

Commentary on FSA Complaints Data 2006-2008

Firms are required to report to the FSA every six months on the number of complaints they receive and how they handle them. This data is now being made publicly available for the first time.

It follows the commitment made to publish aggregated complaints data for 2006 to 2008 in Consultation Paper 09/21¹ which addressed the use of transparency as a means of achieving better outcomes for consumers.

Data is provided for 2006, 2007 and 2008. To reflect that firms report this information twice a year, the data is presented in half-year periods (e.g. 2008 H2 – meaning the second half of 2008).

The data covers the following areas²:

- Volume of complaints received according to product, type of firm and cause of the complaint. Firms report the volumes according to 36 different product categories (e.g. credit cards). These product categories can be combined into five different product groups (e.g. Banking and Loans).
- Complaints-handling – including the number of complaints that take more than eight weeks for firms to resolve and the proportion of complaints upheld by firms. Unlike the volumes information described above, firms do not currently report their complaints handling information split into different product categories or groups.

It is proposed to publish data covering the first half of 2009 in October and publish updates every six months after that. On August 1 new complaints reporting requirements for firms were introduced. The new requirements aim to make reporting less burdensome for firms and more useful to the FSA. This means that data from the second half of 2009 onwards will not always be directly comparable to the data that is being published now.

Consultation Paper 09/21 proposed publishing firm-specific complaints data. The consultation period closes on 30 October this year. If this proposal is implemented, firms would begin to publish their own data from July 2010. The FSA's publication of firm-specific data would be alongside the publication of aggregate data.

Highlights

Complaints about Banking and Loans products account for over half of all complaints reported in the period. The spike in the total number of complaints in H1 2007 is the result of a large increase in complaints about overcharging and poor customer service in relation to Banking and Loans products at that time. The overall level of complaints rose from 1.40m in the first half of 2006 to 2.02m in the first half of 2007 then fell to 1.48 m in the second half of 2008.

- Misleading advice was the largest cause of complaints about Life and Pensions products in H2 2008 at 34%.
- The number of complaints about Life and Pensions products fell 76% while the number of complaints relating to misleading advice fell 59%. One factor in this fall is the reduction in mortgage endowment complaints which mainly related to mis-selling.
- The speed of firms' complaints handling and the proportion of complaints upheld by firms remained fairly stable over the period – at the end of 2008, 10% of complaints took longer than eight weeks to resolve and 40% of complaints were decided in customers' favour

Commentary on the data

Volumes and causes for H2 2008 (table 1)

Table 1 shows the volumes of complaints for H2 2008 with the number of complaints grouped by product group and cause. This data highlights that the cause of consumers' complaints depends mainly on the product:

- for Banking and Loans overcharging is the biggest issue (at 21%);
- for Home Finance it is disputes over amounts (20%);
- for Investments it is poor customer service (21%); and
- for Life and Pensions and General and Pure Protection Insurance misleading advice is the biggest issue (at 35% and 25% respectively).

Volumes for 2006 to 2008 (table 2)

From 2006 to 2008 the total volume of complaints rose by 5.7% (table 2.1) – from 1.4 million to 1.48 million. Changes in the overall volume of complaints largely reflect those about Banking and Loan products which account for over half of all complaints. During the period two trends stand out:

- a spike in the level of complaints relating to Banking and Loan products in H1 2007 caused by complaints about overcharging and poor customer service; and
- a reduction over the whole period in the number of complaints about Life and Pensions products and complaints caused by misleading advice.

Between H2 2006 and H1 2007, the number of complaints about Banking and Loans products rose by 744,253 (122%) while the number of complaints relating to overcharging and poor customer service increased by 470,542 (259%) and 138,125 (71%) respectively (table 2.1 and table 2.3). In the following period this trend was reversed as the total number of complaints about Banking and Loans products fell by 540,054 (40%). In part the decline reflects the fact that in July 2007 the FSA issued a 'waiver' to some firms from some of its complaints handling rules.³

The number of complaints about Life and Pensions products was 76% lower in H2 2008 than it was in H1 2006 (table 2.1). Meanwhile, the number of complaints relating to misleading advice has fallen by 59% over the same period (table 2.3). A possible cause is the reduction in the number of mortgage endowment complaints (which mainly related to mis-selling) over the period. As seen above, complaints about mis-selling are the largest source of complaints about Life and Pensions products.

