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ORIGINAL PAPER

Gifts, Corporate Policies, and Individual Morality in UK's Alternative Real Estate Lending Market

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Abstract
Gifts, gratuities, and hospitality are commonplace in industry and more so in the financial sector. They are often offered without any mention of their intention. However, they raise controversial and non-detectable reciprocity expectations. We investigate brokers and lenders in the UK's alternative real estate lending sector. Unlike the rest of the financial market, the alternative real estate lending sector is on a rapid growth path and at the same time broadly unregulated, thereby providing a breeding ground for transactional graft. This is the first analysis of gift-related behaviour in this sector. Based on an online survey of 108 professionals, we identify their corporate gift policies and gather their views on what they believe these policies should be when it comes to monetary limits. We contrast these reports with the hypothetical choices these professionals make in personalized and isolated scenarios to assess their individual moral cut-offs. For the moral value consistent subjects (comprising 72% of the surveyed population) who report a single cut-off of monetary limits below which they accept gifts but above which they do not, we find that their monetary acceptance limits have no connection either with the policies of the corporations that they belong to or with their views about what such policies should be. This suggests that employees' views about policies in their corporations are merely social constructs for their measure of morality which is different from the same measure of their individual morality when applied in isolation. This research informs policy and corporate decision-making to promote the impact of nudging on the role of an individual as an identity in an act of perceived graft rather than simply as a member of an organization.

Keywords Gifts · Gratuities · Hospitality · Real estate lending · Principal-agent problem · Reciprocity · Bribery · Proportionality · Moral consistency

Introduction

The alternative real estate lending sector comprises 25% of the aggregate real estate lending market (Bakie, 2023). It is presently growing further and plays an important role in filling a funding gap, especially for smaller and more vulnerable real estate investors who are otherwise unable to obtain funding from traditional lenders. Despite its size and growth, the sector remains broadly unregulated, leaving these vulnerable investors at the mercy of private lenders, who may not necessarily act in their clients' best interest. In such a sector, the incidence and impact of gift exchange and bribery, a practice that is common in almost any sector of the economy, becomes an even more important and challenging object of study to obtain a fuller picture of gift exchange and its aggregate impact on the real estate lending market. There is no existing academic literature that studies this, and the present paper is an attempt to fill this gap.

Gifts, gratuities, and hospitality (GGH) offers are a widespread part of business development practices across all sectors. The financial sector regulations for banks and building societies are clear on what is acceptable and what is not. These controls stem predominantly from specific financial market regulations imposed by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA). Notably, the alternative real estate lending market,

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providing substitute real estate lending products to those offered by banks, is not controlled in a manner banks and building societies are. That is why in this market it is even less clear when a GGH become a bribe.

This research investigates the blurred line between GGH and bribes in potentially the most vulnerable sector of the real estate market. Thus, this research considers the viewpoints of the lenders and brokers about types of personal offers that are deemed acceptable from an individual's moral perspective (*moral cut-offs*) and explores how these *moral cut-offs* vary with regard to restrictions imposed by the employers of those potentially (or actually) offering or receiving GGH.

As expected, there is clear anecdotal evidence that within the alternative real estate lending market, GGH offers are widely used as a business development practice. The alternative finance market for this sector encompasses the financial channels and instruments that fall outside of the regulations for conventional banks and capital markets (Chambers et al., 2019; Cambridge Centre for Alternative Finance, 2022). However, given the unregulated nature of this market, there are no formal parameters relating to the size, scale, or nature of GGH offerings. As GGH may lead to corruption and market inefficiencies, the question remains as to when GGH become a business inducement for a broker or lender to deviate from their remit. The Ministry of Justice guidance on the UK Bribery Act 2010 (UKAB), when outlining what constitutes a bribe, refers to *"reasonable and proportionate norms of the particular industry"* (Ministry of Justice, 2011, p. 13). While for financial market institutions, there is clear guidance on that, this is not the case in the unregulated alternative real estate lending market. Hence, our objective is to understand if internal imperatives drive the incidence of gift exchange and what non-ethnic/non-cultural attributes can drive such *"norms"* (Davis & Ruhe, 2003; Hofstede, 2001; Husted, 1999; Taylor, 2003).

Bribery and corruption among public officials and individuals in a position of power are well researched, especially in the context of both politics and business relations (Bello, 2014; Chen et al., 2021; D'Souza & Kaufmann, 2013; Disch et al., 2009; Lyra et al., 2022; Newburn, 2015; Robinson et al., 2018; Rocha Menocal et al., 2015; Svensson et al., 2022; Tillipman, 2014; Wickberg, 2013) and so is the regulated mortgage industry (Akins et al., 2017; Bahoo, 2020; Barry et al., 2016; Barth et al., 2009; Beck et al., 2006; Dheera-aumpon, 2017; Weill, 2011) and more broadly gift-giving (Gupta, et al., 2023). There are however not many studies on the introspective perceptions of those who operate within the financial sector in areas where GGH are regularly utilized. Further, there is no systematic research on the practices within the unregulated alternative real estate finance market, nor on commercial borrowers not covered by the regulations applied to financial transactions involving a *"customer"* as defined by the FCA (FCA, 2023a). These are some of the other dimensions to which our paper contributes.

Given the broad range of GGH observed within the alternative real estate lending industry, there is a significant risk of market inefficiencies arising via the well-known *principal-agent problem*. It would be reasonable to assume that the investor, as a client, would trust that the finance broker will act in their best interests. However, the broker's remuneration and GGH offers made to the broker by lenders may lead to the broker prioritizing their self-interests (profit from gifts) over the client's. There is therefore the potential for significant marginal social cost as a result of lack of regulation, which if proven to outweigh the cost of the introduction of regulation, may suggest the need for market regulation.

In addition, understanding the perceptions of brokers and lenders in the alternative real estate lending market should provide insights into their practice and the distinction between *bona fide* gifts and bribery. This should help determine better regulatory mechanisms for GGH in this market to promote not just compliance with UKAB but more broadly behaviours reducing potential risks of breaches. This is the main policy-based reward of this research.

Our main finding is that monetary acceptance limits have no connection either with the policies of the corporations that lenders and brokers belong to or with their views about what such policies should be. Neither they cannot be explained by participants' age, gender, type of market player, or membership of professional organizations. This suggests that employees' views about policies in their corporations are merely social constructs for their measure of morality which is different from the same measure of their individual morality when applied in isolation, Hence, optimal regulatory mechanisms need to focus more on individuals rather than broad organizational rules. This suggests that corporates seeking to avoid graft should approach their staff as *"individuals"* rather than simply as *"members of an organization"*.

The rest of this paper is structured as follows: "UK Alternative Real Estate Lending" section provides overview of the alternative real estate lending market in the UK. "Related Literature" section includes a review of literature relating to gifts, gift-giving, reciprocity, and corruption linking to practices in the alternative real estate lending market. Given the complexity of this issue, "Research Design and Methodology" section discusses our methodology, while "Results and Discussion" section examines the use and perceptions of GGH as a business development practice. Finally, "Conclusion" section provides conclusions on the prevalence, perceptions, and *moral cut-off* points of lenders and brokers operating in the alternative real estate lending market.

UK Alternative Real Estate Lending

Regulatory reforms implemented post-2010 to prevent the global financial crisis from happening again have negatively impacted real estate investment returns. Reforms relating to capital, liquidity, and systemic oversight have been successful (e.g. Basel III and Alternative Investment Fund Management Directive) making the banking system less vulnerable (IMF, 2018). However, bank resilience came at the cost of limiting investors' and developers' access to bank lending. Moreover, the increasing banking compliance costs reduced the potential investor pool (Hoesli et al., 2020). As a response to these phenomena, alternative real estate lenders are increasingly relied on in areas where banks have reduced their exposure (Baeck et al., 2014). Further, the post-covid downturn accelerated the demand for alternative real estate lending as banks have become even more risk-averse and thus "*cautious about taking on new clients, carefully managing their balance and refocusing on lower risk cashflow-based property transactions*" (JLL, 2020).

As shown in Bakie (2023), as much as 25% of the real estate lending in the UK is conducted via alternative real estate lenders. While the US has the highest share of alternative lenders (40%), in the rest of Europe only 6% of lending stems from alternative lenders. As borrowers are increasingly pushed out of the traditional bank finance market, alternative real estate lenders are becoming more critical for property construction and investment. (Bakie, 2023). The focus of alternative real estate lenders on bridging finance, refurbishment funding or large phased projects with low pre-sales means that such lenders are benefitting from higher risk-adjusted returns than those from corporate bonds or equities.

