The Financial Services Trust Index
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Synopsis

It has been widely assumed, by policy makers and industry observers, that the combined effects of the credit crunch, global recession and the crises that have bedevilled the banks in particular would lead to a crisis in consumer trust in financial services. It may be an inconvenient truth, but the reality is that trust in the financial services industry is not at rock bottom.

This new survey of more than 1400 consumers, the most recent in a series of annual studies by the Financial Services Research Forum, demonstrates that consumer trust in financial services is in fact remarkably robust in the face of industry specific crises and economic difficulties.

The report, the first of its kind to look past simple yes and no answers to develop a more complete understanding of consumer trust, offers a timely boost to the financial services sector, with results showing consumers' trust financial services even more than venerable institutions like the BBC and NHS.

In terms of different types of financial services institutions, brokers and advisers are seen as the most trustworthy, with credit card companies seen as least trustworthy.

However, evidence showing that current conditions have not provoked a "crisis of trust" is not grounds for complacency.

Behind an overall average that suggests consumers have moderate levels of trust in financial services providers, there is considerable variability. Indeed the evidence suggests that a significant proportion of customers (around 20%) can be characterised as low trust; over-represented in this group are the young, male consumers and consumers who use remote channels. And average industry figures hide a wide disparity in trust for individual institutions within specific sectors.

Enduring relationships must be founded on high levels of trust. And, if industry and government are to enhance consumer engagement with financial services, there is still significant work to be done in terms of developing trust and trustworthiness.

But, if the research tells us one thing, it is that the Government and regulator must move the debate surrounding the future of financial services onto a more constructive footing. Significant levels of consumer trust do exist, which should serve as a foundation on which to alleviate the current economic crisis.

Executive Summary

Background Context

- The Trust Index has been developed as a tracking study to monitor consumer evaluations of trust in and trustworthiness of their financial services providers. As such it offers unique insights into the evolution of consumer evaluations over time and provides both institutions and policy makers with a better understanding of how these important outcomes change. The analysis contained in this report draws on a database of over 13000 observations collected over 5 years.

- The findings contained in the current report will be of particular interest, as they provide systematic evidence of consumer attitudes in the context of a major credit crunch and a global recession.

- This report discusses a wholly new approach to the measurement of the concept of trust that goes beyond the usual method which, typically, is based upon a simple a simple yes/no answer to a question regarding whether a given entity is trusted.

- The approach adopted in the report explores trust using a process that yields new insights into the nature of trust. It identifies two core forms of trust and their underlying drivers. Such a forensic approach is needed to enable the debate about trust to progress beyond the current elementary discourse. Additionally, it facilitates the identification of issues that might be addressed in order to improve levels of trust.

- Trust and trustworthiness may exist on two levels. Base level (cognitive) trust or trustworthiness relates to the extent to which an organisation can be relied on to do what it says it will do. Higher level (affective) trust or trustworthiness relates to the extent to which the organisation is concerned about the interests of its customers.

- Organisational trustworthiness, which is defined as the extent to which consumers perceive that an FSI (financial services institution) is worthy of their trust, is thought to be determined by communications, shared values, integrity, ability/expertise and benevolence.

- Following a pilot study in early 2005, full scale studies were carried out in 2006, 2007 and 2008. The 2009 study involved interviews with over 1400 consumers and gathered 2700 evaluations of providers across 7 distinct product/institutional contexts with most respondents being asked to provide data for 2 randomly selected, relevant contexts. Respondents were also asked to provide comparative data for non-financial institutions.

- The interviews focused specifically on consumer evaluation of their own financial service provider as this would provide the most accurate, experience based measures of trust and trustworthiness.

Main Findings

- Overall consumer trust at 75.02 suggests that on average, respondents are moderately trusting of FSIs (a score of 75 would be consistent with an average score of 4 on a 5 point likert scale – see Appendix 1). Base level (cognitive) trust is significantly above high level (affective) trust as might be expected – that is to say, respondents are more convinced about the reliability/dependability of FSIs and less convinced about the extent to which FSIs have their interests at heart

- Brokers/advisers receive the highest ratings on trust and trustworthiness, followed by Investment Companies, General insurers and Building Societies. Banks, Credit card companies and life insurance companies receive the lowest ratings. The fact that Banks receive some of the lowest ratings for a variety of measures of trust and trustworthiness is consistent with the results observed in 2008 and may reflect negative consumer responses following the financial crisis.

- The ratings for brokers who are independent are higher than for brokers who are tied. The high trust ratings for brokers may reflect their greater reliance on face to face contact and the more individualised nature of the service experience suggesting that other financial services organisations may need to pay particular attention to the extent to which service delivery is depersonalised.

- Although, on average, levels of trust in financial services providers are reasonable and indicate a moderately positive assessment of trust, there is evidence of significant variations across providers. There is also evidence of rather greater variability within individual providers suggesting that it is difficult to identify any individual institutions who have been distinctively successful in terms of building consumer trust.

- System trust appears to be relatively high compared to the other aggregate measures of trust suggesting that consumers have reasonable levels of confidence about the effectiveness of the financial system in providing them with appropriate degrees of protection. This may be relatively unsurprising in the light of Government intervention in relation to the banking crisis in the summer and autumn of 2008.

- In terms of the drivers of trust, FSIs attract their highest ratings in relation to ability/expertise and are weakest in relation to shared values, a result which is consistent with findings from previous surveys.

- Comparative analysis suggests that FSIs are more trusted than a sample of other non-financial institutions. It is notable that the ratings for the NHS and BBC are significantly lower than those for supermarkets, mobile phone providers and employers. The most highly rated of this set of institutions – employers - receives lower ratings than all financial services institutions across all trust measures.

- Older customers in financial services have significantly higher ratings of trust and trustworthiness than younger customers. This effect is particularly noticeable in the over 64 age group. The same trend is not strongly in evidence when considering non- financial institutions. This suggests that FSIs may face an important challenge in the future in building and maintaining trust among the younger age groups.

- Compared with previous surveys, there is less evidence of the positive effects of multiple product holdings on trust and trustworthiness.

- Service failures which result in a complaint have a negative impact in all dimensions of trust. However, successful service recovery as measured by satisfaction with complaint handling, does help to restore consumer trust.

- There continues to be some variability in trust by channel, but what is most noticeable is the apparent decline in levels of trust among those who tend to use the internet and this is particularly marked for banks and credit card providers. There is also evidence of an increase in trust for those bank and credit card customers using the branch network and for bank customers using the telephone.

- A regression analysis to explore the relative impact of the five drivers of trustworthiness, suggests that integrity, benevolence, shared values and ability/expertise all have an impact on trustworthiness. The two drivers with the greatest impact are integrity and benevolence. The two weakest influences are shared values and communications.

- Comparative analysis with the results of the Trust Index Surveys in 2005, 2006, 2007 and 2008 suggests a high degree of consistency in levels of customer trust in FSIs. Brokers and advisers are consistently the most trusted FSIs although they experience a marginal decline in 2009; life insurers tend to e the least trusted FSIs, along with credit card companies. Banks, Building Societies, general insurers, life insurers and investment companies all experience a slight increase in 2009 while credit card companies deteriorate after an improvement in 2008.

- Over the 4 year period for which data is available, the financial services sector has consistently recorded higher levels of trust than employers, supermarkets, mobile phone providers, the BBC and the NHS. Interestingly, the commercial institutions in this list are moving increasingly closer to financial institutions, but the BBC and the NHS remain significantly below FSIs – perhaps reflecting the fact that with FSIs and commercial organisations, consumers choose between alternatives in a way that they do not with the BBC and the NHS.

- Segmenting respondents based on trust suggests a reasonably consistent distribution over time between the low, medium and highly trust consumers, although there is evidence in 2009 of a shift from medium to higher levels of trust. Consistently, over the time periods for which the survey has operated, the proportion of low trust customers is consistent in the range 20-30%.

- Although there is some evidence that the low trust customers are characterised by predictable demographic characteristics (gender, age), what is perhaps surprising is that there is no more variability in terms of the characteristics of individual trust segments.

