

IFAs at risk of hefty costs without robust complaints system

Financial advisers could be faced with large costs if they fail to adopt a holistic system for handling complaints before next year's reform, industry players have warned.



In July, the Financial Conduct Authority (FCA) announced that new complaints handling regulations – included in policy statement PS15/19 – will come into force on 1 January 2016, before being fully implemented on 1 July.

Martin Ellingham, product manager at complaint handling firm Aptean, said advisers need to “up their game” in every aspect of the complaints handling process, adding that they only have a short space of time to do it in.

Pressing need

“When it comes to systemic FCA regulations, it will significantly impact financial services firms across the board, whether they are a large multi-national organisation or a small independent business,” he said.

Ellingham said the “pressing need” for firms to ensure its complaints are being handled efficiently should not be taken lightly.

Quickly sink

“For some firms it will have a huge impact; others will take it in their stride,” he said. “If firms don’t employ a holistic complaints handling system – from the frontline staff dealing directly with the customers, to the senior back-office complaints handling staff – then there could be issues.

“If they have built a home-grown complaints handling solution or have cobbled together an unsophisticated system in Excel, for example, they will quickly struggle and costs will increase significantly.”

Ellingham said large firms handling thousands of complaints a day should act now to ensure they have an automatic response system in place, and suggested firms will quickly sink without.

“The FCA expects all firms to be ready come January, and have already made it clear that enforcement action will be used should firms fail to comply.”

The unknown

[New complaint handling firm AHK](#) agreed that all firms will need robust processes in place to identify and handle complaints correctly.

“Most firms will be dealing with the ‘unknown’, and many firms will not have internal dedicated resources to train or implement processes,” it said.

With the FCA demanding that most complaints must be resolved within one business day, AHK predicts the number of reportable and ‘actionable’ complaints to at least double.

“It is recognised that this may have negative impacts on small firms,” the UK-based firm said, suggesting the new rule will strain the resources of smaller companies.

Right first time

AHK said the new legislation will mean more cases are likely to end up with the Financial Ombudsman Service (FOS), and therefore the emphasis will need to be on getting it right first time.

There are four significant changes it said every firm should be aware of:

- The ‘next business day’ rule is to be extended to three days, where a less formal response to each complaint must be sent within three days, prior to sending the final response letter
- All complaints must be reported (including those within the ‘3 day rule’)
- All complainants must receive written outcome containing information on FOS referral rights
- Planned public disclosure of firm’s complaint history, alongside a revised complaints return which requires firms to send complaints data to the FCA twice a year

[In May](#), Aptean expressed industry concerns over the UK's planned overhaul of complaint handling requirements.

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