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Acting Comptroller Urges Banks to Excel at Customer Service; Stresses Importance to the Future of the Banking Business

WASHINGTON, D.C. -- Acting Comptroller of the Currency Julie L. Williams highlighted customer service as a fundamental challenge facing the banking industry today and urged bankers to make outstanding service a hallmark of their industry's relationship to consumers.

"Today, a financial institution's future in a highly competitive marketplace depends upon the degree to which it can successfully combine such things as sound lending standards, community involvement, sensitivity to customers' concerns on issues such as privacy, and outstanding customer service," she said.

In a speech to the Exchequer Club, a professional organization for the financial services industry, Ms. Williams said that risk today takes on many forms. While sound loan underwriting is a necessary condition for success, it is not by itself a sufficient condition, she said.

"Risk -- strategic risk -- exists in the products and services that bankers cannot or will not provide to their customers, as well as in those that they do offer," she said. "It exists in the spirit of compliance with laws and regulations, as well as the substance. And it exists, more than ever before, in the realm of public opinion, where decisions are made every day that affect the environment -- again, social as well as economic -- in which bankers operate."

In her speech, Ms. Williams said the industry's legislative fortunes may have suffered this year from the public perception that banks are not outstanding service providers.

"Actions perceived by a customer to be unreasonable or unfriendly may trigger a backlash whose costs can easily exceed the narrow value of that customer's business," she said. "In short, when we talk about reputation risk, we are referring to how well bankers fare -- individually and as an industry -- at the court of public opinion."

That process could be seen in action during the last Congress, Ms. Williams said. While most bankers came away from the 105th Congress disappointed, other types of financial institutions made progress, she said.

"Perhaps others had worked more effectively at the court of public opinion, so that when all was said and done, lawmakers felt free to take the positive action desired by an industry group held in high regard by the general public," she said. "Unfortunately, substantial evidence supports the view that bankers have suffered reputation risk because the public does not perceive banks generally as outstanding service providers."

Ms. Williams said a number of recent surveys suggest the public perceives banks as poor service providers -- ranking above the tobacco and managed health care industries in one Harris Poll, but well below airlines, telephone companies and the producers of computer hardware and software.

"Nothing seems more responsible for bankers' poor showing in these surveys than the issue of service fees -- an issue that, frankly, has generated more heat than light of late," she said.

Ms. Williams said consumers are upset over the service fees "that seem to pop up where they had never existed before." In 1996, one consumer organization counted no fewer than 100 separate fees being imposed on bank customers, and the evidence suggests that number has grown substantially since then.

"Recent surveys show that credit card late fees have risen 75 percent and safe-deposit box rentals 61 percent over the past five years," she said. "And ATM fees -- a matter of a few dollars to most consumers -- have become targets of state as well as federal legislation."

Ms. Williams said that most of the fees banks charge can be easily justified. Bankers are entitled to recoup their investments in the technology and infrastructure that consumers increasingly take for granted, and they are entitled to make reasonable and equitable charges for services rendered, she said. Moreover, while other categories of non-interest income have been rising steadily as a percentage of commercial bank assets over the past three years, service charges have actually declined slightly in percentage terms.

"But it's also clear that, whether particular fees are justified or not, in too many cases, they have been imposed and raised without adequate explanation, without gauging their effect on public opinion, and without calculating the trade-off between short-term income and long-term reputation risk," she said.

"In dealing with their customers and communities, in other words, some bankers have fallen short of the abundance of caution' that is so crucial in protecting and enhancing their reputations and the value of the banking franchise over the long haul," she added.

The acting Comptroller said that banks face new competitive challenges from computer software firms and others who are positioning themselves as financial intermediaries and whose experience in making technology user-friendly should stand them in excellent stead.

Sound lending standards, community involvement, outstanding customer service and sensitivity to consumer concerns on such issues as privacy, "are the diverse challenges that will separate the financial services winners from those that lag behind in the new millennium," she said.

"At the OCC, our interest is in seeing national banks emerge among the winners," Ms. Williams added. "A strong and prosperous America depends upon our national banks meeting the challenges of the next century as successfully as they met those of the last."

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches of foreign banks in the U.S., accounting for more than 58 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.