

Trust in Retail Banks Is Strong; Fake Accounts Not Pervasive, J.D. Power Finds

Banks Need to Focus on Fee Transparency and Reduce Sales Pressure

TORONTO: 7 Sept. 2017 — Retail banks have earned the trust of their customers, who believe banks help them find the right product based on their financial needs, according to the J.D. Power 2017 Canadian Banking Sales Practices and Advice Study,SM released today. The inaugural study gauges the effect of retail bank sales practices and financial advice on overall customer satisfaction across the five largest banks in Canada. While unauthorized accounts opened by banks are a serious issue, the study finds such occurrences to be rare. More common issues that destroy trust are customers feeling pressured to open an account and being surprised by fees after opening an account.

“When it comes to the most fundamental issues in a retail banking relationship—customers trusting their bank to do the right thing and to act ethically—Canada’s retail banks get a clean bill of health,” said **Jim Miller, Senior Director of Retail Banking Services at J.D. Power**. “But there are still areas where the perception of overly aggressive sales practices and surprise fees are having a negative influence on overall customer satisfaction. This creates a unique opportunity for retail banks to stop selling so hard and to start offering tailored financial advice, which can improve customer satisfaction and solidify the strong trust base that has already been built.”

Following are key findings of the study:

- **Customers trust their banks and believe they act ethically:** Among retail bank customers, 81% say they either “somewhat agree” or “strongly agree” that they trust their bank to do the right thing, and 75% say they believe their bank acts ethically. In-depth analysis shows that a statistically insignificant proportion of customers—less than 0.1%—had an unauthorized account opened by their bank in the past year.
- **Pressure to open new accounts persists with deleterious effect:** When opening a new account, 9% of bank customers indicate they felt sales pressure from bank representatives. Of those, 14% say the pressure was significant. Overall satisfaction scores are 97 index points higher (on a 1,000-point scale) among customers who did not feel pressured by a representative when opening a new account, compared with those who did feel pressured.
- **Customers surprised by fees are less satisfied:** When it comes to fees, 10% of bank customers indicate being surprised by fees associated with a new account. Overall satisfaction scores are 115 index points higher among customers who were not surprised by fees when opening a new account vs. those who were surprised. Fee surprises also destroy trust. Among customers who were not surprised by a fee, 45% say they “strongly agree” that they trust their bank to do the right thing, but drops to 23% among those who were surprised by a fee.

- **Fee transparency and customer engagement lead to higher satisfaction:** When bank representatives completely explain fees up front, the frequency of fee-related surprises drops to 5%. Likewise, when representatives ask questions before suggesting a new account, overall satisfaction increases 78 index points and overall levels of trust increase by 12 percentage points.
- **Advice—not sales—is key to greater satisfaction and loyalty:** Among customers who received financial advice from their retail bank, 71% say they acted on it and roughly 59% of those customers say they opened a new account as a result of the advice. Overall satisfaction scores are 64 index points higher when bank customers receive financial advice, with 93% of customers who receive financial advice saying they either “probably will” or “definitely will” use the same financial institution the next time they need a bank account or product.

About the Study

The inaugural 2017 Canadian Banking Sales Practices and Advice Study measures customer satisfaction among retail bank customers of the five largest Canadian banks who have opened a new account in the past year with a bank representative; received financial advice in the past year from a bank representative; and customers who said they had an account opened without their consent in the past year. The study is based on responses from 8,792 retail bank customers and was fielded in June 2017.

Banks included in the study are BMO Bank of Montreal; CIBC; RBC Royal Bank; Scotiabank; and TD Canada Trust.

See the online press release at <http://www.jdpower.com/pr-id/2017178>.

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Media Relations Contacts

Stephanie Ronson, Cohn & Wolfe; Toronto, Canada; 647-259-3278; stephanie.ronson@cohnwolfe.ca
Gal Wilder, Cohn & Wolfe; Toronto, Canada; 647-259-3261; gal.wilder@cohnwolfe.ca
Geno Effler, J.D. Power; Costa Mesa, Calif.; 714-621-6224; media.relations@jdpa.com

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