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*13<sup>th</sup> March 2015*

Samuel Condry  
Strategy and Competition Division  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

Dear Mr Condry,

Aptean Respond is the leading provider of complaints and feedback solutions to the United Kingdom's regulated Financial Services market. In comparing the Aptean Respond customer list with the Financial Conduct Authority's (FCA) firm level data for complaints, it is our understanding that the solution is used in over 50% of consumer finance complaints activity. It is within this context that Aptean would like to highlight to the FCA areas of concern, as well as positive points, about the recent consultation paper (CP14/30). The majority of our input comes from our recent Financial Services User Group meeting that focused upon complaints handling.

On March 5<sup>th</sup> the Aptean Respond customer base met in London at the British Bankers' Association to discuss the challenges for the industry in 2015. The Complaints Handling Thematic Review was a core part of the day which included a peer group session where complaints managers were given the opportunity to discuss and debate five topics. The topics debated were:

- Defining a complaint;
- Recording all complaints (all reportable) and the proposed 3 day rule;
- Changes to reporting complaints to the FCA and internal reporting changes;
- Summary Resolution Communications;
- Change Management Plans – notably 1 year from now being the launch date for any changes.

While Aptean recognises that it is not a Financial Services provider, we do believe that we hold a unique position where we represent the concerns of a significant customer base and share of the regulated market. On this basis we offer collective feedback that we hope adds value to the consultation process.

It was notable that the group recognised the driving force of the paper to be helping customers obtain a fairer level of service. Without exception, the User Group attendees are looking forward to improving service levels, but with this come some concerns. These concerns are mainly around:

- Practicalities at the front line;
- Fairness across the industry;
- Timelines for implementation;
- Clarity around the Financial Ombudsman Service's (FOS) view of 3 day complaints.

The User Group's input is as follows.

### **Defining a Complaint**

In reaction to the proposed changes, firms that currently over record told us they will now more closely scrutinise what is material within a complaint, but fear this will lead to non-customer lead handling of simple issues as their front line staff will have to slow down to work out materiality rather than the matter at hand.

The FCA chose to refuse to move to a wider definition of a complaint, namely that of "any expression of dissatisfaction". In discussions, it was found to be common place with approximately 40% of firms using the "any expression of dissatisfaction" definition due to fear of missing a complaint and being held accountable by the FOS. This was seen as a much more serious eventuality than the over recording of complaints; firms feel that they provide a higher level of customer service by over recording instead of purely recording based on the FCA's definition. It was noted that the FCA's wording within the consultation paper made it very clear that training front line staff to correctly recognise a complaint is a current obligation and not a future intent.

However, the majority of firms recognise that additional training will be needed for front line staff to handle formal as well as informal complaints which will have to be managed in line with departments removed from the complaints function. To assist the need at the front line, firms are planning on launching online packages for non-complaints staff, hosting workshops, training days and implementing triage teams to assist front line staff, with the latter being a costly addition to head count costs. In addition to this, many firms will continue to record all negative comments regardless of materiality as this is in line with Voice of the Customer undertakings.

In relation to the wider environment, firms are concerned that the semantics of materiality are a matter of personal opinion of the complainant, the call handler, the firm and the wider industry. Almost across the board, firms are concerned that this may lead to inaccurate reporting by peers in a drive to appease positive marketing; without real clarity behind the definition the fear is that some firms will be obscure about complaints with those operating the least consumer friendly interpretations coming out statistically as better firms. One firm could have a large volume of complaints but handle them extremely well, while another may have much smaller numbers but handle them poorly. In a comparison table of complaint numbers that foregoes the contextualisation, this will not be taken into account.

### **Recording all complaints (all reportable) and the proposed 3 day rule**

The majority of firms already record all complaints for internal reporting purposes in a scaled down format and often using different tools to those used within the complaints functions. It was noted within the Thematic Review that the FCA discouraged handoffs between departments e.g. front line staff taking some details and passing them onto a central complaints teams that then need to contact the customer to elicit further information. Many firms are not using a single solution and are unsure if that is the recommended operating model from the FCA.

In any event, changes will need to be made to capture informally handled complaints more thoroughly. It is here that the FCA may find a counterproductive point in that firms that currently allow front line staff to handle informal complaints are hesitant about allowing the same individuals to have the final say over a complaint in the more formalised regime. Complaints managers already

seek out more skilled staff to converse and correspond with complainants; this is a critical point within the customer's journey and basic spelling errors can damage the relationship. By opening up non-verbal channels, the ask is then perhaps too high for the labour pool that exists at the costs permissible to not warrant price increases. Added to this is the issue of FOS referral rights and the complexity of complaints handling which goes beyond a training package. For these firms there is the consideration that no complaints will be left at the front line unless the FOS provides clarity on how it will review a Summary Resolution Communication (SRC) in comparison to the current formal process. Specifically, will the FOS use the SRC to evaluate cases and what additional input, if any, will be allowed?

It was noted by high contact level firms that the luxury of 3 days to handle a complaint will simply be unworkable for staff at the front line. Specifically in an inbound call centre that operates queuing systems to handle a constant flow of enquiries, the front line staff are not in a position to stop taking calls, contact other departments, access 3<sup>rd</sup> party documents, form an opinion and revert to the customer. Doing so would require a swelling of numbers on the front line which will result in increased costs and those costs having to be met by consumers, or if head counts cannot be increased, the result will be a backlog of calls waiting to be handled leaving customers unhappy with wait times and an increase in abandoned calls.

