Received: 8 April 2020 | Revised: 7 August 2020 | Accepted: 6 July 2021

DOI: 10.1111/beer.12376

Business Ethics, the Environment & Responsibility

WILEY

SPECIAL ISSUE

How financial institutions can serve the common good of society: Insights from Catholic Social Teaching

Gregorio Guitián

Faculty of Theology, University of Navarra, Pamplona, Spain

Correspondence
Gregorio Guitián, Edificio de Facultades Eclesiásticas, Universidad de Navarra, 31009 Pamplona, Spain.
Email: gguitian@unav.es

Abstract

This article addresses the service of financial companies to society from the perspective of the Catholic Social Teaching (hereinafter CST), specifically regarding conflicts of interest between banks and their customers. The article begins with a case based on interviews with professionals in the financial sector, which provides the context for the CST's contribution. The analysis of the aforementioned conflicts points to an apparent disconnect between service to society and service to customers. Thus, the bank would set aside the customer's interests in exchange for a better service to society through good results. This article presents the CST's normative framework to analyze this matter through some of the CST's principles: the centrality of the person, the respect for her dignity, and the orientation to the common good. These principles and the CST's ethical concept of service provide guidance in assessing these conflicts of interest. From an ethical point of view and according to CST, there cannot be a true service to society if the dignity of the client is not respected. It is necessary to review the organization's incentive policy and level of awareness about the importance of customer service. We end with recommendations related to conflicts of interest with clients.

1 | INTRODUCTION

[1]When Anthony, a fictional character, graduated from college, he joined the private division of a large commercial bank. He worked in the sales department of the bank and was required to report to his supervisors weekly. He sometimes received daily phone calls from his supervisors to check his progress. The bank provided Anthony with additional compensation through personal bonuses for achieving his objectives. Anthony had always worked in an environment strongly incentivized by bonuses. The appeal of gaining both extra income and recognition from his supervisors and colleagues was, and still is, an important motivator in his career.

It is common for the bank to prioritize the sales of financial products that prove to be more profitable over less lucrative ones. Anthony realized that the bank frequently encouraged customers to buy products that did not suit their best interest. However, the bank's need to achieve good results—subject to the markets' constant scrutiny—, the pressure to meet his objectives, the competition from his coworkers, as well as the bonus incentive, ended up outweighing his clients' best interests.

However, Anthony was not completely at peace. He spent many hours with customers and earned a high degree of trust from them to the point that they frequently let him know their economic and even personal matters. These matters were often unknown even to their closest relatives. Anthony's relationship with these clients, as well as his working environment, make him wonder if he is acting ethically. He speculates if the bank is serving society or serving itself.

This story is based on three personal conversations with professionals from private banking and financial investment consulting.[2] In those interviews, the professionals were asked about common ethical dilemmas they must deal with in their work. Among different ethical problems, conflicts of interest with clients emerged as a recurrent issue. Indeed, this story depicts a conflict of interest between the bank and its clients, where the bank is carried away by corporate interests, instead of protecting their clients' best interest. Consequently, and in a derivative manner, it is a case of conflict between the employee and the customer, because the employee is the one who represents the bank in its relationships. In these cases, some banking professionals may think that opting for the interests of the bank is important for the general interest of society. But if that is so, would it not separate service to society from service to customers? To clarify this point, is there any ethical orientation that sheds light on this kind of conflict from the perspective of the service of financial institutions to society? This is our research question.

Following Argandoña (2004, p. 4), conflicts of interest can be defined as "any situation in which an interest interferes or may interfere with a person, organization or institution's ability to act in the interest of another party, provided that the person, organization or institution has an obligation (legal, conventional, fiduciary or ethical) to act in the interest of that party". There is extensive literature reflecting and providing evidence about conflicts of interest between banks and their clients (e.g., Carhart et al., 2002; Chevalier & Ellison, 1997; Ferreira et al., 2018; Gil-Bazo et al., 2020; Mehran & Stulz, 2007). In addition, the problem of conflicts of interest has already been addressed from an ethical perspective both in general (Argandoña, 2004; Melé, 2009, 2012b) and in the field of finance (Boatright, 2014; De Mora Gil-Gallardo & Ibáñez Jiménez, 2002; Fernández Fernández, 2004; Koslowski, 2011). However, and regarding the latter, it is hard to find a detailed elaboration on the issue.

In this context, the extant business ethics literature demonstrates that religion can contribute to illuminate ethical problems. For instance, it has recently been argued that there is a relationship between Christianity and other major religions, and the development of ethical practices in the business field (Cui & Jo, 2019; Gallego-Alvarez et al., 2020). Within Christianity, Catholic Social Teaching (hereinafter CST)[3] is gaining importance in business ethics as a source that provides useful insights on ethical issues (only to mention recent contributions, Bernacchio, 2019; Cremers, 2017; Guitián, 2018; Mea & Sims, 2019; Retolaza et al., 2019; Sison et al., 2018b; Sison et al., 2018a, 2019, etc.). Yet, to the best of our knowledge there is no literature dealing with conflicts of interest between banks and their customers from the point of view of CST. This paper aims to fill this gap by offering, from the perspective of CST, a normative framework for the problem of conflicts of interest between banks and their customers in regard to the service that financial companies should provide to society. Thus, this paper advances knowledge of this field by extending the normative literature on conflicts of interest between banks and customers and the contribution of religion to business ethics issues. The article also offers novelty in that it explores the mentioned bank-client conflict from the perspective of the service of financial companies to society.

CST offers ethical insights on particular issues by combining a set of normative principles with attention to those virtues that enable persons and institutions to flourish. The problem of conflicts of interest affects both the individual and the whole, namely the bank as a whole or even the general interest of society. Because CST analyzes ethical issues in the context of the common good, which includes an orientation to the person's flourishing or perfection, it provides orientation at the corporative and personal level. This implies that CST can be useful as a source for personal ethics on our topic.

The article is structured as follows: first, the presentation of the general framework of the CST from which the problem of conflicts of interest can be illuminated, as well as the latest contributions on this issue. Next, we will focus on the CST's ethical concept of service, which provides normative guidance on conflicts of interest in regard to the firm's contribution to the common good of society. Finally, we will make some recommendations and specific suggestions to address conflicts of interest.

Before going on, it is necessary to state a premise: when the Catholic Church makes a public address on issues related to finance or economics, she does not intend to invade the autonomy of the economic field nor does she intend to impose her precepts on non-Catholics. The Church participates in social dialogue in regard to human dignity, justice, or other important moral values. As an institution that has witnessed centuries of socio-economic successes and failures, she aspires, through CST, to offer her experience and promote serious reflections. Additionally, history shows that, "if reason is to be exercised properly, it must undergo constant purification, since it can never be completely free of the danger of a certain ethical blindness caused by the dazzling effect of power and special interests" (Benedict XVI, 2005: #28a). Both in the political and economic fields, CST only "wishes to help form consciences" by stimulating more in-depth insight into "the authentic requirements of justice as well as greater readiness to act accordingly, even when this might involve conflict with situations of personal interest" (Benedict XVI, 2005: #28a).

1.1 | The bank or the client? The CST perspective

It seems clear that the strengths and weaknesses of today's economy are largely dependent on the health of the financial system. History shows us that societies collapse when financial systems fail (Kindleberger, 1989; White, 1996). After the economic crisis of 2008, due to, among other factors, powerful fraudulent behaviors, some professors from the world's most prominent business schools wondered about the underlying messages they were transmitting in their courses on finance. As a result of this concern, the London Business School introduced a new course titled "The purpose of finance" which, according to the professor of the course, did not exist in the programs of the business schools he had previously analyzed (Pitt-Watson, 2016).[4] Yet, and beyond the question of the purpose of finance, it would be more interesting to reflect on what is the purpose of business schools, particularly when they are part of a University. As several scholars have noted, today many European universities seem condemned to be only a place where one can learn "certain techniques of power and control, of money-making and production of seductive spectacle" (Milbank, 2018, p. 266; Shrimpton, 2019).

