

TECHNICAL NOTE

# Complaints Handling within Financial Service Providers

Principles, Practices, and Regulatory Approaches

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## Finance, Competitiveness & Innovation Global Practice

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## ACRONYMS AND ABBREVIATIONS

ASIC	Australian Securities and Investments Commission
BSP	Central Bank of the Philippines (Bangko Sentral Ng Pilipinas)
CMS	complaints management system
EDR	external dispute resolution
FCA	Financial Conduct Authority
FSP	financial service provider
G20	Group of Twenty
IDR	internal dispute resolution
ODR	online dispute resolution
OECD	Organisation for Economic Co-operation and Development
OJK	Financial Services Authority of Indonesia (Otoritas Jasa Keuangan)



## 1. INTRODUCTION

Core to an effective financial consumer protection framework is an accessible and efficient recourse mechanism that allows consumers both to know and to assert their rights to have their complaints addressed and resolved in a transparent and just way within a reasonable timeframe. Complaints handling mechanisms are especially important for low-income and vulnerable financial consumers, to whom timely and effective recourse processes can have a decisive influence over their trust in their financial service provider (FSP) and in the financial sector in general. Increased trust contributes to consumers' uptake and sustained usage of financial services and, consequently, their economic livelihoods.

Financial consumer complaints handling mechanisms comprise two stages: complaints that are handled by FSPs, generally referred to as internal dispute resolution (IDR); and complaints that, if not satisfactorily resolved, are handled by an alternative, out-of-court process, generally referred to as external dispute resolution (EDR). There are several international sources of principles applicable to complaints handling and resolution processes and procedures to be established by FSPs.<sup>1</sup> Drawing from the World Bank's *Good Practices for Financial Consumer Protection*,<sup>2</sup> the work of international bodies, such as the Group of Twenty (G20)/Organisation for Economic Co-operation and Development (OECD) Task Force on Financial Consumer Protection, as well as selected country experiences,

this Technical Note highlights considerations that aim to provide a methodological guidance for regulators and FSPs when developing and implementing IDR frameworks to ensure they are consistent with international good practices. This Technical Note synthesizes concepts, principles, and practices for IDR mechanisms for financial consumers<sup>3</sup> and shares examples of legal and regulatory requirements for FSPs to resolve complaints and to ensure that complaints-related data is collected, analyzed, and shared as appropriate to support improvements in FSP performance, industry market conduct, and market conduct regulation.

## 2. WHY HAVE AN IDR IN PLACE?

The timely resolution of complaints, including provision of redress where warranted, should be a primary responsibility of FSPs. An IDR mechanism is defined as a complaints handling function, unit, or dedicated team<sup>4</sup> within an FSP. The IDR mechanism should be implemented with proper structure, policies, procedures, systems, and governance. It is tasked with applying intake procedures and handling, resolving, and reporting data on complaints referred by consumers. The complaints handling should be handled by the IDR mechanism in a prompt, effective, and just way.<sup>5</sup> IDR mechanisms seek to provide a means by which consumers can obtain a solution to any deficiency in service or product, including obtaining compensation, when applicable.

1. International examples are the G20 High-Level Principles on Financial Consumer Protection of 2011, the World Bank's *Good Practices for Financial Consumer Protection* (2017 edition), the Better Than Cash Alliance's Responsible Digital Payments Guidelines of 2016, the Smart Campaign's Client Protection Principles, and the GSMA Code of Conduct for Mobile Money Providers, ITU DFS Themes, 2017.

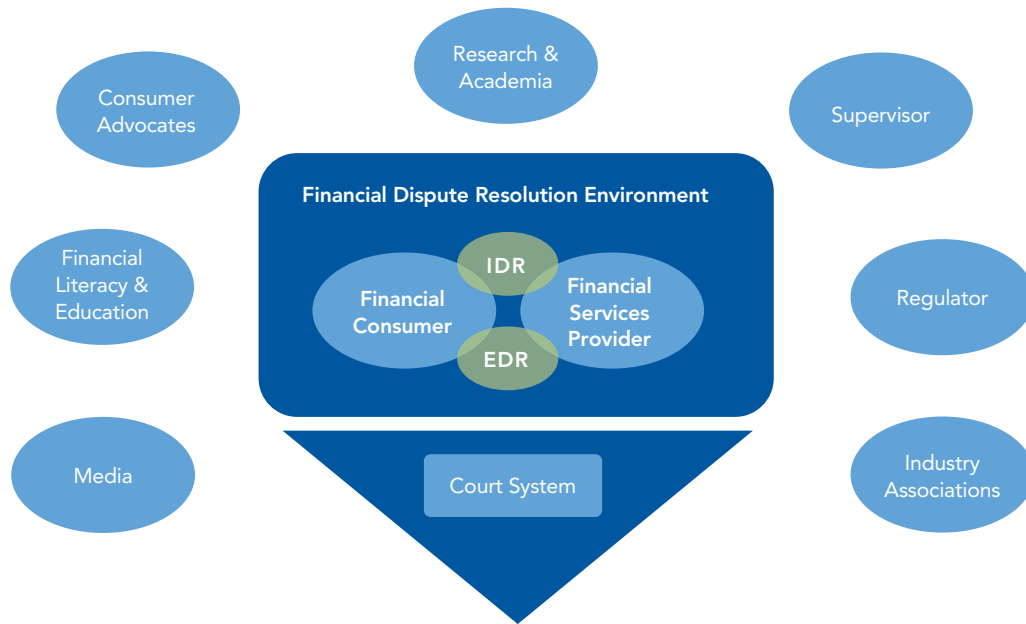
2. *Good Practices for Financial Consumer Protection* (2017 edition).

3. This Technical Note does not intend to cover the specifics of different financial sectors but general regulatory requirements and practices identified when implementing IDR by regulators and providers.

4. A "complaints handling unit, function, or dedicated staff" will be referred to as a "complaints handling unit" hereafter.

5. *Good Practices for Financial Consumer Protection* (2017 edition), page 69.

FIGURE 1: IDR as Part of an Overall Complaints Handling System



In addition to allowing consumers to have their issues resolved in an efficient, fair, and transparent way, IDR mechanisms can provide regulators and supervisors with important complaints-related data to help them conduct evidence-based policy making and prioritize their supervisory activities by identifying systemic problems with products, providers, channels, or systems.

FSPs also benefit from having an IDR mechanism in place in which consumers trust, as it can help providers maintain a healthy relationship with their consumers and mitigate providers' reputational risks and costs that can arise from lengthy legal actions. Consumer complaints can also be a valuable source of consumer feedback that providers should use in a strategic way.

Complaints-related data analysis and reporting should also be undertaken by FSPs as part of their internal control and management processes to identify not only issues in their business conduct but also emerging risks and root causes. This information should be used by FSPs in their review of processes, procedures and product design, terms, and conditions, and as a mechanism to prevent potential litigation and reputational risks.

### 3. FRAMEWORK, GOOD PRACTICES, AND GUIDANCE FOR AN EFFECTIVE IDR

As set out in the G20 High-Level Principles on Financial Consumer Protection, jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely, and efficient.<sup>6</sup> These principles are similar to the Effective Approaches to Fundamental Principles adopted by the international body of financial consumer dispute-resolution bodies, the International Network of Financial Services Ombudsman Schemes (INFO Network).<sup>7</sup> Arguably, most if not all of the international good practices and principles applicable to EDR schemes are similarly applicable to IDR mechanisms within FSPs.

Financial consumer complaints should be handled in a tiered structure. Consumers should first seek resolution of the complaint with their FSPs via their provider's IDR mechanism. In this context, the financial complaints handling legal/regulatory framework should seek to promote FSP resolution of consumer complaints.<sup>8</sup> Where complaints are not resolved by FSPs to the consumer's satisfaction or

6. G20/OECD Task Force on Financial Consumer Protection, G20 High-Level Principles on Financial Consumer Protection.

7. INFO Network, "Ombudsman Principles," [http://www.networkfso.org/assets/info-network\\_effective-approaches-to-fundamental-principles\\_september2014.pdf](http://www.networkfso.org/assets/info-network_effective-approaches-to-fundamental-principles_september2014.pdf).

