they can be in a position where they are quite vulnerable.

Participant 10 – Yes. They are too overly reliant on technology based decision-making.

Participant 11 – Yes. It is incredibly difficult to get any personal interaction these days. It is almost entirely controlled by computer-based decision-making and I think it is appalling.

Summary – Fundamentally it can be seen that the majority of those interviewed believe that there is an over-reliance on computer-based decision-making models rather than personal interaction. Of those who work within the industry it can be seen that there is an understanding the large book non-advice business has to be written this way to ensure maximum profitability. However, consumers appear to want to go back to a more personal style of interaction and are willing to pay for it.

Question 10 – Do you think it is ethical to operate in this way?

Participant 1 - Operating within the boundaries of computer-based decision-making models is getting dangerous. The credit referencing agencies have a lot of clout and more and more computer-based decision-making will be relied upon because it is the only way to make some products profitable. Heavy reliance on the credit referencing agencies and the underlying ethos of these companies who ultimately are not regulated and have shareholders to answer too. They are also predominantly global companies, emanating from the US who do not have an in-depth knowledge of the UK finance market or UK regulation.

Participant 2 – The outlying extremes of either are not ethical. However, a mixture of the two and technology being there when it is needed, particularly in fintechs who do not have legacy systems are more ethical and look at circumstances in the whole. Banking on a gargantuan scale does not take the customer into consideration.

Participant 3 - Can understand it is all done as a cost cutting measure but it does loose a personal touch.

Participant 4 - In the past salespeople were incentivised to sell customers things they did not want or need and so now that advisors are paid upfront rather than only on commission. It means some people do not have the luxury of access to advice. It is harder for the people who need advice to actually get it because it becomes cost prohibitive as the people that need the advice probably can not afford it. It could turn the more vulnerable members of society to products of last resort rather than what is actually the best product for them.

Participant 5 - I think it is a bit of a Catch 22 and is dependent on the consumer themselves and if they are happy with the decision that they have received from the algorithm.

Participant 6 - The problem is that with any computer-based decision-making it is based on a set of algorithms and that may or may not be fair. It cannot take into consideration nuances to those parameters and does not always capture the whole picture. It is very dependent on what is programmed into the algorithm in the first place. Is it ethical? Well, it treats every customer the same, but then other aspects are not taken into consideration so it is difficult to say, maybe, maybe not.

Participant 7 – No, the model currently used is inherently unethical and has no benefit to society.

Participant 8 - In the sense that all information will be treated the same, yes, but given how new this type of technology is, no one really knows the ethical impact. However, with a move to a heavy reliance on artificial intelligence there is the potential for a system to '*go rogue'.* There is also a question of where responsibility of control lies if there is a legal dispute.

Participant 9 - There are a lot of people who are happy with the non-advice automatic sales process, but it is a prime example of where financial institution are operating near the edge. They are doing the absolute bare minimum. Ethically the financials institutions should do better and are not consumer led.

Participant 10 - No, personally I prefer the old-fashioned way of actually talking to someone. The technology cannot understand the emotion in financial decision-making.

Participant 11 - No because computers do not understand nuances and ethics. It could be that computer-controlled systems could help eradicate human bias, but there certainly is not any ethics there.

Summary – There is an interesting difference in the industry versus non-industry interviewed responses. Those who are not in the industry believe that it is not ethical to operate solely on a computer-based decision-making model. This is because of a lack of ability to take into consideration the nuisances, emotions and ethics of financial decision-making. However, the industry responses are a little more divided in their opinion. There is an acknowledgement that some customers want this approach, they don't want to deal with a person and don't have the time. In the sense that all information and customers are treated equally it is ethical. It can be a simple way of ensuring regulatory needs are met as standard and that this is a cost-effective approach. However, there is also an acknowledgment within the industry that a 100% reliance computer-based decision-making model is dangerous. It does not take into consideration the outlying customers. Ethical behaviour cannot be built into an algorithm and there is an over-reliance on credit scores, which come from a non-regulated and frankly monopolised marketplace.

Question 11 – Do you think salaries in financial services are directly linked to number of sales made?

Participant 1 - This depends on the business. Many of the larger financial services companies have stepped away from this method of remuneration or have taken a lot of weight out of it, putting more weight on 'good' sales. I suspect that the smaller companies, brokers and fintechs will be more results driven.

Participant 2 – No evidence that the salaries are directly linked to number sales made, however, there are probably still people out there being paid on how successful the sales are.

Participant 3 – Yes, but in their company they do look into how the sale is made as well a fair cross section of companies used and no sales targets are set. Claw backs are monitored.

Participant 4 - Yes, I am sure they are. However, the company I work for the advisors are paid a set salary and have access to the bonus scheme like any other employee. However, brokers particularly work on a commission basis remuneration. It also depends on the type of company that you operate and want to create. Some people are driven by sales and motivated by them. More ethical businesses are not paying people on sales volume and annual bonuses are based on a mixture of performance and behaviour.

Participant 5 - There was a point, a few years ago where staff were heavily incentivised to sell any and all products not necessarily based on customer need. However, that type of incentivised selling is not around anymore, and the focus is now far more on customer need of the product. This change has happened because banks are now so scared of recrimination, fines, and reputation damage that there are systems in place to prevent mis-selling.

Participant 6 - Yes there is remuneration based on variable commission rates, so therefore if your salary is based on a commission scheme then the more sales you make the more you will get paid.

Participant 7 – Yes, the model currently used by many large financial organisations uses bonus schemes as carrots to sell more products.

Participant 8 - I think financial lines type organisations that run with appointed representative models are more prone to this style of remuneration. Now incentive schemes have to be agreed by the HR department, this adds an extra check. The problem with remunerating on volume is that it does not take into consideration retention or cost of business with insurance claims. Profitable business is now rewarded on incentive schemes.

Participant 9 - Yes 100% as otherwise you would get much better service. There are no ethics, it is all about sales. However, it is not the fault of the sales-people, it is a systemic problem that comes from much higher up.

Participant 10 - Yes, of course they are.

Participant 11 - Yes, I think it is the case that remuneration is inked to sales volumes.

Summary – Again there is a definite split between consumers interviewed and those working in the financial services industry. Consumers are of the view that sales staff salaries are directly linked to sales volumes as opposed to those in the industry who think that many organisations have come away from this model and sales volumes, whilst taking into consideration they are not the only metric to be used.

Question 12 – Do you think this style of remuneration promotes ethical behaviour?

Participant 1 - No, it cannot promote ethical behaviour as all that person wants is to sell you that product. The only way it can be ethical is if a sales-person is truly independent, offering every single version of the product on the market and the commission being the same for each one. If some products pay more it will always drive bad behaviour as people will always choose the option that earns them more money.

Participant 2 – Not in the slightest does this style of remuneration promote ethical behaviour it promotes temptation and bad sales tactics.

Participant 3 - If sales targets are set then no it does not promote ethical behaviour, and especially if commission is only based on sales volume and not how the sale is made.

Participant 4 - I think it can promote ethical behaviour. However, if that sales-person doesn't make a sale and the direct result of that is that they can't put food on the table, then they are far less likely to be ethical than a sales-person who is on a standard monthly salary. A broker who is ethical could also be more likely to attract more customers because of their ethics and then in turn earn more money. However, this means the person has to be looking past basic needs and to long term fulfilment. It can be very dependent on the person. Commission based sales should be fully removed from financial services products because they will never drive the right behaviour and can cause salespeople to act unethically because of necessity and basic needs.

Participant 5 – Yes, salaries have to reflect the amount of work done.

Participant 6 - The FCA have been really keen over the last few years to get financial services firms away from the variable commission remuneration model, for the very reason that it is unethical and there is always the risk that this can be abused, and sales can be made for sale's sake to boost salaries. Remuneration schemes can be set up to take into consideration behaviour and good sales, for example, the product was needed by the customer. But there is always the risk and a balance needs to be had. Commercial businesses will always promote sales because that is what they are there to do. If the remuneration scheme is set up correctly it can promote ethical behaviour. Whilst obvious financial services companies are more aware of these issues, the less obvious financial services firms are still struggling, for example car manufactures. Most now have finance schemes and sales staff get double commission, firstly on selling the car and then on selling the finance.

Participant 7 - In our organisation we want products to be sold in the right way, therefore we do not just tick the regulation box. We want oversight that the quality, retention and complaints scores are all within tolerance as well, and the tolerance is set at high standard and they only get a portion of their bonus if those standards are met.

Participant 8 - There is the potential for people to take advantage of this model of remuneration and whilst the FCA has put some measures in place, these can be worked around if the representative is upfront with the customer with what they are doing.

Participant 9 - No I do not. I think it promotes greed, but it is not the fault of the sales-person. It stems from much higher up in the organisation and the environment.

Participant 10 - No, not in anyway shape or form. As someone who has been involved in non-financial services sales for over 30 years, I understand the power of income.

Participant 11 - No, it does not promote ethical behaviour. I think it is fair to pay someone based on the entire performance. This style of remuneration is more likely to promote greed than ethics.

Summary – Those interviewed are in agreement that an entirely sales volume based incentives and remuneration model is not ethical and promotes greed, temptation, and unethical behaviour. There is acknowledgment within the industry that many firms have moved away from a remuneration and incentive model that is predominantly sales volume focused and it has moved to take into consideration regulation and how the sale is made. However, many broker based businesses still operate on a commission basis and whilst many proport to be independent they do not necessarily offer 100% of the market to the customer, and this is within the remuneration regulation as long as the customer is told of the commission that is being earnt.

Question 13 – In your dealings with financial services companies, do you believe that the number one priority is the customer?

Participant 1 - Professional perspective – The customer is equal number one with profit or at least they try too. Everyone wants to do the right thing for the customer but will always have the bottom line in the back of their minds. Personal Perspective – No, I don't think the number one priority is the customer, especially as a lot of everyday personal finance products are done through brokers, who are remunerated on sales volumes. For example, a car purchase, the sales-person will earn more money if they sell you the car on finance than if they sell you the car and you pay for it upfront. This is linked with the last couple of questions as until sales-people are not remunerated on sales volumes then the customer will never be the top priority.

Participant 2 - Professional perspective – Not all financial institutions put the customer first, particularly the big banks. The fintechs are all about being available to the customer in the moment the customer needs it. Personal perspective - Yes and have moved banks to ensure that,

Participant 3 - Professional perspective – Yes, the customer is the number one priority, as a small brokerage they have to be due to word of mouth advertising and retention rates. Personal perspective – No, not always. Banks put profit before anything else and some of the practises are unfair.

Participant 4 - Professional perspective – In the companies that I have worked for, yes, the customer is very talked about and is at the heart of all out decisions. Personal perspective – No, I do not think they think about me at all. I think regulation is forcing banks and institutions to think about the customer and about operational resilience. They do clever advertising campaigns to make us think that they are putting us first but fundamentally no, I do not believe customers are at the heart of their business.

Participant 5 - Professional perspective – Yes, the business I work for concentrates on stewardship and leaving a situation in a better place than when we came to it. Personal perspective – It is very dependent on the individual who happens to be dealing with your case and if they care about what is important to the customer. This is why the interview part of job applications is so important.

Participant 6 - Professional Perspective – There is a lot of misconceptions about what treating customers fairly actually means. Sometimes customers need protecting from themselves as they do not know what they do not know. For example, they just want to get a loan arranged very quickly. They do not have time to sit and go through everything, but what they do not realise is that by not taking the time to read the documentation it could come back to haunt them at a later date, rights could be waived etc. Therefore, the customer may not always want what is actually right for them. There are many firms that say they put the customer first and on paper it looks like they do, but, when it comes down to it the business rules, therefore if putting the customer first is excessively costly, it is not done. No company can be entirely customer led as they would never make any money.

Personal perspective – No, I do not have enough money in my account to be a priority to my bank. My view is probably tainted from years of working in the industry and I know they are there to make money and if they can cut corners they will. However, on the whole, I have had good experiences, for example after accounts were being hacked, this was dealt with swiftly and without detriment.

Participant 7 – Professional perspective – 9 out of 10 organisations no. Profit and shareholders are the priority. However, businesses are starting to get better as disruptors are coming into the business and industry and making change. The business I currently work for, 100% we put the customer as the priority. Personal perspective – No, some are better than others, but in some of my dealings one company in particular who say they put the customer first, they absolutely do not.

Participant 8 - Professional perspective – No, in the environment I work in consumer business is vastly computer-based models and therefore it is about how much business can be put through the automated services because it is cheap to do that. In the large commercial side of the business, they do try to take the customer into consideration. However, the three main companies are about to turn into two as there has been a buyout. Therefore, there is a distinct lack of competition for the customer. Personal perspective – No, not really when thinking about large financial services companies, and I have actually made two complaints on this subject after bad treatment specifically after a bereavement. However, the small companies, for example my financial adviser yes, I do think they put the customer first but that is down to one person not a company.

Participant 9 - Personal perspective – No, not at all, absolutely not. It is about the person you are talking to hitting their targets and the shareholders making profit, as a consumer you don’t feel like they give a ‘monkeys’ about you unless they can sell you another product.

Participant 10 – Personal perspective - No, I do not think so. I think the number one priority of the financial services industry is their income, the power of money far and above outweighs the priority of the customer. The smaller companies, micro companies, are probably far more focused on their customers and want to do right by their customer. However, larger organisation where the staff are competing with each other to be '*top dog'* then remuneration and how much commission they can earn is their priority and not the customer.

Participant 11 - Personal perspective – No. The financial institutions have to present that the number one priority is the customer because they are trying to sell to the customer, but the number one priority is selling and profit.

Summary – This question has raised a particularly interesting dichotomy. Those interviewed who work in financial services believe that the majority of organisations try and put the customer first and, certainly from personal experience within the organisations they worked for, the customer is talked about a lot and given top priority. However, when asked to answer the same question but from a personal perspective, from the consumer perspective, everyone interviewed said they do not feel that they, as the customer, are the number one priority in the financial services institutes they have dealings with. Therefore, if businesses are trying so hard to put the customer first but the customer does not feel like they are the priority at all, something is clearly getting lost in translation.

5.5 Interview Conclusions

The interview findings have proved incredibly interesting and the in-depth nature of the interviews has revealed some unexpected answers. There was an overall consensus of those interviewed working in financial services that the industry as a whole was becoming more and more ethical, whilst balancing that with making profit and managing shareholder expectations. However, this was in stark contrast to non-industry workers interviewed who were scathing of the industry and felt that there was a distinct lack of ethics and that the only concern was profit. This split of opinion was mirrored in the survey responses with only 1.65% believing the industry is very unethical.

It was overwhelmingly agreed that the UK government and economy is heavily dependent on the financial services industry. There was no divide seen between those interviewed working within the industry and those who are purely consumers of the industry. This was also seen in the survey answers with 86.78% of those questioned believing the UK economy is either very or somewhat dependent on the financial services industry.

The majority of those interviewed considered that most financial services companies use ethics in advertising and there were no distinguishable differences between those within the industry and consumers. In the surveys, those within the industry were very evenly split with 36.36% stating that the company they worked for uses ethics in advertising and 33.33% stating that the company they work for did not use ethics, whilst 30.30% were not sure. In contrast to this, consumers felt quite strongly that ethics were only used in advertising to increase sales and profits, and within the survey 41.32% felt that ethics were used more in advertising after bad press. However, those within the industry, on the survey were more mixed in their responses with 30.77% believe ethics were used more in advertising to increase profit and the company's profile in comparison to 38.46% believe that ethics were used in advertising because they were either partially or fully embedded in the business. This spread of opinions was replicated within the interview findings with some feeling that ethics were embedded within the organisation and some believing organisations were jumping on a bandwagon, and if organisations were truly ethical then they do not need to explicitly advertise this fact.

Within the survey it was seen that only 25.60% of those who responded believed that financial services companies take financial regulation very seriously. This was also replicated in the interview responses. Those within the industry were more inclined to think that regulation was taken seriously but it is dependent on the company. In contrast, the consumers interviewed tended towards the view that financial regulation was not taken seriously in the industry and it was only paid lip service too with the only thing making organisations do that was the threat of large fines. When asked if the respondents had ever been aware of the company they worked for circumventing regulation, only 35.29% stated that the company always abided by regulation. When interviewed and asked in more depth the consensus was that many had been aware of active regulation evasion in the past but any recent avoidance was either on an individual level rather than a companywide level or it was by mistake or omittance and therefore not active avoidance. The solution for this is not a simple fix but comes in the need for both training and self-regulation. It is important to recognise that solution can also beginning at the point of hiring new staff into the organisation and ensuring the interviews and testing done mitigates against the risk of undesirable personality traits. Education at an undergraduate level is starting to recognise the needs for ethics based modules in Finance and Banking programmes but this is not yet rolled out on a country wide basis, arguably because of a lack of scholars in the field of financial services ethics.

