



How do irresponsibility attributions affect organisational reputation? Evidence from the banking industry

Journal:	<i>International Journal of Bank Marketing</i>
Manuscript ID	IJBM-02-2023-0099.R1
Manuscript Type:	Research Paper
Keywords:	corporate social irresponsibility, reputation, blame, Mortgages, attributions, foreign currency loans



Accepted: 25 September 2023

Published: 31 October 2023

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Abstract

Purpose

This study examines how potentially irresponsible banking operations affect organisational reputation. A moderated mediation model is applied to explain how major aspects of social irresponsibility affect the relationship between consumer awareness of allegedly irresponsible operations, blame, and bank reputation. The empirical context is the Swiss franc mortgage crisis that affected the banking industry in most Central and Eastern European countries.

Design/methodology/approach

The research uses data collected from a large survey (N = 1000) carried out among Polish bank consumers, including those with mortgage loans in Swiss francs. To test the proposed model, the authors use Hayes' process macro.

Findings

The findings show that blame fully mediates the effects of CSI awareness on organisational reputation. Three facets of social irresponsibility moderate this relationship. Specifically, the perceived harm and intentionality of corporate culprits cause people to be more likely to blame a bank for the difficulties posed by indebted consumers. At the same time, the perceived complicity of consumers in mis-selling a mortgage reduces the level of blame and its subsequent adverse effects on bank reputation.

Originality

Although a strong reputation is crucial in the financial industry, few studies have attempted to address reputational risk from a consumer perspective. This study helps to

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2
3 understand how potentially irresponsible selling of a financial product can adversely affect a
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5 bank's reputation.
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8 **Keywords:** corporate social irresponsibility, reputation, foreign currency loans, blame, mis-
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10 selling
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12 13 14 15 **Introduction**

16
17 Organizational reputation plays a crucial role in financial services, where a high level of
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19 trust in the financial institution is necessary to create and maintain consumer relationships
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21 (Pérez, García de los Salmones, and del Bosque 2013). The role of this intangible asset grows
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23 with the level of complexity and risk that is associated with a financial product that
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25 consumers struggle to understand (Hurley, Gong, and Waqar 2014). However, once build
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27 strong reputation is not an indestructible asset. The global financial crisis has clearly shown
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29 that corporate misbehaviour can dramatically undermine the level of trust in organisations
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31 and subsequently tarnish their reputations, but our knowledge about this process is limited.
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35 A recent systematic literature review on the relationships between corporate social
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37 irresponsibility (CSI) and corporate reputation shows that reputational damage in the real
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39 world is more complicated than that suggested by experimental and short-term stock market
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41 studies (Nardella, Brammer, and Surdu 2023). Indeed, research based on corporate
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43 misbehaviour that has been verified by a court of law suggests that the reputational penalties
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45 for such conduct might be weaker than most studies tend to assume (Nardella, Brammer, and
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47 Surdu 2020). Existing CSI studies have made several simple assumptions; for example, they
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49 tend to take the idea that people are aware of corporate misbehaviour and want to punish
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51 corporate culprits for granted (Valor, Antonetti, and Zasuwa 2022).
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3 To advance our understanding of the mechanism behind reputation damage, recent
4 studies recommend (2023) the adoption of theories from the social sciences that might shed
5 new light on this process (e.g., attribution theories). Our aim is to follow this research
6 direction. Drawing on the irresponsibility attribution literature (Lange and Washburn 2012)
7 and research on reputation during a crisis (Coombs and Holladay 2015; Coombs 2007), we
8 propose a moderated mediation model. In this model, three facets of irresponsibility
9 attributions - harm, intentionality, and complicity - moderate the relationship among
10 awareness of allegedly irresponsible operations, perceived blame of the institution, and its
11 organisational reputation.
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24 The empirical context of this research is the Swiss franc crisis that affected
25 approximately 40% of households that held a mortgage loan in Poland (Mańko 2021).
26 Considering the development of the banking industry, we can state that the crisis took place
27 in a saturated market where as many as 96% of the residents had a bank account (World
28 Bank, 2021) and 22 million consumers actively use electronic and mobile banking
29 applications (ZBP, 2022). However, the problem faced by Swiss franc loans also occurred in
30 other Central and Eastern European countries, including Hungary, Romania, Slovakia,
31 Croatia, and Greece (Zunzunegui 2018). This is the first study to examine the effect of these
32 issues on bank reputation.
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44 Overall, this paper helps to extend our understanding of the reputation damage process in
45 the banking industry. Specifically, the research makes a twofold contribution to the literature
46 on CSI and reputation. First, the mediation analysis reveals that awareness of supposedly
47 irresponsible bank actions can negatively affect organisational reputation, provided that
48 consumers perceive the bank as culpable. Second, the study has identified three boundary
49 conditions for this mechanism, namely, perceived harm, culprit intentionality, and the
50 complicity of bank consumers.
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3 The following section introduces the conceptual model and research hypotheses. Then,
4 we describe the Swiss Franc mortgage loan crisis as the empirical context of this research.
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6 The next section characterises the research method, including the measures and the sample.
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8 Then, we provide research findings. Finally, the paper concludes by discussing theoretical
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10 implications, directions for practitioners, and limitations.
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17 **Theoretical framework**

