

**Deloitte.**



**The way forward to rebuild  
reputation and trust**

Deloitte Trust Index – Banking 2018

Today's business world is far more about communities and relationships and far less about transactions. The companies that get this, at the deepest level, are exhibiting the kinds of behaviours that genuinely build trust.

# The way forward for reputation and trust

The banking sector has undergone a rigorous and exposing investigation that has highlighted the depth of the crisis of trust.

**\*Detail:** Age: 18-25 = 13%, 26-35 = 19%, 36-45 = 18%, 46-55 = 19%, >55 = 34%; Gender: F = 51%, M = 48%, Other = 1%; State of residence: NSW = 28%, VIC = 28%, QLD = 19%, WA = 11%, SA = 9%, ACT = 3%, TAS = 2%; City and regional geographical locations: State capital = 73%, Regional = 27%; Education levels: No formal = 0%, Primary = 1%, Secondary = 25%, Certificate = 13%, Trade = 18%, Bachelors = 31%, Post Grad = 12%; Occupation: Professionals = 26%, Sales = 12%, Community or personal service = 11%, Technical and trade = 6%, Clerical and Admin = 21%, Labourers = 11%, Managers = 10%, Machine operators = 3%; Income: 0 - \$18,200 = 17%, \$18,201 - \$37,000 = 24%, \$37,001 - \$90,000 = 40%, \$90,001 - \$180,000 = 16%, \$180,001 + = 4%; Frequency of engaging with news media: Daily = 41%, once or twice a week = 27%, Almost never = 21%, Once or twice a month = 11%; Political affiliations: Labor = 32%, Liberal/National = 24%, None = 31%, Other = 13%; Method of interacting with their bank: Online banking app = 71%, Phone them = 7%, Go into branch = 21%, Never = 2%

Deloitte produces an Australian Trust Index through a targeted survey designed specifically to measure levels of customer trust and general trust influence factors. In this inaugural index we surveyed customers of banking products, to identify the way forward to rebuild reputation and trust.

These results deepen our understanding of the factors influencing trust in the sector and point to prioritised actions banks can take to restore trust. They set a national benchmark to use to also compare individual performance.

## The methodology\*

Deloitte contracted Ipsos to survey 2072 randomly selected demographically representative Australians to answer an online questionnaire. The study meets social scientific reliability benchmarks, with fieldwork completed in August 2018.

Respondents provided their views on trust in banking in Australia, both in general, and in relation to their own bank.

A multivariate regression of the data created a weighted index to determine which indicators respondents considered more relevant to a key statement: 'I trust my bank to keep its promises.' After performing this weighting, the Index declined from 44 to 33.

Given that a score below 75 indicates levels of doubt, this means that banks performed poorly in areas that respondents correlate most strongly with the statement: "I trust my bank to keep its promises."

## Key findings

The inaugural Banking Trust Index 2018 considers what is most important to the average Australian customer when it comes to trusting their bank and 'banks in general'.

A significant number of respondents either don't believe or doubt the ability of banks to keep key promises. Perceptions of the banking sector's trustworthiness improves when it comes to the respondent's own bank.

### How to regain trust

In order to rebuild trust respondents want banks to demonstrate the right mindset and to respect them and treat them with integrity. This is most important followed by price, technology and products, provided the focus is placed on the indicators that really matter.

1 Demonstrate the right mindset – the average Australian customer is most concerned with the mindset of banks. Concepts like showing respect and proactive disclosure of mistakes correlate highly with trust.

2 The right capabilities correlate moderately with perceived trustworthiness. Customers expect banking products and services to work, and in the current climate limited trust is gained through technical competency.

3 The right products and services correlate weakly with perceived trustworthiness. Customers consider the mindset of the seller far more important in rebuilding trust than the detailed characteristic of what is being sold.

### This is what Australians are saying about banks:

- 'Keep your promises.'
- 'Respect me.'
- 'I don't really care what other banks do, I care about what YOU do.'
- 'I want to know I can rely on you following through on what you say.'
- 'If you make a mistake, tell me.'

### Recommendations

- Demonstrate a commitment to keeping promises always
- Keeping promises matters more than technical capabilities and new products
- When vulnerabilities to keeping promises are found, they must be fixed fast, with root cause in mind
- Monitor and supervise promises made to ensure you can always keep them and predict any problems.

