Digital Complaints Management in Financial Services

Achieving results at the intersection of CX & compliance

GLASSBOX

Contents

Overview of financial services complaints key trends

The service that most of us receive from our banks and insurers has changed beyond recognition over the past two decades. Driven by a boom in digital channels and the emergence of customer experience as a key source of competitive differentiation, the digital transformation of financial services (FS) providers has delivered a range of benefits. Nevertheless, despite the greater choice, more flexible servicing and faster account opening this transformative wave has left in its wake, consumers remain stubbornly mercurial, particularly when it comes to their perceptions of what good looks like. And, for many firms, their shift into digital-first, online self-service, and "faster, better, more" has not yielded a commensurate rise in customer satisfaction[1].

Of course, not all sources of customer ire are obviously digital in nature. For example, issues such as contested fees and charges, branch availability, poor advice and mis-selling are common complaints in the retail banking world.

However, digital is much more than just the channel through which many financial services are now consumed. It is also the supporting infrastructure for everything that an institution does, and an important enabler for the flow of information between them and their customers (e.g., through the provision of detailed terms and conditions relating to online applications).

Therefore, digital is all over the map when it comes to the experience that customers have of their providers, and for many institutions it is also the focal point for that old maxim that "you can't please everyone all the time."

At one end of the spectrum are those customers who do not welcome the shift into digital self-service with open arms, many of them feeling left behind by their providers who can seem neither minded nor configured to meet their needs. Likewise, at the other extreme, are the digital natives who bridle at the perceived clunkiness of the digital journeys their FS providers subject them to. New brands, like Metro and Monzo, have evolved to target groups like these with more tailored services. Yet switching rates in key product areas like current accounts remain stubbornly low, putting financial institutions in a tough spot.

On the face of it, loyal customers are a good thing to have. However, if customers remain with a banking or insurance brand on sufferance, or out of ignorance or fear of making a change, the relationship is unlikely to flourish over the longer term. And so, for many providers, it is a question of striking a balance. On the one hand, they must incentivize reluctant customers to grasp the digital nettle through training, coaching and online guides (see the Barclays Digital Eagles program, for example). Meanwhile, at the same time, they must bring more functionality to the screen through updated apps and the smarter utilization of data.

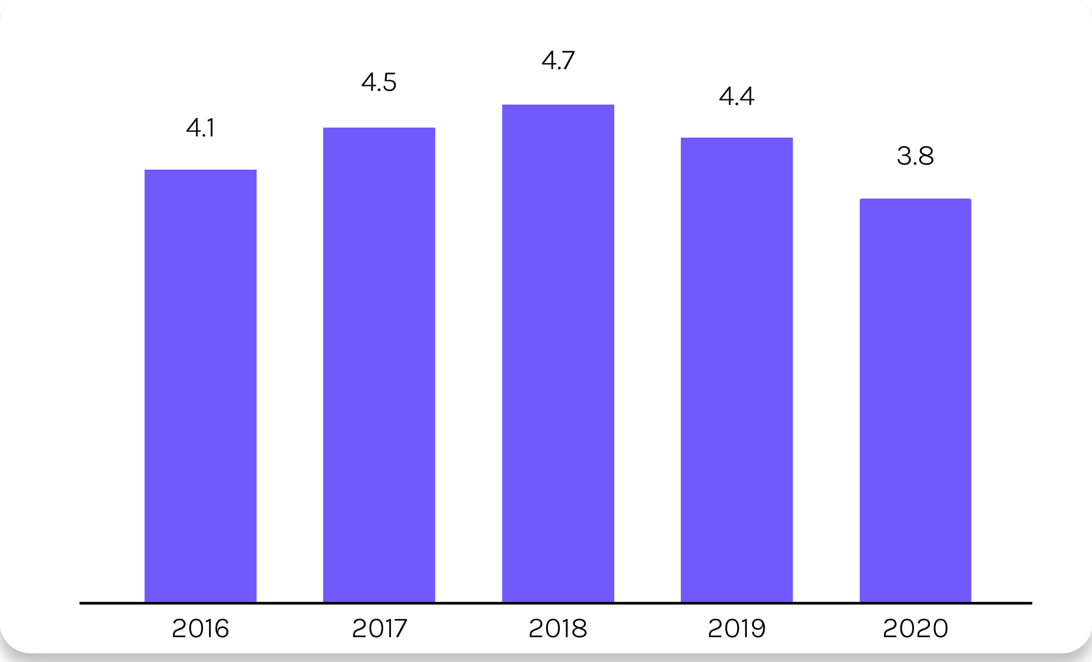
[1]A recent survey by Ipsos MORI of 1,000 British banking customers found that only 47-66% of those banking with the 'Big 5' high street brands (Barclays, HSBC, Lloyds, RBS and Santander) would recommend them to friends and family.
[2]https://www.finextra.com/pressarticle/83534/uk-current-account-switching-falls-off
[3]https://www.barclays.co.uk/digital-confidence/eagles/