18 The role of CSI in reputation damage

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21 Organizational reputation as a collective representation of past actions remains relatively
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23 stable over time (Fombrun 1998), and it can thus protect a firm from negative news (e.g.,
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25 Gong et al. 2021). Nevertheless, this intangible resource is not indestructible. Several
26
27 scandals involving corporate frauds and other financial institution misbehaviour have clearly
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29 demonstrated that a good reputation can be quickly damaged. However, the history of
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31 reputational scandals does not mean that a CSI event always results in negative reputational
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33 consequences to the firm. We know relatively little about the process of reputation damage,
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35 particularly in the financial industry, although we do know that positive reputation affects the
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37 profitability and long-term sustainable competitive advantage of a bank (Pejić Bach et al.
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39 2020).
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45 Overall, the current research on CSI and corporate reputation is inconclusive. A recent
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47 systematic literature review identified a substantial gap between small experimental studies
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49 demonstrating a reputational penalty for engaging in CSI and large research studies that
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51 reveal a weak or a lack of relationship between CSI incidents and reputation damage
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53 (Nardella, Brammer, and Surdu 2023). Experimental studies typically provide respondents
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55 with some hypothetical CSI incidents and then measure their various responses, reflecting
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57 consumer-based reputations. Not surprisingly, this approach is highly effective in detecting a
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3 negative relationship between CSI news and consumer responses to a firm (Valor, Antonetti,
4 and Zasuwa 2022). Research based on real corporate misconduct reveals that the mere
5
6 presence of CSI exerts no significant impact on corporate reputation (Nardella, Brammer, and
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8 Surdu 2020). Reputational penalties seem to emerge under specific conditions, particularly
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10 when a firm that pretends to be socially responsible is found to engage in serious
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12 irresponsibility (e.g., Jung and Hur 2023).
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17 Apart from this effect of corporate hypocrisy, we know little about the contextual factors
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19 that result in a reputational penalty for CSI. To better understand these conditions, topical
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21 research calls for using new theoretical perspectives, such as those of attribution theories
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23 (Nardella, Brammer, and Surdu 2023). Lange and Washburn (2012) conceptualised CSI
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25 attribution as being contingent on three perceptions, namely, the severity of corporate
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27 transgression, corporate culpability and the noncomplicity of victims. Research based on
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29 secondary data found that legal culpability results in a reputational penalty only for those
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31 firms with histories of strong social responsibility, whereas the noncomplicity of victims has
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33 resulted in negative effects on the reputations of the least responsible firms (Nardella,
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35 Brammer, and Surdu 2020). Transgression severity was found to be neutral in that research,
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37 although experimental studies have found this factor to be a strong antecedent of consumer
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39 responses to CSI (e.g., Rotman, Khamitov, and Connors 2018).
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45 The results of research using secondary data do not finalize the academic discussion
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47 about reputation damage but rather serve to raise new questions. The legal verification of a
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49 CSI event does not mean that consumers will also find a corporate culprit as guilty. There is
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51 evidence that consumers can maintain a positive attitude towards companies despite those
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53 organisations committing unethical acts (Cowan and Yazdanparast 2021). Therefore, blame
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55 attributed to a firm by consumers might be a missing construct among the three pillars of CSI
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57 attribution and corporate reputation. Given the limitations of laboratory research, a field study
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3 conducted on an actual CSI event might help to advance our understanding of the contextual
4 conditions that result in reputation damage.
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10 Conceptual model and hypotheses

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12 Building on the current literature on CSI, organisational reputation, and blame theory, we
13 propose a conceptual model that explains how consumer awareness of allegedly irresponsible
14 bank actions affects that bank's organisational reputation. In this model, the three tenets of
15 CSI, including harm done by the organisation, the complicity of victims, and the perceived
16 intentionality of the culprit (Lange and Washburn 2012), serve as major boundary conditions
17 (Figure 1).
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30 -----Figure 1 -----
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33 To explain how the awareness of allegedly irresponsible bank operations affects
34 organisational reputation, we assume that a CSI incident is an unethical, deliberative
35 corporate act that harms stakeholders (Lange and Washburn 2012). News about such events
36 naturally contributes to the reputation of an organisation since reputation is composed of the
37 collective judgements of a corporation based on assessments of the financial, social, and
38 environmental impacts attributed to the corporation over time' (Barnett, Jermier, and Lafferty
39 2006, 34). However, the impact of the awareness of a single egregious behaviour is typically
40 insufficient to change the valence of accumulative information concerning the organisation
41 since a good reputation can protect the firm's value against negative news (Godfrey 2005;
42 Pelozo 2006). Accordingly, we do not expect a strong relationship between the awareness of
43 a supposedly irresponsible action and organisational reputation.
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3 Drawing on blame theory (Malle, Guglielmo, and Monroe 2014), we argue that mere
4 knowledge of an allegedly irresponsible behaviour is not enough to impose any negative
5 responses on a corporate agent. The current CSI literature suggests that consumers can
6 neutralise information about egregious corporate behaviour to justify using the products of a
7 firm despite that firm acting unethically (McGregor 2008). Similarly, consumers might forget
8 or forgive a corporate culprit (Fetscherin and Sampedro 2019). To this end, we predict that
9 consumers need to believe that a firm is blameworthy (i.e., accept information that a firm
10 acted irresponsibly) to shift their opinion of a corporate culprit. Hence, we conceptualise
11 blame attributed to the firm as a mediator between the awareness of a potential CSI event and
12 organisational reputation.

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26 H1. Blame attributed to an organisation mediates the relationship between awareness of the
27 potentially irresponsible action and organisational reputation.

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33 The emergence of a potentially egregious action does not necessarily mean that people
34 will attribute responsibility to the firm. Blame theory states that observers need to perceive
35 the event as unethical (i.e., involving a violation of social norms) to attribute blame to a
36 corporate agent (Malle, Guglielmo, and Monroe 2014). The most agreed criteria of
37 unethicity are harmful outcomes or a harmful event (Gray, Waytz, and Young 2012).
38 Accordingly, scholars consider harm to be a major facet of irresponsibility (Clark, Riera, and
39 Iborra 2022). The harmfulness of an action is understood 'as the degree to which an
40 individual perceives the outcome of an act as enabling one party to benefit over another'
41 (Ingram, Skinner, and Taylor 2005, 241). Thus, CSI incidents typically involve actions in
42 which a firm seeks profits at the expense of its stakeholders. The greater the level of
43 exploitation (i.e., harm) detected, the more likely the consumer is to blame the firm
44 (Antonetti and Maklan 2016; Grappi, Romani, and Barbarossa 2017; Hartmann and Moeller
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2014; Robbennolt 2000). Hence, we predict that perceived harm enhances the effects of CSI awareness on blame attributions.

