

Institution: University of Nottingham
Unit of Assessment: UOA 19
Title of case study: Informing and Influencing Policy in Financial Services
<p>1. Summary of the impact</p> <p>A body of research has informed government bodies, policy makers and other agencies on consumer interactions with retail financial services markets. Specifically, it has informed formulation of new policies in the area of simple products and banking standards that are now being put into effect as new policy initiatives.</p> <p>The impact detailed here has been on policy development and implementation in the area of consumers and financial services. The body of academic research has gained traction and credibility with relevant stakeholders due to academic endorsement and wide scale dissemination efforts. This has allowed researchers a significant input into consultation processes, campaigns and a parliamentary commission. Such inputs have helped formulation of new policies in the area of simple products and banking standards that are now being operationalized as new policy initiatives. Thus, a direct chain of impact exists between the initial research and the final outcomes, which influences numerous financial services decision makers and banking customers.</p>
<p>2. Underpinning research</p> <p>There is a sizable and enduring gap in our understanding of consumers' attitudes, behaviour and decision making in financial services markets. How consumers make decisions which are of crucial importance to both their own and societal long-term well-being is not well understood. Likewise, there is a lack of understanding of how consumers view financial services providers and the attendant implications for consumers' levels of engagement in financial services markets. Under the auspices of the Financial Services Research Forum* significant research has been conducted aimed at addressing such gaps in order to inform both policymakers and practitioners.</p> <p>For instance, previous research has not addressed how consumers deal with complexity in financial services decision making or how product regulation, the implementation of product simplification regimes and the use of associated "kite marks" impacted on consumer decision making. The Forum's first notable contribution was an investigation of the role of product simplification in the form of "Stakeholder Products" in assisting choice and encouraging engagement for various consumer segments. Samples of between 500 and 1000 consumers were collected between 2000 and 2006. The research found that the simplified product/stakeholder approach did not appear to be resonant in key target consumer segments and that such initiatives were, therefore, not particularly effective in assisting consumer decision making and encouraging consumer engagement. The implications are that policy in the area is unlikely to yield the desired outcomes without significant further developments (1, 2, 3, 4).</p> <p><i>*The Financial Services Research Forum has now merged with the Centre for Risk and Insurance Studies to form the Centre for Risk, Banking and Financial Services</i></p> <p>Key Researcher: Professor James Devlin, Associate Dean, Nottingham University Business School and Director, Centre for Risk, Banking and Financial Services</p> <p>Also, how consumers perceive providers in terms of trust and fairness has been posited as an important influence on engagement and levels of provision and has long been a priority for policymakers, although the precise definition and constituent dimensions of such concepts were not well understood in a financial services context. Equally, independent, comprehensive, statistically reliable and valid measures of consumers' perceptions of trust and fairness were not previously available in a financial services context and, indeed, in consumer facing contexts more generally. In response, Ennew and Devlin undertook research on the derivation, validation and operationalization of a multi-dimensional measure of trust that has gained both academic acceptance and significant traction in the policymaking and practitioner sectors since 2004. The "Trust Index" focuses on consumer perceptions of both cognitive and affective trust in financial services providers and associated levels of trustworthiness. Research also focused on isolating key drivers of trust. Data have been collected at least twice a year since 2005. A sample of over 2000 consumers is used for each wave of data collection, with half providing trust perceptions for their provider and half for providers more generally. Seven types of provider are covered in the survey: banks, building societies, general insurance providers, life insurance providers, investment</p>

Impact case study (REF3b)

companies, brokers/advisors and credit card providers. Theoretically sound and statistically validated measurement scales are used to measure perceptions of cognitive and affective trust. In developing and validating this measurement, a significant academic contribution was made. Various relational, attitudinal and demographic data are also captured. Important insights offered by the data include the following, all of which have been covered in detail in FSRF Reports (see <http://www.nottingham.ac.uk/business/forum/publications.aspx>)

- The multi-dimensional measure of trust perceptions is a statistically valid and highly reliable research instrument.
- Trust levels exhibited by consumers in financial services providers are generally underwhelming, but by no means disastrous when compared to other contexts such as the NHS, the BBC, supermarkets etc.
- Notwithstanding the general level of stability apparent, there is scope for individual provider types to experience significant changes in perceptions over time. For instance, credit card providers started out as the most lowly rated of all types of provider, but have improved significantly and are now of at least average standing. However, banks started out with poor fairness ratings and subsequently their ratings deteriorated, so they are now noticeably below other types of provider covered by the survey.
- Key drivers of perceptions of trust, namely concern and benevolence, effectiveness of communication and expertise and competence were highlighted (5, 6).

Key Researchers: Professor Christine Ennew, Pro-Vice-Chancellor, University of Nottingham: Member CRBFS Advisory Board: Professor James Devlin, Associate Dean, Nottingham University Business School and Director, FSRF.