Interestingly, only 38.24% of industry workers surveyed stated that the organisation they worked for relies on scripting and pre-programmed workflows. However, of those interviewed there was an overwhelming majority who believed there was an over-reliance on computer-based decision-making within the industry. This was by both industry workers and consumers. However, there was a split in the responses as to whether it was ethical to operate in this way. Consumers were inclined towards the idea that it was not ethical to operate on a 100% computer-based decision-making model, whereas industry workers were divided. There is an understanding that this was a cost-effective model and could be a simple way of ensuring regulatory needs were met without relying on staff to remember them all. There was also a recognition that this model could be dangerous, if the regulatory programming was incorrect, it was incorrect for everyone and the model does not take into consideration the outlying customers, ethics, or the emotions involved with making potentially life changing financial decisions.

This research has shown a commonly held belief amongst consumers that financial services sales staff were remunerated and incentivised by sales volumes above all else. There was agreement that a remuneration and incentive model based predominantly on sales volumes were not ethical, because it promoted greed, temptation and unethical selling practices. Whilst many within the industry suggested that organisations had moved away from a model solely based on sales volumes and now had regulatory and behavioural metrics, only 16.67% of those surveyed stated that ethics are always taken into consideration in the pay structure and only 25.81% stated that compliance to regulation was always taken into consideration. 52.94% stated that sales staff were remunerated on sales performance. In contrast 68.6% of all survey respondents thought that financial services staff remuneration was unethical to some extent. It can therefore be concluded that remuneration is still an issue within the financial services industry.

The question of whether or not the customer was the number one priority of financial services organisations was a fascinating one and there was a clear dichotomy. Those interviewed who work within the industry clearly stated that in the organisations they worked for, the customer was always talked about and given top priority. However, when the same people were asked to view this from the perspective of their personal financial dealings, they all said that as a customer they did not feel that they were the number one priority in any of the financial institutions they had products with. This was replicated in the survey where only 1.06% said they always felt like the customer was the number one priority. Therefore, if businesses are putting in a lot of work and effort to put the customer first but the customer does not feel like they are the number one priority at all, something is going wrong.

Chapter 6 – Discussion and Analysis of Primary Research Findings

6.1 Introduction

This chapter will analyse, compare, and discuss the primary research findings in the context of the initial research objectives and the underlying literature. Particular attention will be paid to the nuances between those research participants who work in the financial services industry and those who are purely consumers of the industry. As well as reviewing if there is a difference between industry workers of what they witness in their work environment and what their perceptions are as a consumer of financial services. A different number of people answered each question, as some questions were meant only for those who work in financial services industry. Therefore, when comparing research responses, percentages will be used in order to draw equal comparison. This chapter will review each of the initial research objectives and the relevant research, before discussing the key implications of this research in a wider context.

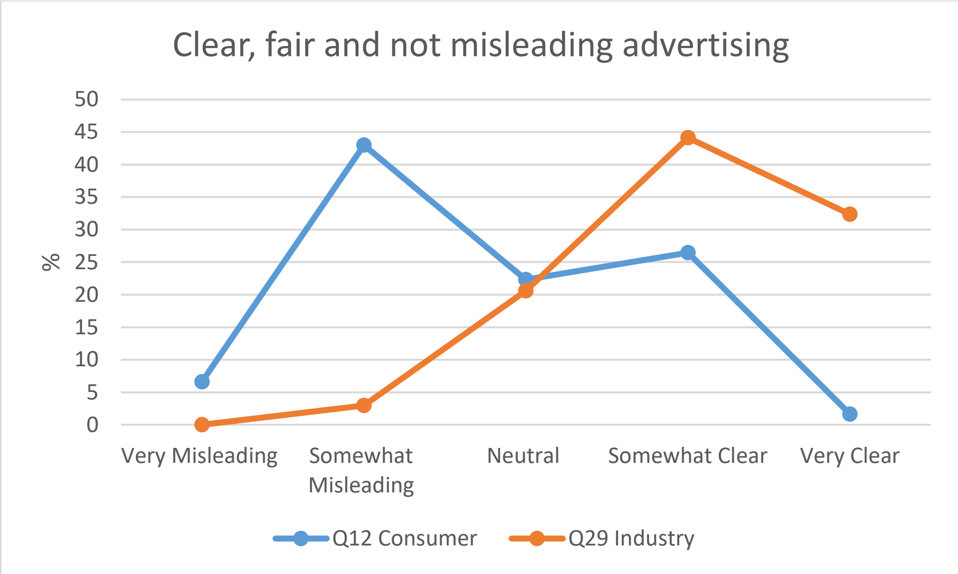
6.2 Primary Research in the Context of the Existing Literature and Research Objectives

Research Objective i – Investigate if ethics are used purely as a selling tool when the economic environment demands it?

To explore this question further it was split into sections, firstly to establish if ethics are used in advertising within the financial services industry. This can be determined by comparing the survey question asked only to financial services employees – Does the company you work for use ethics in their advertising campaigns? 36.36% of respondents stated that ethics were used in the advertising campaigns of the financial services companies that they worked for. This question can be compared to the interview question – Do you think financial services companies use ethics as a sales tool? The vast majority of those interviewed considered that most financial services companies used ethics as a sales tool. However, it was also discussed that this was not exclusive to the financial services industry. It was also remarked upon more than once by different respondents that those companies that are genuinely ethical very rarely need to advertise this fact. In fact, it could be argued it is not ethical to do so. The proportion of those surveyed that stated the company they worked for used ethics in advertising campaigns was lower than expected, especially given that the majority of those interviewed agreed that ethics were widely used in advertising campaigns. Comparatively, 30.30% of respondents did not know if the company they worked for used ethics within their advertising campaigns. Conceivably they might have never seen one of their company's adverts or perhaps they are unable to distinguish if ethics were being used if it was not blatantly obvious, or perhaps people are unable to recognise ethics.

The next section of the research was to establish if the advertising used by financial services companies was clear, fair and not misleading. This was very specific wording because FCA industry handbooks dictate that exact phrasing in terms of financial services advertising. The question (12) was asked to all survey participants – Thinking about the advertising used by financial services companies: Do you think it is always clear, fair and not misleading? This has been compared to survey question 29, which was used to industry employees only – To what extent do you think the advertising material used by the company you work for is always clear, fair and not misleading? Graph 47 depicts the results of this comparison and it can be seen that there was a stark contrast between those who work in financial services and those who are consumers with 49.59% of consumers believing that financial services advertising is misleading to some extent, as opposed to 76.47% of industry workers believing that advertising is clear to some extent.

Graph 47 - Clear, fair and not misleading advertising



It was therefore the consumer respondents perception that only 1.65% of advertising is clear and therefore abides by FCA rules and could therefore be stated this was particularly unethical, not just because of the rule breaking but also in actively mis-leading the public. It is worth noting that this is the customers perception of the advertising and the reality could be that the advertising meets the required standard set by the FCA but it didn't come across well to the viewer. This can be seen in the PPI scandal which not only resulted in a court ordered repayment of customer premiums but also compensation to those customers affected, as well substantial regulator fines from the FSA. Remembering that at this time FSA fines were still limited, the FCA now have the power of unlimited fines, so if this were to happen again it could be predicted that the fines would be considerably larger.

The final section that contributed to research objective i was to determine that when ethics are used in advertising campaigns is it because the company is genuinely ethical or is it because it looks good and therefore is more profitable? With the survey question 13 was asked to all respondents - when there has been bad press about a financial services company, to what extent do you think ethics are used more in their advertising campaigns? 42.97% of respondents stated that they believed ethics were used more in advertising when there had been bad press about the company. A large amount of the respondents remained neutral and only 11.57% believed that bad press didn't contribute to ethics being used in advertising. In comparison, question 36 asked those working within the industry if ethics were used in advertising because they looked good and were profitable or because the company was genuinely ethical. 30.77% stated that ethics were used within their companies advertising campaigns because it made the company look good and was profitable. Comparatively 38.46% stated that ethics were used in advertising because they were genuinely embedded in the business. However, this can be related back to the previous section of this question and that if companies are truly ethical, then they do not need to overtly advertise this fact. This was explored further with question 4 of the in-depth interview and consumers of the industry stated quite strongly that they felt ethics were only used in advertising to increase product sales and profits. Those respondents working in the industry were more evenly split between if the industry was using ethics in advertising as a manipulation to increase profit or because they were genuinely more ethical.

Webley (1993) noted that objections to business ethics fall into two categories. Firstly, some see the subject as a waste of time because, since the business is already regulated by law, codes of ethics were merely a public relations exercise that failed to alter the actual behaviour of people employed in the business. Secondly, codes of ethics are a 'second best option' since the behaviour of individuals is formed by values acquired in childhood and introducing codes may undermine the person's right to make moral judgements within organisations. This preposition ties into the idea that ethics in Financial services could be cyclical and used purely as a selling tool. Webley's arguments certainly support the idea that ethics can be seen as merely a public relations exercise. Ethics and ethical behaviour can be seen more and more in retail finance advertising campaigns and press releases. An example of this is that a number of those interviewed used the phraseology *'jumping on the bandwagon'* which is suggestive of the industry using ethics in advertising purely because it is the trend to do this and therefore customers are demanding it more, and many working within the industry felt that whilst companies had increased the use of ethics in advertising that is as far as it had gone and the organisations had not actually become more ethical in their behaviour.

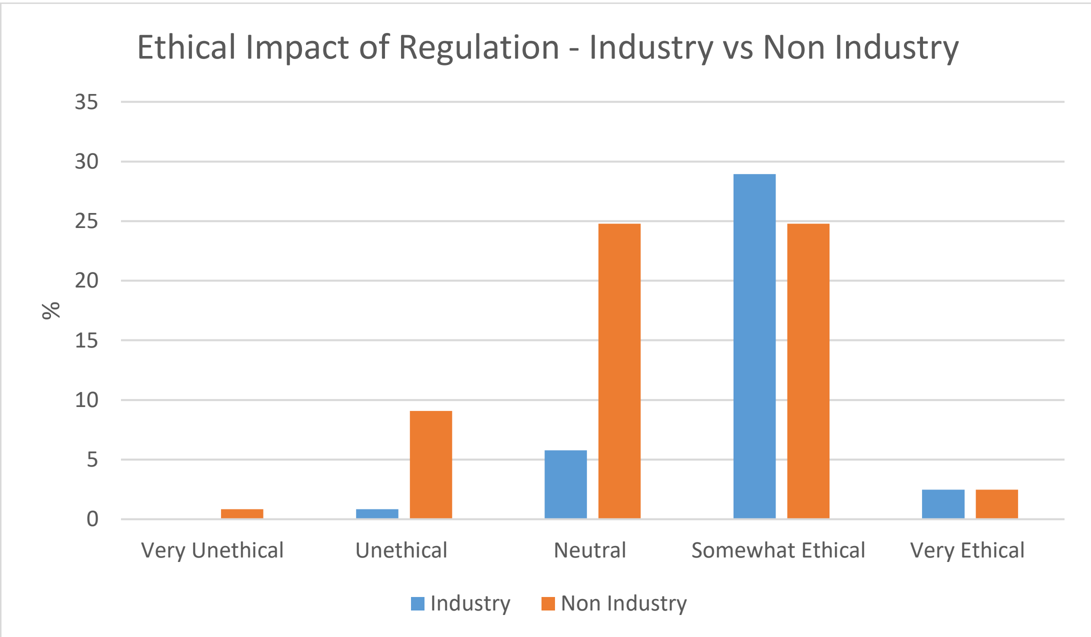
It can therefore be argued that this research suggests ethics are only used in financial services advertising campaigns because they make the company look good and in turn are profitable. It is also apparent from the research the ethics are not used in advertising by companies that truly have ethics embedded within the organisational culture because it is so ingrained it would be unethical to highlight the trait as a selling tool. Whilst this conclusion is reflective of the research carried out, further research and a larger sample size would be needed to see if this view is more widely held.

Research objective ii – To establish if regulation is causing companies to become complacent about ethics.

This question was further split into three comparisons in order to examine it more closely, firstly to analyse the link between regulation and ethics, secondly to review how much impetus regulation is given in the financial services landscape and lastly to explore if there is an awareness in the industry of companies circumventing regulation.

The link between regulation and ethics is an interesting one and they are perceived to be intertwined. In fact ,Boatright (2014) discussed why ethics are needed in financial services over and above legislation and regulation, and why the assumption of 'if it is legal, then it is morally okay' is inadequate. Although there is a perceived implication that the law alone requires an organisation to behave in a socially responsible and moral way. However, this is not always the case. Companies have been known to take advantage of areas of the law where there are loopholes or where the law is silent on a particular matter. Of course, it is also worth noting that all legislation and regulation is written reactively, after an unwanted situation has arisen. All participants were asked in the survey whether increased regulation had made the financial services industry more ethical. It can be seen that 58.68% believed that increased regulation had impacted the financial services industry in a positive way. However, 30.58% agreed that regulation had made no difference to the underlying ethics of the industry and, interestingly 10.75% believed the impact of increased regulation to be negative.

Graph 48 - Ethical impact of regulation



It is clear from graph 48 that among those surveyed there was a slight difference between industry and non-industry workers, with some non-industry participants believing that the impact of increased regulation had a negative ethical impact on the financial services industry. However, when asked in the in-depth interviews if there was a link between regulation and ethics there was no discernible difference between the answers of those in the industry and those not in the industry, and the participants felt that regulation and ethics were linked directly and if they were not, they should have been.

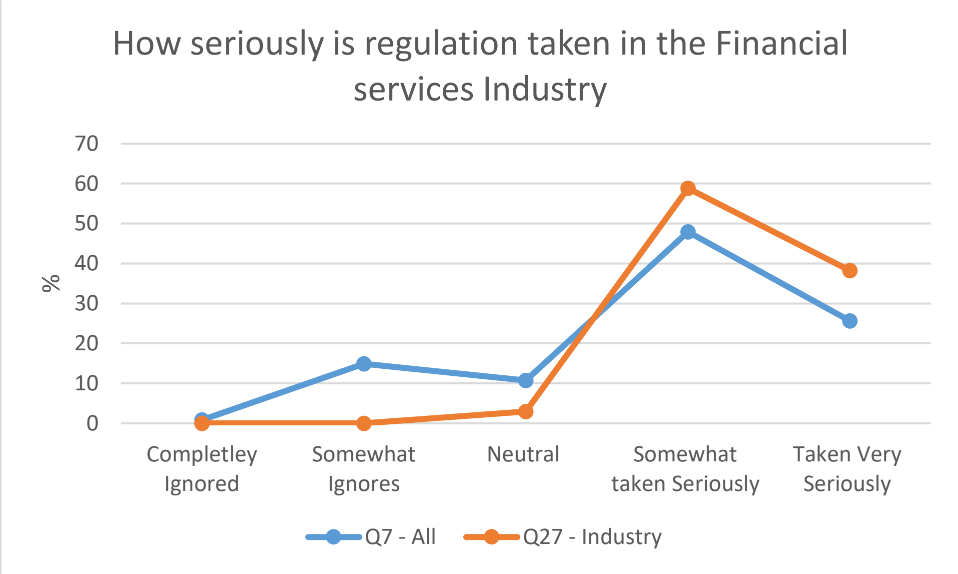
In the survey questions for those within the financial services industry it was asked if they thought increased regulation had impacted the company they worked for and to what extent that impact had made the company more ethical. It was widely agreed that increased regulation had had a moderate to severe impact on the company the respondents worked. This response was entirely expected, table 5 suggests that the cost to financial services firms over the five year period, is in excess of £170 billion. Most organisations need to amend regulatory frameworks when new or increased regulations is released, and this naturally has some element of impact on the business. Where increased regulation had impacted the company, respondents were then questioned to determine if this impact had made the organisation they worked for more or less ethical. Encouragingly, no respondents reported a negative impact on company ethics from increased regulation. However, 27.27% reported that increased regulation had had no effects on the organisational ethics. It was therefore largely perceived within the industry, 72.73% that increased regulation had a positive impact on organisational ethics. However, it could be argued that many believed regulation and legislation to be inherently ethical when in reality just because something is legal, or more accurately, not explicitly illegal, it does not make it ethically right. Llewellyn (2001) discussed the fact that regulation did not exclude a powerful role for other mechanisms to achieve systemic stability and legitimate consumer protection. Boatright (2014) further built on this premise by questioning why ethics are needed in Financial services over and above legislation and regulation and why the assumption of ‘if it is legal, then it is morally okay’ is inadequate. Firstly, the law is a rather crude instrument that is not suited for regulating every aspect of financial services, particularly as situations are frequently one of a kind and based on human interaction. It is impossible to legislate every conceivable scenario. Secondly, laws are often created reactively rather than proactively and therefore it is incorrect to encourage those in financial services to do anything provided it is legal. Thirdly, merely obeying the law is insufficient for managing an organisation or for conducting business, because employees, customers and other interested parties expect, and even demand, ethical treatment and the law is perceived as a minimally acceptable level of conduct.