- This report details results only by broad category of institution. Individual organisations who are able to collect their own data to complement the main sample, will be able to undertake more fine grained analysis of their own performance according to both the characteristics of their customers and also the product categories in which they operate.

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The Financial Services Trust Index

1 Background

The Financial Services Trust Index provides a rich, broad-based measure of the levels and determinants of consumer trust in providers of a range of retail financial services in the UK. It enables the tracking of consumer perceptions of trust and trustworthiness, permits analysis by consumer and institution types and with studies dating back to 2005, it offers unique insights into how these key determinants of the quality of customer relationships are changing.

The current study is based on data collected from consumers during the early spring of 2009. This is a period that is of considerable interest. The 2008 survey captured consumer perceptions in the wake of the Northern Rock crisis and the emergence of a worldwide credit crunch. The 2009 survey captures consumer perceptions in the period immediately following the large scale government rescue of leading retail banks and the onset of a global recession.

A framework for understanding the nature and determinants of trust and trustworthiness was developed by the Financial Services Research Forum prior to the empirical research[1]. Briefly, this framework proposed that trust exists on two levels. Base level trust (cognitive trust) relates to the extent to which an organisation can be relied on to do what it says it will do. Higher level trust (affective trust) relates to the extent to which the organisation is concerned about the interests of its exchange partners (customers). Organisational trustworthiness, which is defined as the extent to which consumers perceive that an FSI is worthy of their trust, is the prime determinant of consumer trust in financial services institutions. Trustworthiness in turn, is determined by consumer perceptions of the institution in certain key areas, namely communications, shared values, integrity, ability/expertise and benevolence (see Appendix 2 for full definitions).

The Trust Index research collects multi-item measures of all of these key constructs (see Appendix 1). In addition, and in recognition of the environment in which the research was conducted and potential concerns about the robustness of the financial system, a series of three additional questions was asked relating to the extent to which customers would trust the broader financial system to provide them with appropriate levels of protection. This measure is subsequently described as “system trust”.

Over 1400 subjects were interviewed and each respondent was asked (where possible) questions relating to 2 organisational contexts (bank, building society, general household insurer, life insurer, investment company, broker/advisor and credit card company. This resulted in

[1] See Ennew, C T and Sekhon (2007) The Trust Index, *Consumer Policy Review*, Mar/Apr, vol 17 (2) pp 62-68

between 200 and 500 responses for each of the 7 organisational contexts. In addition, respondents were asked for comparative ratings of other non-financial institutions (NHS, BBC, employer, supermarket and mobile phone provider) to provide a benchmark against which the performance of the financial services sector could be evaluated. Comparable sets of data are available for 2005, 2006 2007 and 2008, resulting in a database of over 13000 observations.

The framing of the questions for both financial services institutions and comparator institutions focused customers on the institutions they dealt with (the bank that you deal with, an investment company that you deal with, your supermarket, your employer). The only exception to this was in the case of the NHS and the BBC. Such framing was essential to ensure that respondents had the information to provide reliable answers to the questions. A focus on the analysis of existing customer relationships was also considered to be most appropriate from the perspective of both financial services institutions and policy makers given that trust is the key to successful financial services relationships.

This report details the findings from the analysis of the 2009 study and also incorporates some comparative analysis over time. Analysis is primarily carried out at the level of the institution type (bank, building society etc) and no individual organisations are identified.

2 Characteristics of Respondents

Names were sampled randomly from established sampling frames representative of the UK population and the data were gathered using computer aided telephone interviewing. Responses were collected across the full range of FSIs and were not restricted only to members of the Financial Services Research Forum. Lists were pre-screened for telephone preference service registration. During the interviews, screening was undertaken to ensure a minimum number of responses for each institution type and additional screening was undertaken with respect to age. Refusals were particularly high among younger consumers and more so among males than females. This may reflect time pressures and interests of this group. It will also reflect the pattern of holdings of financial products, with many such products (mortgages, life insurance, investment products) having a relatively older customer base.

Full details of the socio-demographic profile of respondents is contained in Appendix 3. This includes comparison data for previous years' samples which demonstrates the high degree of sample stability in terms of respondent characteristics.

Key features of the 2009 sample were as follows:

- 56% female, 44% male
- 65% married
- 97% white
- Approximately 35% under 45 and 20% aged 65 and over

The gender balance is somewhat out of line with that of the national population, and there is evidence to suggest that female respondents are slightly more trusting than males, although the effects are common across all institution types and thus the gender imbalance should not have a major impact on the results. The age distribution is broadly in line with that of the national population as is the proportion of married respondents. The proportion of respondents who are white is rather higher than the national figure of approximately 90%. The distribution of responses by lifestage is broadly in line with the age distribution.

The following sections will focus attention on trust and trustworthiness at an aggregate level and for different institutional types. Variations in trust and influences on trust will also be examined and comparisons will be drawn between FSIs and other non-financial institutions.

3 Trust and Trustworthiness in Financial Services

Table 1 provides aggregate measures of trust and trustworthiness for all FSIs. In contrast to many trust measures, which rely on a simply yes/no comparison, the approach adopted here measures degree of trust. The trust/trustworthiness measures were constructed by averaging across responses to a series of statements (as listed in Appendix 1) and then scaled so that the maximum possible score is 100 and the minimum is 0. To interpret these figures, a score of 100 would mean that all respondents strongly agreed with every statement on trust and a score of 50 would indicate that respondents neither agreed nor disagreed with the various statements – ie they neither trusted nor distrusted. A score below 50 would indicate a tendency towards distrust.

Thus, in looking at Table 1, overall consumer trust at 75.02 suggests that on average, respondents are moderately trusting of FSIs (a score of 75 would be consistent with an average score of 4 on a 5 point likert scale – see Appendix 1). Base level (cognitive) trust is significantly above high level (affective) trust as might be expected – that is to say, respondents are more convinced about the reliability/dependability of FSIs and less convinced about the extent to which FSIs have their interests at heart.

Respondents' perceptions of the extent to which FSIs are trustworthy is significantly higher than the reported level of overall trust. This would suggest that the reputation that FSIs project may promise more trust than consumers are willing to offer, perhaps reflecting variations in individual dispositions to trust. However, the observed difference is relatively small.

Table 1: FSRF Sample: Overall Measures of Trust

	Overall trust	Base level trust	Higher level trust	Trust-worthiness	System trust
Mean	75.02	77.56	69.96	77.04	77.21
Std Deviation	22.01	21.42	26.67	22.26	22.58
Minimum	.00	.00	.00	.00	.00
Maximum	100.00	100.00	100.00	100.00	100.00

System trust appears to be relatively high compared to the other aggregate measures of trust suggesting that consumers have reasonable levels of confidence about the effectiveness of the financial system in providing them with appropriate degrees of protection. This may be relatively unsurprising in the light of Government intervention in relation to the banking crisis in the summer and autumn of 2008. Moreover, when asked whether they trusted the government to take appropriate action to deal with a financial crisis, 90% indicated that they did, a result which is consistent with the overall score for system trust.

The standard deviation measures the degree of variability in perceptions and the figures suggest that there is rather more variability in ratings on higher level trust when compared to base level trust.

Although no analysis is reported for individual institutions, a comparison of trust scores across named institutions does demonstrate some systematic variation, suggesting that some financial services providers have been rather more successful than others in building consumer trust and conveying a reputation for trustworthiness. Nevertheless, an examination of the variability of trust scores for individual institutions suggests that there is a high level of variability in customer perceptions of the specific financial services provider. This high level of variability within individual providers suggests that even those institutions with high trust scores have struggled to engender trust across the whole customer base. The analysis in section 8 provides further insights into the characteristics of low trust customers.

Conceptually, it was argued that trust and trustworthiness are influenced by benevolence, ability/expertise, integrity, shared values and communications. The mean values for these proposed influences on trust and trustworthiness are outlined in Table 2 and the figures should be interpreted in the same way as the figures relating to the aggregate measures.

