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White-Collar Crime Victims and the Issue of Trust

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Abstract

This paper presents the results of a study exploring relationships of trust and distrust between the offender, the victims, regulators and the wider financial system in a particular case of white-collar crime. Individuals whose pension fund assets were defrauded by Robert Maxwell were interviewed in order to examine the consequences of financial crime and mismanagement upon the construction of trust towards financial investment. Results reveal that individuals manage the risks posed by financial crime and mismanagement through complex, yet routine, perceptions of trust and distrust, which may be profoundly influenced by an experience of victimisation.

Introduction

This paper emanates from empirical research on 'white-collar victimisation', which was conducted between 1995 and 1998. In-depth interviews were carried out with twenty-five victims of a financial crime. Part of this enquiry involved exploring trust in relation to financial investment. Many authors have commented upon the importance of the notion of trust in social life (Luhmann, 1979; 1988; Gambetta, 1988; Nelken, 1994; Evans et al. 1996; Fukuyama, 1996, Walklate, 1998). This research project examined relationships of trust between the financial industry and its investors, through the viewpoint and experiences of individuals who had been the victims of a financial crime. In particular, the questions identified by Nelken (1994: 232), that is, whom can you trust, how when and why do you trust and how much do you trust, were presented to the interviewees in order to research the construction of trust towards financial investment, and to explore the consequences of financial crime and mismanagement upon this construction. This work builds upon previous research in white-collar crime, which has examined the consequences of white-collar offences upon trust towards social, political and economic institutions (Sutherland, 1949; Peters & Welch, 1980; Moore & Mills, 1990; Shover et al. 1994).

The results of the study presented in this paper reveal that when examining trust in relation to financial investment there are many dimensions to consider. The question of whom do investors trust can be divided into three categories: agent, regulatory and systemic levels. Investors can trust, and significantly distrust, particular individuals working within the financial system, also particular financial institutions; they can trust/distrust financial regulators; and they can trust/distrust the financial system in general. In terms of how do investors trust, the notion of choice becomes important, as there may be situations in which investors do not have a choice over the risks that they are exposed to, and they may be 'coerced' into trusting that the financial regulators will protect them from harm. The issue of whether 'coerced trust'

constitutes trust at all is then pertinent (Misztal, 1996). With respect to the question of why do investors trust/distrust particular agents, regulators or the financial system in general, this can be linked to investors' perceptions, the roots of which seem to lie in previous experience, also the experiences of their families, friends and peers. The issue of how much do investors trust can be linked to risk avoidance strategies. It appears that investors attempt to spread the risks associated with financial crime and mismanagement through engaging in risk minimisation tactics.

This study found that an experience of victimisation can influence trust at any or all of the above mentioned levels. Furthermore, victims of fraud may not always be the 'duped investors' often portrayed in white-collar crime literature (Croall, 1992; Levi & Pithouse, 1992; Nelken, 1994). In the case study examined in this paper, the victims distrusted their employer and pension fund manager, Robert Maxwell. However, they were unable to leave their company pension schemes and so were 'coerced' into trusting that the regulators would offer them protection. In this sense, the victims (the Maxwell pensioners) did not conform to the imagery of the trusting individual who subsequently becomes defrauded. In the aftermath of the scandal, many of the pensioners blamed the regulatory structure for failing to prevent the frauds that occurred. As such, little self-blame was evident. This contrasts with much of the previous literature on victimisation, which shows that victims often blame themselves for their plight (Janoff-Bulman & Frieze, 1983; Kelly, 1988; Mezey, 1988; Levi & Pithouse, 1992). It seems that because the Maxwell pensioners had little choice over the risks that they were exposed to, and because they were 'coerced' into trusting the financial regulators, they blamed the regulatory structure rather than themselves.

Trust

Fukuyama (1996) argues that modern economic life entails a minimum level of trust, where trust is defined as:

The expectation that arises within a community of regular, honest and co-operative behaviour, based on commonly shared norms, on the part of other members of that community (Fukuyama: 1996: 26).

Trust involves placing faith in a person or institution where something serious is at stake if such reliance turns out to be misplaced (Nelken: 1994: 4). Trust necessarily contains an element of risk and uncertainty, since in conditions of absolute certainty there is no need for trust at all.