H2. The perceived harmfulness of a potentially irresponsible action strengthens the relationship between the awareness of that action and organisational reputation.

Every organisational action that results in undesirable effects has some recipients. Thus, the second moderator selected addresses the role of parties effected by an irresponsible event. Lange and Washburn (2012, 307) note that the irresponsibility of an egregious behaviour can be attributed to the firm when the victims are noncomplicit, that is, when they are 'perceived as being low in complicity (or noncomplicit) in the negative outcome'. However, the affected parties, people or organisations do not necessarily remain vulnerable victims. There is evidence that consumers can be partially responsible for corporate misbehaviours as a result of, for instance, their demand for inexpensive products (Scheidler and Edinger-Schons 2020). In addition, observers judging who is blameworthy for an egregious event account for the active role played by the affected parties and the determination of whether the victims could have prevented the harmful outcomes or anticipated the negative consequences (Lange and Washburn 2012). Thus, the firm and the affected parties share the responsibility for a CSI event. To this end, when people perceive a high level of victim complicity, they may be less likely to blame the firm. More formally, we propose the following hypothesis:

H3. The perceived complicity of victims weakens the relationship between awareness of potentially irresponsible actions and organisational reputation.

Another factor that moderates the relationship between the awareness of a supposedly egregious action and the attribution of blame to the firm is the perceived intentionality of the corporate action. Intentionality perceptions reflect 'the extent to which an outcome is

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3 attributed to deliberate as opposed to unintentional actions' (Harvey et al. 2014, 136). People
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5 tend to judge intentional behaviour differently than unintentional behaviour. For example,
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7 situational crisis communication theory posits that corporate actions that purposefully put
8
9 stakeholders at higher risk result in strong attributions of crisis responsibility (Coombs and
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11 Holladay 2002). Similarly, the attributional literature suggests that assessments concerning
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13 corporate controllability of a negative event increase the level of negative emotions and other
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15 consumer responses to a firm's misconduct (Weiner 2000). Accordingly, there is evidence
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17 that people tend to attribute more blame to a firm when they perceive a high level of
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19 intentionality behind its greenwashing communications (Pizzetti, Gatti, and Seele 2019).
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21 Hence, this study proposes the following hypothesis.
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27 H4. The perceived intentionality of a corporate culprit strengthens the relationships between
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29 the awareness of potentially irresponsible actions and organisational reputation.
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33 **The empirical context**

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35 The empirical context of this research is the Swiss franc mortgage loan crisis that
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37 affected the banking industry in Central and Eastern Europe. This crisis had its roots in the
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39 mortgage policy of retail banks and housing problems. For example, the percentage of people
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41 living in overcrowded conditions in Slovakia, Croatia, Poland, Bulgaria, Latvia and Romania
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43 exceeded 30% even in 2020 ("More young people living in overcrowded households" 2020).
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45 To meet this vast demand, retail banks, especially in Poland and Hungary (Buszko and Krupa
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47 2015), apart from typical mortgages (in national currency), have extensively offered foreign
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49 currency loans (FCL), including those loans denominated or indexed in Swiss francs
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51 (Jasiniak and Pastusiak 2016).
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57 FCLs allow customers to pay lower instalments in Central and Eastern European (CEE)
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59 countries. During the period that saw the greatest level of interest in this form of real estate
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3 financing, the 3-month Swiss franc (CHF) LIBOR was as much as six percentage points
4 lower than the adequate Warsaw Interbank Offer Rate (Buszko 2016a). This difference in
5 interest rates resulted in lower mortgage costs in foreign currency. The total costs of a
6 mortgage in national currency were 20 to 200% higher than that of a similar loan in Swiss
7 francs (Kotowicz 2016, 88). Due to low interest rates, consumers who could not meet the
8 strict creditworthiness criteria of mortgages in their domestic currency could still receive
9 access to financing (Buszko 2016a).

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12 Another major factor that contributed to the popularity of FCLs in Poland was the long-
13 term appreciation of domestic currency to the Swiss franc in the period of 2004-2008, which
14 ended in July of 2008, at which time the historical minimum rate of CHF to the Polish zloty
15 (PLN) amounted to 1.96 (Buszko 2016b).

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18 In the aftermath of the 2008 financial crisis, the Swiss franc was perceived as a safe
19 currency for investors, resulting in a sharp appreciation of this currency. The Swiss franc's
20 average price amounted to 3.32 PLN in February 2009 (Buszko 2016b). To this end, Swiss
21 franc borrowers could see an increase in the level of their debts of nearly 70%. Notably, the
22 long-term appreciation of the Swiss franc was somewhat stalled by the Swiss National Bank,
23 which sets a minimum exchange rate of CHF 1.20 per euro. When the central bank of
24 Switzerland discontinued its exchange rate policy in January 2015, the PLN sharply
25 depreciated. Consequently, the exchange rate of PLN/CHF reached 4 in 2015, which
26 dramatically increased the debts and payment instalments of Swiss franc borrowers in
27 Poland.

