Transparency and Guerrilla Tactics. Forget Being Gentlemanly.

by Charles B. Wendel

Gentlemanly is a word that has been consigned to the dust-heap by those who view the word as, at a minimum, old-fashioned or, perhaps, offensive. But banks, particularly community banks continue to act in a gentlemanly manner while many of their bank and non-bank competitors have long abandoned that approach.

The most complete definition of "gentlemanly" that I found on the Internet is as follows: "The term 'gentlemanly' can be used as an adverb to describe behavior that is polite and graceful. As an adjective, it refers to something that is typical of a polite gentleman. A gentleman can be defined as a man of noble birth or superior social position, or a well-mannered and considerate man with high standards of proper behavior. The term is often used to describe someone who behaves very well and shows good manners."

What has a word created in the 12th century have to do with banking in the 21st? Too many banks, whether headed by men or women, continue to operate in a gentlemanly fashion despite the actions of larger and more aggressive players. In some cases, a bank's survival may require some guerrilla tactics rather than follow their traditional rules of engagement.

Two examples.

1. Use of market intelligence. I mentioned to one client recently that decades ago a big NY client had created a proprietary database using information from its commercial bankers. This database told the bank which competitors potential clients were using. When, as inevitably happens, bad news hit about a particular bank's performance and/or they announced layoffs, this client sprang into action and target marketed to the customers of the crippled bank, emphasizing their own bank's strength and commitment to the segment.

My client's reaction to this idea; "We wouldn't do that," as if it would give them an unfair thing to do, providing an ungentlemanly advantage. That's exactly what the client bank hoped to achieve. Maybe your bank should as well.

2. Transparency about regulatory actions and fines. This week's media reports on yet another big violation and bank fine, this time for Bank of America. From Axios: "Bank of America will pay $90 million in penalties to the Consumer Financial Protection Bureau, $60 million in penalties to the Office of the Comptroller of the Currency and more than $100 million to compensate customers. The company was systematically double-dipping on fees imposed on customers with insufficient funds in their account, withholding reward bonuses explicitly promised to credit card customers, and misappropriating sensitive personal information to open accounts without customer knowledge or authorization," the CFPB said in a statement."

Sounds too familiar, and BofA is hardly the only bank to pay huge fines. Recent data is difficult to confirm, but Value Walk lists several US commercial banks among the top ten banks paying fines in 2020, including:

JP Morgan $250mm and , separately, $920mm

Citigroup $400mm

Wells Fargo $3Billion

Other articles cite US Bank, PNC, and many others for various infractions of various size.

Fines like these call into question management's ability and/or its integrity. In addition, ultimately, doesn't the banks' customers pay for these fines with reduced deposit rates, higher loan interest, and fees? Does the customer even realize that?

As the saying goes, “people who live in glass houses shouldn’t throw stones. No bank wants to “attack’ another only to find that itself being penalized by regulators with negative publicity soon following.

I couldn’t find the number of banks that received a regulatory fine in the last year and don’t know if those numbers exist. But a community bank group rather than an individual bank, could create an ad that simply lists big banks and their fines, contrasting those numbers with community banks. Of course, the big banks are targeted by regulators (as Willy Sutton said, that’s where the money is) and it may be a brass knuckle marketing approach, but smaller banks need to exploit guerrilla tactics to differentiate themselves.

If your bank can back up its honesty, integrity, and transparency, it should. And don’t forget to target and feast off weaker players.

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