Table 2: FSRF Sample: Drivers of Trust

	Benevolence	Ability-expertise	Integrity	Shared values	Communi-cations
Mean	74.74	78.66	76.43	67.26	75.94
Std Deviation	22.74	20.91	22.09	27.67	22.10
Minimum	.00	.00	.00	.00	.00
Maximum	100.00	100.00	100.00	100.00	100.00

Based on these results, FSIs attract their highest ratings in relation to ability/expertise and are weakest in relation to shared values, a result which is consistent with findings from previous surveys. Shared values also displays a high degree of variability particularly in comparison with expertise/ability.

In table 3 trust and trustworthiness are analysed by institution type. Brokers/advisers receive the highest ratings on trust and trustworthiness, followed by Investment Companies, General insurers and Building Societies. Banks, Credit card companies and life insurance companies receive the lowest ratings. The fact that Banks receive some of the lowest ratings for a variety of measures of trust and trustworthiness is consistent with the results observed in 2008 and may reflect negative consumer responses following the financial crisis. However, what is perhaps most interesting is the fact that trust has not fallen further following the events of late 2008 and this may be a consequence of the fact that the high profile difficulties experienced by the banks have, in practical terms, had very little direct impact on the banking relationship for the vast majority of consumers.

Table 3: Measures of Trust by Financial Institution (Mean)

		Overall trust	Base level trust	Higher level trust	Trust-worthiness	System trust
Bank	Mean	73.96	76.88	68.11	75.87	75.40
Building Soc	Mean	75.22	77.67	70.31	77.57	77.46
GHI	Mean	75.98	78.20	71.53	77.93	77.84
Life Ins	Mean	72.69	74.85	68.36	75.49	76.47
Investment Co	Mean	76.24	78.50	71.71	78.36	79.20
Broker/Adviser	Mean	81.67	83.02	78.96	81.34	80.52
Credit Card Co	Mean	71.55	75.58	63.49	74.10	74.86

The trust ratings for brokers who are independent are significantly higher than for brokers who are, in some form, tied to particular providers (83.7 compared with 77.8 for overall trust and 82.4 compared with 79.0 for trustworthiness). This is a pattern that is consistent with the results observed in previous surveys and provides some indication that consumers recognise the potential benefits of working with IFAs

The levels of variability in ratings of trust and trustworthiness are shown in table 4 and there is a relatively high degree of consistency across different types of institution.

Table 4: Measures of Trust by Institution Type (Variability)

		Overall trust	Base level trust	Higher level trust	Trust-worthiness	System trust
Bank	Std Dev	22.95	22.40	27.55	22.30	21.93
Building Soc	Std Devi	21.64	21.54	25.96	22.57	22.82
GHI	Std Devi	21.04	20.30	25.22	20.82	22.02
Life Ins	Std Dev	22.88	22.03	27.81	23.45	23.13
Investment Co	Std Dev	21.28	20.83	25.38	21.23	21.98
Broker/Adviser	Std Dev	21.77	21.47	24.30	23.06	22.73
Credit Card Co	Std Dev	21.49	20.81	28.00	22.57	23.49

The highest degree of variability in trust ratings applies to banks, and life insurance providers whilst the lower levels of variability are associated with brokers and building societies. It is noticeable that base level trust is consistently characterised by the lowest level of variability of the five measures of trust. This indicates a greater degree of consistency with respect to consumer views on the dependability and reliability aspect of trust.

The individual components of trust by institution context are shown in Table 5. In general, for most institution types, ability/expertise and integrity are areas of strength while shared values is clearly an area of weakness as, to a lesser extent, is benevolence. Shared values appears to be a particular weakness for banks and this may again reflect the impact on consumers of the financial crisis and particularly the adverse publicity related to bonuses.

Table 5: Drivers of Trust by Institution Type (Mean)

		Benevolence	Ability-expertise	Integrity	Shared values	Communi-cations
Bank	Mean	73.89	77.37	75.80	64.80	75.32
Building Soc	Mean	75.17	78.70	76.98	68.21	75.84
GHI	Mean	75.80	78.94	76.55	68.25	75.72
Life Ins	Mean	72.29	76.33	73.51	66.38	73.67
Investment Co	Mean	75.48	80.11	77.94	67.02	77.76
Broker/Adviser	Mean	81.67	84.16	82.82	75.79	79.73
Credit Card Co	Mean	70.97	77.14	73.74	63.30	75.16

4 Trust and Trustworthiness: Benchmarking Financial Services

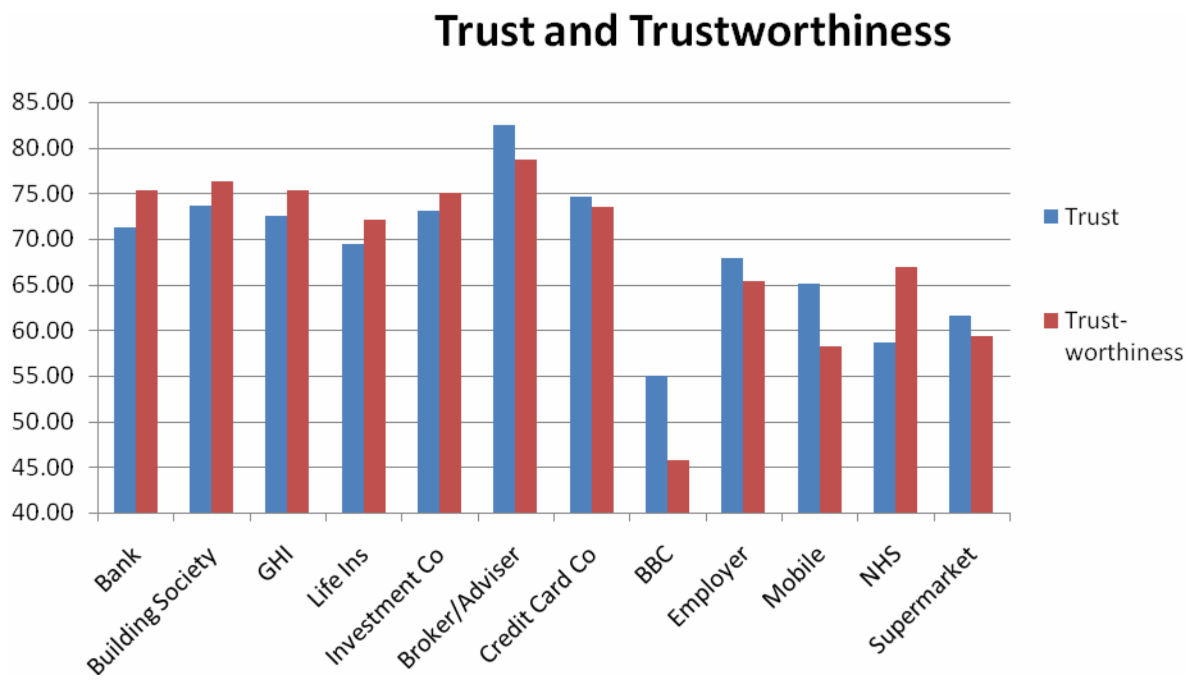
Table 6 reports the summary ratings for respondents' trust in a series of institutions other than financial services. It is notable that the ratings for the NHS and BBC are significantly lower than those for supermarkets, mobile phone providers and employers. The most highly rated of this set of institutions – employers - receives lower ratings than all financial services institutions across all trust measures.

Table 6: Measures of Trust by Comparator Institution (Mean)

		Overall trustworthiness (comparator)	Overall trust (comparator)	Cognitive trust (comparator)	Affective trust (comparator)
BBC	Mean	52.85	49.47	51.36	45.69
Employer	Mean	73.31	68.82	70.54	65.36
Mobile Phone Co	Mean	71.04	66.70	70.97	58.16
NHS	Mean	60.84	65.83	65.33	66.85
Supermarket	Mean	72.01	65.94	69.37	59.30

A visual comparison of the ratings is provided in Figure 1 which compares FSIs with the comparator institutions on both trust and trustworthiness. For both measures, the results suggest that FSIs are perceived favourably in terms of trust when compared with both commercial and non commercial organisations.