Alternative real estate lenders offer the following advantages over traditional lenders: (1) their lending is more accessible for the borrowers who over the last few years were left with a poor credit history making them non-fundable by traditional banks; (2) they are faster than traditional lenders, more agile and less bureaucratic; (3) when structuring loans they are more transparent offer more flexibility than traditional lenders resulting in funding nonstandard or complex projects; and (4) frequently offer specialist knowledge and expertise in specific types of projects and thus can provide more tailored underwriting (Baeck et al., 2014; Huepfl, 2021; IB, 2022; Acuity Finance, 2023). Given the current global economic climate, it is reasonable to expect that alternative real estate lending, as a proven substitute to traditional lending especially for smaller size already very vulnerable enterprises (Sabato et al., 2021), will grow in prominence not only in the UK but globally. Due to its nature, this sector will unlikely be affected by major regulatory burdens that apply to banks. Thus, it is critical that lenders and brokers act with honesty and integrity and recognise how GGH may encourage them to *"trade off"* the interests of their clients.

Related Literature

Gift, gratuities, and hospitality are terms frequently used when it comes to both personal utility in a business relationship as well as in the context of inducements, bribery, and corruption. *Gifts* in everyday language are understood as *"something, the possession of which is transferred to another without expectation or receipt of an equivalent"* (Oxford University Press, no date). They can be considered from a social, economic, and personal perspective (Adloff, 2006). Cheal (2015) stresses that gifts are a universal social phenomenon. As established in 1925 (Mauss, 1990), even Malinowski's Melanesian observations suggested gifts being associated with social exchange systems including not just giving but more importantly receiving and reciprocating (Lévi-Strauss, 1969) and thus no *"free gifts"* (Carrier, 1991). While gifts are voluntary, they are given and repaid under obligation (Panoff, 1970) in a dyadic exchange relation and create a dependency-like relationship that requires a continuous exchange to sustain as otherwise the giver or recipient may suffer (Gouldner, 1960; Homans, 1958). Thus, gift-giving *"becomes a vehicle of social obligation and political manoeuvre"* (Schieffelin, 1980, p. 503) and sparks reciprocity even in situations such as flower-giving (Rynning, 1989). In economic terms, one would think of a gift as an element of trade and thus imply the reciprocity expected from trade transactions. However, unlike in explicit contracts, gifts would not be directly associated with the counterpart of the contract such as a defined nature, value, and timing of the goods or services provided in return for the gift.

The personal stance on gift-giving implies that gifts are not always agonistic because people give to gain, even if that is for their own pleasure (Sherry, 1983). More recently, Passos et al. (2020) based on the integration of *gift-giving* and *personal values* theories concluded that gift-giving is influenced by self-direction, hedonism, tradition, achievement, and power. Finally, *"gift exchange is an exchange of inalienable objects between people who are in a state of reciprocal dependence that establishes a qualitative relationship between the transactors"* (Gregory, 2015, p. 106). Such reciprocity can be manipulated to be coercive, creating bonds of indebtedness and locking people in ineffective and inescapable relationships (Skinner et al., 2014).

Gift-giving in other environments has been observed more frequently among females than males in terms of gift selection, interpersonal relationships, and personal exchange

(Beatty et al., 1991; Cheal, 1987; Davies et al., 2010) but not in business exchange (Bodur & Grohmann, 2005). However, females are more compliant and thus more resistant to bribery (Torgler & Valev, 2006). Age is another important factor in situations when gifts become bribes, with younger (< 30 years old) people demonstrating higher *"justifiability of corruption"* (Torgler & Valev, 2006). On the other hand, education is positively associated *"justifiability of corruption"* (Torgler & Valev, 2006). However, those with higher education are more likely to be targeted for bribes (Mocan, 2004). Differences in cultural backgrounds affect behaviours (Hofstede, 2001), the propensity to gift exchange and other forms of petty graft (Davis & Ruhe, 2003; Husted, 1999; Taylor, 2003).

Gratuity is *"a gift or present (usually money), often in return for favours or services"* (Oxford University Press, no date) or a *"tip"* (Cambridge Dictionary, no date). In the context of this research, gratuity can be understood as a pecuniary offer, or an item, with the expectation that in the event of acceptance, it will instigate a response from the recipient whereby they will provide something in return. Given that a *bribe* is *"the act of giving someone money or something else of value, often illegally, to persuade that person to do something you want "* (Cambridge Dictionary, no date), gratuities can be a disguised form of bribery and corruption (Torfason et al., 2013). In business relations, a gratuity, as a service, would often be associated with *hospitality* understood as *"the reception and entertainment of guests, visitors, or strangers, with liberality and goodwill"* (Oxford University Press, no date). As noted by Saluja and Mai (2015), in the financial sector, corporate hospitality positively contributes to relationship building, sales, networking, and reputation of the business as long as they are ethically accountable.

GGH in Business Development Practices

Offering gifts is an informal process that is regulated both formally and informally (Nuijten & Anders, 2009). Formal systems, missing within the alternative real estate lending market, would give parameters via clear legislation and official industry regulators. The informal systems would rely on guidelines of professional bodies, corporate policies, and procedures or personal judgments. Gifts can play an integral part in business development (Graycar & Jancsics, 2017) and are beneficial where the strategy is to promote business growth through positive experiences with clients and stakeholders (Arunthanes et al., 1994).

The benefits of using GGH include increasing sales (Beltramini, 2000), developing social bonds between key stakeholders within a business transaction (Gordon & Miyake, 2001), and maintaining client awareness of the corporate brand (Hall, 2013). However, it is challenging to understand where the line falls between legitimate business gifts, and illegitimate corruption and bribery (Ahamad Kuris et al., 2023; Tillipman, 2014). That is even in low-corruption countries such as Sweden (Transparency International, 2022), where despite stringent regulations and social norms, *"bribery gaze"* is still an issue (Åkerström et al., 2016).

Considering the importance of building strong relationships with customers, and the ability of such relationships to gain a competitive advantage (Grossman, 1998), GGH, when initiating a business relationship, can be used to signal the intention and shorten the perceived social distance between the two parties (Sahlins 2004; Camerer, 1988; Otnes & Beltramini, 1996). Moreover, gifts play a role in strengthening business relationships resulting potentially in repeated gifts (Gordon & Miyake, 2001). Stemming from this, stronger social bonds mitigate any perceived risks and uncertainties relating to dealing with strangers in a business transaction (Gordon & Miyake, 2001). Further, GGH have a positive impact in maintaining good long-term business relationships (Arunthanes et al., 1994; Hall, 2013). In support of this, Beltramini (2000) found that customers receiving no business gifts demonstrate lower customer satisfaction when compared to those receiving gifts. GGH can be utilized in a variety of scenarios, be it religious festivals, celebrating successful business deals, or in regular business interactions (Fan, 2006; Hall, 2013).

In any study of the reciprocity argument within GGH, the value of such offers must be determined to maximize the probability of their desired impact (Fan, 2006). In businesses that would be typically established by the marketing teams (Fan, 2006). Corporate gifts can vary from giveaways—gifts given with the intention of marketing the brand name, often low-value branded items such as pens or mugs, through standard gifts—more personal and of a higher perceived value, to luxury gifts which carry the highest real cost to the business and are addressed to specific individuals and deemed to carry significant prestige. In support of Fan's (2006) observations that different gift levels both exist and need to be considered, Hall (2013) concludes that various gift types have differing perceived value to a recipient, with personalized gifts of the greatest perceived value by recipients. Further, Beltramini (2000) in his experiment found that recipients of the highest value gifts were the only group to demonstrate an immediate and sustained increase in customer satisfaction levels and an increase in sales. Hence, when considering GGH both the actual and perceived values of the offer need to be considered. Give-aways act as a form of reminder, leading to an increased likelihood of a future business decision being tipped in favour (Axtell, 1993). However, even in the healthcare sector, they have been proven to foster misconceptions (Steinbrook, 2009). However, this refutes Lawler and Yoon's (1996) observations suggesting a low reciprocity value of such gifts. Gift-giving must be carefully considered in the business context.

Campbell's (1997) research on Christmas gifts concluded that clients would have preferred improved customer service or greater discounts than the gifts they received. For the alternative real estate finance market that may mean that larger procuration fees or improved service levels from a lender may be preferred by brokers rather than gifts from lenders, which contradicts Arunthanes et al. (1994), Beltramini (2000), Gordon and Miyake (2001) and Hall (2013).