The question of the purpose of finance (and of financial companies) is not new at all. It is rather part of a complex discussion about whether the purpose of companies is mainly the maximization of profits or their service to society (Abela, 2001; Coase, 1988; Drucker, 1986; Duska, 1997; Friedman, 1970; Klein, 2006; Koslowski, 2002; Melé, 2002; Sison & Fontrodona, 2012).

Concerning the purpose of companies, CST contributes to the normative approach to conflicts of interest at various levels. On the one hand, there are two fundamental principles intimately connected to each other and, on the other hand, there are also specific indications that more directly address the problem at the heart of this article.

As for principles, first CST contends that the primary purpose of social life, with all its economic, political, and cultural facets, is the achievement of the common good (CSDC, 2004: #165), that is, "the sum of those conditions of the social life whereby men, families and associations more adequately and readily may attain their own perfection" (Vatican Council II, 1965: #74 and 26). This purpose is so clear that "no expression of social life—from the family to intermediate social groups, associations, enterprises of an economic nature, cities, regions, States, up to the community of peoples and nations—can escape the issue of its own common good, in that this is a constitutive element of its significance and the authentic reason for its very existence" (CSDC, 2004: #165).

In conformity with this approach, CST particularly insists on the idea that contributing to the common good is the objective or guiding rule of business activity, whose center must always be the person (CSDC, 2004: #338). Thus, according to CST, companies have a threefold purpose: obtaining profit, ensuring that people meet their basic needs through work, and serving society (Abela, 2001; John Paul II, 1991, #35). While CST recognizes the legitimacy and importance of the search for profit, it clearly stresses that maximizing profitability is not the companies' exclusive purpose (John Paul II, 1991: #35). Actually, serving society is the main purpose that somehow encompasses the other two: each company seeks to serve the common good—whose center is the person—through the efficient exercise of the activity they specialize in (ibid; Melé, 2012a). If the hierarchy of ends were reversed (something that the history of financial companies has already shown could happen again), the financial situation would be advantageous at the cost of humiliating and damaging the dignity of employees, up to the point of damaging the firm's economic efficiency in the long term (John Paul II, 1991: #35). Bearing these indications in mind, in the CST's view, a financial institution is legitimized in a society by the service it provides for the common good.

Nonetheless, CST considers the common good as something subordinated to an even more fundamental principle: the value of the person's dignity. Every human being possesses an intrinsic value because he or she is God's image and likeness (CSDC, 2004: #105-107). In CST, respect for human dignity is the society's most sacred value (CSDC, 2004: #107; John XXIII, 1961. pp. 219, 220): "the human being is always a value as an individual, and as such demands being considered and treated as a person and never, on the contrary, considered and treated as an object to be used, or as a means, or as a thing" (John Paul II, 1988: #37; Leo XIII, 1891: #20). Another consequence of this principle is that every human being "has for himself rights and duties that arise immediately and at the same time from his own nature. These rights and duties are, therefore, universal and inviolable" (John XXIII, 1963: #9). The application of this principle to all economic activities, including financial activities, is expressed by the following statement: "man is the author, the center and the end of all economic and social life" (John XXIII, 1961: #219; Vatican Council II, 1965: #63). Hence, it is understood that the above-mentioned definition of the common good is aimed at making people "more adequately and readily [...] attain their own perfection" (Vatican Council II, 1965: #74). It is worth noting that, in other religious traditions, we can find other moral values similar to human dignity, for instance, respect for the individual (Javed et al., 2019; Kinnier et al., 2000). Still, there are differences in the theological reasons for that respect, its role in the corresponding ethical system, and at the level of practical consequences.[5]

Based on these two principles, CST prevents financial activity from a purely speculative approach, disconnected from what is usually known as the real economy. According to the Compendium, "financial economy that is an end unto itself is destined to contradict its goals, since (...) it has abandoned its original and essential role of serving the real economy and, ultimately, of contributing to the development of people and the human community" (CSDC, 2004: #369).

"Oeconomicae et pecuniariae quaestiones" (hereinafter OPQ), the CST's latest document dealing with some aspects of the current financial system, occupies the second level. This text provides some more specific orientations in relation to conflicts of interest that affect customers (see Table 1).

First of all, one of the most important challenges posed by the document is to be highlighted: "to rethink the obsolete criteria that continue to govern the world" (OPQ, 2018: #5). This is said in the wake of the sad finding that, in the financial system, "selfishness, in the end, does not pay while it makes everyone pay a high price" (OPQ, 2018: #6), due to "an enormous potential to harm the community" (OPQ, 2018: #14). In that context, if a financial enterprise's culture is dominated by mere profit-seeking and little attention is paid to the demands of the common good, every ethical claim is progressively felt as irrelevant. "This is reported today as a fact and is very much widespread even in the prestigious business schools" (OPQ, 2018: #23).

The 2008 economic crisis gave rise to some corrections which the document positively acknowledges. OPQ regrets, nevertheless,

TABLE 1 *Oeconomicae Pecuniariae Quaestiones* (OPQ)'s orientations regarding conflicts of interest with customers

Type of orientation	Content
General warnings and suggestions (OPQ # 5)	• Rethink the criteria governing the financial system: only mere profit? • Widen the purpose of finance with a common good perspective: spread wealth and eliminate inequality
Specific warnings (OPQ # 14, 22, 23)	• Avoid abuse and deception in commercialization (assimetrical situationsca) • Avoid "churning" • Avoid lack of impartiality in offers • Avoid unfavorauble conditions for clients • Revise incentive policies for managers
Specific suggestions (OPQ # 11, 14, 23, 24)	• Social responsibility as guiding force of the company • The person and relationships at the center of the business culture • Rejection of the "caveat emptor" principle • The Golden rule, a principle for decision-making • Continuous ethical analysis of bank-customer relationship and relevant operations

that the opportunity to make an economy more attentive to ethical principles was missed: the current economy seems, at times, willing to exclude not only the common good, but also "the concern to create and spread wealth, and to eliminate the inequality so pronounced today" (OPQ, 2018: #5).

As for conflicts of interests, OPQ denounces the abuse and deception produced in the commercialization of certain financial instruments that, though legal, are sold in an asymmetrical situation by taking advantage of contractual weakness or a lack of knowledge from the counterpart: "in itself this amounts to a violation of due relational propriety, which is already a grave violation from an ethical point of view" (OPQ, 2018: #14). In addition, OPQ refers to a series of practices it deems immoral, such as the so-called "churning", the lack of impartiality when offering investment options, financial advisors' negligence or lack of diligence in protecting their customers' interests, or the concession of financing that entails the subscription of other financial products not favorable to client's interest (OPQ, 2018: #22).

Another issue that demands further ponderation is the promotion of economic policies that boost the increase in shareholders' profits to the detriment of other stakeholders. According to the document, this phenomenon is often due to incentive policies for managers. These policies stimulate the search for immediate results yet lack corresponding penalties for the long-term negative results, thereby "assuring greater profits to managers and shareholders in a short period, and thus ending up with forcing excessive risk, leaving the companies weak and impoverished of those economic energies that would have assured them adequate expectations for the future" (OPQ, 2018: #23).