The Index indicates the greatest driver of perceptions of trustworthiness among bank customers is a mindset of consistently keeping promises.

# Deloitte Trust Index – Banking 2018

## People matter: Promises matter

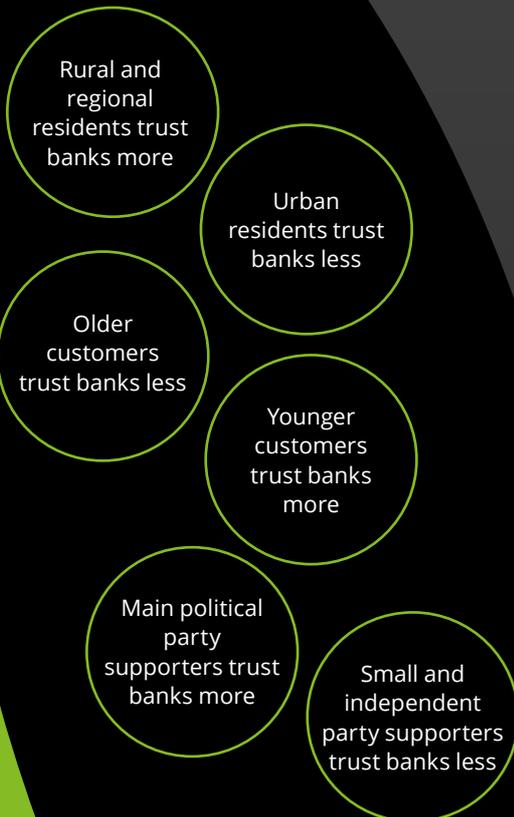
### My bank

Trust improves when it comes to my own bank



### Banks in general

Australian customers doubt that banks *in general* will keep key promises



# Deloitte Trust Index – Banking 2018

## A clear way forward. Rebuild trust

### What customers expect of banks:



Understand what and where your promises are made



When vulnerabilities to keeping promises are found, fix them fast



Monitor and supervise promises made to ensure they can always be kept and any problems predicted



Demonstrate a commitment to keeping promises always – they matter more than technical capabilities and new products

HIGH IMPORTANCE

Be open and honest

Treat me with respect

Have my best interests at heart

Own up to mistakes quickly

Take time to explain what matters most to me

I want to rely on my bank to do what it says

MEDIUM

Know what you are talking about

Ensure my private details are 100% secure

Help me understand the terms and conditions of the services I buy

Deal with my complaints and queries in an effective manner

Make it clear from the start what I have to do so I know what to expect

Empower me to select products and services that meet my needs

LOW

# How keeping promises will restore trust

The results of the Deloitte Trust Index 2018 on banking indicate where to focus the need for urgent action to repair consumer sentiment towards banks.

This is particularly valuable given that culture and conduct will both get a very hard edge in the strengthened regulatory environment mooted by Commissioner Hayne, as he signals a greater role for the judiciary in ensuring accountability for significant and systemic poor conduct.

Being trusted becomes even more critical in an open banking environment where banks will have to contend with the possibility of losing customers to more trusted competitors, as the barriers to exit continue to fall and new entrants join the road to open banking. While there is no indication that consumers do not trust banks to keep their money safe, trustworthiness is expected to play a greater role in shaping consumer choices about where and with whom to bank.

Money is most likely to flow towards those perceived to be the most able to keep their promises.

The Deloitte Trust Index on banking gives us a clear message as well as cause for optimism. It identifies the pain points and so where the practical ways to recapture trust