UK Bribery Legislation and Governance of the Real Estate Lending Markets

The current UK anti-bribery legislation in the form of UKAB stems from the Public Bodies Corrupt Practices Act 1889, followed by the Prevention of Corruption Act 1906, which sought to address issues of bribery and corruption among both private and public agents in a principal-agent business relationship (James, 1962). UKAB was introduced to streamline and simplify the unfit-for-purpose, inconsistent, and inadequate regulations (Aaronberg & Higgins, 2010).

UKAB indeed resulted in commercial organizations being more careful about how they run their businesses (Ekwueme, 2022) by giving clarity that the use of hospitality, promotion, and other business expenditures is acceptable as long as these are reasonable and proportionate to the business scenario and cannot be used to disguise bribes, leaving space for interpretation (Alexander, 2011). While a *"proportionate"* and *"reasonable"* offer of either a gift or hospitality may not be seen as a bribe and gift-giving is less effective than explicit bribes (Lambsdorff & Frank, 2010), further consideration is required of the context in which they are offered. That is because GGH may encourage brokers and lenders to act in such a way that they no longer prioritize their client's best interests (Alexander, 2011).

The UK financial market is regulated by FCA and PRA. The FCA, regulating some 50,000 businesses, primarily focuses on ensuring the financial markets remain honest, fair, and effective (FCA, 2023b). PRA protects and enhances the UK financial system and supervises around 1500 financial institutions, including banks, building societies, credit unions, insurers, and major investment firms (Bank of England, 2020). The UK mortgage market consists of approximately 340 regulated lenders and administrators (Bank of England, 2022), including banks and building societies, as well as alternative lenders.

The situation is very different for the alternative real estate lenders, lending solely to customers who fall outside of the *"consumer"* definition (*"a person acting for purposes outside his trade, business, or profession"* (FCA, 2023a)). They are not required to report to any regulatory body and are not bound to adhere to widely recognized professional standards. All businesses engaging in defined regulated activities within the real estate lending markets are required to report to the FCA and/or the PRA through an annual Mortgage Lending and Administration Return (Bank of England, 2023). The FCA's handbook (FCA, 2023a) defines both a regulated mortgage contract and exclusions such as loans to commercial borrowers. Therefore, a lender providing debt secured against real estate or an intermediary offering advice to commercial borrowers has no regulatory obligations within the financial system resulting in low market transparency.

The lack of professional regulation (through organizations like PRA or FCA, or professional bodies associating the alternative real estate lenders or brokers) and the lack of prescribed limits of *"proportionality"* and *"reasonableness"* result in (1) difficulty in understanding the true scale of the industry as the number of individuals and businesses actively participating in the market, be it in a lending capacity, or as intermediaries, is unknown (As of 20th July 2022, there were 38,460 active companies dealing with financial intermediation or credit-granting companies not elsewhere classified—SIC 64999, SIC 64929 (Companies House, 2022). However many, if not most of them are not specific to real estate.); (2) lack of transparency with respect to products offered (bridging finance, development finance, revolving credit facilities, residential investment mortgages, and commercial investment mortgages), except for the scale of the UK's residential investment buy-to-let mortgage market (UK Finance, 2022); (3) lack of transparency with respect to the nature of practices and professionalism; and (4) risk of a conflict between the parties involved in a transaction especially when it comes to the servicers' compensation (Levitin & Twomey, 2011). This conflict can lead to the unfair treatment of the ultimate consumer, whereby the consumer's servicer makes recommendations with their own best interests in mind, as opposed to those of the consumer. Under FCA rules, this would constitute an infraction of the regulatory standards (FCA, 2023a) but not in the case of alternative real estate lenders.

In the absence of regulatory bodies, the National Association of Commercial Finance Brokers (NACFB), the Financial Intermediary and Broker Association (FIBA), and the Association of Short-Term Lenders (ASTL) fill the void. NACFB (2022) claims to be "*a hallmark for quality and professionalism*" (NACFB, 2022), while FIBA (2022) aims *"to support finance professionals within the UK, enabling them to deliver outstanding solutions and service to their clients*" and ASTL (2022) aims "*to protect and promote the interests […] members and to give confidence to parties who transact business with them"*. However, membership of these organizations is voluntary. While NACFB has over 2000 members (NACFB, 2022), ASTL has just 79 members (ASTL, 2022). FIBA does not make membership disclosures. That coupled with the generic nature of UKAB provides little assistance and it is ultimately down to the lenders and brokers to decide what is *"reasonable"* and/or *"proportionate"*. Given the fast growth of the international alternative finance market (Ziegler et al., 2021), weaknesses in GGH policies across the international financial market (MCO, 2020) and calls for more stringent regulations (World Bank & CCAF, 2019) and more robust corporate policies (MCO, 2020), this is perhaps an area to keep an eye on.

The *Principal-Agent Problem* and Implications of *Reciprocity*

The *principal-agent problem* arises when there are inconsistencies in the expectations and priorities of the principal and agent (Stiglitz, 1989). In a principal-agent relationship, while the agent is delegated the autonomy to act on behalf of the principal, the principal retains liability and responsibility for any outcome as a result of the agent's actions. This delegated authority requires the agent to act to prioritize the principal's best interests, so much so, the decisions would lead to the same, or better, outcomes as if the principal had made the decisions themselves (James, 2002).

The introduction of GGH offers, just like any other exogenous side-payment schemes unobserved by the principal, increases the likelihood of the *principal-agent problem* arising, as individuals would prioritize looking after their own personal interests (Graycar & Smith, 2011). As observed by Graycar and Jancsics (2017), the acceptance of gifts harms the delivery of services with the point at which a gift becomes a bribe being contestable and subject to personal or cultural interpretation (Steidlmeier, 1999).

Gift-giving between individuals within a business relationship is a regular occurrence (Bruhn, 1996). There is ample mixed results research on gift exchange between sellers and purchasing agents and on the effectiveness of business gifts (Beltramini, 1992, 2000; Dorsch & Kelley, 1994; Trawick et al., 1989). However, it is clear that GGH have a significant communicative function (Schieffelin, 1980) to shape the current and future behaviours of the agent and the expectations the business making the offer has of the agent (Komter, 2007) and that there is a positive correlation between the gift value and the feeling of obligation towards the giver (Beltramini, 2000) that increases the likelihood of reciprocation (Organ, 1974).

James (2002) argues that GGH offers, which are unknown by the principal, become an inducement of the agent as if the principal had full knowledge, they would not accept such offers, leading them to act in their own best interest instead of in the best interests of the principal and thus may become a bribe. The determining factor here is whether the agent would behave in the same way in the event the principal held perfect knowledge of the offers that have been made to the agent (Graycar & Jancsics, 2017).

What GGH represent should only be known by those involved in the exchange (Axtell, 1993), thus GGH may not always be interpreted in the way the person making the offer intended (Axtell, 1993; Wooten, 2000). Their offering presents a complex problem, as gifts are offered with no prescribed reciprocation. In the context of an agent being offered a GGH, reciprocity would be triggered to return the relationship to equilibrium (Douglas, 2002), even if that is only a feeling of obligation to offer something in return for the gift (Douglas, 2002). Further to that, Chao (2018) established the existence of a desire to reciprocate, in order to return to equilibrium, even where solely the intention to give a gift exists before any gift has even been given. Business gifts have also been found to trigger similar reciprocal responses in individuals as is witnessed in personal informal gift-offering environments (Arunthanes et al., 1994). However, the challenge remains as businesses should seek to avoid the negative emotions associated with the sense of obligation to reciprocate (Freeman, 1996; Feder, 1998) with reciprocity depending on the individuals' determination of its appropriateness (Axtell, 1993).

To mitigate the risk of any sense of obligation to reciprocate, organizations may dictate a limit on the maximum value of a GGH in relation to both offering and accepting (Gordon & Miyake, 2001). However, most companies provide their employees with a degree of flexibility outside of the prescribed limits where discretion can be used (Gordon & Miyake, 2001), which reduces the effectiveness of such limits. Further to that, Martin et al. (2013) found that managers, while not directly allowing employees to act outside of prescribed limits, may create permissive environments where employees feel able to, or potentially encouraged to breach the limits if it leads to desirable business outcomes. This is reinforced by unrealistic business targets resulting in staff being pressured to facilitate bribes to increase business volumes (Ashforth & Anand, 2003; Vaughan, 1982). To that, Malmendier and Schmidt (2017, p. 493) observe that disclosure and gift-limiting policies may be ineffective, while *"financial incentives are effective but can backfire"*.