Comparatively, 17.64% of respondents stated that there had minimal or no impact of increased regulation on the organisation. There are two possible reasons for this. Firstly, the company could have had a robust and 100% future proof regulatory framework in place or the companies were disregarding or only loosely following regulation. During the 2012 BBC Reith Lecture, Niall Ferguson,[44] a lecturer, expressed doubt that a more complex and detailed regime would provide the answer to the problems experienced in the financial services sector. Whilst the intent for ethical business in the industry was certainly present by the regulator, the Global Financial Crisis of 2008 proved that the intent was not reciprocated by the industry. Curtis (2008) put forward that the root cause of the crisis was the gradual but ultimately complete collapse of ethical behaviour across the financial industry. Conversely Sternberg (2013) recognised that the banks were culpable. However, suggested the actions of the banks were largely a response to perverse incentives imposed by lax government economic policy and strong regulation. An interesting suggestion is that strong regulation could actually bear some responsibility for the Global Financial Crisis and the way in which the financial services industry behaves.

Within this research 72.73% stated that there was impact to some extent on the organisation caused by increased regulation, it is wise to review just how much impetus was given to regulation by financial services organisation. Whether or not organisations pay lip-service to regulation or they take regulation particularly seriously. Of course, this could depend on the company and the leadership of that company. It can be seen in graph 48 that the opinions differ between those in the industry and not.

[44] *British Broadcasting Corporation (2015) Programmes. Available at:* *www.bbc.co.uk/programmes/b01jmxqp/features/transcript. [accessed 17th August 2020]*

Graph 49 - How seriously is regulation taken in the financial services industry?



Graph 49 shows a slight discord between those research participants within the industry and consumers. Those within the industry tended towards the view that regulation was taken seriously and the consequences of not taking it seriously were too high to be complacent. This raises the issue of why some consumer respondents believed that regulation was not taken seriously, and it could be argued that this is opinion is shaped by media portrayal of the industry. Respondents who worked in financial services felt that their organisations did not ignore regulation in any way. However, over half, 58.82%, felt that their organisation only somewhat abides by regulations. This could mean that the company picked and chose which rules to follow, actively circumventing some regulation or the organisations tried to abide by all regulation but failed to actually comply. Comparatively, 15.71% of non-industry workers felt that financial services organisations completely ignored or did not take financial services regulation seriously. It was seen in the in-depth interviews that the industry opinion was that this had been a gradual improvement over time and regulation was taken far more seriously than it had been several years ago. It can also be seen that there was the view that the start-up fintechs struggle more with regulation because they were not used to it, however, fintechs are also in a comparatively better position because they do not have large investments in outdated legacy systems. In contrast, the consumers interviewed have a tendency towards the view that regulation was not taken seriously in the industry and it was only paid lip service too stating *'the only thing that makes organisations pay lip-service to regulation is the fines'.*

When asked in the survey if industry workers had been aware of the company they worked for circumventing regulation, it was seen that only 8.82% of respondents stated that the financial services company they worked for had actively circumvented regulation, and 23.53% stated that the company sometimes abided by regulation. It is worth noting that the action of actively circumventing regulation is vastly different to trying to abide by regulation but failing. Only 35.29% of respondents stated that the company they worked for always abides by regulation. This is considerably low and would require further research to discover is this opinion is based on fact, it could be argued that continually rising FCA fines speak for the facts. Only industry workers were asked this question as there was an assumption that consumers may not be aware of the detailed regulation that financial services companies have to abide by. However, the questions was asked to everyone in the in-depth interview and it was seen that the consumers stated that they had not been aware of financial services companies circumventing regulation, unless it had been reported in the press. A number of those within the industry stated that they had been aware of nefarious dealings going on in the past but not so much recently and many pointed out that regulation avoidance, if seen now, was at an individual level rather than a companywide level.

It is again necessary to review the question posed by Fisher and Lovell (2009), 'Should private profit seeking organisations behave in a socially responsible and moral way, beyond the requirement of the law, because it is the right thing to do or because it pays them to do so?' It can be seen in the survey and the following in-depth interviews that, rightly or wrongly, regulation and ethics are deeply intwined. This caused a number of mis-conceptions, firstly that if regulatory requirements were met, ethical requirements were also met, and secondly that ethics and regulation were the responsibility of legal and compliance teams. It can be seen from the analysis that whilst financial services companies do try to abide by regulation, they frequently do not actually manage to meet the requirements and, even then, the impact on the business is large.

It can therefore be argued that although regulation itself does not cause companies to ignore ethics, regulation can cause complacency in the sense that it lulls companies into a false sense of security that ethical demands are being met purely because regulatory demands are being met.

Research objective iii – To estimate the extent to which the industry has become ‘dumbed down’ by a reliance on pre-programmed workflows and software.

Within the survey, question 17, it was asked to all respondents if they felt that their dealings with financial services companies were scripted. An overwhelming majority of 81.72% believed that their dealings with financial services companies are either somewhat or very scripted. In an interesting comparison of those in the industry who were asked if the company they worked for relied on scripted interactions only 38.24% of respondents stated that the company they work for relies on scripts or pre-programmed workflows. There are two possible explanations for this dichotomy. Firstly, the types of companies that the respondents worked for could be advice-based companies which are not script driven because the advice has to be based on what the customer needs. Secondly, it is the perception of the general public that interactions with financial institutions are scripted and or based on pre-programmed workflows. When asked in the interviews if the respondents felt that financial services had become over-reliant on computer-based decision-making rather than personal interaction it could be seen that the majority of those interviewed believed that there was an over-reliance, and of those who worked within the industry it could be seen that there was an understanding the large book non-advice business had to be written this way to ensure maximum profitability. There is also a move within the industry to try to write advice-based business using artificial intelligence and therefore further cutting down staff costs.

It can be argued that by scripting interactions, experts can make sure that specific regulatory items that need to be stated are covered, though there is no reliance on the employee to have to think for themselves, and, if the customer query does not fit within what has been tightly scripted, then this can be extremely frustrating and lead them to believe that they are not the number one priority. This could explain why the consumers interviewed and some industry workers when they were viewing the question from the point of view of being a consumer, indicated a desire to go back to a more personal style of interaction and were willing to pay for it. It can be suggested that this issue of scripting and pre-programming is only going to become more of an issue as the industry moves more and more away from face to face contact and more towards all transactions being carried out online. Whilst pre-programming and scripting of online transaction can ensure compliance to regulation, it is difficult to see where ethics has a place in online transactions.

Of the 38.24% of respondents who stated the companies they worked for relied on scripted conversations and pre-programmed work flows or risk score cards, over half believed that this reliance caused a ‘dumbing down’ effect on the workforce. There is an interesting difference in the industry versus non-industry responses when those interviewed questioned whether this type of interaction is ethical. Those who were not in the industry believed that it was not ethical to operate solely on a computer-based decision-making model, because of a lack of ability to take into consideration the nuisances, emotions, and ethics of financial decision-making. However, the industry responses were a little more divided in their opinion. There was an acknowledgement that some customers wanted this approach, they did not want to deal with a person and did not have the time. In the sense that all information and customers are treated equally it is ethical, it can be a simple way of ensuring regulatory needs are met as standard and that this is a cost-effective approach. However, there is also an acknowledgment within the industry that a 100% reliance computer-based decision-making model is dangerous, as it does not take into consideration the outlying customers. Ethical behaviours cannot be built into an algorithm and there is an over-reliance on credit scores, which come from a non-regulated, and frankly monopolised, marketplace.

It can be concluded that this research has raised a number of concerns when there is a reliance on preprogramed workflows, and as the industry becomes more and more reliant on this method of sales and account management, these concerns have the potential to come to create another much larger issue, such as the PPI mis-selling issues. Whilst the problem will not be with staff mis-selling it will be with an over-reliance on the initial programmed algorithm to be correct, if there is the smallest error it could be duplicated an unknown number of times before it is highlighted.

It is believed within the industry that an over-reliance on scripting is causing the work force to become ‘dumbed down’ because they no longer have to think for themselves and are completely reliant on scripts. It can therefore be suggested that the style of scripted conversation and preprogramed workflows does not suit every company and there is a gap in the market for what could be conceived as a more ‘old fashioned’ type of banking.

Research objective iv – To determine if the financials service industry is still remunerating staff on a commission basis and to what extent this style of remuneration has on ethics.

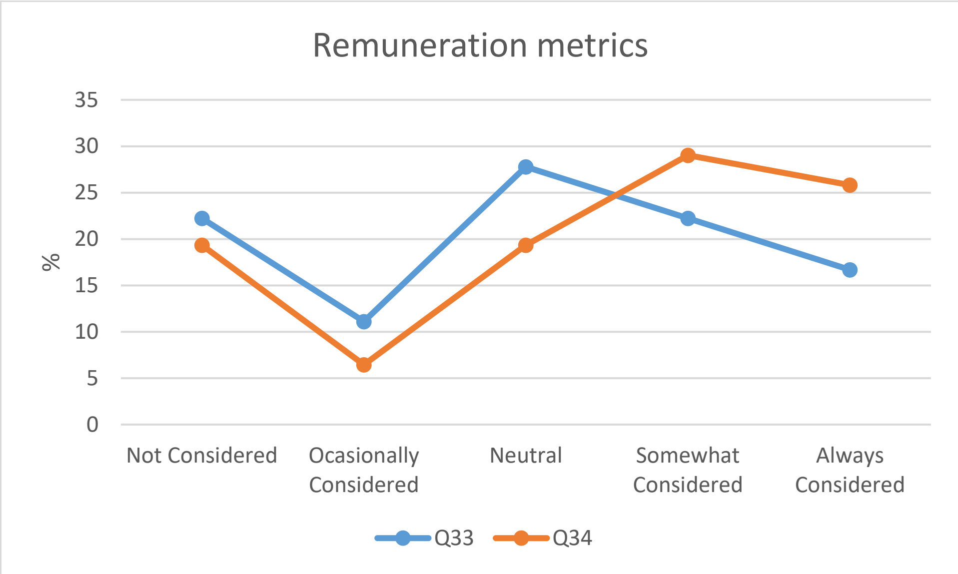
The remuneration of staff in financial services has been a source of contention for a number of years due to the impact that it can have on the customer. From top executives' salaries and bonuses to the way in which staff are incentivised to sell products, there have been an abundance of headlines, scandals, fines, thematic reviews and subsequent regulation.

This question was split in to 2 main parts, firstly are sales staff remunerated on a commission basis. This question was asked to industry workers in the survey and it resulted in an almost 50:50. It can be suggested that the number of sales staff who are no longer remunerated on performance is higher than expected and this could be put down to the FCA rulings and strict guidance on remuneration and incentive requirements. When discussing this further in the interviews it can been seen that there is a definite split between consumers and those working in the financial services industry. Consumers were of the view that sales staff salaries were directly linked to sales volumes, while those in the industry thought that many organisations had come away from this model and sales volumes, whilst taken into consideration were not the only metric to be used.

The second part of this question was to analyse if the remuneration style was ethical. When all the survey respondents were asked this as a general question none of the respondents thought that financial services industry remuneration was very ethical. In fact, the majority, 68.60%, felt that remuneration in the financial services industry was either very or somewhat unethical. It could be argued that this number was higher due to the amount of media activity around 'bankers' bonuses' rather than actually based on the true pay structure of financial services companies. This was reflected in the fact that when asked 83.87% of respondents stated that in their dealing with financial services companies, the way in which staff were paid had been either somewhat or very unclear. If a consumer cannot see how staff are paid and therefore base opinions on what is read in the mainstream press, it is no wonder that such a high percentage do not believe that financial services remuneration is ethical.

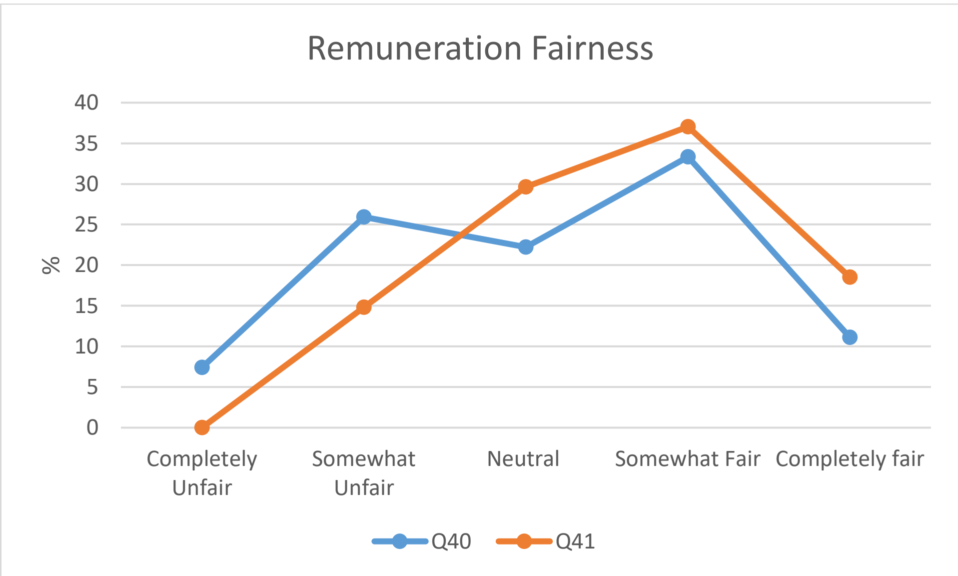
Within the survey responses of those working within the industry, 52.94%, stated that sales staff were remunerated based on sales performance. It was further asked if companies where sales performance is used a pay metric are ethics (Q33) or compliance (Q34) taken into consideration. It can be seen in graph 50 that 54.84% of companies also take into consideration compliance, whilst 38.89% also take into consideration ethics. This figure is actually quite low, and more consideration should be being given to compliant sales, not just sales.

Graph 50 - Remuneration Metrics



The survey respondents who answered that their company paid sales staff based on sales volumes were also then asked if they believed the pay structures in the company to be fair on employees (Q40) and on customer (Q41). The results can be seen below in graph 51. Very few felt that the remuneration structure was completely fair to either staff or customers.

Graph 51 - Remuneration fairness



Finally, industry workers were asked if they believed the pay structures with the organisations they worked for promoted staff to sell unethically. It was seen that 51.85% of financial services staff believed that pay structures with the companies they worked for, had no impact on ethical selling. This is very noteworthy and much higher than expected, and is in agreement with the suggestions of Hagendorff & Vallascas (2011) that the empirical evidence on how pay incentives affected risk taking in the banking industry was surprisingly limited and at best the results were mixed. Within the in-depth interview, respondents were asked on if they felt that staff remuneration in financial services promoted ethical behaviour, and there was agreement that an entirely sales volume based incentives and remuneration model was not ethical and promotes greed, temptation, and unethical behaviour. However, in line with the results of the survey, there was also acknowledgment within the industry that many firms had moved away from a remuneration and incentive model that was predominantly sales volume focused and it has moved to take into consideration regulation and how the sale was made. It could therefore be concluded that the FCA rules and guidance on remuneration was making a change in the industry and making the remuneration models of staff more holistic that pure sales volume incentives. This did not take into consideration the top 2% of financial services employees whose bonuses are frequently discussed in national press. However, there are now more FCA rules about that type of remuneration as well.

Research objective v – To investigate where ethics sit within the organisational structure.

Fisher and Lovell (2009), questioned if private profit seeking organisations should behave in a socially responsible and moral way above beyond the requirement of the law. What space is there for ethical decision-making or even human behaviour in economics? It was questioned in the survey if respondents working in the industry know who in their organisation was responsible for ethics. Incredibly only 55.56% of respondents knew who in their organisation was responsible for ethics, meaning 44.44% had no idea. The respondent was then asked for the job title of the person or department who was ultimately responsible for ethics in the organisation. Fourteen chose to answer, as detailed in Table 14 and of those fourteen only 2 (14.29%) felt that everyone in the organisation was responsible for ethics. A further six (42.85%) believed that ethics should come from the CEO, board or senior management team in a top down approach, four (28.57%) considered legal, compliance or governance departments to be responsible and two (14.29%) named other job titles. This was investigated further in the in-depth interviews and there was a consensus of opinion that ethics was the responsibility of every and predominately that it should be implemented by senior management in a top-down approach. If the senior management team do not truly embody ethical behaviour. then it will never be inherently embedded within the organisation.

