

## ABI Consumer Redress Event, 9 December 2011

### Improving Outcomes for Consumers – Panel Session

Frances Harrison

- **Most consumers don't like complaining.** Surprising when you hear from the FSA that firms representing 92% of PPI complaints have paid out a total of £776 million in redress up to the end of September.<sup>1</sup> But research on bank complaints shows less than one third who complain will pursue their initial complaint, despite being dissatisfied with the response from their bank, with only 9% of those who do stick with their complaint seeking redress from FOS.<sup>2</sup> Consumers need time, courage and determination to go through an unfamiliar process and so they look for hand holders. In small claims in the County Court this translates into one fifth of consumers using a lawyer<sup>3</sup> for a process that was supposed to be used without lawyers and the associated costs and formality. In PPI we see handholding offered enticingly on daytime TV, in texts and cold calls by CMCs and consumers pay through the nose at 20% for very little work. How can we improve redress so that consumers are empowered to resolve disputes in an accessible, efficient, informal and timely fashion?
- **Collective redress.** By their activities CMCs are filling a hole. On the one hand bringing more consumers to the table but on the other creating many fishing expeditions and spurious complaints. As we know in a mass producing and mass consuming society, one product or service has the capacity to injure or cause loss to a large number of people, and victory for one consumer does not apply to others similarly affected. Collective redress<sup>4</sup> as a process would allow consumers to pool together and exercise group strength and with the right framework could be a positive future development. Today, although the FSA requirement for root cause analysis addresses a more mass approach, still the CMCs thrive.
- **Consumers like to compliment.** Not surprising when you hear, as I have done, that John Lewis rank their own stores – not by complaints – but by written compliments. Here's my compliment: when you look across the consumer landscape of complaints there is one aspect of financial services that stands out well. In a top ten of complaint categories, areas like second hand car sales, personal computers and building work have no ADR scheme for all players in the sector. Those other sectors lag behind financial services and so haven't enjoyed the benefits of a "change agent" highlighting what is fair and reasonable for consumers to expect – seeing the resolution of individual disputes as a prism through which to promote systemic change in markets<sup>5</sup>. So – full marks to this sector for a fully functioning ADR system, but can I give you full marks for having enough staff dedicated to working on complaints? What is the consumer experience once they have "expressed dissatisfaction"? How consumer-focussed are the processes, practices and procedures backing up your senior executive with responsibility for complaints?

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<sup>1</sup><http://www.ftadviser.com/2011/11/29/regulation/regulators/fsa-data-reveal-m-ppi-redress-paid-in-ujQ1E4bpmhKoDs56KaHIRM/article.html>

<sup>2</sup> <http://www.consumerfocus.org.uk/news/bank-complaints-handling-continue-to-let-down-customers-reveals-new-consumer-focus-research>

<sup>3</sup> Consumer Focus Small Claims Big Claims Oct 2010

<sup>4</sup> EU consultation on Collective Redress 2011

<sup>5</sup> National Consumer Council Lessons from Ombudsmania 2008

- **Look through a consumer lens.** We want you to put consumers at the heart of new product and service development - see costs and benefits through a consumer lens. FSA rules and guidance play an essential role in ensuring the market is fair and consumers are protected and in stepping in before risks crystallise. Packaged Bank Accounts, where your products are bundled together, are a recent cause for regulatory concern<sup>6</sup> and although you are not at the front end, I wonder whether you are monitoring the problems experienced by consumers? For example: in not understanding some insurance products sold as part of a package have to be activated.
- **Promoting change.** Getting the message out to consumers and firms alike about what is fair and reasonable, is an important role for the Ombudsman. The Panel plans to support increased transparency through publishing FOS decisions<sup>7</sup> and would like to see a similar system of starring significant decisions as used by Commissioners dealing with appeals from tribunals. Annually 4000 appeals are decided but only 80-100 concern new interpretation or new areas of regulation – so that becomes more manageable to see the wood from the trees. I hope you will be better able to use decisions across the sector as a feedback loop to improve. And internally I hope you will take responsibility at board level to really grasp what culture, processes and systems prevent good complaint handling.

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<sup>6</sup> FSA consultation on Packaged Bank Accounts 2011

<sup>7</sup> FOS consultation Transparency and the Financial Ombudsman Service Sept 2011