In this context, CST invites everyone to a sincere self-criticism. By highlighting the document's specific orientations concerning relations with customers, four fundamental propositions can be pointed out:

Firstly, a change of approach is called for: it is necessary to put the person and the quality of their relationships at the center of business culture. Hence, social responsibility is not something peripheral but an internal force guiding the financial company's activity (OPQ, 2018: #23).

Secondly, a very basic principle that serves as a framework for decision-making is recalled: "the rule formulated by Jesus in the Gospel, called the golden rule, which invites us to do to others what we would like them to do for us (cf. Mt 7, 12; Lk 6, 31)" (OPQ, 2018: #11).

Thirdly, the principle "caveat emptor" must be rejected since it "presupposes a parity in the capacity to safeguard the proper interests of the contractors". In fact, this does not happen often because of hierarchical relationships or the complexity of some financial instruments (OPQ, 2018: #14).

And finally, in relation to the management of customer savings, "careful revisiting, from an ethical perspective, [of] the relationship between the bank and the customer, as well as a continuous defense of the legitimacy of all relevant transactions" are demanded (OPQ, 2018: #24).

These are the coordinates with which CST understands financial activities and relationship with customers. However, as we pointed out at the beginning, CST contributes additionally by associating the problem of conflicts of interest with the service that financial companies are called to provide for society. Therefore, we now focus on the concept of service, which underlies OPQ's specific orientations (2018: #16, 23 and 29) and serves as a key to understanding what is at stake when conflicts of interests emerge.

1.2 | The importance of service for financial institutions

Beyond the common use of the concept of service in business, from an ethical point of view, service designates an action carried out for the benefit of another person, an aid furnished to someone, which is compatible with economic compensation. The ethical concept of service in CST has been defined as an act of assistance to another person performed with a disposition to help (Guitián, 2015, 2017a). In light of this definition, it is possible to distinguish an external dimension—the act of assistance—and an internal one—the willingness to help someone—, which may be more or less present. By repeating those acts—including both dimensions—, service becomes a virtue rooted in the person (and, analogously, in a company or a bank): the habitual disposition to help others expressed in acts of assistance (Guitián, 2017b).

The CST concept of service adds—to the usual economic meaning of this word—a new dimension capable of humanely enriching people since it is related to benevolence (Melé, 2012b, pp. 39, 40; 134). Benevolence, that is, willing the good of the other, contributes to human excellence, while the desire for the evil of others does not make people better, as experience shows.

CST emphasizes, therefore, the ethical dimension of service and invites everyone to consider the professional activity—in our case, the activity of a bank—as service in its economic and ethical senses. In numerous documents, sometimes in reference to politics and sometimes in reference to economics, CST considers work as service (see, for instance: CSDC, 2004: #567; Paul VI, 1971: #26; PCJP, 2012; Vatican Council II, 1965: #74–75).

Nonetheless—and this of the most importance—, not every service in an economic sense is real service in the ethical sense because someone—driven even by the will to help—could provide services that are not ethical. For CST, the central and unifying task of every service should be the promotion of human dignity (CSDC, 2004: #552). That is why every service must respect the dignity of the people involved in it, thereby avoiding the instrumentalization of the customer or the violation of their fundamental rights.

Respect for the human dignity of the people involved is the necessary condition for service being ethical. That is why CST notes that there cannot be true service in its ethical sense if, for example, a bank hides information relevant to its customers in making their savings or investment decisions, or consciously advises them to make inconvenient decisions for their interests. In such cases, the financial institution would fail to respect the client's dignity, which demands the bank's truthfulness and honesty, and, consequently, there would not be any genuine service in its ethical meaning.

This exposition of the CST allows us to understand the ethical dimension of service through its connection with respect for human dignity (see Figure 1). The following section will cover the relationship between service and the common good.

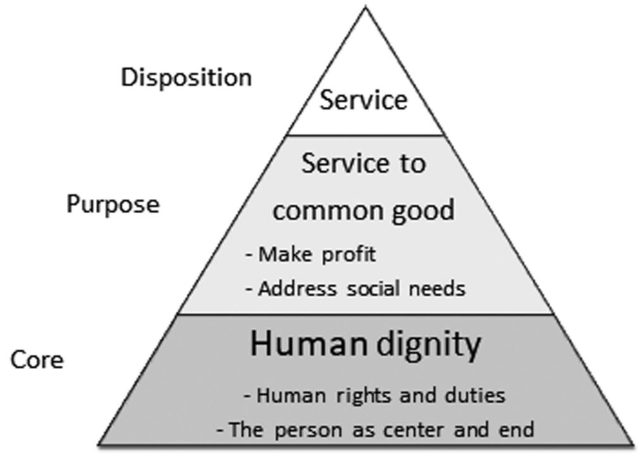

FIGURE 1 Catholic Social Teaching principles that are applicable to conflicts of interest with customers

1.3 | Service and the common good

The situation described at the beginning of this article is due to the way large commercial banks operate and, in a way, to how the global financial system works. Large commercial banks have a very large number of customers, and are among the most notable companies in their countries; they are also listed on the Stock Exchange, and must report their results frequently (usually every three months). This implies that they are closely scrutinized by financial analysts who inform interested markets, institutions, and agents on a global scale. For all these reasons, they are under high pressure to obtain good results and this could in turn result in a top-down setting of short-term objectives. In this context, conflictive situations such as the above-reported may more easily occur, while smaller entities are subject to less pressure because their exposure and client portfolio is smaller and their strategies are less conditioned by short-term aims.

Cyclical financial crises question—also cyclically—the system's functioning which produces, beyond unquestionable profits, undeniable damages, as experience very well shows. As a consequence of crises and scandals, regulators have introduced certain correction mechanisms. Nevertheless, once traumatic events have passed, one could perceive a tendency to reinstate pernicious ways and mechanisms guided again by economic results as the ultimate criteria, thus leading towards the next crisis (Li, 2018).

It is in this context that the issue of service to the common good can make a contribution. A bank can fail by consciously offering a client a product unsuitable for his or her interests, but does that offer cancel the service provided by that institution to the common good of society as a whole? The achievement of the bank's objectives affects the progress of the national or international financial system, the assessment of the risk associated with the bank by rating agencies, the fulfillment of the objectives of the bank's shareholders, and the institution's medium or long term strategies. Are all these implications not more relevant and decisive than the mere service to a specific client? Is that client not really interested in the bank's good performance?

Decisions that favor a financial entity are quite understandable. The bank deems that a good performance will redound to the common good and, therefore, benefit everyone. In the case of a large bank, despite possible malpractices affecting the client's interest, the bank benefits society with the economic value it generates, the investments it attracts, the job stability it provides, as well as other relevant positive effects. However understandable a decision in favor of the bank's interests may be, it does not guarantee its ethical correctness. The problem with the split between service to society and service to clients lies in the injury inflicted by the bank on the alleged service provided by that company to the society. The great havoc caused by the 2008 crisis is a good example of it. In the end, Friedman's model, which considers profit maximization as the company's main purpose is unsustainable in the field of finance, for finance is an activity with grave social implications (Borg & Hooker, 2019; Ferrero et al., 2014).[6]

According to the CST approach, the resolution of conflicts of interest in favor of the bank questions the ethical nature of the service provided in as much as it fails to respect the client's dignity. When the bank consciously offers a client a product that does not meet his or her needs, but rather the bank's objectives, does that client not become a mere instrument at the service of the bank's objectives? In the CST view, that offer constitutes a failure to respect the principle of human dignity and cannot be deemed a true service in its ethical sense. Actions of this sort cannot be considered a service to society. Thus, it can be said that, by those wrongful actions, both service to client and service to society are eroded. However, those actions do not invalidate many other activities in which the bank respects the dignity of the people involved, activities through which the bank certainly serves the common good of society.