8. G20/OECD Task Force on Financial Consumer Protection, "Update Report on the Work to Support the Implementation of the G20 High-Level Principles on Financial Consumer Protection" (September 2013).



within the established timeframe, then consumers should have access to an EDR process where complaints can be resolved with the assistance of an impartial third party to the complaint, always retaining the option to undertake formal legal action through the court system should the outcomes of these processes prove unsatisfactory to the consumer.<sup>9</sup>

Globally, legal and regulatory frameworks for internal complaints handling are frequently incomplete, covering only some types of FSPs or certain elements of internal complaints handling. To ensure a level competitive playing field, minimum internal complaints handling requirements should be made mandatory for all FSPs that are licensed and supervised in the jurisdiction.

The World Bank's 2017 *Global Financial Inclusion and Consumer Protection Survey*<sup>10</sup> provides insights on the varied rules for complaints handling and resolution applied to FSPs in different jurisdictions. Although most jurisdictions surveyed (78 percent of respondents) reported having rules in place for complaints handling and resolution by FSPs, there is a significant variation related to level of income and region of the jurisdiction. (Just 40 percent of low-income jurisdictions have such standards in place, while 89 percent of high-income jurisdictions report the same, and jurisdictions in East Asia and the Pacific and in South Asia are relatively less likely to report having such standards in place.) The level of complaints handling

requirements in place also varied across jurisdictions. The most commonly reported rule is a broad requirement for FSPs to implement procedures and processes for resolving consumer complaints—reported by 74 percent of responding jurisdictions—and many jurisdictions have also established minimum standards relevant to the timeliness, organizational structure, and accessibility of internal complaints handling systems (figure 2).

### 3.1. Establishing Definitions

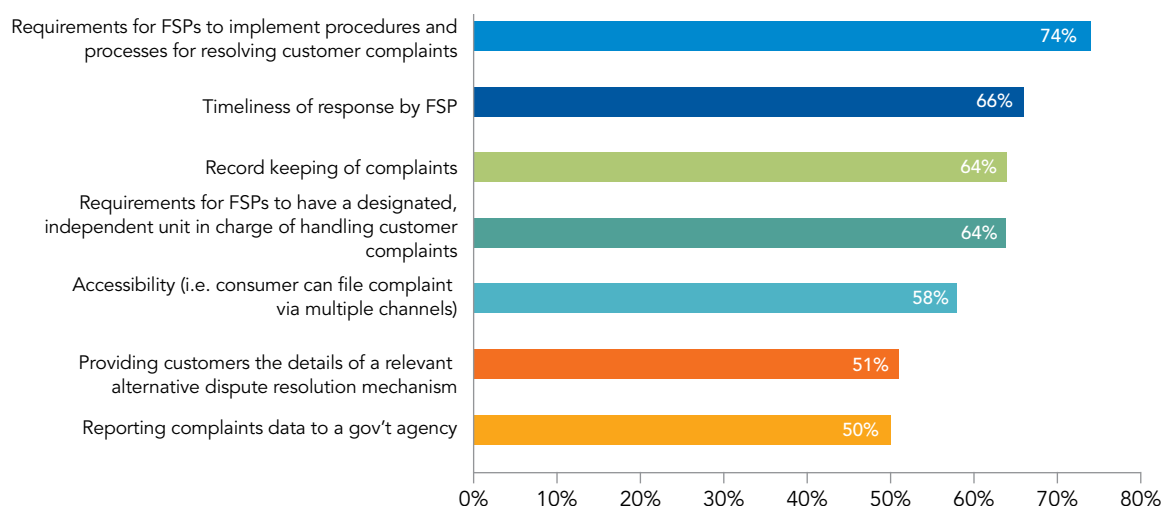
Minimum requirements setting out how financial institutions are to handle consumer complaints should define the threshold standards that FSPs must achieve to have effective structures, processes, procedures, and systems for lodging, resolving, and reporting on complaints referred by consumers. It is recommended, as an important first step to instituting these requirements, that certain definitions for terms commonly used in the IDR framework be established.

#### 3.1.1. Defining Complaints

This includes clearly setting out what are considered complaints under the financial consumer protection legal and regulatory framework. Complaints should be distinct from *inquiries*, which are defined as consumer requests for information or other types of assistance. A variety of definitions for *complaints* have been developed by international bodies and country authorities, and examples can be found in box 1.

**FIGURE 2: Requirements for Internal Dispute Resolution**

Percentage of Responding Jurisdictions with Type of Requirement for Internal Dispute Resolution



Source: World Bank Group, *Global Financial Inclusion and Consumer Protection Survey: 2017 Report*.

Note: Percentages are based on 118 responding jurisdictions.

9. External or alternative dispute resolution mechanisms are not part of the scope of this Technical Note.

10. World Bank Group, *Global Financial Inclusion and Consumer Protection Survey: 2017 Report*.

## BOX 1

## Defining Complaints

Examples of definitions of complaints developed by international bodies and authorities:

- The G20/OECD defines complaints as “a statement of consumers’ dissatisfaction with the action, service, or product of a financial services provider or an authorized agent. A request for information or clarification or a request for an opinion, which does not also contain an expression of dissatisfaction or deficiency in service, is not considered to be a complaint.”<sup>11</sup>
- The Australian Securities and Investments Commission (ASIC) takes an approach in line with ISO standards: “As part of our IDR requirements, you will be required to adopt the following definition of ‘complaint’ in AS ISO 10002–2006 when handling ‘complaints’ under the Corporations Act or ‘disputes’ under the Transitional Act and National Credit Act: An expression of dissatisfaction made to an organization, related to its products or services, or the complaints handling process itself, where a response or resolution is explicitly or implicitly expected.”<sup>12</sup>
- The United Kingdom’s Financial Conduct Authority (FCA) stipulates “any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a person about the provision of, or failure to provide, a financial service or a redress determination, which:
  - (a) alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience; and
  - (b) relates to an activity of that respondent, or of any other respondent with whom that respondent has some connection in marketing or providing financial services or products, which comes under the jurisdiction of the Financial Ombudsman Service.”<sup>13</sup>
- According to the Bank of Ghana, complaint means any oral or written expression of dissatisfaction about the provision of, or failure to provide, a financial product or service that
  - (i) is made to an FSP by, or on behalf of, a consumer; and
  - (ii) alleges that, as a result of an act or omission by or on behalf of the FSP, the consumer has suffered or may suffer
    - a) financial loss
    - b) inconvenience; or
    - c) distress.<sup>14</sup>
- In Colombia, a complaint or claim is the manifestation of dissatisfaction expressed by a financial consumer with respect to a product or service acquired, offered, or provided by a supervised entity and brought to the attention of the latter, the defender of the financial consumer, the Financial Superintendence of Colombia, or other competent institutions, as appropriate.<sup>15</sup>
- Regulations under Canada’s Bank Act defines it as “a complaint that is made by a person
  - (a) to a bank or an authorized foreign bank about a product or service that was requested or received by the person from the bank or authorized foreign bank; or
  - (b) to an external complaints body about a product or service that was requested or received by the person from a member of that body.”<sup>16</sup>
- Indonesia’s Financial Services Authority (Otoritas Jasa Keuangan, or OJK) indicates that “Complaints are the expression of dissatisfaction on the part of Consumers arising from financial losses and/or potential financial losses suffered by the Consumer and suspected to have resulted from the fault or negligence of the Financial Services Institution.”<sup>17</sup>

11. G20/OECD Task Force on Financial Consumer Protection, “Update Report on the Work to Support the Implementation of the G20 High-Level Principles on Financial Consumer Protection” (September 2013).

12. Australian Securities and Investments Commission (ASIC), Licensing: Internal and External Dispute Resolution (Regulatory Guide 165), May 2018.