Graycar and Jancsics (2017) suggest that when assessing the impact of reciprocity theory within the *principal-agent problem*, transparency is crucial, and expectations of reciprocation must be made clear to all parties, to avoid unethical behaviours. Further to that, Pan and Xiao (2016) observe that in situations when reciprocating a gift is socially inefficient, it may be more beneficial to reject a gift or keep the gift *"confidential"* instead of trying to control the intent of the giver be it positive or negative. Thus, it is suggested that to set up clear boundaries a combination is required of corporate rules, codes of practice, and *"letting everyone in the corporate to have their own framework of ethical decision making"* (Liu, 2020, p. 14).

In the financial markets, *"the extraordinary level of interconnectedness […] creates a fertile breeding ground for potential conflicts"* (Shah, 2014, p. 5). That is because the area most susceptible to the *principal-agent problem* is the relationship between an individual seeking finance (principal) and a mortgage broker (agent). The principal trusts that the agent will perform the task of arranging the most appropriate form of finance on their behalf. However, the principal does not have a full understanding of the remuneration structures for the agent, nor what offers have been made to the agent by the potential suppliers. LaCour-Little and Chun (1999) observed that for mortgage-backed securities. Further to that, leading to the financial crisis of 2007/2008, mortgage brokers were incentivized to maximize the number of mortgages sold, as opposed to the appropriateness or quality of the products for their clients (Crotty, 2009), with Shah (2014) noting that this might have led to the financial crisis in the regulated mortgage markets. In line with Akerlof (1970), this suggests that in the financial sector, the impact of the *principal-agent problem* is significant enough to destroy the efficiency of the market in which they occur.

Overall Summary and Insights Provided by the Literature

In summary, the use of GGH offers can form a significant part of an effective business development strategy (Beltramini, 2000; Fan, 2006; Hall, 2013). However, GGH need to be considered in the context of their intended and unintended implications in view of both UKAB continuing to leave space for complex interpretation of their implications (Russell, 2012) as well as in view of informal systems including e.g. corporate policies, bearing in mind that GGH may be in fact concealed bribes (Pinker et al., 2008) and Gregory's (2015) observation that *"a 'bribe' is an outsider's moral valuation of a transaction that an insider participant may interpret as a being either a gift or a commodity"* (Gregory, 2015, p. 39).

Research Design and Methodology

To explore the offering of GGH in the alternative real estate lending market as part of business development practices, this research is based on inductive reasoning to the data gathering with no initial hypothesis or theory but instead with a focus on the observations throughout the research process allowing for fluidity in the research (Goddard & Melville, 2004).

Data Collection

An online survey was used to collect primary data from lenders and brokers in the alternative real estate finance industry i.e. those with first-hand experience (Denzin & Denzin, 2005). To obtain a rich picture of their experience and opinions, the survey included a combination of qualitative and quantitative questions (Denzin & Lincoln, 2005).

Through a purposive sampling method (Etikan et al., 2016), only individuals operating in the UK were invited to participate in this research to ensure that they were acting within the parameters applicable to this market alone. Participants were sourced using personalized messages via professional social media networks, based on their professional profiles using combinations of the following keywords *"alternative"*, *"real estate*"*, *"mortgage*"*, *"broker*"*, *"lender*"* and names of companies known to authors to operate as lenders and brokers in the alternative real estate lending sector.

The survey consisted of five parts:

(1) Demographic information aiming to understand differences in responses based on age, gender (Beatty et al., 1991; Bodur & Grohmann, 2005; Cheal, 1987; Davies et al., 2010), type of market player, and professional regulation such as membership of professional organizations (FIBA, NACFB or alike) or regulatory bodies (FCA) as potentially promulgating standards to deter bribes and corruption (Poon & Hoxley, 2010; Vanasco, 1998);
(2) Prevalence of experiences in offering and receiving GGH; and.
(3) Understanding existing GGH corporate policies and individual views. Existing GGH corporate policies are associated with a cap P_k where P_k belongs to one of the intervals below:

   a. {(No GGH),(£0-100),(£101-250),(£251-500),(above £500),(All GGH),(flexible policy)},
   b. with the meaning that if P_k = *(No GGH)*, then the policy is a total ban on accepting GGH, if P_k=*(£251-500)*, then the policy is a total ban on accepting any GGH with a value above some amount between £251 and £500, etc.. A *Flexible policy* in this setting is defined as a policy under which the value cap varies depending on the business context. The above policy definitions have been based on the researchers' professional experience and market knowledge and validated by comparing them with the policy definitions used in a study of the predominantly regulated financial institutions operating mostly in the US and Asia (MCO, 2020).

c. In contrast to the corporate policies, an individual in a corporation with policy P_k may have their own view of what such a cap should have been. We denote such views by V_k that also belong to one of the intervals in the above set.
d. A *Policy-view match* is defined as the event when for an individual $P_k = V_k$. Otherwise, it is called a *policy-view mismatch*.

(4) Scenario-based options (O_m) for testing acceptance of various GGH, where $m = 1,\ldots,8$ are offered in hypothetical environments. Once acceptance rates are obtained, we introduce the notion of *moral value consistency*, which is defined as a behavioural trait of an individual where lower value GGH are rejected with lower probability.

e. We then ask whether there is a relationship between *policy-view match* and *moral value consistency*. In other words, is it more likely that individuals who do not suffer a *policy-view mismatch* in their corporation are more likely to satisfy the *moral value consistency*? Answering such a question is important to understand how agreeing with corporate policies affects *moral value consistency*; and

(5) Qualitative views on GGH in the alternative real estate lending market.

All questions were drafted bearing in mind potential sensitivity around GGH and to minimize the *social desirability bias* (Lewis-Beck et al., 2004).

It is important to note that for income, wealth, salary status or cultural backgrounds to not distort answers in the undertaken survey, our methodology has consciously avoided any questions in these dimensions, as our objective is not to understand within-industry status-based incentives of gift acts, but to unravel prevalent moral imperatives (or lack of it) behind *individual practices*.

Ethical Approval

The research was subject to internal ethical approval by the university. The authors certify that the study was performed in accordance with the ethical standards as laid down in the 1964 Declaration of Helsinki and its later amendments. Prior to commencing the survey, all participants were informed of the nature of the study via a participant information sheet detailing that their consent and involvement were anonymous and entirely voluntary. Following the survey, participants were given a two-week window to allow them (if they desired) to withdraw their responses.

Data Analysis

Analysis of **Part (1)** and **Part (2)** data was based on frequency analysis. Nominal data in **Part (3)** were subject to distribution analysis and testing for *policy-view match*, while the qualitative data (expressed opinions on GGH policies and personal views on what these should be) were subject to the six-step thematic analysis including (1) familiarizing with data; (2) generating initial codes; (3) searching for themes by combining codes; (4) reviewing themes; (5) defining themes; and (6) reporting findings (Braun & Clarke, 2022; Guest et al., 2012).

Part (4) data were firstly subject to distribution analysis and testing for *moral value consistency* assuming rational choices and thus transitivity of preferences (Kahneman & Tversky, 1979; Luce, 1999; von Neumann & Morgenstern, 1947).

To understand acceptance for various GGH, scenario-based options (O_m) were developed, where $m = 1,\ldots,8$. These options were based on the observations by Axtel (1993); Arunthanes et al. (1994), Bodur and Grohmann (2005), Alexander (2011), and anecdotal evidence gathered by the authors in the course of their professional careers. Options varied with respect to the moral value of GGH, the timing of the offer, and expected reciprocity (Axtel, 1993).

The options covered a range of GGH including

- O_1—a Starbucks meeting to discuss potential collaboration (Saluja & Mai, 2015);
- O_2—low-value gifts such as pens, mags, and confectionary to celebrate the start of a business relationship (Axtell, 1993);
- O_3—lunch at a Michelin Star restaurant, to celebrate the completion of a business transaction (Saluja & Mai, 2015);
- O_4—food and drink hamper to celebrate an upcoming religious festival (Campbell, 1997);
- O_5—Harrods hamper to celebrate the start of a business relationship (Campbell, 1997);
- O_6—tickets to the World Cup in return for an increased business (Komter, 2007);
- O_7—iPhone in return for more business introductions (Komter, 2007); and
- O_8—an all-inclusive holiday in return for an increased business (Komter, 2007).

Acceptance of GGH was measured using a sliding Likert scale from 0—*definitely reject* to 100—*definitely accept*.

Based on the average per-person cost of offered GGH, a moral value was attached to each option. This allowed for testing for participants' *moral value consistency* using the same intervals in Part (3) of the survey and to conclude with four value classes: $C_1 = \{O_1, O_2\}$ valued at £0–100,

$C_2 = \{O_3, O_4, O_5\}$ valued at £101–250, $C_3 = \{O_6\}$ valued at £251–500; and $C_4 = \{O_7, O_8\}$ valued at over £500. Thus, *moral value consistency* is equivalent to having at least a weak reported preference ordering if the probability attached to acceptance is decreasing as the stakes are increasing, i.e. $C_1 \succcurlyeq C_2 \succcurlyeq C_3 \succcurlyeq C_4$. Otherwise, the participant is labelled as *moral value inconsistent*. Note that, given the sliding Likert scale, moral value consistency was established based on decimal probability intervals.

