



PENSION INSURANCE  
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## DOES THE FINANCE INDUSTRY FULFIL ITS PURPOSE?

London, 16 March 2017 - In a challenging new publication published today, David Pitt-Watson and Dr Hari Mann observe that virtually no work has been done which systematically seeks to answer this question.

David Pitt-Watson said: “In finance, it feels a bit like the world of medicine 200 years ago, when there were great debates about how much blood should be let from an ill patient, but almost no studies of whether or not the practice had a beneficial effect.

“What little evidence we have about finance is sobering. It suggests that, in terms of the service which the industry gives to the outside world, there has been no improvement in its productivity in over 130 years; the system which finances the internet is no more efficient than that which funded the railways.”

The principle aim of “The Purpose of Finance” project, launched with the publication of **“Why Finance Matters: Building an industry that serves its customers and society”**, authored by David Pitt-Watson and Dr Hari Mann, and backed by Pension Insurance Corporation, is to help facilitate a long-term discussion. This would aid the development of a new, common sense perspective from which to evaluate performance that can help policymakers and industry participants guide the future development of our financial system.

Key points:

- The authors review the long-term evidence, as well as more recent events, to examine whether and to what degree the industry has met its purpose
- The authors also consider the role regulation plays, and discuss the benefits of defining the “Purpose of Finance” and then regulating to that purpose

- The paper can be downloaded at [www.pensioncorporation.com](http://www.pensioncorporation.com)

Dr Hari Mann said: “Few within the industry have been curious enough to ask the question about purpose. But we have also been too ready to apply simplistic views of market and competitive forces, without considering how and why they work. To be clear, to believe that, in aggregate, competitive forces are working productively in the finance industry is at odds with the evidence. Like the very best doctors of 200 years ago, professionals in finance understand that all is not well. They can see the profound importance of the financial system and that a better system is possible. But unless we reframe the debate, based on purpose, we are unlikely to make much progress.”

Tracy Blackwell, CEO of PIC, said: “Following the 2008 financial crisis there has been an increasing focus on culture in financial services. However, it is intriguing to think that this might in fact be entirely the wrong place to start. In our view culture comes from purpose, and therefore the right place to begin is to define the purpose of finance. Culture is the ‘how’, but purpose is the ‘why’.

“There are very many businesses within financial services which have thought deeply about this issue, focus hard on fulfilling their purpose and consequently have a strong culture. And there are others which are just starting down this journey. We are seeking to work with a series of partners over the coming years to ensure that this conversation continues to be had and to help build a culture within the industry that helps to hold others to account, rather than relying on the regulator to police the industry.”

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#### **Notes to Editors:**

- 1) David Pitt-Watson is a leading thinker and practitioner in the field of responsible investment and business practice. He is currently Executive Fellow of Finance at London Business School. Until the end of 2012, he was Chair of Hermes Focus Funds, and a former board member of Hermes Fund Managers. As co-founder and former Chief Executive Officer of the Focus Funds and Equity Ownership Service; he built and led the largest responsible investment group of any institutional fund manager in the world.

- 2) Dr Hari Mann is a Professor of Strategy and Innovation at Ashridge Business School focused on Executive Education. Through his career, he has worked within academia, investment banking, politics and early stage entrepreneurial ventures. In 2010, he was made Director of Tomorrow's Investor, a project run by the Royal Society of Arts focused on how to deliver better pensions in the UK. He holds an MSc (with distinction) and a PhD from the London School of Economics. He is also a Visiting Fellow at CASS Business School, City University.

For further information please contact:

**Pension Insurance Corporation**      Jeremy Apfel                      +44 20 7105 2140  
[apfel@pensioncorporation.com](mailto:apfel@pensioncorporation.com)

**Teneo Blue Rubicon**                      Anthony Silverman                      +44 (0)20 7260 2700  
[anthony.silverman@teneobluerubicon.com](mailto:anthony.silverman@teneobluerubicon.com)

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