

# **The Financial Service Industry and the 2008 Financial Crisis: How to Restore Lost Trust**

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# **The Financial Service Industry and the 2008 Financial Crisis: How to Restore Lost Trust**

Responding to calls for research into the drivers of environmental or system trust this study examines and identifies factors that foster consumer trust in the environment within which the UK financial services industry operates against the background of the 2008 financial crisis and other scandals that have affected the industry.

The findings suggest that consumers hold a generally positive perception of both statutory and self-regulation and draw considerable reassurance from regulations related to the industry itself and wider data protection regulation. Consumers are also shown to hold expectations concerning both the attire and condition of the business premises of financial advisers which if not met can adversely affect the formation of trust and disrupt transactions.

A finding not suggested in the existing academic literature links consumer needs for privacy, confidentiality and data security to premises design and indicates that consumers also hold considerable expectations in this regard.

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## 1.0 Introduction

The impact of the 2008 financial crisis upon the economy and society in general has been widely reported. For the financial service industry, the events of 2008, together with a history of poor service and a litany of scandals, have led to a comprehensive loss of consumer trust in the industry with fewer than one in three consumers now trusting banks, with figures for other types of financial services organisations lower. After such a torrid time in recent years, the scale of the challenge that the industry faces in rebuilding that trust is daunting (Stylianides n.d.) particularly as eight years after the crisis rocked the global economy, media coverage still focusses on the lack of consumer trust in the industry. Restoring trust and public confidence is imperative as the industry plays a vital role at the heart of the economy and is ‘critical to financial stability’ (Chater 2015 p. 2).

Past research has noted that trust is of particular importance to any service industry, including financial services, as there is often a lack of tangible evidence of product quality (Ennew *et al.*, 2011) which in practice makes it difficult, if not impossible, for a consumer to evaluate the success or otherwise of a transaction to purchase a financial services product (Gough 2005). Trust has also been noted to be of importance to policy makers in the financial services arena as understanding the factors that influence trust can not only help to prepare for a sudden fall in trust as experienced during the 2008 crisis, but may also help in restoring trust following such a crisis (Jansen *et al.*, 2015).

Given this importance, the subject of trust relating to the financial services industry has received much attention in the literature with a variety of studies focussing upon different aspects of trust between consumers and the industry. For example, Gill *et al.*, (2006) studied interpersonal trust between a consumer and a specific representative of an organisation by examining the formation of trust between Canadian small businesses and their banking

relationship managers, whilst Jansen *et al.*, (2015) studied the breakdown of trust by examining factors that would cause Dutch consumers to lose trust in banks. Other researchers have highlighted the critical role of trust in the wider environment. For example, Gill *et al.*, (2006) found that consumers develop more trusting beliefs when reassured that banks are complying with legal standards, whilst Grayson *et al.*, (2008) found that a reduction in wider environmental trust can reduce interpersonal trust. Consequently the regulatory environment within which an organization operates has been described as a highly influential factor for developing consumer trust in third party organisations (Nienaber *et al.*, 2014).

It has however been noted that little research has addressed the subject of the antecedents of environmental trust and that the literature in this area, and therefore our understanding, is underdeveloped (Ennew *et al.*, 2011; Sekhon *et al.*, 2014; Jansen *et al.*, 2015). Consequently calls have been made for further studies addressing the factors that foster wider ‘*environmental*’ trust (Grayson *et al.*, 2008), clarification of the role of regulation, enforcement and compliance in the development of trust (Nienaber *et al.*, 2014), and the individual drivers of trust (Sekhon *et al.* 2014). Responding to these calls, this study addresses the lack of research in this area by undertaking an exploratory qualitative study of this issue with the results being used to inform a subsequent quantitative study. The aim of this study is therefore to provide a deeper understanding of environmental trust, including the identification of antecedents, drivers and components and the role that regulation plays in the development of environmental trust.

The context chosen for this study is the relationship between UK consumers and financial advisers as trust has been shown to be a significant influence upon the willingness to purchase higher risk financial services products (Inderst and Ottaviani 2012) and of increased importance in situations where the product or service being purchased is both high risk and high credence as is the case of financial services products purchased through a financial

adviser (Diacon and Ennew 2007). Consequently trust has been described as playing a central role in the relationship between a consumer and their financial adviser (Ennew 1992; McKechnie 1992).

There are also a number of contradictions in the literature in this subject area. For example, Shapiro (1987) noted contradictions relating to the membership of professional associations whilst Devlin (2007) noted ambiguity relating to the role of brand. This study therefore also aims to address this ambiguity.

The next section of this paper presents the theoretical background to the study including the development of hypothesis, followed by the research methodology which includes a description of the samples used for this research. Findings from both phases of research are then presented which are subsequently discussed in the following section. Key managerial and policy maker implications, research limitations and directions for future research are then presented in the final section.

## **2.0 Conceptualisation of Trust**

Trust is not a behaviour or choice but an underlying psychological condition (Rousseau *et al.*, 1998) that is seen as a highly complex and multi-dimensional concept that crosses interdisciplinary boundaries with a variety of different outcomes, antecedents and consequences that is often highly contextual. The concept of trust has been extensively studied as it widely accepted to be important if not indispensable in all aspects of social life where interaction with others is desirable or necessary (Lewis and Weigart 1985; Sitkin and Roth 1983; McAllister 1995). This importance has also been reflected in studies addressing the relationship between businesses and consumers where trust has been described as a linkage mechanism between buyers and sellers, central to and as a catalyst to buyer seller transactions and critical in maintaining effective relationships between business and consumers (Dagsputa

2000; Ekici and Peterson 2009; Hansen 2012; Yousafzai *et al.*, 2009). This is particularly the case with services industries such as the financial advice industry, due to a lack of tangible evidence of product quality (Ennew *et al.*, 2011).

One consequence of the fact that trust is both highly complex and crosses inter-disciplinary boundaries is that there has been a wide variety of approaches to investigating trust resulting in differing conceptualisations and a plethora of models and definitions.

Consequently trust has become a confused and elusive concept (Colquitt *et al.*, 2007; McKnight and Chervany 2001; Shapiro 1987). In an attempt to rationalise this confusion, McKnight and Chervany (2001) analysed the definitions of trust given in 65 studies across five disciplines to develop the model of trust presented in Figure One.

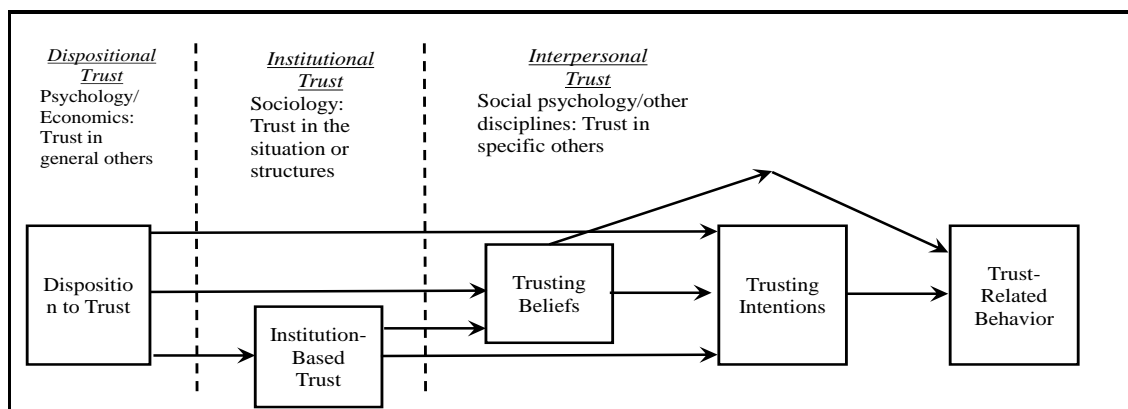


Figure One: Interdisciplinary Model of Trust (McKnight and Chervany, 2001: p. 33)

Given the robust process used, this study will use the McKnight and Chervany (2001) model as a conceptual basis where wider environmental trust is referred to as ‘institution based trust’ and is defined as circumstances in which an individual ‘believes with feelings of relative security, that favourable conditions are in place that are conducive to success in a risky endeavour or aspect of one’s life’ (McKnight and Chervany 2001, p. 37) and comprises of two components; ‘structural assurance’ and ‘situational normality’.

