



# 5 ways to get fined by the FCA for complaints handling

Regulated firms and preparing for FCA complaint handling rules

# Introduction

There are new complaints handling rules for Financial by the Financial Conduct Authority (FCA), these changes are the result of identifying areas that need improvement so that consumers get a better experience.

It is widely accepted there is a need improve the image - or perhaps rehabilitate - the finance sector, to restore its reputation and trust. It follows there is a need for all consumers to have a positive experience with firms in the financial services industry. However, it's important to be prepared for times when consumer perceptions are of negative experience. An exemplary approach to complaints handling provides a compliant process and helps to demonstrate the cultural change which many believe the finance sector needs.

The new rules result from a thematic review that adopted a new approach to previous ones. Rather than a 'forensic' examination of compliance and what has happened historically, this time, a collaborative approach was adopted. 15 major retail firms and five trade bodies worked with the FCA to identify common themes and barriers to effective complaint handling, as well as to explore possible solutions. Input was also sought from the Financial Ombudsman Service and consumer bodies.

One of the primary outputs of the review is the requirement to report every complaint to the FCA, not just those unresolved after the next business day, which is the current requirement. Although this period where firms can handle complaints less formally, without sending a final response letter, is increasing to three business days, there is a compelling need for the formalised complaint management process to start at the frontline, not when a complaint is referred to the dedicated complaints handling team. Quite simply, a complaints management system that is fit for purpose has to be deployed on the frontline.

Failing to have the correct systems in place on the frontline doesn't just impact the ability to meet the requirement to report all complaints. It also impacts other areas of the complaints management process, limiting the ability to meet other rules or follow guidance.

In this guide we discuss five failures that have historically been the chief source of FSA/FCA enforcement action and the likely impact of the new rules if firms fail to put in place appropriate complaints handling systems and processes.

# The need for an appropriate complaints management solution

During the thematic review the FCA clearly identified the importance of universal access to appropriate systems or tools to help manage complaints.

## Learning opportunity

*We observed that firms employ a wide variety of systems and tools to record complaints.*

*However, not all staff have access to relevant systems which had a noticeable impact on affected front line staff. For example, at one firm front line staff had to capture the key points of the complaint and forward to a centralised escalated complaints team to log on the system. This increases the possibility of incorrectly capturing the consumers concerns and may lead to inaccurate recording. Also, this process may require the centralised team to further communicate with the consumer resulting in frustration for the consumer especially if the issue was incorrectly captured at the outset.*

*Although we appreciate that firms want to keep processes simple and easy to use – especially for their frontline staff who are not dealing with complaints full-time – they must also consider the impact on the consumer of their processes. Duplicative processes resulting in repetitive conversations are undesirable for both consumers and firms.*

Financial Conduct Authority  
Thematic Review TR14/18  
Complaint handling, Nov 2014

## 1. Failure to record initial complaints

At the current time many firms do not deploy complaints management systems to frontline users. On the face of it, this is not a problem when the complaint is resolved by close of the next business day, as there is no need to report it within the same data set as reportable complaints.

However, it does create potential non-compliance with the existing rule to carry out Root Cause Analysis (RCA) of all complaints - not just those that are reportable to the FCA. From the point of view of the firm, failing to record sufficient detail related to the initial complaint is a lost opportunity to extract Management Information (MI) from the data.

Under the new rules for 2016, where it is mandatory to report all complaints whenever there is a material impact on a consumer, the initial capture of complaint information needs to be thorough, to enable accurate reporting of complaint numbers. Deploying an appropriate system prevents gaps in RCA and enables better MI.

## 2. Failure to conduct effective root cause analysis of complaints

Root Cause Analysis (RCA) is a fundamental part of the complaints management process. Effective RCA helps to identify problematical products or related issues such as poor sales or contractual documentation, or inadequate sales training.

Inadequate recording of complaints, including an inability to capture key data points is a barrier to effective RCA. The review identified firms have more work to do around RCA. There is a need to further develop root cause analysis capabilities to:

- Address the underlying reason behind the customer's complaint
- Informing the process of improving products and services

Under the new rules for 2016, there is a clear need to record all the necessary data required for effective RCA at the initial point of frontline contact through the use of a purpose-built and appropriate complaint management tool.

## 3. Failure to deliver fair outcomes when responding to complaints

Under the current rules, simply rejecting a complaint without a full consideration of the individual circumstances of the case is a clear point of non-compliance.

The desire for fair treatment of customers is considerable and it doesn't just apply to complaints - there are six consumer outcomes that firms should strive to achieve to ensure fair treatment of customers.

These remain central to what the FCA expects of firms and cover a range of issues including a firm's culture, its products and the information it provides. The review found firms have taken steps to improve their complaints handling, but they should do more to deliver fair complaint handling and consistent outcomes for all consumers.

