

CIVICA



Developing an effective financial services complaint classification system

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Introduction

Many firms, whether using a paper-based forms system for recording complaints or a more sophisticated software solution, will develop lists of 'complaint categories'. The complaint category is often developed as a one-dimensional object to combine the products and services offered by the firm with the most common causes of complaint to deliver a single list of options that a complaint handler will be prompted to select from when the details of a new complaint are being recorded (and/or used by quality assurance staff when assessing the types of complaints received during a QA activity).

Examples

Example 1: An insurer builds up over time a set of complaint categories that attempt to define both the service and nature of complaint such as:

- 'Promise not kept'
- 'Dissatisfaction with recommended action'
- 'Service not delivered to expected standard'
- 'Replacement/repair delayed or not completed'
- 'General delay'
- 'Poor service'
- 'Rudeness or attitude'

Example 2: A credit card provider defines a list of complaint categories such as:

- 'Failure to action customer request'
- 'Failure to send out a replacement card'
- 'Delay in sending out replacement card'
- 'Staff conduct'
- 'Technical problem'
- 'Mis-sold product'
- 'Documents lost/missing'

The categories or classifications described in the above example are used within each of the firms' complaint management systems. These systems have been developed to provide staff members with either a database or form (paper or electronic) to record information about the complaints received. Each list of categories has evolved from an initial list of options into a long and detailed list as users (the staff members) began requesting that new items were added to deal with 'new' types of complaints being handled.

However, a complaint is a multi-dimensional object and management information (MI) produced based on a one-dimensional approach will often fail to produce sufficient information for the relevant decision makers within the firm to initiate corrective actions or even to allow effective root cause analysis to take place. This is because the firm would need to explore and evaluate the specifics of each and every complaint file in more detail to truly understand the problems that customers had been experiencing and the underlying causes of those problems.

Using the insurance example (Example 1 above), an assumption can be made that 'Promise not kept' has been identified as a recurring issue within a management information report that has been presented to the executive management team for consideration. However, the insurer's management team will need to have a better understanding of the issues identified before allocating resources to fix the problem. Executive management will not want to make decisions based on assumptions or suggested reasoning. But the executive management team will be prepared to take action where an informed decision can be made based on sound evidence. Therefore, executive managers are likely to want to make complaint management decisions that are informed by evidence such as the subject product or service, reason for complaint, cause of the problem and the effect of the problem. Therefore, if we use the 'Promise not kept' category as our example complaint category, we can start to ask questions such as:

- What promises are not being kept?
- Are promises being completely missed or an agreed timescale not being kept?
- Do those promises relate to call backs from a contact centre, call backs from a back-office function or written communications or other offerings?
- Do those promise relate to internal provision or an outsourced provider?
- Do those promises relate to specific points in the customer journey such as sales, claims, mid-term amendments, renewals and cancellations?

If the data being analysed does not provide the answers, you will have to invest more time and resources in assessing the underlying complaint files to discover the answers to these questions. The presentation of complaint data is also important - the presented data should be clear, succinct and visual but also provide interest to the intended audience. Therefore, the collected data needs to provide sufficient detail and guidance for the decision-making process.

Regulatory requirements for classification

Sometimes, a firm's collection of complaint information can be driven by regulatory requirements. Western Australia's regulator for utility companies provides guidance on the definition and categorisation of water, www.civica.com Page 4 electricity and gas complaints. The electricity retailers are required by the regulations contained in the guidance to categorise complaints as:

- billing/credit complaints
- marketing complaints
- transfer complaints
- other complaints

These are high-level categories. The billing and credit complaints category will of course incorporate a widerange of lower-level issues: billing mistakes, incorrect billing of fees and charges, failure to receive a rebate, disconnection and reconnection problems and service restrictions due to billing discrepancies. It could be assumed that organisations in this sector will want to classify complaints in more detail than these highlevel regulatory categories require.

