



Complaints Commissioner

Mr Crispin Poyser
Clerk of the Committee
Treasury Committee
House of Commons Committee Office
7 Millbank
London SW1P 3JA

17 October 2003

Dear Mr Poyser

FINANCIAL SERVICES AUTHORITY

As my secretary has already indicated to you, I am pleased to accept the invitation of the Treasury Committee to give evidence on 28 October 2003 in relation to the Financial Services Authority (FSA).

As I have previously given evidence only in relation to the specific topic of Equitable Life, I thought the Committee might find it helpful if I provided some material relating to the full range of my responsibilities.

You have already received a copy of the Commissioner's Annual Report for 2002/03, and I am sending under separate cover further copies for distribution, as you requested. The Report includes an executive summary.

The Committee may also be interested to see my latest Quarterly Report to the FSA Board, which updates the figures in the Annual Report for the most recent two quarters. A copy is enclosed with this letter; it is also available on my website at www.fsc.gov.uk

As you know, I have provided your Chairman with a copy of a discussion note on proposed changes to the complaints handling arrangements, and am I content for this to be distributed to the members of the Committee. I will also be sending two summaries: one gives some illustrations of the range of enquiries and complaints I receive; the second summarises the findings of the Stage 2 reports I have published to date, and the FSA's responses.

You also asked about obtaining copies of the section of the FSA Handbook which relates to complaints. This is the COAF section, and it can be found on the FSA website www.fsa.gov.uk. The most useful part is Chapter 1 "Complaints against the FSA" describing the Main Scheme. Can I ask you to produce copies of this for the Committee if you think it relevant?

I appreciate that all this amounts to a substantial volume of information so I thought it might be helpful if I highlight some key points which, I believe, may be of particular interest to the Committee. These are set out below.

What are the key messages about the FSA emerging from the Complaints Commissioner's work, and in particular from Stage 2 investigations?

In a recent speech¹, John Tiner has said that the FSA needs to be an organisation that firms and consumers find easy to do business with, even if the answer to a question is not the one the questioner would like. This is at the heart of many of the problems I look into.

A substantial proportion of the complaints I receive relate to delays in responding to communications from consumers or failures to respond at all. At times the FSA has built up substantial backlogs in correspondence, and it has not been easy to get through to the telephone Consumer Helpline. While a number of different approaches have been tried by the FSA, and further steps are currently being taken, I feel that there is more to be done in this area. Unfortunately, what starts as a query can easily escalate into a complaint, if it is not dealt with promptly or if no response at all is forthcoming. This creates work and cost which could have been avoided. I should also note that a number of problems have arisen in the opposite direction, with diligent FSA staff trying to provide a level of service over and above what the organisation can reasonably deliver.

The FSA has not had what I would describe as an integrated approach to "customer handling". Recently the Correspondence Unit and Helpline have been brought under unified management, but systems do not always enable customer contacts to be tracked across the FSA. Different departments necessarily have their own focus, but there is not always any part of the organisation looking at matters from the point of view of the consumer. While many of the issues relate to communications, I think that the problem can go deeper, with other processes not always operating from the customer perspective. I am under no illusion that this is an easy problem to solve. Financial services consumers are all too frequently confused (not always their fault!) and may be looking for someone to blame for a loss. In my experience they can also be notably tenacious.

Similar concerns relate to firms. Barriers to the flow of information across the FSA remain, so that it is not always straightforward to put together a complete picture. John Tiner has also given priority to making the FSA Handbook more accessible to firms. Again, I have received complaints about the lack of user friendliness of the Handbook and its online presentation, and welcome this initiative.

Another common theme amongst complainants relates to the way in which their complaint has been handled by the FSA. On specific issues I have worked closely with the FSA Company Secretariat, who are responsible within the FSA for the management of the complaints handling arrangements, to find a resolution and have found them co-operative and receptive. Wider issues are also being addressed as part of the Review which is currently underway.

How well are the current FSA complaints handling arrangements working?

In my view, the main problems arising under the current Scheme arrangements result from the essentially "one size fits all" approach that requires all complaints to be treated in the same way and to the same standards. It does not permit variations depending on the seriousness of the matters complained of, or the speed with which they can be resolved. Not only does this mean that resource is not being applied proportionately to need; it is also likely that perfectly sensible

¹ Mansion House Speech, John Tiner Chief Executive FSA, 23 September 2003

and pragmatic approaches adopted to some "complaints" actually represent a technical breach of the Scheme. There are also problems with the interpretation in practice of some of the provisions of the FSA Handbook complaints chapter, COAF.

What changes to the complaints handling arrangements does the Commissioner feel might be appropriate?

The Commissioner believes a good way forward would be to:

- retain the current broad definition of a complaint (any "expression of dissatisfaction"); but
- allow for a "multi-track" approach for different categories of complaint, with resources applied in proportion to the severity and significance of the complaint; and
- give the FSA's Company Secretariat and, standing behind, the Commissioner, responsibility for broad independent oversight of complaints handling arrangements.

Last, the Commissioner is concerned that there is no overall oversight of complaints about the FSA taken as a whole; different bodies and individuals contribute but nobody looks at the total picture. This needs to be addressed as part of the Review.

Complaints and the financial services industry as a whole

I have commented to the Committee in earlier evidence in relation to Equitable Life that, from the point of view of an Equitable Life complainant, the complaints arrangements are a patchwork. This applies, I believe, more widely in financial services. The FSA, the Ombudsman and the Compensation Scheme each have their own different complaints arrangements, and their own "Commissioners". Numerous complaints are mis-directed, and it is clear that much remains to be done to explain the overall arrangements and guide complainants through them. For the longer term, however, I would like to put down a marker that it would be valuable to consider whether more consistency could be introduced in the structure and scope of complaints arrangements and in the administrative arrangements to deliver them.

Conclusion

I hope that the above comments will be helpful to the Committee and look forward to appearing before you on 28 October.

Yours sincerely

Rosemary Radcliffe CBE
Complaints Commissioner