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30 The increased debt burden and subsequent servicing costs created substantial economic,
31 social, and ethical problems. According to the Supreme Audit Office (2018), Poland had
32 nearly 986 thousand FCL mortgages by the end of 2017. Thus, Swiss franc appreciation
33 threatened to lead to the pauperisation of many households (Bartoszewicz 2017). Despite
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3 several years of loan repayments, the value of Swiss loan mortgages expressed in PLN
4 exceeded the value set when the loan agreements were concluded (Buszko 2016a). This
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6 increase was so large that the property's value no longer covered the value of the loan
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8 obligation in many cases.
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12 Although the financial problems neither affected all Swiss franc borrowers nor led to
13 health problems (Białowolski and Węziak-Białowolska 2017), many consumers felt cheated.
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15 They took legal action against banks, raising arguments that they had not received adequate
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17 information on the exchange rate risks. The public debate on banking system stability has
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19 also increased since approximately 40% of Swiss franc mortgages were secured by off-
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21 balance-sheet liabilities (Jasiniak and Pastusiak 2016).
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26 According to data published by the Office of the Polish Financial Supervision Authority,
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28 the gross carrying value of the portfolio of housing loans to Polish households in 2021
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30 amounted to 485.0 billion PLN (2.47 million mortgages). In total, 79.7% of the value of
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32 housing loans was formed by loans issued in PLN. In contrast, housing loans indexed or
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34 denominated in Swiss francs accounted for only 16% of this value (approximately 78 billion
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36 PLN). The average value of a loan indexed or denominated in CHF was equal to 207.8
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38 thousand PLN.
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42 It is worth noting at this point that as much as 26.0% of all housing loans in Swiss francs
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44 had a value higher than 500 thousand PLN. The average loan value in this group amounting
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46 to 773.2 000 PLN. (Informacja na temat sytuacji sektora bankowego w 2021 r., 2022). The
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48 values presented were clearly higher than the values for those housing loans granted in PLN.
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50 Accounting for the fact that loans indexed or dominated in Swiss francs were taken out by
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52 bank customers who did not possess the creditworthiness to take out a mortgage in PLN
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54 (Nadolska 2022), it is difficult to decide whether the situation in which they found
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56 themselves following the change in the Swiss franc rate exchange resulted from a lack of
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3 knowledge, an underestimation of risk or bank policy (Liwoch 2017). Interestingly, housing
4 loans in foreign currency, for which the loan-to-value (LTV) ratio was higher than 100%,
5 accounted for 19.1% by gross carrying value in 2021. This is a relatively high value,
6 especially compared to the corresponding group of loans that had been granted in PLN. In
7 this case, the share of loans with LTV ratio values exceeding 100% was only 1.5% by
8 carrying value (KNF 2022).
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11 The crisis escalated again when the President of the Office of Competition and
12 Consumer Protection imposed financial penalties on large banks for using prohibited spread
13 clauses in their annexes to mortgage loans issued in foreign currencies (UOKIK 2021). In
14 2021, the legal risks relating to the portfolios of housing loans issued in foreign currencies,
15 particularly those issued in Swiss francs, were one of the more significant risks in the banking
16 sector and an important determinant of the financial condition of banks. Legal actions taken
17 by borrowers against banks resulted in a systematic increase in the number of housing loans
18 that were denominated or indexed in Swiss francs being subject to litigation, as well as an
19 increase in the value of litigation judgement. In 2021, the value of litigation was higher (on a
20 sector-wide basis) by PLN 13.2 billion than that in 2020, which was associated with a 40
21 thousand units increase in the number of loans under dispute (KNF 2022). The peak of the
22 crisis took place when the Court of Justice of the European Union judged on 8 September
23 2022 that three foreign currency mortgage contracts included unfair terms (E.K., S.K. v
24 D.B.P. (C-80/21), and B.S., W.S. v M. (C-81/21), and B.S., Ł.S. v M. (C-82/21), 2022). This
25 verdict once more attracted critical media attention and rekindled interest in the problem that
26 affected almost two million Polish consumers. As a result, thousands of people have gained
27 hope of winning their bank battles, and many others have filed additional lawsuits.
28 Simultaneously, the intensive media coverage and legal action created reputation risks for
29 several banks in the second half of 2022.
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Method

To test our hypotheses, we used data taken from a larger survey on consumer responses to allegedly irresponsible corporate operations. As we mentioned earlier, the empirical context of this research relates to the potential misselling of FCL and the use of questionable terms in FCL agreements in Swiss francs. The study was carried out in December 2022, when the issue of foreign mortgage loans was highly visible in the public debate in Poland. More specifically, the authors developed the questionnaire, and a research agency (Biostat) collected the data through an online survey. The sample consisted of 1000 individuals, including 542 women. The respondents ranged in age from 18 to 78 years ($M = 42.41$, $SD = 14.12$). Two hundred participants had mortgages, including both those issued in Swiss franc loans (100 respondents) and those issued in domestic currency (100 respondents). Table 1 depicts the sample distributions regarding age, place of residence, education level, and personal economic situation per subjective assessment.

----Table 1 ----

The questionnaire included, among other things, scales for measuring variables in the postulated model. Specifically, corporate reputation was measured by a scale adapted from Xie and Keh (2016). Attributed blame to a bank for the difficulties faced by those who had Swiss franc loans was assessed using a scale taken from Klein and Dawar (2004). Consumer awareness of potentially irresponsible operations was measured by an item asking whether the bank that is most frequently used by a respondent offered Swiss franc mortgage loans. Positive responses were coded as 1, whereas negative and 'I do not know' answers were coded as 0. In addition, we measured the perception of the three tenets of irresponsibility,

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3 which are conceptualised as moderators in this study. First, building on existing research
4 regarding the role of CSI severity (Robbennolt 2000), we measured perceived harm as the
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6 outcome arising from offering Swiss franc mortgage loans. Second, we measured the
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8 perceived bank's intentionality in offering a risky product based on the literature about
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10 deliberative corporate fraud (Pizzetti, Gatti, and Seele 2019). Finally, we measured the level
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12 of attributed complicity to victims following the recent research on consumer perceptions of
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14 their role in irresponsible corporate behaviours (Scheidler and Edinger-Schons 2020). For all
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16 items expressed in scales used to measure moderators, we used 5-point Likert scales set to
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18 strongly disagree (1) through strongly agree (5).
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26 **Results**

