

A response to José Manuel Gonzalez-Paramo

Digital Impact on Payments, Credit and Financial Risk Management: New Ethical Questions

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José Manuel Gonzales-Paramo has presented us with an extremely clear and helpful paper. In responding, I don't want to question any of the facts or analysis offered here. I want, rather, to explore questions about what strategies the churches should adopt in promoting ethical living and ethical finance in the face of the technological developments in data collection and handling that Mr Gonzales-Paramo discusses.

As a philosophy undergraduate, one of the questions at my final examination in Logic was: Should it worry me if there is a man somewhere who has a large book in his safe which contains all the facts about my past, present and future actions? To which my answer was, No, provided he keeps it in his safe. The corporations which dominate our lives today have the equivalent of that book, and the last thing they intend to do is to keep it locked away. We should be worried.

My first observation is prompted by the assertion, in the first paragraph of Mr Gonzales-Paramo's paper, that financial institutions must place clients and society at the heart of all their functions. I recognise this as an ethical imperative – but I think more needs to be said about who are the clients and what is the society that such institutions serve. In the UK context, the nature of company law makes shareholders' interests paramount. The shareholders are, in some sense, clients – but that is not, I think, the sense in which the word is used here. Again, in my own UK context, the shift from a client-centred ethic to a shareholder-driven profit imperative in financial institutions long predates the rise of modern technological data collection capacity. But it is against the background of this shift in corporate ethics that we have, first, to evaluate the ethics of Big Data handling and, second, examine the centrality of trust (ably captured in the paper) as it actually functions within societies.

In 1991, the William Temple Foundation in Manchester, England (named after the great Archbishop of Canterbury who died in 1944), where I was Executive Secretary at the time, published a report on research concerning the nature of vocation.¹ We worked with groups of people in different professions who had entered their profession with a sense of Christian vocation only to find the ethics of the profession had been stood on their head over the years. We worked with people in healthcare, education and banking – and it was those in banking

¹ Rachel Jenkins, *Changing Times, Unchanging Values?*, Manchester; The William Temple Foundation, 1991

who spoke most powerfully of the ethical shift in their industry. Having entered the banking industry to help people “bring their projects to fruition” (to quote Gonzales-Paramo) they found their jobs now depended upon the quantity of financial products they could persuade clients to purchase, irrespective of whether those products would benefit them significantly.

That was the seismic shift in banking ethics, from customer as client to shareholder as client, which took place well before the march of digital technology got fully under way – and it was within the parameters of that new ethic that financial institutions have learned to exploit their digital capacity in the ways described in the paper.

There seems to me, therefore, to be a gap between the clear assertion of the purposes of the financial institutions and the ethical framework within which they have become masters of vast amounts of digital information. I appreciate that the UK corporate culture may exacerbate this influence, but it provides, I think, a reminder that many financial institutions do not approach the question of Big Data from the point of view of “how can we help our clients flourish”. And because the clients have twenty five or more years of disappointing experience of how financial institutions work, the question of trust becomes both central and intractable.

To pursue the issue of trust a bit further, one of the biggest difficulties we face is that corporations that interface with the public, including many financial institutions, have become very sophisticated at presenting an image of trustworthiness that is more of a façade than a reality. Fascinatingly, the data they are now able to capture about us makes the simulacrum of trustworthiness even more sophisticated. The English comedy duo from the 1950s, Flanders and Swann, coined the phrase, “always be sincere, especially when you don’t mean it!”² Corporations have mastered that art very cleverly, always seeking to appear trustworthy even when they are busy shifting risk and complexity from themselves down to their staff and clients. And people are becoming aware of this. Customers don’t know who to trust, and they often can’t avoid assuming that corporations are trustworthy because they have no alternative, but they frequently suspect they are being lied to or misled. (In parentheses, I despair when churches adopt “corporate speak” without realising that it makes people suspicious. When people hear the church say “we take safeguarding very seriously” they recognise the language of corporations lying to them – like an airline saying “we take safety extremely seriously” as a response to their failures which caused a crash.)

An example that I know from first hand is the Pay Day Lending firm, Wonga, with whom the Archbishop of Canterbury, Justin Welby, crossed swords some three years ago. Wonga used highly sophisticated algorithms to make loans to mostly vulnerable people who had been excluded from mainstream banking. Their interest rates were huge and crippling to many. Their clients were predominantly poor, young and socially marginal. But their

² And before them, Groucho Marx observed of sincerity that, “if you can fake that, you’ve got it made!”

advertisements, couched in reassuring tones, used homely puppets portraying middle class elderly people – everyone’s grandfather and grandmother – to convey a message of safety and reliability that was belied by their aggressive milking of clients’ bank accounts for repayments. The projection of trustworthiness by the rapacious can be far more sophisticated than even Wonga managed. But when the image of trust is broken by the facts of corporate untrustworthiness, cynicism reigns and recovering trust becomes formidably difficult.