In the UK, the Financial Services Authority (FSA) introduced detailed rules for the handling of complaints that also require all regulated firms to complete and submit a 'complaints return', to the regulator, where they must categorise the complaints handled by both product and cause. The collected data from these submissions allows the regulator to better understand the types of problems being experienced by consumers across the various financial markets. More recent changes to these rules have also required the larger firms (those receiving more than 500 'regulated' complaints in a six-month period) to publish this complaints data, using the regulatory categories, on their websites and to report upon complaints about individual financial advisers (similar to a model developed and implemented by the Financial Industry Regulation Authority, FINRA, in the United States).

The current UK regulator, the Financial Conduct Authority (FCA), has requirements that provide for complaints to be categorised based on both a grouping category and a classification of the type of product or service that was the subject of the customer's complaint. Therefore, the FCA is able - for example - to get an understanding of not only how many consumers have complained about banking products but also how many complained specifically about a current account product.

From January 2016, these regulatory categories will be further revised to deliver even more detail for the FCA to utilise when analysing trends in the market but also when sharing information for usage by those consumers who want to compare performance in firms' complaint handling.

Product/service group	Product/service
Banking	Current accounts
	Credit cards
	Overdrafts
	Packaged accounts
	Savings (including ISAs)
	Other banking
Home finance	Equity release
	Impaired credit
	Second and subsequent charge
	Other regulated home finance products
Insurance & pure protection	Property
	Motor & Transport
	Travel
	Pet
	Warranty
	Assistance
	Medical/health
	General insurance packaged multi products
	Other general insurance

Insurance & pure protection	Payment protection insurance
	Income protection and other accident, sickness and unemployment
	Whole of life/term assurance/critical illness
	Protection packaged multi products
	Other pure protection
Decumulation & pensions	Workplace personal pensions (e.g. SIPP's, SHP's, PPP's)
	Non-workplace personal pensions (e.g. SIPP's, SHP's, PPP's)
	Trust based pensions (e.g. Occupational and DB)
	Pensions packaged multi products
	Other pensions
	Annuities (including enhanced and impaired)
	Drawdown and UFPLS
	Third way products (e.g. investment linked, variable, fixed term)
	Decumulation packaged multi products
	Other decumulation
Other investment products/funds	Investment bonds
	Endowments
	ISAs (where investment held)
	Investment trusts
	Unit trusts/OEICs
	Structured products
	ETPs

	Discretionary management services
	Non-discretionary management services
	Platforms
	Crowdfunding / Peer to Peer
	FX/CFD/Spread betting
	UCITS
	Investment packaged multi products
	Other investment products/funds

Table 1: Part A Product categories (UK Financial Conduct Authority)

However, information about the product that has been complained about will only reveal part of the overall picture to the FCA. This is because the FCA has no knowledge of the specific business activities that might be the cause of those consumers' complaints. The FCA attempts to address this by requiring firms to classify the cause of the original complaint - the business activity that is deemed to have been the cause of the problem experienced by the affected customer. Therefore, the FCA is able to understand that, using our example, consumers are potentially being affected by problems on current accounts to do with disputed charges ('Disputes over sums/charges').

<u>Advising, selling and arranging</u>	Unsuitable advice
	Unclear guidance/arrangement
<u>Information sums/charges or product performance</u>	Disputes over sums/charges
	Product performance/features
	Product disclosure information
<u>General admin/customer service</u>	Errors/not following instructions
	Delays/timescales
	Other general admin/customer service
<u>Arrears related</u>	
<u>Other</u>	
<u>Of which claims related</u>	

Table 2: Cause categories (UK Financial Conduct Authority)

Of course, many firms will define their own categories and classifications when monitoring and analysing their own complaints - often because these higher-level categories do not provide sufficient information at a business level. This is because of the limits to drilling-down to underlying root causes at this level within a firm's own complaints data when using these categories (but of course they are very beneficial to a regulator that wants to get a high-level understanding of the impact of different products and services on consumers together with an overview of consumer activity and behaviour within the regulated market).