Firms also talked positively about the addition of triage teams; these being hotlines to the complaints team or complaints staff on the shop floor, who are on hand to quality assure the front line staff's decision making and to take on more complex but straightforward complaints. There was still an overriding sense of fear that front line staff cannot know the nuances of complaints management and that having a 3 day cut off point on FOS referrals may mean that firms err on the safe side and push complaints to the complaints team regardless, at the cost of a speedy resolution for customers and contrary to the objective of moving to a 3 day informal period.

### **Changes to reporting complaints to the FCA and internal reporting changes**

With all complaints becoming reportable and the use of both formal and informal categories, many would like to know how firms moving from sub 500 complaints per half year to in excess of 500 (as now the whole number becomes reportable) will be handled.

In regards to the publication of complaints against sales comparators, firms expect the first iteration to be problematic and require further insight as to defining a sale; for instance a pension will exist for years but a loan may last just one year, is the pension one sale every year or a single sale in the first year?

### **Summary Resolution Communications (SRCs)**

Greater clarity is required as to the content of an SRC. Firms are not clear what detail, if any, they are expected to include, what limits will be in place and how thorough a reply is possible or needed if FOS referral rights are given. The current final response letters are generally seen as a central tool by which the FOS judges the firm's handling of a complaint. Will an SRC be seen in the same light? The current material marshalled for a non-reportable complaint, the future 3 day proposal, is not sufficient to defend against a FOS referral. In order to support the decisions made within the SRC, data will have to be captured, worked through and then reasoning given if the FOS does not give firms the opportunity to explain an SRC in more detail. Firms are also concerned that, after an informal complaint has been resolved and a final

response sent, a customer may backtrack on their satisfaction with the outcome in order to escalate the complaint and receive more compensation.

The cost of replying via letter was cited by many as a concern with internal discussion needed about cost centres to take the burden. Additionally, front line staff replying via letter raises a concern about quality standards: this would involve a quality assurance process as first point of contact staff generally do not have the training to write detailed response letters, amounting to an increase in workload and delays in the initial recording of complaints.

An unintended consequence with advertising FOS referral rights early in the process may be to revert to a two stage process. This will depend on how the FOS views referrals that have only received an SRC, if they initiate the arbitration service the FOS themselves could be inundated or more practically ask the firm to be more thorough, review their resolution and thereby create a two stage process.

A common statement by firms is that they use the method of inbound communication as the method of reply. Many are favouring a traditional letter based reply via batch processing compared to electronic means, especially those that do not provide online accounts for customers. Text message based SRCs were the least popular with fears including the quantity of characters allowed in older handsets (many customers do not have smart phones), the time that the mobile network actually delivers the text message (if out of signal range, would the phone's message alert tone sound at 2am when it finds a signal) and the potential costs the customer would incur by following links within a text.

### **Change Management Plans**

Clarity on the proposed implementation timeline is required, the consultation paper references 2 years from now (now being the issue of the paper, hence implementation by March 2017) with a further statement explicitly stating March 2016. A detailed breakdown of which amendments to the rules are required to be implemented by when will avoid any ambiguity.

Notably, the planned March 2016 roll out of changes falls within a reporting period. There is concern that this will lead to an expectation of firms to act and report on two different regimes, which would be unmanageable.

There is, however, far greater concern that the FCA has underestimated the lead time firms require to change how they operate. Changing phone numbers can be a technological flick of a switch, but changing working practices which means increasing full time equivalent staff numbers, reallocating staff to other departments, introducing new software and rolling out training schemes, all of which require planning, budget and action time. Firms are concerned that the proposed changes will in fact require action by Q3 2015 but as we are at the end of Q1 with no definitive changes to work with, they are completely unable to provide a business case to their respective boards to progress with these changes.

Until the FCA confirms which changes are going to come into force, firms can only guess what they will need to do and when.



Firms would also like reassurance that the FOS will be capable of picking up SRC cases as the industry expects FOS referrals to significantly increase due to the removal of the cooling off period and the overt promotion of FOS rights to all complaints within the SRC.

### **Cost Neutral Proposal**

The changes were described within the consultation paper as being cost neutral to firms, but the reality is different. Taking the SRC as a case in point, written communication is a more expensive channel compared to the current verbal resolution for non-reportable complaints. Front line staff do not have the skills to provide written communications and written communications take far longer to provide than the current verbal ones. To meet the demand it is likely that new staff will be required, typically the most expensive item on a balance sheet, and such costs will inevitably be passed onto consumers. The changes may be neutral to firms, but not consumers. Consumers will be picking up the ultimate costs.

### **CLOSING STATEMENT**

The firms present at the Financial Services User Group are now awaiting the final decision from the Financial Conduct Authority as to what changes they need to make and, most importantly, when.

Aptean is already looking into the proposed changes in order to ensure our solution is ready to handle the demands placed on the Respond customer base. Please feel free to contact myself and the Respond team at Aptean if you have any follow up questions.

Faithfully,

Duane George

Respond Product Director, Aptean

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