



Bank complaints-handling procedures: Taking a customer-centric view

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On February 18, 2020, the Financial Consumer Agency of Canada (FCAC) released the results of its recent industry review of bank complaints-handling procedures. The review, conducted in response to a direct request from the Minister of Finance, assessed the complaints-handling procedures Canada's six largest banks. Examining effectiveness, accessibility, and timeliness. While the report generally found improvements at level one (the first point of contact, such as at a branch), there were still significant concerns with processes at level two (the complaints-handling function) and level three (the designated senior complaints officer/ombudsman) across all three dimensions assessed.

The FCAC believes, and we agree, that when banks provide consumers with access to a fair and efficient process for resolving complaints, it promotes trust and confidence in financial institutions. As such, enhancements to complaints-management programs are not just essential for meeting regulatory risks, but can allow banks to manage reputational risk and improve their customers' experience.

Improving the effectiveness of complaints resolution

Across the industry, banks often struggle to measure the effectiveness of their management of complaints. By carefully examining the FCAC's review, bank leaders can better understand the regulator's priorities and align their efforts accordingly. In particular, the review highlighted these key questions:

- **Organizational commitment:** Do banks show commitment as demonstrated by a culture of continuous improvement?
- **Holistic policies and procedures:** Are banks' reimbursement and compensation standards across all levels, as well as oversight and controls policies fit for purpose?
- **Resourcing:** Are banks dedicating adequate resources to areas such as technology, staffing, and training?

Throughout the review, the depth and specificity of the observations in these areas suggest they will face continued scrutiny in the future.

In addition, the new complaints-handling protocols introduced in the *Financial Consumer Protection Framework* impose tighter deadlines and more stringent record-keeping and reporting requirements. Banks that do not have the capabilities and resources in place to deal with the increased workload may struggle to meet these new regulatory requirements and as a result, face reputational risk. Banks must also seek opportunities for continuous improvement in their complaints-management framework, with the ultimate objective of reducing the number of complaints. One such opportunity includes developing their analytic capabilities so that they can, for example, use complaint data to highlight emerging issues, so that problems can be anticipated before complaints are filed.

Having robust complaint-handling procedures in place across all three levels, however, is only half the journey.

Ensuring customer access to information

The next primary observation of the review was that banks have an opportunity to make their complaints procedures far more accessible and transparent. This is especially true for processes to escalate complaints beyond the first level (for example, when a customer wants to escalate a complaint from a branch to a complaints-handling function or ombudsman).

There is also an explicit expectation that banks should be doing more to facilitate communications between the different levels of their complaints handling departments. In particular, employees should be helping the customer to escalate. In this way, they can reduce the burden on the customer of having to repeatedly explain the details of a complaint.

Robust case management tools to relay accurate and timely information across internal departments can offer vital functionality to address these concerns. Banks should also adopt a proactive mindset by exploring ways they can use data and analytics, not only to identify the challenges and barriers customers face, but also to find ways to resolve them before they become complaints.

Resolving complaints in a timely fashion

Banks generally meet the time requirements for resolving complaints at level one, but fail to reach timely resolution beyond that level. The review indicates that most of these delays can be attributed to inefficient procedures and resources, such as third-level employees not having direct access to necessary bank records and lacking the decision rights necessary to resolve a customer complaint, such as issuing a reimbursement.

To bring about quicker resolution of customer complaints, banks must consider providing second- and third-level employees with sufficient decision rights to resolve complaints independently of the business line and use case-management tools to bring transparency to complaint records that are outstanding. Banks must also provide more transparency to customers on the status of their complaints and end-to-end service-level agreements for resolution, and communicate more effectively with customers about their rights to escalate to an external body should their complaint not be resolved to their satisfaction within the required regulatory timelines.

Key takeaways from the FCAC review

The FCAC review presents the overwhelming case that banks must move beyond thinking about complaints management as a compliance exercise, and instead work toward developing frameworks that let them look at customer interactions more holistically. This is about more than an exercise in updating procedures: it's about embedding a culture of accountability that promotes customer trust and confidence in financial institutions. This will require a broader framing of complaints within the context of customer experience, rather than simply implementing changes that are compliant with the upcoming regulatory amendments.

The remarks made by the FCAC about its expectations of Canadian banks and in particular, of what the banks should do with the information they gather, reveal the true underlying message of these new protocols: banks should collect more data about customer interactions. This will not only give them an opportunity to implement continuous improvements in processes, it will also let them reduce the frictions, challenges, and barriers that customers face.

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