3. References to the research

1. Devlin, J F (2003) "Monitoring the Success of Policy Initiatives to Increase Consumer Understanding of Financial Services" *Journal of Financial Regulation and Compliance*, Vol 11, No 2, pp 151-163 I: DOI: 10.1108/13581980310810471 (also available on request)
2. Devlin, J F (2007) "Complex Services and Choice Criteria: An Example from the Life Assurance Market" *Journal of Marketing Management*, Vol 23, No 7-8, pp 631-650 DOI: 10.1362/026725707X229975
3. Devlin, J F (2010) "The Stakeholder Product Brand and Decision Making in Retail Financial Services" *Service Industries Journal*, 30(4), pp 567-582 DOI:10.1080/02642060903079139
4. Devlin, J F (2011) "Evaluative Cues and Financial Services: The Effect of Consumer Knowledge" *Journal of Marketing Management*, 27(13-14), pp 1366-1377 DOI:10.1080/0267257X.2011.624533
5. Ennew, C T and Sekhon (2006) "The Financial Services Trust Index": A Report for the Financial Services Research Forum: Financial Services Research Forum-Nottingham University Business School, Nottingham, UK Available at: <http://www.nottingham.ac.uk/business/forum/documents/researchreports/paper37.pdf>
6. Ennew, C T and Sekhon (2007) "Measuring Trust in Financial Services: The Trust Index" *Consumer Policy Review*, 17(2), pp 62-68 Available at: <http://www.ecosocdoc.be/static/module/bibliographyDocument/document/001/340.pdf>

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4. Details of the impact

A body of research has made a significant contribution to the understanding of issues relating to consumer attitudes and decision behaviour in financial services. It has enabled key Nottingham University Business School/Financial Services Research Forum researchers to play a major role in informing and influencing consumer and related policy in the financial services domain.

Informing Policy: Simple Products

Following the publication of the research (1-4) on product complexity, product simplification regimes, the associated use of "kite-marks" and the impact on consumer decision making, an intense dissemination programme commenced (2004-2011) to ensure that key stakeholders such

as policymakers and commercial organisations were informed about key research findings and insights. The issue that existing approaches were unlikely to succeed and needed further reflection and development was emphasised. A Financial Services Research Forum Report (**Source A**) was also published and distributed in pdf form to well over 100 registered affiliates of the Forum such as the Financial Services Authority, HM Treasury, Lloyds TSB and Standard Life and was also made available on the Forum's website. In addition, a one day Forum seminar in 2008 was attended by well over 100 interested practitioners, policymakers and third sector advocates.

As a direct result of this research dissemination exercise, HM Treasury invited Professor Devlin to develop a tender for a project to produce a detailed analysis of what lessons could be learned from previous 'Simple Product' initiatives in retail financial services. HM Treasury commissioned the project in 2010 which led to the publication of a report (**Source B**). This report was subsequently distributed as an integral part of HM Treasury's Simple Financial Products Consultation Exercise and referenced extensively in the main Treasury briefing document (**Source C**). The aim of the consultation exercise was to help shape future policy in the area of simplification of financial products in order to assist consumers in making decisions about products. The Consultation concluded in 2011 and led directly to the formulation of the Simple Financial Products Steering Group. The Group, comprising mainly practitioners, published an Interim and Final Report (**Sources D and E**), both of which referenced the initial consultation exercise which had been informed by the research undertaken at Nottingham. Operationalization of the recommendations of the final report is now being carried out by the British Standards Institute in collaboration with relevant trade bodies and **new policy** is being formulated. This policy development specifies a range of simple financial products which assist consumers in their financial services decision making. The intention is to use a "Standards" mark to assist consumers as they make choices between products.

Informing Policy: Trust in Banking and Financial Services

Following the publication of the research (6), findings on Trust have been disseminated in regular and detailed practitioner orientated reports (an average of 3 per year since 2006, for example 5 above). These reports are distributed in pdf form to well over 100 registered affiliates of the Forum and are also made available free of charge on the Forum's website. The findings from the Forum's Trust Index research have been presented at a number of Financial Services Research Forum (FSRF) Conferences from 2006 to present. Conferences are attended by 100+ senior industry practitioners/policymakers such as HM Treasury and the Financial Services Authority, as well as consumer advocates and other interested parties. The research was also presented at other events including those hosted by trade bodies such as the Association of British Insurers, and policymakers, such as the Financial Services Authority (FSA).

