
Stand out for the right reasons

Sunshine on a rainy day: Why complaints can turn into competitive advantage

*Our Conduct
Soundbites series
brings you the
latest thinking on
the conduct,
customer and
culture issues that
matter to financial
services
organisations.*

PwC – Getting to grips with the conduct agenda



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One in four UK consumers says they have been mis-sold a financial services product they didn't need or want. Around a quarter of these said it took more than two months to resolve the situation¹

After years of struggling to keep complaints at bay, smart firms are coming to recognise that being able to handle complaints well can enhance customer outcomes and strengthen market reputation. How can your business turn criticism to your advantage?

However as hard as your business tries, there will always be some complaints. The big differentiator is how you deal with them, be this tackling the cause or ensuring effective resolution.

In the past, quite a few financial services (FS) firms regarded complaints as a problem to be managed away as they strove to keep the expense and effort of redress to a minimum. Some were accused of hiding behind complicated terms and conditions or claiming any benefit of the doubt for themselves in an attempt to wriggle out of admitting blame or paying due compensation. As a result, there was little focus on the effectiveness of the complaint management process or what could be learned from understanding the causes of the issues.

Consumers' biggest concerns

The biggest concerns UK consumers have about the way banks and the financial sector handle their money are:

- Not getting a good enough return on their savings – 37%.
- Over-charging with unfair fees – 31%.
- Bank/institution making risky investments with customers' money – 30%.
- Personal details being sold to a third party – 29%.
- Account details not being held securely – 25%.

Source: PwC Personal Finance Tracker Survey June 2014¹

Strengthening loyalty and understanding

Today, complaints are generally treated with much more care and attention. Farsighted businesses are taking this further by seeking to exceed customers' expectations. Extra resources are available to make sure problems are put right quickly and efficiently. If there is some doubt, the benefit goes to the customer, even if the basis for the complaint is unclear

or the customer's expectations are unrealistic. The result is much greater loyalty and a positive story to tell their friends. Moreover, by thoroughly analysing the causes of complaints, your business can systematically eliminate the causes and rapidly drive down the volume of complaints you receive. As complaints data is published and benchmarked by the regulators, there are clear benefits for your reputation as well as your bottom line.

¹ PwC Personal Finance Tracker online survey of 2,015 UK adults aged over 18 carried out in June 2014. Results have been weighted to nationally representative criteria

Higher bar of expectation

The value of this more positive approach is heightened by changing customer expectations and ways of communicating dissatisfaction.

In a digital world, customers want what they want, when they want it. Their impatience with slow service and dissatisfactory outcomes stretches to how they complain. Customers are far less tolerant of long and protracted written processes. If your business can't offer a faster, multichannel experience, the result is likely to be a complaint multiplier, in which the complaints process itself is the cause of yet more complaints and costly referrals to the Financial Ombudsman Service (FOS).

Internet comparison and social media also mean that customers are better informed about whether they're getting a good deal. If they don't get satisfaction from your business through normal complaints channels, social media gives them an opportunity to vent their displeasure across a wide audience, with all the risks of viral escalation and added costs of redress this opens up.

These developments present increasing challenges and risks to firms who are still entrenched in protracted letter-writing processes, have large backlogs of complaints or haven't the technological capability to offer more direct interaction. The FOS routinely overturns 30-50% of referred complaints, as customers feel unsatisfied by the original handling of their complaint.

Turning dissatisfaction into delight

So how can your business get its complaints process up to speed? Customers consistently cite three critical needs:

1. They want to deal with people who take ownership of the complaint and have the authority to resolve it. Think of the delight if the first person they speak to is there with them all the way.
2. They want the issue fixed. All too often, promises to remedy the situation aren't followed up or, perhaps even worse, the business hides behind a wall of excuses as to how they weren't to blame.
3. They want the issue resolved quickly. There is only a brief window in which a well-handled complaint can enhance loyalty. While the FCA allows eight weeks for the resolution of a complaint, in our opinion a timeframe of nearer two weeks (for most issues) is required to avoid completely losing the customer's advocacy of the process. First touch resolution on the channel of their choice is what really delights customers, encouraging them to bring more of their business to you.

Only 44% of UK consumers are confident that an insurance claim will be handled fairly or quickly²

FCA: more needs to be done to cut complaints

The FCA has said that 'work needs to be done' by banks to cut complaints, despite a fall in the number of gripes in the first six months of the year. The total number of complaints fell by 5% in the first six months of the year compared with the previous six months. But that still amounts to nearly 13,000 complaints a day. FCA figures show there were 2.36m complaints received by UK financial services firms in the first half of the year, with just over half about mis-sold PPI. The other areas which prompted the most complaints were current accounts, general insurance, credit cards and savings.³

FOS:

In the latest ombudsman news, Caroline Wayman, CEO and Chief Ombudsman says: "Mistakes happen, but they need to be learnt from. Earlier in the month, we published information on the number of complaints we'd received, and who they were about. And the data reinforced one thing – Some businesses aren't learning."⁴

² PwC Personal Finance Tracker online survey of 2,015 UK adults aged over 18 carried out in June 2014. Results have been weighted to nationally representative criteria

³ www.bbc.co.uk/news/business-29359941

⁴ Ref: <http://www.financial-ombudsman.org.uk/publications/ombudsman-news/120/120.html>

Cutting complaints off at source

An effective complaints process can enhance loyalty. But the biggest benefits come from cutting out the causes of dissatisfaction and hence generating lower costs and happier customers.

Leading firms have established dedicated teams to carefully analyse complaints data and develop solutions. The responses range from amending the wording in promotional material and seeking to set more realistic expectations about a product feature, through to large scale IT upgrades. We've seen firms cut their complaints rates by more than half as a result of this systematic process.

Other valuable initiatives include rapid response teams, who can use social media to pick up early signs of customer concern, publicly acknowledge the problem and give reassurances to their customers, the regulators and the media. Executive level emergency forums can be convened at short notice to authorise immediate action to fix the problem and begin any customer remediation, without waiting for formal complaints to arrive.

The bottom line

Despite the clear cost of complaints, be this redress, litigation, loss of business, regulatory sanction or reputational damage, many companies are still finding it difficult to present a clear business case for change. There may be a particular reluctance to shift the benefit of the doubt to customers for fear of increasing redress payments and therefore overall costs will increase.

But those who have taken the leap of faith, and made a real commitment to turn complaints into a strategic advantage, have discovered that rising costs are not a reality.

Our Conduct Soundbites series looks at how conduct affects particular segments of the market and the implications for culture, product development, customer engagement and other key aspects of your strategy and operations. These can be found at www.pwc.co.uk/conductsoundbites.

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