

Money Matters

Search articles, quotes and multimedia

Search

Advanced search

Home UK World Companies Markets Global Economy Lex Comment Management Personal Finance Life & Arts
Property & Mortgages Investments Pensions Tax Banking & Savings Insurance Money Matters Advice & Comment Calculators Tools

October 5, 2012 6:44 pm

[Share](#) [Clip](#) [Reprints](#) [Print](#) [Email](#)

Can 'FairBanking' restore our trust in banks?

By Lucy Warwick-Ching

News this week that a new scheme is [poised to become the financial equivalent of FairTrade labelling for food](#), could be just what the banking industry needs to regain customers' trust.

The FairBanking Foundation – a research-based charity that has been busy delving into all the big UK banks and building societies over the past 18 months – is working hard to assess how well their accounts and cards help customers to budget, save and reduce debt.



More

ON THIS TOPIC

- [Banks plea for right to sell derivatives](#)
- [Lex Lloyds and RBS – less than thrilling](#)
- [Ombudsman seeks no-claim PPI payouts](#)
- [Boost to Funding for Lending backers](#)

IN MONEY MATTERS

- [Germans warm to property ownership](#)
- [How the mortgage world has changed](#)
- [Insuring an Olympic torch quote me happy!](#)
- [Would you trust an unregulated letting agent?](#)

The foundation does not compare price factors like a price comparison site does, such as the interest rate charged on a credit card, or paid on a savings account. Instead it is concerned with non-price factors such as how well the product helps the customer to improve their financial wellbeing. It believes financial wellbeing is driven mainly by how “in control” and “on top of” their finances the customer feels – not by how much money they have.

The argument for such a rating system is that with banks under pressure to become more competitive in their retail offerings, an independent rating system could encourage product innovation. The director of FairBanking says he is in talks with a number of banks about what consumers want and how to improve their products.

The idea of a kite standard for banking products would certainly seem to fit with the government's agenda. A report by former banker Carol Sargeant, now chair of the HM Treasury steering group, is working on “simple

products” which it is proposed will carry a badge of some kind to make it clear that they have met certain set standards.”

So, does everyone think it's a good idea? Unsurprisingly those banks that have been awarded a FairBanking mark are positive towards the scheme. One senior high street bank employee said “the development of a FairBanking mark or standard could provide a positive way for consumers to compare products and services from the financial services industry,” while another said “anything that helps us build independent measures of fairness in an easily accessible way is really, really helpful”.

But consumer groups questioned the usefulness of the marks. Justin Modray of CandidMoney.com said that because the new FairBanking initiative doesn't consider interest rates or charges, this “renders it a bit pointless”.

He argues that most customers would rate fairness on these two factors rather than things such as website tools and text alerts that FairBanking looks at.

However, the main problem for the foundation at the moment is that [only a tiny fraction of the banking products available in the market have had a FairBanking mark awarded](#).

This is because many banks have not submitted their products for testing – those worried about not meeting the standards have shied away from the scheme completely. Just two high street banks and three smaller account providers, have been judged worthy of the first “FairBanking” marks for financial products, under the new accreditation scheme despite more than 250 current accounts, savings accounts and credit cards being assessed.

These were products offered by Lloyds TSB, Secure Trust Bank, Thinkmoney and RBS/NatWest. Three of these products were upgraded from a three-star rating to a four, while the Lloyds TSB product earned a three-star mark for the first time.

Perhaps the accreditation from the UK Accreditation Service, the government-appointed body that approves organisations providing a testing service, which could happen by the end of the year will add weight to the awards. Anything that [helps to restore the crumbling trust in the UK banking system](#) has to be worth a try.



EDITOR'S PICKS

MONEY SHOW

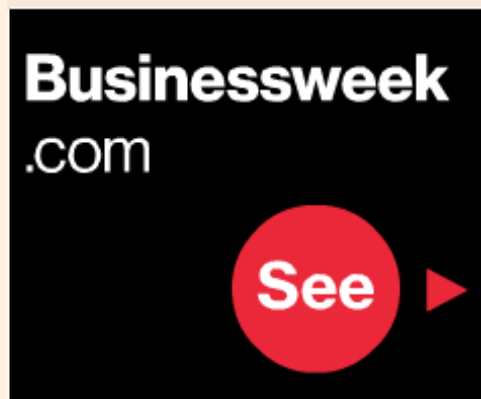


Podcast: US election, four-bedroom properties and equity funds

SERIOUS MONEY



Why pensions aren't top of the Peps



Most popular

1. Fancy fixing your mortgage for 30 years?
2. How to avoid inheritance tax
3. Are credit cards in terminal decline?
4. Ryanair's cash passport goes ahead
5. Queen's bank proves no savers are immune

Trading Centre



FINANCIAL TIMES JOBS

Enter job search here... [Search](#)

Group Tax Manager Yorkshire Water	Finance/Commercial Director Aerospace
Vice President of Finance Non-profit organization	UK Chief Accountant Banking

Register for free to receive the latest executive jobs by email

Latest headlines from CNBC

- Pro: Your Election Day Trade
- Obama-Romney: Where They Stand on Immigration
- Obama-Romney: Where They Stand on Energy
- Obama-Romney: Where They Stand on Education
- Where Obama-Romney Stand on Health Care, Social Security