

Transcript for
In Search of the Good Corporate Citizen
Interview: Paul Moore, Killing the Messenger

Tom Donaldson: Just for time, I want to run a tape that relates to precisely what we are talking about if we look at the history of corporate scandals we find ourselves scratching our heads asking why didn't someone speak up? Our next story may shed some light.

Narrator: Three thousand miles from Wall Street in the small village of Wass, England. One man knows firsthand the challenges of business ethics. Paul Moore was hired to evaluate risk at a large British bank called HBOS.

Paul Moore: As soon as we started to take up the rocks and look underneath them almost everywhere we looked there were control issues, there were specific examples of potential miss-selling of products. Over selling of credit and so on.

I think I can sum it up by the lady of Halifax who said to me that we'd never hit our sales targets and sell ethically. It was like taking the lid off a pressure cooker- BOOM! It was that bad. Everybody in the front line knew that what was happening was wrong. They didn't feel confident to speak up.

Narrator: Senior management, according to Moore, was moving toward a new way of banking.

Paul Moore: They recruited a man who had worked for Azter which is now part of Walmart. He was a supermarket retailer to run the retail bank. So you can see how the mindset was working. We'll move away from that old way of doing banking which is kind of fiduciary, very cautious into a kind of retailing strategy. It was basically what we call a stack 'em high sell 'em cheap strategy.

Narrator: And, HBOS returns were beating the competition year in and year out.

Paul Moore: They were being told they were brilliant by the analysts, by the city, by the shareholders, by everyone, and there is me. I called myself a man in a rowing boat trying to slow down an oil tanker perhaps it was a man in a rowing boat trying to slow down the titanic. Maybe that's a better analogy. And um, so I'm a trouble-maker, I'm a nuisance.

The retail was a mixture of incentivize on sales targets and if they don't hit their sales targets you hit them over the head with a blunt instrument. So you have got both elements operating.

The chief operating officer of the retail bank, I won't mention his actual name, his nick name was Wacker. My boss used to take great pleasure in meetings in referring to him as Wacker. They celebrated the fact that his name was Wacker. So it was a kind of culture that celebrated bullying.

When a sales culture is out of balance with the controls and controls includes risk management, compliance, quality and so on. The interests of the customer doesn't come first it is the interest of the sale that comes first. So you will get wide spread overselling of credit. Wide spread miss-selling of products and so it is a very bad thing for ordinary people. They get the wrong thing.

Narrator: As Moore was beginning to report these results some of the senior business leaders got angry.

Paul Moore: As we tried to do our legitimate work in gathering evidence to demonstrate what the position really was it felt very much like we were going behind enemy lines. It was incredibly adversarial. Actually my job was to raise these issues. It was a formal part of my accountability to identify actual or potential breeches of law or regulation.

Narrator: According to Moore key aspects of his findings were kept out of board meetings and statements he made were left out of the minutes of those meetings. Still, others seemed to appreciate the information.

Paul Moore: We get to the October audit committee and the chairman just before I'm making my oral comments he says to me. I want to thank you for tabling the full version of the sales culture report I can now see just how serious things are. After the meeting I sent an e-mail to my two deputies saying all is well that ends well.

Narrator: But the story did not end well. Within a month the CEO summoned Moore to his office and told him he had lost the confidence of the business leaders and was being reorganized out of a job.

Paul Moore: When he fired me after I had written the e-mail that all is well that ends well. First of all I just couldn't believe it. So there I was I went out on the street and I cried. I just couldn't believe it. Why did I take the personal risk, why did I have a blindness to that personal risk. Because I cared about the organization, I cared about its customers, I cared about its shareholders, I cared about its colleagues.

Narrator: In fact, it seems Moore got it right. The bank's aggressive sales practices brought them into the same subprime mortgage thicket that had doomed other banks. Facing imminent collapse, HBOS had to be acquired by Lloyds Bank. So why didn't others come forward?

Paul Moore: They were like lemmings going behind the pied pipers of the chief executives who were being paid to take them all over the end of the cliff. A herd instinct creates such an energy that virtually nobody is going to have the courage to say stop because they will just get trampled.

Narrator: Moore now runs a data technology company. He has chosen to consult with companies about risk management but has given up on seeking internal positions with other companies.

Paul Moore: When you blow the whistle you can become a persona non grata, I have used the horrible expression toxic waste, the bank has toxic assets and I became toxic waste.

Narrator: After Moore was terminated, HBOS undertook what was supposed to be an “independent” investigation of Moore’s complaints. The investigation cleared HBOS and said Moore was out of line, but it was conducted by the same firm, that served as HBOS’s external auditor. Moore says this was an obvious conflict of interest.

Paul Moore: They described me in the report that was done after my dismissal. They said that I was extraordinary and I ranted and that I was prickly—very personal things to say about somebody. I suppose I was extraordinary to them because I was trying to say something to them that they simply couldn’t get. They thought they were so brilliant. Risk management isn’t about that it’s about looking forward isn’t it. They weren’t going to listen to me. It’s as simple and as dreadful as that.