Trust in Relation to White-Collar Crime

Many authors have incorporated notions of trust into their analyses of white-collar crime (Reiss & Biderman, 1980; Walklate, 1989; Clarke, 1990; Shapiro, 1990; Nelken, 1994; Levi & Pithouse, 2000). Reiss & Biderman include the notion of an abuse of trust as part of their definition of white-collar deviance thus:

White-collar law violations are those violations of law to which penalties are attached and that involve the use of a violator's position of significant power, influence or trust in the legitimate economic or political institutional order for the purpose of illegal gain, or to commit an illegal act for personal or organisational gain. (Reiss & Biderman: 1980: 4)

Walklate (1989: 104) pursues the theme of the abuse of trust when discussing white-collar violations, as she argues that the structural framework of capitalism evident in western democratic societies encourages corporations, employers and managers to maximise profits at the expense of the individuals who vest their trust in them. Shapiro (1990) argues that a plethora of trust relationships exist in western society, and opportunities for abuse can arise largely due to the asymmetrical and unbalanced nature of these relationships. For example, agents might hold information which cannot be easily accessed by those individuals who vest their trust in them, and individuals may also have little control over the selection or incentives of agents.

Some researchers have also examined the costs generated by white-collar offences in terms of any potential distrust which they might induce. Sutherland (1949) was the first writer to suggest that white-collar crime might create distrust in society, thus:

This financial loss from white-collar crime, great as it is, is less important than the damage to social relations. White-collar crimes violate trust and therefore create distrust; this lowers social morale and produces social disorganisation. Many of the white-collar crimes attack the fundamental principles of the American institutions. Ordinary crimes, on the other hand, produce little effect on social institutions or social organisation. (Sutherland: 1949: 13)

Other writers have pursued this theme through looking at the impact of white-collar crime upon victims' trust in the wider political and economic arenas (Peters & Welch, 1980; Moore & Mills, 1990; Shover et al. 1994). The general finding in these studies is that white-collar crime has little, if any, effect upon victims' trust. However, it seems that these studies fail to recognise that trust involves an element of risk and uncertainty. As such, an experience of victimisation may simply re-affirm individuals' understandings that when using 'expert systems of knowledge' (Giddens: 1990) they are taking risks. As such, in the aftermath of a crime, individuals may continue to display a generalised systemic trust.

The above analysis suggests that the concept of trust in white-collar crime research is under-developed. Partly as a response to the lack of research in this area, the research project outlined in this paper set out to explore trust in relation to financial investment and the impact of white-collar crime on this. The case study examined was that of the Maxwell Scandal, when up to thirty thousand individuals were defrauded of their pension money.

The Study

In the UK it seems that financial regulators function according to a presumption of trustworthiness, since they are often slow to intervene in a case of white-collar crime, and often adopt a compliance-oriented approach to enforcement rather than using criminal penalties (Stanley, 1992; Nelken, 1994). Indeed it can be argued that within the financial markets themselves there is a lack of contract and legal regulation, due to some extent to a regulatory consensus that financial institutions are trustworthy (Fukuyama, 1996)[1]. White-collar offenders therefore exploit the lack of legislation governing the financial markets and the initial presumption of trustworthiness which regulators adopt (Nelken, 1994). The case study reported in this paper seems to be a clear example of this. Largely due to the lack of legislation governing pension fund schemes, Robert Maxwell was able to use his position of influence and power as employer to use pension fund assets as collateral for bank loans. Bishopsgate Investment Management (BIM) was a company owned by Robert Maxwell which managed the pension funds of Maxwell-run companies. During 1991 three of BIM's directors signed over a portfolio of shares belonging to the pension funds, worth £430 million, to be used to buy shares in Maxwell's public companies, and these shares were then used as collateral for bank loans (Bower, 1994). Whilst this practice was not illegal, what was illegal was the fact that the borrowed assets were never returned to the pension funds. This case clearly illustrates how the administration of pension schemes has constituted a large site of 'trust' because there has been little legislation surrounding this area. Before the 1992 Occupational Pension Schemes Regulations, investment by a pension scheme in the employer's business or undertaking was not restricted to any kind of minimum level of the current market value of the pension scheme's resources. This meant that an employer was able to use company pension fund assets to invest in his/her business even when this threatened to significantly undermine the solvency of a pension scheme (Marshall, 1995).

When Robert Maxwell disappeared from his yacht on 5th November 1991, the lives of approximately thirty thousand pensioners were affected by the discovery that their pension funds had been used as collateral against bank loans (Bower, 1994). Upon his death, hundreds of millions of pounds were found to be missing from the company pension schemes (The Times, 20th January 1996).