In the McKnight and Chervany (2001) model environmental trust is shown to lead to trusting beliefs and trusting intentions, therefore the following hypotheses are proposed:

*H1: Structural assurance will lead to trusting beliefs and trusting intentions*

*H2: Situational Normality will lead to trusting beliefs and trusting intentions*

## 2.1 Structural Assurance

Structural assurance refers to trust placed in the structure surrounding a particular transaction rather than trust placed in individuals reflecting the arguments of authors such as Neu (1991) and Zucker (1986) that rules and regulations create trust by standardising organisational behaviour across marketplaces. In practice, consumers effectively substitute reliance upon interpersonal trust gained through experience of transacting with a particular industry or third party for reliance upon the regulatory framework that surrounds a particular industry to constrain the actions of that industry within acceptable boundaries (Sitkin and Roth 1993). In common with all aspects of trust, structural assurance is the product of a network of interconnected factors McKnight and Chervany (2001).

### *2.1.1 Statutory regulation.*

Structural assurance can be fostered by a regulatory framework governing most if not all of the activities within a given industry put in place by Governmental or other statutory organisations who are entrusted to act as guardians of the marketplace (Singh *et al.*, 2005). Within the UK financial advice industry, such rules and regulations are primarily provided by the statutory governing body for the industry, the Financial Conduct Authority (FCA). However as during the course of obtaining financial advice consumers are often expected to divulge highly sensitive personal information, further regulation covering the security and confidentiality of that information is provided by the Data Protection Act (DPA) which is enforced by the Information Commissioners Office (ICO). Together these two statutory

organisations provide the regulatory framework within which the UK financial advice industry operates. Therefore:

*H3: Statutory regulation concerning consumer protection provided by the FCA will contribute to structural assurance.*

*H4: Statutory regulation concerning data protection provided by the DPA/ICO will contribute to structural assurance.*

### *2.1.2 Self-regulation.*

Structural assurance can be fostered by means of membership of a professional body, trade society or industry association (Atchinson, 1995; Blois, 2013; Neu, 1991). Such organisations frequently have the goal of fostering consumer trust in an industry by means of the enforcement of standards achieved by accreditation, qualification, assessment or licensing (Atchinson, 1995) with membership of such organisations signalling a willingness to consumers to conform to societal expectation, particularly where formal qualification is a pre-requisite for membership (Neu 1991). Such organisations therefore effectively provide self-regulation of an industry thereby contributing to structural assurance. However it should be noted that such a claim would be controversial as self-regulation is considered by some to be an institutionalised conflict of interests with questionable activities being ignored as they are deemed to be standard practice within a particular profession even where membership of such bodies is restricted in some way such as by means of formal qualification (Shapiro 1987). Within the UK financial advice industry there are a number of organisations that a financial adviser may join including the Chartered Institute of Insurance (CII) and the Personal Finance Society (FPS).

*H5: Self-regulation will contribute to structural assurance.*



### 2.1.3 Provision of redress.

Inherent in the purchase of credence products is the inability to establish if a transaction has been successful, and therefore if the third party involved in that transaction is trustworthy, until a period of time has elapsed after the purchase. Redress in the form of warranties or guarantees can mitigate against this inherent forward risk of transaction failure that can arise for a variety of reasons such as malfeasance on the part of the third party involved in the transaction (Gefen, *et al.*, 2003; McKnight *et al.*, 1998). Warranties or guarantees are often provided by means of an insurance bond established by a third party which can provide an incentive to act in an ethical and trustworthy manner as the insurance company involved will often require audits and inspections to be carried out before offering cover (Shapiro 1987) thereby ensuring that the organisation is conducting transactions in a responsible manner and doing its utmost to protect consumers from loss. Such warranties and guarantees, including those provided by means of insurance, could therefore engender structural assurance (Zucker 1986). However it should be noted that warranties and guarantees are also not without controversy as sizeable insurance coverage has been found to lead to lax internal controls and carelessness which in turn facilitates breaches of trust (Shapiro 1987).

Furthermore there are conflicting findings within the literature with authors such Pennington *et al.*, (2003) confirming that warranties and guarantees can contribute to structural assurance when studying the online purchase of DVD players, whilst both Chellappa and Pavlou (2002) and Pavlou and Gefen (2004) found that the provision of guarantees by credit card companies did not enhance consumer trust. Within the UK financial advice industry warranties and guarantees are provided by means of statutory membership of the Financial Services Compensation Scheme (FSCS) and a regulatory requirement for many financial advisers to hold Professional Indemnity Insurance (PII).

*H6: The provision of redress through warranties and guarantees contributes to structural assurance.*

#### *2.1.4 Communication by a regulator.*

Grayson *et al.*, (2008) suggest regulators might enhance trust by regularly communicating with consumers as the sharing of information fosters trust by means of aligning expectation and perception and by assisting with resolving ambiguities and disputes (Mukherjee and Nath 2003). Although research suggests that communication has a low impact upon trust in the financial services industry as a whole (Nienaber *et al.*, 2014), there is evidence that bilateral communication between UK banks and their customers led to higher levels of trustworthiness (Sekhon *et al.*, 2014).

*H7: Communication by a regulator with consumers fosters structural assurance.*

## 2.2 Situational Normality

Situational normality reflects the sociological view that trust is the product of fulfilled expectations (Garfinkel, 1963) and refers to an environment that consumers perceive to be normal, customary and properly ordered (Zucker 1986). Where a consumer perceives an environment that meets their expectations there is a basis for the consumer to extend trust often in greater amounts than they otherwise would, whereas in an environment that failed to meet consumer expectations, or failed to meet what consumers perceive to be the norm, the establishment of trust could be disrupted leading to failure to complete a transaction (Gefen *et al.*, 2003; McKnight and Chervany 2001; McKnight *et al.*, 1998; Zucker 1986).

Whilst there is little in the academic literature suggesting possible antecedents of situational normality, McKnight *et al.*, (1998) and Gefen *et al.*, (2003) suggest that the physical appearance of employees who will conduct transactions together with the physical

appearance of the premises within which transactions are to occur affect individual's perception of situational normality.

### *2.2.1 Personal appearance.*

The suggestion that personal appearance can affect trust is reflected in wider literature. For example, in gaming environments individuals displayed higher levels of trust towards those perceived as possessing a trustworthy face (Berg *et al.*, 1995), whilst in a medical environment, attire and a well-groomed appearance had a positive impact upon levels of patient trust (Petrilli *et al.*, 2015). A potential explanation for this lies in the argument that clothing communicates strong and powerful messages thereby enabling organisations to utilise dress codes to convey legitimacy and other organisational attributes to consumers (Rafaeli and Pratt, 1993).

*H8: Meeting consumer expectations relating to the appearance and attire of financial advisers contributes to situational normality*

### *2.2.2 Appearance of business premises.*

The suggestion that the physical appearance of business premises can affect trust is also reflected in wider literature. Different elements of a service setting such as atmospherics, design and layout can create a favourable image in the mind of consumers thereby enhancing their propensity to trust (Sekhon *et al.*, 2013). Similarly, architecture can visually communicate attributes about an institution including trust, for example, banks often employ fortress style architecture to convey a perception of safety and security to their customers (Fransden *et al.*, 2012).