Prior literature suggested that despite the introduction of conduct risk into organisations, it was yet to be fully embedded. Llewellyn (2016) proposed that despite financial services firms claiming that they treated customers fairly, there were still major lapses occurring, including the systemic mis-selling of products to potentially vulnerable customers. This means that organisations are still being fined for conduct related reasons, in December 2020 Barclays Bank received a £26 million fine for unfair treatment of customers[45]. It is therefore possible to conclude that business ethics are not fully embedded with the financial services organisational culture and business structure. An even worse scenario is that ethics are only used as a selling tool, an advertising trick. It is for this reason the three lines of defence model has fundamentally failed, leaving business with a heavy reliance on legal and compliance departments. If Coffee (2006) and Heineman (2007) are to be believed then the legal and compliance function consists of nothing more than 'yes' men who are not truly independent and are compromised by remuneration and bonus packages, based on profitability. The cost of poor conduct can be high. A single event

[45] *https://www.fca.org.uk/news/news-stories/2020-fines [Accessed 27th January 2021]*

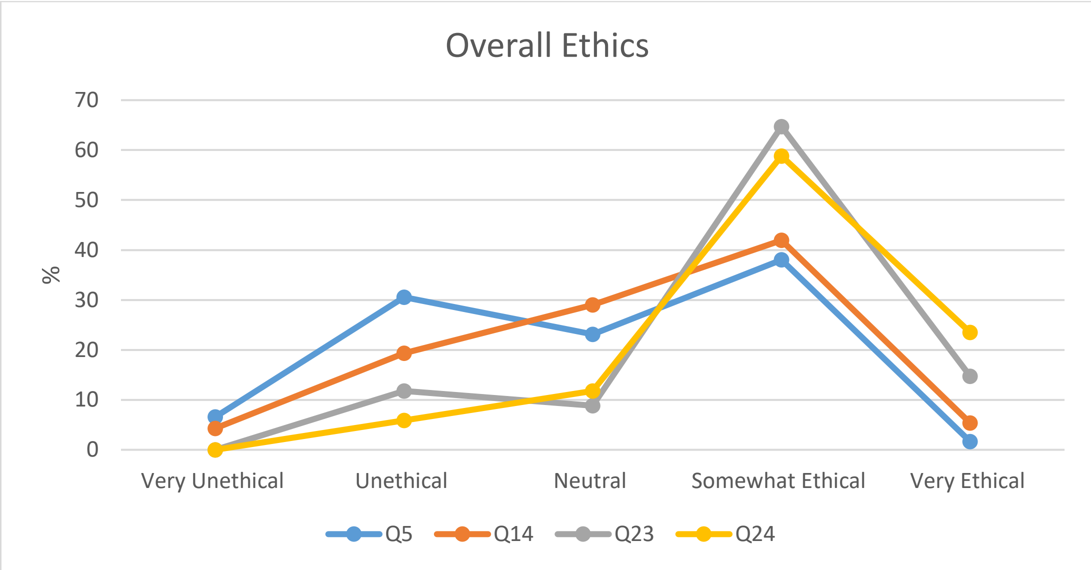
can either destroy a company's reputation for years to come or even lead to the total collapse of the company.

In conclusion, the number of respondents who were unaware of who in the organisation is responsible for ethics or who stated they knew but named an individual is extremely high at 70.37%, with a further 22.22% stating it was solely down to the management teams. Therefore only 7.41% of respondents felt that ethics were the responsibility of everyone in a financial services company and it could therefore be suggested that ethics are not truly embedded in financial services. 79.41% of industry workers surveys stated that ethics are either partially or fully embedded within the organisation they worked for. Comparatively only 27.27% of those same respondents stated that ethics had a somewhat higher priority in the organisation than profit. It could therefore be suggested that, if profit is the main driver in financial services organisations, it must therefore be contradictory to state that ethics is deeply embedded in the industry.

6.3 Further Primary Findings

The initial questions in both the survey and interview were used to not only gather information but also set the tone of the research. These were very high-level questions that looked at the respondents' general view of financial services.

Graph 52 - Overall Ethics Comparison



Questions 5: Answered by everyone – Thinking about the financial services industry as a whole: how ethical do you think the industry is overall?

Question 14: Answered by everyone – Thinking about the financial services products that you have used: How ethical do you think the companies are?

Question 23: Answered by financial services industry employees only – Thinking about the company that you work for: how ethical do you think they are overall?

Question 24: Answered by financial services industry employees only – Thinking about the company that you work for: how ethical do you think they are towards customers?

Graph 52 above, shows the comparison between questions 5, 14, 23 and 24. The four question responses track each other, which is to be expected as the questions are very similar but worded slightly differently. It can be seen that the graph shows that the majority of respondents, whether consumer or industry workers, tended to answer in the middle, with the outlying extremes getting less responses. The biggest conclusion that can be drawn from this comparison is the difference between those questions answered by everyone and those answered by just those that work in financial services. Those within the industry appeared to believe the industry was more ethical than consumers.

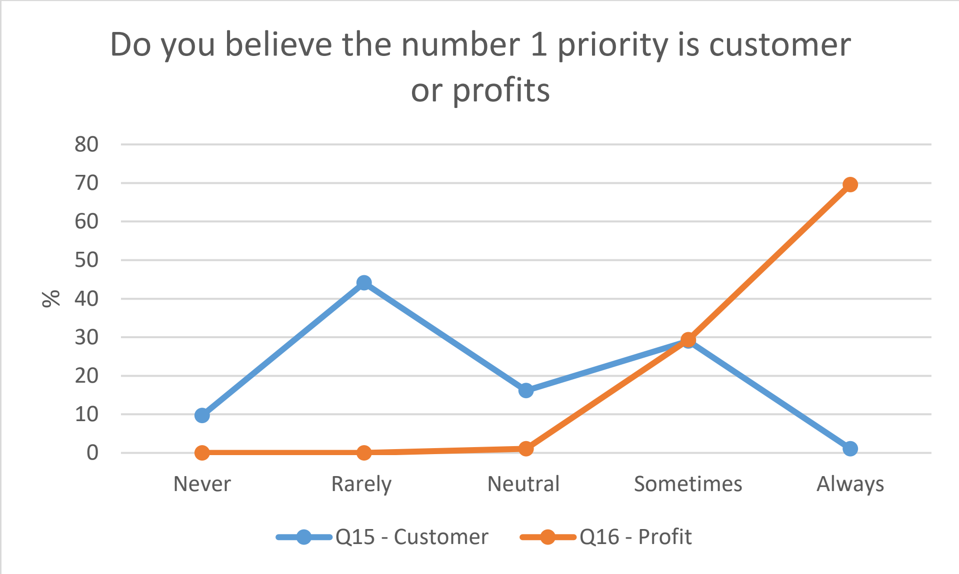
A similar question was asked at the beginning of the in-depth interviews: How ethical do you think the financial services industry is as a whole? The interview responses tracked a similar trend to the survey responses seen above. There was a consensus of opinion amongst those that work within the industry who there has been a definite trend for ethics to have improved within the last several years, though whether this is because the companies are genuinely more ethical, because they have to be more ethical, or it is more fashionable to be ethical, remains to be answered as there is also acknowledgement that there is still a long way to go. However, those interview respondents who were not industry workers were far more scathing about the industry with participants stating, *"I fear that it is not ethical in anyway"* and *"they are only as ethical in so far as they have to be"*. These views certainly match the views of Duska and Clarke (2006) who suggested that from the perspective of western culture, the notion that there could be ethics in financial services was at least problematic if not downright oxymoronic. However, as those within the industry are beginning to see change it would be logical to conclude that, if this change is genuinely happening, the views of those external to the industry will begin to change in time and that change could be tracked with further research. In addition, how the industry is purported in the media, impacts consumer views heavily.

To explore these views in more detail it was further asked in the survey if the respondents had experienced good ethical behaviour. It was seen that only 30.11% had experienced first-hand what they considered to be good ethical behaviour. The reverse of the question was then asked to all respondents. If they had witnessed what they believed to be bad ethical behaviour, it would be reasonable to expect that this would mirror the other responses. However, only 44.09% stated they had witnessed bad ethical behaviour. Similarly, when asking only those who work in financial services if they have experienced good ethical behaviour in the work place, 57.69% stated that they had. The reverse of the question was asked and 48.15% of respondents confirmed they had witnessed bad ethical behaviour in the work place. This follows what was previously witnessed in the responses with those working in financial services seeing more ethical behaviour in the industry than those who are not working within the industry. Therefore, it could be argued that a large portion of the general public who believe ethics in financial services to be lacking are drawing this conclusion from press, media and popular culture rather than experience or factual evidence. However, it is clear that ethics within the financial services industry is still not up to a desired standard.

It can be argued that the financial services industry will never be truly ethical if there is an over-reliance by the government on the industry's overall contribution to the economy and GDP. Therefore, a question in the survey asked all respondents how dependent they thought the UK government is on the financial services industry. An incredible 86.78% of respondents believe that the UK government is either very or somewhat dependent on the financial services industry. Therefore, this question was asked again in the interviews to gain further insight. Unsurprisingly, the views from the survey were further replicated in the interview answers with everyone interviewed expressing the view that the UK government and the economy as a whole are heavily reliant on the financial services sector. There was no divide seen between those within the industry and those that are purely consumers of the industry. In fact, many believe that the UK government is overly dependent on the industry and that there are deals that go on behind closed doors to keep financial institutions head quartered in London, for example in tax breaks being given. There is also a view that financial services lobby groups have too much influence in politics and policy making. The extent to which the financial services industry and UK government are intertwined was seen by all in the aftermath of the 2008 global financial crises when governments were left with little choice but to intervene to save private organisations because the impact on economy would have been massive and unrecoverable. Therefore, the industry is far from independent of the government, who are also the policy makers and enforcers, thus creating an ethical minefield.

Within the final part of the survey all respondents were asked: in your dealings with financial services companies, do you believe the number one priority is Customer or profit. It can be seen from graph 53 that all believed that the number one priority is either sometimes or always profit with few believing that customer is even sometimes given priority.

Graph 53 - Priority - Profit vs Customer



This question was further discussed in the interviews and raised a particularly interesting dichotomy. Those people who worked in financial services believed that the majority of organisations tried to put the customer first and certainly from personal experience within the organisations they worked for, the customer is talked about a lot and given top priority. However, when asked to answer the same question but from a personal perspective, as the consumer, everyone interviewed said they do not feel that they, as the customer were the number one priority in the financial services institutes, they had dealings with as the customer. Therefore, if businesses are trying so hard to put the customer first but the customer does not feel like they are the priority at all, something is clearly getting lost in translation, especially when it is those who are the ones in the businesses trying so hard to keep the customer the number one priority. This is a key finding of this research and further research should be done to establish if this view is widely replicated and if so, what can be done by businesses to really embed the customer experience within the business model and in turn improve the customers perception.

Chapter 7 – Conclusion

7.1 Introduction

It was proposed that this research would determine the effect of regulation on the ethical decision-making of staff within the financial services industry and the possible contributions that it can make in improving ethical practice. The main areas of focus that this research had were:

- to identify where ethics sit within the organisational structure;
- investigate if ethics are used purely as a selling tool when the economic environment demands it;
- to establish if regulation is causing companies to become complacent about ethics;
- to estimate the extent to which the industry has become 'dumbed down' by a reliance on pre-programmed workflows and software; and
- to determine if the financial services industry is still remunerating sales staff mainly on commission and to what extent this style of remuneration has on ethics.

It is apparent from the prior literature that when financial services are left to self-regulate the priority is placed on profit maximisation and not on ethical conduct. It can be argued that this prioritisation is to the detriment of all else. In fact Curtis (2008) stated that poor risks controls, massive leverage, and the blind eye, were really symptoms of a much worse disease - the gradual but ultimately complete collapse of ethical behaviour across the financial industry. Once the financial industry became unmoored from its ethical base, financial firms were free to behave in ways that were in there, and especially their top executives', short term interests without any regard for the longer term impact on the customers, the economy or even on the firm's own employees. The root causes of the Global Financial Crisis were intertwined with political exposure, economic instability, reputational risk, and inappropriate conduct. However, should private profit seeking organisations behave in a socially responsible and moral way, beyond the requirement of the law, because it is the right thing to do or because it pays them to do so, a question posed by Fisher and Lovell (2009). Boatright (2014) discussed why ethics are needed in financial services over and above legislation and regulation and why the assumption of 'if it is legal, then it is morally okay' is inadequate.

Inevitably the industry collapsed, King (2017) states that the main cause of the 2008 Global Financial Crisis were the rapid expansion of the banking system that was primarily based on borrowed money rather than a new capital investment. This expansion based on borrowed money and Acharya & Richardson (2009) view that the crisis is almost universally agreed to have been the combination of a credit boom and a housing bubble. When the housing bubble burst, it had a direct knock-on effect on the financial services industry. The housing bubble and credit boom alone should not have had the massive global effect that it did, but what it highlighted was the unacceptable risks that were being taken with capital adequacy within the financial services industry.

This led to an unprecedented move by the UK government. They put together a £50 billion rescue package to save two of the big four banks from going into receivership. It was unusual to see country governments step in to save private enterprises from going bankrupt. However, as the country's GDP is fundamentally reliant on the banks the governments were left with very little choice but to intervene. The ethical issues in financial services did not stop at the Global Financial Crisis. Since 2008 there have been a number of very high-profile cases, including the PPI mis-selling scandal, Libor Scandal, sanction violations, and the inappropriate nature of sales incentive driven remuneration, which almost certainly directly contributed to the mis-selling problems.

The purpose of this investigation is to contribute to an understanding of the relationship between regulation and ethics in financial services. In exposing the historic and existing tensions between regulation and ethics, the research has highlighted a gap in the decision-making process that potentially causes harm and mistrust. If increased regulation is leading to a disassociation in staff from explicit and coded ethical conflicts with regulation and compliance, the impact presents a widespread structural risk with continued regulatory and ethical failings.

After a number of tumultuous years in financial services, the reputation of the industry has been left strained to say the very least and more and more advertising campaigns are overtly showing an ethical focus and using key 'buzz' words.

This research used an overarching methodological philosophy of critical realism, with an inductive research approach. The initial observation having taken place in a career over fifteen years within regulatory compliance in the financial services industry. Using a combination of strategies, a simple mixed method: survey and narrative inquiry, the research used existing contacts through social media, and their contacts, therefore creating both a self-selection and snowball sampling technique on a volunteer basis. The sample size of the survey phase took into account the known research population size and the statistical importance of a high response rate. The sample size would initially take into account the contacts made on social media and therefore gave a known sample population size of 848. The narrative inquiry strategy stage followed on from the survey strategy and used non-probability sampling. This therefore makes the narrative inquiry stage purposive, and selection of interviewees was based on Judgment sampling, in order to get specific representation. However due to this the conclusion drawn cannot be considered to be indicative of the entire UK population but can underpin further research.

The critical analysis and statistical approach of the data differed as this research used a mixed method. There was a mix of descriptive, dichotomous and interval data types within the survey questions and these required slightly different statistical approaches. The statistical approach to the descriptive and dichotomous data was a simple count to establish which category has the most or if the count is evenly split between all categories, from this count graphical data was produced and conclusions drawn. The majority of the survey is in the form of Likert questions which produced continuous interval data. The statistical analysis of this data will initially use a count of each scale to extract graphical data which was used to draw simple conclusions and report the initial findings and results of the data in Chapter 4. The analysis then goes a step further in chapter 6 and uses excel to compare and contrast linked questions to draw more in-depth conclusions and fulfil the research objectives. The qualitative data in this research from both the open survey questions and the semi structured interviews took on an inductive critical analysis approach. Whilst there is no statistical approach to the qualitative data it was used in the critical analysis to further explore the conclusions drawn from the quantitative data.

The survey received 134 responses, and these were split into two sections. 100% of respondents answered the first section, concentrating on consumers of financial services 36% (48) of respondents answering the second section, which concentrated on those who worked within the financial services industry. The reason for having the split between consumers and financial services workers was to understand if there were any marked differences in the responses between the two groups. The interviews were semi-structured with a series of thirteen questions and all interviewees were asked the same questions. In total eleven interviews were completed, and they ranged from half an hour to a couple of hours depending on the person being interviewed. The research findings and analysis proved exceptionally interesting and can be reviewed in the context of the original research objectives.