In total, twenty-five individuals whose pensions were managed (or mismanaged) by Robert Maxwell were interviewed at length. A snowball approach to the location of the group of interviewees was used. Maxwell support groups were targeted in order to gain access to individuals caught up in the event. Pensioners' dates of birth ranged between 1916 and 1956, with the average age being 67 years. The names used in this paper are not the original names of the individuals who were interviewed.

Interview material reveals that prior to the occurrence of the financial scandal, many of the Maxwell pensioners displayed 'personal distrust' (Nelken, 1994) of their employer, Robert Maxwell, who eventually defrauded them of their pension money. Nonetheless, they displayed a general systemic trust of the financial system. It seems that part of this systemic trust involved acknowledging the risks that they run as investors and therefore engaging in risk avoidance strategies to minimise their likelihood of becoming the victims of fraud. This involved the individuals selecting particular financial institutions to invest their money in, and in situations where they had no choice (with respect to their pension money), hoping that the financial regulators would protect them from harm. Whilst some individuals seemed to believe that the regulators were capable guardians in the prevention of white-collar crime, others acknowledged that although the regulators may not be able to prevent a scandal from occurring they would nonetheless compensate them for any financial losses. It seems that the scandal caused the individuals to re-assess their perceptions of financial regulation, that it can neither protect them nor compensate them adequately in the event of a fraud. At the same time, the scandal has had a significant impact on the extent of the pensioners' trust towards the financial system. It seems that being the victim of a financial crime has caused many of the pensioners to re-asses the basis of their risk management strategies. In many instances, this has led to a significant reduction in the range of financial products and institutions that the individuals are willing to invest their money in. In a few cases, individuals seem to be displaying a generalised systemic distrust.

Agent Distrust and 'Coerced' Regulatory Trust

Interview data reveal that, prior to the Maxwell scandal occurring, the individuals taking part in this study tended to distrust their former employer, Robert Maxwell. For many of these individuals, Robert Maxwell was an 'asset stripper', someone who had bought up the printing companies which the individuals were working for in order to sell off the assets and make a quick profit. For instance, Mr Clifford revealed:

Mr Maxwell, when he took over, he came in saying that he was going to be our saviour, he was going to be the man to get us out of trouble. He said 'I will make you the richest printers in Europe'. The first thing he did was sack I think about 500 men.

While Mrs Richards observed that:

Maxwell was asset-stripping. He seemed to me to always buy up companies that were in trouble and then rob them of their assets.

Indeed, one of the former employees revealed how he was explicitly asked by Robert Maxwell to engage in white-collar violations during the course of his work. Mr Adcock spoke about how he had managed to avoid doing this:

There were several occasions when Maxwell wanted me to do things and either I didn't do them or I made sure they didn't work. One specific thing. One aspect of the computer system was they kept track of the stock. And Maxwell actually wanted me to set up a system for loading dummy stock, that is, stock that didn't exist in the system so that you could produce invoices because the system wouldn't allow the production of invoices which are legal documents unless there was stock there. I said, 'No' and he said, 'You've absolutely got to'. So I started doing it, I did it very slowly and it happened that the auditors were there and I spoke to this auditor and he had a look at what I'd been asked to do. He actually made a comment in the report, he said, 'You mustn't do this or we shall disqualify the accounts'. So there was an example of how I chose a way to frustrate Maxwell.

Due to the extent to which they distrusted Robert Maxwell, some of the pensioners had tried to leave their company pension schemes. For example, Mr Adcock revealed:

I went for an interview with another company, this would have been in the 1970s I suppose and I didn't get the job but I talked to the chief executive of the company about his expansion plans for the company and it sounded as though they needed an awful lot of money and it looked as though the company was not particularly well capitalised. I asked him how would you finance expansion ? And he said, 'Oh I'll raid the pension fund'. I thought my God if this guy can do it Maxwell will certainly do it. From that moment I tried quite hard to get my money out of the scheme and personnel people said you can't do that.

