



Customer complaints were the focus of considerable media attention in the second quarter of 2011. In May, the Guardian reported that the previous twelve months had seen complaints about financial services reach “record levels”, the Daily Mail stated “one million customers” had complained about “shoddy treatment from banks” while the Mirror claimed “bully boy banks wrongly rejected half of all customer complaints in the past year”.

Indeed, complaint volumes have increased, fuelled in particular by payment protection insurance (PPI) complaints. At worst, however, some of these headlines suggest that, as well as this increase, there is an industry-wide disregard for complaints. This edition of View Points reviews the data behind the headlines. It considers how trends in complaint levels compare with other industries and looks at financial services’ complaints data in more detail to determine how the industry is actually performing, and what this means for its customers.



How do Financial Services’ complaints trends compare with other industries?

The number of disputes: Three facts to consider...

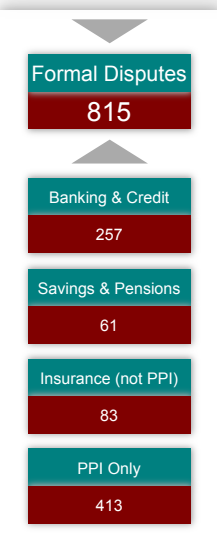
1. The Financial Ombudsman Service (FOS) cited 4,000 new enquiries and complaints for each working day of 2010.
2. Enquires and complaints increased (by different degrees) for five in six comparable UK industries, including FS.
3. At product level, the volume of financial services disputes is high, yet not incomparable with other industries.

Data from FOS 2011 report, compared with other key ombudsmen reports (see below).

The headlines cited above were largely a response to the Financial Ombudsman’s most recent annual report. Its executive summary reads: “We handled 1,012,371 initial enquires and complaints from customers - around 4,000 each working day.” View Points compared the ombudsman’s data with those of five other industries with which consumers have frequent, ongoing contact to ascertain whether complaints about Financial Services were unusually high.

Volume of complaints and enquiries each working day (and % change from previous year).

Finance	Water	Property	Energy	Telecoms	Comms
4,001 (9%)	9 (32%)	16 (29%)	310 (1%)	403 (<1%)	769 (-12%)



By a significant margin, the most initial enquires and complaints were received by the FS industry. However, the greatest increases in complaints were for the Water and Property industries.

In every industry covered here, a minority of initial contacts become formal complaints. For example, the Financial Ombudsman report states “...four out of five customers [who] contacted us initially... never returned with a formal complaint.”: most customers used the information they received from the FOS to resolve the problem themselves with their financial provider.

Formal disputes therefore accounted for 20% of initial contacts, or 815 per working day. Again, this is high compared with other sectors: for Telecoms the equivalent figure was 15%, or around 60 per day and for Energy 17%, or around 55 per day.

A key factor when comparing industries is how the scope of coverage differs for each ombudsman. The FOS’ remit includes a vast range of highly

varied and often complex products and services and consequentially it reports disputes data by product group (left). Furthermore, in each group customers can hold many products with multiple providers, whereas they are likely to have just one or two utility or telecoms providers and fewer overall products within those industries.

Comparing disputed complaints at product level therefore gives a more equitable benchmark: in this respect financial disputes ranged from 61 per day - the same as Telecoms - to 257 (PPI is a special case and is discussed later).

The volumes are still high, although not as drastically different from other industries as the aggregated headline data suggests. While this does not make the industry any better or any worse than its peers, it does demonstrate that Financial Services is not unique for the level of complaints it receives, nor for the increase in overall complaints it experienced in 2011.

Key Stats

Recent and related data.

8.5% of calls received by the FS sector are complaints (vs. 3.9% cross-sector average). ContactBabel, 2010.

82% of customers who have a bad experience with a business tell someone else. Ipsos MORI, 2010.

21% of customers trust the FS industry to “do what is right” (vs. 46% in 2008). Edelman, 2011.

63% of customers say their trust in banks has dropped over the last year, yet...

64% of customers are satisfied with their main bank. Ernst & Young 2011.

Complaints data sources: OfWat, Property and Energy Ombudsman, Otelo, Ofcom, Financial Ombudsman Service: 2010 and 2011. Assumes 253 working days per year.

Were "half of all customer complaints" rejected in 2010?

