



CUSTOMER FOCUS: Gordon Wilson ... the answer is not a difficult one

Dark side of financial services

Scandal: Sector must learn lessons after Goldman Sachs resignation

BY GORDON WILSON

The public resignation letter from one of Goldman Sachs senior executives which described the Wall Street bank as "morally bankrupt" provides a salutary lesson to everyone in financial services and should be a wake-up call to anyone who doesn't put the interests of their customers first.

Goldman is one of the best-respected and successful financial institutions in the world, yet the picture painted was one where clients were reportedly simply viewed as commodities from which to make money.

The letter describes a dark side of financial services. This was allegedly an environment where the focus was on pushing the most profitable products to clients rather than those which were most appropriate.

High-profit opaque and complex products were said to have been sold to unsuspecting customers whose needs were well down the list of priorities.

The news on Goldman Sachs comes on top of a seemingly never-ending

stream of announcements of banks being fined, for what is essentially self-interest, could easily lead you to conclude that this kind of behaviour is endemic in the industry.

What I find most difficult to understand in all this is that this kind of behaviour is self-defeating. In financial services, trust has to be there for business to be done and if businesses and individuals put their own

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needs first then this can only be successful in the short term because they will be found out.

The industry needs to get its act together and put the needs of its customers first. If it does this then in time it has the chance to be recognised as a profession, but it has a long way to go.

The answer is not a difficult one. Put the interests of your customer first, deliver professional advice which is of benefit and of value and charge the right price. In this way, the customer gets the best advice

and the business makes a profit. It is in the customers' interests to consult a profitable business as this means it is able to meet its regulatory requirements, invest in its people, and it will be here next year to stand behind its advice and provide ongoing service.

My great hope is that the Retail Distribution Review will make a difference. At the end of this year, commission for the sale of products is banned and a fee has to be agreed with customers instead. Advisers also need to be better qualified and businesses will need to have greater reserves.

The industry needs to want to change; it needs to open its eyes to the fact that customer needs and business interests can co-exist.

Goldman is not a one-off example of poor practice and until the industry stops relying on the regulator to police and chastise it, and instead takes the lead in putting the customer first we will continue to see fines and censures and financial services will never be trusted.

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