Since then, specific meetings have also been held to discuss key research insights with senior representatives from the Financial Services Consumer Panel, a body set up under the auspices of the FSA to champion the interests of Financial Services Consumers. Devlin and Ennew were personally invited to face-to-face meetings as a result of the dissemination efforts. Through such consistent and broad dissemination efforts, the Forum's Trust research has gained traction and credibility (**Source F**). For instance, the Forum's Trust research has been referenced in evidence to HM Treasury and by the Department for Work and Pensions in policy related documentation and consultation (**Sources G and H**). In response to reading the Forum's Trust research and attending associated meetings, Mr Shane Mullins, CEO of Fiscal Engineers, a bespoke high-net worth private client wealth management company, contacted the Forum. Mullins wanted to form and spearhead a "Question of Trust" (**Q of T**) campaign in the financial services sector using Forum Trust research and related insight as the evidential basis (referred to as the MoneyTrust Index) for the campaign. In recognition of the independent and credible Forum Trust research, Mullins sought to use it as a platform for generating interest in, and benchmarking and improving levels of trust in financial services (**Source I**). The Forum advised the **QofT** Steering Committee and devised the MoneyTrust Index based on FSRF Trust research and presented at the **QofT** launch event in July 2012. This event was attended by about 100 senior industry practitioners, policymakers and other interested parties, such as Otto Thoresen, Director General of the Association of British Insurers and the campaign was backed by high profile figures such as the

outgoing Archbishop of Canterbury, Dr Rowan Williams. The **QofT** Campaign was given the award of “Campaign of the Year” for 2012 by Scottish Widows plc. As a result of **QofT** exposure, the Forum was invited to provide evidence to the Parliamentary Commission on Banking Standards **(J)**. The Commission was appointed by both Houses of Parliament to consider and report on: “professional standards and culture of the UK banking sector and to make recommendations for legislative and other action.” The Forum’s research, which showed underwhelming levels of trust in the sector through time and a significant deterioration in the trust engendered by banks in particular, was key in framing and informing a policy debate which has resulted in the most profound changes to policy approaches to improve banking standards in the recent past.

5. Sources to corroborate the impact

- A. Devlin, J F (2006) “An Evaluation of Policy Initiatives Designed to Aid Decision Making in Personal Finance in the UK”: Financial Services Research Forum-Nottingham University Business School, Nottingham, UK
- B. **Report issued by HM Treasury (2010) “Literature Review on Lessons Learned from Previous “Simple Products” Initiatives”, available at:**
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/81571/lessons_learned_from_simple_products_initiatives.pdf (Written by Professor Devlin and issued as integral part of the consultation exercise)
- C. **Simple Products: A Consultation by HM Treasury (2010), available at:**
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/81570/simple_financial_products_consultation.pdf
 (Professor Devlin’s report referenced in 2.15, pg 9-10 and a summary of findings from the report presented to assist in the consultation exercise. Further FSRF research co-written by Professor Devlin, referenced on pgs. 8 and 11; Behavioural Economics and the Financial Services Consumer: A Review)
- D. **Sergeant Review of Simple Financial Products, An Interim Report (July 2012), available at:**
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191730/sergeant_review_simple_financial_products_interim_report.pdf (Details the formulation and operationalization of a Simple Financial Products Steering Group charged with introducing a set of simple financial products, indicative of the ultimate impact of the consultation exercise. Reference to the initial consultation exercise in a number of places).
- E. **Sergeant Review of Simple Financial Products, Final Report (March 2013) (, available at:**
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191721/sergeant_review_simple_products_final_report.pdf (Final recommendations of the review. Reference to the initial consultation exercise in a number of places).
- F. **Statement of testimonial** written by **Professor Nigel Waite**, CEO of Nigel Waite Consulting and recognised independent advocate for increasing trust in financial services October 2013
- G. **Which (Formally the Consumers’ Association) Evidence to the Treasury Select Committee Enquiry into the Banking Crisis (2009), available at:**
<http://www.which.co.uk/documents/pdf/treasury-select-committee-inquiry-into-the-banking-crisis-which-evidence-177529.pdf> (The Forum’s Trust research is used as a primary source in section on confidence in the sector; see paragraph 85 on pg 29)
- H. **Department of Work and Pensions (2012) Trust and Confidence in Pensions: A Literature Review, available at:** <http://research.dwp.gov.uk/asd/asd5/WP108.pdf> (Significant reference to the Forum’s Trust research and Professor Ennew interviewed as an expert witness as part of the project)
- I. **Statement of testimonial** written by **Mr Shane Mullins**, CEO Fiscal Engineers and Head, Question of Trust Campaign: October 2013 (see also <http://www.thequestionoftrust.co.uk/index.html> (2012-2013)
- J. **Parliamentary Commission on Banking Standards: Professor Ennew and the Forum (in Conjunction with the Question of Trust Campaign) Written Evidence 19th December 2012, available at:**http://www.parliament.uk/documents/joint-committees/Banking_Standards/Written%20Evidence%2019%20December%202012.pdf (see pages 41-44)