From 2016 the FCA continues to expect firms to identify and categorise complaints appropriately, ensuring that frontline staff or specialist complaints staff are engaged at the right stage. To achieve this in an efficient and effective manner, there is a clear need to deploy the right systems to collect the appropriate data points and ensure precision when a case is escalated from the frontline to a specialist complaints handling team.

## 4. Failure to provide information about escalation of complaints

An internal process within any firm delivers a 'hierarchy' by which the concerns or issues raised by a complainant are addressed:

- Frontline staff such as relationship managers or a client services team
- Complaints teams (or in smaller firms, staff responsible for general compliance)

Currently, for cases escalated to the complaints team for settlement, the firm's final response letter, which needs to be delivered within 8 weeks, needs to tell the consumer they have the right to refer the complaint to the ombudsman service within six months. Firm's must also provide contact details, and a copy of the consumer leaflet for the Financial Ombudsman Service.

Under the new rules for 2016, all complaints settled within three business days, will have to result in a firm sending a written 'summary resolution communication' to inform the customer that they are able to take their complaint to the ombudsman service if they are dissatisfied with the resolution. Once again, an appropriate complaint handling system is an essential tool for supporting the handling of complaints within the rules and that follows guidelines.

## 5. Failure to demonstrate Quality Assurance of complaints

The current requirement is to check on the quality of complaint handling and take action where failings are identified. The thematic review revealed inconsistencies in some areas. The qualitative analysis of remediation has been called into question.

It was found some firms measure the quality of customer outcomes in financial terms, even though this may not necessarily be the best way of determining the quality of customer experience. To help ensure that Quality Assurance (QA) is meaningful and effective, there is a need for standardisation of terminology, checks and balances.

One area being tightened through QA in the new 2016 rules is the distinction between redress compensation for financial loss, and redress for material distress and material inconvenience. Inconsistency was noted both within firms and across the industry in the levels of compensatory amounts offered. A centralised complaints management system will certainly help a firm by:

- Ensuring a Quality Assurance framework is in place
- Providing a more consistent approach
- Allowing alignment across all business areas

# Why is Civica Case Management a preferred complaints handling partner to the financial sector?

Customers choose Civica Case Management because our fundamental belief is that properly executed complaint management is a strategic function. This makes a significant contribution to the quality management of products and services.

Civica Case Management also helps financial sector organisations to demonstrate a commitment to customer satisfaction that helps rebuild trust, perpetuate the good name of a firm and supports the reputation of the industry as a whole.

Civica Case Management is a turnkey solution that enables FCA compliance at every stage of the complaints handling process.

- Thematic Review Compliant - FCA rules ready
- An intuitive 'zero-training' complaint resolution interface for frontline staff
- Summary resolution communication by SMS, email or automated postal delivery
- Easy to use case management, collaboration and root cause analysis tools
- Embedded BI platform automatically generates of FCA returns and delivery of reports via email
- Supports multiple brands, different legal entities and varied product groups in a single platform
- Extensive integration including single sign on, REST API, email and social media integration
- Responsive, intuitive user interface works equally well on desktops, tablets and smartphones
- Resilient cloud infrastructure proven to deliver near 100% uptime over the past 6 years
- Our clients handle in excess of 6 million cases per year
- ISO 27001 accredited for information security trusted by major UK and US finance firms

# Author

[Michael Hill](#) is the Complaint Management Expert at Civica. Previously Michael ran his own complaint management consultancy, and is the author of two books, “Complaints management. Turning negatives into positives” and “Effective complaint management”. Also chair of the British Standards committee that designed a new complaint handling standard for the UK (BS 8543). He also represents the UK at International Standards Organization (ISO) events that debate complaint handling standards.

## About Civica Case Management

The Civica Case Management team enjoy the benefits of being part of the wider Civica group, giving us the freedom to help organisations of all types to better manage complaints and feedback, with the support and resources of a global company. Our business is the coming together of two key areas of expertise - software design and cloud architecture coupled with a deep understanding of complaint management, as both a process and the practice of consumer redress.

Our experience of system design and project management of enterprise level complaint, feedback and case management solutions in highly secure and regulated environments such as finance, local government, health and social care, central government departments and regulatory bodies stretches back over 25 years.

Our professional experience of complaint management goes back equally as long. Whether turning around customer service operations of public bodies by helping repair relationships with citizens, improve perceptions and re-build reputations; or providing the complaint management expertise to help finance operations in the UK, Europe, North America and APAC meet the demands of local and international regulatory frameworks.

Few understand how to apply technology to meet the complaint management objectives of today’s regulated environments as well as us. Critical to this is uncovering the trends within complaint data and applying it for the purpose of Quality Management and Continual Improvement. Quite simply, we’re better at Complaint Management because we love turning negatives into positives.

## Contact us

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