*H9: Meeting consumer expectations relating to the appearance, design and layout of business premises contributes to situational normality*

### 2.2.3 *Brand.*

Whilst the literature suggests few other potential contributors to situational normality, in a similar manner to the way in which organisations use dress and architecture to convey organisational attributes discussed earlier, many organisations use brand to convey organisational traits, characteristics and attributes. For example, Yousafzai *et al.*, (2005) suggest that the presence of a strong brand may engender consumer trust particularly where the purchase of an intangible product is being considered. However, in the context of this study there is disagreement in the literature relating to the role of brand. For example, Devlin (2007) argues that consumers do not really engage with brands in the financial services industry, whilst others such as Gough and Nurullah (2009) argue that brand is important as over half of their respondents based their decision to purchase a particular pension product upon brand familiarity. Despite this ambiguity it could therefore be argued that the presence of a brand may be considered both normal and conducive to the success of a transaction by consumers and therefore also expected.

*H10: The presence of a well-known brand contributes to situational normality*

### 2.2.4 *Testimonials.*

Similar cues regarding the potential for the success of a transaction could also be provided by means of endorsement by a third party, with such an endorsement being a potential antecedent of trust (Elliot and Yannopoulou, 2007; Nienaber *et al.*, 2014). A potential explanation for this is that the receipt of such information alleviates the perception of risk and insecurity associated with transacting with an unknown third party (McKnight *et al.*, 2002). Accordingly, the provision of such information could be expected by a consumer and therefore be an antecedent of situational normality. The provision of testimonials could be one means of providing such information as they provide consumers with information

relating to the past performance and ability of a particular third party to successfully conclude a transaction (Yousafzai *et al.*, 2005).

*H11: The provision of testimonials contributes to situational normality*

### **3.0 Method**

The use of a two stage approach utilising an initial exploratory qualitative phase of research to inform a subsequent quantitative phase is common practice in academic marketing research where little is known about a particular subject (Harrison and Reilly 2011) as is the case for the subject area addressed by this study.

The qualitative phase of research had the primary aims of ensuring the conceptualisation of environmental trust used was appropriate for use in the qualitative phase of research and assisting with the development of an appropriate research instrument, including where necessary, the development of new scales. A total of 14 semi-structured interviews and two focus groups were conducted with a total 23 respondents (See Appendix One for details of respondents). Both the interviews and focus groups were recorded and subsequently transcribed verbatim. The qualitative data was then analysed using thematic analysis with themes being identified following the six stage process outlined by Braun and Clarke (2006) utilising the decision tree suggested by Ryan and Bernard (2003).

### **4.0 Qualitative Data Analysis**

The qualitative data broadly confirms the conceptualisation of both structural assurance and situational normality identified in the literature review. However the data also highlights several new factors that may contribute to either structural assurance or situational normality not suggested in the current literature.

#### 4.1 Brand.

Whilst the potential contribution of brand to situational normality is noted in the literature review, a theme emerged from the qualitative data that those respondents who used a financial adviser employed by a well-known brand drew considerable reassurance from the presence of that brand.

*“Big organisations have got such reputations to protect that just a little bit of bad publicity can wipe millions of their shares, so I think it is in the interests of large organisations and large brands to preserve their brand because very often the brand is the biggest part of the wealth of the organisation.” (P1)*

Whilst several respondents indicated brand was of little or no importance to them reflecting the disagreements and ambiguity noted in the literature concerning brand, this suggests that the presence of a well-known brand may foster structural assurance in at least some consumers, therefore:

*H<sub>12</sub> - The presence of a well-known brand contributes to structural assurance*

#### 4.2 Prior Experience.

The qualitative data indicates that whilst respondents who had previous experience of the financial advice industry still perceived the need for and valued regulation designed to protect their best interests as consumers, they also felt that they would be able to use that experience to identify when something was amiss and act accordingly. This suggests that they drew reassurance about the marketplace from their own prior experiences of the marketplace and that such experience could therefore contribute to structural assurance.

*“I’m not suggesting you don’t need the regulation. I’m suggesting that where I was coming from I was working a different frame of reference. I*

*wasn't coming to it I hope as a complete numbskull. My sister-in-law may well have needed that protection - she doesn't have a clue what she was doing. From her point of view it was perhaps very important that it (regulation) protects her. It protects me, but maybe wrongly I don't feel I need protection - she definitely needs protection." (P4)*

Therefore:

*H<sub>13</sub> – Prior experience contributes to structural assurance*

#### 4.3 Employing Organisation.

A further theme to emerge from the qualitative data suggests that the employment of a financial adviser by a larger organisation, together with the size of that organisation, can provide reassurance to consumers. Closer examination of the data reveals that this perception was held regardless of the size of the employing organisation (as long as there was an employing organisation) or the presence of a well-known brand name.

*"It doesn't have to be a big name, it has to mean he is working for somebody so there is a company associated with him that is responsible for what he does, that's the advantage of the company, to have somebody responsible that you can go up to and say, right, where is my money?" (P4)*

*"It would have been more difficult for me to engage him if he had been a one man band." (P4)*

Therefore:

*H<sub>14</sub> – Employment by a larger organisation contributes to structural assurance*

In addition, there may also be a perception on the part consumers that the employment of a financial adviser by a larger organisation it is both normal and expected, therefore:

*H<sub>15</sub> – Employment by a larger organisation contributes to situational normality*

#### 4.4 Privacy and Confidentiality.

In addition to confirming that meeting consumer expectations relating to the appearance, design and layout of business premises has a positive effect upon levels of trust as suggested by the literature review, a further theme to emerge from the qualitative data suggests that consumers hold expectations relating to business premises being kept clean, tidy and presentable at all times, and that the premises should convey that their needs relating to privacy, confidentiality and data security would be satisfied.

*“I would like my financial adviser to have appropriate premises. By that I mean to be able to have a confidential talk.” (P7)*

*“There are certain clues around an office as you walk in. If something is not quite right that would maybe put me in a position to ask would I trust this individual? If they guy gets off the desk and I see somebody else’s notes laid out for me to see I sit there and I’ve got to say what is he going to do with my data? Who else is going to see my personal financial information?” (P8)*

Therefore:

*H<sub>16</sub> – Meeting consumer expectations relating to business premises condition, data security, privacy and confidentiality contributes to situational normality*

#### 4.5 Prior Knowledge.

A final theme potentially contributing to situational normality to emerge from the qualitative data is that prior knowledge of the financial advice industry, perhaps gained from third parties such as friends or colleagues, or from media outlets such as newspapers or television,



would enable consumers to anticipate what to expect when conducting business with a financial adviser and would therefore influence their expectations.

*“I would probably have had more confidence had I known more” (P1)*

Therefore:

*H<sub>17</sub> – Prior knowledge of the financial advice industry contributes to situational normality*

## **5.0 Quantitative Methodology and Data Analysis**

### **5.1 Scale Development and Questionnaire Validation.**

Following the analysis of the qualitative data an initial pool of items for use in the quantitative research instrument was created. Some items were taken from existing literature with appropriate modification to fit the context of this study, with the remainder being developed from the proposed definitions of the constructs and the qualitative data (Details can be found in Appendix Two).

An initial pilot test was carried out with eight respondents selected on a convenience basis using the criteria that would subsequently be used for participation in the main study (UK residents aged 18+ who had used a financial adviser within the previous year) and was conducted on a similar basis to a focus group with the researcher acting as a moderator using a paper questionnaire. Respondents were asked to complete the questionnaire making notes of problems encountered which were then discussed. Appropriate amendments were subsequently made to the questionnaire for online use in a second, larger pilot test which utilised screening questions to ensure respondents met the same criteria. An e-mail was sent to members of staff of a major UK University inviting participation resulting in a total of 54 completed questionnaires. An Exploratory Factor Analysis (EFA) was then conducted with

the resultant data used to assess the validity, reliability, appropriateness and comprehensiveness of the scales.