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28 Before testing our hypotheses, we examined the measurement quality that resulted from
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30 adapting the scales to the empirical context of this study. First, we applied confirmatory
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32 factor analysis (CFA) to develop a measurement model using Amos 27. The outcomes of this
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34 analysis revealed that all the items loaded significantly onto the constructs (Table 2). All
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36 factor loadings exceeded 0.7, which is considered to be a conservative threshold in CFA
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38 (Matsunaga 2010). The commonly used fit indices, including normed chi-square (*NC*), the
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40 adjusted goodness-of-fit index (*AGFI*), the root mean square residual (*RMR*), the root-mean-
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42 square error of approximation (*RMSEA*), and the comparative fit index (*CFI*), demonstrate
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44 good fit to the data (Schumacker and Lomax 2004), particularly $\chi^2(116) = 277.811, p <$
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46 $0.001, NC = 2.395, AGFI = 0.956, RMR = 0.037, RMSEA = 0.037$ with 90% *CI* = 0.032-
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48 $0.043, CFI = 0.986$.
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56 -----Table 2-----
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3 Considering internal consistency, the average variance extracted (AVE) for every
4 construct exceeded 0.50, and the composite reliability (CR) values were greater than 0.70.

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7 The lowest internal consistency occurred with a scale used to measure the perceived
8 complicity of victims; however, it was still acceptable (AVE = 0.597, CR = 0.816) according
9 to typically used standards (Hair et al. 2006). To examine discriminant validity, we used the
10 heterotrait–monotrait (HTMT) ratio of correlation analysis (Gaskin & James, 2019). The
11 outcomes of this analysis indicated no concerns (Table 3). All the HTMT ratios were far
12 below 0.850, demonstrating the independence of the constructs used in our study (Henseler,
13 Ringle, and Sarstedt 2015).
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26 ----Table 3 ---
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31 To test hypothesis H1, we applied Model 4 from the Hayes Process macro for SPSS
32 (Hayes 2018). This tool allowed us to test the mediating effects of blame attributions. Based
33 on 5000 bootstrap samples, we designated 95% confidence intervals for the indirect effects
34 (*IE*) of awareness of possibly irresponsible bank operations. The outcomes of this analysis
35 support our predictions. In line with hypothesis H1, consumers with awareness of the
36 potentially irresponsible operations of their bank tended to blame the financial institution for
37 the difficulties faced by Swiss franc borrowers ($b = 0.965, p < 0.001$). Subsequently, blame
38 attribution negatively affected bank reputation ($b = - 0.135, p < 0.001$). To this end, the
39 indirect effect of awareness of allegedly irresponsible bank operations on reputation through
40 blame attributions was statistically significant ($IE = - 0.131, 95 \text{ CI: } -0.203 \text{ to } -0.067$). The
41 direct effect of perceived irresponsibility on bank reputation was nonsignificant ($b = - 0.041,$
42 $p > 0.05$), supporting the full mediation model.
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3 At the next stage of analysis, we tested the moderating effects of three tenets of
4 irresponsibility attributions. Specifically, we applied Model 7 of the Hayes Process macro for
5 SPSS (Hayes 2018). Given that consumer indebtedness and type of loan might both affect the
6 appraisals of bank operations (harm, intentionality and the complicity of victims), we
7 introduced two control variables into the analysis, namely, mortgage loan in Swiss franc (0/1)
8 and mortgage loan in a domestic currency (0/1). Table 4 provides a summary of these
9 analyses.
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19 ---Table 4---
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24 According to hypothesis H2, the research findings show that harm appraisals strengthen
25 the relationship between the awareness of potentially irresponsible operations and blame
26 attributions ($b = 0.485, p < 0.001$). To better understand this moderating effect, we performed
27 a slope analysis. Figure 2a shows that the line for a high level of perceived harm is much
28 steeper than that for a low level. These results suggest that people who considered the offer of
29 Swiss franc mortgages that are highly harmful to borrowers were more likely to blame banks.
30 Further analysis has revealed that harm appraisals significantly deepen the negative indirect
31 effect of consumer awareness of the offer of Swiss franc loans on organisational reputation,
32 as the 95% confidence intervals for the moderated mediation index (MMI) exclude zero
33 ($MMI = -0.063, 95\% CI: -0.150$ to -0.024).
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46 To test hypothesis H3, we used the same analytical procedure. The outcomes show that
47 victim complicity significantly interacts with the awareness of offering Swiss franc
48 mortgages ($b = -0.299, p < 0.01$). In line with hypothesis H3, the perceived complicity of
49 victims weakens the relationships between the awareness of a potentially irresponsible action
50 and the organisational reputation of the relevant bank. Accordingly, Figure 2b shows a flatter
51 slope for those who attribute a high level of complicity to Swiss franc borrowers than for
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3 those who attribute a low level of complicity to victims. A moderate mediation index reveals
4 that beliefs regarding the complicity of Swiss franc borrowers might weakly but significantly
5 reduce the adverse effects of consumer knowledge of offering Swiss franc loans on bank
6 reputation ($MMI = 0.039$, 95% CI : 0.008 to 0.079).
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12 Finally, we examined the moderating role of intentionality appraisals. Our analysis
13 revealed a positive and statistically significant interaction between consumer knowledge
14 about Swiss franc loans and their beliefs concerning the level of intentionality behind
15 purposefully putting consumers at high financial risk ($b = 0.454$, $p < 0.05$), as stated in
16 Hypothesis H4. As shown in Figure 2c, the awareness of offering Swiss franc loans exerted a
17 greater effect on blame attributions among those consumers who perceived the relevant bank
18 operations as being highly intentional than it did among other consumers. Further analysis
19 has also shown that the perceived intentionality underlying bank operations deepens the
20 adverse effects of potentially irresponsible operations on organisational reputation ($MMI = -$
21 0.059 , 95% CI : -0.106 to -0.025).
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42 **Discussions**

