A photograph of the Golden Gate Bridge in San Francisco, partially obscured by a thick layer of fog or low clouds. The bridge's red structure stands out against the hazy background. The sky is a warm orange color, suggesting a sunrise or sunset.

Your guide to best practice engagement with the Financial Ombudsman Service

An EQ Complaints Professional Whitepaper

Here you will find practical tips for:

Managing FOS escalations

Making the most of FOS support services

Reducing escalations through best practice complaints handling



equiniti.com/eqcomplaintsprofessional

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Introduction

The Financial Ombudsman Service (FOS) was formed in 2001 to act as an independent dispute resolution service for the financial services (FS) sector. Like other Ombudsmen organisations, it exists to step in when things go wrong between firms and customers, before the customer takes an official legal route.

The FS sector is heavily regulated with many complex rules and regulations to follow. With the process for handling complaints mandated by the Financial Conduct Authority (FCA), and the fair treatment of customers high on their agenda, the FOS ensures that both the facts and spirit of the rules are applied to a wide variety of cases.

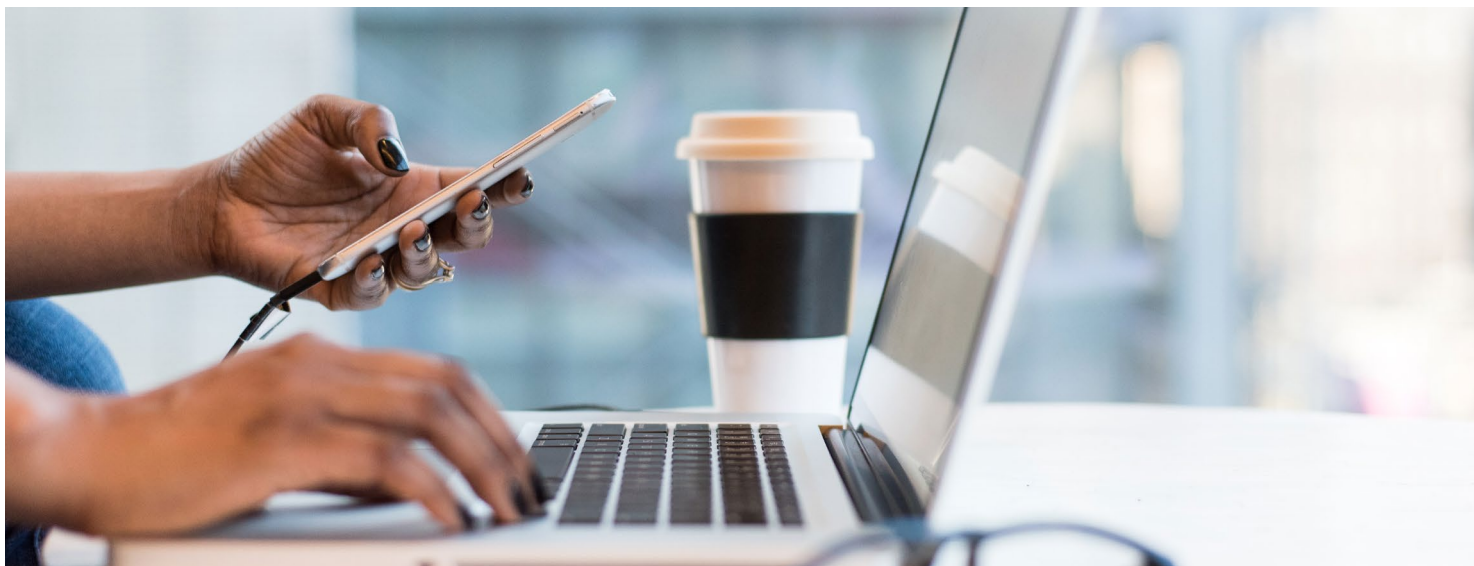
FOS objectives and priorities

The state of our personal finances has a huge impact on all aspects of our lives. Combine these vital services with the often complex nature of financial products and services on offer, and it is no surprise that disputes arise between business and consumer.

Where any disputes between parties cannot be resolved, the FOS's role is to listen to and fairly investigate both sides of the complaint and various responses to reach their decision. They also offer support and advice to regulated businesses in addition to independent adjudication services. This is with the aim of reducing the number of complaints that need to be escalated to them.