Figure 1:



5 Further Analysis of Trust and Trustworthiness

The results reported in the previous section would appear to be slightly surprising and certainly counter to much of the anecdotal evidence about declining and low levels of trust in financial services institutions. Indeed, given the current financial crisis, it would seem surprising that there has not been a marked deterioration in trust. A more disaggregated analysis can provide further insight into the nature and evolution of trust in FSIs.

Exploring the relationship between age and trust ratings provides some partial insight into why this might be the case. Older customers in financial services have significantly higher ratings of trust and trustworthiness than younger customers. This effect is particularly noticeable in the over 64 age groups as Table 7 illustrates. In contrast, there is evidence of a markedly lower level of trust among consumers in the 25-45 age group, with the effect being particularly marked for higher level trust.

Table 7: Measures of Trust by Age

		Overall trust	Base level trust	Higher level trust	Trust-worthiness	System trust
<25	Mean	74.38	75.72	71.70	76.49	77.71
25-34	Mean	71.93	74.61	66.58	74.01	73.88
35-44	Mean	72.43	75.55	66.17	74.36	75.05
45-54	Mean	75.31	77.96	70.00	77.19	77.71
55-64	Mean	74.90	77.46	69.79	77.31	76.98
64+	Mean	79.32	81.29	75.38	80.86	80.86

This finding contrasts somewhat with the pattern of responses across other comparator institutions where levels of trust and trustworthiness vary but as Table 8 shows there less evidence of a systematic age effect.

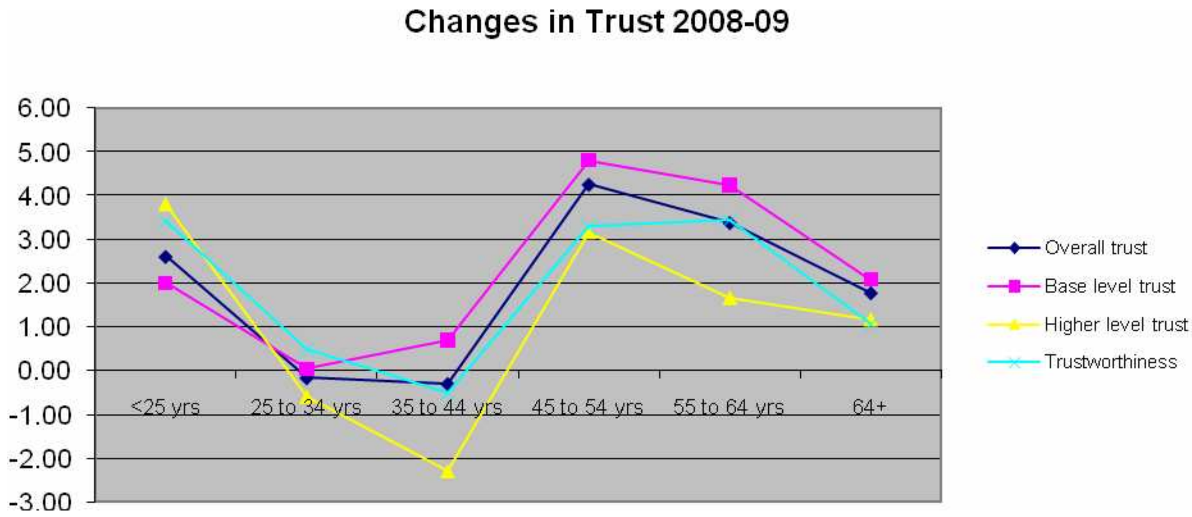
Table 8: Comparator Measures of Trust by Age

		Overall trustworthiness (comparator)	Overall trust (comparator)	Cognitive trust (comparator)	Affective trust (comparator)
<25	Mean	73.33	68.90	69.91	66.86
25-34	Mean	68.53	66.25	68.20	62.35
35-44	Mean	62.51	59.25	61.50	54.75
45-54	Mean	65.89	63.98	65.97	60.01
55-64	Mean	62.71	60.81	62.97	56.64
64+	Mean	66.63	64.38	66.59	59.97

The pattern observed for all financial service providers – as shown in table 7, is largely replicated when the analysis is undertaken for institutional types, that is to say, trust is lowest for the 25-44 age group and highest amongst older consumers. The exception to this pattern arises with the broker/adviser category, where there is far less age related variation.

What is particularly interesting is to compare the change in trust by age group between 2008 and 2009. This is shown in Figure 2 and while the youngest and the older age groups record an increase in trust between 2008 and 2009, the results for the 25-45 age groups suggest a decline or no change in trust over that period.

Figure 2:



Consistent with the findings in relation to age, there is also evidence to suggest that those customers with a longer relationship with an FSI report higher levels of trust. As with previous years, analysing the effects of age and relationship jointly suggests that the dominant impact on trust arises from age rather than from length of relationship.

Customer satisfaction is highly correlated with trust and service failures which result in a complaint have a negative impact in all dimensions of trust. However, successful service recovery as measured by satisfaction with complaint handling, does help to restore consumer trust as Tables 9 and 10 show. Table 9 examines levels of trust according to whether a customer has or has not complained, while Table 10 compares those who were satisfied with the outcome of their complaint with those who were not.

Table 9: Trust and Complaining

		Overall trust	Base level trust	Higher level trust	Trust-worthiness
Yes	Mean	62.15	64.60	57.24	66.29
No	Mean	76.07	78.61	70.99	77.92

Of the various measures of trust, it would seem, from the evidence of tables 9 and 10 that higher level trust is most negatively impacted by service failures resulting in a complaint and recovers least with successful complaint handling.

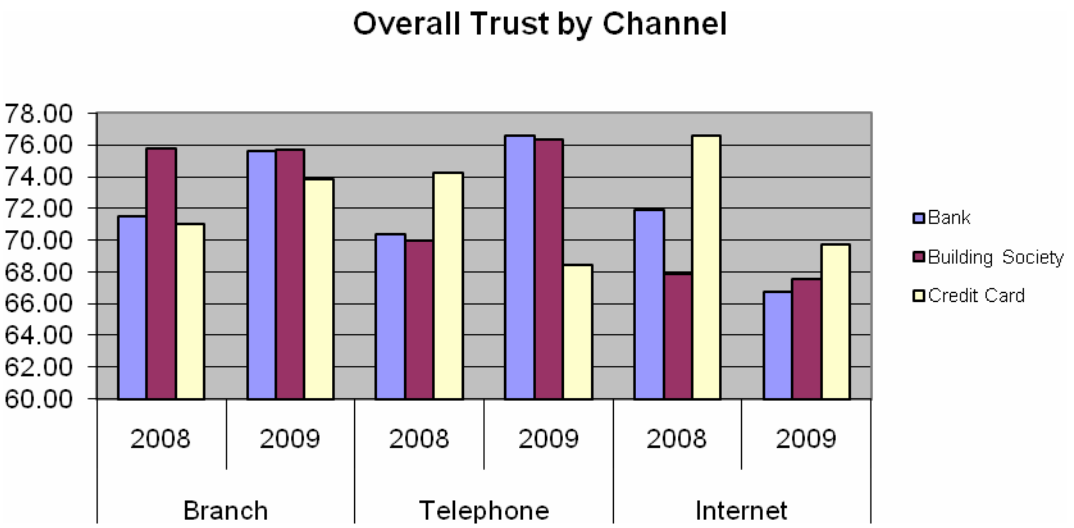
Table 10: Trust and Outcome from Complaint Handling (Mean)

		Overall trust	Base level trust	Higher level trust	Trust-worthiness
Yes	Mean	72.02	73.85	68.37	73.65
No	Mean	44.33	47.92	37.15	52.99

The 2006 survey found evidence for higher levels of trust and trustworthiness for consumers holding more than 2 products with the same provider. The evidence for this effect was weaker in the 2007 survey, with significant differences observed for ability only, but marginally significant differences in the cases of trustworthiness and communications. In the 2008 survey the effect of product holdings was strongly in evidence with significant differences in levels of trust across all measures except shared values. In 2009, the evidence for an impact from product holdings was, once again, rather weak, suggesting that the relationship between trust and multiple product holdings is by no means clear cut.