Qualitative data collected in **part (5)** of the survey were subject to thematic analysis using the same approach as for part (3).

Table 1 Demographics of survey respondents ($n = 108$)

Variable	Demographics	Frequency	%
Type	Lender	67	62
	Broker	41	38
Age	18–29	10	9
	30–39	39	36
	40–49	43	40
	50–59	16	15
Gender	Male	87	81
	Female	21	19

Results and Discussion

Survey data were collected between 23 August 2022 and 26 September 2022. The survey was designed for desktop and mobile use via Qualtrics XM platform with the target of 200 + responses. This sample size was sought by reference to previous studies (Bruhn (1996) based his observations on 220 givers and recipients of business gifts, Beltramini (1992) experimented with 331 and later on with 243 participants Beltramini (2000), while Bodur and Grohmann (2005) based their research on 202 participants and Lambsdorff and Frank (2010) on 180 participants.). Using both channels, 201 responses were received, at which point the data were cleansed, and any responses that were not 100% complete were disregarded resulting in a sample of 108 surveys qualified for analysis. This qualified sample size, while lower than expected given the overall number of responses, is broadly in line with past research in this field. Pan and Xiao (2016) in their experiment on gifts with expected and unexpected treatment included 64 and 60 participants, respectively. Similarly, Chao (2018) in his experiment on monetary and non-monetary gifts included 90 participants, while Malmendier and Schmidt (2017) looking at reciprocation of gifts used 20–24 participants' groups. Likewise, Åkerström et al. (2016) in their analysis of *"bribery gaze"* interviewed only 13 individuals and Liu (2020) surveyed 30 corporate participants.

Demographic Data

The sample includes 67 lenders (62%), further identified as L1 to L67, and 41 brokers (38%), further identified as B1 to B41. 87 of the participants were identified as male (81% of all participants), with the remaining 21 (19%) identified as female, which is at par with observations by Suss et al. (2021) and close to Croxson et al. (2019) observing gender diversity at 17% among the FCA-approved individuals. Among the brokers, this disproportion was much stronger with only 12% female participants, while for lenders their share stood at 25%. Participants' age structure was broadly in line with Suss et al. (2021), with the majority in the 30–49 years bracket (72% of lenders and 83% of brokers). This sample structure enabled support for the findings' relevance. For details, see Table 1.

Despite the absence of an industry regulator, 71% of participants worked for businesses regulated by at least one body (predominantly FCA—57%, followed by NACFB—41%, FIBA—19%, and other—4% including ASTL, The London Institute of Banking & Finance or the Royal Institution of Chartered Surveyors), leaving only 29% working for unregulated businesses. Only 20% of brokers were unregulated vs 34% of lenders. Moreover, among brokers as many as 44% were regulated by two or more organizations, while that was the case for 34% of lenders, reinforcing that overall brokers are more self-regulated. Overall, 57% of participants were regulated by FCA (73% of brokers and 48% of lenders), followed by NACF—41% (49% of brokers and 36% of lenders). Only 19% were regulated by FIBA, with higher regulation levels observed for lenders (24% vs 10% for brokers). 4% were regulated by *Other* organizations. While registration with the FCA is not obligatory for those working in the alternative real estate lending market (FCA, 2023b), mortgage brokers and lenders may undertake both regulated and non-regulated activities, which may explain the high level of registrations with FCA. Figure 1 provides details of participants' professional self-regulation.

Offering and Receiving of GGH

To gauge the prevalence of both the offering and receiving of GGH, participants were asked if they had previously offered or received GGH in a business context.

Overall, 82% of participants stated they had previously been in receipt of GGH (80% of brokers and 84% of lenders). While there is a low disparity between lenders and brokers regarding the receiving GGH, this is not the case for the offering. 68% of participants stated they had made such an offer, with 73% of lenders doing so, and only 58% of brokers. While 69% of lenders both offered and received GGH,

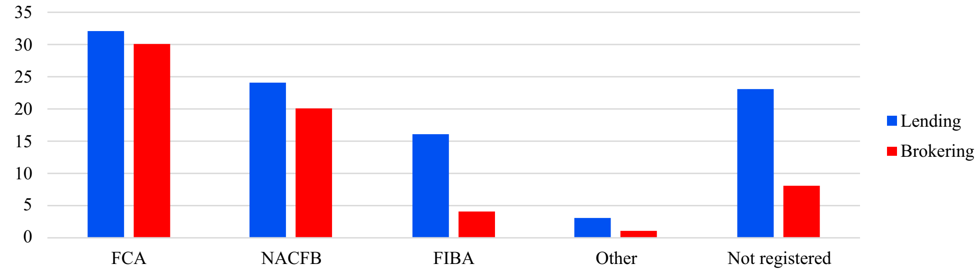

Fig. 1 Participants' professional self-regulation

this was the case for 56% of brokers. The φ coefficient for the relationship between offering and receiving stood at 0.46 (significant at $\alpha = 0.05$) suggesting a moderate positive relationship. The same was true for lenders and brokers separately. Given the symbiotic relationship between brokers and lenders (Dashly, 2023; Funkhouser, 2010), this may suggest GGH exchange with other stakeholders and or reciprocity between brokers and lenders.

Receiving of GGH was lowest among the youngest age group (18–29) and stood at 60% and increased to 82% and 81% for 30–39- and 40–49-year-old participants. 100% of 50–59-year-old participants were in receipt of GGH. However, these differences are not statistically significant at $\alpha = 0.05$. Considering lenders and brokers separately, the largest discrepancy was observed in the youngest group with 71% of lenders but only 33% of brokers receiving GGH. GGH offering was observed among 70% of the youngest participants and 62% and 65% of those aged 30–39 and 40–49, respectively. 88% of those aged 50–59 offered GGH. In the youngest group, the offering was more prevalent among lenders than brokers (83% vs 50%). Observations of the youngest cohort of lenders suggest that they may be going beyond *bona fide* GGH when working under pressure due to challenging business targets (Ashforth & Anand, 2003; Vaughan, 1982). In line with Beatty et al. (1991) and Davies et al. (2010) and contrary to Bodur and Grohmann (2005), prevalence of GGH was observed to differ between male and female participants. However, these differences are not statistically significant at $\alpha = 0.05$.

Among lenders, female participants offered more frequently than male participants (91% vs 71%), while the opposite was observed among brokers (30% of females vs 66% of males). A similar pattern was observed for receiving. However, the gender differences only for the brokers demonstrated a statistically significant moderate positive relationship between receiving and offering ($\varphi_{receiving} = 0.32$ and $\varphi_{offering} = 0.31$ at $\alpha = 0.05$).

Corporate GGH Policies and the Views on Appropriate Policies

Organizations usually seek to limit the maximum value of gifts offered or received by their employees (Gordon & Miyake, 2001), which is in line with the Ministry of Justice (2011) guidelines. To understand the prevalence and level of such limitations, participants were asked about policies P_k in their organizations. In line with Gordon and Miyake (2001), only 12% of participants declared that they operated under policies allowing acceptance of any GGH (*All GGH* policies). However, at $\alpha = 0.05$, these policies were significantly more frequent among brokers (17%) than lenders (9%). The rest declared corporate policy in place, be it *No GGH* (3%, with 7% of brokers and no such policies among lenders), *flexible policies* (36%), or clear moral value caps (49%). In this last category, prevailed *£0–100* limit policies (41%). For this category, major differences were observed between lenders and brokers (49% of lenders vs 27% of brokers). Those declaring *flexible policies* further referred to types of GGH, e.g. acceptability of meals, coffees, and hampers but not golf events (B14, B18, L21, L24, L35, L37, L49, L55, L63), timing, e.g. leading into a new business vs. once the deal is signed (B14, B18, B27, B32, L5, L14, L27, L28, L30, L35, L45, L49, L61, L63), gift registers (B13, L34, L50, L62), the management or teams' discretion (B4, B13, L30, L37), and *"quality of the lender [and] their rates"* (B9).

Participants were then asked about their views of what an appropriate policy (V_k) should be and as shown in

Fig. 2 Policies in place vs views on GGH policies

Fig. 2, they frequently declared preferences for stricter policies with clear monetary limits at either £100 or £250.

