

Banking Sector Least Trusted: At Credit Unions, It's Different

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Two things – poor performance and unethical behavior – are the reasons why banks are the least trusted financial institutions in the world, concludes a new study. While banks may be the least trusted, consumers have again and again pointed out in other studies that credit unions are the most trustworthy of financial institutions.

"Much of the trust people place in the banking and financial services industry rests on two attributes: perceived performance and perceived behavior. In both, banks have fared poorly," said the 2013 Edelman Trust Barometer, a global study that noted "severe drops in trust in banks over five years" with "two-thirds of markets now below 50% trust level."

Not so for credit unions, said the Credit Union National Association. Studies that extract separate information about credit unions and compare them to other financial institutions end up shining a spotlight on the credit union difference. A key factor is credit unions' trustworthiness.

In 2012, more than half a dozen surveys about customer satisfaction and trustworthiness all gave credit unions higher marks for both than they did banks, especially big ones. Credit unions topped satisfaction and trust surveys conducted the past year by Prudential, ath Power Consulting, the American Customer Satisfaction Index, Prime Performance's reputation study, Temkin Group's customer service ratings, CUNA's National Voter Survey and others.

For example, the Chicago Booth/Kellogg School Financial Trust Index consistently reported more trust in credit unions than in local and national banks, quarter over quarter, since the survey began in December 2008.

The Edelman Trust Barometer indicates a worldwide dip of consumers' trust in banks to 45% today from 56% in 2008. Of the 18 countries for which the barometer has data back that far, trust in banks dropped in nine of them--eight

of which are developed countries.

The industry got poor grades in small business lending and in providing home mortgage loans – two areas that credit unions have stepped in to fill when consumers could not get loans approved by banks. Fifty-six percent of those surveyed by Edelman noted last year's banking and financial services scandals. Roughly 59% said were banks behaving badly, with corruption, conflicts of interest, poor corporate culture, poor leadership, changes in the economy, lack of regulation and a too-big size all causing trust deficits.

The Edelman study focused on six areas of banking – lending to small business, providing home mortgage loans, offering credit cards, trading and investing in government debt, ensuring privacy of personal information, and overseeing initial public offerings. Fewer than 40% of informed publics in developed countries rate banks as doing well in five of them, the study said. The one exception – ensuring privacy of personal information – still remains below 50%, Edelman said.