As Figure 3 shows, in 2008 the relationship between channel use and levels of trust was rather mixed. There continues to be some variability in the 2009 results, but what is most marked is the apparent decline in levels of trust among those who tend to use the internet and this is particularly marked for banks and credit card providers. There is also evidence of an increase in trust for those bank and credit card customers using the branch network and for bank customers using the telephone.

Figure 3:



The analysis of surveys in 2006 and 2007 suggested that female respondents tended to report higher levels of trust than males, and a similar finding was in evidence for the 2009 study.

6 Understanding the Drivers of Trustworthiness

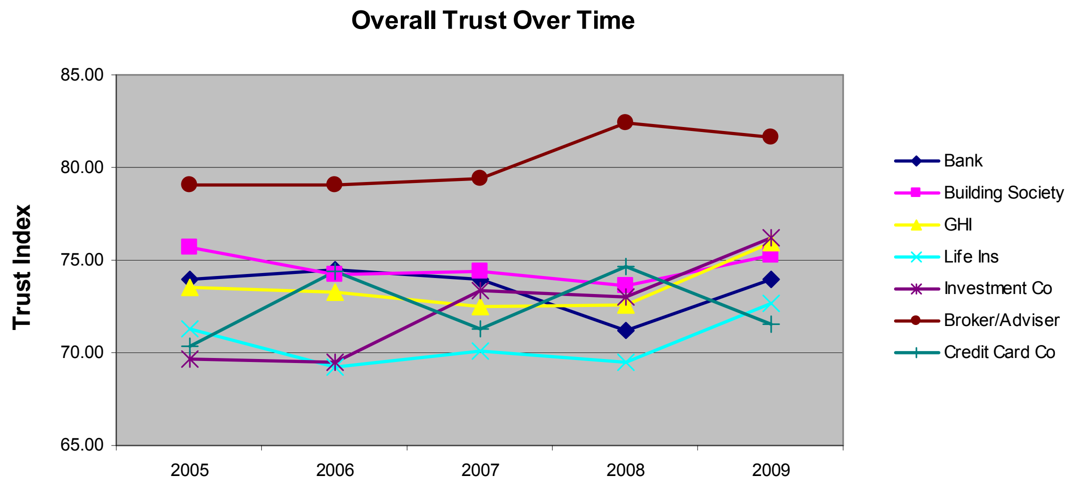
Trustworthiness measures the extent to which an organisation is worthy of consumer trust. As such it is the consumer's perception of the organisation. From a theoretical perspective this perception of trustworthiness is thought to be influenced by five factors, namely: integrity, ability/expertise, communication, shared values and benevolence.

A regression analysis to explore the relative impact of the five drivers of trustworthiness, suggests that integrity, benevolence, communications, and ability/expertise all have an impact on trustworthiness but shared values does not. In comparison with previous years analyses, it would seem that integrity, benevolence and ability/expertise are consistently influential as drivers of trustworthiness, whereas the significance of communications and shared values appears to be much more variable. The two drivers with the greatest impact in 2009 are integrity and benevolence which is consistent with the results of the 2008, 2007 and 2006 surveys. The two weakest influences in 2009 are communications and shared values.

7 Trust Ratings over time

Figure 4 presents the results from tracking trust over time, based on the exploratory study conducted in 2005, and the full studies conducted in 2006, 2007 2008 and 2009. In 2005 only information for FSIs was collected but in 2006, 2007 and 2008, data was also collected for comparator institutions.

Figure 4:



The analysis over time suggests a high degree of consistency in levels of customer trust in FSIs. Brokers and advisers are consistently the most trusted FSIs although they experience a marginal decline in 2009; life insurers tend to be the least trusted FSIs, along with credit card companies. Banks, Building Societies, general insurers, life insurers and investment companies all experience a slight increase in 2009 while credit card companies deteriorate after an improvement in 2008.

Further examination of the components of trust reveals some interesting patters. Figures 5 and 6 examine the evolution of base level (cognitive) and higher level (affective) trust.

Figure 5

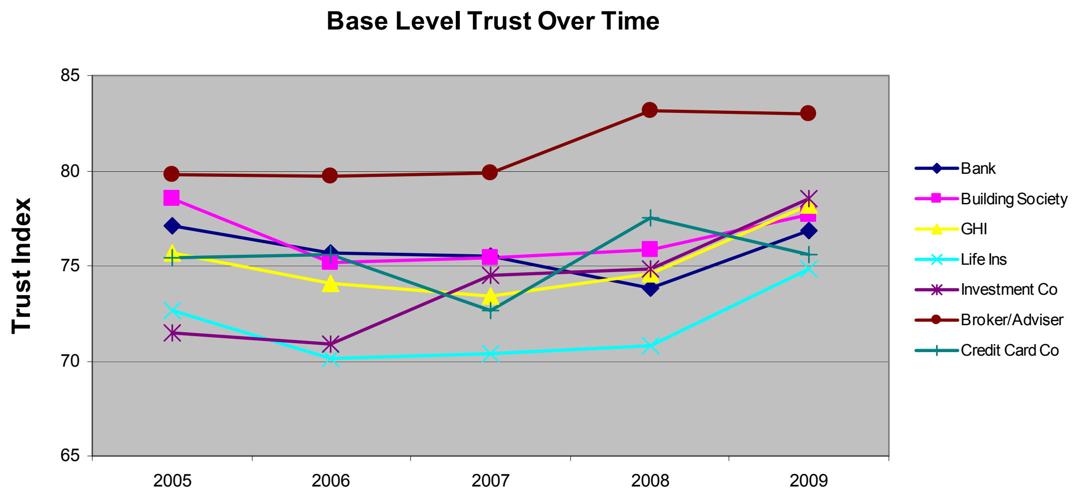
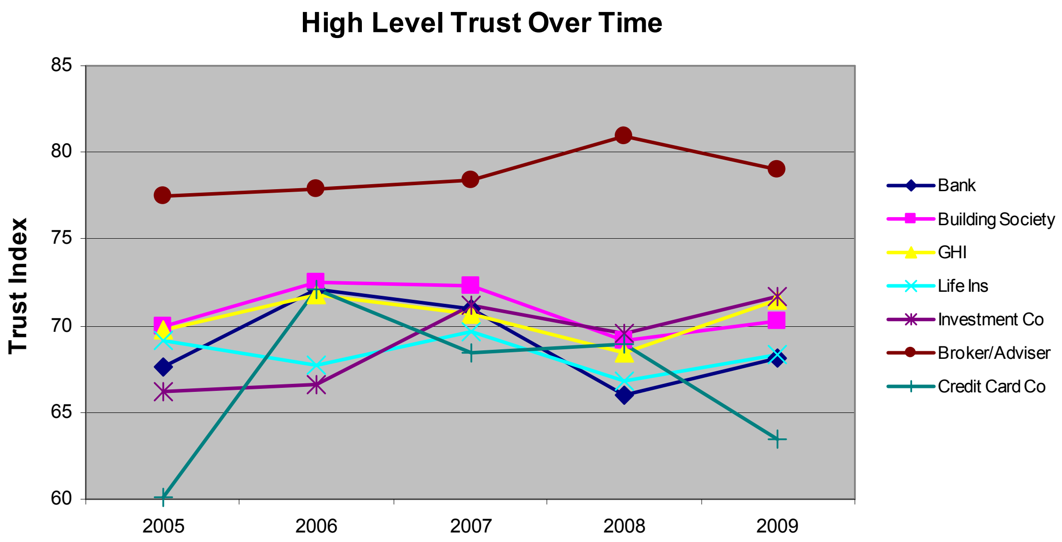


