Banks: I See Things Differently

by John Dahlsen

(former Director of the ANZ and Chair of Woolworths)

Ethics and Values

The inner world of banking is private, secretive, murky and dark and bank reputation and ranking is low.

We are paying for a bankers' visible of designer suits, shirts, ties, cuff links, watches, flash cars, 5 star restaurants and first class travel.

Bankers trade information with the media and competitors and try to present an image of deep connections and success.

Bankers move from one bank to another so customers' confidential information tends to follow. It is an industry where:

- ethics are a nuisance to be traded when convenient,
- the rewards are outlandish and the morals outrageous,
- greed and arrogance is alive
- any form of social conscience is a nonsense,
- Where there is a culture of vultures.

The banks' advertising, promotions and branding is the opposite of the truth.

Where reputation and brand ranks ahead of people, profit and social conscience.

In summary, banks push the envelope but don't mope, they are on a slippery slope.

Once captured by the culture and the excessive rewards, bankers become incredibly resistant to change.

Banks as Users

Bankers - don't try to engage, you will never succeed unless you concentrate solely on money and deals.

Where the transactions are few but large, the temptation is to cheat and beat the competition.

When deals are low value, they charge large amounts, but when they are high value, it is percentages and claim that become the market rate.

Selfishness

Banking will always need extensive regulation because selfishness causes so much moral strangulation.

Adam Smith, the father of the free market, distinguished self-interest and selfishness but bankers don't get it.

Self-interest unlike selfishness can still provide mutual benefits and without recklessness.

Banks do not accept the concept of mutual benefit because selfishness reigns supreme: it's become a habit and a moral impairment.

Staff

Staff live in fear because of redundancy. This fear transfers to customers who are smart enough to notice.

Many staff hate their jobs of screwing customers but the culture affects them all.

Staff can't afford to be made redundant because they have been overpaid at the expense of the customer.

The structure needs changing with more delegation to improve customer and staff morale.

Customers so hate the banks that disruption alternatives will be pursued in haste.

Customers

Customers are numbers without names and there needs are treated the same. Their individual needs are expensive to meet and if there is no money to be made, then individuals are abandoned.

Conflict

It is not surprising that abuse is tall because of the conflict is in borrowing from Peter for nothing and charging Paul like a bull.

Conflict is rife and often abused, and Chinese walls are illusory.

Their inherent conflict is difficult to pick but it is an opportunity to make a bigger percentage and that is the trick.

Insider trading is subtle and obtuse and seldom reported.

Parallel Behaviour

Banks work together to provide many shared services. This makes the ACCC nervous because this co-operation spreads and competition is reduced.

Banks match each other's products.

They are all the same, so don't waste your time complaining about the culture.

Reform

The banks' arguments for no reform or change are based on the need for stability in the sector and on the need to hide ill deeds and greed.

The Government should not underestimate the external forces for change because customers are so frustrated. Remember: what goes around, comes around.

The reform and the cultural change required might take years to achieve *but* one hopes that external pressures may accelerate this.

Banks believe they are impervious to change and reform but their resistance will eventually weaken.

Mistakes by the banks will accelerate reform, so don't despair. Mistakes are certain.

Shareholder Returns

Senior management concentrate on ROE and the short term, and so long term sustainability is myth.

Today is all that matters because tomorrow we are gone.

Social conscience is a baggage that they do not want.

Social conscience is seen as a nonsense.

Knowledge Transfer

Senior executives and directors move from bank to bank so customers' secrets can be shared with ease. This further reduces competition to the advantage of the banks.

Consultants charge outrageous fees for transferring knowledge from one bank to another.

Banking consultants regularly change sides and make huge fees out of the rides.

Structure

Banks are more like manufacturers than retailers. They produce their own product for distribution to customers so decisions are made from the top. Retailers distribute others products as required by customers so the decisions are driven from the front.

Retailers are much more customer focused whereas banks are driven from the top with metrics and little customer focus.

Risk

To pretend that risk is a science and that statistics don't lie is an insult to our intelligence.

Risk is for the pessimists, the depressed, the doomsayers, the do-nothings, the fault finders. The more negative you can be, the safer your job - but the less you help your customers.

The old fashioned banker who understood customers and risk no longer exists. Discretions are almost non-existent because staff are not trusted or empowered.

The probability of failure is not moderated with the probability of success.

So long as banks collude and are all the same, the risk of concentration for Australia is acute. Only the Government can change that.

Banks prefer to borrow rather than use expensive capital so the leverage and effect on salaries is huge.

APRA

APRA is the monster that protects the banks from disaster and its constant interventions reduce competition.

APRA is both a friend and foe. It limits and regulates the way banks compete. APRA transfers knowledge from one bank to another, so the circle is complete.

APRA is not concerned with customers and competition because they are not in their remit.

If bank ethics remain low, banks must expect regulation to grow.

Banks trade in parallel and are all the same. You could change the labels and no one would notice. They defend their business walls from all intruders and nothing gets through because of APRA.

Regulatory controls

Banks are users of debt because the conditions for capital are more difficult and costly.

Senior bankers' share of the pot is outrageous, but the regulator has failed to pay this any attention.

The regulator risk framework is a triangle of debt, loans and capital but is not easy to regulate for it is forever changing.

The objectives of the regulator are often difficult to ascertain.

There is confusion between the balance sheet, the profit statement and cash flow and that works for the regulator.

Their statements are a snapshot in time. However the position changes daily and this leads to poor control.

Banks treat regulation as a game to protect their pay. They are more concerned about their rewards and their self-interest than the interests of customers and other stakeholders.

Disrupters

It is the banks failure to compete will allow disruptors into the market.

If the disrupters are not regulated, this will give them a significant advantage.

Banks will attempt to acquire these enemy disrupters, abuse their model and infect them with bankers' disease. But with luck there will be too many of them.

Harper / Murray Review

The Murray Report was inadequate because it was an insiders' report with Murray and all the banks in concert.

In the Murray Report the structure and profitability of banks was overlooked, not least because Murray did not want to be attacked by his fellow bankers. "Murray did not probe the Sector because he had enjoyed the nectar."

The tension between competition and the stability of the sector was never tested.

The Harper Review could not review banking as a sector as Harper was required to stick to the general principles of competition.

Social Contract

The notion that the banks' privileged market position gives rise to a social contract or obligation seems to be a dream.

A social contract needs to be set in stone in the interests of the Government, the customers and indeed the banks themselves.

Government / Governance

Banks are not virtuous and it will take a bold leader to tackle them in the interests of the customer and the economy as a whole.

Government should not be scared to act for customers. The country will react positively and votes will be won.

The country desperately need growth. The banks could fund it but they won't because their lust for income is supreme. They would prefer to continue with zero risk.

A Royal Commission is inappropriate as is in the re-structure and the need for competition that is needed.

Governments are frightened because the banking lobby is so powerful. But the people will fight because they have been for so long aggrieved.

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