



GET AHEAD OF THE CFPB

Turning Complaints into Compliance

WHITEPAPER

Another year, another set of compliance requirements. While it may feel that way for financial institutions, working toward meeting those requirements is beneficial. With a focus on communicating regulatory priorities, sharing compliance insights and signaling areas of exam focus, the Consumer Financial Protection Bureau (CFPB) helps to provide a framework for protecting your institution's future.

WHAT IS THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)?

Formed in 2010, the CFPB has been tasked with providing regulations, supervision and ultimately enforcement for the betterment of U.S. consumer affairs in the financial industry.

The CFPB fields complaints from consumers to ensure those with a problem that needs solving will be heard and have a guaranteed way of finding a resolution to their complaint. Complaints made to the CFPB are made public for everyone to search. Through the CFPB, consumers also have direct access to all other consumer complaints about financial services firms.

WHAT IS THE CFPB LOOKING FOR?

1. Your company's complaint resolution process

(and how well your employees are trained on this process):

- i. Whether or not your organization has a complaint management system in place
- ii. The process for monitoring and tracking complaints and issue escalations
- iii. Application of root-cause analysis
- iv. How complaints are resolved and feedback is managed
- v. Your company's written policies and procedures for managing customer feedback
- vi. Internal communication and training

2. Proper consumer risk management in financial markets:

The CFPB has developed a risk-based prioritization program in order to improve overall efficiency. It is their priority to make sure all complaints are being handled and used to mitigate future risks to your business.

3. Consistency:

The CFPB compares policies and procedures to actual practices by reviewing a sample of transactions. Having updated records is crucial when the CFPB comes knocking. Audits and investigations form part of the CFPB's supervision responsibilities. Providing a process for how your business adequately handles customer complaints is just the beginning. Proving your business has a fair and consistent complaint management system and process will be an important part of meeting CFPB guidelines.

The CFPB's overall goal is to alleviate negative consumer impacts before they become an industry-wide problem, and to empower consumers to take control over their economic lives. The time is NOW for your organization to get in front of the problem before it is too late.

WHAT IF YOU DON'T MEET COMPLIANCE STANDARDS?

To date, CFPB has issued billions of dollars in fines and are actively auditing complaint management processes. CFPB fines vary based on institution size and severity of the offense. According to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB can seek to impose civil penalties of up to:

- \$5,000 per day for the violation of a CFPB rule
- \$25,000 per day for the reckless violation of a federal consumer protection law
- \$1,000,000 per day for a knowing violation of a federal consumer financial law

Prior to the CFPB in the U.S., the Financial Services Authority (FSA) – now Financial Conduct Authority – in Europe was originally created several years ago to regulate the financial service industry as well. When the FCA moved from a rules-based regulation to principle based regulation, organizations received multi-million dollar fines for failing to evidence the regulatory principles such as acknowledging and responding to complaints, the time limits for dealing with complaints, record-keeping and reporting, and the effective use of root-cause analysis. Along with paying fines, compliance regulators can potentially order businesses to refund their customers for any loss accumulated during the initial violation.

AVOIDING THE RISK OF VIOLATING THE CFPB

Customer complaint resolution processes are not the only thing the CFPB is looking for. However, ensuring that your business is monitoring and proactively addressing customer complaints in an efficient manner is a major piece to the puzzle when it comes to staying compliant and avoiding additional scrutiny. Finding the right complaint management solution is the best way to begin the CFPB compliance process and not run the risk of violation.

ARE YOU CURRENTLY USING A COMPLAINT MANAGEMENT SYSTEM?

Whether you answer yes or no to this question, Aptean's Respond complaints and case management solution can give your business the ability to deliver greater operational efficiencies in complaint handling and the flexibility to evolve quickly and easily over time. In a recent survey conducted by TechValidate with our Respond customers, 79% of our specifically highlighted meeting or exceeding regulatory compliance needs with their software.

THE BENEFITS OF THE RIGHT SOLUTION

A. Be Proactive

Staying proactive is imperative. Many of the CFPB's audits and investigations are driven by complaints; **there are few reporting requirements for demonstrating compliance.**

Implementing the right complaint management solution gives your business the ability to spot trends early. By using tools to analyze customer experiences, businesses can identify and act on hidden trends to improve those experiences. It is also important to uncover the root cause and understand why a customer had a positive or negative experience. Root-cause analysis can help to identify and correct the issue before the same problem affects another customer.

B. Avoid future situations

Incorporating the right solution into your everyday strategy provides the tools and workflows needed to move customer complaints management from a one- to a two-step process and reduce the risk of regulatory non-compliance.

C. Be Prepared

In order to deliver regulatory compliance, you must meet regulatory requirements for complaint and feedback management. As a result of the efficiencies gained and cost savings made, Respond has become a core customer complaints solution. It helps organizations prepare for audits when the time comes and avoid being an industry-wide problem.

ARE YOU READY?

The bottom line is that negative customer experiences are inevitable. Once a negative experience occurs, the customer's option for resolution is to either address the issue directly with their provider or escalate it with a regulating body. Now is the time to review your existing complaint management methods and verify that they are up to the challenge.

Interested in learning more about Aptean? Please contact us at 1.855.411.2793 or email us at info@aptean.com.



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