Respect for human dignity is a radical good: one cannot perceive it at first sight since it is at the root, but, without it, the other goods are compromised in some way. To put it with another image, when contemplating a building designed by a great architect, one can admire its shape, space, light, materials, color, functionality, and a myriad of qualities that lead to an extraordinarily positive assessment. Yet, one should bear in mind that a deficiency of the foundations of that building would seriously damage the building's firmness and sustainability in the long run, especially if it is subject to extraordinary pressure. Understanding this is vital for an ethical approach in banking. Radical goods call for a deeper look and a long-term strategy and no company should overlook the radical nature—the foundations—of respecting the client's dignity.

It should not be forgotten that it is absolutely impossible for a bank to achieve greatness without its customers. In fact, history shows numerous examples of what happens to financial institutions when massive client run occurs, regardless of their size. No matter how much they have struggled to meet the interests of their shareholders or other large investors, a bank or any large company is nothing without its customers. Consequently, one should never lose sight of the fact that service to customers is the basis of banking activity and, indeed, of the service to the common good. Thus, respecting customers' dignity is linked with the bank's sustainability. Obviously, it is not the only factor for a bank's proper performing, yet it is absolutely necessary in the long term.

As we mentioned, CST considers service to real economy as a guide for financial activity. One could now add that, on the ethical level, beyond enhancing the provision of goods and services necessary for the societal life, the real character of the service provided by financial institutions is linked to respect for the dignity of the people involved in that activity. In summary, there would be no genuine service if a bank does not respect its customers' dignity. Consequently, it is necessary to review the cases in which there might be a disconnect between an alleged service to society as a whole and service to the company's customers.

Returning to our introductory case, the bank Anthony works for seems to have neglected that service to customers. One may think that those, like Anthony, who deal with the bank's clients should be the first to better internalize the conviction of the importance of respecting the client's dignity. Nonetheless, our thesis is that they should be the last to do so. The introductory case suggests that it would not be possible to effectively tackle the problem of conflicts of interest if the conviction of the need to do so is not assumed by those governing financial entities. Managers are at the top of the pyramid; if they are not convinced of the importance of customer service, the efforts of financial advisors dealing directly with customers will be hopeless. As Rocchi et al. (2017, p. 3) put it, "the role of the CEO becomes crucial for protecting the moral tone of a company, accepting responsibility where appropriate, seeking to reduce limit violations to stakeholder interests, deciding on steps to take to provide appropriate compensation and taking measures to the recurrence of similar events in the future" (see also Roncella & Ferrero, 2020; Seeger & Ulmer, 2001). Changing the bank's objectives hierarchy is beyond the reach of lower-level professionals in the organization. It is a change that has to be addressed from above.

The 2008 crisis provides various examples of important financial institutions with a governance board whose main intent was to maximize profit. Bear Stearns, Lehman Brothers, and Merrill Lynch supported highly risky strategies and paid no attention to the interest of their "oftentimes unsuspecting customers," who finally were "left in droves" (Pirson et al., 2016, pp. 404, 406). Similarly, the collapse of Fortis, a well-known Belgian and Dutch financial group strongly burdened by the effects of the CDOs that went bankrupt amid the 2008 financial crisis, highlights the heterogeneity and contrast of the interests of the group's different stakeholders (traditional shareholders, institutional investors, hedge funds, employees, board of directors, customers, government, etc.; Fassin & Gosselin, 2011). Managing such a situation is immensely difficult. The authors point out that, although the group had an exemplary CSR and corporate governance policy embodied in important official statements of principles, it seems that Fortis' executives were focused more on issues of law enforcement "rather than on the relationship with its customers and on the sustainability of its financial products" (ibid: 185). In some cases, some managers' personal interests led to decisions in conflict with the group's interests (ibid: 182, 183).

Although this is not a case of conflict of interest in client relations, the authors raise a question concerning the priorities of a board of directors: "An interesting question to ask to board directors would be how much (or perhaps how little?) time the board spent on discussing matters of CSR, ethics and business conduct once these official statements had been approved. It is highly probable that, in times of crisis, accounting information and financial results are the top priority of the management and the board, at the expense of less tangible issues such as CSR" (ibid: 185). Here, one should realize that, if a company's managers do not consider the honesty in the relationship with customers as a priority, it is more unlikely that their subordinates would do so. On the contrary, if it is an important issue at the apex of the pyramid, employees will feel inspired and sustained by that conviction. Beyond the cosmetic effect of codes of conduct or CSR guidelines, the management must create a corporate culture with an ethical basis (Calderón et al., 2018; Page & Spira, 2005). In addition, the introductory case also reveals that banks are not exempt from the danger of falling into duplicity because of their incentive policy: if, on the one hand, a bank's code of conduct on relationship with customers is altogether correct but, on the other, the bonus or incentive policy runs in opposite direction to these ethical principles, in the medium-term, facts will disclose the true face of a financial entity fueled by hypocrisy. The incentive policy can be taken as a reference to analyze a company's ethical health.

Indeed, acting ethically when corporate culture does not prioritize it, often demands heroic decisions. In this respect, CST refers to "structures of sin" (CSDC, 2004: #119), that is, the aggregate effect of personal unethical behaviors (sins) that "consolidate them and make it difficult to remove them" (ibid), thus conditioning the ability to choose the good within the organization. Expressions like "we have always done it this way" may reflect such a phenomenon. If that is the case, then structural change is needed.

In line with this and adopting a CST perspective, Azevedo et al. (2019) note that a combination of personal ethical behavior and management support is critical for building a genuinely ethical culture into the firm. Benedict XVI (2007: #4) once said that "just structures (…) neither arise nor function without a moral consensus in society on fundamental values, and on the need to live these values with the necessary sacrifices, even if this goes against personal interest". Similarly, a just financial institution needs a clear set of fundamental values and corresponding supporting policies to live them.

Azevedo et al. (2019, pp. 609, 610) suggest that the corporate encouragement of whistle-blowing (applied in our case to conflicts of interest with clients and incentive policy) would help create an ethical culture and send a signal to all employees that unethical behavior is intolerable. Following their proposal, such a whistle-blowing policy should include the possibility for all employees to openly and loyally discuss dubious behaviors, an independent system of arbitration, a set of rules to be applied in case of wrongdoing in bank-client relations, and a confidentiality policy and enforceable job protection guarantees for whistle-blowers (ibid).

When a corporate whistle-blowing policy is absent, only prudence, which includes deliberation, seeking advice, and discernment, can help employees decide—following their conscience—to speak or not in each particular case. Nevertheless, Azevedo et al. (2019, p. 605), when analyzing the CST, recall that every economic decision has a moral consequence (Benedict XVI, 2009: #37), and conclude that "there is a moral and ethical obligation on all participants in economic activity –including business organizations– to play a role in shaping a culture that helps others to choose the good and that this should be an important aspect of corporate social responsibility".

However, reforming a situation like the one described in our introductory case does not concern only those who are involved in the design of a bank's operation, but also concerns the global financial system and politics (Boatright, 2014; Morris & Vines, 2014). Boatright asserts that financial services could hardly be provided without causing conflicts of interest because, according to him, "conflicts of interest are built into the structure of our financial institutions" (Boatright, 2014, p. 46) and are the result of a deliberate design (ibid: 48). Granted, conflicts may be due to a bank's offering multiple services to multiple customers whose interests are sometimes incompatible, but conflicts may also emerge because the financial activity's main and primary objective is profit maximization. In this case, a change—an improvement—in the very structure of the financial system is indispensable.

