Doing the right thing. What Financial Services Can Learn from the Credit Union Model.

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There are many things I love about working in the credit union sector - the people, the purpose, the principles. But what strikes me most, having worked in other financial services entities,, is something more fundamental: in a credit union, doing the right thing for the member and doing the right thing for the institution are the same thing. They have to be. The question is whether that is replicable – and can other sectors learn from us?

A few key components of the Credit Union model must be understood. Credit Unions are democratically owned by their members. There are no private shareholders and this means there is no conflict between institutional interest and member interest - they are constitutionally the same thing. Volunteer directors govern with no financial stake beyond member welfare. Surplus is returned to the members and the community. The ethical conduct of a credit union is not a cultural aspiration or a compliance output. It is a condition of existence.

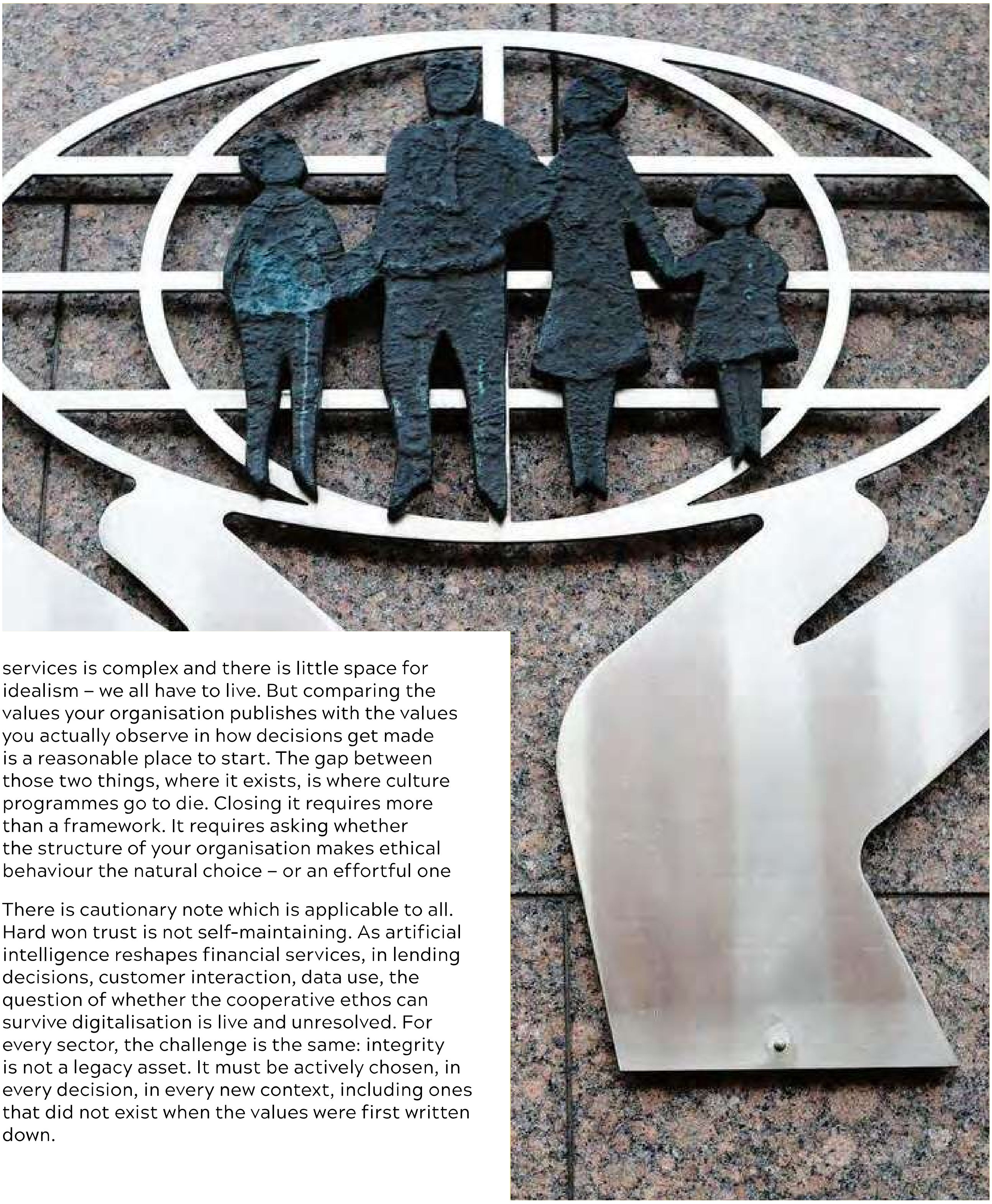
There is a fundamental difference between organisations designed to help people behave ethically and those that rely on individuals to resist structural pressures pulling the other way. Most financial services firms spend considerable energy on the latter, through training, frameworks, incentive design and cultural programmes. The credit union model eliminates the pressure at source.

Lynn Sharp Paine's foundational distinction is useful here. In her 1994 HBR essay she separated compliance-based ethics - rule-driven, externally imposed - from values-based ethics, rooted in shared purpose and identity. The compliance approach, she argued, produces organisations that avoid the letter of wrongdoing while remaining capable of its spirit. The credit union model does not produce perfect people. But it produces an environment where the ethical path and the commercially rational path are, by design, the same path.

The results are measurable - and they are the kind of numbers other financial institutions would not part with lightly. Credit unions have topped Ireland's Reputation Index for three consecutive years, ranked first among 100 organisations across 16 sectors for trust, respect, admiration and esteem. For a tenth consecutive year, credit unions also led Ireland's Customer Experience rankings, scoring 8.26 against a financial services sector average of 6.91 – the only brand to have maintained a continuous top-ten presence since the survey began. To put that in commercial terms: organisations in the top reputation tier are fifteen times more likely to receive consumer business than those at the bottom. Staff attraction and retention, member loyalty, community trust – these are metrics most financial services firms pursue expensively through culture programmes, brand investment and incentive design. In the credit union model, they are not a programme. They are a by-product of a structure in which doing right by the member and doing right by the institution are, by design, inseparable.

The Central Bank's 2018 Behaviour and Culture Report found that Ireland's retail banks had not yet embedded genuine consumer focus in their structures. The Individual Accountability Framework and the IBCB's DECIDE framework - asking staff to consider not what they can do but what they should do - were direct and serious responses. But they are attempts to codify and document what the credit union model provides organically. That is not a criticism. It is an observation about the limits of what frameworks can achieve without the alignment of people, purpose and values.

The lesson for other sectors is not to replicate the cooperative model – that is neither feasible nor the point. It is to ask honestly whether your firm's purpose is clear, and whether your people are genuinely inspired by it. I am not naive. Financial



services is complex and there is little space for idealism – we all have to live. But comparing the values your organisation publishes with the values you actually observe in how decisions get made is a reasonable place to start. The gap between those two things, where it exists, is where culture programmes go to die. Closing it requires more than a framework. It requires asking whether the structure of your organisation makes ethical behaviour the natural choice – or an effortful one

There is cautionary note which is applicable to all. Hard won trust is not self-maintaining. As artificial intelligence reshapes financial services, in lending decisions, customer interaction, data use, the question of whether the cooperative ethos can survive digitalisation is live and unresolved. For every sector, the challenge is the same: integrity is not a legacy asset. It must be actively chosen, in every decision, in every new context, including ones that did not exist when the values were first written down.

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