

THE FCA'S COMPLAINTS HANDLING THEMATIC REVIEW: ROOT CAUSE ANALYSIS AND THE FRONT LINE

ABOUT

In September, 2013, a thematic review into complaints handling was announced by Linda Woodall, Director of the Mortgage and Consumer Lending Subdivision at the Financial Conduct Authority (FCA). Fifteen financial firms took part in this review which aimed to discover barriers to effective complaint handling and whether organisations were putting their customers at the heart of their business. The FCA released their findings from this review on November 17th, 2014, which showed that although improvements have been made, the participating firms still recorded failings across each of the five stages of complaints handling:

- Identifying a complaint
- Recording a complaint
- Internal reporting of a complaint
- Provision of redress
- Carrying out Root Cause Analysis

More specifically, these failings included the application of DISP rules, cultural and operational barriers and, importantly, barriers preventing the root causes of complaints from being effectively investigated and corrected.

ROOT CAUSE ANALYSIS

An extremely important tool, Root Cause Analysis is essential in ensuring problems do not reoccur for customers. It drives change across all areas of a business, improving the experience for the customer and saving costs where processes are improved. Positively, the participating firms have been able to provide the regulator with instances of improvement as a direct result of Root Cause Analysis, but the FCA also stated that “firms have more work to do to develop their root cause analysis capabilities to both address the underlying reason why customers have complained, as well as driving product and service improvements.”

IMPROVING PROCESSES

The entire process of complaints handling from initial capture through to the Final Response Letter has an impact on Root Cause Analysis, and this process begins at first point of contact. The FCA found barriers to firms’ effective handling at first point of contact; more specifically “inconsistencies in their identification and recording of complaints.” To tackle this, the FCA suggested that firms should consider if all first point of contact staff had the necessary access to their firm’s complaint system to record the full story of a complaint. If the initial information about a complaint is incorrectly recorded, any investigation into the root causes will have no value.

The FCA also recommends improving the categorisation of complaints, as well as the IT systems which record them, which will combat inconsistency and make Root Cause Analysis much more efficient. If a firm has hundreds of categories by which to record an initial complaint, it will be impossible to spot trends across products and services. Fewer categories will produce much more meaningful and actionable analysis.

DRIVING CHANGE

Looking deeper, “greater consideration of tactical and strategic root causes for customer complaints” is something that the FCA thinks still needs to be addressed. All firms were able to demonstrate discovering and correcting operational causes such as problems with products or services, but fewer were able to

show they were acting upon causes which affected their business processes or culture. These strategic causes may be more time consuming to correct, but when improved, the cost benefits will be numerous.

One important strategic cause is ensuring the results of Root Cause Analysis are distributed business-wide: something the regulator discovered was not always happening. If a cause reaches all areas of a business but corrective action is only implemented in one, the root cause has not been solved and more customers could still be affected. A centralised system would help in this regard to consolidate silos, make sure information is efficiently recorded and truly put the customer at the centre of the business.

THE SOLUTION

To support improvement, the regulator suggests that all firms under its remit consider “whether their systems and processes could inhibit accurate recording of complaints (and further consider how this impacts on their ability to conduct Root Cause Analysis)” as well as “considering their approach to Root Cause Analysis - focusing on the observations made here.”

Improving processes which support Root Cause Analysis, including complaints software, will not only ensure regulatory compliance but will assist with customer retention. If issues are stopped before becoming widespread and are rectified quickly, customers know their complaints have been listened to and their interests are at the heart of the business.

Aptean’s Respond is the market leading Complaints and Case Management software in the UK Financial Services industry, helping many organisations realise the benefits of Root Cause Analysis through supporting the complaints process from start to finish. Respond Case Agent users are able to analyse complaint information logged by the front line staff and pick up any common themes or trends, and an out-of-the-box template allows the root cause to be recorded within the system.

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