So I believe the problem of trust is acute. Financial institutions shifted away from a client-centred ethic long ago, and have woken up in the brave new world of Big Data with that new ethic largely unchallenged. The ability to simulate trustworthiness has meant that people no longer know what trust in a corporate body (any corporate body) looks and feels like. The irony is that if institutions use their capacity for data capture to try to act in a trustworthy way, the very fact that they can access that data predisposes people to suspect them. And there is no established model of what a trustworthy institution in an age of Big Data might look like.

It is worth noting that these observations about trust are based, not on a rejection of market economics but on an analysis of market failure. Properly functioning markets, in which competition is vigorous, should mean that companies can gain competitive advantage by developing a client centred ethic. Much has been said about how governmental and other functions are behaving more like corporations but corporations that seek to have an edge on their competitors can benefit greatly from learning from a public service ethos in order to become truly client-centred. But, as we know from the financial crash of 2008, when banks become too big to fail we are observing market failure in action. Inadequate measures to preserve competition have resulted in corporations which, across many sectors, act increasingly monopolistically – and the erosion of trust is one outcome of that kind of market failure. Again, this is the background against which we are discussing data harvesting on a vast scale – a background of market failure, inadequate ethics and lack of client orientation.

I would like, therefore, to propose two ways forward, even though they are mutually contradictory. That need not be a problem. Sometimes it is necessary to develop a Plan A and a Plan B simultaneously so that it is possible to prepare for different futures.

My Plan A, so to speak, is to seek to model ways of using large scale data capture in the service of ordinary people and communities, especially the most vulnerable. I am under no illusions that a few ethically-driven projects of this kind will bring about a culture-shift for good in all institutions but, following the example of the Fair Trade movement, it would be reasonable to expect some marginal bias toward a general ethical awareness as well as the direct good that such pieces of work might achieve.

I am in the early stages, on behalf of the Church of England, of a conversation with a specific company which specialises in international money transfer and is keen to use the data it gathers in the course of its core business to enhance the lives of its clients and their families (internationally) in ways that do not directly enhance the business but simply make it a business people want to work with because of its philanthropic element. Whether there is a potential partnership here between this company and the church is a matter to be decided much further down the line, and I am sure readers will understand that I am not in a position to give any further details now. But I hope it is a sign that it may be possible for such ethically-driven alliances to happen and that the potential for using large scale data capture for purposes that are not profit-led, is at least conceivable. Even if we fail, we may have laid foundations on which others could build. After all, the Fair Trade movement began as an idiosyncratic and apparently marginal challenge to the logic that supposed that the price mechanism always trumped ethics. It has become something much greater than that today. Fair Trade – and, I submit the kind of project I am hinting at above – would come into the category used by another participant in our consultation, of “Data Philanthropy”.

My Plan B is more radical. It starts with challenging the implication that financial inclusion is best achieved through inclusion in existing financial structures. It builds on the growing trend (albeit, currently a middle class fad rather than a serious movement) to “de-toxify” one’s life by minimising one’s participation in electronic activity that makes one’s life insupportably complex and, often unwittingly, feeds the data-collection machine.³

Might it, therefore, be possible to conceive resistance to the threat to human rights posed by Big Data starting with disengagement from technology rather than with its reform? The levers of reform are elusive and the authority to pursue reform (at least through legislation) is hard to identify. The global reach of IT in general has outstripped the regulatory power of governments. So what would a “citizen-led”, grass roots resistance movement look like? The power the citizen retains (at the moment) is the power to refuse to play the game. If I do not watch TV, I am impervious to TV advertising. If I don’t have a supermarket Loyalty Card, the supermarket cannot predict my purchases or pursue me with promotional materials which influence my spending. If I pay by cash, my spending patterns remain opaque. And if I don’t use the internet, or use it only very sparingly, the amount of data I make available is too limited to make predictions about me reliable. I keep the corporations guessing about me.