13. Financial Conduct Authority (FCA), “Glossary,” FCA Handbook, <https://www.handbook.fca.org.uk/handbook/glossary/G197.html>. This definition of complaint applies to firms and the Financial Ombudsman Service in the United Kingdom. See “Introduction” (DISP INTRO 1), <https://www.handbook.fca.org.uk/handbook/DISP/INTRO/?view=chapter>.

14. Bank of Ghana, Directive on Consumer Recourse Mechanism Guidelines for Financial Service Providers (February 2017).

15. Superintendencia Financiera de Colombia, “Glosario,” <https://www.superfinanciera.gov.co/inicio/glosario-11308>. Translated from original Spanish: *Queja o reclamo: Es la manifestación de inconformidad expresada por un consumidor financiero respecto de un producto o servicio adquirido, ofrecido o prestado por una entidad vigilada y puesta en conocimiento de esta, del defensor del consumidor financiero, de la Superintendencia Financiera de Colombia o de las demás instituciones competentes, según corresponda.*

16. Government of Canada, “Complaints (Banks, Authorized Foreign Banks and External Complaints Bodies) Regulations,” *Justice Laws Website*, <https://laws-lois.justice.gc.ca/eng/regulations/SOR-2013-48/FullText.html>.

17. Financial Services Authority of Indonesia (OJK), “Circular Letter of the Financial Services Authority Number 2/SEOJK.07/2014 Concerning Handling and Resolution of Consumer Complaints at Financial Services Businesses,” <http://www.ojk.go.id/en/kanal/edukasi-dan-perlindungan-konsumen/regulasi/ojk-circular-letter/Documents/SEOJK%202-SEOJK.07-2014%20Pelayanan%20Penyelesaian%20Pengaduan.pdf>.

### 3.1.2 Defining Eligible Complainant

Defining who is an eligible complainant under an IDR framework is also relevant to establishing its scope. This should be made clear to FSPs. Eligible complainants generally include both consumers and potential consumers of the FSP, and typically include individual consumers, micro-enterprises, small charities and not-for-profit entities, and possibly small and medium-sized enterprises. Restricting the definition of eligible complaints to individuals and smaller enterprises is common practice based on the assumption that larger commercial enterprises have the economic means and recourse to other mechanisms by which to resolve their complaints with FSPs. Box 2 brings examples of definitions of eligible complainants in different jurisdictions.

### 3.2. Independence, Governance, Resourcing, and Training

Fair and thorough handling of complaints is most likely to be achieved by a dedicated complaints handling unit that is independent from the operational business units of an FSP to avoid any potential conflict of interest and ensure a fair and transparent process. Marketing, sales, or product units have invariably distinct functions, and employees specializing in these areas have separate performance incentives and skills that may be adversely aligned with the effective management of consumer complaints. In addition, consumers may fear retribution if these functions are not separated. For example, loan officers may have influence over a consumer's borrowing ability, so consumers may be unwilling to report a complaint to a sales staff member lest it harm their ongoing access to financial service with the FSP. Equally, staff from business units may face potential conflicts of interest when dealing with a complaint related to their own activities.

#### BOX 2

#### Defining Eligible Complainants

Examples of definitions for complainants developed by international bodies and authorities:

- For the Channel Islands Financial Ombudsman, eligible complainants are consumers (located anywhere in the world if the financial service was provided in or from the Channel Islands), microenterprises (located anywhere in the world if the financial service was provided in or from the Channel Islands), and certain Channel Islands charities, including consumers, potential consumers, and others to whom FSPs owe a duty of care.<sup>18</sup>
- The Bank of Ghana defines complainant as a consumer, customer, or potential customer or a duly authorized representative of a customer who presents a complaint to an FSP.<sup>19</sup>
- The United Kingdom's FCA specifies that, in relation to a complaint relating wholly or partly to payment services, either at the time of the conclusion of the payment-service contract or at the time the complainant refers the complaint to the respondent, or otherwise at the time the complainant

refers the complaint to the respondent, an eligible complainant must be a person who is

- a consumer;
- a microenterprise;
- a charity that has an annual income of less than £1 million at the time the complainant refers the complaint to the respondent;
- a trustee of a trust that has a net asset value of less than £1 million at the time the complainant refers the complaint to the respondent; or
- in relation to CBTL businesses, a CBTL consumer.<sup>20, 21</sup>
- The Client Protection Principles,<sup>22</sup> developed by DLA Piper and the Microfinance CEO Working Group with contributions from The Smart Campaign, advise that an FSP's complaints handling unit must be easily accessible to all clients. The principles establish that *client* "shall mean an individual, or micro, small or medium-sized business that is a current or prospective customer of a Financial Service Provider."

18. Channel Islands Financial Ombudsman, "Model Complaint-Handling Procedure for Financial Services Providers," (January 2016).

19. Bank of Ghana, Directive on Consumer Recourse Mechanism Guidelines for Financial Service Providers (February 2017).

20. CBTL refers to Consumer Buy-to-Let Mortgages or other such credit agreements.

21. FCA, "Eligible Complainants" (DISP 2.7.3R21/03/2016), *FCA Handbook*.

22. New Perimeter, LLC, and the Microfinance CEO Working Group, "Client Protection Principles: Model Law and Commentary for Financial Consumer Protection" (April 2015).

For these reasons, to the extent possible, and applying a proportional approach in relation to the nature, size, and complexity of the provider, the establishment of a separate complaints handling unit should be encouraged. To be able to resolve consumer complaints effectively, the complaints handling unit should have powers to access information needed for investigations and to implement actions for individual cases as well as systemic issues. This includes powers to provide appropriate remedies; as part of the FSP's complaints policies and procedures, staff should have an array of resolution powers defined that suit the nature of the complaint. Examples of remedies include financial compensation; waiver, suspension, or cancellation of contracts; and reversal or waiver of penalties or fees. Such remedies should be authorized to pre-established limits to allow for immediate solutions for simple cases and applied within an escalation process, when needed, for more complex complaints.

To ensure that this function has adequate leadership, organizational standing, and appropriate resourcing, such a unit should have a tiered structure. A day-to-day operational manager responsible for the complaints handling unit would be accountable for the unit's performance. The manager should report on complaints and their root causes to a designated executive and the FSP's directors on a regular basis. In function, this manager and unit should be overseen by a designated member of executive or senior management of the FSP. The executive would (i) be responsible for ensuring the integrity of the IDR processes provided by the complaints handling unit; (ii) report to the board; (iii) be the designated representative to regulators on complaints matters; and (iv) be accountable for ensuring that feedback from complaints is used to develop and implement correction plans. Ultimate accountability for the effective implementation of complaints handling policies and procedures lies with the FSP's board of directors, who should ensure compliance with mandatory rules and recommendations.

The Central Bank of the Philippines (Bangko Sentral Ng Pilipinas, or BSP) explicitly emphasizes the board's responsibility for the consumer protection oversight function in its regulations on consumer protection, noting that beyond compliance, FSPs must also "adhere to the highest service standards and embrace a culture of fair and

responsible dealings . . . through the adoption of a [FSP] Financial Consumer Protection Framework that is appropriate to the [FSP] structure, operations, and risk profile."<sup>23</sup> ASIC requires that, wherever possible, a complaint or dispute should be investigated by staff not involved in the subject matter of the complaint or dispute. It is recognized, though, that this will not always be possible for a micro- or small-sized business.<sup>24</sup>

The board of directors and senior management should be held responsible for their demonstrated involvement and commitment to implementing effective internal complaints resolution by deploying adequate resources, including sufficient personnel and corresponding ongoing training. Beyond strong analytical abilities and personal integrity, training should focus on equipping staff with knowledge and understanding of consumer protection, the FSP's products and services, the procedures to be followed, data protection issues, mediation, negotiation, and other customer service skills.