Why is a good relationship with the FOS so important for FS firms?

FOS adjudicators are often assigned to certain businesses long term, giving the FOS representatives within those companies the opportunity to develop an ongoing relationship with the Ombudsman. In all cases, the main objective of the FOS is to reach a fair outcome in line with regulatory guidelines and an understanding of the potential or actual harm experienced by the consumer. This approach and rationale by the FOS when dealing with a case is important for companies to consider when they are looking at improving their own complaints handling processes to prevent the case being escalated in the first place.



The FOS in numbers¹

278,033

New complaints received

247,916

Complaints resolved

40% average

Uphold rate (excl PPI)

50% increase

in complaints received from FY 19-20

¹Complaints stats for April 2020-March 2021.

What to expect when cases are referred to the FOS

The regulatory standard timeframe for resolving a dispute directly with the consumer is 8 weeks after they first register their complaint. Once this timeframe for your own process has passed without resolution, the customer can raise the case with the Ombudsman. This is true even if the company had not responded to, or failed to recognise the complaint was raised in the first place. So anyone wanting to ignore a complaint thinking it won't go to the Ombudsman until it's been dealt with by your company is in for a shock.

The FOS will always ask for both sides of the story to review the complaint and in doing so ask for a standard pack of information about how your business has handled the case. These case files can and should be templated so there is consistency of information and you can be sure that the FOS has what it needs first time.

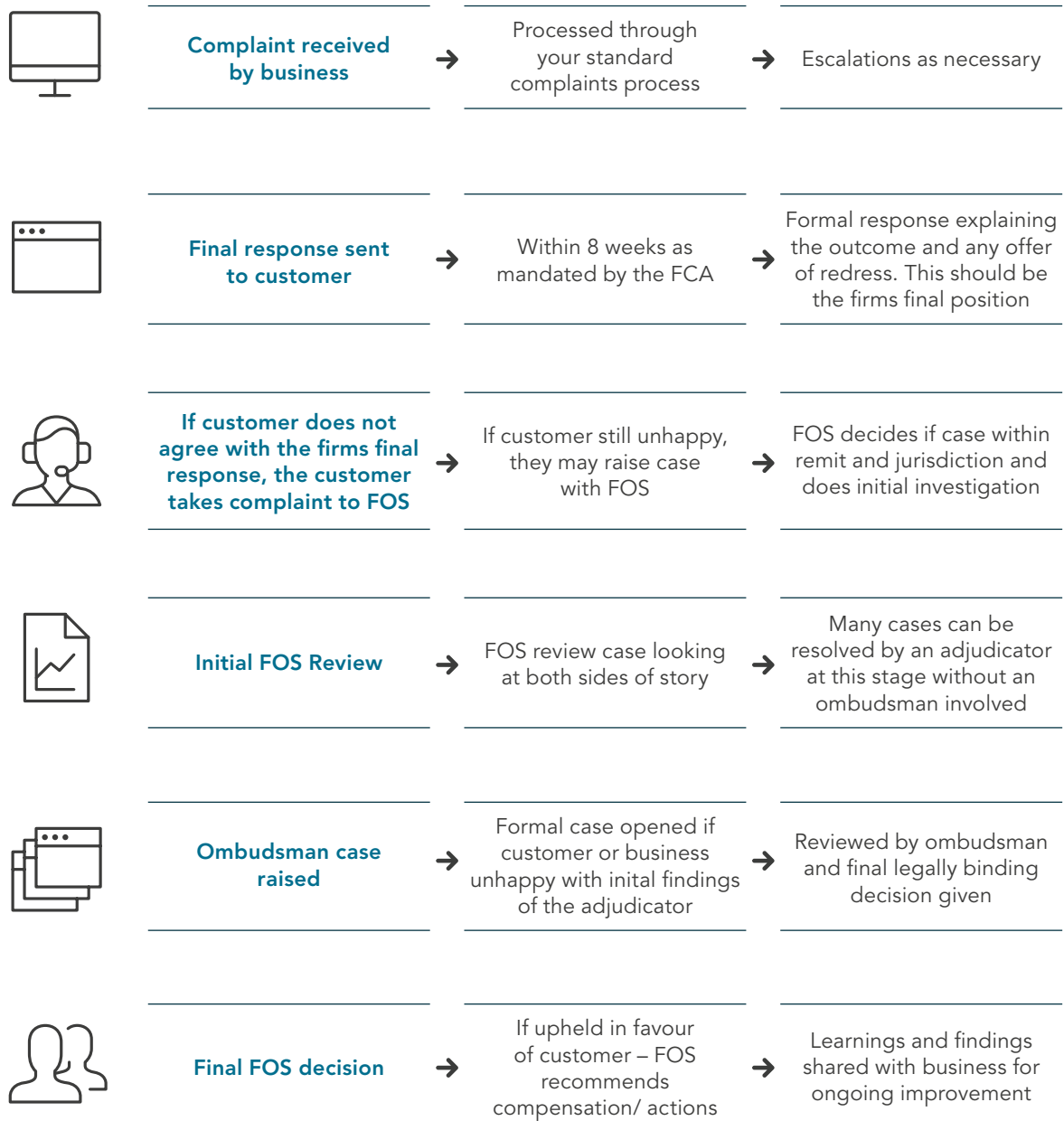
Here we summarise the cases the FOS take on and the process they go through so that you are fully prepared for when you are dealing with any escalated cases for your business.