The number of complaints about Other General Insurance/Pure Protection products more than doubled between H1 2006 and H2 2008 from 61,972 to 126,803 (table 2a). Most of the increase came in 2007 and 2008. This increase is largely accounted for by the increasing numbers of complaints about payment protection insurance.

Speed of complaints handling for 2006 to 2008 (table 3)

The proportion of complaints closed dealt with in over eight weeks has varied between 9% and 14% over the period. The average figure in the second half of 2008 was 10% and varies according to the type of firm.

Complaints upheld for 2006 to 2008 (table 4)

The overall proportion of complaints upheld (i.e. accepted) by firms has fallen from 49% in H1 2006 to 34% in H1 2007 before rising to 40% in H2 2008. These changes reflect changes in the proportion of complaints upheld by firms in the category of Banks (including e-money issuers). As with speed, the proportion of complaints upheld varies widely by firm type.

Technical note: interpreting the data

To provide a more detailed analysis of complaints handling data each firm's data has been linked to the FSA's own categorisation of that firm's type (e.g. 'bank' or 'discretionary investment manager'). For information on how firms have been grouped by primary category see note 2 to the tables. This provides the analysis by 'firm type' shown for both the volumes and complaints handling data. A caveat of this analysis is that a firm of one type may do a high proportion of other kinds of business not reflected in its primary category. Therefore, this analysis does not provide a perfect match of the complaints handling information and the type of business to which it relates.

How the FSA uses the data

The FSA's Financial Risk Outlook for 2009 identified the risks the financial crisis may pose to firms' conduct of business. The risks identified included the resources devoted to complaint handling and the extent to which firms take corrective action to ensure that customers are treated fairly.

Publishing this data as part of the move towards increased transparency is only one use the FSA makes of it. The FSA also uses the data to manage the risk that firms treat customers with complaints fairly. The complaint data provided by firms is used to identify instances where a firm might be an outlier in the volumes of complaints being received, their processing and the outcome. The data can also highlight a potential failure by a firm to comply with the FSA's complaint handling rules⁴. Linked to this is recent change to the FSA's operating structure and the establishment of a new division, Conduct Risk. The Conduct Risk Division brings together the FSA's specialist expertise in technical areas to support the FSA's more intensive approach to supervision, including complaint handling.

The FSA also uses complaints data to support the identification of emerging trends across a number of firms within a sector. This identifies issues with the potential to affect a large number of consumers which need to be addressed e.g. through thematic work. The Government's White Paper⁵ highlights some of the work the FSA is doing. In particular, the FSA is reviewing the wider implications process with the Financial Ombudsman Service and the Office of Fair Trading in order to identify issues better before they lead to a large number of complaints and, where there is a widespread issue, ensure that consumers receive redress swiftly and effectively. The Government is also consulting on proposals in this area, including a change to the Financial Services and Markets Act to make the power for facilitating redress for a large number of consumers more effective and easier to apply in a broader range of circumstances.

¹ Financial Services Authority. Transparency as a Regulatory Tool and Publication of Complaints Data including Feedback to DP08/3 (July 2009) http://www.fsa.gov.uk/pubs/cp/cp09_21.pdf

² The precise scope of the complaints reporting rules are set out in the FSA Handbook - see DISP 1.10 <http://fsahandbook.info/FSA/html/handbook/DISP>

³ The waiver applied to complaints relating to the level, fairness or lawfulness of unauthorised overdraft charges which were the subject of litigation between the Office of Fair Trading (OFT) and a number of firms. Under the waiver firms did not have to resolve complaints within the FSA's prescribed time frames. Firms still needed to record complaints that they received but did not need to include information about them in their complaints returns to the FSA unless the firms had attempted to resolve the complaints.

⁴ Financial Services Authority. Handbook: DISP <http://fsahandbook.info/FSA/html/handbook/DISP>

⁵ HM Treasury. Reforming financial markets. (July 2009) http://www.hm-treasury.gov.uk/d/reforming_financial_markets080709.pdf