To investigate if ethics are used purely as a selling tool when the economic environment demands it. In the survey responses almost 43% of consumers believed that ethics were used more in advertising after a financial services company had received bad press. Of those surveyed within the industry, 30.77% believed ethics were used more in advertising to increase profit and the company's profile, in comparison to 38.46% who believe that ethics were used in advertising because they were either partially or fully embedded in the business. This spread of opinions was replicated within the interview findings with some respondents feeling that ethics were embedded within the organisation and some believing organisations were *'jumping on a bandwagon',* and if organisations were truly ethical then they do not need to advertise that fact explicitly. It can be strongly argued from the findings and analysis that ethics are only used in financial services advertising campaigns because they make the company look good and in turn are profitable. Ethics are not used in advertising by companies that truly have ethics embedded within the organisational culture because it is so ingrained it would be unethical to highlight the trait as a selling tool.

To establish if regulation is causing companies to be complacent about ethics. Nearly 60% of consumers surveyed believed that increased regulation makes the financial services industry more ethical. Whilst the majority of financial services employees agreed that increased regulation had an impact on the company they worked for and 72% believed that this impact had made the company automatically more ethical. However, almost 60% of financial services employees stated that the company they worked for only 'somewhat' abides by regulation. This was also replicated in the interview responses. Those within the industry were more inclined to think that regulation was taken seriously but it was dependent on the company and the individual. In contrast, the consumers interviewed tended towards the view that financial regulation was not taken seriously in the industry and it is *'only paid lip service to, with the only thing making organisations do that is the threat of large fines'.* When asked if the respondents had ever been aware of the company they worked for circumventing regulation, only 35.29% stated that the company always abided by regulation. When interviewed and asked in more depth the consensus was that many had been aware of active regulation evasion in the past but any recent avoidance with was either on an individual level rather than a companywide level or it was by mistake or omittance and therefore not active avoidance. This can be further evidenced in Graphs 1 and 2 and the steady increase in customer and ethical focused fines over the last 5 years. It can therefore be strongly argued from the findings and analysis that, although regulation itself does not cause companies to ignore ethics, regulation can cause complacency in the sense that it lulls companies into a false sense of security that ethical demands are being met purely because regulatory demands are being met.

To estimate if the extent to which the industry has become ‘dumbed down’ by a reliance on pre-programmed workflows and software. Interestingly, only 38.24% of industry workers surveyed stated that the organisation they worked for relied on scripting and pre-programmed work-flows, in contrast 82% of consumers considered their interactions with financial services companies to be scripted or automated. Of those interviewed there was an overwhelming majority that believed there was an over-reliance on computer-based decision-making within the industry. This was both industry workers and consumers. However, there was a split in the responses as to whether it is ethical to operate in this way. Consumers were inclined towards the idea that it is not ethical to operate on a 100% computer-based decision-making model. Whereas industry workers were divided as there was an understanding that this was a cost-effective model and can be a simple way of ensuring regulatory needs are met. There was also a recognition that this model can be dangerous, if the regulatory programming is incorrect, it is incorrect for everyone and the model does not take into consideration the outlying customers, ethics, all the emotions involved with making potentially life changing financial decisions. It can therefore be concluded from the findings and analysis that the style of scripted conversation and preprogramed workflows does not suit every consumer and there is a gap in the market for what could be conceived as a more ‘old fashioned’ type of banking.

To determine if the financial services industry is still remunerating sales staff on a commission basis and to what extent this style of remuneration has on the ethics of the organisation. Within the interviews and surveys there was a commonly held belief amongst consumers that financial services sales staff are remunerated and incentivised on sales volumes above all else with 69% of consumers surveyed felt that financial services remuneration was unethical. However, it was found that only 53% of financial services employees were paid based on sales performance metrics and then 39% stated that ethics were taken into consideration within those metrics and 55% stated that compliance was taken into consideration in the metrics. There was a fundamental agreement that a remuneration and incentive model based predominantly on sales volumes were not ethical as it promotes greed, temptation, and unethical selling practices. Whilst many within the industry suggested that organisations had moved away from a model solely based on sales volumes and now had regulatory and behavioural metrics, only 16.67% of those surveys stated that ethics were always taken into consideration in the pay structure, and only 25.81% stated that compliance to regulation is always taken into consideration. It could therefore be concluded from the findings and analysis that the FCA rules and guidance on remuneration is making a change within the industry and making the remuneration models holistic. However, this does not take into consideration the top 2% of financial services employees whose bonuses are frequently discussed in national press and media and therefore go a long way to shaping the general public's belief of financial services remuneration.

To investigate where ethics sit within the organisation structure. One of the main findings is that ethics are not embedded within the financial services sector, with many survey respondents believing that following regulation is the same as being ethical. It is also apparent from the surveys that very few employees in the financial services sector believed that every individual in the company is responsible for ethics, instead passing ethical responsibility to either the management teams or compliance and legal teams. This was in stark contrast to the interview findings where there was a consensus of opinion that ethics is the responsibility of everyone and predominately that it should be implemented by senior management in a top-down approach. If the senior management team does not truly embody ethical behaviour then it will never be inherently embedded within the organisation and if profit is the number one driver of an organisation then it is contradictory to think ethics can every truly be embedded.

The question of whether or not the customer is the number one priority of financial services organisations is a fascinating one and there is a clear dichotomy. Those interviewed that work within the industry clearly stated that in the organisations they worked for, the customer is always talked about and given top priority. However, when the same people were asked to view this from the perspective of their personal financial dealings, they all said that as a customer they did not feel that they were the number one priority in any of the financial institutions with which they had products with. This was replicated in the survey where only 1.06% said they always felt like the customer was the number one priority. Therefore, if businesses are putting in a lot of work to put the customer first but the customer does not feel like they are the number one priority, something is going wrong, something is clearly getting lost in translation, especially when even those within the businesses who are the ones trying so hard to be customer-centric do not believe as a customer they are being put first. This is a key finding of this research and further research should be done to establish if this view is widely replicated and if so, what can be done by businesses to really embed customer experience within the business model and in turn improve the customers perception. This was not an intended finding of this research and therefore there are limitations to the research findings which could be controlled with further research.

The purpose of this chapter is to present an overall summary of the research, including the finding as well as evaluating the key implication, original contribution and limitations of the research. The chapter will go on to review further research opportunities and recommendations from the research to the financial services industry, government, policy makers and industry regulators.

7.2 Key Findings

The main finding of this research is that it can be suggested that where there is profit and money to be made, ethics and morality appear to take a back seat and in fact the number of fines that have been levied on the industry that have a customer or ethical focus have seen a steady increase, see graphs 1 and 2. It must be remembered that fines are retrospective and detecting unethical behaviour relies on either whistleblowing or regulator compliance audits. It could therefore be inferred that what is uncovered through regulatory audits and whistleblowing are limitations in maintaining consistent standards. On-going mitigation and eradication of malfeasance is required through the acknowledgement of the importance of ethical anchors in promoting and embedding best practice across financial services.

The critical literature review drew some insightful findings on the various aspects of ethics in the financial services industry. It has shown that as far back as Aristotle (322BCE), the financial services industry has been mistrusted, stating the most hated sort of wealth getting, and with the greatest reason, is usury, which makes gain out of money itself and not from the natural object of it. Even before the financial crisis of 2008 Duska and Clarke (2006) suggested that from the perspective of western culture, the notion that there could be ethics in Financial services was at least problematic if not downright oxymoronic. If press, media and popular culture are to be believed those in the financial services live a life of wealth and excess. In the years preceding the 2008 Global Financial Crisis there was a deluge of corporate scandals.

Throughout the 1990s and early 2000s, Western banks had been making huge profits (and paying huge bonuses to traders, managers, and directors), through the trading of debt amongst themselves in financial derivatives backed by property values. From the late 80’s and early 90’s America’s Wall Street and to a lesser extent London was a hot bed of insider trading and market manipulation with many high-profile cases being tried and convicted. The 90’s saw the Salomon Brothers Investment Bank nearly destroyed by auction rigging scandals. The late 90’s saw Bankers Trust and the first of many Merill Lynch headlines for out of court settlements for suspicions on concealing risk. The turn of the century came and things were still to improve, with Enron and Worldcom dominating the press due to concealment of massive amounts of debt and fraud and Spitzer bringing about charges on banks and investment firms for illegal trading activity. In fact Taibbi (2009) famously described one particular bank as a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money.

With what was to come, one might certainly understand why such a descriptive hyperbole could be used to describe a bank.

2007 then saw the collapse of the subprime mortgage market in America and the UK, along with a domino effect that would impact the entire world's financial markets. The only hope that the governments and the general public had was that the banks were 'too big to fail', certainly words that will haunt those politicians who used them to describe the UK banking market in 2007. Northern Rock became the first bank in modern history to suffer a bank run, the likes of which had not been seen in the UK for over 150 years. In February 2008, due to a lack of capital adequacy Northern Rock became the first bank to be entirely nationalised. This was closely followed by the announcement of a £50 billion rescue package in a move that saw two of the largest banks in the UK, RBS and Lloyds Group, become part-nationalised meaning the government had a say in the day-to-day operations. It is particularly unusual to see country's government stepping in to save private companies from going bankrupt. Many companies have gone bankrupt over the last ten years that have not had this special treatment from the government. However, the country's economy is so reliant on the financial services industries that the governments were left with little choice but to intervene. This research found that an overwhelming majority believe that the UK government is dependent on the financial services industry. In fact, many believe that the UK government is overly dependent on the industry and that there are deals that go on behind closed doors to keep financial institutions head quartered in London, for example they are given tax breaks. There is also a view that financial services lobby groups have too much influence in politics and policy making. The extent to which the financial services industry and UK government are intertwined was seen by all in the aftermath of the 2008 global financial crises when the government was left with little choice but to intervene to save private organisations because the impact on economy would have been massive and unrecoverable. Therefore, the industry is far from independent of the government, who are also the policy makers and enforcers, thus creating an ethical minefield.

This has a huge impact on the overall reputation of the financial services industry. Curtis (2008) suggested that poor risks controls, massive leverage, and the blind eye, were really symptoms of a much worse disease. The root cause of the financial crisis was the gradual but ultimately complete collapse of ethical behaviour across the financial industry. Once the financial industry became unmoored from its ethical base, financial firms were free to behave in ways that were in their (and especially their top executives') short term interests without any regard for the longer term impact on the customers, economy, or even on the firm's own employees. When reviewing the overall reputation of the industry, this research found that those who worked within the financial services were of the view that that there had been a definite trend for improved ethics within the last several years. However, this was in stark contrast to the view of those that are not within the industry, who were far more scathing about financial services with participants stating, *"I fear that it is not ethical in anyway"* and *"they are only as ethical in so far as they have to be"*. These views certainly match the views of Duska and Clarke (2006) who suggested that from the perspective of western culture, the notion that there could be ethics in financial services was at least problematic if not downright oxymoronic. However, as those within the industry are beginning to see change it would be logical to conclude that if this change is genuinely happening the views of those external to the industry will begin to change in time because how the industry is purported in the media should change and this impacts consumer views heavily. It is from this background that the following questions were sought to be answered in this research.

To investigate if ethics are used purely as a selling tool when the economic environment demands it: This investigation is particularly important because it will demonstrate the underlying ethical culture within the financial services and what companies are willing to publicly use as a sales tool ultimately to increase profit, after all from 2009 onwards many of the banks that were directly involved in the financial crash, were still boasting through advertising that they were ethical organisations with good corporate social responsibility programmes. When ethics are not properly embedded within the organisation then there is the risk of having a Codes of Conduct and Corporate Social Responsibility programme that are great for promotional purposes but do not add to the culture of the business. Before the 2008 crisis Webley (2003) sought to answer the question of whether or not it paid for a business to have ethics and stated that one of the key outcomes of that research, actually proved is that companies with a code of conduct were more profitable than those without. A code of conduct is a tangible manifestation of a company's culture. Of course, just because a company has a policy does not mean that it is implemented but it looks good on promotional material. This is called 'corporate image advertising' and it is when an organisation seeks to raise public perception through advertising campaigns rather than advertising a specific product. Loveland et al (2019) concluded that the major banks had been doing this for several years to improve their reputation.

This research found that when a company has ethics embedded within the core of the culture that company does not actually use this in their advertising campaigns as there is not the need to explicitly advertise this fact. It was found that many respondents view financial services organisations to be '*jumping on a bandwagon*' and using ethics because it is what customers are currently demanding and therefore only using ethics to increase profits. There is huge scepticism over whether ethics are actually embedded in financial services industry. It can be suggested from the findings of this research and analysis that ethics are only used in financial services advertising campaigns to raise the corporate profile and in turn to increase profitability. Ethics are not used in advertising by companies that truly have ethics embedded within the organisational culture because it is so ingrained it would actually be unethical to make use of this trait as a selling tool.

To establish if regulation is causing companies to be complacent about ethics. Regulation in financial services dramatically increased subsequent to the 2008 financial crisis. There has been a change in regulator as well as a change in the underlying legislation, to allow, amongst other things, the imposition of unlimited fines. The scale of the crisis, and subsequent revelations relating to PPI in the UK and convictions for rigging the inter-bank lending rates (LIBOR), caused much soul searching on both sides of the Atlantic. It seems clear that despite a call for greater oversight, the implementation of new regulations and the creation of new watchdog bodies and the imposition of increased fines, the blind pursuit of profit and bonus fuelled the conditions that led to corporate scandals and financial malfeasance is still prevalent. In fact, this result was the opposite of what was intended, and it is this paradox that increased regulation causes companies to become complacent about ethics, that this research sought to build upon. In addition to reviewing the question posed by Fisher and Lovell (2009), should private profit seeking organisations behave in a socially responsible and moral way, beyond the requirement of the law, because it is the right thing to do or because it pays them to do so? Boatright (2014) also discussed why ethics are needed in financial services over and above legislation and regulation and why the assumption of 'if it's legal, then it's morally okay' is inadequate.

This research builds on these two observations and it was found that there is a common misconception that increased regulation makes the financial services industry more ethical. The financial services employees involved in this research agreed that increased regulation had an impact on the company they worked for believing this impact automatically made the company more ethical. However, almost 60% of financial services employees stated that the company they worked for only 'somewhat' abided by regulation.

This notable revelation was explored further, and it was found that although regulation is on the whole taken seriously it does also depend on the company and the individuals. It was found that consumers interviewed held the view that financial regulation is not taken seriously in the industry and it is only paid lip service too. There was also the suggestion in the interviews that only thing making organisations abide by some regulation is the threat of large fines and the subsequent reputational risk. However, it was found that the reputational risk actually had very limited impact on consumers, with none stating that they had moved a financial services product from one provider to another as a direct result of a fine imposed.

It can therefore be suggested from this research and analysis that although regulation itself does not cause companies to ignore ethics, regulation does cause complacency in the sense that it lulls companies into a false sense of security that ethical demands are being met purely because regulatory demands are being met.

To estimate if the extent to which the industry has become 'dumbed down' by a reliance on pre-programmed workflows and software. This question sought to prove an over-reliance on software to completely the regulatory aspect of financial services roles and therefore causes staff to hold an expectation that the ethical implications have been met. It was found that the majority of people believed their dealings with financial services companies to be automated in some way, whether that be by the use of scripting, pre-programmed workflows or scorecards. This is in contrast to those who worked within the industry, with less than half stating that the company they work for relied on automation. There are two possible explanations for this dichotomy. Firstly, the types of companies that the respondents worked for could be advice-based companies which are not script or automation driven because the advice has to be based on what the individual customer needs. Secondly, that the perception of the general public is incorrect. When explored further it was found that consumers generally believe that financial services have become over-reliant on computer-based decision-making rather than personal interaction. Those that worked within the industry though, had an understanding the large book non advice business has to be written this way to ensure maximum profitability. There is also a move within the industry to try to write advice based business using artificial intelligence and therefore further cutting down staff costs. However, over half of industry workers felt that reliance on automation caused a 'dumbing down' effect on the workforce. It can be argued that by automating interactions, experts can make sure that specific regulatory details are met and there is no reliance on the employee to have to think for themselves. Whilst this can be useful from a regulatory point of view this does not automatically mean the ethical factors are dealt with and it has been proven that if the customer query does not fit within the parameters of the automation this can be extremely frustrating and lead them to believe that they are not the number one priority.

An interesting difference was found between industry workers and consumers when discussing if automated interactions were ethical. Those that are not in the industry believed that it is not ethical to operate solely on a computer-based decision-making model. This was because of a lack of ability to take into consideration the nuisances, emotions, and ethics of financial decision-making. However, the industry was more divided in their opinion. There was an acknowledgement that some customers want this approach. They do not want to deal with a person and do not have the time to, in the sense that all information and customers are treated equally it is ethical. It can also be a simple way of ensuring regulatory needs are met as standard and that this is a cost effective approach for the business. However, there is also an acknowledgment within the industry that a 100% reliance on a computer-based decision-making model is dangerous. It does not take into consideration the outlying customers. Ethical behaviour cannot be built into an algorithm and there is an over-reliance on credit scores, which come from a non-regulated and frankly monopolised marketplace.

