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THE INTERNET AND CORRUPTION
Transparency and accountability online



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SPAIN

THE POWER OF A CONNECTED SOCIETY TO DEMAND TRANSPARENCY AND SOCIAL RESPONSIBILITY IN SPANISH BANKS: THE CASE OF THE CLEAN BANKING CAMPAIGN BY SETEM



SETEM

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Introduction

Spanish banks can invest in any business and apply the level of transparency they want when it comes to citizens. There are no mandatory standards governing transparency and investment for banks. Banks can develop their own policy of social responsibility and transparency or voluntarily implement standards, codes of conduct or initiatives in the international financial sector.¹ The problem, however, is that ethical codes are voluntary, and even the law allows many activities that are unethical. Furthermore, although there are banks that subscribe to international codes, they are not obliged to meet these principles. This legal imbalance is known as “soft law” (i.e. the voluntary and self-regulated compliance with human rights and international resolutions, the breach of which is not penalised).

For instance, regarding internal regulation on financing and the arms industry, the Corporate Responsibility Report 2010 for the Spanish bank Caixabank reads: “La Caixa, according to its Code of Ethical Values and Principles, will not participate in financing operations or export of material for war or for military use. Also, the Bank excludes any business relationship with companies related to the production or marketing of landmines and/or bombs.” Despite having these internal regulations, Caixabank ranks fourth among banks involved in the arms business in Spain, after BBVA, Banco Santander and Bankia, according to the recent report *Inversiones que son la bomba* (Explosive Investments) by SETEM.²

Every day, banks use our money to finance and invest in companies that make weapons used in conflicts around the world. A recently reported case is that of MAT-120 cluster bombs manufactured by the Spanish company Instalaza in 2007 and used by Muammar Gaddafi in Libya for bombing Misrata. The production of these bombs was financed by at

least eight Spanish banks: Cajalón, Caja España, Caja Mediterráneo, Bankinter, Ibercaja, Banco Popular, Banc Sabadell and La Caixa. This is the starting point for SETEM’s Clean Banking campaign, whose slogan is “We are customers, not accomplices.” The campaign reports on the activities of the main Spanish banks in the arms industry and offers alternatives for action.

The Clean Banking campaign revolves around two reports commissioned from the research centre Profundo: *Dirty Business: Spanish banks financing producers of controversial weapons*³ and *Explosive Investments: Banking business with Spanish arms companies*.⁴ Published only in digital format, both analyse the financial and economic relationships between Spanish banks and 19 of the leading manufacturers of controversial weapons and prohibited arms that cause hundreds of thousands of civilian deaths worldwide. These weapons are nuclear weapons, depleted uranium and prohibited weapons such as chemical and biological weapons, cluster bombs and anti-personnel mines. The report highlights that the Spanish banks BBVA, Banco Santander and Bankia are the three most active in financing companies producing controversial weapons.

Bancalimpia.com

The campaign was launched from an interactive website⁵ on which visitors can see very clearly and easily which “dirty businesses” their bank is investing their money in, read the reports, and participate in cyber actions such as sending an email to the bank, sharing the campaign on social networks or donating to the campaign.

In the last year, bancalimpia.com has received over 100,000 visits, and users have sent over 8,000 emails to their banks to object to the use of their money in the arms industry. There have been several videos and actions on social networks with the clear objective of going viral, and of encouraging participation: visitors to the social network sites share the initiative with their contacts and contribute to the dissemination of the campaign via the internet.

1 More information is available in the 2010 report “Close the Gap” by the BankTrack network: www.banktrack.org/download/close_the_gap/close_the%20gap.pdf

2 www.setem.org/media/pdfs/Informe_inversiones_explosivas3.pdf

3 finanzaseticas.org/wp-content/uploads/2011/05/Dirty-Business-SETEM1.pdf

4 www.setem.org/media/pdfs/Informe_inversiones_explosivas.pdf

5 www.bancalimpia.com

The campaign has achieved some small accomplishments: CatalunyaCaixa has sold its shares in BAE Systems – a producer of nuclear weapons – and BBK has done the same with their shares in Thales. Banco Popular, Bankinter and Banco Santander have also contacted the campaign.

The campaign was nominated as one of the 10 best websites for social activism campaigns worldwide by the BOB Awards,⁶ which rewards projects focused on the right to freedom of expression that encourage open debate on the internet. Highlights of the site include constant updating and clear messages that are easy to understand, and the fact that some banks have begun to respond to the complaints from the public.

This good news contrasts with the silence that the campaign has received from the mass media, and the rest of the banks that have not contacted the campaign.

We have also found a lack of transparency in the reporting of banks' investments, and that the banks will go as far as to block communication on controversial topics. Examples include the sudden interruption of the streaming broadcast of a Banco Santander shareholders' meeting, just when a member of the campaign was speaking, and the difficulties found in getting the mainstream media to report on the campaign. In fact, the Clean Banking campaign is considered one of the great "media silences" of 2011, according to the Media.cat Yearbook 2011,⁷ which considers that the contents of the *Dirty Business* report deserved better media coverage.

The Yearbook reports that in May 2011 the digital editions of the Spanish newspapers ABC, El Mundo, Qué, La Vanguardia and ADN covered the reports. The newspaper Gara, widely read in the Basque Country, also reported on the connection between the cluster bombs and Spanish banks. In addition, a radio programme on the radio station RTVE, called Hora América (America Time), gave SETEM spokespeople the opportunity to explain the report.

The conclusion that emerges from this, according to the Yearbook, is that digital media or digital media publications by the mass media are much more open to cover cases of complaints and violations of rights, while the print editions of the mass media are reluctant to publish such information.

Transparency?