Between these two extremes trouble lies. In both instances, a failure by the institution to deliver what the customer expects or needs at the moment of truth can result in frustration for them and a complaint for their provider. So too can service outages, regardless of whether the root cause is a broken digital experience, or the plodding internet speeds, underpowered Wi-Fi equipment and outdated browser software of the customer.

While most institutions would doubtless maintain that service quality and convenience have both risen as a result of the digital transformation of financial services, as Figure 1 below shows, the world of complaints have remained largely unchanged. When excluding PPI-related activity, which distorts the underlying picture, financial services customers in the UK made an average of 4.3 million complaints each year—approximately 491 complaints per hour—between 2016 and 2020 to their financial providers.[4]

4.3M complaints each year | **491** complaints per hour

Fig 1: Aggregate volume of non-PPI complaints made to UK FS firms, 2016-2020 (m)



Source: FCA Aggregate Complaints Data[5] (last updated April 2021)

[4] This calculation assumes complaints roll in 24 hours per day, 365 days per year. Confining this volume to regular work days pushes the hourly rate up to over 2,000. The recorded dip in complaints volumes in 2020 is likely attributable to the impact of the COVID-19 pandemic. https://www.fca.org.uk/data/complaints-data/previous-complaints-data#aggregate

Positively, the latest data published by the Financial Conduct Authority (FCA) show a notable 14% drop in cases between 2019 and 2020. However, while this trend is positive in the short run, there is a sting in the tail since, longer term, there is good reason to believe that complaint levels will rebound strongly as we move beyond the pandemic.[5]

Importantly, there is also good reason to believe that future complaints will relate much more to the digital interactions customers have with their providers. For example, the three product sets that UK financial services customers complained about most in 2020 (excluding PPI) were personal current accounts (23%), credit cards (11%) and general insurance (11%). These products are all typically applied for, distributed and serviced through digital channels. In the wake of the pandemic, with branches closed and call centers understaffed, customers have been strongly encouraged to engage with their providers online in the first instance, intensifying the level of digital interaction even further. When complaint levels begin to grow again, firms lacking best practice complaints handling processes-from complaint logging and investigations to root cause analysis and redress mechanisms-will find themselves highly exposed to the consequences.

An international perspective

Complaints are not a challenge unique to the UK market. Globally, financial institutions and the bodies that regulate them receive millions of customer complaints each year. Each requires investigation under the terms mandated in its relevant jurisdiction, and many of them relate to digital service issues.

For example, the Australian Financial Complaints Authority (AFCA) received more than 80,000 consumer complaints between July 2019 and June 2020, driving A$259 million in customer compensation. More than one-third (35%) were received by banks, with the majority relating to issues such as credit reporting, failing to respond to requests for assistance, fees, charges and, of course, service. Indeed, service-related complaints were a top five factor across credit, deposit taking, superannuation, payments and investments, driving more than 4,200 reported incidents in the period.

Elsewhere, in the US, the Consumer Financial Protection Bureau (CFPB) received more than 332,000 complaints in the same period. Setting aside complaints relating to credit scoring, which currently drives the majority of US financial complaints, more than 14,000 related to the management and servicing of bank accounts, including issues with the movement of money between accounts, perceived errors and account access issues.

In both instances, while the quantum may vary, the underlying trends are all too familiar. Consumers in the US and Australia, like those in the UK and elsewhere around the world, suffer daily challenges with the experiences they receive from providers. Under the prevailing regulatory regimes of both nations, complaints and unwanted costs are a natural result of such breakdowns. Consequently, the case for enhanced complaints handling made in this report is as relevant and compelling for institutions in the US, Australia and elsewhere as it is in the United Kingdom.