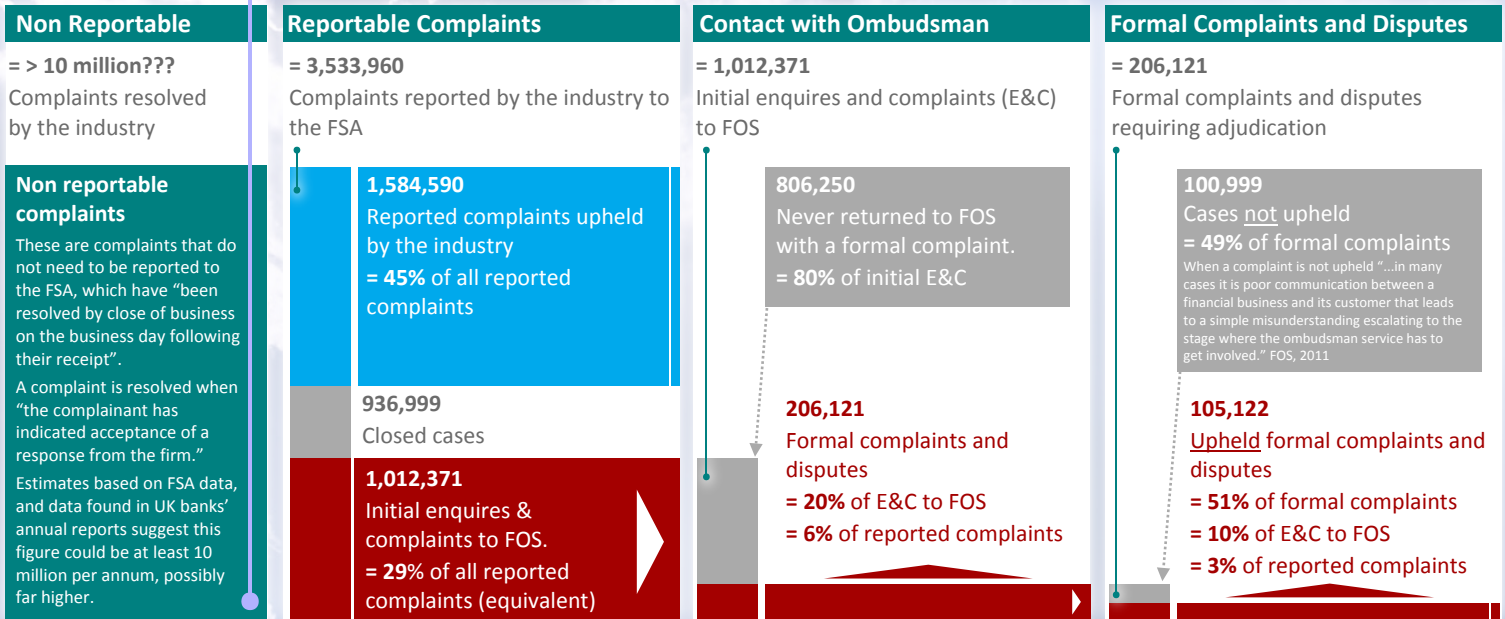
Complaints upheld in favour of the customer: Three facts to consider...

1. The total volume of customer complaints received by the industry is considerably higher than the headlines suggest.
2. In 2010 a greater proportion of complaints were upheld by the industry itself than anytime since the start of 2006.
3. Ombudsman disputes upheld in 2010 account for a very small proportion of all complaints made to the industry.

Bully boy banks wrongly rejected half of all customer complaints in the past year.

The Mirror
18th May 2011

Charting complaints: different types of complaint and how they are resolved.



Note. Combines most recent FSA and FOS data which cover calendar and financial years respectively.

As seen on the previous page, in 2010 the FOS received over 1 million initial contacts, a 9% increase on the previous year. But as these are only the issues that customers have taken to the ombudsman, the actual number of complaints is far higher.

The FSA aggregates reportable complaints data from the industry. These total 3.5 million customer complaints in 2010, around three times the ombudsman total and a decrease of 17% from 4.3 million last year.

Yet the FSA data does not give the full picture, as where a complaint is "non reportable" (see above) it does not have to be submitted.

To put this in context, the FSA estimates between 60% and 80% of industry complaints are non-reportable, and one bank's annual report cites

a figure of 90%. This means that the total volume of non-reportable complaints received and resolved by the industry each year could easily exceed 10 million.

In terms of measurable complaints, of the 3.5 million reported to the FSA, just under half (45%) were upheld by the industry itself in favour of the customer, an increase from 32% in 2009 and the highest since 2006. The majority of all these complaints were settled within eight weeks.

Where the industry cannot resolve an issue, the customer can refer to the ombudsman for advice, or to take the case further. The equivalent of 29% of reported complaints were referred to the ombudsman in this way. One in five of these then became formal disputes, the equivalent of 6% of the 3.5 million reported complaints.

Formal disputes increased by 26% between 2009 and 2010, fuelled by rapid growth in PPI complaints. These accounted for half of disputes in 2010 compared with a tenth in 2008.

Half of all disputes were upheld, equating to around 100k cases compared with 81k last year. This is indeed a "record level". In context, however, this means upheld disputes are the equivalent of 3% of complaints recorded by the FSA, and a far, far smaller proportion of the many millions of unreported issues that are quickly resolved by the industry itself.

While this cannot and should not lessen the implications of such disputes for any of those involved, it does show that the vast majority of complaints are settled by the industry without reaching this most serious level.

So what?

Customers should face no unnecessary barriers when complaining and feel confident that, if they do complain, they will be treated fairly throughout the process. These principles are enshrined in the FSA's Treating Customer Fairly initiative, which, if not adhered to by the industry, can result in significant fiscal and reputational consequences (as seen by the recent PPI dispute). The positive news, for customers and the industry, is that even though dispute levels have increased, the proportion of overall complaints resolved by the industry during the earliest possible stages have also grown, and vastly outweigh the proportion of complaints that go on to require ombudsman intervention. Improvements are also in place: the FSA are simplifying

the requirements needed for a customer to escalate their complaint to the FOS, while analysis of major financial service providers' most recent annual reports reveals increased emphasis on staff training, complaints-linked performance measures and customer charters aimed at enhancing internal process and minimising the need for ombudsman involvement.

To the customer making a complaint, however, trends and volumes and processes are largely irrelevant. What matters to them is how that complaint, however major or minor it may be, is handled. That experience will shape their future outlook, not only towards the individual provider, but towards the industry as a whole.

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