On the basis of the results, four items were dropped (BP4, AA1, AA2, and CP5) due to validity issues, and two scales, trusting beliefs and trusting intentions, were combined into one due to discriminant validity issues.

Once this final step had been completed and appropriate amendments made, the final questionnaire was uploaded in preparation for the main study.

### 5.2 Data Collection and non-response bias.

The quantitative data was collected utilising a commercial panel in March 2015 with 302 usable questionnaires being completed out of 1,178 started (25.63%). Potential non-response bias was checked by comparing the first quartile of respondents with the last by carrying out Man-Whitney U and Wilcoxon W tests with the results showing no significant differences ( $p > 0.05$ ) (Lambert and Harrington, 1990).

48.3 % of the respondents were female and 51.7% male, with 91.7% being of British white ethnic origin with 32.5% aged between 26 and 45, 37.7% between 46 and 60 and 29.8% aged over 60.

### 5.3 Data Analysis.

The quantitative data analysis was carried out using the two stage methodology suggested by Anderson and Gerbing (1998). First a Confirmatory Factor Analysis (CFA) was undertaken to establish convergent and discriminant validity, reliability, and unidimensionality of the constructs (measurement model) followed by testing the structural model using AMOS 20.

#### 5.4 Measurement Model Results.

After initial examination of standardised regression weights and  $R^2$  values, three items (BPEX2, EXFS4, and RGW1) were dropped as they failed to meet minimum recommended levels and the CFA was run again. The remaining standardized regression weights were all greater than 0.60 and all critical ratios were significant at  $p > 0.001$ . The adjusted  $\chi^2$  ( $\chi^2/df$ ) was 1.58 which together with the values for CFI, TLI, RMSEA of 9.48, 9.54 and 0.04 respectively all exceeded the values recommended by Hair *et al.*, (2010) for a model with between 16 and 30 measures and  $n > 250$  indicating that the model achieved a good fit thereby satisfying the conditions of unidimensionality (See Table One). The reliability of individual items based upon  $R^2$  values for all indicators was greater than 0.50 with the composite values (CR) exceeding the value of 0.60 recommended by Bagozzi and Yi (1989). In addition the reliability evaluation for individual all constructs based upon the Average Variance Extracted (AVE) exceeded the value of 0.50 suggested by Fornell and Larcker (1981) and also the value of 0.70 for Cronbach's Alpha suggested by Hair *et al.*, (2010).

Table One: CFA results for measurement model							
Construct		Standardised Regression Weight	Critical Ratio (t-value)	R <sup>2</sup>	Composite Reliability	Average Variance Extracted	Cronbach Alpha
Trusting Beliefs and Intentions	TBEI1	0.87	27.46***	0.75	0.96	0.80	0.96
	TBEI2	0.89	-----	0.78			
	TBEI3	0.88	22.16***	0.77			
	TRIN1	0.94	26.05***	0.88			
	TRIN2	0.90	23.74***	0.82			
	TRIN3	0.91	24.19***	0.83			
Structural Assurance	SA1	0.98	37.86***	0.95	0.93	0.82	0.92
	SA2	0.95	-----	0.90			
	SA3	0.78	19.76***	0.62			
Situational Normality	SN1	0.87	18.30***	0.77	0.89	0.73	0.89
	SN2	0.87	-----	0.75			
	SN3	0.82	17.04***	0.68			
Attire Expectation	AAEX3	0.76	12.78***	0.58	0.89	0.66	0.92
	AAEX4	0.80	13.08***	0.65			
	AAEX5	0.84	-----	0.70			
	AAEX6	0.84	28.20***	0.71			
Premises Expectation	BPEX1	0.91	-----	0.83	0.87	0.69	0.87
	BPEX3	0.75	15.21***	0.56			
	BPEX4	0.83	17.37	0.69			
Business Premises Condition	BP1	0.85	21.72***	0.72	0.92	0.80	0.92
	BP2	0.94	-----	0.88			
	BP3	0.89	24.09***	0.79			
Provision of Testimonials	PT1	0.85	17.91***	0.72	0.87	0.70	0.87
	PT2	0.90	-----	0.81			
	PT3	0.75	15.31***	0.57			
Data Protection	DP1	0.92	38.99***	0.84	0.97	0.80	0.97
	DP2	0.93	-----	0.87			
	DP3	0.90	26.33***	0.80			
	DP4	0.85	23.08***	0.73			
	DP5	0.89	25.41***	0.78			
	DP6	0.89	26.05***	0.80			
	DP7	0.90	26.22***	0.80			
Self regulation	SR1	0.81	18.93***	0.65	0.93	0.73	0.93
	SR2	0.79	18.10***	0.62			
	SR3	0.90	-----	0.81			
	SR4	0.85	20.88***	0.72			
	SR5	0.92	24.98***	0.84			
Communication by Regulator	COMR1	0.95	34.29***	0.89	0.96	0.90	0.96
	COMR2	0.95	-----	0.90			
	COMR3	0.95	35.79***	0.91			

Table One: CFA results for measurement model (cont)							
Construct		Standardised Regression Weight	Critical Ratio (t-value)	R <sup>2</sup>	Composite Reliability	Average Variance Extracted	Cronbach Alpha
Redress, Guarantees and Warranties	RGW2	0.88	19.39***	0.78	0.91	0.78	0.89
	RGW3	0.90	19.89***	0.80			
	RGW4	0.87	-----	0.76			
Consumer Protection	CP1	0.89	21.64***	0.79	0.94	0.79	0.94
	CP2	0.90	22.22***	0.81			
	CP3	0.87	-----	0.75			
	CP4	0.91	22.57***	0.82			
Prior Knowledge of Financial Services	KNFS1	0.80	20.85***	0.64	0.94	0.79	0.94
	KNFS2	0.97	-----	0.93			
	KNFS3	0.95	36.32***	0.90			
	KNFS4	0.83	23.10***	0.69			
Prior Experience of Financial Services	EXFS1	0.90	28.58***	0.82	0.94	0.78	0.93
	EXFS2	0.92	30.55***	0.85			
	EXFS3	0.75	17.94***	0.56			
	EXFS5	0.95	-----	0.91			
Brand	BR1	0.84	22.70***	0.70	0.93	0.82	0.93
	BR2	0.96	-----	0.91			
	BR3	0.92	29.32	0.85			
Employing Organisation	EO1	0.90	-----	0.82	0.88	0.70	0.87
	EO2	0.88	20.97***	0.78			
	EO3	0.71	14.70***	0.51			
<b>Overall goodness of fit indices</b>							
$\chi^2/df$	1.56						
CFI	0.95						
TLI	0.95						
RMSEA	0.04						

NOTE: \*\*\*  $p = .001$

Table Two suggests that the correlation coefficients amongst the latent constructs do not exceed the value of 0.90 suggested by Kline (2011) which together with a comparison between the square roots of the AVE and correlation coefficients establishes discriminant validity.