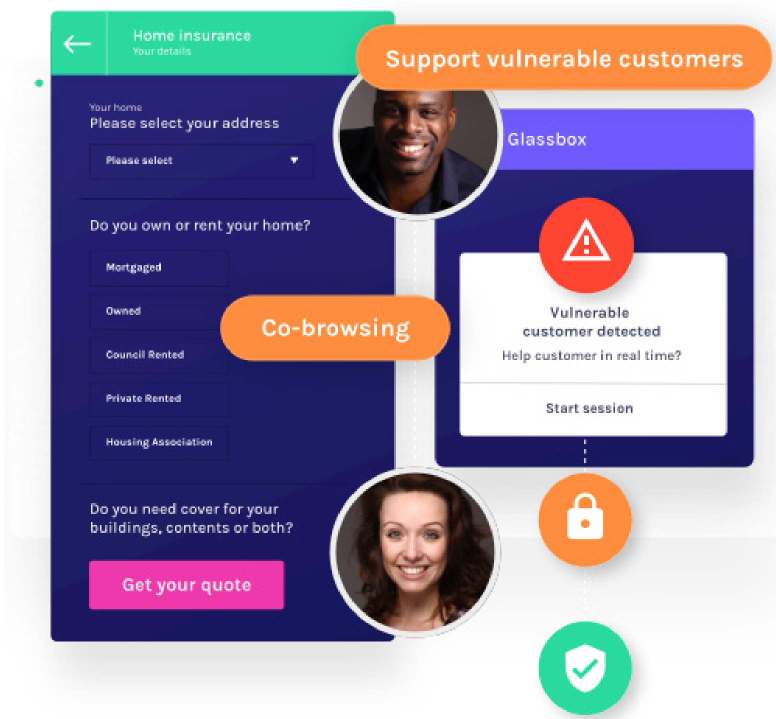
[5]According to a recent report by outsourcing firm Huntswood (2021), the majority of UK FS firms are expecting complaint volumes to bounce back to pre-COVID-19 levels, driven by both a backlog as well as those caused by the impacts of COVID-19 itself.
[6]Based on latest published complaints data for H2 2020 from the FCA

Why is effective complaints handling important?

As we have seen, providers caught in the crossfire of a global pandemic have had to retool processes and expand their functionality at speed to deliver a much more digital experience for their customers. However, while the pandemic has accelerated digital transformation across all areas of financial services, regrettably not all endeavors made by firms to adjust to the digital "new normal" have been wholly successful.

When problems and mistakes do occur, the process for dealing with the resulting complaints is incredibly important for financial institutions to get right. There are four main reasons for this:

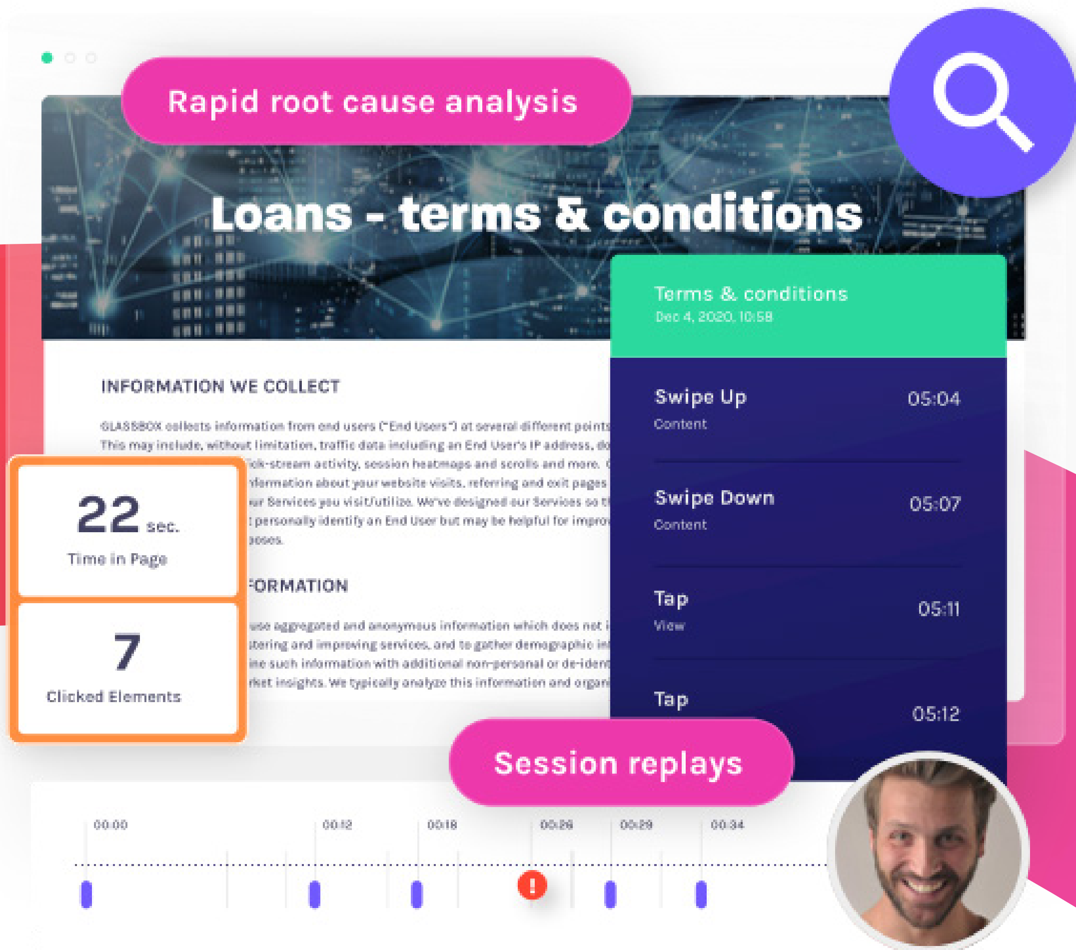
1. The FCA states that, "effective and transparent procedures for the reasonable and prompt handling of complaints must be established, implemented and maintained" by regulated firms.[7] Hence, being able to demonstrate a smooth and fully featured complaints handling journey is a compliance necessity.
2. Badly handled complaints end up with the Financial Ombudsman Service (FOS), driving up the cost to the institution involved in resolving a customer's case. The fees levied on firms by the FOS rose last year to £650 per case, mainly in response to the growing complexity of the complaints they receive.[8] Hence, minimizing FOS referrals and the associated fees should be an important priority.
3. A complaint demonstrates a willingness to engage on the part of a disgruntled customer, giving institutions an opportunity to salvage and cement potentially valuable future relationships. High quality complaint journeys, coupled with the efficient handling of cases, can actually improve the long-term relationship between customers and providers, creating value for both parties.
4. Finally, complaints handling is also a leading indicator of overall customer satisfaction. Of the 23 UK banking brands rated by Which? in their annual Best and Worst Banks ranking, the bottom three all scored 2-stars on a 0-5 scale for complaints handling. In contrast, the top three all scored 5-out-of-5. And so, while complaints are inevitable, how well they are managed is tracked and benchmarked and can ultimately say just as much about a financial institution as the underlying numbers themselves.



[7]DISP 1.3.1
[8]https://www.finance-disputes.co.uk/2019/12/fos-announces-fee-hike-in-2020-because-of-more-complex-cases/
[9]https://www.which.co.uk/money/banking/bank-accounts/best-and-worst-banks-a3q5d8c6dj7y

Against this backdrop, many of the complaints generated each year will involve a digital journey unique to the customer. Each customer's digital journey is shaped by the clicks, swipes and scrolls they used to navigate and interact with the information and services offered up by their providers.

As a result, new digital behaviors will drive new and more complex complaint typologies. These, in turn, will create new challenges for institutions, placing even further pressure on firms to optimize their complaints management tools and processes.



What issues prevent firms from mastering the complaints process?

Achieving high quality complaints management can be difficult, because accessing feedback on what does and does not work well during the complaint journey is tough to identify (e.g., the proportion of customers willing to complete surveys in the midst of making a complaint is lower than at other points in their digital journey). Therefore, because of a lack of insight around how a digital complaints process works in the field, firms run the risk of saddling customers with unnecessarily complex processes and user experiences.

The nature of complaints is changing too. Financial services institutions now inhabit a more digital landscape, rapidly transformed by the demands of COVID-19. As a result, the proportion of future complaints concerning mistakes and missteps committed in good faith by institutions-many of whom have struggled to adapt to the dislocation caused by lockdown-will grow in line with the rising intensity of digital interactions. Many such complaints are down to simple technology failures (relating to a specific device or network), which are difficult to diagnose after the fact.
Equally, problems with the digital journey itself, which can lead to customers becoming frustrated and ultimately unable to transact their financial business, are similarly tough to root out. And so, with future complaints likely to relate much more to digital interactions-from the functioning of digital products to financial advice provided via video conference-it has never been more important for firms to track what their customers are doing online.