It can be concluded that this research uncovered are a number of concerns when there is a reliance on preprogramed workflows, and as the industry becomes more and more reliant on this method of sales and account management these concerns have the potential to come to create another much larger issue. There was also believed to be a gap in the market of what could be viewed as 'old fashioned' banking.

To determine if the Financial services industry is still remunerating sales staff on a commission basis and to what extent this style of remuneration has on the ethics of the organisation. The remuneration of staff in financial services has been a source of contention for a number of years due to the impact that it can have on the customer so much so the FSA actually had to release guidance on how to treat customers fairly. In 2012 the FSA carried out thematic review on staff remuneration and incentives. The review questioned a large number of firms including banks, building societies, insurance companies and investment firms. Shockingly, the FSA could only find one example of good practice, however, there was a very long list of poor practices. Subsequent to the thematic review a document concerning rules and guidance was released and when the FCA took over they confirmed that guidance over remuneration was high on the priority list.

This research found that there was a commonly held belief amongst consumers that financial services staff were still remunerated and incentivised on sales volumes, and the majority felt the financial services remuneration was unethical. However, it was found that only half of financial services employees were paid based on sales performance metrics and even then, many companies took into consideration compliance and ethics. There is a fundamental agreement that a remuneration and incentive model based predominantly on sales volumes are not ethical. It promotes greed, temptation and unethical selling practises. It could therefore be concluded from the findings and analysis that the regulations and FCA rules and guidance on remuneration is making a positive change within the industry and making the remuneration models holistic. However, this does not take into consideration the top 2% of financial services employees whose bonuses are frequently discussed in national press and media and therefore go a long way to shaping the general public's belief about financial services remuneration.

To investigate where ethics sit within the organisation structure. The critical literature review revealed that Mullins (2013) stated that applying ethics in a business setting is complicated by the fact that ethics deals mainly with good and bad conduct on the part of individuals, resulting in difficulties in applying these ideas to impersonal corporate entities like companies. It was because of these difficulties that many organisations viewed compliance and legal departments as the moral compass of the business rather than everyone in the business having responsibility for business ethics. Mullins (2013) also suggested that personal integrity and individual values were important elements in ethical decision-making at work, but this is increasingly supported by a company code of ethics or professional code of conduct. However, it has been proved that company's use codes of conduct to increase the company's profile, making the company look good increases profitability. This notion of where ethics sit in the culture is further complicated with in-house legal and compliance departments under pressure to find ways to 'get comfortable' or circumnavigate through the regulation to get the answer the board want to hear; a truly independent view is difficult if not impossible to gain.

It is apparent from the research that very few employees in the financial services sector believed that every individual in the company was responsible for ethics, instead passing ethical responsibility to either the management teams or compliance and legal teams. This was in stark contrast to the interview findings where there was a consensus of opinion that ethics was the responsibility of everyone and predominately should be implemented by senior management in a top-down approach. If the senior management team do not truly embody ethical behaviour, then it would never be inherently embedded within the organisation and if profit is the number one driver of an organisation then it would be contradictory to think ethics could ever truly be embedded. One of the major overarching findings of this research is that ethics are not embedded within organisations in the financial services sector.

Whilst not directly listed in the research objectives this research has also identified that the customer does not believe they are the number one priority of any financial services organisations. Interestingly this was even the case as seen by industry workers who were responsible in their organisations for putting the customer first. Therefore, if businesses are trying so hard to put the customer first but the customer does not feel like they are the priority at all, something is clearly getting lost in translation especially when it is those that are the ones in the businesses trying so hard to keep the customer the number one priority. This is a key finding of this research and further research should be done to establish if this view is widely replicated and if so, what can be done by businesses to really embed customer experience within the business model and in turn improve transparency and trust.

7.3 Research Contributions, Implications and Recommendations

It was the intention of this research to fill a gap in the literature on the overall subject of ethics in the financial services industry, with particular regard to contributing a substantive theory in the area of the relationship between regulation and ethics, and building on the existing work of others, in particular Mullins (2013) theory on the symbiosis between regulation and ethics. This research begins to prove that there is an implied symbiotic relationship in the industry that ethics are built into regulation and therefore companies and individuals do not have to go over and above what is written in the regulation. This research then builds on the premise of this misconception that there is a further industry wide belief that ethics are predominantly the responsibility of compliance and legal departments. This belief that within the organisation structure, ethics sit with compliance and legal means that this research also contributes to the conclusion of Duska and Clarke (2006) that from the perspective of western culture, the notion that there could be ethics in financial services is at least problematic if not downright oxymoronic. One of the major overarching findings of this research is that ethics are not embedded within organisations in the financial services sector.

Curtis (2008) put forward that the root cause of the crisis was the gradual but ultimately complete collapse of ethical behaviour across the financial industry. Conversely Sternberg (2013) recognised that the banks were culpable, suggesting that the actions of the banks were largely a response to perverse incentives imposed by lax government economic policy and strong regulation. An interesting suggestion is that strong regulation could actually bear some responsibility for the Global Financial Crisis and the way in which the financial services industry behaves. This research goes on to suggest that increased regulation can and is harmful to ethics within the financial services industry.

In addition to the theoretical and empirical contributions this research also provides beneficial information to those responsible for financial services regulation and policy development in the UK, as well as providing key insights into the UK financial services industry in terms of further work required to embed ethics within organisations.

This research breaks new ground in demonstrating that increased regulation has the indirect effect of causing decreased ethics. However, it is worth noting that it is not the regulations that are causing this effect but the way in which they are received, interpreted and perceived by the organisation. It could be argued that this is a bi-product of a principles based, interpretive regulatory system. The solution for this is not a simple fix but comes in the need for both training and self-regulation. Training is necessary to ensure that financial services staff are always up to date not just with regulation but with the core ethical values of the company, and that staff are actively encouraged to whistle blow and will not be punished for it. This approach should even be reflected in the hiring of staff into the organisation, the interviews and testing should be aimed to mitigate against the risk of undesirable personality traits. As Plato (c428-348 BCE) stated, good people do not need laws to tell them to act responsibly, while bad people will find a way around the laws. Therefore, this makes hiring on desirable personality traits even more prudent in an environment where the regulation is interpretative. There is also a need for training around the idea of individual, self-regulation and this goes right back to the suggestions of Smith (1759) who spoke of the idea that however selfish man maybe, they still derive pleasure from the fortune of others, therefore advocating that whilst individuals can always evade regulation, their own conscience is a regulator in itself. Education at an undergraduate level is starting to recognise the needs for ethics based modules in Finance and Banking programmes but this is not yet rolled out on a country wide basis, arguably because of a lack of scholars in the field of financial services ethics. However, this is a welcome step forward and away from MBA programmes of the turn of the century, which appeared to teach success at any cost was the best approach.

Increased regulation will not prevent further scandals from happening. Moreover, this research suggests that increasing regulation actually dissociates staff from ethical decision-making, and places an almost co-dependent and ultimately unrealistic reliance on compliance and legal departments. Therefore, this research argues that increasing regulation has a direct negative correlation with the ethical behaviour of staff and management. This, in turn, is setting the industry up to fail again. This research will contribute to the knowledge of financial regulation and the interplay between ethics and the role of regulation and policy-making in general.

This study set out to answer several specific research objectives with a view to helping to shape the industry, regulations, and policy makers views on how ethics are implemented and perceived in the financial services sector. These questions sought to investigate: if ethics were being used by organisations purely to increase profit and reputation; if regulation was causing companies within the financial services sector to become complacent about ethics; to try to estimate the effect on the industry automation in decision-making is having; to determine if sales based remuneration models are still being used and to determine the actual and perceived impact this has on ethics, and to investigate where ethics sit within the organisational structure of financial services companies. This section will now review the implications of this research within four distinct sections: the financial services industry; the UK government; the financial services regulatory bodies; and within the field of theoretical ethics.

The literature demonstrates that the financial services industry has been mistrusted as long as it has been in existence. Before the 2008 Global Financial Crisis there were a huge number of high-profile ethical failings that contributed to this modern-day scepticism. The 2008 Global Financial Crisis led not only to the collapse of modern-day banking as it was known but also the collapse of the reputation of the entire financial services industry, or at least what was left of it. In fact, consumers had lost so much trust in banking institutions that there was actually a run on the banks, which had not been seen in the UK for over 150 years. This then led to the unprecedented move by the UK government to part nationalise some of the large banking institutions and inject funds into others. It is particularly unusual to see the government stepping in to save private organisations from going bankrupt. However, as the UK economy is so intertwined with the financial services industry, there was little choice but for the government to intervene. King (2017) states that the main causes of the 2008 Global Financial Crisis were the rapid expansion of the banking system that was primarily based on borrowed money rather than a new capital investment. This expansion based on borrowed money and Acharya & Richardson (2009) view that the crisis is almost universally agreed to have been the combination of a credit boom and a housing bubble meant when the housing bubble burst, it had a direct knock-on effect on the financial services industry. The housing bubble and credit boom alone should not have had the massive global effect that it did, but what it highlighted was the unacceptable risks that were being taken with capital adequacy within the financial services industry. In the period after the 2008 Global Financial Crisis the financial services industry has been desperately trying to claw back any part of its shattered reputation, using methods such as corporate image advertising.

In relation to ethics being used as a sales tool when the economic environment demands it, this research is suggestive that the financial services industry does this and it is the companies where ethics are not embedded that do this the most. It is the situation of where the louder the company shouts about how good their ethics are, the more they prove that ethics are not embedded within the organisation in the slightest. This comes down to ethics being embedded within the organisational behaviour of the organisation not just written in a code of conduct that no employees read.

One of the biggest factors that this research has uncovered is that in the eyes of the industry and to some extent the consumer, regulation and ethics are intrinsically linked and whilst this is correct, there needs to be an understanding that the notion that if a company is abiding by regulation, they are automatically ethical is inherently wrong. In addition, this research also implies that financial services organisations, only somewhat abide by regulation and manage to hoodwink visiting regulators by sales type personalities 'talking the talk'. Of course, the reality is that this type of behaviour is extremely detrimental to ethics and in turn profitability.

Automation in the industry needs to be proactively managed to ensure that scorecards, scripts, and artificial intelligence software are written with the customer in mind. It appears from this research that some financial services organisations pay lip service to the notion of putting the customer first. Many consumers do want automated processes where they do not have to interact with anybody, however, in an environment where *the only access some have to financial services advice is a stuffed meerkat*, there is a growing body of consumers who no longer want that approach.

Within the area of organisational behaviour, the financial services industry needs really to examine how ethics can be embedded within the culture. This research is suggestive that those within the industry do not take personal responsibility for ethics in the workplace and this is wrong. There needs to be, not only full accountability of staff for ethical behaviour but also freedom for staff to be able to act in an ethical way. This also requires training and trust that staff will do the right thing, when confronted with an ethical dilemma. Therefore, this goes right back to the hiring policies of organisations. The archetypal image of the financier needs to be archived and companies should be hiring on behavioural traits. Whilst private organisations do exist to make a profit and to satisfy shareholders, what needs to be taken into consideration is that if ethics are deeply embedded the company will be profitable because good ethics attract customers. The main implication of this research is for the financial services industry to stop paying lip service to ethical behaviour and profoundly change. This research did highlight that some organisations are already hiring and treating staff in this way.

This research uncovered a particularly interesting dichotomy when it comes to the different perceptions about whether the customer is the number one priority of financial service organisations. The consumers, in particular, stated that they felt they were not the priority of any organisation they had financial services products with. It was found that those that worked within the industry clearly stated that within the organisations they worked for, the customer was always talked about and given top priority. However, as a customer themselves, they did not feel like the number one priority. Therefore, if businesses are putting in a lot of work to put the customer first but the customer does not feel like they are the number one priority. Something is going wrong, something is clearly getting lost in translation especially when even those within the businesses, who are the ones trying so hard to be customer centric, do not believe as a customer, they are being put first. It is widely regarded that in a service industry, the customer is king as without them there is no business. This is a key finding of this research and further research should be done to establish if this view is widely replicated and if so, what can be done by businesses to really embed customer experience within the business model and in turn improve transparency and trust.

The ramifications of this research within the industry have the potential to be wide reaching, if the industry is open to the idea of change, not just change on paper nor in advertising campaigns but in depth, full cultural change. The financial services industry ideally should go to a blank slate approach to ethics and try to build the culture as if the legacy systems and behaviour did not exist. It can be seen that the start-ups in the industry, particularly the fintechs are able to do this much more easily because they are starting from square one and have no legacy. However, only time will tell if this idealistic behaviour continues or if the small start-ups get either swallowed up by the larger organisations, or if the industry itself forces the outdated legacy behaviours on the newcomers.

Overall, the implications of the research on the government are more limited than those on the industry. The research reviewed the reliance of the government on the industry and has revealed some interesting perceptions that the government do deals behind closed doors to keep financial institutions head quartered in London, for example with tax breaks. There is also a view that the financial services lobby groups have too much influence in politics and policy making. The government needs to be concerned by the overreliance on one industry sector in supporting the GDP and should take heed that the notion that the banks are ‘too big to fail’ is outdated and if another crisis were to happen the government should not step in and intervene. This would force the change the industry so desperately needs.

The consequences of this research on the regulators are mainly that they need to be aware that the industry is very accomplished in 'putting on a show' and in turn should hire experts from within the industry to ensure that they are asking the right questions and looking in the right places when they go into financial services companies to audit. There also needs to be an awareness of the link between regulation and ethics and that there is an overreliance on regulation to be the ethical framework of an organisation.

Within the field of theoretical ethics: a clear but detrimental link has been established between regulation and ethics in financial services and, whilst it is agreed that these frameworks are intertwined, neither is a substitute for the other. It has been demonstrated in the research that regulatory conditions operating through codes of conduct are acknowledged, but invariably activate negative responses if challenging ethical behaviour. Therefore, increased regulation has an overall detrimental effect on the ethical framework of a financial services organisation and in turn on the ethical behaviour of staff within that organisation. Unprofessional practice is not endemic, but it is conditional.

The 3 key implications of this research are:

- organisations within the financial services industry need to embed and adopt an ethical framework using a top-down approach and ensure that ethical behaviour is actually at the heart of training, hiring and decision-making as well as continuously being embedded through training, continuous professional development, and an open and non-repercussive whistle blowing policy;
- the consumers of the financial services industry do not perceive themselves to be the number one priority of the organisations.
- that there is a clear but detrimental link between regulation and ethics and that increased regulation has an overall detrimental effect on the ethical framework of a financial services organisation and in turn on the ethical behaviour of staff within that organisation.

7.5 Limitations and Further Research

The aims of this research have been met, the research objectives have been answered and have produced some very interesting findings, however, there are also some limitations of the research. The availability of data was very limited and therefore the data pool was entirely down to the primary and secondary research. The primary research survey received 134 responses, achieving a 15.8% response rate of known sample size. Whilst this is a relatively high number of responses, as the approach used was one of non-probability sampling and an anonymised snowball approach the results are not representative of the entire UK population but form a basis for initial conclusions to be drawn against the research objectives that can underpin further research. This was also reflected in the interview sample size as this was 10% of the survey responses.

This research used a combination of strategies. The primary data was gathered from survey strategy using traditional questionnaires. Using an online survey tool meant that the respondent digitally recorded their own responses, meaning it was an efficient and cost-effective way of gathering data. One of the biggest criticisms of questionnaires is the low response rate. The survey used a variety of questions styles including closed and open questions which have limitations in their ability to be quantified. However, the survey predominantly used Likert scale questions. The biggest limitation is that an odd number of responses was used. This gave the respondent a neutral option or the opportunity to 'sit on the fence'. If an even number of responses had been given there would have been no mid-point and it would have forced respondents to make a choice. The responses themselves also varied, which might have been overly confusing for respondents. For example, question 5: Thinking about the financial services industry as a whole: How ethical do you think the industry is overall? The possible responses were 'Very Unethical', 'Unethical', 'Neutral', 'Somewhat Ethical', 'Very Ethical' whereas, question 6: Q6. What priority do you think management boards of financial services Companies give to ethics? The possible responses were 'No Priority', 'Low Priority', 'Neutral', 'Some Priority', 'High Priority'. It can be seen that whilst the order of negative to positive remained the same, the possible responses themselves differed. Potentially the questions could have been written as a statement and then the possible responses would have remained the same varying from disagree to agree.