However, identification of the business activity (the FCA's cause category) does not necessarily provide evidence as to how something is perceived to have gone wrong. For example, what are the types of problems that consumers are experiencing with the advising, selling and arranging of a current account product?

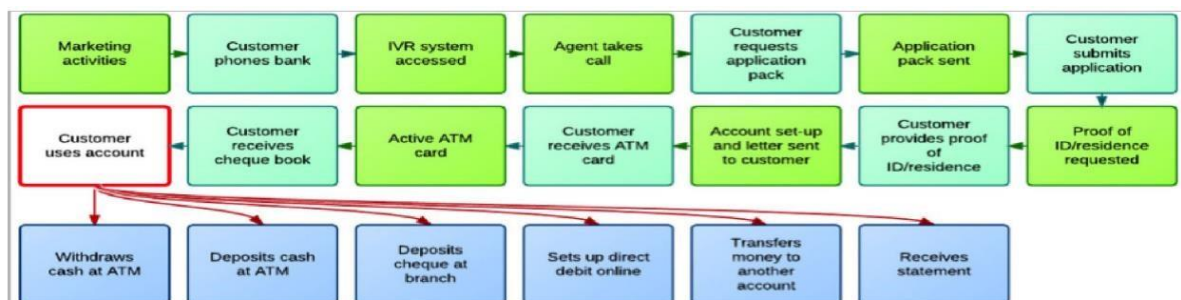
Problem v Root cause

The problem experienced with a product or service differs from the root cause. The root cause may also need to be categorised but this categorisation would need to be captured on closure of a complaint - usually following on from an investigation of a complaint. The categorisation of the root cause might focus upon areas such as 'Systems', 'Procedures', 'Human error' and so on. This differs from the cause that will often need to be categorised upon receipt of a complaint (especially where the complaint is resolved at the point of service within a contact centre or similar environment) but will focus on clear and simple perceptions of the problem experienced (such as delay, staff conduct, failure to do something and so on).

Therefore, the root cause category will then provide data that explains how the cause occurred - was the delay due to, for example, human error or systems?

Customer journey mapping

Simply knowing the volume of complaints about a specific service or product will not provide your firm with much detail about where things may have gone wrong or even why your customers are perceiving there to be a problem. Classifying complaints using a cause will provide a bit more detail but your firm will still be relying on getting customer news from simple headlines rather than getting a complete news story that will leave it with a full grasp of the issues and, importantly, allow a firm to start making its own decisions based on a sound understanding of the events described in this 'news'. We will now apply a 'customer journey mapping' methodology to our financial services' regulatory categories example. Firstly, we will need to re-classify the 'current account' complaints for each 'current account' product that is offered to customers. We will do this by identifying each of the steps or interactions that a customer may potentially engage in when purchasing (making an application) or using that product - especially where a step in that journey has the potential to cause a customer to hit a problem and express their dissatisfaction (make a complaint). A sample 'customer journey' of interactions during the process of setting up and using a current account at a bank is shown in the below.



All of these interaction steps have the potential for providing a moment where a problem may potentially occur and cause a customer to complain. The customer might experience a delay in speaking to someone in a contact centre, difficulties with the IVR telephony system, a mistake resulting in a loss of documents or failing to receive the ATM card (and so on). From the firm's perspective, all of this should be viewed as useful information if they want to improve upon the overall customer experience and deliver more efficient processes and systems for their customers - and staff - to use. However, from a regulatory perspective, consideration also has to be given to whether or not the problem had any material impact upon the affected customer. If not, such as a customer stating dissatisfaction with the choice of hold music, the complaint will not need to be reported to the regulator.

