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From teller to seller

Life as a bank employee is not what it used to be. Once, being a teller meant being polite to customers, and efficient. Now there is an emphasis on selling – new accounts, big loans, insurances and higher credit limits. And many bank employees are feeling the pressure. Are they being pressured into unethical behaviour?

The transformation of banks from relatively passive service facilities to competitive corporations has triggered corresponding changes in the job roles of bank employees, and new ethical issues have surfaced as a result. The competitive environment has spawned an incentives approach to employee remuneration. Many employees now have an "at risk" component of remuneration, which is based on sales targets.

Employees who previously saw their job as the provision of services to customers, for a fixed salary, are now being faced with a new environment where selling is a key performance requirement. It is not just that many now have the opportunity to earn commissions; it is that just to keep their job they may be obliged to reach certain sales targets.

Learning the ethics of selling

This is not in itself unethical. The changes can be seen simply as a cultural shift. The environment has become one where banks have to be attentive to the needs of their customers, and alert to opportunities to meet their evolving financial needs. The reality may simply be that customers are ignorant of the facilities the bank has available, and customers stand to gain by availing themselves of those facilities. If the bank is not active in informing customers of what it has available, one of their competitors is likely to be ready to pick up the business.

Where ethical issues arise, it is about bank employees feeling that their role is not simply informing customers in order to service their financial needs better, but to actively enrol them into services that either they do not need, or that they cannot afford. This puts the employee into the middle of a scenario where they are playing an influential role in selling a financial product to a person where it is likely to have a catastrophic effect on the person's future.

The banks sit behind a façade where they say they have "strict policies" on lending, and that they adhere to these policies consistently in practice. Loan proposals, they say, are scrutinised for whether the customer can afford the repayments. They say that their policies are aimed at prudence, and that it is not in their interests to lend money to people who are likely to be unable to repay.

These kinds of statements may be true in a general sense. However, they do not address the specific dilemmas of bank employees who experience the pressure to sell loans, and thus feel the pressure to downplay the risks to the customer when faced with a specific opportunity to sell a loan and meet a personal sales target.

Understanding the social context of selling

The unspoken assumption behind the selling scenario is the social context of a capitalist society. This is a society that assumes many things about people and companies, how they operate and what to think of the range of outcomes that occur. Society assumes that adults should be able to handle their own financial affairs, and that generally they are capable of making their own financial decisions. It assumes that if things don't work out it is generally their fault, and if the consequences are dire, then so be it.

Society also assumes that there may be an element of puffery in the selling activity, and that people are generally aware of this and are able to apply their own correctives when making judgements about buying. If we see a property advertised as "a renovator's delight", we should know that it is going to be in need of some serious, costly work. And if a store tells us we can buy a complete household of furniture and pay nothing and no interest for four years, we are assumed to know that we will have to pay for it eventually, and the store will probably want some healthy consideration for their initial largesse. And also, that we had better be in a position in four years' time to meet those repayments.

We also know that there are plenty of people who seem naïve enough not to think through propositions like these. As a society we sit with this uncomfortably, because it is a difficult issue to address. We would not accept a situation where we assessed people for their financial literacy and then controlled what certain people do because we have determined that they are not financially literate or responsible. This would violate basic shared assumptions in our society about freedom. We also baulk at placing strict controls on corporations, out of respect for the same principle of freedom.

Dealing with the ethical tensions in selling

Ethical questions involve tensions. For the banks there is a stock market-driven imperative to make money by lending as much as possible at the highest rates of interest the market will sustain. On the other hand, society expects banks to temper their enthusiasm for making money with a sense of social responsibility. This means not enticing vulnerable people into loans that are highly likely to lead them into crisis.

It also means that in making these judgements, the banks should have regard to the welfare of the individual. It is not sufficient for the banks to say that they have a low rate of defaults on loans, because all this is saying is that the banks have managed their own affairs well enough that overall **they** have not suffered.

The point of tension in this situation is the bank employee who senses what is likely to happen to the customer but who is under pressure to make the loan in order to meet a target. The employee has probably developed skill in quickly assessing the financial management skills of customers, the risk factors in their future earnings, likely movements in interest rates, and what would happen if they were unable to meet their repayments and had to sell up their home at short notice.

There has to be a point where the banks have met their moral responsibility to customers by warning those who are contemplating venturing out of their depth. The banks' moral responsibility has to have some limits. It would be unrealistic to expect banks to save all the foolhardy from themselves, even where some of the stories of collapses are ugly. An analogy might be the coast guard warning a man that paddling from Australia to New Zealand in a dinghy is likely to end badly.

Three aspects of social responsibility

On the other hand, an ethical, socially responsible stance by the banks has to have some regard for human dynamics. It has to appreciate three factors:

- The individual situation of each customer, not hiding behind a disclaimer based on an "acceptable" aggregate rate of defaults
- The tensions experienced by bank employees – the conflicting financial and human values they are faced with resolving (performance targets and incentives versus customer well-being)
- The part played by personal feelings and interpersonal influence – for example, a person looking for a home loan is often bewitched by their idea of a dream home, and is likely to be swayed by an assurance from a bank employee, seeing them as an authority.

The customer that lurks in the bank employee's conscience is the customer who is not financially well off, and is susceptible to persuasion, who might even argue with the bank employee to try to get a loan that the bank employee knows will most likely lead them to ruin. This is also the customer that the predatorial loan shark smells coming in the door.