Complaints handling staff should also be trained in the FSP's complaints management policy and the financial consumer protection framework in the country. Such training should be monitored by relevant supervisors through a training plan and attendance sheets, as well as evaluations of the effectiveness of training and corresponding adjustments and improvements as needed. OJK in Indonesia, for example, mandates such follow-up evaluation to training programs.<sup>25</sup>

Some jurisdictions also provide specific requirements for training. The Bank of Ghana sets out that FSPs should provide compulsory annual training on complaints handling to all staff.<sup>26</sup> While Indonesia's OJK indicates that employees are required to receive training at least once during employment, it further qualifies the type of employees who should be prioritized for "regular" training on complaints handling and resolution as those "whose day-to-day tasks match the following criteria:

- a. deal with Consumers in person (front liners);
- b. conduct oversight of complaint handling and resolution for Consumers;
- c. are related to preparation of reports to the Financial Services Authority."<sup>27</sup>

23. Central Bank of the Philippines (BSP), "BSP Regulations on Financial Consumer Protection," Circular No. 857, Series of 2014.

24. ASIC, "Guiding Principle 4.5 (Objectivity)," *Licensing: Internal and External Dispute Resolution* (Regulatory Guide 165), May 2018, page 46.

25. OJK, "Circular Letter of the Financial Services Authority Number 2/SEOJK.07/2014 Concerning Handling and Resolution of Consumer Complaints at Financial Services Businesses," <http://www.ojk.go.id/en/kanal/edukasi-dan-perlindungan-konsumen/regulasi/ojk-circular-letter/Documents/SEOJK%202-SEOJK.07-2014%20Pelayanan%20Penyelesaian%20Pengaduan.pdf>.

26. Bank of Ghana, *Directive on Consumer Recourse Mechanism Guidelines for Financial Service Providers* (February 2017).

27. OJK, "Circular Letter of the Financial Services Authority Number 2/SEOJK.07/2014 Concerning Handling and Resolution of Consumer Complaints at Financial Services Businesses," <http://www.ojk.go.id/en/kanal/edukasi-dan-perlindungan-konsumen/regulasi/ojk-circular-letter/Documents/SEOJK%202-SEOJK.07-2014%20Pelayanan%20Penyelesaian%20Pengaduan.pdf>.

BSP provides more guidance to FSPs, suggesting that the following capabilities should be built through trainings for all consumer assistance personnel:

1. Solid interpersonal/customer service skills
2. Basic and advanced listening skills
3. Written and verbal communication skills
4. Handling financial consumer feedback
5. Dealing with difficult people
6. Problem solving and conflict resolution
7. The FSP's corporate structure and products and services<sup>28</sup>

ASIC's requirements establish that, when implementing IDR procedures, FSPs should nominate staff to handle complaints who have sufficient training and competence to deal with those complaints, including the authority to settle them or ready access to someone who has the necessary authority, and ensure that all relevant staff are aware of, and educated about, the FSP's IDR procedures.<sup>29</sup>

### 3.3. Proportionality

When establishing the scope of the IDR framework, regulatory requirements should also consider the size, type, and complexity of FSPs that will be implementing such requirements, and bring, to the extent feasible, a proportional approach that balances the requirements with the scale of operations and range of activities undertaken by FSPs. Minimum regulatory requirements regarding the internal procedures for handling complaints and the dissemination of related information should exist and should be similar at least across regulated entities undertaking similar activities and offering similar services (for example, nonbank financial institutions, banks, and non-financial firms). However, sometimes the nature and size of the FSP should be taken into account when setting requirements, as their implementation may not be scalable for small FSPs and could create compliance costs for an FSP that are disproportionate to the risks of consumer loss in that business. Such a scenario could create a competitive compliance cost advantage in favor of larger FSPs.

One example of a common yet potentially disproportionate requirement is that the complaints handling function be carried out by an independent unit within an FSP (that is, not linked to the business units). Very often, this

will not be possible in very small FSPs that have more streamlined organizational structures and, in some cases, count on industry associations or Apex institutions to handle complaints from their consumers. In such cases, regulation should nevertheless require that complaints be handled appropriately consistent with the principles noted earlier. For example, regulations should require that FSPs conduct a thorough and impartial analysis of each complaint, even in the absence of a separate dedicated complaints unit.

Regulatory requirements in the United Kingdom establish that the processes in place to comply with IDR requirements shall take into account the nature, scale, and complexity of the FSP's business, including, in particular, the number of complaints it receives.<sup>30</sup> In Australia, ASIC has different requirements for larger and smaller organizations. Larger organizations with a large retail consumer base must ensure adequate resourcing of the IDR function. Examples might include such specific requirements as providing a toll-free or local call facility where complaints can be lodged and dedication of sufficient staff resources to deal with complaints. The proportionate requirement for smaller FSPs might include ensuring that a senior staff member is available to deal with complaints.<sup>31</sup> The key is to ensure the integrity of the IDR function regardless of the scale of the FSP.

### 3.4. Policies and Procedures in Place

As mentioned above, accessibility, effectiveness, and fairness should be core elements of complaints handling service delivery by any FSP, and consumer complaints data should be harvested as an invaluable source of feedback that can help inform an FSP's overall business conduct, including such specific elements as product design, staffing, and risk management.

As a first step to institutionalizing IDR mechanisms within FSPs, regulatory requirements should include written complaints management policies and corresponding processes, procedures, and systems for the proper and impartial handling and resolution of consumer complaints. These policies and processes should also be complied with should the function be outsourced. The documented policies should, at a minimum, (i) ensure the accessibility, fairness, transparency, responsiveness, and independence of the complaints handling mechanism; (ii) be approved

28. BSP, "BSP Regulations on Financial Consumer Protection," Circular No. 857, Series of 2014.

29. ASIC, "Section 6.4—Resources," *Licensing: Internal and External Dispute Resolution* (Regulatory Guide 165), May 2018, page 48.

30. FCA, "Purpose and Application" (DISP 1.1), *FCA Handbook*, <https://www.handbook.fca.org.uk/handbook/DISP/1/?view=chapter>.

31. ASIC, "Section 6.4—Resources," *Licensing: Internal and External Dispute Resolution* (Regulatory Guide 165), May 2018, page 48.

by the FSP's board of directors or equivalent body; (iii) detail decision-making steps and escalation processes within the institution; and (iv) be disseminated proactively to all relevant staff through channels such as published manuals or intranet pages. A critical part of the policy is specifying a training plan for complaints handling staff, to ensure quick, effective, and consistent resolution of received complaints.

Key steps within the IDR process are to be clearly established and standardized by corporate policies and procedures. These should include informing consumers about complaints procedures and options; lodging complaints and analyzing their eligibility; internally processing complaints by recording and assigning them a unique identifier and recordkeeping as part of a mandated centralized database; defining mandatory time limits for response and rules for assessing the complaints; responding to clients (including details on what information must be provided on an FSP's written response); defining a decision-making and escalation process; and referring complainants to the appropriate EDR scheme, where available, should eligible complainants remain dissatisfied with the complaint resolution.

OJK provides minimum requirements for the IDR procedures that FSPs must internalize, following the principles of accessibility, independence, fairness, efficiency, and effectiveness.<sup>32</sup> The Bank of Ghana provides broader guidance to FSPs on complaint mechanisms but also indicates its authority to review and issue recommendations on the internal policies established by FSPs.<sup>33</sup>

ASIC requires that IDR procedures need to be documented in order to

- (a) enable the relevant staff to understand and follow the procedures;
- (b) promote accountability and transparency of the procedures;
- (c) facilitate the ease of understanding and accessibility of the procedures for consumers (that is, via the production of user-friendly guides); and
- (d) facilitate the self-certification process for Australian financial services (AFS) license and credit license applicants. The need to document IDR procedures and the process for doing so also ensures that effective procedures are properly thought out and established.