As the distribution of responses on policies and views differed significantly, the *policy-view match* (declared views reflecting policies of the employer) between these two was established to stand at 53% of participants. While male participants were more frequently *policy-view matching* than female participants (56% vs. 38%), this difference was not statistically significant ($\varphi = 0.14$, $\alpha = 0.05$). While the level of *policy-view matching* in the various age groups varied, no statistically significant relationships were observed. Lenders displayed a somewhat lower *policy-view match* than brokers (51% vs 56%). However, similar to gender, this difference was not statistically significant ($\varphi = 0.05$, $\alpha = 0.05$). Professional regulation not found to be associated with *policy-view matching*. Interestingly the highest *policy-view matching* was observed for *£0–100* value cap policies (66%), followed by policies based on business context (51%) and *£101–250* value cap policies. As shown in Fig. 3, 34% of those operating under the *£0–100* policies would prefer either higher caps or more flexible policies. Conversely, 49% of those governed by *flexible policies* would rather be guided by sub £250 policies. For both categories, brokers displayed lower *policy-view match* than lenders. Opinions of those operating under *All GGH* policies varied. However, brokers leaned towards value cap policies. At the same time, those subject to *No GGH* policies, especially lenders would welcome more lenient policies and highlighted the *"relationship"* with the giver or recipient, timing, perceived reciprocity expectations, and value *"reasonableness"* to be considered.

These observations suggest the existence of misalignment, potentially leading to under-acceptance of GGH and thus missing opportunities for business development (Arunthanes et al., 1994; Beltramini, 2000; Gordon & Miyake, 2001; Graycar & Jancsics, 2017) or over-acceptance and an increased risk of breaching UKBA.

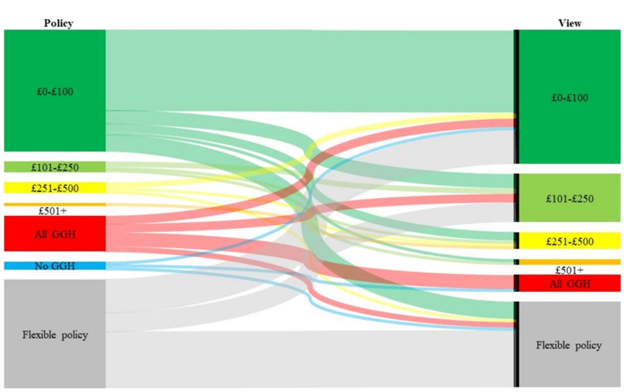

Fig. 3 Policies vs. views on policies

GGH Options

Moral Value Consistency

We define *moral value consistency* as a behavioural trait in the GGH domain where the likelihood of gift acceptance or offer decreases (weakly) as the monetary values of gifts increase. Despite the differing reciprocity expectations, on average 47% of the participants (48% of lenders and 46% of brokers) displayed *moral value consistency* by a lower level of acceptance of higher value GGH. Females were more consistent in this sense than males (62% vs 44%). However, for both the type of participant and gender, no statistically significant relation was found ($\varphi = 0.01$ and $\varphi = 0.14$, respectively, at $\alpha = 0.05$). With respect to age, the 18–29 cohort demonstrated the highest *moral value consistency* of 60% with the other cohorts showing consistency of 44–49%. However, these differences are not statistically significant at $\alpha = 0.05$. While *moral value consistency* was more frequent among professionally regulated participants than among those operating under no professional or regulatory restrictions (50% vs 39%), this difference did not suggest any statistically significant relationship between regulation and *moral value consistency*.

Option Acceptance and *Moral Cut-Offs*

We define the *moral cut-off* of an individual as the option value before which GGHs are accepted/offered but beyond which they are not. As expected, O_1—Starbucks meetings would be accepted almost certainly (96%) and O_8—Holiday packages would almost certainly be rejected (87%). O_2—Pens & chocolates would also be highly likely accepted (87%) as they would likely help build brand recognition (Axtell, 1993). However, this rebuts Hall's (2013) argument that there is no place for cheap promotional items displaying companies' business logos. In agreement with Arunthanes et al. (1994), the probability of acceptance of O_3—Michelin star meal or of O_4—Food & drink in a festive event was still high at 78% and 73%, respectively. O_5—Harrods hampers would have been accepted with a probability of 59%. The substantially lower acceptance of O_5—Harrods hamper resonates with Campbell's (1997) observation that clients may prefer improved customer service or greater discounts than the gift. The last three options O_6, O_7, and O_8 were designed to recognize a substantially higher value of GGH and a higher level of expected reciprocation in terms of increased sales (Komter, 2007) and it was found that they would not be rejected with probabilities 20%, 15%, and 13%, respectively.

While lower variance of responses was observed for the extreme options O_1, O_2, O_7, and O_8, for the *£101–250* GGH participants' acceptance varied significantly as shown in Fig. 4. Given that based on the probability of acceptance

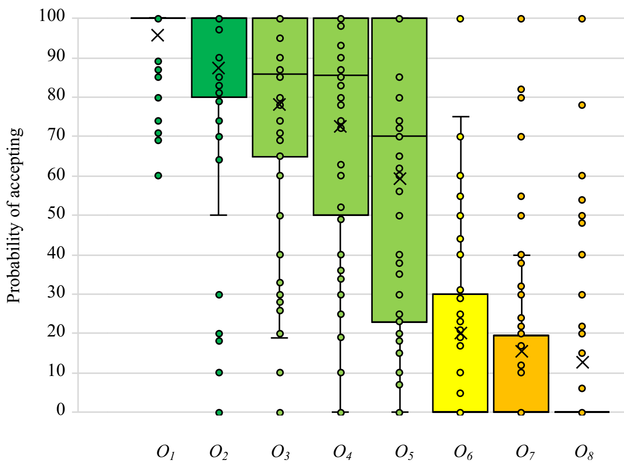

Fig. 4 Distribution of responses at $x \geq 05$

of a GGH offer at least at 50% ($x \geq 0.5$), for the *moral value consistent* participants their *moral cut-off* point was established (maximum value GGH they would still accept): 2% of participants would stop at O_1, a further 4% would stop at O_2, 8% and 16% at O_3 and O_4, respectively, while an additional 57% would stop at O_5. Further, 4% would still accept O_6 and the remaining 10% would accept all GGH. For details, see Fig. 5.

Policy-View Match vs Moral Value Consistency

Having established *policy-view match* and *moral value consistency*, we first ask if there is an association between *moral value consistency* and *policy-view match.* As shown in Table 2, we used a Pearson Chi-square test to establish if there was an association or if the observed distribution of *moral value consistency* could have occurred at random. The Pearson Chi-square test showed no evidence of an association between *policy-view match* and *moral value consistency* ($\chi^2(1, n = 108) = 0.005$, $p = 0.943$). Hence, these two are independent and *policy-value match* cannot be used to

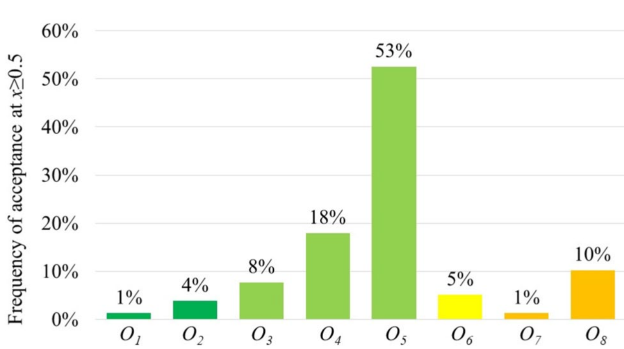

Fig. 5 Frequency of acceptance at $x \geq 0.5$

Table 2 *Policy-view match* vs *moral value consistency* ($n = 108$) and *Chi-Square*

%	*Moral value consistency*	*Moral value inconsistency*	Total
Policy-view match	41 (38%)	16 (15%)	57 (53%)
Policy-view mismatch	37 (34%)	14 (13%)	51 (47%)
Total	78 (72%)	30 (28%)	108 (100%)

Chi-square summary

Pearson Chi-square statistic = 0.005 (df = 1), $p = 0.943$

explain *moral value consistency*. A more detailed analysis for brokers and lenders separately and for regulated and unregulated participants demonstrates the same.