The other method of data collection that this research used was the semi-structured research interview. Saunders et al (2012) suggested that one of the biggest criticisms of interviews was data quality issues. These can come in a variety of different forms: reliability; forms of bias; generalisability and validity. To mitigate against interviewee or interviewer bias the same questions were asked to all participants and these were purposefully formulated in a non-leading way. The main limitations in the interviews were that a more rounded view of the industry could have been gained by interviewing someone from the FCA, Bank of England and governmental policy making. However, due to diary limitations and time constraints this was no possible.

There was also a limitation with research objective iii: To estimate the extent to which the industry has become 'dumbed down' by a reliance on pre-programmed workflows and software. Automation within the financial services industry is an ever-expanding field and this question is too wide to answer effectively. The question either needed to be more limited, for example just reviewing one element of automation, for example, scripting or concentrated more on the regulatory and ethical aspects of automation.

One of the biggest challenges faced by this research was the ever-changing landscape of UK regulation and the potential for a topic to become outdated very quickly. This was mitigated against by concentrating on high-level principles rather than specific sections of regulation or legislation. This is now particularly heightened because of the global pandemic and further research is needed to evaluate the impact that the pandemic has had on ethics in the financial services, not just during the pandemic but during an uneven and potentially fractious global economic recovery.

There are further limitations in the inherent need for confidentiality within the industry and there is a constant battle between client confidentiality and transparency. It is also of note that fines are retrospective findings and therefore the only way to receive 'real time' information on unethical behaviour is through whistleblowing. It could therefore be inferred that what is uncovered through regulatory audits and whistleblowing are limitations in maintaining consistent standards. On-going mitigation and eradication of malfeasance is required through the acknowledgement of the importance of ethical anchors in promoting and embedding best practice across financial services.

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Abbreviations

ARROW – Advanced Risk Responsive Operating Framework

B of E – Bank of England

BMSA – Business Model and Strategy Analysis

CCA – Consumer Credit Act (1974)

CCP – Conduct, Culture and People

CEO – Chief Executive Officer

CSR – Corporate Social Responsibility

ERM – Enterprise Risk Management

ESG – Environment, Social and Corporate Governance

FCA – Financial Conduct Authority

FINSEC – Integrated Framework for Predictive and Collaborative Security of Financial infrastructures

FINTECH – Financial Technology

FPC – Financial Policy Committee

FS – Financial Services

FSA – Financial Services Authority

FSB – Financial Stability Board

FSCS - Financial Services Compensation Scheme

FSMA – Financial Services and Markets Act (2000)

FX – Forex

HM – Her Majesty's

HMRC – Her Majesty's Revenue and Customs

HSBC – Hongkong and Shanghai Banking Corporation

OFT – Office of Fair Trading

PPI – Payment Protection Insurance

PRA – Prudential Risk Authority

RBS – Royal Bank of Scotland

SFB – Securities and Futures Authority

SIB – Securities and Investment Board

SOX – Sarbanes Oxley Act (2002)

SRO – Self Regulating Organisation

TCF – Treating Customers Fairly

VS – Versus

WHO – World Health Organisation

Appendix 1 – Full Table of PRIN, MAR, TCF and FIN fines 2009 - 2020

Firm or Individual Fined	Year	Amount	Reason (S) for fine		
Charles Schwab UK Limited	2020	£8,963,200	PRIN 10	PRIN 11	
Corrado Abbattista	2020	£100,000	FIT	MAR	
Barclays Bank UK PLC, Barclays Bank PLC, Clydesdale Financial Services Limited	2020	£26,056,400	PRIN 3	PRIN 6	
LJ Financial Planning Ltd	2020	£107,200	PRIN 8	PRIN 9	
	2020				
TFS-ICAP Limited	2020	£3,444,100	PRIN 2	PRIN 3	PRIN 5
Goldman Sachs International	2020	£48,308,400	PRIN 2	PRIN 3	
	2020				
Commerzbank AG	2020	£37,805,400	PRIN 3		
Lloyds Bank Plc, Bank of Scotland Plc and The Mortgage Business Plc	2020	£64,046,800	PRIN 3	PRIN 6	
Moneybarn Limited	2020	£2,774,400	PRIN 6	PRIN 7	
Kevin Gorman	2019	£45,000	MAR		
Professional Personal Claims Limited	2019	£70,000	FIT		
Henderson Investment Funds Limited	2019	£1,867,900	PRIN 3	PRIN 6	
Tullet Prebon (Europe) Limited	2019	£15,400,000	PRIN 2	PRIN 3	PRIN 11
The Prudential Assurance Company Limited	2019	£23,875,000	PRIN 3	PRIN 6	
Standard Life Assurance Limited	2019	£30,792,500	PRIN 3	PRIN 6	
Bank of Scotland plc	2019	£45,500,000	PRIN 11		
R.Raphael & Sons plc	2019	£775,100	PRIN 2	PRIN 3	
Linear Investments Limited	2019	£409,300	PRIN 3		
Standard Chartered Bank	2019	£102,163,200	FIN		
Goldman Sachs International	2019	£34,344,700	PRIN 3		
The Carphone Warehouse	2019	£29,107,600	PRIN 3	PRIN 6	PRIN 9
Paul Stephany	2019	£32,200	PRIN 2	PRIN 3	
Stewart Owen Ford	2019	£76,000,000	FIT		
Mark John Owen	2019	£3,240,787	FIT		

Santander UK plc	2018	£32,817,800	PRIN 3	PRIN 6	PRIN 11
Angela Burns	2018	£20,000	FIT		
Liberty Mutual Insurance Europe SE	2018	£5,280,800	PRIN 3	PRIN 6	
Tesco Personal Finance plc	2018	£16,400,000	PRIN 2		
Alistair Rae Burns	2018	£60,000	FIT		
John Lawrence Radford	2018	£468,600	FIT		
One Call Insurance Services Limited	2018	£684,000	PRIN 10		
Darren Colvin Cummings	2018	£29,300	FIT		
Canara Bank	2018	£896,100	PRIN 3		
Alexander David Osborne Stuart	2018	£34,000	FIT		
Guillaume Adolph	2018	£180,000	PRIN 5	FIT	
Vanquis Bank Limited	2018	£1,976,000	PRIN 6	PRIN 7	
Interactive Brokers (UK) Limited	2018	£1,049,412	PRIN 3		
Neil Danziger	2018	£250,000	PRIN 5	FIT	
Tejoori Limited	2017	£70,000	MAR		
Bluefin Insurance Services	2017	£4,023,800	PRIN 3	PRIN 7	
Paul Axel Walter	2017	£60,090	MAR		
Merrill Lynch International	2017	£34,524,000	PRIN 3		
Mrs Colette Chiesa	2017	£50,000	FIT		
Clive John Rosier	2017	£10,000	FIT		
Charles Palmer	2017	£86,691	FIT		
David Samuel Watters	2017	£75,000	FIT		
Lukhvir Thind	2017	£105,000	MAR	FIT	
Niall O’Kelly	2017	£11,900	FIT		
Deutsche Bank AG	2017	£163,076,224	PRIN 3		
Tariq Carrimjee	2016	£89,004	FIT		
Steven Smith	2016	£17,900	PRIN 3		
Sonali Bank (UK) Limited	2016	£3,250,600	PRIN 3	PRIN 11	
Aviva Pension Trustees UK Limited and Aviva Wrap UK Limited	2016	£8,246,800	PRIN 3	PRIN 10	
Elizabeth Anne Parry	2016	£109,400	FIT		
Gavin Duncan Paul Breeze	2016	£59,557	MAR		
Timothy Duncan Philip	2016	£60,000	FIT		

Towergate Underwriting Group Limited	2016	£2,632,000	PRIN 3	PRIN 10	
CT Capital Limited	2016	£2,360,900	PRIN 3	PRIN 6	
Mark Samuel Taylor	2016	£36,285	FIT		
Terence Andrew Joint	2016	£10,000	FIT		
Timothy Alan Roberts	2016	£450,000	PRIN 1	PRIN 6	
W H Ireland Limited	2016	£1,200,000	PRIN 3		
Achilles Othon Macris	2016	£792,900	PRIN 4		
Shay Jacob Reches	2016	£1,050,000	FIT		
Shay Jacob Reches (additional penalty)	2016	£13,130,000	FIT		
Colin J McIntosh	2016	£51,600	FIT		
Robert John Bygrave	2016	£37,400	PRIN 6	FIT	
Andrea Christine Sadler	2016	£18,700	PRIN 6	FIT	
Wayne Anthony Redgrave	2016	£38,600	PRIN 6		
Millburn Insurance Company Limited (in administration)	2016	£1,137,500	PRIN 11		
Coverall Worldwide Ltd	2016	£36,800	PRIN 1	PRIN 3	PRIN 10
Vroni Mavis O'Brien	2015	£20,000	PRIN 2	PRIN 7	
Threadneedle Asset Management Limited	2015	£6,038,504	PRIN 3	PRIN 11	
Paivi Katriina Grigg	2015	£14,807	PRIN 6		
Barclays Bank plc	2015	£72,069,400	PRIN 2		
Mothahir Miah	2015	£139,000	PRIN 1		
Andrew Peter Wilkins	2015	£50,000	PRIN 6		
Quick Purchase	2015	£26,600	PRIN 6		
John Joseph Financial Services Limited	2015	£20,000	PRIN 9		
Craig McNeil	2015	£350,000	PRIN 4	PRIN 6	
Ralph Paul Whittington	2015	£42,111	PRIN 1		
Robert Ian Shaw	2015	£165,900	PRIN 7		
Da Vinci Invest Ltd	2015	£1,460,000	MAR		
Mineworld Ltd	2015	£5,000,000	MAR		

Gyorgy Szabolcs Brad	2015	£290,000	MAR		
Szabolcs Banya	2015	£410,000	MAR		
Tamas Pornye	2015	£410,000	MAR		
Asia Resource Minerals plc (formerly Bumi plc)	2015	£4,651,200	PRIN 2		
Lloyds Bank plc, Bank of Scotland plc and Black Horse Limited (together Lloyds Banking Group "LBG")	2015	£117,430,600	PRIN 6		
Barclays Bank Plc	2015	£284,432,000	PRIN 3		
Paul Reynolds (formally known as Paul Brian Reynolds)	2015	£290,344	PRIN 1		
Deutsche Bank AG	2015	£226,800,000	PRIN 3	PRIN 5	PRIN 11
Moorhouse Group Limited	2015	£159,300	PRIN 3	PRIN 7	
The Bank of New York Mellon London Branch & The Bank of New York Mellon International Limited	2015	£126,000,000	PRIN 10		
Clydesdale Bank Plc	2015	£20,678,300	PRIN 6		
Robin Farrell	2015	£650,000	FIT		
Robert Addison	2015	£200,000	FIT		
Kenneth George Carver	2015	£35,212	MAR		
Lloyd Arnold Pope	2015	£93,800	PRIN 7		
Alberto Micalizzi	2015	£2,700,000	FIT		
Sam Thomas Kenny	2015	£450,000	PRIN 1	PRIN 7	
Bank of Beirut (UK) Ltd	2015	£2,100,000	PRIN 11		
Anthony Rendell Boyd Wills	2015	£19,600	FIT		
Michael John Allin	2015	£9,900	FIT		
Aviva Investors Global Services Limited	2015	£17,607,000	FIT		
David Caplin	2015	£210,000	PRIN 7		
Jeremy Kraft	2015	£105,000	PRIN 6	PRIN 7	
Reckitt Benckiser Group Plc	2015	£539,800	PRIN 1	PRIN 2	
Royal Bank of Scotland Plc, National Westminster Bank Plc and Ulster Bank Ltd	2014	£42,000,000	PRIN 3		
Chase de Vere Independent Financial Adviser Limited (Formerly AWD Chase de Vere Limited)	2014	£560,000	PRIN 3	PRIN 7	
Anthony Peter Clare	2014	£208,600	FIT		
Nicholas Bowyer	2014	£306,700	FIT		
Peter Joseph Halpin	2014	£412,700	FIT		

Yorkshire Building Society	2014	£4,135,600	TCF		
David Gillespie	2014	£10,500	TCF		
David Welsby	2014	£14,000	TCF		
Barclays Bank Plc	2014	£37,745,000	TCF		
Peter Thomas Carron	2014	£300,000	FIT		
Craig Stuart Cameron	2014	£350,000	FIT		
The Royal Bank of Scotland plc and National Westminster Bank plc	2014	£14,474,600	FIT		
Stonebridge International Insurance Limited	2014	£8,373,600	TCF		
Lloyds Bank plc and Bank of Scotland plc	2014	£105,000,000	TCF		
Ian Charles Hannam	2014	£450,000	MAR		
Daniel James Plunkett	2014	£95,600	FIT		
Martin Brokers (UK) Ltd (Martins)	2014	£630,000	FIT		
Invesco Asset Management Limited Invesco Fund Managers Limited	2014	£18,643,000	TCF		
David Lloyd Wren	2014	£70,000	FIT		
Philip Eley	2014	£7,200	FIT		
Santander plc	2014	£12,377,800	TCF		
Mark Stevenson	2014	£662,700	FIT		
HomeServe Membership Limited	2014	£30,647,400	TCF		
State Street Bank Europe Ltd; and State Street Global Markets International Ltd	2014	£22,885,000	TCF		
Ewan King	2014	£19,900	FIT		
7722656 Canada Inc formerly trading as Swift Trade Inc	2014	£8,000,000	MAR		
Standard Bank PLC	2014	£7,640,400	FIN		
JLT Specialty Limited	2013	£1,876,000	FIN		
Christopher Willford	2013	£30,000	FIT		
Lloyds TSB Bank plc	2013	£28,038,800	TCF		
SEI Investments (Europe) Limited	2013	£900,200	TCF		
Porta Verde Financial Services Limited	2013	£25,000	FIT		
Mark Anthony Hurst Ainley	2013	£150,000	FIT		
Mark Bentley-Leek	2013	£525,000	FIT		
Mustafa Dervish	2013	£360,000	FIT		
Alison Moran	2013	£20,000	FIT		
Clydesdale Bank PLC	2013	£8,904,000	TCF		
Mr Andrew Jeffery	2013	£150,000	FIT		
JP Morgan Chase Bank NA	2013	£137,610,000	FIT		
AXA Wealth Services Ltd	2013	£1,802,200	TCF		
Aberdeen Asset Managers Limited and	2013	£7,192,500	TCF		
Guaranty Trust Bank (UK) Limited	2013	£525,000	FIN		
Vandana Madhukar Parikh	2013	£45,673	FIT		
John Douglas Leslie	2013	£28,000	FIT		
Paul David Cable	2013	£140,000	TCF		
Swinton Group Limited	2013	£7,380,400	TCF		

Jeffrey Simon Bennett	2013	£28,000	FIT		
Michael Coscia	2013	£597,993	MAR		
David Thomas Davis	2013	£70,258	FIT		
Policy Administration Services Limited	2013	£2,834,700	TCF		
Gurpreet Singh Chadda	2013	£945,277	TCF		
Sesame Limited	2013	£6,031,200	TCF		
Christopher John Riches	2013	£63,000	FIT		
Douglas Jones	2013	£13,300	FIT		
EFG Private Bank	2013	£4,200,000	FIN		
Lloyds TSB Bank Plc, Lloyds TSB Scotland Plc, and Bank of Scotland plc	2013	£4,315,000	TCF		
Nestor Healthcare Group Limited	2013	£175,000	FIT		
Stefan Chaligne	2013	£900,000	MAR		
Patrick Sejean	2013	£650,000	MAR		
Harbinder Panesar	2013	£212,237	FIT		
Thomas Reeh	2013	£10,000	FIT		
Christopher Ollerenshaw	2013	£50,000	FIT		
Co-operative Bank plc	2013	£113,300	TCF		
UBS AG	2012	£160,000	MAR		
Cheshire Mortgage Corporation	2012	£1,225	TCF		
Henry Moser	2012	£70,000	TCF		
Andrew Lawton	2012	£13,500	TCF		
UBS AG	2012	£29,700	MAR		
Card Protection Plan Limited	2012	£10,500,000	TCF		
John Blake	2012	£100,000	MAR		
Pi Financial Limited	2012	£58,300	TCF		
Turkish Bank UK Ltd	2012	£294,000	FIN		
Stephen Goodwin	2012	471,846	PRIN		
Jay Rutland	2012	£30,000	MAR		
Barclays Bank	2012	£59,500,000	MAR		
Laila Karan	2012	£75,000	FIT		
Sachin Karpe	2012	£1,250,000	FIT		
Adrian Mark Mosley	2012	£10,500	TCF		
Habib Bank AG Zurich	2012	£525,000	FIN		
Syed Hussain	2012	£17,500	FIN		
Donald Morgan	2012	£335,204	FIN		
UK Car Group Limited	2012	£91,000	TCF		
Graeth Flanagan	2012	£95,200	FIN		
Coutts & Co	2012	£8,750,000	FIN		
Nicholas James Kyprios	2012	£210,000	MAR		
George Mcgregor	2012	£109,000	MAR		
Santander UK Plc	2012	£1,500,000	TCF		
David Einham	2012	£3,638,000	MAR		
Greenlight Capital Inc	2012	£3,650,795	MAR		
Andrew Osbourne	2012	£350,000	MAR		
Ravi Sinha	2012	£2,867,000	FIN		
Alexander Edward Ten-Holter	2012	£1,300	FIT		