The requirement to document IDR procedures includes setting out in writing

- (a) the procedures and policies for
  - (i) receiving complaints or disputes;
  - (ii) investigating complaints or disputes;
  - (iii) responding to complaints or disputes within appropriate time limits;
  - (iv) referring unresolved complaints or disputes to an EDR scheme;
  - (v) recording information about complaints or disputes; and
  - (vi) identifying and recording systemic issues;
- (b) the types of remedies available for resolving complaints or disputes; and
- (c) internal structures and reporting requirements for complaint or dispute handling.

FSPs should also provide a copy of the procedures to all relevant staff. A simple and easy-to-use guide to the procedures should also be made available to consumers, either on request or when they want to make a complaint or dispute.<sup>34</sup>

### 3.5. Access to Complaints: Channels, Visibility, and Transparency

According to international good practices, FSPs should make available multiple channels for lodging complaints, taking into consideration the customer needs to be served. Channels should be functional, accessible, and efficient. The complaints handling service should be free of charge to consumers and should enable a complaint to be submitted by consumers via oral or written formats.

Once FSPs have put in place formalized, written policies regarding their complaints handling and implemented processes, procedures, and systems, disclosure initiatives should be undertaken to inform consumers about their rights and how to exercise them. To this end, FSPs should disclose to consumers not only the complaints handling procedures and communication channels to be used but also escalation processes. At a minimum, contact information and a reference to where more information can be found should be provided.<sup>35</sup> More detailed information, including the availability of any existing and applicable alternative dispute-resolution schemes, should be part of published brochures and agreements.

32. OJK, "Circular Letter of the Financial Services Authority Number 2/SEOJK.07/2014 Concerning Handling and Resolution of Consumer Complaints at Financial Services Businesses," <http://www.ojk.go.id/en/kanal/edukasi-dan-perlindungan-konsumen/regulasi/ojk-circular-letter/Documents/SEOJK%202-SEOJK.07-2014%20Pelayanan%20Penyelesaian%20Pengaduan.pdf>.

33. Bank of Ghana, Directive on Consumer Recourse Mechanism Guidelines for Financial Service Providers (February 2017).

34. ASIC, "Documenting IDR Procedures" (RG 165.126–129), *Licensing: Internal and External Dispute Resolution* (Regulatory Guide 165), May 2018, page 33.

35. Such a minimal amount of information could be relevant in the case of streamlined digital financial services, where space is at a premium.



**BOX 3****Bank of Ghana**

The Bank of Ghana provides standardized formats for FSPs to use in implementing the directive. These include a poster template to be displayed at points of contact with consumers (for example, in branches). The template requires that FSPs disclose their contact details and include a brief description of the escalation process to follow in case of dissatisfaction with the resolution.<sup>36</sup>

**Bank of Ghana Standard Poster Format**

These written details should be made widely and freely available through a range of channels—whether on websites, in prominent locations at branches or points of service, or at the initial point of sale, including all agent locations. Alternatively, if no sale is involved, the information should be provided immediately after the first contact is made with the eligible complainant. Complete, detailed information should be displayed conspicuously on the FSP's premises and websites.

Means of disclosure and the appropriate corresponding level of disclosure include the following:

- *Informational leaflets, brochures, posters, and precontract information:* At a minimum, these should include such clearly visible text as "Complaints, information request, comments? Please call [complaints-accepting phone line], email [complaints-accepting email address] or write to [postal address]."
- *Contract documentation:* At a minimum, contracts and associated documentation should include a list of all contacts to whom a complaint can be lodged, as well as a description of the complaint process and time limits for complaints handling, including a summary of next steps that the consumer may take if she or he is not satisfied with the resultant resolution (including information on how to contact the relevant authority).
- *Websites:* At a minimum, the homepage of an FSP's website must contain a clearly visible link to the specific page that lists contact details where to lodge a complaint, describes the complaints process and time limits for complaints handling, and contains a form through which consumers may lodge a complaint.

- *Other:* All other communication channels commonly used by an FSP to communicate with its consumers (for example, SMS, apps, and conversational robots) should include at a minimum a contact with whom to lodge a complain

A range of channels and communication tools should be made available for submitting consumer complaints. The tools should be adapted to consumer needs (for example, level of literacy, accessibility) and local specificities (for example, language). Channels used to submit complaints can include telephone, fax, email, complaint/suggestion boxes, web presence, mobile phone apps, and in person. To the extent possible and employing a proportionate approach, FSPs should make available a toll-free telephone number, free-response SMS texting, or free data for apps to further encourage access. A dedicated customer-care telephone line, for example, is required by the Bank of Kenya.<sup>37</sup>

Guidance should also set out the desired level of accessibility of internal complaints handling. In principal, the right to lodge a formal complaint that is handled fairly and in a timely manner should be granted to all consumers, not only to natural persons who act outside of a business purpose. Offering easily accessible channels, including with respect to working hours, for consumers to register their complaints without undue costs or waiting times is important to all consumers but is especially critical for low-income

36. Bank of Ghana, Annexes, Directive on Consumer Recourse Mechanism Guidelines for Financial Service Providers (February 2017).

37. "A channel for communication of customer complaint to the institution should be provided. The institution shall provide a dedicated customer care telephone line for lodging complaints by customers. The customers can also use this telephone line to verify with the institution, the authenticity and identity of the agent, its physical location and the validity of its agent banking business," Central Bank of Kenya, Prudential Guidelines for Institutions Licensed under the Banking Act (January 2013), page 369.

consumers or those in remote areas. To ensure this accessibility, some regulations specify that FSPs are prohibited from charging for complaints accepting, handling, and resolution—whether through direct charges, fees, or penalties. This is the case in Ghana, Indonesia, the United Kingdom, and the Channel Islands, among others.<sup>38</sup>

Adapting channels and services may be a necessary accommodation for illiterate consumers or those who speak only local languages. Complainants should be permitted to make complaints and communicate with the FSP in the language of the product or service agreement that is the subject of the complaint or, to the extent possible, in the language in which the complainant feels most comfortable.

Considerations should also be given to the way consumers are required to lodge complaints, such that FSPs do not impose unreasonable and burdensome formal requirements that effectively limit access to complaints handling. Some examples of this type of restrictive formality include requiring that complaints be made exclusively in writing, by using a specific form, or accompanied by extraneous documentation or documentation that is easily available to the FSP. With the aim of facilitating consumer complaints, Canada mandates that complainants be informed of complaints procedures and be provided with any information needed to enable them to meet requirements of those procedures.<sup>39</sup> The Financial Ombudsman of the Channel Islands provides a summary of these requirements in its model complaints handling procedure:

“A provider’s complaint-handling procedure should:

- allow a complaint to be made by any reasonable means;
- be clearly accessible by phone from the Channel Islands at the local rate or via an international toll-free number;
- include reasonable adaptations to assist complainants with disabilities;
- be transparent, effective, prompt, fair and free-of-charge; and
- not have more than two internal stages of complaint decision.”<sup>40</sup>

### 3.6. Timeline for Resolution: Establishing Clear Response Times for Resolving Complaints

Mandatory time limits help ensure that all complaints are handled in a timely manner and can provide confi-

dence to consumers that their complaints will be resolved by the FSP in a reasonable time. Threshold limits encourage FSPs to manage complaints properly, as violations can be addressed with fines or moral suasion responses. Examples of thresholds include applying rules of 0/10/20 or 0/15/30, wherein a complaint should be resolved immediately if possible; otherwise, prompt evaluation of the complaint should be conducted and a concluding decision made within 10 or 15 business days. For particularly complex complaints, this deadline may be prolonged to a maximum of 20 or 30 working days. These limits do not include the time during which an FSP may await supplemental information from the complainant.

Further extension of the 20- or 30-business-day time limit may be warranted in situations where that limit is insufficient. (See box 5.) Cases that involve the thorough investigation or engagement of several employees or business units, or even an outside party (such as an ATM servicing company or another FSP), may require more time than mandated. Extensions can be sought from the compliance manager or other employee with authority at the FSP and should be flagged accordingly in the complaints database. In addition, the FSP must communicate the cause of the delay to the complainant and provide updates on the progress toward resolution, along with a revised expected resolution date.