<u>What</u>	<u>Where</u>
<u>Standard current account</u>	Product information – website
	Product information - contact centre
	Apply for account
	Apply for account - proof of ID and residence
	Account set-up - provide card
	Account set-up - card activation
	Account set-up - provide chequebook
	Account usage - ATM withdrawals
	Account usage - ATM deposits
	Account usage - ATM balance enquiries
	Account usage - monthly statements
	Account usage - online access activation
	Account usage - online access
	Account usage - direct debit set-up
	Account usage - direct debit payments
	Account usage - direct debit cancellation
	Account usage - standing order set-up
	Account usage - standing order payments
	Account usage - standing order cancellation
	Account closure – request
Account closure – confirmation	

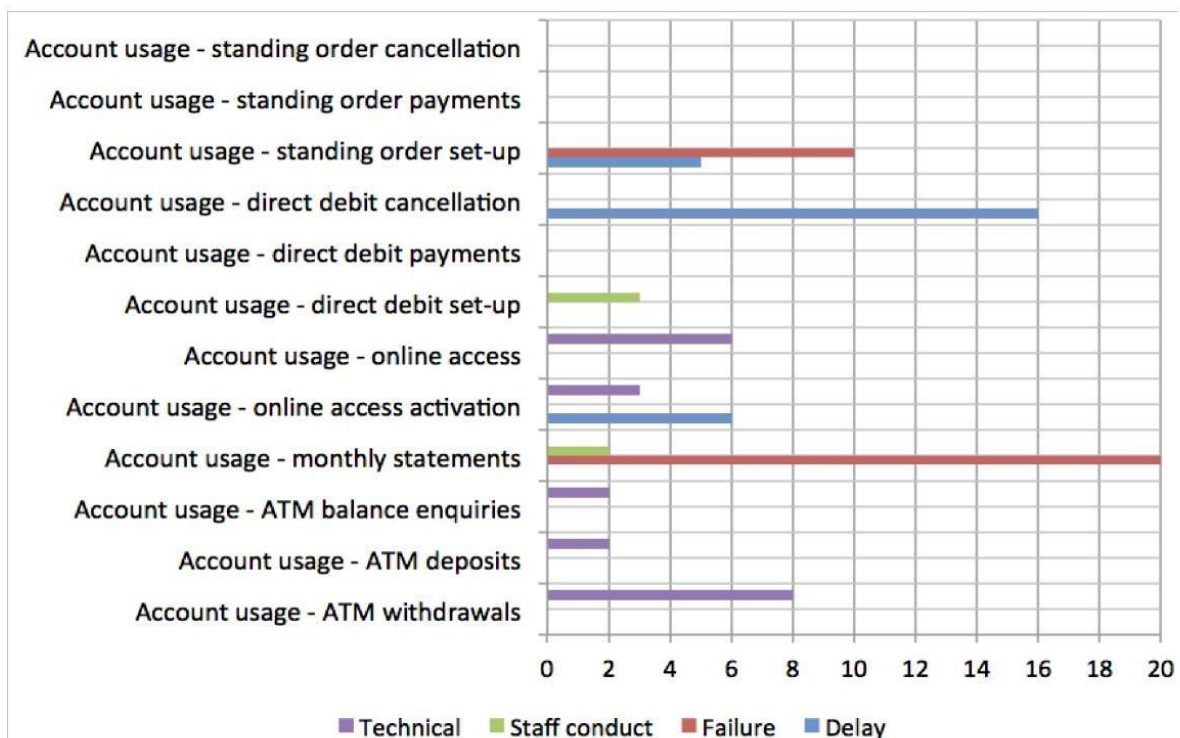
However, although this now provides better understanding about what went wrong and where it went wrong, you will also need to gather information about how it went wrong - the perceived cause of the complaint.

<u>'How' classification</u>	<u>Description</u>
<u>Delay</u>	Customer reports a delay (such as a delay in receiving a chequebook)

<u>Failure</u>	Customer reports a failure to do something (such as the chequebook was not received)
<u>Quality</u>	Customer reports a quality problem (such as experiencing problems when trying to use the ATM card)
<u>Suitability</u>	Customer reports a problem with the suitability of the product or service - this could occur at various steps of the journey because the customer may not realise that the product/service is unsuitable until they start to make use of the product or service)
<u>Staff conduct</u>	Customer reports a problem with staff conduct (such as perceiving a lack of customer care by a member of staff)
<u>Technical</u>	Customer reports a technical problem, such as with a ATM machine, web page or mobile phone app.