This is an idea building on other movements in community finance, such as Local Economic Trading Schemes (LETS) which took whole communities outside the mainstream monetary system for certain purposes, replacing it with barter and local currencies. There remained a relationship with mainstream finance, but it was a relationship at one remove which kept money circulating within a community rather than being taken out of the community LETS

³ Although I describe this as a “fad” I am struck by the growing number of references in popular journalism to cutting down on our activities which generate data of the kind under discussion. Sometimes, these are “lifestyle” articles – sometimes they have a more serious political angle which is specifically about our vulnerability to data harvesting. My hunch is that we will hear more of this approach in coming months and years.

are not the answer to all issues, but they represent locally-driven alternatives. This is in line with the Archbishop's comment to the CEO of Wonga (who had accused him of being an enthusiast for government regulation) when he said "I am not talking about regulation – I want to see you competed out of business". In other words, other, local and ethical, models of accessing finance such as Credit Unions could be made so attractive that the clientele for rapacious Pay Day Lenders would diminish – which (albeit combined with some new regulation) is largely what has happened to that sector of the industry. My suggestion is that, if the ways in which corporate institutions handle their data-gathering capacity is impervious to ethical frameworks, or if the ethics are a mere bolt-on that changes nothing at a fundamental level, the proper response could be to build a movement of refusniks through facilitating alternative ways of accessing the finance and other things they need that does not generate vast amounts of electronic data.

I am aware that opting out of a major structure of modern life will sound drastic and perhaps self-defeating. All technological change raises fears and leaves unanswered many questions, including ethical questions, which eventually get answered, often after much damage has been done. The situation outlined by Mr Gonzales-Paramo is already upon us but has never satisfactorily answered important questions about issues such as trust, leaving an ethical void into which many devils might enter and take residence. One such is the loss of face to face contact in transactions which is foundational to trust and accountability. As I write, I am listening to a recorded message from a bank telling me how important my call is to them – which it patently is not or they would have answered it by now. (As I sit, later, editing my text, I have just spoken to a nice lady from the bank who has made me feel like a valued customer – I rest my case!). If we cannot have institutions which earn trust by meeting us at a human level, let us set up or own alternatives which, even if they cannot compete on all fronts, can model better transactional relationships and trust.

I referred to this approach as "citizen led" – but it perhaps has more in common with a resistance movement. The constant plea from the organisations that capture vast amounts of data about us is that only the guilty have anything to fear. But the moral vacuity of this proposition should be obvious – who is to define guilt and what guarantees can they offer that diversity will be honoured? In a context where conservative religious views on human sexuality are routinely described as potentially "extreme", how will I know that my faith will not be incorporated into an algorithm somewhere in order to disadvantage, marginalise and silence me?⁴ Our push-back may need to reach into our Christian tradition of the preferential option for the poor – which means trying to view the world through the eyes of the poor. If only the guilty have anything to fear, let us not bask in middle-class smugness that we will be OK, but ask what the collection of data about us would look like to those who assume they do have something to hide.

⁴ In the UK, the "Casey Report" on social inclusion (2016) slipped into this language about conservative religious views.

Between them, my proposed Plans A and B make a certain amount of theological sense. Christians are called to be alert to the power and pervasiveness of sin. They seek to work with the powers and principalities of this world to orient them as far as possible toward the Kingdom of God – but where sin is entrenched and unrepentant we are bidden to shake the dust from our feet. The church, meanwhile, is both in the world and not of the world. Collectively, we seek repentance, reform and renewal of the world and its institutions – but we also seek to model holiness and godly living in our own life as a community. In some matters, notably family and sexual ethics, the church seeks to live counter-culturally, demonstrating in the lives of its members a better way than that offered by the world. There is no reason at all why our counter cultural ethic could not extend to church-based financial institutions and other structures which value doing things differently. This is not about total withdrawal from the world but about the church’s own theological “Plan A and Plan B” which together both engage with the world and stand apart from it. It is the point where our doctrine of Incarnation meets our doctrine of Atonement. The first calls us to hallow, as far as we can, the institutions of the world as pointers toward the coming Kingdom. The second calls us out of the world into the pursuit of holiness. Both are integral doctrines of our faith and it is the calling of the church to discern which should take priority in forming a Christian response to a given situation – the two approaches complementing each other as the church models in its own life that which it exhorts others to emulate, however imperfectly.

There is much more I could say in response to Mr Gonzalez-Paramo’s excellent paper. I have not commented on the great deal of material with which I agree wholeheartedly. There are, I think, some areas where potentially fruitful area of further work might be done, for example, on the question of human identity and the public sphere. In a world of identity politics where people expect to be treated in ways appropriate to an identity which may be, to some extent, self-chosen and asserted, what is the place of privacy in forming and sustaining identity? Why should we care if our identity is publicly known if the liberal individualism of society proclaims my right to assert my identity and for it to be respected publicly? Can I be simultaneously known by my self-professed identity and yet keep aspects of that identity private? But these are questions for another day!

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