It is important to consider the timelines established for any existing EDR mechanism(s), as these should not be shorter than those established for IDR. Timeframes established for IDR should be shorter than those in place for EDR to encourage consumers to seek help from FSPs as the first instance of recourse.

### 3.7. Consumer Communication

The first step in investigating a consumer complaint is verifying eligibility and accepting the complaint. This step requires FSPs to have procedures in place to provide complainants with immediate written acknowledgment of receipt of the complaint in a durable medium (that is, a hard-copy written document or other form that the consumer can store). Consumers should be informed of the expected timing for processing the complaint, including the maximum period within which the provider will give a final response, along with the expected medium of response.

38. Bank of Ghana, Directive on Consumer Recourse Mechanism Guidelines for Financial Service Providers (February 2017).

39. Government of Canada, “Complaints (Banks, Authorized Foreign Banks and External Complaints Bodies) Regulations,” *Justice Laws Website*, <https://laws-lois.justice.gc.ca/eng/regulations/SOR-2013-48/FullText.html>.

40. Channel Islands Financial Ombudsman, “Model Complaint-Handling Procedure for Financial Services Providers” (January 2016).



**BOX 4****Recourse Provided by FSPs in a Digital Context**

Digital technologies are increasingly playing a relevant role in the financial sector worldwide, and new players and innovative approaches and delivery channels have important applications in promoting financial inclusion. Examples are e-money and mobile money developments, cashless and digitized transactions, low-value cross-border payments (for example, remittances), and other FinTech products, services, and firms providing an alternative by facilitating transfers and international payments, among others. These new service models and channels create the need to employ complaints handling procedures that go beyond traditional bricks-and-mortar approaches.

Several examples of international principles highlight the consensus that digital FSPs should have in place complaints handling and resolution processes and procedures that are efficient, prompt, and fair.

- Guideline 8 of the Better Than Cash Alliance's Responsible Digital Payments Guidelines of 2016<sup>41</sup> stresses that the recourse system should be accessible by phone or digitally, such as via a website or by text message, or by visiting the provider's place of business.
- The GSMA Code of Conduct for Mobile Money Providers emphasizes the need for complaints resolution processes and procedures. Specifically, Principle 7 of the code underscores the need to

have in place mechanisms to ensure that complaints are addressed effectively and problems are resolved in a timely manner, and it points out the need to inform consumers of the complaints policies and procedures.

- The Most Common Themes for Digital Financial Services (ITU DFS Themes, 2016) emphasizes the following: complaints policy and procedures in place, transparent, and communicated to consumers; multiple recourse channels available to consumers; alternative dispute resolutions or external recourse available; reasonable timeframe provided for dispute resolution, communicated to consumers; coordination between the financial and telecommunications regulators in dispute resolution; oversight of the recourse system by the financial regulator or supervisor; and employees and agents are trained in handling disputes.

In the current evolving environment of emergent players, products, and delivery approaches, providing an effective, efficient, and fair IDR mechanism to consumers, regardless of the type of FSP, is especially salient. Proportionate approaches may need to be employed, but the regulatory environment for complaints handling should enable a level playing field and ensure that consumers have easy access to fair and timely resource mechanisms.

As receipt is confirmed, the FSP should assign each complaint a unique tracking number that is communicated to the consumer, who should have a way to follow up on his or her complaint, having easy access to the current stage of the complaint's resolution.

Following the appropriate processing, investigation, and resolution of a complaint, a response must be delivered in plain writing in a durable format, such as a letter or email, to the consumer. If the complaint is refused, the FSP must provide reasons for the refusal. If compensation is offered as a resolution, the terms of the proposed settlement must be explained clearly. So that the consumer can clearly understand the value of the proposed compensation, the offer should be quantified in monetary terms. Clear instructions should be provided to the consumer regarding the actions to be taken to accept or refuse the

proposal, along with a reasonable timeframe for the consumer to decide on the compensation offer (for example, a minimum of 10 working days).

Responses should also clearly inform consumers of their rights and how they can further pursue the matter should they be dissatisfied with the resolution provided by the FSP. Depending on the local context, options provided to consumers may include the following:

- Approaching an internal appeals body if one has been established by the FSP, including the provision of telephone, email, and postal contacts for the appeals body and any special guidance regarding the appeals process
- Referring the complaint to the applicable EDR provider if there is one in the jurisdiction

41. Better Than Cash Alliance, "Responsible Digital Payments Guidelines," <https://www.betterthancash.org/tools-research/case-studies/responsible-digital-payments-guidelines>.

**BOX 5****Timelines for Resolution**

Examples of approaches taken by some authorities in relation to time for complaint resolution:

- The FCA establishes that the FSP must send the complainant a final or other response by the end of the eighth week after its receipt of the complaint.<sup>42</sup>
- The Financial Consumer Agency of Canada instructs that complaints should be resolved within 90 days or less when possible. In cases where the FSP takes longer than 90 days to investigate and respond to a complaint, the FSP “should advise the consumer about his or her rights to escalate the complaint to the external complaints body and how long the investigation may take should the consumer decide to leave the complaint with the FSP.”<sup>43</sup>
- Australia’s ASIC requires that IDR procedures include clear response times for dealing with a complaint and the complainant should be made aware of these response times. Complaints should be acknowledged immediately, and responses should be provided promptly. In general, a final response must be provided within 45 days, but it also provides for exceptions for certain types of credit disputes and for the provision of traditional trustee company services.<sup>44</sup>
- Ghana allows that “where the financial service provider requires more time to resolve a complaint, the financial service provider may take an additional ten (10) days,” in excess of the mandated 20 working days to resolve the complaint and present the final decision to the complainant. Notification of extension must be provided to the complainant in advance of the expiration of the required 20 working days.<sup>45</sup>
- Indonesia’s OJK requires FSPs to take immediate action and resolve complaints within 20 working days after receipt of the complaint. The complainant must be notified in writing before the 20-working-day period expires for all of the exceptions OJK provides for below:
  - a. The office of the FSP receiving the complaint is not the same as the office of the financial services business (FSB) at which the issue at complaint has arisen, and obstacles to communication exist between the two offices of the FSP.
  - b. The financial transaction at issue in the consumer’s complaint requires special examination of the documents of the FSB.
  - c. Circumstances exist outside the control of the FSB, such as involvement of third parties outside the FSB in the financial transaction conducted with the consumer.<sup>46</sup>

- Approaching the FSP’s regulator, including the provision of telephone, email, and postal contacts
- Approaching a civil court and filing a lawsuit.

### 3.8 Complaints Data: Ongoing Analysis of Root Causes

In addition to the requisite investigation, all complaints should be analyzed to identify and examine underlying causes. The information provided by complaints can be applied to identifying and remedying any recurring or systemic problem and improving policies, procedures, and products accordingly. Part of this analysis should include assessment of whether products are designed with a consumer-centric approach—that is, whether consumers are being offered products that are suited to their needs and profiles—in addition to ensuring that consumers are treated fairly.

Preparing reports on complaints and their causes should be a clear responsibility of the complaints handling function, and these reports should be submitted to the board of directors at least on a quarterly basis. These analytical reports should, at a minimum, provide information on the types of, reasons for, and number of complaints received during the reporting period. Reports should specify which products and distribution points generated the complaints and provide a breakdown of the time for resolution, the number of complaints denied and upheld, and compensation provided.

Based on this data, complaints reports should also provide proposals on what steps should be undertaken to limit the number of most typical complaints. This includes recommendations on how to modify product design, marketing, sales processes, communications, or other business processes. In addition, reports should be analyzed to inform

42. FCA, “Final or Other Response within Eight Weeks” (DISP 1.6.2R13/01/2018), *FCA Handbook*, <https://www.handbook.fca.org.uk/handbook/DISP/1/6.html>.