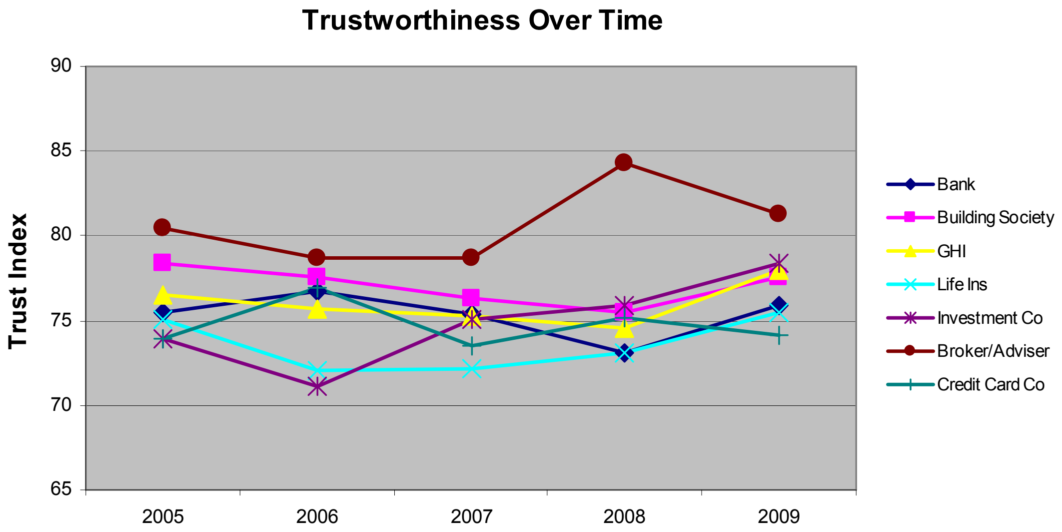
Figure 6



There is a high degree of consistency with the results for overall trust, as would be expected, but also some interesting variations. The strong position of brokers is clearly in evidence, but they appear to be affected by a drop in higher level trust between 2008 and 2009. Credit card companies also appear to do particularly badly with respect to higher level trust. Life insurers are the weakest FSI with respect to base level trust but also show clear improvement. In contrast, the picture is much more variable with respect to high level trust whether there seems to be rather less differentiation between institutions (with the exception of Brokers and perhaps credit card providers) and also weaker evidence of an improvement in comparison with 2008.

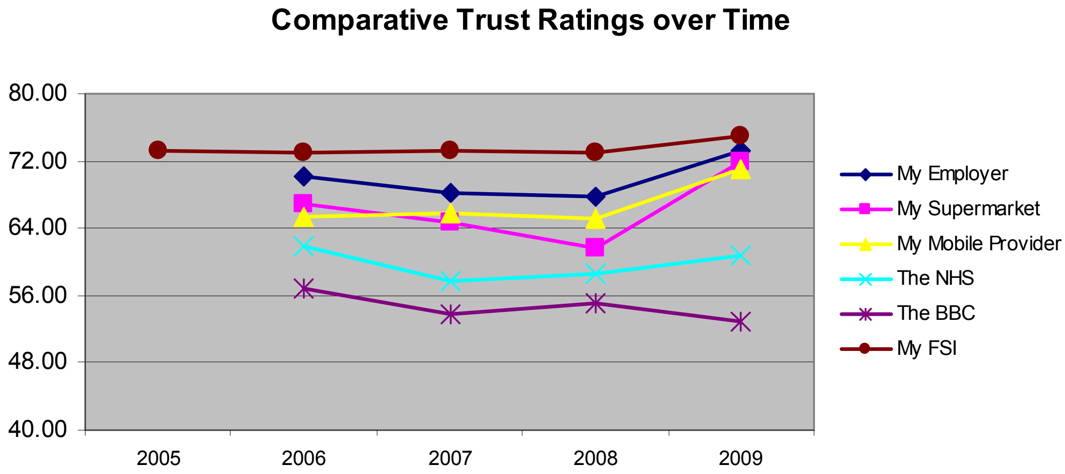
Figure 7 outlines the evolution of trustworthiness. Again, brokers show a high level of trustworthiness but also record a decline in comparison with 2008. Other FSIs display a degree of stability with indications of a slight decline for credit card companies and a slight increase for other providers.

Figure 7:



Finally, figure 8 compares trust ratings for the financial services sector as a whole with ratings for comparator institutions. These demonstrate that over the 4 year period for which data is available, the financial services sector has consistently recorded higher levels of trust than employers, supermarkets, mobile phone providers, the BBC and the NHS. Interestingly, the commercial institutions in this list are moving increasingly closer to financial institutions, but the BBC and the NHS remain significantly below FSIs – perhaps reflecting the fact that with FSIs and commercial organisations, consumers choose between alternatives in a way that they do not with the BBC and the NHS.

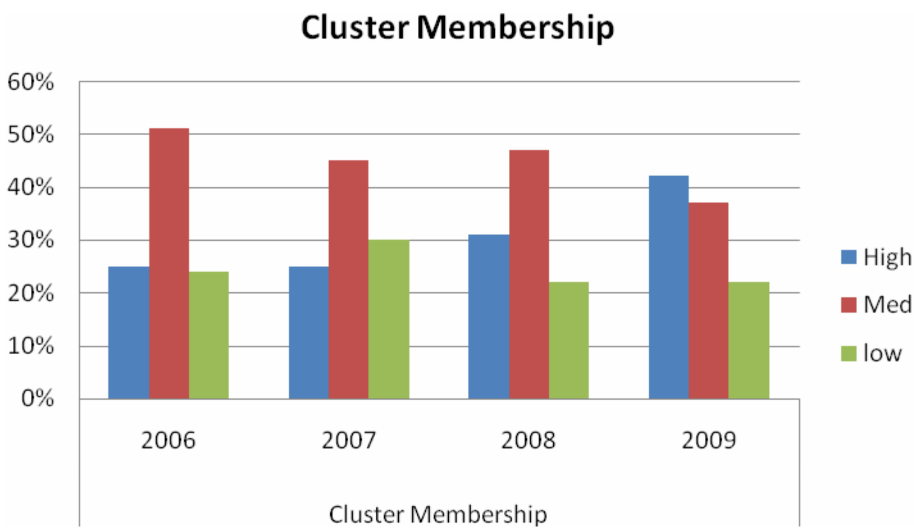
Figure 8:



8 Trust Segments

In order to explore that nature of trust and to get a better understanding of its characteristics, respondents were segmented based on their reported levels of base and higher level trust and on trustworthiness. The analysis was undertake for each year from 2006 onwards and the resulting clusters are shown in Figure 9. These figures suggest a reasonable consistent distribution over time between the low, medium and highly trust consumers, although there is evidence in 2009 of a shift from medium to higher levels of trust. Over the time periods for which the survey has operated, the proportion of low trust customers is consistently in the range 20-30%.

Figure 9:



Figures 10 and 11 report the trust scores by clusters for all four years for trustworthiness and for high level trust and these demonstrate a high degree of stability across the clusters throughout this time period, although with some evidence of declines for higher level trust across the time period

Figure 10:

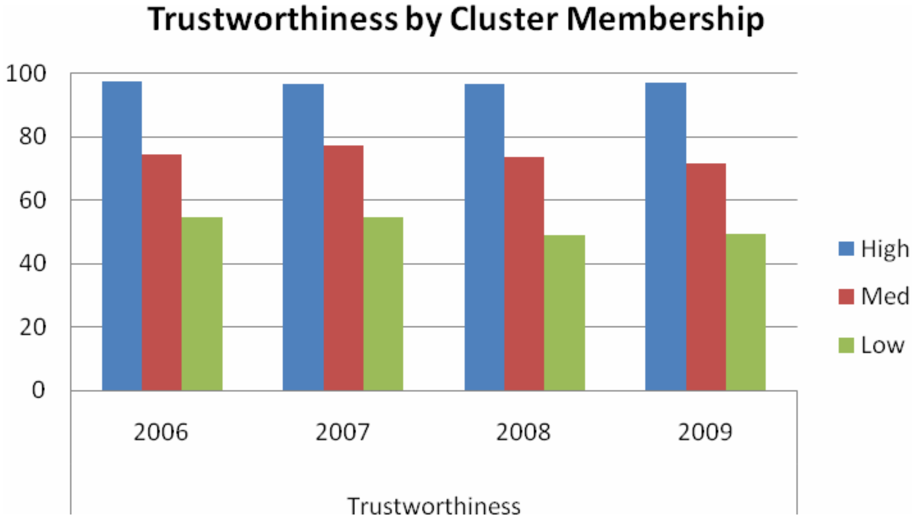


Figure 11:

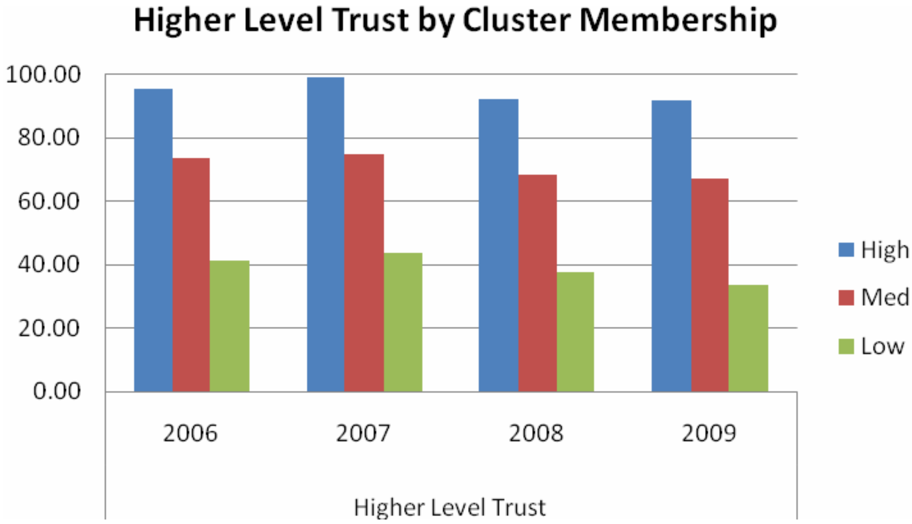
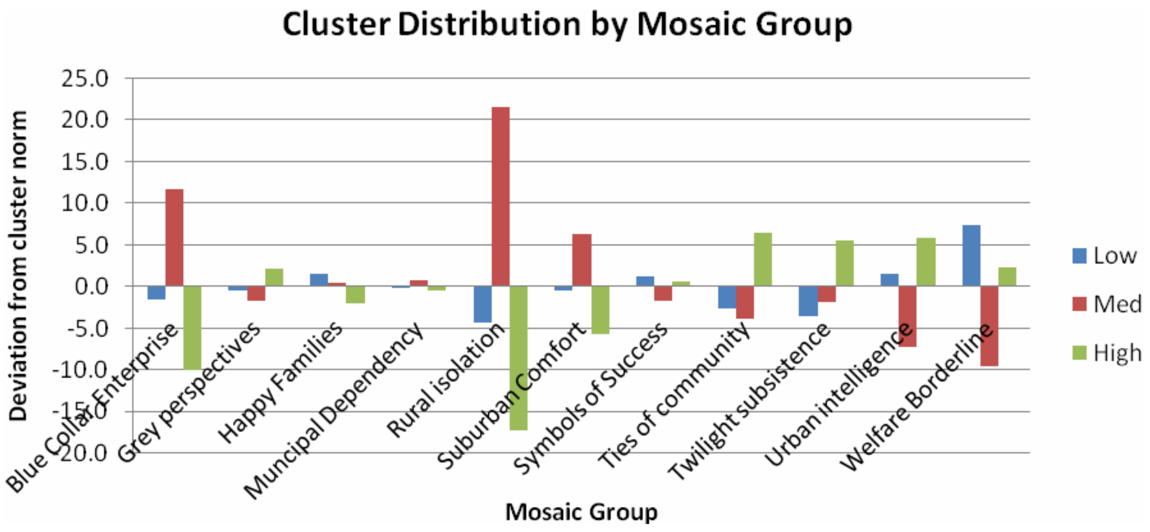


Figure 12 seeks to profile the different trust segments accordig to Mosaic type. To draw out the differences, the graph shows the categories in which each trust segment is over or under-represented. The rural isolation group has more medium trust customers than might be expected, as does blue collar enterprise. In contrast urban intelligence and welfare border line have fewer medium trust customers and relatively more low or high trust customers.

Figure 12:



With respect to other customer characteristics there is evidence to suggest that females are over represented in the high trust segment and males are over represented in the low trust segment. Consistent with earlier results relating to age, older customers are more prominent in the higher trust segments while the 25-45 age group tends to be more prominent in the low trust segment. Customers of brokers are over represented in the high trust segments while customers of credit card companies and life insurers are more prominent in the lower trust segments. While there is some evidence of systematic variations across the mosaic categories, what is perhaps surprising is that there is not more variability – for example, for grey perspectives, happy families and symbols of success, all three clusters are almost equally represented and the evidence of the graph is suggestive of more homogeneity than variability.

9 Conclusions

The current research provides a sophisticated and fine-grained measurement of trust and trustworthiness for financial services and it draws on a database of over 13000 observations over a 5 year period.

There has been considerable discussion in the media about levels of trust in FSIs in general and specifically, about the impact of the recent financial crisis. Against this backdrop, it might have been anticipated that the 2009 Trust Index would show a marked decline in consumer trust in financial services. In practice, this has not been the case and levels of trust and trustworthiness remain remarkably strong. The results for 2009 show a high degree of consistency with those reported in previous years. In terms of trust and trustworthiness, financial services benchmark well in relation other commercial and non-commercial organisations, and brokers remain the most trusted financial institutions.

Benevolence, integrity and ability/expertise are the primary drivers of trustworthiness and are the areas of organisational reputation that will tend to have the most impact in terms of enhancing consumer perceptions. There is evidence of variability in trust across channels, with the internet being associated with lower levels of trust, but little evidence of a positive association between trust and product holdings. As was the case in 2008, there is clear evidence of the benefits that good service recovery may have in terms of restoring trust.

While the comparative evidence suggests that FSIs might be re-assured about the extent to which their customers trust them, the analysis by age suggests that this position might be vulnerable in the longer term. Those under 55 show significantly lower degrees of trust in FSIs, perhaps reflecting different experiences of the financial services sector. This is suggestive of a significant challenge for FSIs in the future management of their relationships with customers outside this age group.

In addition, in an analysis by segment, it is apparent that there is considerable variability in terms of levels of trust across the sample. Over 20% of respondents fall into a low trust category with scores on the trust index suggesting a conscious degree of distrust. Although there is some evidence that the low trust customers are characterised by predictable demographic characteristics (gender, age), what is perhaps surprising is that there is no more variability in terms of the characteristics of individual trust segments.

Finally, against a backdrop of continued evidence for a strong level of consumer trust in financial services, it is worth recalling that in many senses trust is an essential part of a relationship and some degree of trust is necessary for a financial services relationship to exists. Moreover as an underlying belief we would expect trust to display some durability – an established belief is not easily undermined. But this should not be taken as evidence that all is well. There continue be a high proportion of customers displaying low levels of trust and many of these customers have the characteristics that would make them attractive to financial services providers, if they can build a better relationship. Trust varies with age and this suggests that there may be longer term issues for financial services providers. And finally, although trust is strong, there remains considerable scope for improvement, especially in relation to higher level trust.

Appendix 1: Survey Format

Key features
Telephone based survey, conducted by an independent market research agency using computer aided telephone interviewing. Within given age related quotas, names were respondents were selected randomly, contacted by phone and invited to participate.

All respondents were asked where possible about 2 institution/product contexts, specifically main bank, building society, general insurance provider, life insurance company, broker/adviser, investment company and credit card provider. Additional data captured included product holdings with named company, method of interaction and duration of relationship. Standard demographic data was also collected.

Respondents were asked to provide ratings of trust, with questions relating to both cognitive (low level) trust and affective (high level) trust. Trustworthiness was measured in the same way. The questions used are shown in Table A1.