Casper Johnathan William Agnew	2012	£65,000	FIT		
UK Insurance Limited	2012	£2,170,000	TCF		
Combined Insurance Company of America	2011	£2,800,000	PRIN		
Jaspreet Singh Ahuja	2011	£150,000	PRIN		
Integrated Financial Arrangements Plc	2011	£3,500,000	PRIN		
Dr Sandradee Joseph	2011	£14,000	FIT		
McInroy & Wood Limited	2011	£15,050	PRIN		
Coutts & Company	2011	£6,300,000	PRIN		
Simon Latham	2011	£17,500	FIT		
Fastmoney.co.uk Limited	2011	£28,000	TCF		
David Bedford	2011	£10,000	PRIN		
Rameshkumar Satyanarayan Goenka	2011	£4,000,000	MAR		
John Folan	2011	£195,117	PRIN		
Qadeem Mohammed	2011	£25,000	FIT		
Nazia Bi	2011	£45,000	FIT		
Ian David Jones	2011	£16,000	PRIN		
Michiel Wieger Visser	2011	£2,000,000	MAR		
Oluwole Modupe Fagbulu	2011	£100,000	MAR		
Towry Investment Management Limited	2011	£494,900	PRIN		
Anthony Smith	2011	£16,000	TCF		
Timothy Langman	2011	£10,500	TCF		
Graham Betton	2011	£25,000	MAR		
Selvavinayakam Vigneswaran	2011	£250,000	FIT		
Michael Joseph James Lewis trading as Lewis Partnership	2011	£106,499	FIN		
Swift 1st Limited	2011	£630,000	TCF		
Willis Limited	2011	£6,895,000	FIN		
Fox Hayes	2011	£454,770	TCF		
David Sinclair	2011	£68,000	PRIN		
Barnett Michael Alexander	2011	£700,000	MAR		
Bank of Scotland	2011	£3,500,000	TCF		
Samuel Kahn	2011	£1,094,900	MAR		
David McGrath	2011	£3,000	PRIN		
Alistair Curren	2011	£100,000	FIN		
Alaba Adewale Adebajo	2011	£150,000	FIN		
Joseph Chinedu Nwosu	2011	£200,000	FIN		
Norwich and Peterborough Building Society	2011	£1,400,000	TCF		
DB Mortgages	2011	£840,000	TCF		
Jeremy Sheard	2011	£24,500	TCF		
Cricket Hill Financial Planning Ltd	2011	£70,000	TCF		
Perspective Financial Management	2011	£49,000	TCF		
David Massey	2011	£150,000	MAR		
Mark Thorogood	2011	£104,294	FIN		
Royal Bank of Scotland and National Westminister Bank	2011	£2,800,000	TCF		

Barry Williams	2011	£25,000	FIN		
Scottish Equitable Plc	2010	£2,800,000	TCF		
Laurence Finger	2010	£35,000	FIN		
Paolo Maranzana	2010	£105,000	FIN		
Perry John Bliss	2010	£30,000	FIN		
William James Coppin	2010	£70,000	MAR		
Joseph Cummings	2010	£70,000	TVF		
Bridging Loans Ltd	2010	£42,000	TVF		
Andre Jean Scerri	2010	£66,062.50	MAR		
Mark Bates	2010	£264,683	FIN		
Alan Hill	2010	£150,000	PRIN		
Fabio Massimo De Biase	2010	£252,239	PRIN		
Zurich Insurance Plc	2010	£2,275,000	TCF		
Paul Willment	2010	£50,000	PRIN		
Royal Bank of Scotland Group	2010	£5,600,000	FIN		
David Jones	2010	£320,000	MAR		
Jeremy Burley	2010	£144,200	MAR		
Jeffery Burley	2010	£35,000	MAR		
Redstone Mortgages Limited	2010	£630,000	TCF		
David Head	2010	£10,500	FIT		
N-Hanced LLP	2010	£21,000	TCF		
Brian Smith	2010	£14,000	FIN		
Huw Evans	2010	£17,500	FIN		
Paul Armitage	2010	£17,500	FIN		
Henry Cameron	2010	£350,000	MAR		
Neale Morton	2010	£130,192	FIN		
Steven Noel Perkins	2010	£72,000	MAR		
Ronald Alan Winton	2010	£31,500	FIN		
Anjam Saeed Ahmad	2010	£131,000	PRIN		
Vantage Capital Markets LLP	2010	£700,000	FIT		
Richard Granville Greenland	2010	£120,000	FIN		
John Charalambous of The Financial Associates Ltd	2010	£294,500	FIN		
Andrew Charles Kerr	2010	£100,000	MAR		
Andrew Greystoke	2010	£200,000	MAR		
Atlantic Law LLP	2010	£200,000	MAR		
Simon Eagle	2010	£2,800,000	MAR		
Sudipto Chattopadhyay	2010	£14,000	FIN		
Alpari (UK) Ltd	2010	£140,000	FIN		
Noel Smith of Andrew Copeland Mortgages Limited	2010	£17,500	FIN		
Winterflood Securities Limited	2010	£4,000,000	MAR		
Stephen Sotiriou	2010	£200,000	MAR		
Jason Robins	2010	£50,000	MAR		
Robin Chhabra	2010	£180,541	MAR		
Sameer Patel	2010	£95,000	MAR		

Robin Bradford (Life & Pension Consultants) Ltd	2010	£24,500	TCF		
Meenaz Mehta	2010	£35,000	PRIN		
David Baker	2010	£504,000	MAR		
Kensington Mortgage Company Limited	2010	£1,225,000	TCF		
Gary Lester	2010	£103,000	FIN		
RSM Tenon Financial Services Limited	2010	£700,000	TCF		
Peter Sprung	2010	£49,000	TCF		
Direct Sharedeal Limited	2010	£101,500	MAR		
Mehmet Sepil	2010	£967,005	MAR		
Murat Ozgul	2010	£105,240	MAR		
Levent Akca	2010	£94,062	MAR		
Simon Treacher	2010	£140,000	FIN		
Sett Valley Insurance Services	2010	£28,000	PRIN		
John Hargreaves	2010	£10,500	PRIN		
Leslie Lugsden	2010	£10,500	PRIN		
Standard Life Assurance Limited	2010	£2,450,000	FIN		
Riaz Ahmad	2010	£5,000	TCF		
Case Funding Centre	2009	£35,000	FIN		
Simon Kuun	2009	£75,000	FIT		
Alexei Krilov-Harrison	2009	£24,000	MAR		
GMAC-RFC Ltd	2009	£2,800,000	TCF		
Swinton Group Ltd	2009	£770,000	TCF		
Seymour Pierce Limited	2009	£154,000	FIN		
Henry Neil Ltd	2009	£14,000	TCF		
Mark Lockwood	2009	£20,000	FIT		
Grace Nmadibechi Ada Ukala	2009	£70,000	FIN		
UBS AG	2009	£8,000,000	TCF		
Neil Marlow	2009	£38,838	TCF		
Timothy Marlow	2009	£31,838	TCF		
HSBC Insurance Brokers Limited	2009	£700,000	TCF		
HSBC Actuaries and Consultants Limited	2009	£875,000	TCF		
HSBC Life UK Limited	2009	£1,610,000	TCF		
Richard Holmes	2009	£20,020	FIT		
Dele MacAuley	2009	£115,157	FIN		
Nilesh Shroff	2009	£140,000	TCF		
Matthew Sebastian Piper	2009	£105,000	TCF		
Morgan Stanley & Co International Plc	2009	£1,400,000	MAR		
Mr Loic Albert Antoine Montserret	2009	£35,000	FIN		
Mr Gabriel Aramide	2009	£101,279	FIN		
Peter Dean of UK Finance House Limited	2009	£17,500	FIN		
Abiola Agbalaya of Herald Finance Ltd	2009	£100,000	FIN		
Aspray Limited	2009	£21,000	FIT		
Newcastle Home Loans	2009	£170,000	FIN		
Gillen Farrelly Independent Advisers Limited	2009	£17,500	TCF		

Entertainment Rights plc	2009	£245,000	MAR		
Wolfson Microelectronics plc	2009	£140,000	MAR		
Richard Kennedy	2009	£101,106	FIN		
Mr Erik Boyen	2009	£176,254	MAR		
Aon Limited	2009	£5,250,000	FIN		

[46]

[46] FSA Fines Information Available at: https://webarchive.nationalarchives.gov.uk/ukgwa/20130412071752/http://www.fsa.gov.uk/about/press/facts/fines/2009 [Accessed 18th August 2021]

Appendix 2 – Ethics in Financial Services Survey, Full Question Set.

			Ethics in Financial Services Survey		
Screening Question Set					
Q	**Coding**	**Link**	**Question**	**Answer Type**	**Further Information**
1	Screening		Please enter your age range	Range	Under 18 - short close
2	Screening		Please tick your geographical location	Tick box	If not UK - short close
3	Screening		Please tick all Financial services products that you have used	Tick box	If no financial services used - short close
4	Screening		Do you currently work in the Financial services Industry?	Closed	Yes / No. If No Close, If yes FS employee question set
Consumer Question Set					
	Overall Experience				
5	All		Thinking about the Financial services Industry as a whole: How ethical do you think the industry is overall?	Scale	Very Unethical - Very Ethical
6	v		What priority do you think management boards of Financial services Companies give to ethics?	Scale	Low Priority - High Priority
7	ii		To what extent do you think financial regulation is taken seriously by the Financial services Companies?	Scale	Not Taken Seriously - Taken Very Seriously
8	ii		To what extent do you think increased regulation has made the Financial services industry more ethical?	Scale	Very Unethical - Very Ethical
9	All		Do you think the UK government is dependent on the Financial services Industry in order to keep the economy afloat?	Scale	Dependent - Independent
10	All		To what extent do you believe that ethical failings in the Financial services industry were to blame for the 2008 global financial crises?	Scale	Completely to blame - Not to blame at all.

11	iv		To what extent do think the way in which staff are paid in the financial services industry is ethical. i.e. remuneration based on number of sales	Scale	Very Unethical - Very Ethical
12	i		Thinking about the advertising used by Financial services companies: Do you think it is always, clear, fair and not-misleading?	Scale	Misleading - Always Clear and Fair
13	i		When there has been bad press about a financial services company, to what extent do you think ethics are used more in their advertising campaigns?	Scale	Used less - Used more
	Individual Experience				
14	All		Thinking about the Financial services products that you have used: How ethical do you think the companies are?	Scale	Very Unethical - Very Ethical
15	Conclusion		In your dealings with Financial services companies do you believe the number 1 priority is the customer?	Scale	Never Customer - Always Customer
16	iv		In your dealings with Financial services companies do you believe the number 1 priority is profits?	Scale	Never Profits - Always Profits
17	iii		In your dealings with Financial services companies to what extent has the way in which staff are being paid always been transparent?	Scale	Hidden - Transparent
18	All		To what extent do you feel your dealings with the financial services companies are scripted?	Scale	Completely Scripted - Not Scripted at all.
19	All		Have you had an experience of good ethical behaviour in Financial services	Closed	Yes / No
20	All	19	If yes: Please explain	Open	Free Text
21	All		Have you had an experience of bad ethical behaviour in Financial services	Closed	Yes / No
22	All	21	If yes: Please explain	Open	Free Text

Financial Services Employee Question Set					
	Overall Company view				
23	Conclusion		Thinking about the company you work for: how ethical do you think that they are overall?	Scale	Very Unethical - Very Ethical
24	ii		Thinking about the company you work for: how ethical do you think that they are towards customers?	Scale	Very Unethical - Very Ethical
25	ii		To what impact has the increased regulation had on the company you work for?	Scale	No Impact - Massive Impact
26	ii		To what extent has that impact made the company more ethical?	Scale	Less ethical - More ethical
27	ii		To what extent do you think the company you work for abides by regulation?	Scale	Ignores regulations - Strictly abides by all regulation
28	i		To what extent do you think the company you work for actively try's to circumvent regulation?	Scale	Strictly abides - actively circumnavigates
29	v		To what extent do you think the advertising material used by the company you work for is always clear, fair and not misleading?	Scale	Always clear - misleading
30	v		To what extent are ethics embedded in the culture of the company you work for?	Scale	Not embedded - fully embedded
31	iv		Are ethics or profit the higher priority in the company you work for?	Scale	Profit - Ethics
32	iv		Does the company you work for pay sales staff based on sales performance?	Closed	Yes / No
33	iv	32	If yes: Are ethics taken into consideration within the pay structure?	Scale	Not considered - Always considered
34	i	32	If yes: To what extent is compliance taken into consideration within the pay structure?	Closed	Yes / No
35	i		Does the company you work for use ethics in their advertising campaigns?	Closed	Yes / No / Unsure
36	iii	35	If yes: In your opinion are the ethics used in advertising done so because the ethics are fully embedded in the business or because it makes the company	Scale	Ethics embedded - maximise profit

			look good in order to maximise profit?		
37	iii		Does the company you work for rely on scripts and or pre-programmed work flows in order to ensure regulatory needs are met?	Closed	Yes / No
38	ii	37	If yes: to what extent do you believe this has the effect of 'dumbing down' the workforce as it prevents them from thinking for themselves?	Scale	dumbing down - free thinking
	Individual View				
39	iv		In your opinion, to what extent do the senior management team of the company you work for believe that if regulation is met then the company is automatically ethical?	Scale	Do not believe - believe
40	iv		To what extent do you think the pay structure in the company you work for is fair to employees?	Scale	Fair - Unfair
41	iv		To what extent do you think the pay structure in the company you work for is fair to customers?	Scale	Fair - Unfair
42	v		To what extent do you think the pay structure in the company you work for promoted staff to sell unethically?	Scale	Unethically - Ethically
43	v		Do you know the person in your organisation that is responsible for Ethics?	Closed	Yes / No
44	All	43	If yes: Please give the job title or department etc. that of the person / people who are responsible for ethics	Open	Free Text
45	All		Have you had an experience of good ethical behaviour in the work place	Closed	Yes / No
46	All	45	If yes: Please explain	Open	Free Text
47	All		Have you had an experience of bad ethical behaviour in the work place	Closed	Yes / No
48	All	47	If yes: Please explain	Open	Free Text

Appendix 3 – Formal Interview Request E-mail

Thank you for agreeing to be interviewed as part of my PhD on ethics in financial services.

Interview Date:
Interview Time:

The interview will be held via Microsoft Teams, it is the most secure video conferencing software available at this time. Do not worry if you don't have this software it will open automatically in a web browser without having to download anything to your computer, just follow the link in the invitation request, which will come through shortly.

I have included a short list of the questions / topics I would like to cover in order to give you chance to prepare, should you wish to.

I would also like you to be aware that the full video will be recorded and stored on a digital cloud, copies will be made available to Winchester University and a digital copy will be held with the completed bound copy of the thesis in both the university library and the British library. Extracts of the interview will also form part of the thesis. If any extracts are used in published papers, they will be fully anonymised for your protection.

Kind Regards

Rebecca

Appendix 4 – Ethics in Financial Services Interview, Full Question Set.

Interview Questions

1. How ethical do you think the financial services industry is as a whole?

2. How dependent do you think the UK government is on the financial services industry?

3. Do you think financial services companies use ethics as a sales tool?

4. Do you think ethics are being used more in advertising because financial services companies have genuinely become more ethical or because they want to appear more ethical to demanding consumers.

5. How seriously do you think financial services companies take regulation?

6. Do you think regulation and ethics are directly linked?

7. Have you ever been aware of financial service companies actively trying to circumvent or avoid regulation?

8. Who is a financial services company do you think should be responsible for ethics?
 - In reality who is responsible?

9. Do you think financial services have become overly reliant on computer based decision making rather than personal interaction?

10. Do you think it is ethical to operate in that way?

11. Do you think salaries in financial services are directly linked to number of sales made?

12. Do you think this style of remuneration promotes ethical behaviour?

13. In your dealings with financial services companies, do you believe that the number one priority is the customer?