“Banks have capacity for unlimited meetings”
by Charles Wendel

During a meeting with some executives from an alternative finance company, part of the discussion centered on how long it took to get through a bank’s vetting and approval process. One commented: “Banks have capacity for unlimited meetings.” He was right. Too many banks seem satisfied to meet endlessly, often with those meetings ending without clear accomplishments or defined next steps attached to a specific time frame for action.

Recent conversations with several bankers confirmed this view. When I asked one banker his timing for making a decision related to selecting a vendor, he said, “We have no stringent timeframe.” Another commented that in reviewing opportunities in a similar area that they wanted to make a decision soon, “*within the next year*.” Interestingly, these comments came from different banks in different parts of the country. This type of decision malaise exists at the biggest banks and the smallest.

Why? When I was a banker many years ago, my colleagues and I made the credit decisions, and we spent much more than half of our time in front of clients and prospects. Internal meetings were relatively rare and usually viewed as painful. Of course, compliance and regulatory requirements were both fewer and less intense. Today, many senior bankers say that the regulators run their banks and that often seems to be the case, sometimes with the unstated acquiescence of bank management. After all, if the regulators make the decisions, how can bank management be responsible for results or any failure to meet customer expectations?

This week a Source Media survey reported that a major legislative priority for banks in 2016 focused not on allowing banks to throw off the unprecedented shackles of regulators to increase innovation but rather to tie the hands of alternative lenders. The survey found that “Bankers are also clearly beginning to feel the growth threat from fintech competitors, with 23% saying regulating them more like banks should be first on the policymaking agenda.” A pitiful response. Rather that determining how to compete or cooperate with this new breed of competitors, some bankers want to hide behind the skirts of regulators to protect themselves. This despite the fact that banks in effect created this competitive threat by their failure or unwillingness to meet customer needs.

BTW, alternative finance companies (AFCs), already face various compliance requirements from the CFPB and FDIC, among others, and are assigning more personnel and spending increased dollars on regulatory requirements. The top players, some of whom have hired former regulators, will be surprised to read that they deserve more oversight. Yes, the sketchy players need to be controlled and eliminated, but that does not mean shackles should be placed upon an entire new industry, an outcome that some banks desire.

In another conversation, one senior bank underscored the lack of speed and willingness to commit to new initiatives at many banks saying about his employer, *"We have a new business destruction process."* Consider the implications of that sentence. Within his and many other banks an active culture exists that squashes new ideas and innovation. Three factors seem to drive this: external concerns, internal hurdles, and personal considerations.

It is no secret that since the downturn the regulators have flexed their muscles. Some observers would say that regulators are doing a great job of protecting us from the last bank crisis but are unprepared to deal with the next one, whatever that might be. We'll see about that, but their actions have resulted in great caution and even paranoia in executive offices. Bankers are scared.

When I went into banking long ago, being a relationship manager (RM) was a prestige position. Now it seems that the compliance area provides greater growth opportunities for employees. Any new idea has to jump an increasing number of hurdles with input and approvals required from areas including risk, legal, compliance, IT, and many others. While most of these groups have always existed and been part of a bank team, staffing has increased in number and reviews have increased in intensity; at some banks a power shift has occurred. Some of this effort results from concern over regulatory scrutiny, but may even more result from the third factor, personal considerations.

Bankers of a certain age realize that they put themselves at more personal risk from making a bad decision than from delaying a decision to get as many others in on the process (no one decision maker creates protection against failure), or from making no decision at all. These bankers may be five-ten years from retirement and do not want to risk their end goal. In contrast, many AFCs and other FinTechs operate in a culture in which they move in a certain business direction, try it out, determine if it is successful and, if not, pivot elsewhere. No harm, no foul for those who lead the initiative even if it did not work out (up to a point, of course).

The point of the above rant is not to attack bankers but to try to encourage the industry to better exploit its strengths and regain the pride that once characterized the industry. Somehow banking has to corral the regulators; somehow the industry needs to regain the trust of the many consumers and businesses it has alienated. Neither unlimited meetings nor any amount of regulations aimed at competitors will accomplish that. It all comes back to one word: Leadership.