The ethical question for the banks is whether they are trading on the situation they have set up internally, making employees' "performance" or incentives contingent on meeting set loan targets. If they hide behind generic "policies" and leave their employees to resolve the ethical tensions without support, then they are being ethically irresponsible.

The problem with ethical issues, of course, is that in the short term the ethically responsible course of action may lead to lesser profit. The argument the banks and other loan providers sometimes put is that if they refuse to give a person a loan, the lender down the street will give it to them, so the bank would simply be the loser.

Selling harm or building loyalty

This is an argument that banks need to rid themselves of if they wish to be known as ethical and socially responsible. It is the same argument that is used to peddle harmful goods. It is used to "justify" selling pornography to children and nuclear weapons to rogue states. Better that a bank should be known for caring for its customers by advising them responsibly about the affordability of loans.

We live in an era where the importance of customer loyalty is widely acknowledged, and it is known that loyalty is built on the belief that one party cares about the other (called trust). This is a philosophy of long-term sustainability. It is a success philosophy, because it is customer-focused and firmly grounded. The alternative is the abandonment of this faith and a lust after short-term gain.

The wiser companies know that selling without regard to the well-being of the customer is not a formula for long-tem success. Indeed, the current US mortgage crisis would seem to demonstrate that unbridled lending eventually reaps unseemly dividends. The wiser companies know that long-term success is built on good relationships with customers, each one of them. And bank employees would agree. ♦

About the apology

In Australia on 13 February 2008, the national Parliament apologised to the Aboriginal people for the forced removal of children from their families – the Stolen Generation. In its apology, the Parliament acknowledged that earlier parliaments and governments had "inflicted profound grief, suffering and loss" on persons who were their "fellow Australians."

There is still some debate about whether it was appropriate for a government to apologise for actions and policies that were carried out by "earlier generations". Prime Minister Kevin Rudd's speech observed that removal of children was still government policy in the early 1970s and there are still many Aboriginal people alive who were removed from their parents in childhood.

Opposition Leader Brendan Nelson continually emphasised in his response that the governments of the day, and the people who implemented the policies, had "good intentions". They believed they were working for the welfare of the children that were taken into boarding schools or adopted into white families.

However, if, at a personal level we discover that our actions are misconceived and harmful, despite our good intentions, we do not usually refuse to apologise for the harm caused.

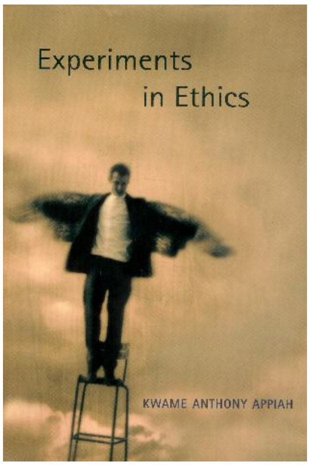
The arguments about apologies by governments for the actions and policies of former governments are discussed by Australian Catholic priest Father Frank Brennan in an article on the Markkula Center for Applied Ethics (US) website. The article is titled “Stepping Forward to Right Historical Wrongs: National Apologies - Lessons From Down Under”. The article is available at http://www.scu.edu/ethics/practicing/focusareas/global_ethics/apologies.html

The Prime Minister’s speech is available on the *Sydney Morning Herald*’s website at http://www.smh.com.au/news/national/kevin-rudds-sorry-speech/2008/02/13/1202760379056.html

Book review

Experiments in ethics

This book has a mischievously ambiguous title, but its content lives up to the implied promise that it will be intriguing. Kwame Anthony Appiah is a professor of philosophy at the Center for Human Values at Princeton University.



Experiments in Ethics, by Kwame Anthony Appiah

Published by Harvard University Press, Cambridge MA, 2008, 260 pages, hardback.

His concern is with the mutual scorn and disregard there has been between ethicists and social scientists (psychologists etc). Many ethicists maintain that ethics is about principles and values, so it is independent of any facts presented by social scientists.

Psychologists in turn have derided ethics, and Appiah gives many illustrations, for example, the researchers who found that people were much more likely to do a stranger a good turn when standing outside a bakery smelling the aroma of fresh bread.

He asks, are our ethics that prone to circumstantial factors? But the foundations of ethics are not so easily dismantled.

Among the topics he discusses, he addresses the tensions between virtue ethics, which speaks of character and motivations (the person), and ethical decision-making procedures, which confine the focus to actions. And he finds a place for both.

He explores the difficulties of establishing an ethics based on intuition and social contexts, but maintains that our ethics are grounded in the language and concepts of our social contexts. Hence the conversation between ethicists and social scientists is desirable and necessary. ♦

Feedback

Let Glenn know what you think of the newsletter and the website. It's all part of the endeavour to bring an ethical perspective to business, one that enables people to work with integrity and organisations to operate with high principles.

Ethics and Values in Business is operated by Glenn Martin and based in Sydney, Australia. Glenn is available to write, speak, train or consult on ethical issues in organisations.

Glenn's two websites have both been revamped, and both have a variety of articles and resources available. See:

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To purchase Glenn's self-published book, **Human Values and Ethics in the Workplace**, go to www.ethicsandvalues.com.au