For structural change to happen, CST has a particular view combining personal ethical behavior (which sometimes implies personal change) with personal or collective action, oriented to trigger processes of structural change in laws and culture. Precisely dealing with the concept of service, the Compendium explains that "the laity must therefore work at the same time for the conversion of hearts and the improvement of structures, taking historical situations into account and using legitimate means so that the dignity of every man and woman will be truly respected and promoted within institutions" (CSDC, 2004: #552). To CST, every social, structural, and long-term change requires personal change. In fact, CST often speaks of the need for inner conversion to obtain social changes (CSDC, 2004: #42 and 137). The next level is social or political action to promote appropriate laws. In this sense, CST suggests several strategies: one of them has been pointed out by Pope Francis when he urges government and financial leaders, that is, individuals working in key positions, to start "new processes in society" and engage "other persons and groups who can develop them to the point where they bear fruit in significant historical events. (…) Sometimes I wonder if there are people in today's world who are really concerned about generating processes of people-building, as opposed to obtaining immediate results which yield easy, quick short-term political gains, but do not enhance human fullness" (Francis, 2013: #205.223, 224).

Another possible way is political activism to promote laws that are respectful of human dignity. Though concerning a different issue, an example could be John Paul II in "Familiaris consortio" (his main document on the family). The Polish Pontiff invited families to engage in political activism ("political intervention") "to see that the laws and institutions of the State not only do not offend but support and positively defend the rights and duties of the family" (John Paul II, 1981; #44). Analogously, consumer associations could promote structural change in the financial system by campaigning for laws that protect their legitimate interests. Figure 2 summarizes the review of bank-client relationships from the CST perspective.

1.4 | Some recommendations in light of the service perspective

One of the causes of the last great financial crisis was the purchase of financial products mostly unknown by poorly informed customers. For that reason, regulators have taken measures to better classify

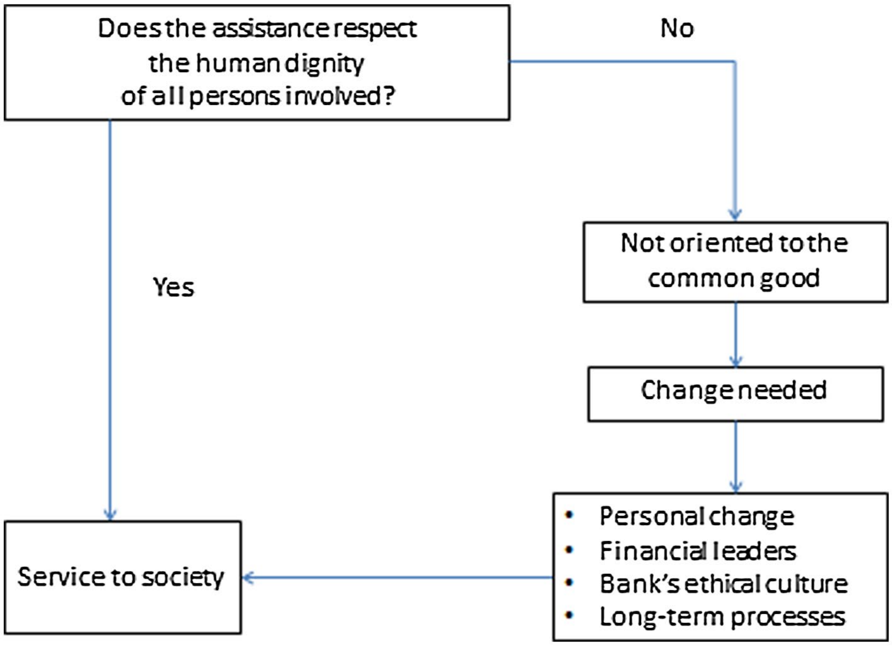

FIGURE 2 Service to society, human dignity and bank-client relationships from the Catholic Social Teaching perspective

customers' profile and knowledge as well as the type of products that may or may not be offered to them (e.g., MIFID II, 2014: art.25.2, 409). Banks have in turn taken the precaution of ensuring that customers buying certain products are aware of their characteristics and implications. However, there comes a time when the customer, overwhelmed by the huge amount of information, signs various "informed" consents mostly grounded in his or her trust in the financial advisor. It may also happen that the customer pays little attention to the analysis of commissions associated with those financial products or lacks criteria to determine whether they are worth paying higher commissions.

In this context, although there is no single valid solution, some general guidelines on conflicts of interest with clients can be pointed out (see Figure 3):

Firstly, to perform financial consulting with a service approach implies firmly adopting the will to provide adequate responses to the customers' needs. Thus, the principle of the centrality of the person entails seeking the good of the other person. Only then the relationship of trust so often established between banking professionals and customers can be true. Otherwise, the relationship would fall into a form of hypocrisy that turns the client into an instrument. Therefore, a bank should make its customers' interest its priority (see also European Financial Planning Association, 2013; MIFID II, 2014: art. 24.1, 405).

If a financial institution is really at the service of society, financial advisors do not blindly pursue the achievement of objectives when it results in greed, lack of professionalism, or, worse still, injustice. Coming back to our introductory case, it is plausible that there have been conflicts between a client's interest and that of Anthony in obtaining a personal bonus for the sale of a particular product, which was not the most convenient for the former. It is

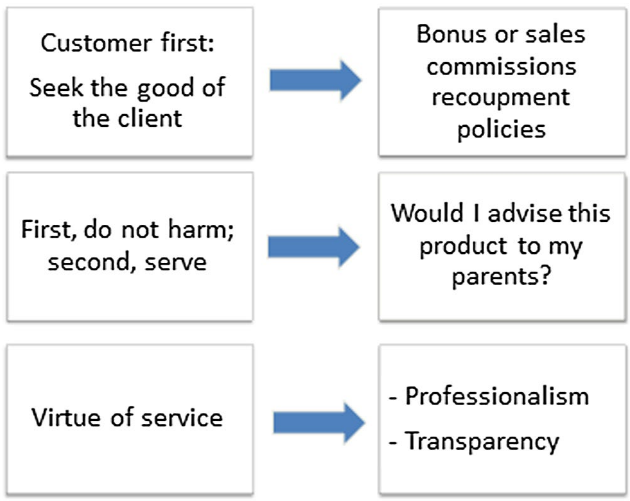

FIGURE 3 Recommendations inspired in the Catholic Social Teaching service approach

clear that the banking professionals' personal interest should yield to that of the customer. In this sense, considering OPQ's regret for the lack of corresponding penalties to managers for long-term negative results (2018: #23), we suggest exploring the possibility of enabling clawback provisions linked to managers' and consultants' bonus contracts. According to a recent review of several studies on clawback provisions in executive compensation contracts with regard to financial reporting quality, it seems that voluntary clawback policy adoption is generally associated with better financial reporting quality (de Haan et al. 2013; Prescott & Vann, 2018). Analogously, a possible way to reduce the problem of conflict of interest with clients could be to enact bonus or sales commissions recoupment policies triggered by malpractice related to conflicts of interest with clients.

Secondly, as some authors have noted, first, do not harm and, second, serve (Melé, 2012b, p. 69). Therefore, a client should not be advised to take a position harmful to him or her. However, the difficulty lies precisely in defining what is harmful to the customer: some options are optimal for the client, others are good, others are practically indifferent, and others simply bad. Obviously, the bad ones should never be advised, but the question concerns the legitimacy of advising a good option that is nevertheless not the best for the customer. Here, prudence comes into play.