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44 This study aimed to extend our understanding of the process behind reputation damage.
45 According to the presented hypotheses, the findings show that blame fully mediates the
46 effects of CSI awareness on bank reputation. Three facets of social irresponsibility moderate
47 that relationship. Specifically, the perceived harm and intentionality of the corporate culprit
48 makes people more likely to blame a bank for the difficulties faced by indebted consumers.
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51 At the same time, the perceived complicity of consumers in the unethical selling of a
52 mortgage reduced the level of blame and subsequent adverse effects on bank reputation.
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3 Overall, these findings contribute to the literature on CSI and organisational reputation,
4 particularly within the banking industry. Scant research has been conducted in this field,
5 although there is strong evidence that bank misbehaviour causes consumers to complain
6 (Begley and Purnanandam 2021; Tosun 2020). Affected by irresponsible actions, borrowers
7 tend to move to online lending platforms (Bertsch et al. 2020), and consumers are less likely
8 to purchase the financial products of institutions that have a negative reputation, although
9 such products might be less attractive than the alternative options offered by banks with
10 positive or neutral reputations (Butt et al. 2022).
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21 First, this study advances the knowledge about the process of reputation damage.
22 Previous studies have primarily focused on the factors that hinder the outcomes of negative
23 events on corporate reputation, including philanthropic investments (Godfrey 2005), CSR
24 efforts (Peloza 2006; Arli et al. 2019; Janney and Gove 2011) and perceived corporate ethics
25 (Lin et al. 2016). This study considers blame to be a catalyst for negative effects on
26 reputation. The research has demonstrated that blame fully mediates the relationship between
27 CSI and corporate reputation. This means that people are unlikely to change their positive
28 opinion of a firm unless they believe that the particular firm is guilty. This finding helps
29 explain why companies with a record of CSI incidents do not necessarily receive reputational
30 penalties. Companies that are legally guilty typically avoid reputational penalties, excluding
31 those cases involving corporate hypocrisy (Nardella, Brammer, and Surdu 2020). Our
32 research highlights the importance of the consumer's subjective assessment of corporate
33 culpability. Thus, the mere awareness of CSI behaviour (including that of legally confirmed
34 cases) is a necessary but not sufficient condition for a decrease in corporate reputation. This
35 research shows that consumers impose reputational penalties only when they find the
36 company to be guilty.
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3 A second contribution of this study is the identification of boundary conditions for the
4 effects of CSI awareness on reputation. In line with the conceptual model of irresponsibility
5 attributions presented by Lange and Washburn (2012), our data show that perceived severity
6 and the intentionality of egregious behaviour amplify the negative effects of CSI awareness,
7 whereas beliefs about consumer complicity in irresponsible corporate behaviour reduce the
8 level of blame and its subsequent effects on reputation. While previous studies have paid
9 considerable attention to the role of CSI severity, including its impact on blame (e.g.,
10 Antonetti and Maklan 2016; Grappi, Romani, and Barbarossa 2017), the indicators of
11 corporate intentionality and victim noncomplicity in irresponsible behaviour have received
12 little attention. Most consumer studies seem to assume that CSI incidents are deliberate
13 actions, thus they do not address this construct. However, evidence shows that culprit
14 intentionality is not always taken for granted by observers, particularly when companies
15 cooperate in the supply chain (Pizzetti, Gatti, and Seele 2019). Research on a similar
16 construct, greed, showed that this perception indirectly hurts bank reputation through
17 customer satisfaction and corporate social responsibility (Caruana et al. 2018). Our empirical
18 study adds further evidence concerning intentionality as both an antecedent for blame and a
19 subsequent factor that negatively affects bank reputation.
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42 Considering victim complicity in irresponsible corporate behaviour, current research
43 shows that this construct negatively affects the reputation of those companies with the
44 weakest levels of prior corporate social performance (Nardella, Brammer, and Surdu 2020).
45 This study extends our knowledge of this construct by empirically demonstrating that victim
46 collaboration with the corporate culprit reduces the reputational penalty due to the lower level
47 of blame attributed to the company.
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55 Third, our research advances the literature on factors that create reputational risk in the
56 banking industry. Earlier studies have mainly focused on the antecedents of a favourable
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3 reputation, attaching much importance to the role played by corporate social responsibility
4 (Dell'Atti et al. 2017; Forcadell and Aracil 2017; Ruiz and García 2021; Mazzola, Ravasi,
5 and Gabbioneta 2006). Relatively little attention, on the other hand, has been given to the
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damaging effects of irresponsible bank actions (e.g., Weber, Erickson, and Stone 2011), despite the spectacular scandals that have affected this industry. By outlining how awareness of banking operations that are perceived as involving unfair terms affects bank reputation, this study helps to fill an important gap in the financial marketing literature.

Our study also offers some practical implications that arise since knowledge about the process of reputation damage could help to avoid crisis situations and be useful in designing effective communication strategies (Coombs 2007). The significant association between the perceived severity of irresponsible behaviour and corporate blame implies that a company can lessen their reputational risks by applying measures that reduce the negative outcomes of its misbehaviour. Considering the empirical context of our study, it is worth mentioning that banks have introduced several measures to support Swiss franc borrowers in Poland (Buszko 2018). Additionally, the Swiss franc FCLs were not harmful to all borrowers. Despite the long-term depreciation of the PLN, Swiss franc mortgages generated lower costs than the equivalent loans in domestic currency for those people who took them out in the years 2005-2006 and 2009-2012 (Buszko 2016b). There is also no evidence supporting the adverse effects of Swiss franc loans on the well-being or health of borrowers (Białowolski and Węziak-Białowolska 2017).