Given the above finding, we ask whether those who are *moral value consistent* are so exactly at their *policy-view match* point. In other words, we concentrate only on the subset of 38% ($n = 41$) of participants with *policy-view match* and *moral value consistency* and ask whatever, if such participant is *moral value consistent* is their flip point exactly at the *policy-view match* point. In other words, we ask if the *moral value consistency* at the given P_k value is dependent on the corresponding value of P_k for the *policy-view match*. Since we are dealing with a subset of all participants, Chi-square and ANOVA methods are not appropriate. Instead, we have applied the Kruskal–Wallis test, also called *"one-way ANOVA on ranks"*, as it is a rank-based non-parametric test used to investigate the existence of similarity or difference between multiple groups of an independent variable that are at best ordinally dependent. It is also powerful and appropriate for relatively small samples.

As shown in Table 3, the analysis using the Kruskal–Wallis test showed no evidence that the distribution of *moral value consistency* differed across categories of *policy-value match* ($H(3, n = 41) = 7.367$, $p = 0.061$). However, detailed analysis revealed that only one participant was *moral value consistent* at their *policy-view match* point at *£101–250*. In total, 18 participants (44% of this sub-sample) seem to have undervalued the proposed offers by one level—with all of the 17 participants (42%) with *policy value match* at *£0–100* having a *moral cut-off* at *£101–250* and one participant *policy-view matching* at *£101-£250* having a *moral cut-off* at *£251–500*. Of the 18 participants (44%) *policy-value matching* at *flexible policies*, 14 had their *moral cut-off* at *£101–200*, one at *£251–500*, while for three, the *moral cut-off* would either be at *above £500* or they would accept *All GGH*, suggesting that even they exhibit some level of self-control (37%).

We then ask two additional questions:

(1) For those who are *moral value consistent* (n = 78), does their corporate *policy* determine their flip point?

Table 3 Matching levels of *policy-view match* and *moral value consistency* and Kruskal–Wallis Test ($n=41$)

		Moral value consistency				
		£0–100	£101–250	£251–500	£501 +	Total
Policy-value match	No GGH					
	£0–100		17			17
	£101–250		1	1		2
	£251–500				1	1
	£501 +					
	All GGH	1			2	3
	Flexible policy		14	1	3	18
	Total	1	32	2	6	41

Kruskal–Wallis—hypothesis test summary

Kruskal–Wallis test statistic = 7.367 (df = 3), $p=0.061$

Note that given the small sample size for the purposes of Kruskal–Wallis testing *policy-view match* at *£101-£250* (n = 2) and *£251-£500* ($n=1$) were grouped together

Table 4 Matching levels of *policy* and *moral value consistency* ($n=78$)

		Moral value consistency				
		£0–100	£101–250	£251–500	£501 +	Total
Policy	No GGH		2			2
	£0–100	3	26	1		30
	£101–250		2	1		3
	£251–500				1	1
	£501 +					
	All GGH	1	2		5	8
	Flexible policy		29	2	3	34
	Total	4	61	4	9	78

Table 5 Matching levels of *view* on policy and *moral value consistency* ($n=78$)

		Moral value consistency				
		£0–100	£101–250	£251–500	£501 +	Total
View on policy	No GGH					
	£0–100		26	1	1	28
	£101–250	1	13	1	1	16
	£251–500	1		1	1	3
	£501 +		2			2
	All GGH	1	1		2	4
	Flexible policy	1	19	1	4	25
	Total	4	61	4	9	78

(2) For those who are moral *value consistent* (n = 78), does their *view* of what their corporate policy should be, determine their flip point?

Our findings are reported in two Tables 4 and 5 below, from which it follows immediately that the answer is 'no' to both questions. From this, we conclude two things: (1) corporate *policies* have no bearing on flip points for *moral value consistent* individuals and (2) their *views* about what should be their corporate cut-offs are more about social parameters that characterize them rather than their individual preference cut-off when they act in isolation.

Next, we have investigated those who are *moral value inconsistent* ($n=30$) to understand the relevance of the GGH *policies* they operate under and *views* on what these policies should be. Here, we were interested to know the following:

(1) whether the *policy-view matching* ($n=16$) individuals work mostly with employers who have either no limits in place (*All GGH*) or high cap (*£500+*). This could

potentially explain their own proclivity for higher-valued gifts (which moves them perhaps closer to *"bribery"*). In other words, are these individuals encouraged/nurtured by the more laissez-faire approach of the employers? If that was the case one could argue that the adoption of stricter GGH policies by the employers may encourage a move towards greater *moral value consistency*; and

(2) whether there is a relationship between the *moral value inconsistency* and *views* on what the GGH policies should be. Here, we were interested in those whose views on what the GGH policies should be differed from the ones they operate under (*policy-view mismatch*) (n = 14). Similarly to the question above, we asked whether these *moral value inconsistent* and *policy-view mismatching* individuals work for employers who have imposed high GGH restrictions which these participants find vexatious.

To answer the first question of whether the *policy-view matching* individuals work mostly with employers who have either no limits in place (*All GGH*) or high cap (*£500+*), and contrary to our expectation, we observed that participants who were *moral value inconsistent* but *policy-view matching* ($n = 16$) operated mostly under the lowest cap policies of *£0–100* (75.00%). Given that, we have also looked at the participants, who were *moral value inconsistent* and *policy-view mismatching* ($n = 14$) and found that they were operating under all types of policies.

From this, we conclude that agreement on corporate policies (*policy-view match*) or a disagreement (*policy-view mismatch*) for those who are *moral value inconsistent* seems to be about the social parameters that characterize them rather than their individual preference cut-off when they act in isolation even if such a preference is inconsistent with the GGH policy they operate under. For details, see Table 6.

To answer the second question of whether there is a relationship between the *moral value inconsistency* and *views* on what the GGH policies should be, as shown in Table 7 and contrary to our expectation, we observed that *views* of the participants who were *moral value inconsistent* and *policy-view mismatching* (n = 14) were that the GGH policies should be rather restrictive at *£0–100* (50.00%). This led us to explore the differences between GGH policies and *views* on them, from which we observed that those operating under *No GGH* low cap policies (*£0–100* and *£101–250*) preferred a step higher or *flexible* policies ($n = 4$), whereas those operating under all other GGH policies preferred lower caps or *flexible* policies ($n = 10$). Among those ten participants, six preferred *£0–100* policies. This observation contrary to our expectation suggests that perhaps too low cap GGH policies seem to be too restrictive which may be frustrating. On the other hand, the high cap GGH policies perhaps are above the individual intrinsic moral cut-offs. If so, this would perhaps explain some of the *moral-value inconsistency* (e.g. the logic being that the employer may be accepting higher value items but not necessarily entertaining services).

Table 7 *Moral value inconsistency* and *policy-view mismatch* and *views* on what the GGH corporate policies should be (n = 14)

	Moral value inconsistency and *Policy-view mismatch*	
View on policy	Count	%
No GGH	0	0.00
£0–100	7	50.00
£101–250	1	7.14
£251–500	3	21.43
£501 +	0	0.00
All GGH	0	0.00
Flexible policy	3	21.43
Total	14	100.00

Table 6 *Moral value inconsistency* and GGH corporate policies ($n = 30$)

	Moral value inconsistency					
	Policy-view match		*Policy-view mismatch*		Total	
Policy	Count	%	Count	%	Count	%
No GGH	0	0.00	1	7.14	1	3.33
£0–100	12	75.00	2	14.29	14	46.67
£101–250	0	0.00	1	7.14	1	3.33
£251–500	0	0.00	3	21.43	3	10.00
£501 +	0	0.00	1	7.14	1	3.33
All GGH	2	12.50	3	21.43	5	16.67
Flexible policy	2	12.50	3	21.43	5	16.67
Total	16	100.00	14	100.00	30	100.00

Normative Views on GGH Imperatives

Finally, the participants were asked about their overall views on the usage of GGH in the alternative real estate lending market. Capturing such views in the form of a response to an open question allowed the participants to freely express their views and provided more context to gift exchanges in the sector. Participants' views strongly suggest the explicit prevalence of gift exchange practice. Moreover, it reveals the lack of consistency in the sector both in terms of the size and context of gift exchange.

"Everyone does it!" (B20): As observed by Bruhn (1996), several lenders and brokers stressed that GGH are accepted. *[They are] very commonplace […] and perhaps too much so"* (L45) and *"it works!"* (B7) as a part of the lending job is *"to woo people with cheeky gifts"* (L67). However, GGH are *"not as effective as it once was"* (L50).