However, the pensioners were not able to remove their pension contributions from the company pension schemes that they belonged to. This lies in contrast to their employer,

Robert Maxwell, who was able to use the pension fund assets as collateral for loans. This case clearly illustrates the contrast between the opportunities available to employees against those available to employers. Whilst fraudulent employees can be sacked or demoted, there is little that employees can do to an employer:

Where the employer engages in abuses, his staff have to organise strongly if their interests are affected, and may still find it hard to gain access to information essential to proof of misconduct and to resist selective or collective dismissal (Clarke: 1990: 24)

The interview material suggests that the Maxwell pensioners were not the 'duped investors' typically portrayed in white-collar crime literature (Croall, 1992; Levi & Pithouse, 1992; Nelken, 1994). Rather, they were more knowledgeable about the potential danger that Robert Maxwell posed than the regulators were. When a lawyer representing a group of employees belonging to a Maxwell company pension scheme wrote to the Investment Management Regulatory Organisation (IMRO) in 1984 alleging that the pension funds were at risk, without investigating the fund's management, IMRO declared Maxwell to be an 'honest man' (Bower: 1994: 531). With no option available to them at the time to remove their pension contributions away from their company pension schemes, it seems that the pensioners were 'coerced' into trusting that their pensions were protected by legislation and regulation. For example, Mr Ashton said:

I've always mistrusted Maxwell. But I felt that because pensioners were, to a large extent, the province of the state and they were hedged about with legislation, that there was very little Maxwell could do to make off with the money.

While Mr Adcock argued:

I suppose at the time I actually thought that the law would actually safeguard anything that was mine so I wasn't too worried about it, although I thought that Maxwell would do his best to get his hands on the money.

The disappearance of assets from the company pension schemes revealed to the pensioners the inadequacy of financial regulation when there are loopholes which white-collar offenders can exploit. In contrast to many reported instances of victimisation (Janoff-Bulman, 1983; Kelly, 1988; Mezey, 1988; Levi & Pithouse, 1992), little self-blame was evident. Since the pensioners were in no position to change the risks that they were exposed to as employees of Robert Maxwell, in the aftermath of the financial scandal, the regulatory structure was blamed instead. For example, Mr Phipps claimed that:

The two supervisory bodies were IMRO and SIB and they were supposed to look after investments, in other words, see that no frauds is carried out. But obviously they didn't do it, they were absolutely useless you know. Then in our view it goes back to the Government because they allowed the scheme not to be completely overseen as it were.

However, whilst there was little that the pensioners could do to change the regulatory framework, in the aftermath of the scandal in the majority of cases this did not lead to a general avoidance of the financial system, with many of the pensioners continuing to invest their money there, as the following section will illustrate.

Generalised Systemic Trust and Risk Avoidance Strategies

It seems that prior to the Maxwell financial scandal occurring, many of the individuals engaged in elaborate avoidance strategies as a way of managing the risks posed by financial crime and mismanagement. While individuals trusted that particular financial institutions would engage in regular honest behaviour, they nonetheless distrusted other institutions. Some pensioners seemed to distrust insurance schemes:

I'm not a lover of insurance companies, I think they wriggle out of every tiny hole they can.

Others seemed to trust building societies more than banks. For example, Mr Nene argued that:

My view of banks had changed a long while ago. I don't consider them respectable at all. I'm not very happy about the banks at all.

And Mrs Walsh revealed:

I do trust the building societies to some extent, not necessarily the bank because there's been a lot of bad publicity about the banks, about them collapsing and everything, it's a bit unnerving isn't it ?

A possible reason for the distrust of banks is that banks have been publicly criticised over a number of issues, including high overdraft charges, the revoking of loans from small businesses, and customers being overcharged as a result of computer errors being made (Gunn, 1993). The quality press has also taken an interest in reporting the injustices meted out by banks. For example, an article in the Money Guardian appeared portraying the plight of one customer of a High Street bank whose current account was closed down without permission (The Guardian, September 9th 1995). Another article with the headline 'No accounting for taste as banks fail scruples test' (The Guardian, May 12th 1995) suggested that many of the High Street banks were willing to set up accounts for a white supremacist party, a magazine for drugs dealers, a company dealing in chemical weapons and a pornographic magazine.

It seems that the 'institutional trust/distrust' displayed by the individuals also had roots in their previous experiences with those institutions, or the experiences of their families and friends. Mrs Hughes revealed:

Well, my parents have always had their account in the XX and I used to go on the bus with the bank manager's secretary, she was my close friend and I just opened my account with them. I've been with just that one bank all my life.

And Mrs Hollis spoke about her dissatisfaction with the way a particular bank treated her which made her close her account there:

I don't want no sarcasm from you mate I said, I said you have that ready for me on Friday. I took every penny out of there and took it somewhere else. - So your relationship with that bank It's completely finished and I've been in that since I've been 14 years old.