Table Two: Descriptive Statistics, Correlation Matrix and Square Root of AVE

Constructs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Prior Knowledge of FS	0.89															
Data Protection	0.17	0.90														
Prior Experience of FS	0.26	0.48	0.89													
Brand	0.21	0.25	0.15	0.91												
Self Regulation	0.27	0.71	0.49	0.32	0.85											
Business Premises Condition	0.13	0.13	-0.13	0.25	0.25	0.89										
Provision of Testimonials	0.16	0.36	0.19	0.29	0.38	0.39	0.84									
Employing Organisation	0.19	0.15	0.15	0.77	0.24	0.28	0.34	0.84								
Premises Expectation	0.12	0.23	0.08	0.23	0.28	0.56	0.30	0.15	0.83							
Attire Expectation	0.18	0.39	0.21	0.36	0.46	0.59	0.48	0.34	0.49	0.81						
Communication	0.14	0.66	0.50	0.32	0.67	0.18	0.51	0.31	0.24	0.39	0.95					
Redress	0.22	0.73	0.46	0.32	0.78	0.19	0.37	0.23	0.23	0.38	0.67	0.88				
Consumer Protection	0.21	0.83	0.51	0.30	0.78	0.30	0.43	0.17	0.38	0.49	0.69	0.74	0.89			
Trusting Beliefs and Intentions	0.12	0.47	0.50	0.06	0.41	-0.08	0.08	-0.14	0.23	0.19	0.38	0.36	0.50	0.90		
Situational Normality	0.23	0.38	0.27	0.30	0.51	0.11	0.19	0.18	0.24	0.28	0.35	0.41	0.45	0.32	0.85	
Structural Assurance	0.20	0.63	0.58	0.24	0.65	0.09	0.29	0.12	0.25	0.26	0.53	0.49	0.69	0.64	0.37	0.91
Mean	4.82	5.34	4.32	5.01	5.08	5.38	5.01	3.76	6.10	5.02	4.78	5.21	5.39	5.75	5.58	5.40
Standard Deviation	1.20	1.19	1.13	1.38	1.15	1.08	1.19	1.54	0.82	1.15	1.32	1.12	1.04	1.13	0.79	1.21

Note: Diagonal elements are the square root of AVE, off diagonal elements are correlations between constructs

## 5.5 Structural Model Results.

Table Three presents the parameter estimates for the full structural model. The adjusted  $\chi^2$  ( $\chi^2/df$ ) of 1.60 which together with the values for CFI, TLI, RMSEA of 9.50, 9.45 and 0.0 respectively imply that the model has achieved a good fit. A total of 41.1% ( $R^2=0.41$ ) of the variance of trusting beliefs and intentions is explained by the predictors structural assurance (H1: 11.648) and situational normality (H2: 1.999) with structural assurance being significant at the  $p<.001$  level and situational normality at the  $p<.05$  level.

	Hypothesized Relationship	Estimate	Critical Ratio (t-value)	Result	Significance level
H1	Structural Assurance → Trusting Beliefs and Intentions	0.54	11.65	Supported	$p < 0.001$
H2	Situational Normality → Trusting Beliefs and Intentions	0.14	2.00	Supported	$p < 0.05$
H3	Consumer Protection → Structural Assurance	0.38	3.20	Supported	$p < 0.05$
H4	Data Protection → Structural Assurance	0.20	2.33	Supported	$p < 0.05$
H5	Self Regulation → Structural Assurance	0.34	4.04	Supported	$p < 0.001$
H6	Redress → Structural Assurance	-0.35	-3.98	Supported	$p < 0.001$
H7	Communication → Structural Assurance	0.02	0.31	Not Supported	<i>Na</i>
H8	Attire Expectation → Situational Normality	0.19	2.55	Supported	$p < 0.05$
H9	Premises Expectation → Situational Normality	-0.13	-2.34	Supported	$p < 0.05$
H10	Brand → Situational Normality	0.18	3.12	Supported	$p < 0.05$
H11	Provision of Testimonials → Situational Normality	0.04	0.84	Not Supported	<i>Na</i>
H12	Brand → Structural Assurance	0.14	2.14	Supported	$p < 0.05$
H13	Prior Experience of FS → Structural Assurance	0.27	6.21	Supported	$p < 0.001$
H14	Employing Organisation → Structural Assurance	-0.12	-2.07	Supported	$p < 0.05$
H15	Employing Organisation → Situational Normality	-0.09	-1.71	Not Supported	<i>Na</i>
H16	Business Premises Condition → Situational Normality	0.14	2.03	Supported	$p < 0.05$
H17	Prior Knowledge of FS → Situational Normality	0.09	2.60	Supported	$p < 0.05$

A total of 60.9% ( $R^2=0.61$ ) of the variance of structural assurance is explained by the predictors consumer protection (H3: 3.196, significant at the  $p<.05$  level), data protection (H4: 2.331, significant at the  $p<.05$  level), self-regulation (H5: 4.043, significant at the  $p<.001$  level), redress guarantees and warranties (H6: -3.977, significant at the  $p<.001$  level), communication by the regulator (H7: 0.307, not significant), brand (H12: 2.138, significant at the  $p<.05$  level), prior experience of financial services (H13: 6.210, significant at the  $p<.001$  level) and employing organisation (H14: -2.074, significant at the  $p<.05$  level).

A total of 20.7% ( $R^2=0.21$ ) of the variance of situational normality is explained by the predictors expectation relating to attire (H8: 2.549, significant at the  $p<.05$  level), expectation relating to business premises (H9: -2.341, significant at the  $p<.05$  level), brand (H10: 3.134, significant at the  $p<.05$  level), provision of testimonials (H11: 0.844, not significant), employing organisation (H15: -1.707, not significant), business premises condition (H16: 2.026, significant at the  $p<.05$  level), and prior knowledge of financial services (H17: 2.602, significant at the  $p<.05$  level). Figure Two shows the structural Model.

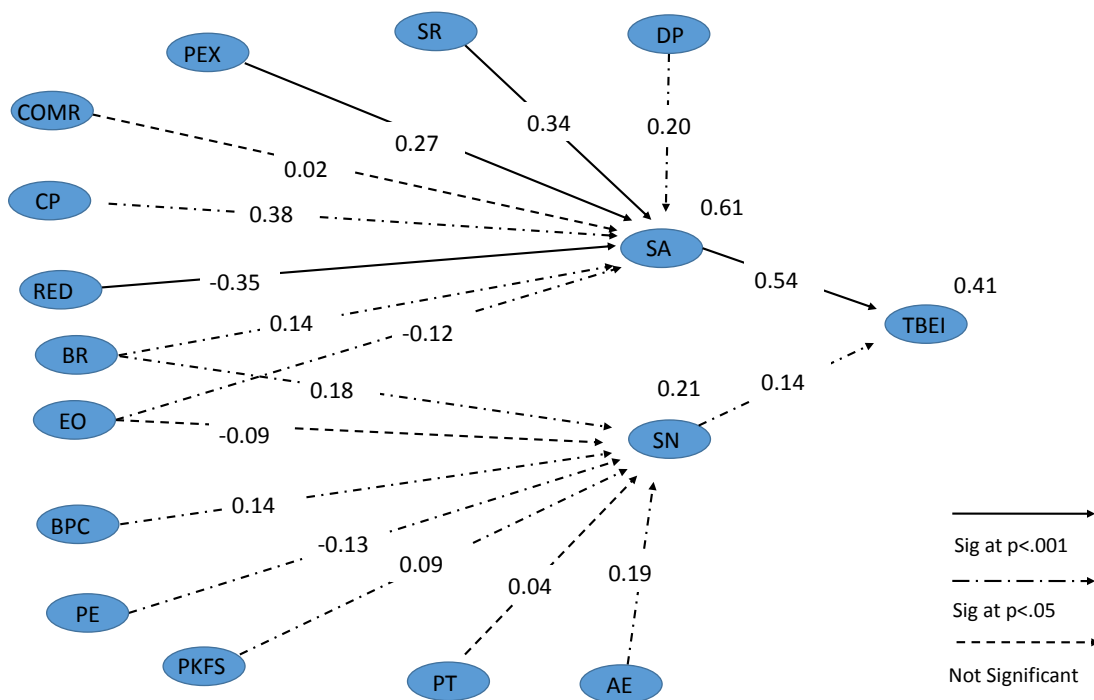


Figure Two: Structural Model

## 6.0 Discussion

Consistent with the McKnight and Chervany (2001) conceptualisation of institution-based trust, the results show support for both H<sub>1</sub> and H<sub>2</sub> indicating that both structural assurance and situational normality contribute to environmental trust. It should however be noted that this effect is much stronger for structural assurance ( $CR=11.65$ ) than for situational normality



(Cr=2.00) and that the  $R^2$  value for situational normality is low at 0.21, indicating that other factors that contribute to situational normality remain to be identified. Similarly the  $R^2$  factor for trusting beliefs and intentions is low at 0.41.