In addition, a range of statements was used to measure the constructs that were considered to be the antecedents (drivers) of trustworthiness. Specific constructs measured were integrity, ability/expertise, shared values, communication and benevolence. The statements used are illustrated in Table A2.

Table A1: Measures of Trust and Trustworthiness

My main BANK …..	Strongly Disagree		Neutral		Strongly Agree
I trust my bank to do what it says it will do	1	2	3	4	5
I trust my bank to have my best interests at heart	1	2	3	4	5
My bank is very reliable	1	2	3	4	5
My bank is always honest with me	1	2	3	4	5
My bank is concerned about my best interests	1	2	3	4	5
Overall I feel I can trust my bank	1	2	3	4	5
My bank makes every effort to address my needs	1	2	3	4	5
My bank has a reputation for being reliable	1	2	3	4	5
My bank has a reputation for being honest	1	2	3	4	5
My bank has a reputation for being dependable	1	2	3	4	5
My bank has a reputation for looking after its customers	1	2	3	4	5
My bank has a reputation for having its customers interests at heart	1	2	3	4	5
Overall I feel my bank is trustworthy	1	2	3	4	5

Table A2: Measures of the Drivers of Trustworthiness

My main BANK …..	Strongly Disagree		Neutral		Strongly Agree
Does whatever it takes to make me happy	1	2	3	4	5
Keeps its word	1	2	3	4	5
Acts in the best interests of its customers	1	2	3	4	5
Shows high integrity	1	2	3	4	5
Is honest	1	2	3	4	5
Conducts transactions fairly	1	2	3	4	5
Has the information it needs to conduct its business	1	2	3	4	5
Is consistent in what it does	1	2	3	4	5
Can be relied upon to give honest advice	1	2	3	4	5
Shows respect for the customer	1	2	3	4	5
Treats customers fairly	1	2	3	4	5
Has the same concerns as me	1	2	3	4	5
Is receptive to my needs	1	2	3	4	5
Competently handles all my requests	1	2	3	4	5
Is efficient	1	2	3	4	5
Communicates clearly	1	2	3	4	5
Is responsive when contacted	1	2	3	4	5
Informs me immediately of any problems	1	2	3	4	5
Has the same values as me	1	2	3	4	5
Informs me immediately of new developments	1	2	3	4	5
Acts as I would	1	2	3	4	5
Is knowledgeable	1	2	3	4	5
Communicates regularly	1	2	3	4	5

	Strongly Disagree		Neutral		Strongly Agree
I am confident that existing regulations protect customers of this [BANK]	1	2	3	4	5
I am confident that this [BANK] complies with Government regulations	1	2	3	4	5
This [BANK] conducts its business is a sensible fashion	1	2	3	4	5

Appendix 2: Definitions

The following list provides brief definitions of the key constructs measured in the survey and discussed in the subsequent analysis.

Trust	*Consumers' trust in a financial services institution.* This is an attribute of consumers and is not something that an FSI can directly manage. Trust may vary across consumers because of different experiences and personality traits even where perceptions of trustworthiness are similar.
Trustworthiness	*The extent to which an FSI is perceived as being worthy of trust.* This is an attribute of the FSI; it is central to the image and reputation of the institution and is something that can be managed by both internal policy and practice and through external communications.
System Trust	*The extent to which consumers believe that the regulatory environment and business system provides protection for them.*
Benevolence	*The extent to which an FSI is concerned about its customers' interests from a customer perspective.*
Integrity	*The extent to which an FSI is honest and consistent in what it does from a customer perspective.*
Ability/Expertise	*The extent to which an FSI is seen as having the necessary skills and ability to deliver its services from a customer perspective.*
Shared values	*The extent to which consumers believe that an FSI has values similar to their own.*
Communications	*The extent to which an FSI communicates well/effectively from a customer perspective.*

Appendix 3: Demographic Tables

Table A1: Respondents by Institution Type

		Year				
		2005	2006	2007	2008	2009
		Count	Count	Count	Count	Count
Institution	Bank	264	601	579	442	459
	Building Soc	259	432	386	221	384
	GHI	265	543	476	416	512
	Life Ins	255	547	426	384	380
	Investment Co	251	607	378	392	357
	Broker/Adviser	240	333	250	168	243
	Credit Card Co	253	429	318	213	355
	Total	1787	3492	2813	2236	2690

Table A2: Sample Distribution by Institution Type

		Year				
		2005	2006	2007	2008	2009
		%	%	%	%	%
Institution	Bank	14.8%	17.2%	20.6%	19.8%	17.1%
	Building Soc	14.5%	12.4%	13.7%	9.9%	14.3%
	GHI	14.8%	15.5%	16.9%	18.6%	19.0%
	Life Ins	14.3%	15.7%	15.1%	17.2%	14.1%
	Investment Co	14.0%	17.4%	13.4%	17.5%	13.3%
	Broker/Adviser	13.4%	9.5%	8.9%	7.5%	9.0%
	Credit Card Co	14.2%	12.3%	11.3%	9.5%	13.2%

Table A3: Sample Age Distribution

		Year				
		2005	2006	2007	2008	2009
		%	%	%	%	%
Age group	<25	1.8%	5.8%	5.5%	5.8%	3.3%
	25-34	7.9%	14.9%	14.7%	14.4%	12.7%
	35-44	16.9%	19.6%	19.7%	19.9%	18.7%
	45-54	21.5%	19.1%	19.1%	20.2%	18.3%
	55-64	22.9%	20.4%	21.0%	20.6%	27.1%
	64+	29.0%	20.1%	20.0%	19.1%	19.8%

Table A4: Sample Distribution by Lifestage

		Year				
		2005	2006	2007	2008	2009
		%	%	%	%	%
Lifestage	Living with parents	16.0%	4.5%	2.6%	8.1%	2.5%
	Own home, no children	15.8%	14.1%	24.0%	25.0%	23.7%
	Own home, pre school children	4.3%	2.7%	5.5%	4.7%	1.7%
	Own home, school age children	17.5%	9.9%	19.8%	17.1%	11.2%
	Own home, post school children	11.8%	7.8%	14.9%	13.3%	14.8%
	Own home, children left home	34.5%	28.1%	32.9%	30.8%	45.1%
	Living in childs home	.2%	32.9%	.3%	.9%	.9%

Table A5: Sample Gender Distribution

		Year				
		2005	2006	2007	2008	2009
		%	%	%	%	%
Gender	Male	48.9%	45.1%	38.8%	41.1%	43.6%
	Female	51.1%	54.9%	61.2%	58.9%	56.4%

Table A6: Sample Distribution by Ethnicity

		Year 2005 %	2006 %	2007 %	2008 %	2009 %
Ethnicity	White	98.5%	96.4%	96.3%	97.9%	97.3%
	Black - Caribbean	.3%	.5%	.5%	.3%	.2%
	Black - African	.0%	.6%	.3%	.1%	.3%
	Black - Other	.2%	.1%	.1%	.1%	.0%
	Indian	.3%	.9%	.9%	.9%	.7%
	Pakistani	.2%	.4%	.8%	.4%	.6%
	Bangladeshi	.0%	.1%	.0%	.0%	.0%
	Chinese	.0%	.1%	.1%	.3%	.2%
	Any other ethnic group	.5%	.9%	1.0%	.0%	.6%

Table A7: Sample Distribution by Marital Status

		Year 2005 %	2006 %	2007 %	2008 %	2009 %
Marital status	Married	54.4%	59.5%	61.0%	66.6%	65.4%
	Single	11.0%	20.2%	13.4%	18.9%	15.9%
	Divorced	6.2%	5.4%	9.7%	4.2%	7.4%
	Separated	1.6%	1.8%	1.4%	1.3%	1.4%
	Widowed	9.4%	8.5%	7.0%	5.7%	5.5%
	Cohabiting	3.0%	4.2%	7.3%	3.2%	2.9%
	Refused	.5%	.3%	.2%	.0%	1.0%
	Not asked	13.9%	.0%	.0%	.0%	.5%