The interviews above illustrate how trust in particular financial institutions is partly based upon 'personal trust'. This includes the relationships that exist between investors and the personnel working for the particular institutions, as well as the relationships between investors' friends/families/peers and those agents. It seems that 'personalised trust' can influence 'institutional trust' and ultimately 'systemic trust'. Luhmann (1988) has also argued that relationships of trust/distrust at a micro level can contribute to trust/distrust at a macro or systemic level. As such, when examining general systemic trust (as well as institutional trust) it is important to consider the 'social interaction' that takes place between investors and the agents working within the financial system, who may include bank managers, clerks, and financial advisers.

For a few of the Maxwell pensioners, the size of the financial institution was used as a basis upon which to assess trustworthiness. Thus, Mrs Hunt argued:

I suppose that I've always thought that a big bank is fairly reliable. I think if you're sticking with one of the High Street big ones I think you'd be quite safe.

While Mr Smith said:

I suppose that I've always thought that a big bank is fairly reliable.

One pensioner argued that she uses the financial system because she has little choice. The alternative, popularly referred to as 'keeping money under one's bed mattress', was undesirable and regarded as being too risky, thus:

Well I think they're much safer than putting it under your mattress, I think the main banks are quite safe. I mean I wouldn't like to be in XX bank, not with gambling fellas like Leeson on the market in Singapore.

Summary

The above interview material might to some extent explain why, in the aftermath of the Maxwell scandal, the victims have continued to use the financial system. It seems that even prior to the occurrence of the Maxwell scandal, many of the individuals' trust towards the financial system was rooted in risk minimisation strategies which involved them choosing which financial institutions they trusted most and investing money in those institutions. This case clearly illustrates that when examining victimisation by fraud, the notion of trust needs to be deconstructed. Underpinning victims' trust may be risk management strategies which show that, rather than being unwitting investors, victims may indeed be aware of the dangers posed by white-collar crime. The risk management strategies that individuals adopt may be a means

of establishing order and familiarity upon a system which is inherently risky (Luhmann, 1979). As a result, a person who is the victim of a financial crime may continue to use the financial system through engaging in risk management behaviour.

Victimisation and Trust

The case study reported in this paper also illustrates that while victims of financial crime may continue to hold a generalised trust towards the financial system, the extent of this trust may be significantly reduced. Many of the Maxwell pensioners revealed that although they continue to place some degree of trust in the financial system, the 'spread' of their 'investment portfolio' has declined.

One pensioner, Mrs Nene, explained that whereas prior to the Maxwell scandal she and her husband would invest in shares, now in the aftermath of the scandal they no longer do so:

We used to buy shares. But we wouldn't buy any more now.

While in Mrs Richards' situation, the Maxwell scandal has reduced her investment portfolio to that of placing her money into the National Savings Scheme:

It has affected my trust now. I don't have any insurance firms or anything like that. The money that I have is in National Savings and that's committed charge isn't it ? Hopefully. I won't buy shares. I know that my money's going into the stock market at some places, it must be mustn't it ? But there's no way that I would ever buy shares again. Our stock market isn't like it ever was.

The interview exerts above thus suggest that some of the individuals are now more wary of financial investment than they were prior to becoming the victims of pension fraud. This suggests that financial crime may increase victims' sense of insecurity through causing them to re-assess the mechanisms through which they trusted and distrusted particular financial institutions and instruments prior to the financial scandal. Links can be made here with victimisation research, which suggests that a victimising experience can cause a sense of vulnerability (Maguire, 1982) in individuals. Nonetheless, the individuals have continued to use the financial system, inspite of mechanisms shown to be faulty, largely as a result of drawing upon risk minimisation behaviours.

In some instances, however, the experience of victimisation can lead to a general systemic distrust. Out of twenty-five Maxwell pensioners that were interviewed, only two seemed to suggest that the Maxwell scandal has caused them to distrust the financial system in general. One of these, Mrs Hunt, argued that now she 'wouldn't place her trust in any institution':

I don't think now I would really put my trust in anybody. Now I go to the bank and I don't even trust them. I think the advice they give you, the building societies, any big company that you go to they're not giving you sound advice they're looking after Mr One first, they're looking after their own interests. And I think the same applies to the government and I think they're hitting the little people because the little people are the most vulnerable but the big boys, all these people are making millions but they don't touch them, they leave them alone.