The benefit of incorporating the cause within the service or product classification is that you can easily analyse causation trends across your services and products. For example, you could analyse how often and where, within the customer journey, delays occur whilst also cross-referencing where customers become dissatisfied due to other problems, such technical problems or staff conduct.

The more that the bank understands what goes wrong, where it goes wrong and when it goes wrong



(based on the time-line of the data being considered - such as the date range of the complaints received) compared against how it goes wrong (and how many times it went wrong - obviously, based on relevant the complaint incidence rates), then more informed decisions can be made when improving processes and policies from the root cause analysis of complaints data. Therefore, detailed but clear classification - making sure that complaint handlers have clear understanding of how to simply select the right classifications when capturing details of complaints provides valuable management information that is more easily integrated into decision making processes across your business.

<u>What</u>	<u>Where and how</u>
<u>Standard current account</u>	Website - Unable to access product information [technical]
	Website - Incorrect product information [quality]
	Website - Unhappy with layout of product information [feedback]
	Contact centre – Incorrect information provided by agent [quality]

<u>What</u>	<u>Where and how</u>
<u>Standard current account</u>	Contact centre - Time spent waiting to speak to an agent [delay]
	Contact centre – Cut off when speaking to an agent [technical]
	Contact centre – Agent was rude/aggressive [staff conduct]

If causation analysis identifies, for example, that customers are regularly reporting that product information is misleading, you will probably need to action a review of product literature to make sure the relevant information is presented more clearly. This is where effective causation analysis of complaints data provides separate opportunities for learning and improvement compared to those activities focused on addressing issues raised in individual complaints. If you focused solely on learning from individual complaints, responses to individual complaints may have apologised for any confusion caused but found that product information was probably sufficient and did not require change - but if causation analysis of the data presented a sudden surge in complaints about this problem across the business, the strength of the argument for change based on the customer experience is much greater.

This approach to causation analysis also allows you to also remove 'blame' (where someone gets the blame because of their personal involvement in the interaction that caused the complaint or where a manager gets blamed for increases in complaints) and focus on identifying the causes related to processes, systems, www.civica.com Page 12 policies and unwritten rules that drive behaviours within your business. Those firms that focus on the actions of the people involved often reduce complaints but not customer problems - because 'blame' drives staff members to 'hide' complaints. However, reduction and elimination of complaint causes by analysis of process and other non-human elements does deliver a better customer experience and engages employees. This is because complaints are visibly and positively changing the way things are done without the negativity of blame being laid and associated with customer feedback.

Classifying outcomes, root causes and corrective actions

We have now examined some of the useful data that can be collected, classified and categorised during the receipt and handling of a complaint. However, further opportunities to collect data also occur when closing down a complaint following a response to the complainant.

We may, of course, want to record the outcome. Some regulations will require specific outcomes to be recorded (such as upheld, partly upheld and not upheld) but the objective must be to identify outcome categories that reflect the culture of the firm. Therefore, some firms may prefer capture whether or not they agreed with the customer's complaint or even whether or not they were able to resolve the complaint to the customer's satisfaction. Others may prefer to record whether or not they were capable of resolving the customer's complaint. Some may decide to record whether or not the complaint was justified.

However, do consider the potential wider impact of outcome categories on the staff attitudes towards complaints. The use of terms, such as 'justified', may cause staff to consider that a customer was not justified in making a complaint. However, we should always consider that a customer has the right to complain whenever they perceive that something has gone wrong and therefore we can argue that they are always justified in making a complaint. You will then agree or disagree with the substance of the complaint.