Complaints the FOS deal with

- Banking and Payments
- Consumer Credit
- Insurance
- Mortgages
- Investments
- Pensions and Annuities
- PPI
- FS related services (e.g. power of attorney/ covid-19 impact)



A FOS-referred complaint lifecycle



Top four recommendations for managing a FOS escalation

1. Get Talking

Engaging positively with the FOS, supporting the process and communicating openly with them is vital to building a good relationship with the ombudsman. The FOS are very open when engaged and will discuss outcomes and their rationale behind a decision. Typically, the FOS will assign an adjudicator as a main point of contact for each business, meaning you will have a named contact to build an ongoing relationship with.

Reaching out to your FOS contact in a friendly and open way, for clarity, questions, greater understanding and an explanation of your perspectives, will be hugely helpful when managing cases that get escalated by the customer. It will also enable better working practices, for example the FOS are often very willing to allow extra time for firms to prepare their responses if there is a good reason (delay, system issue, obtaining info from archives etc.). But they take a dim view if firms are consistently late with responses without explanation.

It is also important to demonstrate that you have acted swiftly on the results of the FOS adjudication. For example quickly paying out on any FOS award redress and sending the required confirmations to both the customer and the FOS.

2. Be Open to Change

By viewing complaints as an opportunity to improve both your business operations and customer experience, your whole perception of FOS engagement can shift. Also, in demonstrating a willingness to learn and change your business approaches as a result of an escalation or adjudication, you give confidence to the FOS and the regulator that you are adhering to the FCA's treating customers fairly principles.

All firms need to evidence that they learn from FOS outcomes, and most firms will apply this where they find in the customers favour. However, there are also learnings to be taken from FOS outcomes where they find in the business' favour. As although you came to the correct outcome, there was still customer dissatisfaction resulting in the escalation to FOS.

This is often a communication issue and we'd always recommend a firm makes a call to the customer prior to sending their final response letter. This helps make sure the customer understands, and gives them an opportunity to ask questions. This simple approach makes a big difference in reducing escalations, and more importantly it increases customer satisfaction.

In addition, you can use a FOS escalation to review other complaints for potential proactive remediation work before they also get escalated. This then further helps your reputation for positive customer engagement.

FOS escalations also give your business an opportunity to test your approaches. This can either validate the approach or BAU practice, or give the firm valuable learnings to improve their service/product offering. The FOS aim to take a "fair and reasonable" approach, so aiming to mirror this should improve overall satisfaction.

3. Start on the Front Foot

Make sure you have a defined FOS escalation management process within your organisation – even if you have never had an escalation or only have a small number. Being able to evidence your commitment to the FOS process by providing all the key information requested at the first time of asking goes a long way for your reputation with the Ombudsman.

Have a core team to review the case files before sending them off to ensure you are providing high quality and accurate information on all you did for the customer before the complaint escalated. This is the chance for firms to fully state their case so having a dedicated team with the relevant experience or subject matter experts involved is very important to properly explain your decision-making process.