43. Financial Consumer Agency of Canada, “CG-12 Internal Dispute Resolution” (April 2013), <https://www.canada.ca/en/financial-consumer-agency/services/industry/commissioner-guidance/guidance-12.html>.

44. ASIC, *Licensing: Internal and External Dispute Resolution* (Regulatory Guide 165), May 2018.

45. Bank of Ghana, Directive on Consumer Recourse Mechanism Guidelines for Financial Service Providers (February 2017).

46. OJK, “Circular Letter of the Financial Services Authority Number 2/SEOJK.07/2014 Concerning Handling and Resolution of Consumer Complaints at Financial Services Businesses,” <http://www.ojk.go.id/en/kanal/edukasi-dan-perlindungan-konsumen/regulasi/ojk-circular-letter/Documents/SEOJK%202-SEOJK.07-2014%20Pelayanan%20Penyelesaian%20Pengaduan.pdf>.

the introduction of new measures aimed at lowering the number of common complaints. The degrees of analysis can vary as a function of dedicated technology and resources but can be exploited for data mining, statistical analysis, and predictions if entered into an appropriate database. Regardless of the sophistication, this analysis of complaint outcomes should further be used to inform staff training. In developing these proposed actions, the internal audit and other compliance units should also be consulted, given that their core function includes reviewing governance, risk management, and control processes.

The board of directors should discuss the submitted periodic complaints report and proposed actions and formally agree on courses of action in a timely manner. The analysis and any subsequent board resolutions should then be provided to the internal audit unit of the FSP, so that the auditors incorporate the complaints handling measures into their annual work program. Internal auditors should be regularly informed on the number and reasons for complaints, and the information should be reflected in their monitoring activities.

In addition to requirements for mandatory minimum time-frame for processing and resolving complaints, regular assessment of complaints by senior management and corresponding compulsory reporting to supervisory agencies should be clearly described. This data should be analyzed in regular reports to the board of directors and include specific recommendations on actions to be undertaken to mitigate prevalent complaints. The Bank of Ghana, for example, specifies that senior management make recommendations to the board of directors regarding complaints handling and dispute-resolution improvements.<sup>47</sup> Board members should discuss the reports and proposed measures at quarterly meetings and record adopted resolutions. It is also recommended that these findings be included in FSP annual reports. In the case of the Philippines, BSP regulations indicate that FSPs supervised by the BSP are further required to include complaints and request statistics in their annual reports.<sup>48</sup>

### 3.9 Complaints Data Recording and Reporting: Accuracy, Standardization, and Classification

A complaints database is an important tool for ensuring consistency in complaints handling and decisions throughout the institution. A proportional approach also applies when it comes to the requirement for a complaints database, considering the type, size, and complexity of the FSP.

Information about previous complaints should be accessible by all complaints handling staff, subject to the conflicts and privacy legal and regulatory framework. As the database should record classifications of complaints and their resultant resolutions, a regular assessment of uniformity should be readily performed. Regular training, under the supervision of the complaints handling manager and in accordance with the board-approved training and testing plan, is an additional tool for maintaining a homogenous approach. Further controls should be provided by the compliance or internal audit staff. Finally, supervisory agencies should also be tasked with monitoring whether FSPs make consistent responses to complaints based on their complaints data. Thus accuracy is key.

Each complaint with its assigned tracking number should be included in a centralized, comprehensive electronic complaints database. The database should record all communications and materials related to the complaint and full information on each complaint, even after the complaint is resolved. This is subject to the overall minimum record-keeping retention period required by the legal and regulatory framework in the jurisdiction.

In addition to compliance officers and internal auditors, the relevant supervisory agency should have access to review up-to-date records of all complaints. The structure of the central complaints database should be harmonized for the same types of FSPs to facilitate simpler regulatory reporting, comparison, and oversight.

Information entered into databases should, at a minimum, include up-to-date basic records on the following:

- (i) Assigned reference number of the case
- (ii) Name of the complainant and her/his contact details
- (iii) Date when the complaint was lodged
- (iv) Means of communication by which the complaint was lodged
- (v) Type of product, service, issue
- (vi) Demographics (for example, gender, age, region)
- (vii) Subject and description of the complaint
- (viii) Classification of the complaint (as per an internal classification system)
- (ix) Assigned FSP staff person(s) responsible for handling of the complaint
- (x) Investigations carried out by the FSP
- (xi) Steps undertaken by the FSP to resolve the complaint

47. Bank of Ghana, Directive on Consumer Recourse Mechanism Guidelines for Financial Service Providers (February 2017).

48. BSP, "BSP Regulations on Financial Consumer Protection," Circular No. 857, Series of 2014.

- (xii) Response provided to the consumer
- (xiii) Resolution, if or if not achieved
- (xiv) Date of resolution, if or if not achieved
- (xv) Comprehensive communications with the consumer, including via telephone

### 3.9.1 Complaints Management System: Considerations, Challenges, and Benefits

Apart from the staff that resolve financial consumer complaints, the complaints management system (CMS) is the most critical piece of infrastructure for any complaints resolution function, as it yields significant operational efficiencies. At its most basic, a CMS is a record database that collects fields of information about complaints lodged by financial consumers. It is an attractive alternative to paper-file recordkeeping and facilitates database queries, investigation, reporting, and file storage and retrieval. It does not have to be a complex or expensive computer system, although the systems in place at the larger FSPs around the world are large and extensive. At its most basic, many of the functions sought for a CMS can be provided by a simple spreadsheet or relational database, in which the columns represent the desired fields of information about each complaint file and the rows represent the individual complaint files. A CMS can be very useful to collect relevant elements of complaints for further analysis and identification of root causes, such as (i) demographics (for example, location, region, gender, age); (ii) categories of products/services (for example, payments, credit, transaction accounts); (iii) categories of issues (for example, mis-selling, closure of account, fees and charges, and the like); and (iv) channels (such as branches, agents, phone, in person). Coding individual complaints for product and issue variables generates valuable information for reporting and can help the regulator, government, and FSPs themselves identify areas requiring attention.

In relation to the resources available to the FSP, its size, and its sophistication, CMSs with varying degrees of functionality are appropriate. Most FSPs should be able to acquire a complaints handling database system, but as with all aspects of the IDR framework, regulatory requirements for such a system should be flexible and proportionate enough to accommodate smaller providers. Regardless of the format, the system should facilitate FSPs' periodic reporting of complaint statistics to the supervisory authority.

From a business-recovery standpoint, the CMS is a top priority. Consideration should be given to locating the

CMS and document repository in the cloud, as this might offer certain advantages over storing files on a local server. Scalability and automated remote back-up capability are attractive features associated with the cloud-based platforms that are available from many suppliers in the market. The trade-off consideration is the total dependence upon a reliable, secure, and high-speed Internet connection to enable access to data or files. Cloud-based solutions may also have implications for data protection and data location regulation, so the system design should take note of local requirements for where FSP, complainant, and consumer data may be stored. Local servers offer independence from the Internet but create site-specific risk and require regular backup, preferably to a different remote site that is also dependent upon network connectivity with the same reliability, speed, and security considerations mentioned above.

### 3.9.2 Complaints Data Reporting to Regulators

Collection of complaints data allows the supervisory authorities to analyze consumers' level of satisfaction with individual FSPs, identify emerging consumer issues early as they develop, and track inquiries and complaints trends over time. Jurisdictions vary widely in terms of requirements for reporting format and periodicity: some authorities require monthly reports on complaints (United Kingdom), while others deem quarterly (Indonesia, Philippines, Ghana, Kenya) or annual (Canada) reporting from FSPs adequate. Among others, Kenya requires that the monthly reports include information on measures taken to address consumer complaints.<sup>49</sup>

In addition to standardized classifications and format, supervisory authorities should consider the level of granularity of data needed and their capacity to process the data collected. Disaggregated data can provide supervisors with greater analysis possibilities, but they are potentially costlier and more inaccurate. On the other hand, aggregated data is easier and less expensive to collect and usually less subject to errors, but it does not allow sophisticated analysis.