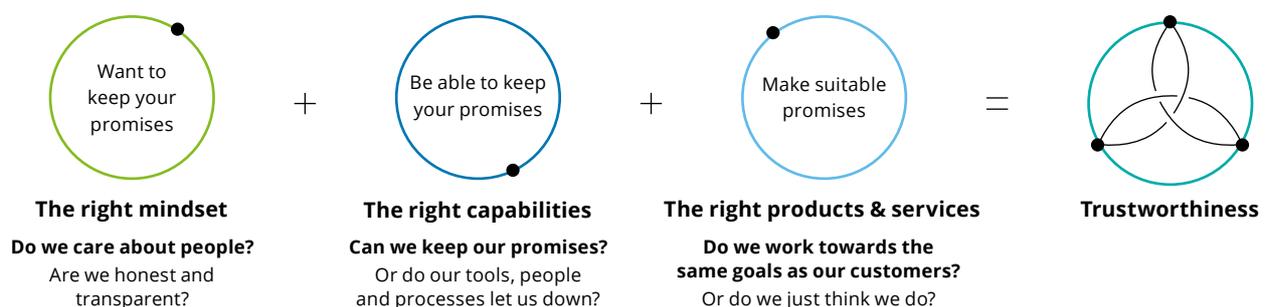
lie. This needs bold action and confidence. This is probably the biggest danger in a post Hayne world – a loss of confidence among bankers. This is likely to lead to inertia. This would have significant implications for the economy and welfare of Australians if fast, safe decision-making by bankers falls victim to fearful inertia.

To overcome inertia, it's important to accept the current circumstances and commit to change. For example, in the responsible lending space, this means embracing a world without standardised expense benchmarks. Those that do so quickly and effectively will prosper.

Yet, bold action is fine and well, but without evidence of what to prioritise, and its impact, it may just be a 'band aid'. Until now there's been limited research to indicate exactly what to do and how to optimise efforts at re-capturing trust. The Deloitte Trust Index on banking does give us clear and insightful findings on these priorities, some, but not all of which we detail here.

Trust is the outcome of promises fulfilled and the Deloitte Trustworthiness Model

## The Deloitte Trustworthiness Model



(above) identifies three key factors affecting the ability to keep promises. Your intent to keep your promises – which can be associated with a mindset of keeping promises, your technical capabilities, and the alignment of your products and services with customer interests.

The Model in its entirety, and a promise keeping mindset, in particular, represents an evolution of ethics in business into a practical and explicit conversation about whether organisations truly set out to keep its promises, always.

What provides practical impact is to focus on the conditions, which enable you to keep your promises – your trustworthiness, as the key to ensuring consistently suitable and fair conduct.

The findings of the Index indicate that the greatest driver of perceptions of trustworthiness among bank consumers is a mindset of consistently keeping promises. Capability and alignment certainly matter, but in the absence of such a mindset, technology, and product innovation and change, while obviously necessary for other reasons, will be limited in their ability to demonstrate trustworthiness.

Being bold is not about being revolutionary, but about going back to first principles of banking, as a trustworthy business grounded in a clear commitment to keeping promises.

Banks have challenges here, as their complexity means that few banks actually know all the promises they make, explicitly, and implicitly, and which people, processes or technologies determine their ability to keep such promises.

It would make sense, in order to predict threats to trustworthiness, to be able to measure, not only consumer perceptions, but also employee perceptions of the ability to keep promises. In addition, an inventory of all promises made, with a monitoring and supervision model that manages and oversees the ability to keep them will greatly enhance proactive risk management.

As Commissioner Hayne has demonstrated, compliance related controls of non-financial risks have been ineffective, so there is certainly space for operating model enhancement and change. Compliance is an outcome, not a goal. The goal is to keep your promises – compliance is the outcome.

In uncertain times, few regulators can argue with basing controls on promises and the ability to keep them, instead of building controls based on often highly complex legalistic interpretations of regulatory risk.

### **The opportunity**

We are very optimistic and believe significant change is beginning to rebuild trust. By focussing on trustworthiness and shifting from a defensive mindset, to one that prioritises the business opportunities associated with the management of promises, the keys to a world where the bold can prosper are there for the taking.

### **Contact us**



**Willem Punt**  
Partner

+61 3 9671 8194  
+61 457 777 305  
wpunt@deloitte.com.au



**Andy Bateman**  
Partner

+61 2 8260 6291  
+61 457 791 589  
abateman@deloitte.com.au



**Vanessa Hall**  
Director

+61 3 9671 8908  
+61 414 560 781  
vhall@deloitte.com.au



**Gwladys Tedga**  
Director

+61 3 9671 5883  
+61 481 102 089  
gwladystedga@deloitte.com.au

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