

# Banking on being ethical

Joe Lepper finds that banks are upping their ethical act, but there is still much room for improvement

**THE PUBLIC** and much of the third sector remains unforgiving of the banking sector four years on from the start of the financial crisis that brought the global economy to its knees. The reputation of banks have suffered particularly in the UK, where the public blames them for causing the crisis and failing to help communities left decimated by job cuts and financial exclusion.

According to research firm GfK's 2011 global survey of around 20,000 people, just 27 per cent of British respondents said they trusted bankers, compared to 43 per cent worldwide. But could better support for the charity sector and their good causes help banks revive their reputation?

A survey by ethical bank Triodos released last November suggests there

is a strong public appetite for banks to do more to help the sector. Of those that responded 64 per cent want to see more investment by banks in community and social groups. A similar proportion (62 per cent) wants to see banks promote and invest in green initiatives. Just one in six believe banks should have no role to play in helping society.

There is increasing evidence that senior banking figures are listening to such concerns.

## Moral responsibility

In an editorial in *The Guardian* late last year, Barclays chief executive Bob Diamond said banks should "use the lessons learned from the crisis to become better and more effective citizens." This is a far cry from

his bullish stance in front of the Treasury Select Committee in January 2011 when he called for "the period of remorse and apology" to end.

Louis Brooke, a spokesman for the ACEVO backed Better Banking Campaign, says this change in attitude is necessary for banks, both morally and for business reasons. He says: "Banks have a moral responsibility to support charities and a responsibility to support communities. Many banks are subsidised by taxpayers after all. There is also a strong business argument that they have a responsibility to ensure charities and communities can grow and become valued customers in the long term."

But has Diamond's desire for banks to become "effective citizens" translated into





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**Louis Brooke, Better Banking Campaign**



genuine support for the charity sector and deprived communities?

Brooke argues there is a long way to go, particularly for smaller charities. He says: “There is no doubt that the major high street banks are there for the larger charities with huge turnovers and multinational operations. But it is increasingly difficult for smaller charities to access finance.”

David McHattie, head of charities at Barclays, indicates the bank’s focus is more on larger charities.

He says: “We have 70 per cent of the top 100 charities among our clients,” adding, “the top 100 charities are very sophisticated businesses with a turnover equivalent to many FTSE 250 companies. They are looking for a very sophisticated offering and that’s what the high street banks have,” he adds.

He was unable to say how many smaller charities the bank serves or what proportion of its total business is with the charity sector because “those are not figures that we compile.”

### Greater transparency

Brooke says McHattie’s inability to reveal details of Barclays’ investment in the charity sector is typical across the mainstream banking sector.

Among the Better Banking Campaign’s demands is for greater transparency from banks on how they invest money and support charities. The campaign believes that regulation could be the only solution to ensuring this happens.

McHattie disagrees, saying that to compile such detailed figures “would require another level of bureaucracy.”

But Brooke believes the added workload for banks would be minimal. “When you do due diligence on someone you are lending to you compile information like that. That information is already there.”

Ethical banks such as Triodos already disclose its level of investment in the charity sector. Triodos social and cultural team manager Neil Hewitt says: “Transparency and showing our depositors how our money is being invested is at the heart of what we do.”

But he agrees with McHattie that regulation, that forces banks to reveal such data is not the answer. He says: “Instead of the top-down approach of regulation we believe that consumers should be the driver for change from the bottom-up. Our research shows there is an increasing appetite for banks to drive social improvement. As these calls grow; all banks will change.”

High Street banks such as Lloyds TSB argue they are already giving extensive support to communities and the charity sector through grant giving. A Lloyds TSB spokeswoman says that through its Lloyds TSB Foundation the bank made £23.4m worth of grants to 908 charities in 2010. That is a substantial sum. Also, unlike Barclays, it is able to offer figures on total investment in the charity sector. During 2010, the latest year figures are available, total investment including loans to the charity sector totalled £76m.

Lloyds TSB also runs its Our Day to Make a Difference campaign where employees spend a day volunteering for



a local charity. Whether such an event falls within an ethical approach or good PR, is a moot point. The bank also aims to raise a total of £1.75m for its designated charity Save the Children, has invested £4m in its personal money skills programme in adult education centre and runs a 'scholars programme' offering university and college grants to students from low income families.

### **Survive and expand**

While such gestures are welcome, Jane Tully, Charity Finance Directors' Group's head of policy and public affairs and chair of its Banking Forum, questions whether grant giving and volunteering are the most effective way of helping charities and those in deprived communities.

Instead she wants to see banks slash fees and interest rates for charities to help them survive and expand during the economic downturn. She says: "Instead of their current CSR policies more good could be done particularly for smaller charities by reducing fees and interest rates.

"One example of a typical scheme banks are involved in is to paint a local community centre. That is of course a good gesture, but it may help that community centre more by having a financial expert come in and give them advice, or ensure the centre can have better access to finance by not having to face excessive fees and rates."

Lloyds says it has already acted on such concerns, in particular helping small charities. The spokeswoman said: "We are proud to provide free banking for 240,000 customers with an annual turnover of less than £50,000. These customers generate over £1bn of transactions per year."

Tully says despite some welcome moves by the banking sector, far too many charities continue to struggle to survive and support disadvantaged communities. She says: "Finance directors are fighting on all fronts. Cuts to funding streams coupled with excessive fees and overdraft deals from many banks do not make their lives easier. There is so much more the banks can do."

**Joe Lepper is a freelance journalist**