Power, Corruption and Lies: Cultures of Mis-selling in the Financial Services

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Abstract:

The financial services industry has come under vituperative criticism in recent times, caused in part by the global financial crisis (GFC) of 2007/08 together with a number of high profile episodes of questionable employee conduct. The hemorrhaging of public trust in the industry has been accompanied by an explosion of accounts in the popular and academic press as to the causes of the GFC that largely focus upon the development of overly technical and complex products and services and broad-brush commentaries about the culture of banking with a specific focus on the banking profession's elite. Careful empirical analysis of specific forms of problematic conduct are generally missing from the post-crisis literature and in large part, issues of public concern relate to systematic dishonesty in relation to mis-selling and excessive risk taking, both in the context of a generally perceived absence of direct consequences for transgressive employees.

All too frequently however 'culture' has become the explanans to the explanandum of all misconduct in financial services, with the usual suspects of better training and tighter regulation deployed as palatable policy prescriptions. The framing of culture within the financial services as self-interested, dishonest and greedy pathologises phenomena like mis-selling, leading to moralisation and demonisation of employees with little insight gained into the actual processes at play.

In contrast, this paper seeks to understand the mechanics of mis-selling by drawing on an ethnography of the opening of a new retail financial services call centre. The paper documents the training, induction and initial work of direct sales agents to better understand the complexity, social relations and organization of mis-selling, together with the way in which regulation and management regimes shape sales practice, and consequent employee behaviour. This allows for an exploration of the processes by which mis-selling becomes entrenched in organizational practice and contributes to our understanding of the everydayness of mis-selling.

Key Words: Culture, Ethnography, Mis-selling, Regulation, Retail Financial Services, Risk.