The case of Mrs Hunt is particularly interesting, because whilst she acknowledges that she doesn't trust any financial institution, she continues to 'go to the bank'. This illustrates that in some instances investors may believe that they have little choice other than to use the financial system, even though they distrust it.

The issue of choice is particularly important when we consider the position adopted by the financial regulators. Partly as a way of absolving themselves from responsibility of any crimes that occur, the regulators argue that in the financial markets there is a role for the principle of 'caveat emptor' or 'buyer beware' (Davies, 1996). The regulators thus function according to the claim that individual investors should be aware of the risks that they are exposing themselves to, and moreover, that investors have some choice over those risks[2]. With the acceptance by regulators that fraud is a natural risk of the financial system, the problems of financial crime is thus foisted onto the shoulders of victims, through ideology which currently pervades crime prevention: that of 'active citizenship' and the responsibility of individuals to protect themselves from crime (O'Malley, 1992). At the same time, over the last twenty years in Britain successive governments have pursued a policy of 'popular capitalism' which has encouraged people to become home-owners, shareholders and portable pension owners (Jessop & Stones, 1992). As a result, larger numbers of people are using the financial markets, reflected in the rise of private pension schemes, insurance schemes and share ownership (Burton, 1994). Notions of 'free choice' and 'individual responsibility' as espoused

by the financial regulators thus become problematic, as it can be argued that individuals have little choice but to invest capital in the financial markets under a political climate of self-sufficiency and self-protection.

It might be argued that the Maxwell study is a 'maverick' case and therefore it is not possible to generalise the findings here to a wider population of victims of financial crime. Nonetheless, there clearly seem to be links with other cases. Whilst regulators argue that in financial markets there is a role for the principle of 'caveat emptor' (Davies, 1996), individual investors may consider themselves to be engaging in risk avoidance strategies prior to any scandal occurring. As such, in the aftermath of a scandal, victims may blame the regulators, rather than themselves, for their plight. A case study of the impact of the closure of the Bank of Credit and Commerce International (BCCI) upon former employees and depositors (Spalek, 2000) illustrates that they blamed the Bank of England for the financial and psychological burden incurred by the closure. Further research is now needed in order to establish the extent to which the results presented in this paper apply to other cases.

Conclusion

The impact of white-collar crime upon victims' trust in wider social and economic arenas has attracted little attention from researchers. Nonetheless, it would appear that an important aspect of white-collar victimisation is that of its impact on individuals' trust. The study reported in this paper illustrates that in some cases of fraud, victims may not be 'duped investors', but rather may distrust particular agents prior to any crime occurring, and may therefore be engaging in risk avoidance strategies. As a result, becoming the victim of a financial crime may not necessarily lead individuals to avoiding the financial system in general, because an integral part of their trust may be acknowledging that as investors they run risks. Nonetheless, the extent of their generalised systemic trust may be significantly eroded. At the same time, an experience of victimisation may cause an individual to distrust the financial regulators, since it is likely to reveal to her/him that the regulators generally offer investors inadequate protection and compensation. As a result, rather than blaming themselves for their plight, in some instances the victims of a financial crime may blame the regulators. However, it seems that the regulators are unlikely to accept any blame, since they espouse the notion of 'individual responsibility' for the prevention of white-collar crime.

Notes

[1]The roots of this, it seems, lie partly in the historical culture of the City when its institutions were run by aristocratic or upper-middle class individuals, connected by similar education, experiences and outlooks. Knowledge of members' careers, family backgrounds and friends provided bases from which to evaluate individual agents, and the threat of exclusion from the City was regarded as being a sufficient deterrent against unethical behaviour and law-breaking (Clarke, 1986). However, during the 1980s the homogeneity which had traditionally helped regulate the City collapsed and an atmosphere of greed pervaded the City (Stanley, 1992), resulting in a wave of financial scandals such as the Guinness affair, Blue Arrow, Lloyd's, Maxwell, Barings and Morgan Grenfell, to name only a few.

[2]For example, a document published by the regulator the Investment Management Regulatory Organisation (IMRO) in 1997 argues that while attempting to protect the interests of the investor, regulation should also leave the financial industry free to exploit the qualities of innovation and flexibility. Moreover, in the same document it is suggested that a key aspect of investor protection is that investors themselves have some ability to avoid the problems that can arise (IMRO, 1997). Similarly, the primary objective of the Financial Services Authority (FSA) seems to be to 'strengthen *but not ensure* the protection of depositors' (FSA, 1998).

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