Make the best use of technology here too. Using your complaints management system to evidence and record all actions and rationale behind the communications and final decision you sent to the customer. This is also a good opportunity to spot your own mistakes. Unfortunately, it will be too late to avoid the process, but it's often better to recognise mistakes and put your hands up before the review. This saves time and effort on all parties, and demonstrates that your company is aware, understands the right outcome and is willing to change.

4. Pick Your Battles

Inevitably, there will be times when you disagree with the adjudicator's decision following a case escalation. The next step is to decide whether to request a further review by an Ombudsman or to let it go and learn from it for the future. Possible grounds for challenging the decision could include any salient points you think the adjudicator has missed, any precedents they may not have considered, or if you feel they have misunderstood the information you shared with them.

In addition, make sure you are not escalating the same complaint type more than once (unless there are different circumstances). Recognising these nuances are key when considering judgments based on precedents elsewhere. Are the differences material enough that you can realistically expect a different result this time? Undertaking a challenge with the FOS can be helped hugely by a positive rather than adversarial relationship with your key contact and adjudicator.



Making the most of FOS Resources

Did you know the FOS has many support options for businesses as well as end consumers? Here are the ones we most frequently refer our clients to for first-hand support and guidance.

The Technical Desk

The FOS offers information and guidance on handling complaints not referred to them through their Technical Desk service. This is an opportunity to discuss a complaint that has not been referred to the Ombudsman, but about which you may want some feedback on how the Ombudsman would view it. All conversations are informal in nature and it's important to remember that if the complaint is formally referred later, the assigned case handler may reach a different conclusion than the Technical Desk.

www.financial-ombudsman.org.uk/businesses/business-support-engagement/technical-desk

Decisions and Precedents

Not only do the FOS release regular complaints data updates so you can benchmark yourselves against the industry standards, but they also publish case studies and previous decisions. These can help you to better understand their decision making process and any precedents that may have been set by similar cases with other companies.

www.financial-ombudsman.org.uk/data-insight

Ongoing Updates

We recommend signing up to the regular FOS newsletters. They are full of updates, case studies and top tips. With information on approaches and precedents, these also show how the FOS decided recent cases. Also, keep an eye on their events page for specialist workshops, webinars, discussion groups and in-person events.

www.financial-ombudsman.org.uk/subscribe-newsletter

www.financial-ombudsman.org.uk/news-events/events

The full guide to all the business support services and information offered by the FOS can be found here:

www.financial-ombudsman.org.uk/businesses/business-support-engagement

And you can always come to us...

EQ has been working with companies to ensure best practice complaint handling for over 20 years. Our experts truly understand how to make the most of your processes and people to ensure complaints are handled swiftly and effectively, and any FOS escalations are a smooth as possible.



Preventing Case Escalations

The ideal is obviously to handle the complaints so well in house that the customer doesn't feel the need to escalate it to the Ombudsman. Whilst there will always be exceptions, having a robust, customer and staff friendly complaints handling process can go a long way to keeping your customers happy with your own responses.

Here at EQ, we've seen the importance of the role that RegTech can play in building effective customer engagement and complaints handling operations. This systemisation of the complaint management process is driving change. Financial businesses can now automatically capture, manage, track and report complaints; ensuring a consistent and fair customer experience that they can evidence to the Ombudsman and Regulator.

The 7 Key Factors of Complaint Management

We look at the 7 key factors to consider for a well-handled complaint.

01 • Acknowledgement

Automated acknowledgements can be hugely beneficial to both business and consumer, letting the consumer know they have been heard whilst not taking up the valuable time of complaint handlers. It is also important to enable and empower front line workers to take affirmative action for the complainant to solve their problem. FCA records for H2 2020 showed that just 49% of complaints (excluding PPI) were closed within three business days, showing there is room for improvement during this vital first engagement.

02 • Assessment

The correct classification of a complaint and logging of ALL the information the consumer supplies is vital in achieving a positive outcome. Simply asking what a good desired outcome for the complainant would be, and striving for that, can help set expectations on both sides. Systems play a key role in helping to classify, record and progress on the appropriate workflow here, increasing the effectiveness of the process and supporting the case handlers with tailored advice and automated correspondence and response options.