It should be borne in mind that there is a wide variety of investment products. Consultants should be versed in them in order to correctly guide the investor (MIFID II, 2014, art. 25). Naturally, some investment products are safer for the customer while others pose a higher degree of risk. The latter, as is often the case in investments, may lead to significant profits. Sometimes the profitability-risk binomial is not balanced, in the sense that there are products with high profitability and low risk or, more frequently, low profitability in proportion to the risk assumed. However, customers have different risk preferences, and when they know and accept higher levels of risk, recommending them riskier products may be ethically correct. In any case, in order to offer some of these products to their clients, professionals must clearly inform them of their risks and possible profits (cf. OPQ, 2018: #14). This point is also quite clear in recognized codes of conduct and norms (European Financial Planning Association, 2013; Financial Conduct Authority, 2015; MIFID II, 2014). Hence, (a) professionals must provide true and clear information on the products offered; (b) information concerning issues the client has the right to know should not be hidden; the client should be assisted in understanding the product's consistency; and (c) nobody should recommend what he or she does not approve.

On this last point, it is worth bringing up again the golden rule mentioned by OPQ: "So in everything, do to others what you would have them do to you" (Mt 7:12). More particularly, if we are to adapt this rule to the service approach, which seeks the good of the other, it may be useful to consider a fairly incisive formulation of the golden rule: would I advise this product to my father or mother? When the answer is not clear, then one must stop to consider the matter well, knowing that a product against one's conscience should not be recommended.

Finally, professionalism is one of the virtues involved in the consideration of business activity as a service (Guitián, 2015, p. 65), which has also been specified in the field of finance (Fernández Fernández, 2004, p. 66; MIFID II, 2014: art. 25.2, 409). A bank devoted to wealth management should primarily aim not to obtain the highest profit from asset management, but to be the best assets manager among its competitors. It is crucial to avoid inverting the ends. In this sense and for those carrying out client consultancy, doing their job professionally entails optimally managing the customers' assets by getting the best possible returns for them, given the customers' financial needs and the risk they can take. Such professionalism will lead to transparency, which is, honestly conveying one's own opinion to customers.

When customers realize that financial advisors are not acting in their interest, trust is broken; and this lack of trust may have hideous repercussions not only for financial institutions, but also for the entire economy. On the contrary, when a financial company adopts a service approach firmly assumed into the company's culture, the customers' trust and—most likely—number will be maintained, if not increased.

2 | CONCLUSION

CST sheds light on the issue of the financial institutions' service to society by placing the ethical concept of service at the heart of their business project. The ultimate purpose of a financial company is the service to the society's common good whose core is respect for the person and her dignity (including customers). The centrality of the person and respect for her dignity is, in the view of CST, the root of the service provided by financial companies to society. That is why it is not possible to separate service to society from service to customers.

The introductory case, based on interviews with professionals working in the financial sector, shows that our financial system and the agents operating in it frequently run the risk of reducing the criteria that guide the service to society to only one: profit maximization. CST shows that the conflicts resolved through illicit behaviors in favor of the bank's objectives and to the customer's detriment damage both the ethical integrity of the service provided by companies as well as their contribution to the society's common good. A true service to society cannot exclude respect for the customers' dignity. Therefore, if we were to guarantee and strengthen the service of financial companies to society, it is necessary to review and avoid resolutions of conflicts that violate the customers' dignity. In that sense, the attention paid to conflicts of interest with customers can serve as a thermometer for the service of financial companies to society.

Moreover, CST offers guidance to the solution of conflicts of interest with customers. After analyzing several documents, we have extracted a series of general indications among which the primacy of customers' interests, a particular application of the "golden rule," and professionalism stand out. In addition, it is necessary to review the bank's remuneration policy and ensure that both managers and employees dealing directly with customers assume and internalize the importance of customer service. These guides, furthermore, help to properly frame other legitimate interests of the bank—such as the search for profit, which should not have an exclusive character.

In conclusion, we have found that CST, grounded on faith and reason, provides a normative framework for the problem of conflicts of interest between banks and their customers in regard to the service that financial companies should provide to society. This way, our paper contributes to enlarge the literature on conflicts of interest between banks and customers and the contribution of religion to business ethics issues. Our study also offers additional novelty: it frames bank-client conflicts in the context of the ethical concept of service.

Finally, this article opens up several avenues for future research. For instance, new orientations regarding conflicts of interest from other religions can be explored to enrich the normative approach. Within the CST tradition, further research could be done by studying the implications of the CST's service approach in the care of employees in financial companies. Moreover, it is crucial to find new ways to promote structural change in the financial system to reduce conflicts resulting from a financial culture governed by profit maximization. Given that the weight and influence of financial companies in the twenty-first-century society are undeniable, any effort to humanize the financial sector—which has so many ways of contributing to society's common good—is worthwhile.

DATA AVAILABILITY STATEMENT

Data sharing not applicable to this article as no datasets were generated or analysed during the current study.

ORCID

Gregorio Guitián https://orcid.org/0000-0002-2928-1366

ENDNOTES

[1] This article is part of the research project "The Meaning of Work in Recent Theology", at the Faculty of Theology of the University of Navarra.

[2] The interviews took place on 5, 17, and 19 April 2018. The author is most grateful to these professionals for their help.

[3] CST is an expression of the teachings of the Catholic Church, and mainly of the Pope, on social issues. CST presents rational arguments that can also be accepted by people who do not share the Catholic faith. For this reason, the most representative CST documents are often addressed to all people of goodwill. The social teachings are mainly (though not only) contained in the so-called social Encyclicals, starting in 1891 with Leo XIII's encyclical "Rerum novarum" (1891), on capital and labor.

[4] This issue is also related to the effectiveness of business ethics teaching (Tormo-Carbó et al., 2019).

[5] For the particular theological roots of some CST fundamental principles see: Guitián (2020).

[6] Note, however, that, Friedman's position (1970), while not consistent throughout his career (Carson, 1993), was not only that the sole responsibility of business is maximizing profit, but to achieve that goal "while conforming to the basic rules of the society, both those embodied in law and in ethical customs". However, law and ethical customs can vary from one society and time to another, which does not guarantee the ethical character of a company's decision. For instance, consider a company outsourcing its production to a country that does not protect labor conditions, neither in its laws or ethical costumes. In contrast, CST recognizes that while the demands of the common good can vary from one country to another, they should always respect the necessary threshold of human dignity, which is to say, that there are objective moral duties based on human nature which must be honored in every society and time. Finally, CST does not see ethics as a constraint to business but as the foundations for its purpose and sustainability.

REFERENCES

Abela, A. (2001). Profit and more: Catholic Social Teaching and the purpose of the firm. *Journal of Business Ethics*, *31*, 107–116.

Argandoña, A. (2004). *Conflicto de intereses: El punto de vista ético*. Retrieved from http://www.eben-spain.org/docs/Papeles/XII/Antonio_Argandona.pdf

Azevedo, A., Booth, P. H., & Fryzel, B. (2019). Business culture and corporate social responsibility: An analysis in the light of Catholic Social Teaching with an application to whistle-blowing. *The Heythrop Journal*, *60*, 600–613. https://doi.org/10.1111/heyj.12331

Benedict XVI. (2005, December 25). *Encyclical letter "Deus caritas est"*. Retrieved from http://w2.vatican.va/content/benedict-xvi/es/encyclicals/documents/hf_ben-xvi_enc_20051225_deus-caritas-est.html

Benedict XVI. (2007, May 13). *Inaugural session of the fifth general conference of the bishops of Latin America and the Caribbean*. Retrieved from http://www.vatican.va/content/benedict-xvi/en/speeches/2007/may/documents/hf_ben-xvi_spe_20070513_conference-aparecida.html

Benedict XVI. (2009). *Encyclical letter "Caritas in veritate"*. Retrieved from http://www.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html

Bernacchio, C. (2019). Pope Francis on conscience, gradualness, and discernment: Adapting "Amoris Laetitia" for business ethics. *Business Ethics Quarterly*, *29*(4), 437–460. https://doi.org/10.1017/beq.2019.15

Boatright, J. R. (2014). *Ethics in finance*. Wiley Blackwell.

