

Banks caught up in money laundering scandals risk a customer exodus

Article

The news: More than half of consumers in the UK would switch their bank if it was involved in a money laundering scandal, according to FICO research.

Key data: Younger customers would be more likely to swap their bank if their lender was found to be involved in money laundering. **Over two-thirds (64%)** of 18- to 24-year-olds would switch, as would **68%** of 25- to 34-year-olds.

The price of doing business? This data contrasts with **ComplyAdvantage's [research](#)**, which suggests many banks choose to incur money laundering fines as a cost of doing business:

- Globally, the number of firms saying they consider the **risk of incurring an anti-money laundering (AML) fine or violation increased notably** (from 38% in 2020 to 52% in 2021) and in firms saying they choose to incur AML fines and make violations “all the time” (from 25% up to 35%).
- More than a third of firms surveyed globally now say they **choose to incur AML fines** and violations all the time.
- Despite this, just **2% said no areas of AML regulation in their country needed to be strengthened**.

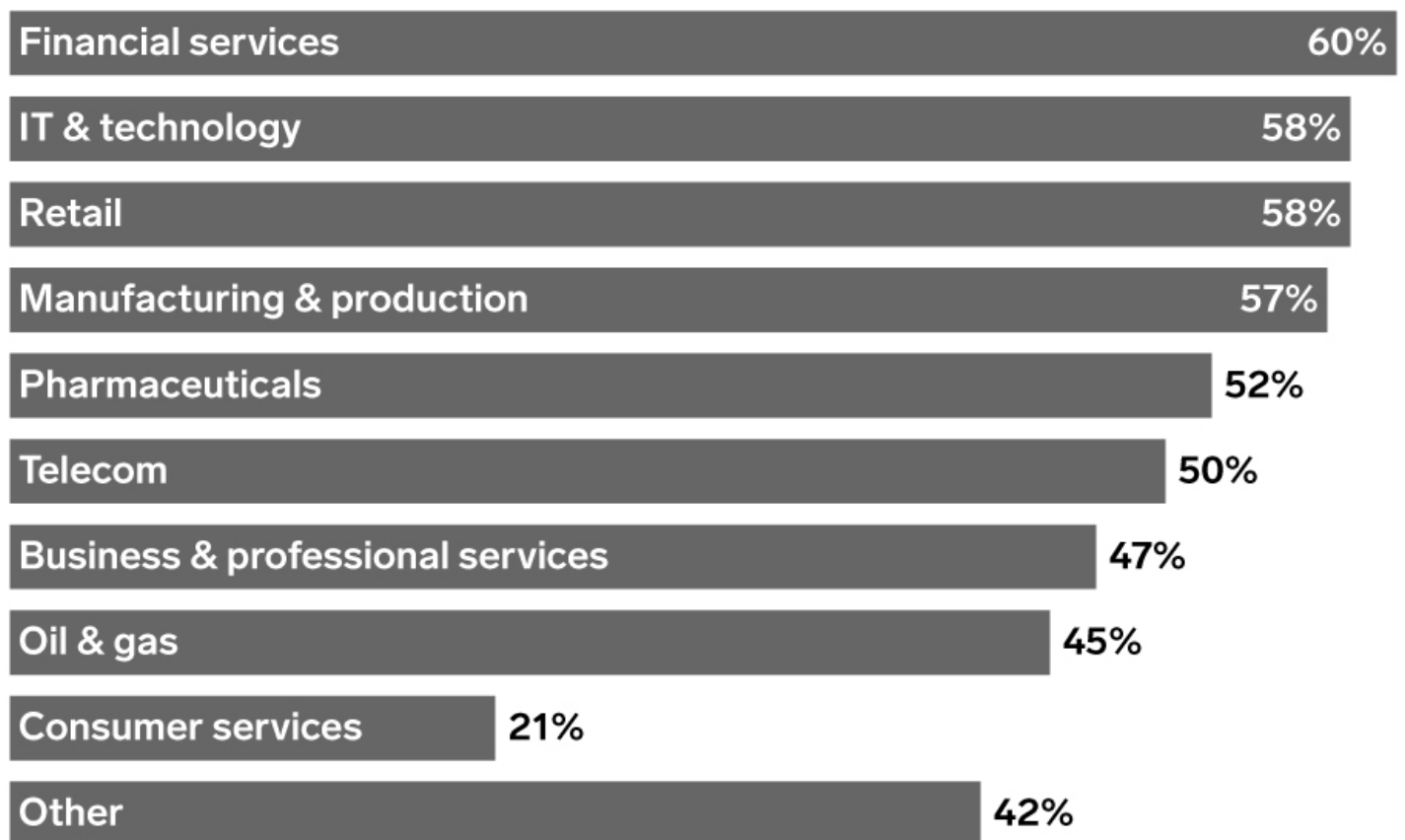
What this means: Banks have to contend with financial and reputational damage if they are found money laundering. They may be able to pay fines, but they also risk losing customers if they're found flouting rules. The ease with which consumers can switch their bank accounts exacerbates this: **Current account [switching](#) in the UK is up 41%** annually in the year's first quarter.

The UK's notoriously competitive environment—composed of both incumbents and neobanks focused on adding new users—also makes banks vulnerable to customer attrition. The data shows that customers are **[aware](#)** of the ease of switching accounts and place a heightened importance on ethical behavior in the sector.

And fines by themselves can damage banks' brands. In December, **[NatWest's](#)** reputation suffered a blow when it was forced to pay £264.8 million (\$364.2 million) in a money laundering case that involved cash stuffed into bin bags.

UK and US IT and Business Decision-Makers with Fully Implemented Cybersecurity Strategies, by Sector, Sep 2021

% of respondents



Source: S-RM, "Investing in Cyber Resilience: Spend, Strategy, and Search for Value," conducted by Vanson Bourne, Nov 12, 2021

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The big takeaway: Trust in banks is low, particularly among younger generations. **Almost one third (28%) of adults don't trust their high street banks**, rising to 38% of 25- to 34-year-olds, according to an Opinium survey. Banks risk eroding trust further and ultimately losing business if they're found to be knowingly breaking rules and paying fines. Effective regulatory controls, strong risk management procedures, and maintaining an ethical culture are essential to ensure they stay on the right side of the law and avoid alienating customers.