### 6.1 Structural Assurance

With both H<sub>3</sub> and H<sub>4</sub> being supported the results indicate that consumers draw reassurance from current regulation protecting both their consumer rights and their privacy and data security. These findings are reflected in the qualitative data as many respondents made supportive comments regarding the statutory regulation regime for both.

*“They’ve got to legally mandate what people are allowed to do otherwise they’ll take advantage.” (Male P3)*

The data and findings relating to statutory regulation are therefore generally supportive and consistent with the argument of authors such as Zucker (1986) and Sitkin and Roth (1993) that statutory rules and regulations foster structural assurance. The results also indicate that consumers draw much reassurance from self-regulation with H<sub>5</sub> being supported at the  $p < .001$  level despite both the ambiguity in the academic literature and the scepticism expressed by many of the qualitative respondents. The findings are therefore supportive of authors such as Neu (1991) and Atchinson (2005) that self-regulation fosters structural assurance rather than supportive of the views of Shapiro (1987) that self-regulation is perceived as a conflict of interest. The ambiguity may be accounted for by Grayson *et al.*, (2008) who note that it is possible for the same consumer to trust the environment within which one particular industry operates whilst distrusting another.

A further potential explanation for this ambiguity may also be found in the qualitative data as many respondents expressed the opinion that the ability of statutory regulators to apply sanction and punishment against those that transgressed rules was an essential aspect of

regulation that was also very reassuring, whereas many held a perception that self-regulatory bodies would not police an industry effectively.

*“Some professional associations don’t monitor or police what you do.*

*You’ve got to have somebody that has teeth.” (P2 of FG2)*

H<sub>6</sub> relating to redress, guarantees and warranties is also supported at the  $p < .001$  level which is supportive of the suggestions of authors such as Gefen *et al.*, (2003) and McKnight *et al.*, (1998) that guarantees and warranties contribute to structural assurance rather than the findings of authors such as Chellappa and Pavlou (2002) and Pavlou and Gefen (2004) that they do not.

H<sub>12</sub> is also supported and this study therefore find that the presence of a well-known brand contributes to structural assurance which is not suggested by current literature. This finding is consistent with the findings of Gough and Nurullah (2009) that over half of their respondents based their decision to purchase a particular pension product based upon brand familiarity. Close examination of the qualitative data indicates that this was particularly the case with less experienced respondents indicating that whilst the presence of a well-known brand may contribute to structural assurance, other factors, such as a lack of experience, may be determining this, which may explain the ambiguity in current literature.

H<sub>13</sub> and H<sub>14</sub> are also both supported. This study therefore finds that both prior experience and the employment of a financial adviser by a larger organisation, together with the size of that organisation, contribute to structural assurance. Neither finding is suggested in the current literature. The qualitative data indicates that more experienced respondents believed they would be able to identify when something was inappropriate or out of place and adjust their actions accordingly, and that respondents perceived employment by a larger organisation

gave them a fall-back position if something adverse to their best interests were to happen, and that an employer would protect their interests in order to avoid reputational damage.

*“If he makes a cock up, the smell in part is going back to his organisation.*

*They then have a reputational problem which hopefully they will do something about.” (P7)*

Against expectation H<sub>7</sub> is rejected which is contrary to the suggestion by Grayson *et al.*, (2008) that communication by regulators enhances trust and also the findings of Mukherjee and Nath (2003) that the sharing of information fosters trust.

## 6.2 Situational Normality

The results relating to situational normality indicate support for both H<sub>8</sub> and H<sub>9</sub> and this study therefore find that meeting consumer expectations regarding adviser appearance and attire together with those regarding appearance, design and layout of business premises contribute to situational normality consistent with the suggestions by authors such as McKnight *et al.*, (1998) and Gefen *et al.*, (2003). Furthermore the qualitative data indicates that failing to meet expectations in these regards would cause concern amongst respondents and have adverse effects upon perceived trustworthiness.

*“Because their physical appearance is such that it is not what I am expecting, then, yes, I would question the trust element.” (P4 FG4)*

Despite the ambiguity in the literature regarding brand, H<sub>10</sub> is also supported and this study therefore finds that brand also contributes to situational normality. This findings is consistent with the findings of authors such as Yousafzai *et al.*, (2005) that the presence of a brand fosters trust. It should be noted that brand has a greater effect upon situational normality (CR=3.12) than structural assurance (CR=2.14). Contrary to the suggestion by Devlin (2007)

that UK consumers do not engage with financial services brands, this study therefore finds that consumers do expect a strong brand to be present and that they are reassured by that brand.

H<sub>11</sub> is rejected indicating that testimonials do not foster situational normality which is contrary to the suggestions of Yousafzai *et al.*, (2005). This finding was not entirely unexpected as the qualitative data indicates that many respondents were of the opinion that testimonials were irrelevant due to the uniqueness of their own personal financial circumstances and a belief that an organisation would not produce a negative testimonial.

*“They are not going to put negative press on there.” (Male I3)*

H<sub>15</sub> is also rejected indicating no support for the suggestion that employment by a larger organisation contributes to situational normality.

H<sub>16</sub> and H<sub>17</sub> are supported and this study therefore finds that meeting consumer expectations relating to business premises condition, data security, privacy and confidentiality together with prior knowledge contribute to situational normality. Neither finding is suggested by current literature. The qualitative data indicates that respondents were most concerned that their needs relating to data security, confidentiality and privacy were met, and that the failure to meet their expectations would have an adverse effect upon their intentions to transact.

*“If I was unhappy or felt insecure in any way I would ask to re-convene the meeting and I would say why it wasn't suitable - well look, you've got these people over there that I think are listening to us.” (P7)*

Whilst the need for privacy including the need to avoid unwanted contact or persons during an interaction (Goodwin 1991) and data security has long been recognised in the academic literature (Yousafzai *et al.*, 2005; McCole *et al.*, 2010), this is the first study that shows this

expectation and thereby links privacy, confidentiality and data security with situational normality effectively indicating that ensuring confidentiality, privacy and data security assists in fostering trust.

## **7.0 Conclusions, Implications and Directions for Future Research**

This study has been the first to empirically examine and identify the antecedents, drivers and components of environmental trust and has demonstrated the importance and central role of statutory regulation focussing upon both consumer protection via the FCA and upon the issues of privacy, confidentiality and data protection via the DPA and ICO. This study has also identified that self-regulation has a role to play in fostering consumer trust in the financial advice industry with the results suggesting that self-regulation (CR=4.04) has a greater effect upon trust than statutory regulation concerned with either consumer protection (CR=3.20) or data protection, privacy and confidentiality (CR=2.33). However this finding is tempered by the qualitative data as many respondents expressed concern and scepticism relating to self-regulation whereas none expressed such concerns relating to statutory regulation. Whilst such scepticism perhaps vindicate the move away from self-regulation to statutory regulation of the financial services industry undertaken at the behest of the Blair Government in the late 1990's, the findings of this study demonstrate to policy makers that self-regulation still has a role to play in the regulation of the industry.