Borg, E., & Hooker, B. (2019). Epistemic virtues versus ethical values in the financial services sector. *Journal of Business Ethics*, *155*, 17–27. https://doi.org/10.1007/s10551-017-3547-x

(CSDC) Pontifical Council "Justice and Peace". (2004). *Compendium of the social doctrine of the church*. Libreria Editrice Vaticana.

Calderón, R., Piñero, R., & Redín, D. M. (2018). Can compliance restart integrity? Toward a harmonized approach. The example of the audit committee. *Business Ethics: A European Review*, *27*(2), 195–206. https://doi.org/10.1111/beer.12182

Carhart, M. M., Kaniel, R., Musto, D. K., & Reed, A. V. (2002). Leaning for the tape: Evidence of gaming behavior in equity mutual funds. *Journal of Finance*, *57*, 661–693. https://doi.org/10.1111/1540-6261.00438

Carson, T. (1993). Friedman's theory of corporate social responsibility. *Business & Professional Ethics Journal*, *12*(1), 3–32. https://doi.org/10.5840/bpej199312118

Chevalier, J., & Ellison, G. (1997). Risk taking by mutual funds as a response to incentives. *Journal of Political Economy*, *105*(6), 1167–1200. https://doi.org/10.1086/516389

Coase, R. H. (1988). *The firm, the market and the law*. University of Chicago Press.

Cremers, M. (2017). What corporate governance can learn from Catholic Social Teaching. *Journal of Business Ethics*, *145*, 711–724. https://doi.org/10.1007/s10551-016-3127-5

Cui, J., & Jo, H. (2019). Pray local and act global? Christian religiosity in the U.S. and human rights. *Business Ethics: A European Review*, *28*(3), 361–378. https://doi.org/10.1111/beer.12219

De Mora Gil-Gallardo, J. L., & Ibáñez Jiménez, J. W. (2002). Conductas profesionales y conflictos de intereses en el mercado de capitals. In J. W. Ibáñez Jiménez, & J. L. Fernández Fernández (dirs.). *Ética y mercado de valores* (pp. 119–130). Marcial Pons.

deHaan, E., Hodge, F., & Shevlin, T. (2013). Does voluntary adoption of a clawback provision improve financial reporting quality? *Contemporary Accounting Research*, *30*(3), 1027–1062. https://doi.org/10.1111/j.1911-3846.2012.01183.x

Drucker, P. (1986). *The practice of management*. Harper & Row.

Duska, R. F. (1997). The why's of business revisited. *Journal of Business Ethics*, *16*, 1401–1409.

European Financial Planning Association. (2013, June 6). *Código ético*. Retrieved from https://www.efpa.es/codigo-etico-y-declaracion-de-honorabilidad

Fassin, Y., & Gosselin, D. (2011). The collapse of a European bank in the financial crisis: An analysis from stakeholder and ethical perspectives. *Journal of Business Ethics*, *102*, 169–191. https://doi.org/10.1007/s10551-011-0812-2

Fernández Fernández, J. L. (2004). *Finanzas y ética. La dimensión moral de la actividad financiera y el gobierno corporativo*. Universidad Pontificia de Comillas.

Ferreira, M. A., Matos, P., & Pires, P. (2018). Asset management within commercial banking groups: International evidence. *The Journal of Finance*, *73*(5), 2181–2227. https://doi.org/10.1111/jofi.12702

Ferrero, I., Hoffman, W. M., & McNulty, R. E. (2014). Must Milton Friedman embrace stakeholder theory? *Business and Society Review*, *119*(1), 37–59. https://doi.org/10.1111/basr.12024

Financial Conduct Authority. (2015, May 12). *Fair treatment of customers*. Retrieved from https://www.fca.org.uk/firms/fair-treatment-customers

Francis. (2013, November 24). *Apostolic exhortation "Evangelii gaudium"*. Retrieved from http://w2.vatican.va/content/francesco/en/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium.html

Friedman, M. (1970, September 13). The social responsibility of business is to increase its profits. *New York Times Magazine*.

Gallego-Alvarez, I., Rodríguez-Domínguez, L., & Martín Vallejo, J. (2020). An analysis of business ethics in the cultural contexts of different religions. *Business Ethics: A European Review*, *29*(3), 570–586. https://doi.org/10.1111/beer.12277

Gil-Bazo, J., Hoffmann, P., & Mayordomo, S. (2020). Mutual funding. *The Review of Financial Studies*, *33*(10), 4883–4915. https://doi.org/10.1093/rfs/hhz111

Guitián, G. (2015). Service as a bridge between ethical principles and business practice. A Catholic social teaching perspective. *Journal of Business Ethics*, *128*, 59–72. https://doi.org/10.1007/s10551-014-2077-z

Guitián, G. (2017a). Business as mediating Institution through service: A view of the business firm. *Angelicum*, *94*, 757–780.

Guitián, G. (2017b). Service in the Catholic social tradition: A crucial virtue in business. In A. J. G. Sison, G. R. Beabout, & I. Ferrero (Eds.), *Handbook of virtue ethics in business and management* (pp. 177–187). Springer.

Guitián, G. (2018). Pope Francis and Catholic social teaching on ecology. *Worldviews*, *22*(2), 163–186. https://doi.org/10.1163/15685357-02202003

Guitián, G. (2018). Pope Francis and Catholic social teaching on ecology. *Worldviews*, *22*(2), 163–186. https://doi.org/10.1163/15685357-02202003

Guitián, G. (2020). El principio de solidaridad de la Doctrina Social de la Iglesia. Fundamentación Teológica. *Scripta Theologica*, *52*(3), 555–585. https://doi.org/10.15581/006.52.3.555-585

Javed, B., Fatima, T., Yasin, R. M., Jahanzeb, S., & Rawwas, M. Y. A. (2019). Impact of abusive supervision on deviant work behavior: The role of Islamic work ethic. *Business Ethics: A European Review*, *28*(2), 221–233. https://doi.org/10.1111/beer.12212

John Paul II. (1981, November 22). *Apostolic exhortation "Familiaris consortio"*. Retrieved from http://www.vatican.va/content/john-paul-ii/en/apost_exhortations/documents/hf_jp-ii_exh_19811122_familiaris-consortio.html

John Paul II. (1988, December 30). *Apostolic exhortation "Christifideles laici"*. Retrieved from http://w2.vatican.va/content/john-paul-ii/en/apost_exhortations/documents/hf_jp-ii_exh_30121988_christifideles-laici.html

John Paul II. (1991, May 1). *Enciclical letter "Centesimus annus"* Retrieved from http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html

John XXIII. (1961, May 15). *Encyclical letter "Mater et magistra"*. Retrieved from http://w2.vatican.va/content/john-xxiii/en/encyclicals/documents/hf_j-xxiii_enc_15051961_mater.html

John XXIII. (1963, April 1). *Encyclical letter "Pacem in terris"*. Retrieved from http://w2.vatican.va/content/john-xxiii/en/encyclicals/documents/hf_j-xxiii_enc_11041963_pacem.html

Kindleberger, C. H. (1989). *Manias, panics, and crashes: A history of financial crises*. Basic Books.