The significant effects of victim complicity in irresponsible behaviour suggest that a firm can reduce its level of perceived blame by providing people with genuine information about the affected party's involvement in the misbehaviour. For instance, in the empirical contexts of the present study, some Swiss franc borrowers took out such loans despite being fully aware of the risks. Moreover, they took this step despite not having the creditworthiness to

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3 borrow in PLN (Buszko and Krupa 2015). This means that some borrowers might have taken
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5 FCLs to bypass the strict regulations on national currency mortgages. Thus, a substantial
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7 share of borrowers might have been entirely complicit in the emergence of the crisis.
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10 Considering all these practical implications, our research suggests that open
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12 communication based on the real benefits and costs of Swiss franc mortgages might help to
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14 better understand the level of damage done to consumers and reduce the level of blame
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16 attribution.
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19 Although this research offers theoretical and practical implications, it is not free from
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21 limitations. First, organisational reputation is conceptualized as a unidimensional construct
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23 in his research. To better understand the erosion of corporate reputation, future studies might
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25 reconceptualise reputation as a two-dimensional construct that involves both competence and
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27 sympathy (Schwaiger 2004). Second, we tested the conceptual model in the context of a
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29 Swiss franc crisis in Poland. However, the factors that affect a bank's reputation might differ
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31 among different countries. For example, Ruiz and colleagues showed that CSR, which is
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33 typically considered to be a robust antecedent of reputation, might be nonsignificant (Ruiz,
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35 García, and Revilla 2016) or even negatively affect bank reputation in other countries (Ruiz
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37 and García 2019, 2021). Thus, the effects of irresponsibility attributions need to be examined
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39 in other countries that faced the Swiss franc mortgage crisis, such as Hungary.
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FIGURE 1

Conceptual model

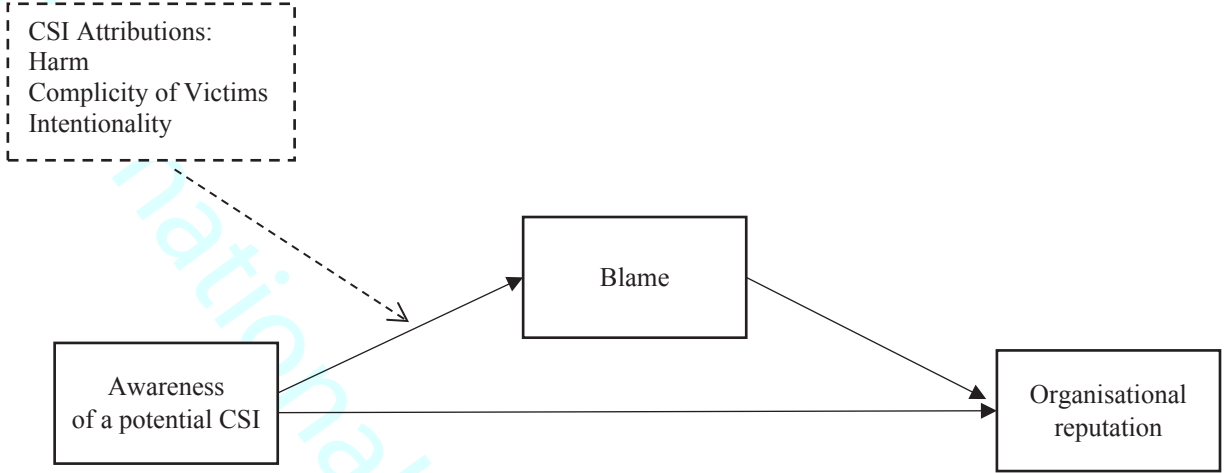


Table 1*Sample characteristics*

Variable	Number	Percentage
Age group		
18 - 29	205	20.5
30 – 39	261	26.1
40 – 49	221	22.1
50 – 59	145	14.5
More than 60	168	16.8
Place of residence		
Village	228	22.8
Town up to 50,000	226	22.6
Town between 50,000 and 150,000	168	16.8
Town between 150,000 and 500,000	198	19.8
Town over 500,000	180	18.0
Education		
Primary	26	2.6
Vocational	117	11.7
Secondary	446	44.6
Higher bachelor's degree	133	13.3
Higher masters	278	27.8
Personal financial situation		
Very bad	17	1.7
Bad	104	10.4
Not good or bad	465	46.5
Good	376	37.6
Very good	38	3.8

Table 2*Factor loadings, CR, and AVE for constructs in a measurement model*

Variable	Factor loading	CR	AVE
Organisational reputation (<i>I think that 'my' bank is ...</i>)		0.935	0.782
Not admired/Admired	0.868		
Not respected/Respected	0.907		
Not prestigious/Prestigious	0.904		
Not successful/Successful	0.858		
Blame		0.934	0.825
'My' bank is to blame for the difficulties of Swiss franc borrowers	0.934		
The difficult situation of Swiss franc borrowers is entirely the fault of "my" bank	0.924		
To what extent is "your" bank responsible for the difficulties of Swiss franc borrowers?	0.865		
Harm		0.895	0.741
Swiss franc mortgages have harmed borrowers	0.841		
Swiss franc mortgages have caused severe problems for borrowers	0.874		
Swiss Franc mortgages have been damaging to borrowers	0.866		
Intentionality		0.934	0.824
Banks deliberately granted Swiss franc mortgages	0.915		
Banks purposely granted Swiss franc mortgages	0.900		
Banks intentionally granted Swiss franc mortgages	0.909		
Complicity of victims		0.816	0.597
Customers who suffered from Swiss franc mortgages were aware of the possible negative consequences	0.751		
Customers who suffered from Swiss franc mortgages could have foreseen the negative consequences	0.806		
Customers who suffered from Swiss franc mortgages share responsibility for their situation	0.760		

Note. C.R. - Composite Reliability; AVE - Average Variance Extracted.