To encourage transparency and to allow consumers to compare the quality of service provided by FSPs, some jurisdictions require that anonymized complaints data be published on a periodic basis after meeting threshold criteria. In the United Kingdom, firms that report 500 or more complaints to the FCA are required to publish a corresponding summary of that report for public consumption, within specified timelines and formatting.<sup>50</sup> This is in addition to publication directly by the FCA, which

49. Central Bank of Kenya, Prudential Guidelines for Institutions Licensed under the Banking Act (January 2013).

50. FCA, "Complaints Data Publication Rules" (DISP 1.10A), FCA Handbook, <https://www.handbook.fca.org.uk/handbook/DISP/1/10A.html>.

provides complaints data about the overall financial services industry as well as firm-level data (for firms that are required to publish complaints data). Elsewhere, Canada requires banks and authorized foreign banks to publish annually the number of complaints, the average length of time for resolution, and the number of complaints satisfactorily resolved.<sup>51</sup>

## 4. USING TECHNOLOGY FOR FINANCIAL COMPLAINTS

A rising trend in IDR and EDR (and even in courts) is the use of technological solutions, such as so-called online dispute resolution (ODR). ODR is undertaken using technological solutions, typically web-based, developed to facilitate or provide consumers with remote access to complaints.

The rising affordability of mobile telephony means that a high proportion of the population globally either owns or has access to mobile technology. It is therefore not surprising that ODR is being explored to enhance social inclusion<sup>52</sup> and to increase opportunities for individuals and communities to access dispute resolution.<sup>53</sup> ODR applications range from the simple usage of communications technology to facilitate traditional methods to the use of artificial intelligence-supported automated case evaluation and decision making.<sup>54</sup>

### 4.1. Technology as Part of the Resolution Process

Technological solutions have been developed to help parties (that is, complainants and FSPs) go through a step-by-step, out-of-the-box, and efficient online process, aiming to deliver fast and efficient dispute resolution. Both FSPs and regulators have been increasingly leveraging artificial intelligence to launch solutions to facilitate communication with consumers and offer transactional support. For example, in lieu of phone, emails, and letters, chatbots<sup>55</sup> are employed. Although not new and a rapidly growing application of technology, ODR remains contentious, offering advantages and disadvantages to the dispute-resolution process.

Some of the advantages to industry when implementing ODR are relatively obvious. They include (i) providing dispute-resolution mechanisms with an opportunity to extend their outreach, by eliminating face-to-face contact between parties to resolve disputes, thus empowering consumers who did not have access to traditional mediation or resolution processes; and (ii) lowering dispute costs, given the potential reduction in time and resources for resolution, increasing efficiency.

Nevertheless, while technology, including web-based technology, can facilitate the dispute-resolution process, it is not yet able to take the place of the IDR function in financial consumer dispute resolution. Technology can support the various dispute-resolution functions to address the challenge of providing access to dispute resolution to remote complainants, but ODR platforms to resolve disputes are typically not well suited to the task. There are a few other disadvantages, such as (i) country or regional infrastructure challenges that can make it impossible to provide the technological means to a complainant who is located in a remote area (for example, Internet access, cell phone signal); (ii) lack of face-to-face interactions, which is undesirable to some consumers; (iii) an increased difficulty of case analysis based on more concise information; and (iv) the potential need to adapt regulatory and legal frameworks to allow for ODR usage. In addition, ODR requires a degree of technical knowledge and training (from both the FSP's and the consumer's perspective).

### 4.2. Social Media Monitoring

Another innovation increasingly employed by FSPs for IDR is monitoring social media for consumer complaints. According to a report issued by the American Bankers Association,<sup>56</sup> bankers were asked to rank, from 1 to 10, the reasons their banks use social media. Topping the list was (1) community engagement, followed by (2) the desire to deepen existing consumer relationships by providing such content as financial tips and updates on new products or services. According to the survey, 63 percent of the banks already use social media to monitor complaints for risk-management purposes, and 12 percent intend to do so within one to two years.

51. Government of Canada, "Complaints (Banks, Authorized Foreign Banks and External Complaints Bodies) Regulations," *Justice Laws Website*, <https://laws-lois.justice.gc.ca/eng/regulations/SOR-2013-48/FullText.html>.

52. Alberto Elisavetsky, "Distance Mediation as a Bridge for Social Inclusion," *Mediate* (April 2016), <https://www.mediate.com/articles/ElisavetskyA6.cfm>.

53. Giuseppe Leone, "Promoting Online Dispute Resolution in Africa: A Simple, Pragmatic Approach," *Mediate* (December 2015), <https://www.mediate.com/articles/LeoneGbl20151211.cfm>.

54. Graham Ross, "ODR's Role in In-Person Mediation and Other 'Must Know' Takeaways about ODR," *Mediate* (March 2017), <https://www.mediate.com/articles/RossG2.cfm>.

55. A chatbot is an artificial intelligence-enabled, text- or voice-based communication tool that learns human users' language styles, picking up their words and expressions, to simulate conversation, especially over the Internet.

56. American Bankers Association, *The State of Social Media in Banking: Results of an American Bankers Association Research Study* (Washington, DC: American Bankers Association, 2017).

Despite these trends, more than 25 percent of respondents indicated that their banks had no plans to employ social media to monitor complaints, provide customer service, or recruit, despite industry success in employing this channel.

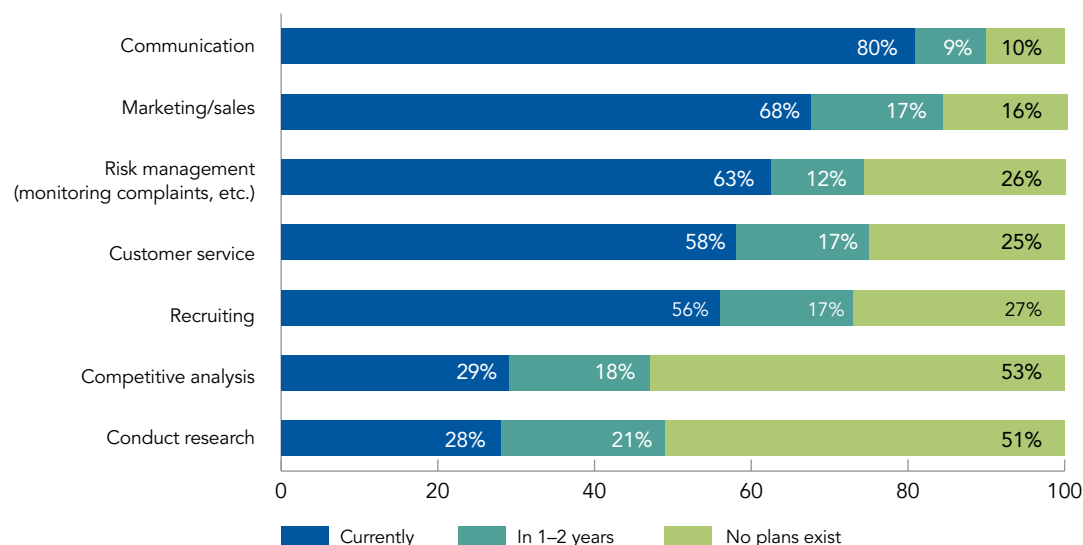
Social media can be seen by some providers as a threat because it can give consumers a new, high-profile plat-

form to complain. Generally, however, it is seen as an opportunity: for consumers to post complaints, especially for those who would otherwise not have access to branches, traditional channels, or intermediaries, and for FSPs to use these complaints to learn from consumers, address the complaints in a fast and efficient way, and improve their internal processes and procedures to prevent the issues from recurring.

**FIGURE 3: Social Media Monitoring by Banks**

*How are banks using social media?*

*Does your bank use social media for the following activities?*



Source: American Bankers Association, *The State of Social Media in Banking*, 2017.