And, of course, sub-par complaints handling can also land you in hot water with the regulator. Not only does the FCA Handbook demand that regulated firms implement effective and transparent procedures for complaints handling, but the regulator also requires firms to demonstrate the ability to analyze the root causes of complaints. This is difficult to do when the interaction concerned is virtual and can become a real headache for an institution seeking to defend itself in the face of an FOS investigation.

In the absence of compelling evidence showing what actually occurred online during a contentious interaction, it is difficult to reveal the root cause. And it is equally challenging for firms then to provide an evidential audit trail to the regulator for review.

"As data technologies become more advanced, their natural fit for carrying out good quality root cause analysis become clearer. This is especially important for firms as reducing the incidence of issues—especially repeat issues—is vital in reducing negative word-of-mouth and making customers feel valued."

\- Complaints Outlook 2021, Huntswood[11]

[11]https://www.huntswood.com/uploads/documents/Complaints-Outlook-2021.pdf

Investigating and resolving complaints associated with digital channels is more complex than other channels, since they require institutions to take account of many more factors than they would typically address in conventional channel activity. For example:

- The actions and behaviors of the customer (i.e. how they navigated their way through the website or mobile app)
- The device and browser version the customer used and how this influenced the way the website or app performed (e.g. how information was displayed and how fast or slow the customer journey was)
- The degree to which information or offers were personalized for the individual customer.
- The availability of robust records that enable the firm to see and prove exactly what happened.
- The ability to find other customers who experienced the same issues.
- The extent to which firms can monitor activity on digital channels.
- The capabilities that exist to help and support customers who are struggling.

This is important, not least because a significant proportion of complaints made to UK financial institutions are ultimately sustained. The most recent FCA data showed 57% of all complaints made in the second half of 2020 were upheld. Furthermore, of those unresolved complaints referred to the FOS, a significant, albeit lesser, proportion of decisions also went against institutions. For example, recent data published by the FOS showed the following[12]:

Complaints relating to personal current accounts:

44%

were upheld

Complaints relating to credit cards:

31%

were upheld

Complaints relating to home contents insurance:

21%

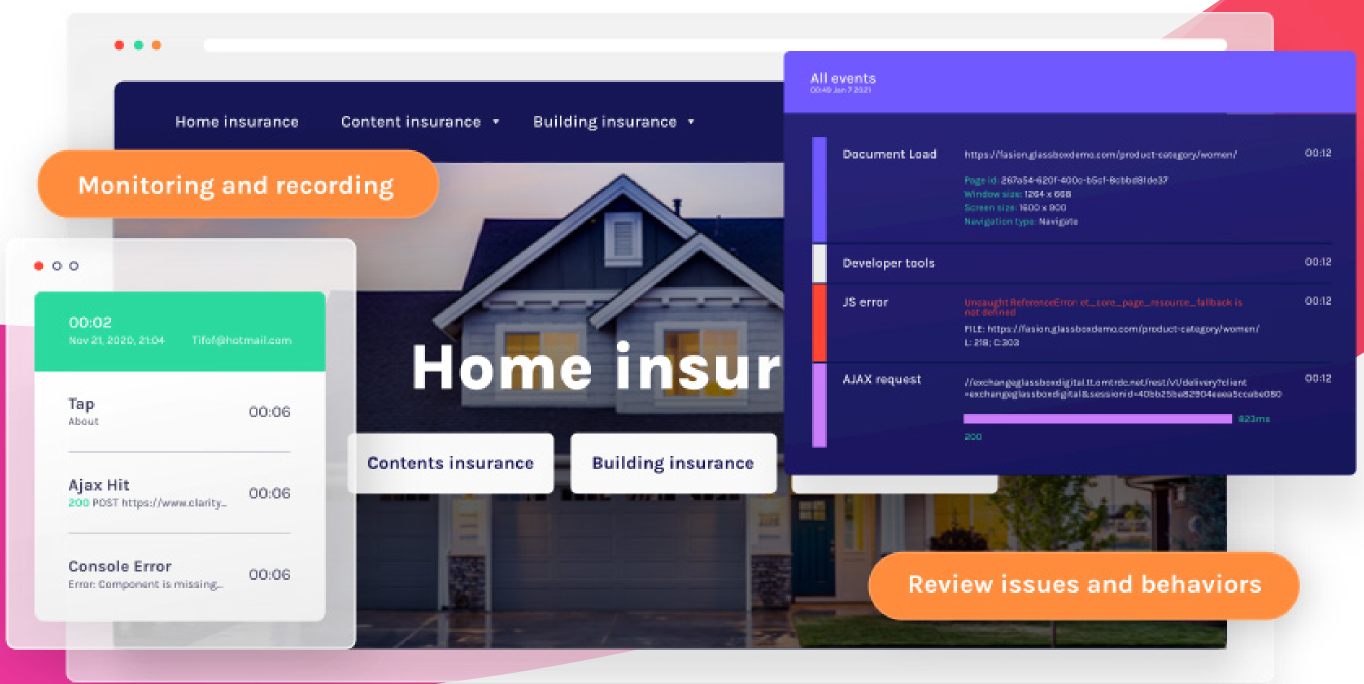
were upheld

[12] Based on latest published case data for Q3 2020 from the FOS

All of which adds up to a significant and costly problem for financial services firms, one that could potentially be rebalanced if solid information on digital interactions between customers and their providers were available for review by investigators.

One further complication for firms is that the regulatory spotlight around complaints is set to intensify as part of the FCA's current debate around measures to transform the culture of UK financial services. The move towards a more purposeful culture-embodied in the FCA's recent consultation on establishing a "Consumer Duty" for regulated firms-is still under discussion.[12] However, longer term, we will likely see the regulator tracking KPIs such as the percentage of complaints upheld and the total amount of redress awarded to customers as leading indicators of the quality of institutional culture.

This crucial element of futureproofing adds a whole new dimension (and impetus) to the issue of complaints management.



[12] FCA CP21/13

How should firms meet this challenge?

The key questions for many institutions-both financial and non-financial-are fourfold:

1. How can we prevent complaints occurring?
2. When complaints do occur, how can we investigate and resolve them faster?
3. How can we ensure we achieve full compliance with the requirements of the regulator?
4. How can we ensure better outcomes for the business and our customers?

There are three key strategies for success that firms can use to help them effectively manage their digital complaints risk more efficiently and deliver the outcomes they are looking for. These are:

1. **Utilize tools that create a complete record of every digital journey so complaints can be investigated rapidly**
   The ability to instantly replay and analyze every session that gives rise to a complaint can enable a firm to quickly and easily investigate and resolve it. Having a forensic record of the session also means there is no question about what happened. Similarly, if the complaint is not upheld, the firm has the evidence to defend the decision if challenged by the regulator. If appropriate, a recording of the session can also be shared with the customer. This is essential in successfully defending firms undertaking past business reviews through the provision of traceable and reliable audit trails for investigators to follow and review.

Solving these issues is a matter of reputational damage control, cost efficiency and regulatory compliance. To win, firms need the right tools to inform their investigations and internal decision making. The question now is, what tools?

2. **Get to the root cause of the problem**
   As the spotlight turns to digital interactions, financial institutions must surface all the data (technical as well as content) required to perform accurate root cause analysis (RCA) so they can effectively diagnose customer issues, fix the cause and prevent future complaints. This requires new tools and approaches and is critical from a compliance perspective, particularly in light of the current debate around Consumer Duty.

3. **Achieve greater efficiency and effectiveness**
   Mapping journeys on digital channels and combining that with complaints data can help you locate trends so you can create strategies to address and prevent them. Having identified the root cause, firms can proactively locate other sessions in which customers experienced the same issues but did not complain and make contact with them. Firms can also pick up feedback posted on social media or left via surveys and link it to individual sessions (e.g. VOC integration). As well as delighting the customer, digital tools allow firms to closely track and benchmark critical complaints KPIs (e.g., the time taken to log a complaint, the number of clicks/swipes a complaint journey takes, etc.). This can help firms optimize the complaints process, saving time and cost for the long term.

> *"The more a company can do to resolve complaints at first point of contact or within the two-day window, the better the chances of customer satisfaction."*
>
> \- Complaints Outlook 2021, Huntswood

Introducing Glassbox

A powerful, enterprise-grade solution, Glassbox helps firms create frictionless and safe digital journeys on mobile apps and websites. Designed and built for compliance in data-sensitive environments, Glassbox empowers teams across the organization with the real-time insights they need to deliver compliant and effective digital products and experiences.

Fast, tagless deployment means firms can adapt quickly to heightened digital demand, while features such as compliance monitoring and alerts ensure businesses and their customers stay firmly on the right side of change.

To learn more about how Glassbox can help your organization, please contact us at grc@glassbox.com.

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