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Bank Sustainability Reports: Disclosure of Conduct Costs and related matters

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As concerns about bank conduct costs continue to grow, with the latest news (21.10.13) about huge fines being levied on JP Morgan, Bank of America and others in connection with mis-selling, the media have caught on to the fact that "it's all beginning to add up" (BBC Radio 4 Today Programme 21.10.13). When we publish our findings later this year, you will see more precisely how it all adds up….

Many questions are raised by the level of these conduct costs. Are the fines a fair reflection of bank wrongdoing? Are they enough? Or are they getting out of proportion? Could all this money be better used in another way?

And what are the implications for the banks' "ethical makeover"? Can conduct cost levels be reconciled with this? Some commentators have, for example, observed that it seems inappropriate to worry about the Co-operative Group potentially losing control over the Co-operative Bank, for fear it will not be able to hold on to its "ethical policies", when that bank's ethics are already under suspicion due to the scale (a £269M provision)of its product mis-selling. Do provisions like this reflect on ethics? It's hard to argue that there is no relationship at all. But perhaps the conduct costs reflect the "bad old days" and, under new management, we can expect banks to improve?

What many of us may not have noticed is that banks, like other companies, are supposed to give us details of fines levied on them in connection with their products under the Global Reporting Initiative. Such details should go in their "sustainability reports". Try looking for them! We have put together a report on how well the banks have observed this requirement…..

See Bank Sustainability Reports [PDF].