Classifying the underlying cause - the root cause - and the corrective actions

Categorising the outcome on a complaint will only provide a simple answer to questions about how complaints are resolved. This simple category does not, for example, provide information about any underlying cause identified during the handling of the complaint or corrective actions and preventative actions that may have been or are to be initiated by the complaint handler.

We have already mentioned how the perceived cause of a complaint differs from the underlying root cause. A root cause of the complaint may be identified during the handling and investigation of a complaint and can provide useful information to your firm.

<u>Root cause</u>
Systems
Process
Resources
Human

The corrective actions that may be initiated by the complaint handler to remedy the complaint may be linked to the underlying root cause (such as raising a corrective action to rectify a problem identified in the firm's terms and conditions or requiring further training to be delivered to staff members to prevent recurrence of human errors within the process).

Some complaints may also require a financial remedy - the payment of compensation or redress to put things right and/or the value of any non-monetary benefit that may have been provided (such as replacement product, gift, voucher and so on). Of course, we will want to know the amount paid or offered (and this information may also be held within the relevant financial systems that you use within your firm) together with the reason(s) for paying the redress.

<u>Example redress reasons</u>
Goodwill
Refund
Reimbursement
Compensation (for distress and inconvenience)

Summary

Ideally, you should be aiming to use complaint information to deliver greater insights into the customer experience at each step of the journey that customers take when purchasing or receiving a service or product. 'Customer journey mapping' is a very useful method that you can use when categorising and

classifying complaints - helping you to achieve both an improved analysis of the causes of customer complaints and drive a better understanding of the key 'moments of truth' within customer interactions with your firm's operational areas.

However, it will also give you the opportunity to promptly identify emerging issues and increase the value of customers' feedback to your firm - quickly identifying and correcting emerging problems will protect any firm from incurring the significant costs associated with handling a problem that has festered and grown due to a lack of care and attention.

You should also consider how you to present your complaints data to different audiences within your firm. A telecommunications company changed how they presented board-level management information on complaints to focus on 'customer stories' rather than relying on simple statistics about the volumes of complaints. The company presented information on 'Alerts' - potential issues that required Board support for quick resolution - and the 'Reasons' - the detail about customer stories that highlighted the journeys and emotions encountered in complaints. These 'Reasons' being collated from the classifications used by the company's root cause analysis team.

You may also further enhance your analysis of complaints by combing your data with data collected during periodic surveys or other customer research programmes. Customer survey data can, for example, indicate the incidence of problems caused to customers whilst your complaints data will indicate the likelihood of your customers to complain when specific problems are experienced - and assess the impact on the satisfaction, loyalty and advocacy of those customers.

How Civica Case Management helps to deliver effective complaint classification schemes

However, information about the product that has been complained about will only reveal part of the overall picture to the FCA. This is because the FCA has no knowledge of the specific business activities that might be the cause of those consumers' complaints. The FCA attempts to address this by requiring firms to classify the cause of the original complaint - the business activity that is deemed to have been the cause of the problem experienced by the affected customer. Therefore, the FCA is able to understand that, using our example, consumers are potentially being affected by problems on current accounts to do with disputed charges ('Disputes over sums/charges').

Civica Case Management is a complaints and feedback management solution that provides in-built functionality to support multi-tiered, product specific classifications and also allows each classification to be mapped to relevant FCA product and cause codes. This means that end users have no need to concern themselves with selecting a regulatory code – the software handles this and based on how the complaint is classified, calculates whether or not the complaint is reportable and if text referring to the Financial Ombudsman Service needs to be inserted into correspondence produced on the relevant case file.

The system also includes the FCA return as standard and allows thresholds to be defined for classification schemes – allowing the system to email key people in the business when a certain number of complaints about a specific category are received within a specified reporting period. In addition, the system provides in-depth analysis of trends, based on complaint categories, root causes, outcomes, redress payments and much more, with support for drill-down to specific case details and the plotting of data on geographical maps.

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

Phone +44 (0) 3333 214 914

Email casemanagement@civica.co.uk