



FIVE COMMON MISTAKES BUSINESSES MAKE WHEN HANDLING COMPLAINTS

With CFPB fines on the rise, avoiding these errors could save your company millions

WHITEPAPER

Formed in 2010 as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Consumer Financial Protection Bureau (CFPB) has been tasked with providing regulation, supervision and ultimately enforcement for the betterment of U.S. consumer affairs in the financial industry. The CFPB oversees banks, credit unions, mortgage and lending companies, securities and wealth management firms, foreclosure and debt collecting services, among others.

The CFPB elicits complaints from consumers to ensure those with a problem have a guaranteed way of finding a resolution. Both for transparency and a likely incentive for improvement, complaints made to the CFPB are made public for anyone to search. Consumers also have direct access to the complaints made about a given company. The CFPB creates, governs and enforces compliance requirements, that if not followed will ultimately lead to substantial fines. Both high-profile names and local firms are feeling the CFPB's reach.

Is your business at risk? Do you know what you need to do in order to protect your business from non-compliance? What mistakes might your business already be making that would be caught in a CFPB audit? Aptean has created a list of the top five mistakes you could be making when handing complaints.

1. DISCOURAGING COMPLAINTS OR BRUSHING THEM UNDER THE RUG:

The majority of unhappy customers (research shows around 96%¹ in the financial service industry specifically) don't file complaints, and of those, 91% would rather leave and never come back than try to resolve the issue. This means currently, you are only hearing from about 4% of your unhappy customers. Although complaints can sometimes be hard to handle, you should be encouraging your customers to send them directly to you. You should also be aware of all channels on which you receive complaints and feedback – phone, emails, handwritten, social media, etc. With more and more customers doing their financial business online, it is important that your business expand on all channels to raise complaints.

Complaints can be one of the biggest assets of valuable feedback to help your business improve its interactions with customers. Complaints are opportunities to both gather feedback and further engage customers, which can increase loyalty and brand perception. However, you need to understand in further detail why the CFPB wants you to capture complaints rather than discourage them in the first place:

- You should be aware of customer concerns about the services and products you provide and make changes accordingly.
- If you don't capture the vast majority, if not all of your complaints and you don't manage and track them in a consistent manner, how will you know whether or not the number of complaints and feedback you have is significant? When looking at the percentage of complaints you receive, unless you track 100%, how will you ever know whether or not your feedback is statistically significant?
- Finally, CFPB wants to be ahead of the curve with regards to systemic complaints. If your customers aren't complaining, they may still have reason to complain but are just choosing not to voice their opinion. Systemic issues often bridge to other companies as well. CFPB wants to identify systemic issues at an industry level.

2. HAVING NO PAPER TRAIL:

Audits and investigations form part of the CFPB's supervisory responsibilities. What if the CFPB approached your company today for an audit of current customer complaints handling processes and metrics – would you be confident in delivering all of the required information? Whether they are looking for specific evidence or taking a random sample, the CFPB will ask for complete case files during an audit. They will be looking for original data.

Do you know how long it would take to backtrack your cases and complaints and validate the processes in which they were handled? Prior to implementing a case and complaints management solution, a customer was asked during an audit by their financial regulator to provide 50 complete case files. Because they did not have a system in place, this process took two people five full days to compile all of the information and ensure its accuracy. With a solution in place, it was estimated they would have spent approximately 20 minutes gathering the files and showing proof of a paper trail.

3. INCONSISTENCY – NO WRITTEN POLICIES AND PROCEDURES FOR MANAGING CUSTOMER FEEDBACK:

Do you have a step-by-step process in which you handle complaints as they come in? Even more so, is your team following the process? Or are you simply handling complaints on a case-by-case basis and hoping for the best?

During an audit, the CFPB will look for actual written policies and procedures for managing customer feedback. While you may have these procedures written in place somewhere, the CFPB also wants to ensure that your business is following these policies, leading us to the next major complaint handling mistake.

¹ Resource: [Beyond Philosophy: The Value of Complaints](#)

4. LACK OF INTERNAL COMMUNICATION AND TRAINING:

Having your process in place is a great first step. It shows that you took the time to establish a best practice for complaint management. If your team is not properly trained on how to use this process or chooses not to abide by the steps, the CFPB will notice during an audit.

However, it doesn't just stop at one training class. People make mistakes, it's inevitable. We often try to cut corners to get something done faster and easier. Cutting corners breaks the process. A good case and complaint management solution should reinforce your training and ensure that your employees complete certain actions and capture data at specific points in time based upon your established policies and procedures. Processes mean nothing if they are not being followed. If your team works like a well-oiled machine when handling each complaint that comes through, not only will you keep the CFPB happy, but you'll increase the likelihood for gaining more customer loyalty and brand equity.

5. NOT HAVING A COMPLAINT MANAGEMENT SYSTEM IN PLACE

Finally and most importantly, all of the complaint handling processes you've developed, along with your promise to maintain customer loyalty means nothing if you don't have a proper complaint management system in place. It cannot be said enough that for all the best intentions in the world, people can and will make mistakes. Processes break. Negative customer experiences are inevitable.

"If the whole point of our regulations is to protect consumers and promote fair, transparent, and competitive markets, then we should care about how well the rules are understood and implemented, how operational issues can be more easily addressed, and the amount of effort required. And we have shown that we do care deeply about those things."

Richard Cordray, Director of CFPB

"The CFPB is looking for a complaint management process that supports complaint escalation, ensures engagement and response, and meets customer expectations." A case and complaint management solution should work like the minds of your customer. Having a bullet proof system will help your business stay proactive and make a CFPB audit pain free now and into the future.

Regulatory rules and guidance are meant to serve as a baseline to ensure that everyone is on the same playing field. They are meant to protect consumers, not tear down your business. In fact, proper adherence to CFPB guidelines will almost certainly ensure that your business is running more smoothly from your customers' perspective.

Don't let the threat of CFPB scare you out of business. Instead, avoid the mistakes above and you'll have a much smoother audit, loyal customers and a positive brand reputation for years to come. And no one can complain about that.

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