03 • Investigation

The FCA has very clear guidelines on complaint handling, revolving around their Treating Customers Fairly (DISP) principles. This means that companies can automate and standardise their regulatory complaint processes to deliver consistent, high quality results. This can include collecting all details, templates and prompts for appropriate and legally binding communication with the customers. A good system can provide a full and complete record of all interactions, activities and responses should the consumer escalate things further.

04 • Communication and Engagement

Complaints can escalate unnecessarily if customers are not engaged or the outcome is not communicated correctly. Communication and engagement throughout the journey is critical, including setting expectations in updates and response times, and following best practice approach to have a decision call before issuing the final response letter. This is recommended for both uphold and reject outcomes (remember, escalations to FOS can still occur if the complaint is upheld). Holding a decision call ensures the customer understands the rationale behind the outcome, gives an opportunity for the customer to ask any questions, and helps the business land the outcome more sensitively than you can with a formal letter.

05 • Speed of Response

Complaints are more likely to escalate if they are not responded to quickly. Typically, satisfaction reduces significantly after the first 10 days, especially if there has been little contact/engagement. Timely and clear communications with the customer play a vital role in keeping the relationship positive even in the middle of a complaint. In addition to the regulatory mandated responses to be sent at set deadlines, updates let the customer know you are both taking them seriously and consider them important. And it is not just the official, legal and formal responses that can be automated. Including an array of templates within your complaints handling system for the most common types of communication can be hugely helpful for your staff, saving them time and effort, as well as offering the customer clarity at each stage of their complaint.

06 • Review

Keeping on top of trends can make a real difference to effective complaint handling. Early identification of common complaints can be acted upon quickly to prevent them increasing or becoming a regulatory/compliance issue. Making the most of your systems to review MI, undertake data analysis, and identify Root Cause Analysis can determine causal factors and why customers are complaining. A robust Quality Assurance (QA) process also verifies if the business has met its TCF obligations and ensures this can be documented to prove due diligence and compliance.

07 • Improvement

It is not enough to just know where things are going wrong, the vital step is to act on this information. Whether problems are highlighted before or after a case goes to the Ombudsman, all complaints are potential opportunities to review and improve products, operations and communications. A proactive approach to continuous business improvement also has a hugely positive impact on your relationship with the regulator and ombudsman, as well as being key to maintaining loyal, happy customers.



Letting technology ease the burden

This need to provide greater transparency and more granular reporting is fuelling the systemisation of complaints management. There's now a real need to automate and document complaint handling to avoid recording errors and to prove compliance at every one of the seven stages.

A dedicated complaint management solution fulfils this role using sophisticated workflow to track and escalate individual complaints according to specific timeframes, classify the severity of the complaint and qualify it by context, send communications over multiple channels, and create that important MI to provide insight and improvement, all with one-touch reporting.

Today's off-the-shelf complaint management solutions have minimal requirements, removing the issues of costly additional IT resource and the complexity of integration and deployment that made it the preserve of large corporates in the past. Available in the Cloud, as a SaaS or on-premise solution, complaint management is now within the reach of businesses of all sizes.

Conclusion

For the FOS, the concept of fairness is at the heart of their organisation. Delivering fair outcomes for consumers and businesses, based on independent adjudication that takes both sides of the story into account.

Likewise, the Treating Customers Fairly principles from the FCA are a key focus for them in regulating performance and compliance in financial services organisations. Given the economic impact of the pandemic, and the increase in vulnerable customers, this is of particular importance at this time.

For businesses, the focus is both to adopt the TCF approach and be able to evidence this to regulator, ombudsman and customer alike. The ability to do this successfully relies on the right combination of people, process and technology. Adopting a ready to go, fully FCA compliant system that ticks both process and technology boxes means that you can free up your people to deliver the very best service to build strong relationships with both the FOS and your customers.


Get in touch to discover how EQ can help you adopt a fully customer-centric, FOS and FCA compliant approach to automating complaints handling and customer engagement.

EQ Digital is a trusted provider of innovative digital solutions for managing customers. As a regulated partner to regulated industries, we deliver a best-in-class combination of people, processes, technology and data analytics.

We help the UK's largest customer-facing companies to streamline their operations, reduce costs through automation, enhance data quality, reduce the burden of regulation, and improve the quality of all customer interactions. We do this through our people, proprietary technology and customer insight.

EQ Complaints Professional draws from 20 years of regulatory experience and is a fully automated, FCA-compliant complaints management system.

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