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The Westpac money laundering scandal – Australia’s largest case of moral blindness?

By Michele Levine, CEO, Roy Morgan

Before its money laundering scandal, Westpac was the ‘least distrusted’ of the big-four banks¹. That is about to change.

In the immediate wake of Westpac being accused by the regulator of breaching anti-money laundering laws 23 million times, the question is, how could there be such a comprehensive failure of governance?

Shareholders, employees, customers – and ultimately the courts – all want to know what went wrong. Was it intentional or did the breaches go unnoticed? Chances are we have witnessed corporate Australia’s largest case of moral blindness.

Sociologist Zygmunt Bauman coined the term *moral blindness*, and Albert Einstein famously said, “The world is in greater peril from those who tolerate or encourage evil than from those who actually commit it”.

According to Bauman moral blindness is a “callous, compassionless and heartless kind of behaviour.” In corporate Australia we know *moral blindness* as:

- *Turning a blind eye*
- *Looking the other way*
- *Having a blind spot*

On the march to prosperity following the GFC, many C-Suite executives and company directors felt liberated from the shackles of ethics, freed and legitimated by the need to rebuild shareholder value.

Moral blindness, it seems, was sanctioned by this ‘prosperity imperative’.

A decade later the Financial Services Royal Commission exposed moral blindness across the sector. Possibly the most spectacular revelation was the moral blindness exhibited by the then AMP Chair and CEO.

Since the Royal Commission, AMP has moved from minimal distrust to be the most distrusted financial services brand in Australia, and the third most distrusted brand across all sectors.

AMP suffered a \$10 billion net outflow of funds due to “reputational damage from the Financial Services Royal Commission.”²

AMP’s share price plummeted from \$5.43 (pre-Royal Commission) to \$1.98.³ That’s a drop of 64 percent in under two years.

Even more dramatically, AMP’s net profit plummeted from \$848m (FY17) to \$28m (FY18), a 97 percent drop over the course of a tumultuous year for the brand.⁴

¹ *Roy Morgan Risk Monitor*, Jul18-Jun19, n=14,383

² AMP Annual Report FY18

³ Australian Stock Exchange online - 22 November 2019

AMP's skyrocketing level of distrust has, according to financial analysts, wiped close to \$10 billion off its market value.⁵

Now it's Westpac's turn in the moral blindness spotlight.

If any good is to come of the Westpac scandal it is the recognition that every corporate board needs an Ethics Committee to combat intentional wrongdoing. And moral blindness.

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⁴ AMP Annual Report FY18

⁵ William McInnes, 'AMP could present a value trap', *Australian Financial Review*, 16.07.19