Following the work of the Clean Banking campaign, we have continued to come across a lack of transparency in the banking sector. For instance,

we have encountered many difficulties in finding data, as reports and databases about investment are restricted. For citizens, websites and social networking profiles of banks are basically focused on marketing their products and services, not on reporting what is done with customers' money, or how the bank is organised internally, and so on. As a result it is really difficult to know where investments are taking place.

Fortunately, not all banks are like this, and there is an alternative banking model that does uphold transparency as a fundamental principle: we refer to this as ethical banking. Ethical banking is another way of saving and investing that combines social benefits with economic benefits. Savings accounts, mutual funds or deposits seek the ethical use of money and are committed to socially and environmentally responsible companies.

Ethical financial institutions apply ethical, social and environmental criteria when defining their investment policy, and this also implies defining a policy for transparency. Transparency is a key element that lends coherence and credibility to the ethical finance sector, and facilitates the social transformation of banking. This would be meaningless without the banks' reporting on the projects being funded and investments made in a simple, fair and accessible way.

For partners and customers of ethical financial institutions, a transparency policy mainly involves two things. First, knowing what projects and organisations are being funded or invested in implies that clients know exactly where and why their money is being used. And consequently, this knowledge can bring coherence. Coherence means avoiding what is often a contradiction between personal values and the values that emerge from the use given to our money.

In Spain, ethical banks typically focus their energy on maintaining an online presence where people can learn about their philosophies, operations and projects being invested in. In this way they maximise the huge potential of the internet as a dissemination tool, and as a key means of promotion amongst citizens who demand ethical alternatives. The targets of all investments are shared via their websites⁸ and social networking profiles.

In 2011 the ethical finance sector in Spain increased significantly: deposits have increased by 54%, and loans have gone up 24% from 2010.⁹ This achievement would hardly have been possible

6 thebobs.com/english/about/about-2

7 www.media.cat/anuari/les-guerres-dels-bancs-catalans

8 For examples, see: www.triodos.es, www.oikocredit.cat, www.fiare.com and www.coop57.org

9 www.fets.org/ca-es/general/barometre-2011

without the role played by the internet in the open dissemination and sharing of information.

Action steps

SETEM is committed to exploiting the revolution towards transparency and facilitating dialogue with the public that the internet has enabled. Social networks can help visualise and share information about the transparency of the banking sector and continue to demand real changes.

How do we face up to this challenge? We have different areas of work, ranging from building arguments against the unethical practices of the banking sector, to the promotion of alternatives.

One area that will continue to develop, and which has had more impact in recent years, is shareholder activism (i.e. participation in banks' shareholders' meetings to bring attention to the unethical practices of the company). The process is initiated via the internet – on social networks, through emails to a database of supporters, on a website, etc. – calling for shareholders to delegate to SETEM the right to participate in a shareholders' meeting.¹⁰ For example, in order to attend the meeting of shareholders of BBVA, 511,920 shares were delegated.¹¹ This allowed us to put evidence before the board of directors and shareholders about the continued relationship between the Spanish bank and arms production worldwide, some as controversial as nuclear weapons, cluster bombs and depleted uranium weapons.

On the other hand, we are also working on a new line of action that will involve new actors. In September 2012 we launched the campaign Demand Ethical Banking from Your University,¹² which encourages the university community to ask its own universities to work with ethical banks. This is a participatory campaign with a big focus on online activities, including an ambitious social media plan. The aim is to create a digital identity for the campaign and from there to build online communities with students who want their universities to make the switch to ethical banking. Some of the actions planned are the production of videos by university students that can be circulated across social networks, cyber actions and Twitter actions directed at their own universities, and other forms of campaigning using social networks.

Another of the highlights is the creation of websites that bring together information about

controversial investments by banks that is not offered by the banks themselves – such as Banca Armada (Armed Bank),¹³ a website jointly created by SETEM, the Observatory on Debt in Globalization and the Delas Centre for Justice and Peace, and Bank Secrets,¹⁴ an initiative by BankTrack.

Wishes for the future

Banks will be increasingly less capable of silencing corruption and a lack of social responsibility. The internet opens a huge door to spread information and take action. NGOs and social movements can make cases of rights violations visible and directly promote alternatives – the mass media is not the only partner defending civil rights. Furthermore, the objective is to stop being a one-way voice and create a community of people who support ethical banking, a community which grows and is strengthened through the multiplier effect of the internet.

In this sense, digital media promote the ability not only to spread messages that previously could be censored, but also offer the great advantage that an engaged citizenry can organise and be directly empowered in change campaigns. Social movements such as the 15th of May Movement (15M) in Spain or the Arab Spring were born using social networks. An interesting point is that a critical movement such as Democracia Real Ya (Real Democracy Now) has more Twitter followers than the two major political parties in Spain (PP and PSOE).

Social networks make it possible for the citizens themselves to organise politically, outside structured organisations.

One of the most ambitious campaigns for the 15M Movement is the 15MpaRato¹⁵ campaign. This is an online campaign to collect information about the Bankia case and file a complaint against the perpetrators that have led to its bankruptcy. The campaign explains on its website that “the people can demand responsibilities, we now have the tools on the net to reveal their accounts, their dirty tricks, discredit and prosecute them until they have nowhere to hide.”

This is our desire for the future: a society that uses the power of the internet to organise and take part in building the world we want. ■

10 www.setem.org/blog/es/catalunya/activismo-accionarial-peticion-de-acciones-para-asistir-a-la-junta-de-accionistas-de-la-caixa

11 www.setem.org/blog/es/catalunya/bbva-ocupa-la-primera-posicion-en-el-ranking-de-la-banca-armada-espanola

12 www.demanabancaetica.org

13 bancaarmada.org

14 lossecretosdelosbancos.org

15 15mparato.wordpress.com