Ethical ranking of ten UK banks

In recent years, civil society has become increasingly concerned about the role that commercial bank lending and underwriting plays in contributing to systemic social and environmental risks, with a particular focus on fossil fuel financing as a driver of climate breakdown. Because of this, the University of Cambridge’s Banking Engagement Forum has worked with Ethical Consumer to provide students and staff the information they require to consider ethical factors when opening a bank account.

Background

The ethical score – from one to ten – in the table below was created for Cambridge in June 2023 by the Ethical Consumer Research Association, a Manchester-based not-for-profit research group with 30 years’ experience in bank sustainability assessment. The ten banks include the five biggest high street brands and a range of other options.

Each bank has been assessed against the ten ethical categories outlined below. If it did well in, for example, six categories it would receive a score of six.

The ten categories

Ethical Consumer’s own published bank rankings use 20 criteria. This ranking uses the same methodology but includes a selection of ten of them.

Climate Change

To do well, companies needed to report on their ‘financed emissions’ and to have a credible plan for reducing them quickly enough. They could not score well if they had ongoing financial relationships with, or links to, oil, gas, and coal companies, or if they had been criticised in civil society groups’ research reports such as the Rainforest Action Network’s Banking on Climate Chaos 2023 report.

Environmental Reporting

For companies to do well they needed to discuss in a credible way, and report on, what they were doing to mitigate other likely impacts of lending and underwriting decisions on areas such as biodiversity loss and deforestation.

Pollution and Toxics

As well as searching for civil society criticisms, the research looked to see if banks were transparent about who they were lending to and whether they avoided sectors with high pollution and toxic emissions.

Habitats and Resources

Civil society groups have recently begun to link UK banks to commodity chains driving deforestation. These include Amazon Watch’s “Complicity In Destruction II: How Northern Consumers and Financiers Enable Bolsonaro’s Assault On The Brazilian Amazon”, and the Global Witness “Rubbed Out” report on rubber plantations.

Human Rights

Similar reports have raised concerns around human rights abuses linked to UK bank lending and underwriting. For example, BankTrack has released a report criticising banks’ relationships with companies linked to the Myanmar military government, and Amazon Watch has issued a report.
entitled “Complicity In Destruction IV: How Mining Companies and International Investors Drive Indigenous Rights Violations and Threaten the Future of the Amazon”.

Workers’ Rights

Marks were deducted in this category where reliable news reports were found detailing banks’ mistreatment of staff. Banks also lost marks if they were named as financers of the hospitality and construction sector in Qatar in the report “No questions asked: Profiting from the construction and hotel boom in Qatar”.

Armaments

For many years the Switzerland-based International Campaign to Abolish Nuclear Weapons (ICAN) has released an annual report called “Don’t Bank on the Bomb”. Its December 2022 report was called “Risky Returns – Nuclear weapon producers and their financiers”. All of the big five UK banks are identified in this report as having financed nuclear weapons manufacture.

Anti-social Finance

Companies mainly lost marks in this category for excessive directors’ pay, for mis-selling of financial products to consumers, and, in a few cases, for being fined by western governments for not having proper money laundering controls.

Tax Conduct

Ethical Consumer has long rated companies on likely use of tax avoidance strategies because they believe that corporation tax plays an important role in creating socially just societies. The research mainly looks to see whether the company has subsidiaries in tax havens such as the Cayman Islands and, if it does, whether it has a convincing explanation in the public domain as to how its presence there is not linked to tax avoidance.

Company Ethos

Because of a variety of issues associated with profit-seeking behaviour, this category seeks to assign an additional mark to companies that are structured in some kind of not-solely-for-profit way. Only Triodos and Nationwide gained an extra mark in this category.

How to take action

If you decide to factor ethical performance into your choice of bank account, it is important to let the banks know. The banks can be reached through their own websites and/or social media platforms.

For more detailed information

Detailed explanations behind each ranking decision are available under the appropriate category headings for logged-in subscribers reading the Ethical Consumer banking guide. The guide includes rankings for 21 other banking brands offering UK current accounts.

These rankings, like all those of Ethical Consumer, score company groups that include any entity with a holding of more than 25%. It does not take into account ethical conduct at outsourced financial product offerings.