"Some [GGH] you wish you could accept but from a regulated standpoint you just can't" (B28): Views of both lenders' and brokers' suggest a mixed level of appreciation of the current regulations to the extent that one noted that *"knowledge, care and understanding of [UKBA are] limited in the specialist finance sector"* (L4). However, several lenders and brokers seem to be very much aware of the risks associated with GGH, as one observes that GGH have *"the sole purpose and intention by some of bribery, and similarly accepted with perhaps a willingness to be bribed"* (L4) and there are *"too many underhand dealings leading to poor customer outcomes"* (L15). Some participants referred to their companies' policies, if in doubt to engagement with managers and to transparency about what is accepted and recorded. Several participants referred to *"reasonableness"* (B25, L27, L32, L34, L40, L44), *"proportionality"* (L13, L54), *"fairness"* (L40, B14) or even to feeling *"comfortable"* (B3, B4) proving awareness of UKBA or even *"materiality"* (L55), which is a long-established accounting term (*"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."* (IFRS, 2022, par. 7)). Moreover, one lender observed that *"larger companies are far stricter with regards to acceptance/offering of gifts"* (L50).

"Very useful (mainly hospitality), potentially even necessary" (B33): In line with past research (Arunthanes et al., 1994; Beltramini, 2000; Gordon & Miyake, 2001; Graycar & Jancsics, 2017; Hall, 2013), several participants displayed opinions supporting the business development power of GGH as *"part and parcel of any business transaction"* (L2). They saw GGH, especially hospitality, as *"acceptable"* (B7, B12, B16, B25, B28, B29, B41, L18, L24, L26, L28, L31, L44, L50, L55, L59), *"appropriate"* (B4, B9, B13, B26, L37, L49, L52), *"useful"* (B9, B33, L49, L54), and *"required"* (L14). In line with Sahlins (2004), Camerer (1988) or Otnes and Beltramini (1996), GGH are useful to *"network, discuss deals and for business purposes"* (L48) and encourage and build a good working *"relationship"* (B7, B31, B32, B33, B36, L27, L30, L31, L64).

"Thank you" (L18, L25, L27, L28, L61, B): As observed by Fan (2006) and Hall (2013), Several participants agreed that GGH are *"fine if used retrospectively"* (L22) or *"to celebrate" an achievement* (B5, B12, L5, L22, L28, L57, L63). However, they should *"never be used as an inducement for business"* (L8). A lender mentioned that they *"love to send a surprise thank you for partners who have worked over and above to help their client"* (L61) proving the desire to reciprocate in a business relationship.

"Nothing wrong […] as long as it comes with no strings" (L12): Several participants saw no *"issue with giving or accepting gifts, as long as both parties do not allow/expect those gifts to have any […] impact on an outcome"* (B27). Some brokers stressed that *"gifts should not impact a broker's recommendation when considering / researching the options for the client. The clients' needs should always come first, and this means recommending the most suitable lender / product"* (B24). Thus, contrary to the literature (Tillipman, 2014; Åkerström et al., 2016; Ahamad Kuris et al., 2023) these participants suggest that they may have a *"reasonable"* understanding of the line between a *bona fide* gift and a bribe. Moreover, as one of the lenders observed, *"there is a distinction between a meal, a hamper and a personal gift (such as an iPhone or holiday). One is for the benefit of an individual and the other can be for the benefit of the wider business"* (L37), thus stressing the importance of where the strings may be attached.

"Good as long as not too high" (B5): While some participants noted that *"gifts are unnecessary"* (L14), others observed that they *"have their place as a way of building [..] brand"* (L38). Moreover, they highlighted that *"small branded [merchandise] to start a relationship is useful for brand awareness"* (L49). However, contrary to Axtell (1993) and Steinbrook (2009), participants noted that *"small nominal value gifts or hospitality […] are not likely to lead to any bias"* (B1) and in line with Saluja and Mai (2015) *"coffee or lunch […] to discuss an offer would not be a problem"* (B14).

"Giving high-value gifts could cloud people's judgement" (B31): Some participants provided examples of high-value GGH such as major car racing or events or conferences in hot climate areas. However, they displayed mixed views on their acceptability. Some saw them as an *"enhanced non-monetary procuration fee"* (L27), while others felt nostalgic about major sporting events such as the *"Monaco Grand Prix "* (L46). Both suggest dependency on intentions and expectations as observed by Douglas (2002), and Chao

(2018). In line with past research (Axtell, 1993; Freeman, 1996; Feder, 1998; Wooten, 2000), some participants noted that excessive GGH *"actually upset people to decline as it is disrespectful"* (L33), again proving the importance of understanding the reciprocity expectations between the giver and recipient (Beltramini, 2000; Graycar & Jancsics, 2017; Organ, 1974) and thus the risk of the *principal-agent problem* to occur (Stiglitz, 1989; Graycar & Jancsics, 2017).

Conclusion

This study is the first of its kind on gift-related behaviours of brokers and lenders in the UK's alternative real estate lending market. To the best of our knowledge, it is also a seminal analysis of such behaviours in the European real estate finance market. While the UK's alternative real estate lending market is growing much faster than the rest of the financial sector, it is still broadly unregulated. This means that brokers and lenders are left to rely on the U.K. Bribery Act (2010) alongside a handful of voluntary membership industry bodies leaving them exposed to temptations of giving and receiving GGH, which may cloud their judgements on when these become bribes.

We have shown the importance of GGH as part of business development practices in the alternative real estate lending market. While numerous researchers established that GGH offers play a part in all stages of a business relationship, the survey undertaken suggests that GGH are made with the expectation of something in return and may encourage undesirable behaviour in the industry. Further, the risk of the *principal-agent problem* occurring due to the presence of GGH has been observed as a potential issue for both brokers and lenders. This seems to be problematic given changes in the financial sector implemented following the financial market crisis of 2007–2009.

Compensation of brokers and lenders in the lending sector is typically performance-based and linked to their success in loan origination which naturally affects their behaviours (Chu et al., 2020; Page Executive, 2020; Efing et al., 2023; Macdonald&Company, 2024). While we do not have sufficient survey inputs to understand the perceptions of employees about the efficacy of the corporate GGH policies, certain survey inputs[1] allow us to get a preliminary idea about such perceptions. In future research, perceptions should be studied more directly in order to understand whether they have an impact on attitudes towards gift exchange.

We have identified brokers' and lenders' corporate gift policies and gathered their views on what they believe these policies should be when it comes to monetary limits. Then, based on scenarios, we assessed their individual moral cut-offs. For the moral value consistent subjects, which comprise 72% of the surveyed population, we found that their monetary acceptance limits have no connection with the policies of the corporations that they belong to or with their views about what such policies should be. This shows that their views about these policies in their corporations are a social construct that is different from individual morality when applied in isolation.

As alluded to in "Related Literature" section, differences in cultural backgrounds affect behaviours including gift exchange and graft. The UK is one of the most ethnoculturally diverse countries, with non-British population accounting to 25.6% (ONS, 2022). Hence, one would posit that gift exchange behaviour will be predominantly determined by culture in the UK and all other explanatory variables will be largely redundant. Our research confirms this redundancy. We purposely did not include ethnicity and other cultural inputs in the survey questionnaire as such questions, along with questions on gift exchange and petty graft, are likely to induce misreporting. The only way to check for cultural impact on graft through surveys without polluting the data due to incentives of individuals to protect their own cultural identities is to conduct a comparative study of different countries where culture is homogenous within each such country. We reserve that for future research. As this research only covered the UK, further research in other regulatory and cultural environments should help in understanding the situation in the fast-globalizing alternative real estate lending market.

Further, exploring the *information asymmetry* with respect to remuneration and value of GGH involved in lending in the triadic relation between lenders, brokers, and borrowers is likely to shed more light on the *principal-agent problem* in this relationship and thus inform the assessment of corporate GGH policies and staff compliance. Similarly, to follow up on Gächter and Schulz (2016) and Boateng et al. (2021), future research may consider wider corporate governance policies and practices as potential inhibitors of corruption.

This research is expected to inform policy and corporate decision-making in the alternative real estate lending sector to promote the impact of nudging on the role of an individual as an identity in an act of perceived bribery rather

[1] Participants' comments: *"It happens regularly but working in a regulated environment it's important to disclose everything and personally anything other than a standard meal or coffee makes the situation awkward."* (L9); *"Again, we have policies in place where we discuss at director level what is appropriate to accept"* (L37); *"Slightly dated and not as effective as it once was. Larger companies are far stricter with regards to acceptance/offering of gifts."* (L50); *"I am self-employed, so effectively it is up to me"* (B22); *"Certain amounts are acceptable, some you wish you could accept but from a regulated standpoint you just can't."* (B28); *"[…] if agreed by compliance"* (B34).

than simply as a member of an organization and to clarify "*reasonableness*" and "*proportionality*" of the GGH culture.

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Declarations

Conflict of interest No conflict of interest.

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Human or Animals Rights Yes. The research is subject to research ethics approval ID 945 dated 10 August 2022.

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