Table 3
Outcomes of HTMT analysis

	Org rep.	Blame	Harm	Intent.
Organisational reputation				
Blame	0.182			
Harm	0.086	0.139		
Intentionality	0.095	0.375	0.419	
Complicity of victims	0.073	0.113	0.070	0.005

TABLE 4
Summary of findings

Outcome variable:		Blame								
Moderator:	Harm			Complicity of victims			Intentionality			
Variable	<i>b</i>	<i>t</i>	<i>p</i>	<i>b</i>	<i>t</i>	<i>p</i>	<i>b</i>	<i>t</i>	<i>p</i>	
Constant	1.883	9.244	<0.001	1.829	8.945	<0.001	2.13	10.921	<0.001	
C.S.I. awareness	0.744	7.217	<0.001	0.864	8.424	<0.001	0.693	7.11	<0.001	
Moderator	-0.471	-3.081	<0.01	0.22	1.404	ns	-0.073	-0.48	ns	
Interaction	0.485	4.459	<0.001	-0.299	-2.887	<0.01	0.454	4.381	<0.001	
PLN loan	0.297	1.861	ns	0.337	2.099	<0.05	0.198	1.301	ns	
CH loan	0.831	5.089	<0.001	0.761	4.634	<0.001	0.681	4.373	<0.001	
The conditional direct effect of CSI awareness on blame										
Moderator level	<i>Effect</i>	<i>t</i>	<i>p</i>	<i>Effect</i>	<i>t</i>	<i>p</i>	<i>Effect</i>	<i>t</i>	<i>p</i>	
M – 1 SD	0.292	1.95	ns	1.14	7.943	<0.001	0.285	2.072	<0.05	
M	0.744	7.217	<0.001	0.864	8.424	<0.001	0.693	7.11	<0.001	
M + 1SD	1.195	8.61	<0.001	0.587	4.283	<0.001	1.101	8.346	<0.001	
Outcome variable:		Bank reputation								
Variable	<i>b</i>	<i>t</i>	<i>p</i>	<i>b</i>	<i>t</i>	<i>p</i>	<i>b</i>	<i>t</i>	<i>p</i>	
Constant	5.893	32.385	<0.001	5.893	32.385	<0.001	5.893	32.385	<0.001	
C.S.I. awareness	-0.025	-0.277	ns	-0.025	-0.277	ns	-0.025	-0.277	ns	
Blame	-0.13	-4.845	<0.001	-0.13	-4.845	<0.001	-0.13	-4.845	<0.001	
PLN loan	0.18	1.312	ns	0.18	1.312	ns	0.18	1.312	<0.001	
CH loan	-0.219	-1.537	ns	-0.219	-1.537	ns	-0.219	-1.537	<0.001	
The conditional indirect effect of CSI awareness on bank reputation										
Moderator level	<i>Effect</i>	<i>LL CI</i>	<i>UL CI</i>	<i>Effect</i>	<i>LL CI</i>	<i>UL CI</i>	<i>Effect</i>	<i>LL CI</i>	<i>UL CI</i>	
M – 1 SD	-0.038	-0.096	0.006	-0.149	-0.237	-0.074	-0.037	-0.082	-0.004	
M	-0.097	-0.156	-0.047	-0.113	-0.179	-0.056	-0.09	-0.144	-0.044	
M + 1SD	-0.156	-0.246	-0.078	-0.077	-0.139	-0.029	-0.144	-0.23	-0.073	

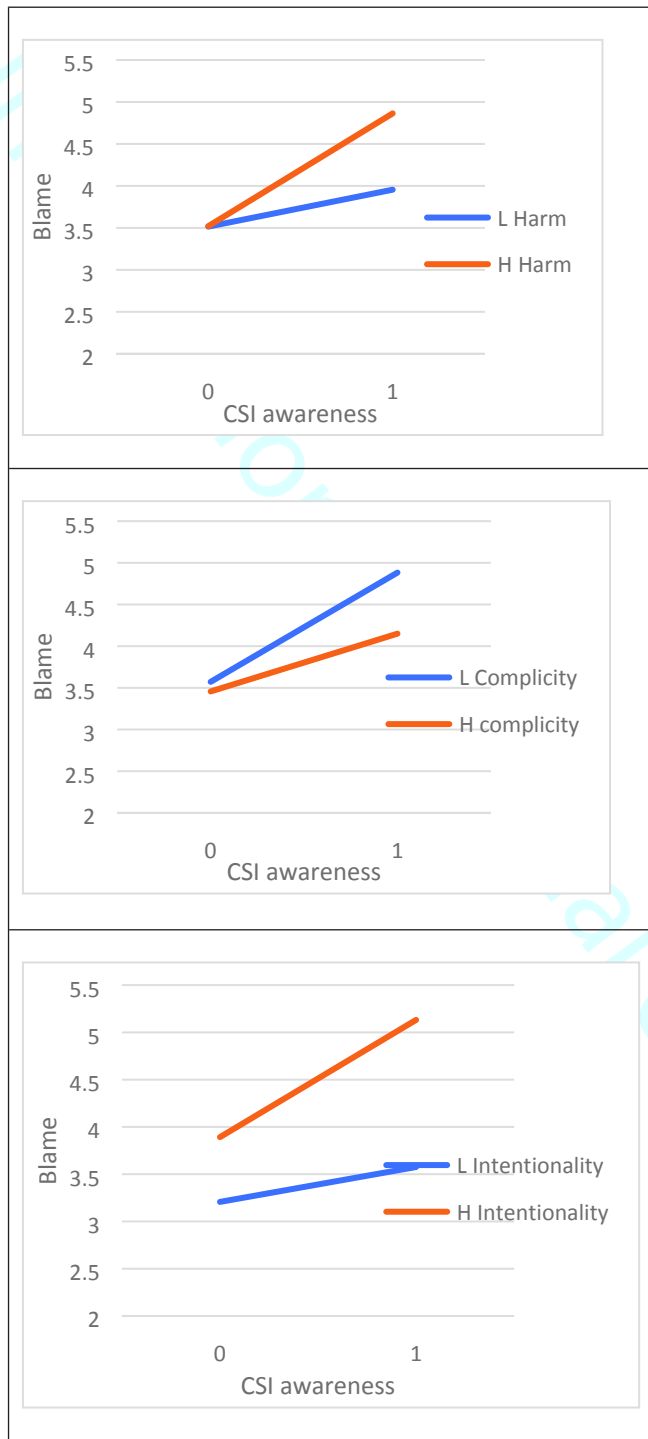


Figure 2. Moderating effects of harm, victims' complicity and bank's intentionality appraisals

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