



# Huntswood

*“Those who fail to learn from history are doomed to repeat it.”*

*Sir Winston Churchill*



## Complaint handling and root cause analysis

### Background

Even in these times of huge regulatory change, some things remain constant. One such thing is that effective complaint handling continues to be high on the regulatory agenda.

In 2010 the FSA introduced new rules requiring firms to publish how they handle complaints in order to show customers how firms are performing. The ideal was one of greater transparency through publication of data, in turn driving up complaint handling standards across the industry. This motive was also evident within the discussion papers emanating from the Financial Ombudsman Service (FOS), with further plans to publish final decisions.

Carried out well, complaint handling represents a valuable opportunity for firms to rebuild and enhance their relationships with their customers when something goes wrong and to use that information to make changes to deliver fair outcomes for the wider customer base. This is increasingly important for firms, not just from a regulatory and reputational point of view. In a tough market, reducing the number of complaints and associated redress can make a significant difference to a firm's operating profit.

Getting it right has never been more important. In 2011 significant fines were handed out to Bank of Scotland (£3.5m) and RBS (£2.8m) as a result of poor handling of complaints. A post mortem of the final notices provides insight into where firms are failing. The key breaches related to:

- Inadequate investigation of the customer's complaint. In both cases the complaint handlers failed to obtain all relevant and reasonably available information. For example, complaint handlers did not contact customers or advisers or gather full evidence from the firm's own records when this was necessary to resolve the complaints
- Firm's instructions to their staff on how to investigate a complaint properly was limited. Complaint handlers had only an overview of complaints, with emphasis on resolving complaints within target timeframes
- Complaint handlers did not always adopt a balanced and impartial approach
- Inadequate processes to feed back analysis of complaint decisions to complaint handlers in a timely manner
- The monitoring of complaints at branch level and the resulting management information was focused on whether complaint handlers adhered to process and did not assess the quality of customer outcomes
- Correspondence failed to investigate all concerns raised by the customer and failed to explain why complaints had been upheld or rejected

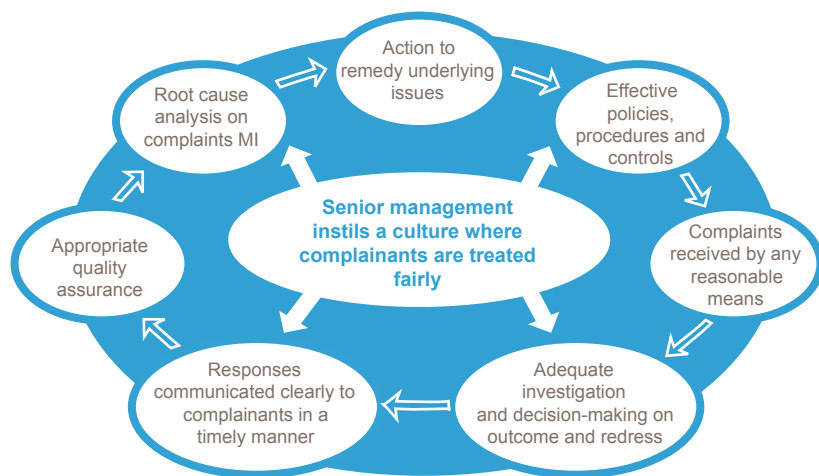
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### Where will firms need to focus attention?

Firms need to ensure that they instil a culture that drives excellence in complaint handling. This culture should be driven by senior management through:

- Regularly reviewed policies and procedures
- Comprehensive training and competence
- Fair remuneration policies
- Quality investigations and decision making
- Robust controls focused on quality rather than process.

We believe the following represents an effective complaint handling process:



### How Huntswood can help

Complaints have also been a key area of focus for Huntswood. Huntswood chairs the Financial Services Discussion Club complaint handling forum exchanging ideas and debating these important industry issues. We lead industry thought in this area and enable firms to tap into the answers MI can provide.

Through our engagement with tier one clients and our close, on going dialogue with the FSA, we are well positioned to ensure your firm is leading on complaint root cause analysis.

### Contact us

For more information on how Huntswood can assist you please contact:

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