

## ETHICS AND FINANCIAL SERVICES

Eddie George and Sandy Crombie at The Signet Library, Tuesday 14<sup>th</sup> March 2006

Organised by The David Hume Institute and The Securities and Investment Institute

Lord George effortlessly hit all the right notes, beginning with the inferiority of English rugby and moving on to the superior standards of the Edinburgh financial community. Less persuasive perhaps was the distinction he sought to draw between Russian planning controls and Brownian regulation. Nevertheless, his main points were clear and straightforward. Except in the very short term, what he called 'decent business behaviour' is aligned with profitability. In other words, honesty is the best policy. Secondly, regulators need the help of practitioners. When they are approached in this way regulators turn out to be warm and friendly. (Evidently, he had not compared notes with Sandy). Lastly, the financial services industry's struggle to regain its reputation for integrity would never end. Continuous change in the industry meant that there would never come a point where victory could be declared.

Fresh from the ordeal of confronting his disaffected policyholders in a series of roadshows, Sandy Crombie presented an image of calm responsibility. He did not shrink from listing some of the episodes that had tarnished the reputation of the industry. The cure was to be found in restoring the trust of the policyholder in the company.

Trust had been severely dented but not irretrievably lost. It was necessary to make clear at the point of sale to buyers of long term savings products the risks attached to each product. Otherwise, expectations would be disappointed and trust would be destroyed.

It was the responsibility of business leaders to set the tone from the top. To the seven principles promulgated by the Securities Institute he wanted to add two more: holistic and flexible. But a code of ethics was not enough. A company had to embed these values in its culture. This had been done successfully at Standard Life, beginning in 1994, with a staff training programme that stressed the importance of putting the interests of the customer first. The result had been a cascade of industry awards for customer service.

And yet, and yet..... the doubts crowd in. The disappointments at Standard Life and Equitable Life had nothing to do with ethical deficiencies, let alone poor customer service. Most of the aggrieved policyholders of these two companies would probably have settled for a little less integrity, if only they could have achieved a better return on their savings.

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14.3.06