The findings that the presence of a brand and employment by a larger organisation contribute to structural assurance were not suggested by current literature. The qualitative data indicates a possible explanation as several respondents expressed a belief that that well-known brands and larger companies would wish to avoid reputational damage caused by malfeasance, incompetence or negligence, and would therefore ensure the competence, integrity and benevolence, in effect the trustworthiness, of those that they employ as financial advisers.

This belief highlights a need for regulators to ensure that the employing organisations possess the skills, competence and controls necessary to do so.

The finding that prior experience contributes to structural assurance is also not suggested by current literature and suggests that experience in transacting with a particular industry mediates consumer need for reassurance provided by regulation. A potential explanation for this finding is the linkage found by Mitra *et al.*, (1999) between lower levels of consumer knowledge and experience and higher levels of perceived risk. This linkage may also explain the finding that shows that prior knowledge contributes to situational normality which was also not suggested by the literature. If either explanation were to be proved this would demonstrate the need for and the importance of educating consumers regarding the financial advice industry. Accordingly this is an opportunity for further research.

Whilst the findings that meeting consumer expectations relating to both the attire and business premises of financial advisers contributes to situational normality are suggested by authors such as Gefen *et al.*, (2003) and McKnight *et al.*, (1998), this is the first study to empirically demonstrate this to be the case. In addition, this study also found that consumers hold clear expectations that the business premises of a financial adviser should satisfy their needs and desires for privacy and confidentiality when discussing their financial affairs and for confidential information about themselves to be held in a secure manner. Whilst the need for organisations to address consumer needs in such areas has been demonstrated by authors such as Yousafzai *et al.*, (2005) this expectation is not suggested in current literature.

Whilst the results of the qualitative analysis indicate that the presence of a well-known brand fosters trust, the qualitative data also indicates that this is not of importance to all, and suggests that experience could be moderating this effect. This suggestion offers another opportunity for further research.

## 7.1 Implications for Managers

This study indicates that consumers draw considerable reassurance from both statutory and self-regulation which suggests that regulation should be welcomed and embraced by managers. This should be communicated to both clients and potential clients with particular emphasis being placed upon inexperienced consumers. Managers could achieve this by ensuring that clients are aware that the organisation is regulated and by whom by placing information to that effect in promotional material and on stationery including the implications of that regulation.

The findings of this study also show that consumers hold expectations regarding both the attire of their financial advisers and the condition and design of their business premises and that consumers intentions to transact can be adversely affected if their expectation were not to be met. Managers should therefore ensure that financial advisers dress appropriately, particularly at their first meeting with a potential client as several qualitative respondents compared that scenario with a job interview. Managers should also ensure that their business premises convey that consumer expectations regarding the link between their business premises and the issues of privacy, confidentiality and data security are taken seriously. The implementation of a strict clear desk policy, filing cabinets that are clearly locked and secure, private meeting rooms, and workstation screens that are not visible to visitors would help to convey that such issues are taken seriously.

## 7.2 Implications for Policy Makers

This study also provides valuable insight into consumer perceptions and opinions of the regulation of the financial services industry in the UK for policy makers. This understanding may help in managing a sudden crisis where consumer trust is a major issue. For example, the scepticism and concerns relating to self-regulation indicated by several respondents carries

the implication that when there is a need to reassure consumers in the wake of such a crisis, reliance upon statutory regulation could be more effective than reliance upon self-regulation only.



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## Appendix One - Qualitative Sample Frame

The following table gives further details of each of the respondents.

<b>Respondent/interview number</b>	<b>Gender</b>	<b>Ethnicity</b>	<b>Age Group</b>	<b>Status</b>	<b>Occupation</b>
Respondent 1	Male	Br White	40-45	Single	Self-Employed
Respondent 2	Male	Br White	50-55	Married	Manager
Male Respondent 3	Male	Br White	40-45	Married	RAF Pilot
Female Respondent 3	Female	Br White	35-40	Married	Senior Nurse
Respondent 4	Male	Br White	70 +	Married	Retired
Respondent 5	Female	Br White	40-45	Divorced	Lecturer
Respondent 6	Female	Br White	60-65	Married	Semi-retired clerk
Respondent 7	Male	Br White	55-60	Married	Chaplain
Respondent 8	Male	Br Black A/C	40-45	Married	Manager
Respondent 9	Female	Br White	25-30	Single	Manager
Respondent 10	Male	Br White	55-60	Married	Semi-retired
Respondent 11	Female	Br White	55-60	Divorced	Retired
Respondent 12	Female	Br White	65-70	Widowed	Retired
Respondent 13	Female	Br White	80+	Widowed	Retired
Respondent 1 of FG1	Male	Br White	20-25	Single	Planning Consultant
Respondent 2 of FG1	Male	Br White	40-45	Single	Self-employed
Respondent 3 of FG1	Male	Br White	25-30	Single	Mature Student
Respondent 1 of FG2	Male	Br White	65-70	Married	Retired



Respondent 2 of FG2	Male	Br White	70 +	Married	Retired
Respondent 3 of FG2	Male	Br White	45-50	Married	IT Manager
Respondent 4 of FG2	Male	Br White	50-55	Married	Manager
Respondent 5 of FG2	Male	Br White	40-45	Single	Self- Employed
Respondent 6 of FG2	Male	Br White	60-65	Married	Farmer

Appendix Two: Measurement Scales			
Construct	Adapted Scale	Source	Original Scale
Trusting Beliefs	My financial adviser conducts transactions fairly I believe that my financial adviser would act in my best interests is effective at providing financial advice	Yousafzai <i>et al.</i> (2009) McKnight <i>et al.</i> (2002) McKnight <i>et al.</i> (2002)	I believe that my bank is fair with its internet banking customers I believe that LegalAdvice.com would act in my best interest LegalAdvice.com is competent and effective in providing legal advice
Trusting Intentions	When an important financial or investment issue or problem arises, I would feel comfortable depending on the information provided by my financial adviser I can always rely on my financial adviser in a tough financial or investment situation If I had a challenging financial or investment problem, I would want to use my financial adviser	McKnight <i>et al.</i> (2002) McKnight <i>et al.</i> (2002) McKnight <i>et al.</i> (2002)	When an important legal issue or problem arises, I would feel comfortable depending on the information provided by LegalAdvice.com I can always rely on LegalAdvice.com in a tough legal situation If I had a challenging legal problem, I would want to sue LegalAdvice.com again
Structural Assurance	I feel reassured conducting business with my financial adviser because they are regulated by the FCA and the DPA/ICO The Financial Services Industry has enough safeguards to make me feel comfortable transacting with my financial adviser	McKnight <i>et al.</i> (2002) McKnight <i>et al.</i> (2002)	I feel assured that legal and technical structures adequately protect me from problems on the internet The internet has enough safeguards to make me feel comfortable using it to transact personal business
Situational Normality	The steps required to purchase a product from my financial adviser are typical of those required by other financial advisers The information requested by my financial adviser is typical of the information requested by other financial advisers The nature of the interaction with my financial adviser is typical of the interaction between other people and their financial advisers	Gefen <i>et al.</i> (2003) Gefen <i>et al.</i> (2003) Gefen <i>et al.</i> (2003)	The steps required to search for and order a CD/book are typical of other similar Web sites The information requested of me at this Web site is the type of information most similar type Web sites request The nature of the interaction with the Web site is typical of other similar type Web sites
Attire Expectation	If my financial adviser's dress and appearance failed to meet my expectations: my estimation of his or her ability to do their job competently would be reduced I would question whether or not my money would be safe with him or her If my financial adviser's dress and appearance met my expectations: it would enhance my trust in him or her it would enhance my opinion of him or her	New New New New New New New	NA NA NA NA NA NA NA

Appendix Two: Measurement Scales (Cont)