Kinnier, R. T., Kernes, J. L., & Dautheribes, T. M. (2000). A short list of universal moral values. *Counseling and Values*, *45*(4), 4–16. https://doi.org/10.1002/j.2161-007X.2000.tb00178.x

Klein, W. (2006). Business ethics from the internal point of view. *Journal of Business Ethics*, *64*, 57–67. https://doi.org/10.1007/s10551-005-4666-3

Koslowski, P. (2002). The shareholder value principle and the purpose of the firm. In S. A. Cortright, & M. J. Naughton (Eds.), *Rethinking the purpose of business. Interdisciplinary essays from the Catholic social tradition* (pp. 101–127). Notre Dame University Press.

Koslowski, P. (2011). *The ethics of banking. Conclusions from the financial crisis*. Springer.

Leo XIII (1891, May 15). *Encyclical letter "Rerum novarum" (on capital and labour)*. Retrieved from http://www.vatican.va/content/leo-xiii/en/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum.html

Li, V. E. (2018, September 14). *The next financial crisis: Why it is looking like history may repeat itself*. CNBC. Retrieved from https://www.cnbc.com/2018/09/14/the-next-financial-crisis-why-it-looks-like-history-may-repeat-itself.html

Mea, W. J., & Sims, R. R. (2019). Human dignity-centered business ethics: A conceptual framework for business leaders. *Journal of Business Ethics*, *160*(1), 53–69. https://doi.org/10.1007/s10551-018-3929-8

Mehran, H., & Stulz, R. M. (2007). The economics of conflicts of interest in financial institutions. *Journal of Financial Economics*, *85*, 267–296. https://doi.org/10.1016/j.jfineco.2006.11.001

Melé, D. (2002). Not only stakeholder interests: The firm oriented toward the common good. In S. A. Cortright, & M. J. Naughton (Eds.), *Rethinking the purpose of business. Interdisciplinary essays from the Catholic social tradition* (pp. 190–214). Notre Dame University Press.

Melé, D. (2009). *Business ethics in action. Seeking human excellence in organizations*. Palgrave Macmillan.

Melé, D. (2012a). The firm as a community of persons: A pillar of humanistic business ethos. *Journal of Business Ethics*, *106*, 89–101. https://doi.org/10.1007/s10551-011-1051-2

Melé, D. (2012b). *Management ethics. Placing ethics at the core of good management*. Palgrave Macmillan.

MIFID II. (2014). Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU. *Official Journal of the European Union*, L *173*, 349–496.

Milbank, J. (2018). Theology and the idea of university. *Scripta Theologica*, *50*(2), 253–273. https://doi.org/10.15581/006.50.2.253-273

Morris, N., & Vines, D. (2014). *Capital failure. Rebuilding trust in financial services*. Oxford University Press.

(OPQ) Congregation for the doctrine of the faith & Dicastery for promoting integral human development. (2018, January 6). *Oeconomicae pecuniariae quaestiones. Considerations for an ethical discernment regarding some aspects of the present economic-financial system*. Retrieved from http://www.vatican.va/roman_curia/congregations/cfaith/documents/rc_con_cfaith_doc_20180106_oeconomicae-et-pecuniariae_en.html

Page, M., & Spira, L. S. (2005). Ethical codes, independence and the conservation of ambiguity. *Business Ethics: A European Review*, *14*(3), 301–316. https://doi.org/10.1111/j.1467-8608.2005.00411.x

Paul VI. (1971). *Apostolic letter "Octogesima adveniens"*. Daughters of St. Paul.

Pirson, M., Gangahar, A., & Wilson, F. (2016). Humanistic and economistic approaches to banking – better banking lessons from the financial crisis? *Business Ethics: A European Review*, *25*(4), 400–415. https://doi.org/10.1111/beer.12131

(PCJP) Pontifical Council "Justice and Peace" (Naughton, M. J. and Alford, H. [coord]). (2012). *The vocation of the business leader. A reflection*. Pontifical Council for Justice and Peace.

Pitt-Watson, D. (2016, June 20). *Students must learn the purpose of finance*. Financial Times. Retrieved from https://www.ft.com/content/357825cc-2cba-11e6-a18d-a96ab29e3c95

Prescott, G. L., & Carol, E. V. (2018, January). Implications of clawback adoption in executive compensation contracts: A survey of recent research. *The Journal of Corporate Accounting & Finance*, *29*, 59–68. https://doi.org/10.1002/jcaf.22312

Retolaza, J. L., Aguado, R., & Alcaniz, L. (2019). Stakeholder theory through the lenses of Catholic Social Thought. *Journal of Business Ethics*, *157*, 969–980. https://doi.org/10.1007/s10551-018-3963-6

Rocchi, M., Ferrero, I., & McNulty, R. E. (2017). *Margin call: What if John Tuld were Christian? Thomistic practical wisdom in financial decision-making*. Universidad de Navarra, Facultad de Ciencias Económicas y Empresariales, Working Paper nº 01/17. Available at SSRN: https://ssrn.com/abstract=2936288 or https://doi.org/10.2139/ssrn.2936288

Roncella, A., & Ferrero, I. (2020). A MacIntyrean perspective on the collapse of a money market fund. *Journal of Business Ethics*, *165*, 29–43. https://doi.org/10.1007/s10551-018-4078-9

Seeger, M. W., & Ulmer, R. R. (2001). Virtuous responses to organizational crisis: Aaron Feuerstein and Milt Cole. *Journal of Business Ethics*, *31*, 369–376.

Shrimpton, P. (2019). More poet than policeman: Newman and Education "in a large sense of the word". *Scripta Theologica*, *51*(3), 775–800. https://doi.org/10.15581/006.51.3.775-800

Sison, A. J. G., Ferrero, I., & Guitián, G. (eds.). (2018a). *Business ethics. A virtue ethics and common good approach*. Routlege.

Sison, A. J. G., Ferrero, I., & Guitián, G. (2019). Characterizing virtues in finance. *Journal of Business Ethics*, *155*, 995–1007. https://doi.org/10.1007/s10551-017-3596-1

Sison, A. J. G., Ferrero, I., Guitián, G., Rocchi, M., & Roncella, A. (2018b). Virtue and the common good in finance. In A. J. G. Sison, I. Ferrero, & G. Guitián (Eds.), *Business ethics. A virtue ethics and common good approach* (pp. 51–81). Routlege.

Sison, A., & Fontrodona, J. (2012). The common good of the firm in the aristotelian-thomistic tradition. *Business Ethics Quarterly*, *22*, 211–246. https://doi.org/10.5840/beq201222218

Tormo-Carbó, G., Oltra, V., Klimkiewicz, K., & Seguí-Mas, E. (2019). "Don't try to teach me, I got nothing to learn": Management students' perceptions of business ethics teaching. *Business Ethics: A European Review*, *28*(4), 506–528. https://doi.org/10.1111/beer.12236

Vatican Council II. (1965, December 7). *Pastoral constitution* "Gaudium et spes". Retrieved from http://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_const_19651207_gaudium-et-spes_en.html

White, E. N. (1996). *Stock market crisis and speculative manias*. UK-Brookfield US.

AUTHOR BIOGRAPHY

Gregorio Guitián is Associate professor of Moral Theology at the Faculty of Theology of the University of Navarra. His field of expertise is Catholic Social Teaching on economic issues. He has published numerous articles in international journals and is co-editor of "Business Ethics. A Virtue Ethics and Common Good Approach" (Routledge 2018). He is currently the Dean of the Faculty of Theology of the University of Navarra.

How to cite this article: Guitián, G. (2021). How financial institutions can serve the common good of society: Insights from Catholic Social Teaching. *Business Ethics*, *Env & Resp*., 00, 1–12. https://doi.org/10.1111/beer.12376