



### Key Contacts

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*“In line with the FSA’s more Principles-based approach...the rules have become less prescriptive”*

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## COMPLAINTS AND ROOT CAUSE ANALYSIS

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### Overview

**Complaints are seen by the FSA as a valuable indicator of areas of a firm’s business that are not operating satisfactorily for customers. The FSA believe that a firm’s Senior Management should see effective complaint management as a key part of Treating Customers Fairly (“TCF”), and adopt a complaints culture that fosters this approach. Complaints should be seen as a source of customer feedback – it makes good business sense to use that feedback to try to take action to keep customers happy. Effective analysis of the root causes of complaints can also help ensure fairer treatment to current and future customers. The FSA acknowledge that smaller firms are likely to receive lower numbers of complaints but all firms are expected to consider how they can use information from complaints to improve the customer experience.**

### Complaint Handling

Effective and efficient complaint handling should be a key part of a firm’s approach to TCF. TCF Outcome 6 requires firms to ensure that customers do not face any unreasonable post sale barriers to making a complaint.

The FSA’s Dispute Resolution sourcebook provides rules and guidance on how firms should deal with, report and analyse complaints from “eligible complainants”. In line with the FSA’s more “Principles-based Approach” to regulation, since 1 November 2007 the rules have become less prescriptive. Firms are required to establish, implement and maintain effective procedures for the reasonable and prompt handling of complaints. The procedures should ensure that the firm handles complaints competently, impartially and promptly. Consumer awareness remains a key message with firms being required to make “eligible complainants” aware of the remedies that are offered to them.

In the absence of more prescriptive rules, when determining how to handle complaints, it is helpful to consider the following questions:

- How do we embed a “complaints culture” which recognises the value of complaints to the business?
- Do customer-facing staff know how to recognise complaints?
- What systems support, if any, do we need to complement our procedures?
- How do we create effective, meaningful Management Information (“MI”) to demonstrate that we handle our complaints in the spirit of the FSA’s requirements?

*“...analysis of complaint records can indicate where improvements in the business can be made”*

*“Effective and efficient complaint handling should be a key part of a firm's approach to TCF”*

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### **Complaint Root Cause Analysis**

Effective complaint root cause analysis techniques can assist firms in ensuring that systemic causes of complaints are identified and controls are put in place to reduce the number of complaints in the future. As a result of this, the business is likely to save the costs involved in handling and remedying complaints as well as having more satisfied customers and all the benefits that this will bring.

The rules now make specific mention of using root cause analysis to identify and remedy the cause of complaints.

Complaint records are a source of quality data; analysis of that data can indicate where improvements in the business can be made. Firms should have in place processes to record correctly and analyse effectively the root causes of complaints to enable them to identify areas of concern and potential systemic problems. Firms should evidence this through meaningful qualitative and quantitative management information.

Quantitative MI may include the numbers of complaints received, speed of resolution and numbers of complaints referred to the Financial Ombudsman Service (“FOS”). It may also prove useful to look at the number of complaints relating to different business areas, products and even individuals. This can give an immediate indication of where controls could be tightened to reduce the number of complaints the firm receives.

Qualitative MI may simply be a commentary to explain the trends identified in the quantitative analysis, perhaps highlighting a need for training within the business or for marketing material to be reviewed, or it could be a more complex measure, for instance the use of customer surveys to obtain information on levels of customer satisfaction with the complaint handling process. Some trends may be caused by external factors that are outside the control of the firm, for example a spike in complaints caused by adverse press over potential mis-selling issues.

Various different approaches to root cause analysis may be adopted and the right one will depend on the size and type of the business. It will sometimes be possible to implement simple systems to record complaints which will then provide the information required for root cause analysis work to be done. The key to root cause analysis will always be to ensure that the information produced, whether qualitative or quantitative, is useful, meaningful and acted upon.

### **Conclusions**

The fair treatment of complainants should be a key part of a firm's overall approach to TCF. Firms with “eligible complainants” should have in place robust procedures for handling complaints, and for analysing complaints to ensure that lessons are learnt. Further, effective MI is required to demonstrate procedures are followed and to facilitate root cause analysis. Senior management need to use the information to influence change.