Construct	Adapted Scale	Source	Original Scale
Business Premises Condition	My financial adviser's business premises should: meet my expectations	New	NA
	be kept clean, tidy and presentable at all times	New	NA
	have a secure filing system to keep personal information safe	New	NA
Premises Expectation	offer a facility to discuss my financial affairs confidentially and privately	New	NA
	If the business premises of my financial adviser failed to meet my expectations:	New	NA
	I would think less of my financial adviser	New	NA
Provision of Testimonials	my estimation of his or her ability to do their job effectively would be reduced	New	NA
	I would question whether or not my money would be safe with him or her	New	NA
	it would reduce my level of trust in my financial adviser	New	NA
Data Protection	I expect my financial adviser to provide testimonials	New	NA
	The failure to provide testimonials by my financial adviser would reduce my opinion of him or her	New	NA
	The provision of testimonials by my financial adviser would enhance my level of trust in him or her	New	NA
Data Protection	I believe the Information Commissioners Office (ICO) will ensure that:		
	my personal information is not revealed to a third party without my consent	Yousafzai <i>et al.</i> , (2009)	I believe my Internet banking transaction information will be shared with others with my consent
	my personal information is used only for the purpose for which it was collected	Yousafzai <i>et al.</i> , (2009)	I believe my Internet banking transaction information will only be used for the purpose of the original transaction
	I am only asked to provide my financial adviser with information that is relevant	New	NA
	I control the use of my personal information	Yousafzai <i>et al.</i> , (2009)	While using Internet banking, I believe that I control the use of my information
	the personal information I provide to my financial adviser will be protected	Yousafzai <i>et al.</i> , (2009)	While using Internet banking, I believe the security system provides a secure environment in which to bank
	the personal information I provide to my financial adviser will be stored in a safe manner	Yousafzai <i>et al.</i> , (2009)	While using Internet banking, I believe the security system will confirm my identity before disclosing account information
	only authorised people will be able to access the personal information that I disclose to my financial adviser	Yousafzai <i>et al.</i> , (2009)	While using Internet banking, I believe the security system does not allow unauthorised access to the account

Appendix Two: Measurement Scales (Cont)

Construct	Adapted Scale	Source	Original Scale
Self Regulation	<p>I think professional associations for financial advisers such as the IFP and the CII are doing a good job</p> <p>Professional associations for financial advisers such as the IFP and the CII are adequate for the protection of consumers</p> <p>When making important decisions about regulating financial advisers the IFP, the CII and other professional associations are concerned about the welfare of people like me</p> <p>If I were to have problems with my financial adviser the IFP, the CII, and other professional associations would offer me assistance and support</p>	<p>Bianchi and Andrews (2012)</p> <p>Bianchi and Andrews (2012)</p> <p>Grayson et al. (2008)</p> <p>Grayson et al. (2008)</p>	<p>I think third party certification bodies (entities) such as e-trust are doing a good job</p> <p>Existing third party certification bodies (entities) are adequate for the protection of internet shoppers' interests</p> <p>When making important decisions about regulating financial advisers, the FITA are concerned about the welfare of people like me</p> <p>If I were to have problems with my financial adviser, the FITA would offer me assistance and support</p>
Communication by the Regulator	<p>Those who run the IFP, the CII, and other professional associations seem to understand the needs of people like me</p> <p>Frequent communication by the regulators helps me to trust the financial services industry</p> <p>Timely communication by the regulators helps me to trust the financial services industry</p> <p>Regular communication by the regulators helps me to trust the financial services industry</p>	<p>Grayson et al. (2008)</p> <p>New</p> <p>New</p> <p>New</p>	<p>Those who run FITA in this country seem to understand the needs of people like me</p> <p>NA</p> <p>NA</p> <p>NA</p>
Redress, Guarantees and Warranties	<p>The Financial Services Compensation Scheme and Professional Indemnity Insurance:</p> <p>guarantee that I will get what I pay for:</p> <p>protects me from inappropriate behaviour by financial advisers</p> <p>protects me from bad advice given to me by financial advisers</p> <p>protects me in case of problematic transactions with a financial adviser</p>	<p>Pavlou and Gefen (2004)</p> <p>Pavlou and Gefen (2004)</p> <p>New</p> <p>Pavlou and Gefen (2004)</p>	<p>The escrow method in Amazon's auction marketplace:</p> <p>guarantees that I will get what I pay for</p> <p>protects me for an inappropriate behaviour of sellers</p> <p>NA</p> <p>I believe my credit card company will protect me   case of problematic transactions with sellers in Amazon's auction marketplace</p>
Consumer Protection (CP)	<p>I believe the Financial Conduct Authority (FCA) will:</p> <p>act in my best interests</p> <p>protect me if I have problems with my financial adviser</p> <p>offer me advice and support if I have problems with my financial adviser</p> <p>protect my rights as a consumer</p> <p>ensure that my financial adviser will act in my best interests</p>	<p>New</p> <p>Pavlou and Gefen (2004)</p> <p>Grayson et al. (2008)</p> <p>New</p> <p>New</p> <p>New</p>	<p>NA</p> <p>I believe my credit card company will protect me   case of problematic transactions with sellers in Amazon's auction marketplace</p> <p>If I were to have problems with my financial adviser, government agencies are available to offer me assistance and support</p> <p>NA</p> <p>NA</p>

Appendix Two: Measurement Scales (Cont)

Construct	Adapted Scale	Source	Original Scale
Prior Knowledge	<p>I am familiar with financial services products and the financial services industry</p> <p>I consider myself to be well-informed about financial services products and the financial services industry</p> <p>I consider myself knowledgeable about financial services products and the financial services industry</p> <p>Compared to others I consider myself more knowledgeable about financial services products and the financial services industry</p>	<p>Kennedy <i>et al.</i> (2001)</p> <p>Kennedy <i>et al.</i> (2001)</p> <p>Kennedy <i>et al.</i> (2001)</p> <p>Hanson (2012)</p>	<p>In general, would you consider yourself familiar or unfamiliar with the make of this car, before you first visited the dealership?</p> <p>Would you consider yourself informed or uninformed about the make of this car, prior to visiting the dealership?</p> <p>Would you consider yourself knowledgeable or unknowledgeable about the make of this vehicle before you first visited the dealership?</p> <p>Compared to other you know, how knowledgeable are you are you about the features of different [the service in question] in the market?</p>
Prior Experience of Financial Services	<p>Based upon my experience with the financial services industry I know it:</p> <p>is honest</p> <p>cares about customers</p> <p>is not opportunistic</p> <p>is predictable</p> <p>is trustworthy</p>	<p>Gefen <i>et al.</i> (2003)</p> <p>Gefen <i>et al.</i> (2003)</p> <p>Gefen <i>et al.</i> (2003)</p> <p>Gefen <i>et al.</i> (2003)</p> <p>Gefen <i>et al.</i> (2003)</p>	<p>Based upon my experience with the online vendor in the past I know it</p> <p>is honest</p> <p>cares about customers</p> <p>is not opportunistic</p> <p>is predictable</p> <p>is trustworthy</p>
Brand	<p>It is important to me that my financial adviser works for a company with a well-known brand</p> <p>The company my financial adviser works for is a well-known in the marketplace</p> <p>The company my financial adviser works for has a well-established brand name</p>	<p>New</p> <p>New</p> <p>Chen and Barnes (2007)</p>	<p>NA</p> <p>NA</p> <p>The web-site has well-established operations in the e-marketplace</p>
Employing Organisation	<p>It is important to me that my financial adviser works for a large company</p> <p>The company my financial adviser works for has a large presence in the marketplace</p> <p>I would not engage in business with a financial adviser who worked alone</p>	<p>New</p> <p>Chen and Barnes (2007)</p> <p>New</p>	<p>NA</p> <p>The web-site has a large presence in the e-marketplace</p> <p>NA</p>