

FT Adviser, 25 January 2012

New FSA complaint rules must include 'false claims' process

PanaceaIFA welcomes one-stage process, which will be introduced from July, but warns that there must be a process for fraudulent complaints.

By Donia O'Loughlin

The Financial Services Authority's complaints-handling process change to a one-stage process will focus the minds of firms to resolve disputes fairly, but the regulator must include a process for dealing with "false claims", industry experts have told FTAdviser.

The 'two-stage' complaint-handling process will be abolished from 1st July 2012 in favour of a new 'one stage' process. Under these new FSA rules, a firm's first response will be its final response.

The FSA hopes that this change will encourage firms to resolve complaints fairly when they are presented for the first time, rather than relying on a customer's persistence – or lack thereof – when pursuing a complaint.

Derek Bradley, chief executive of PanaceaIFA.com, said that the move was "positive" as treating customers fairly rules state that all complaints must be dealt with promptly.

However, he warned that the FSA should also be mindful that some complaints could be fraudulent "if past experiences with IFAs and provider firms are anything to go by".

Mr Bradley said: "As part of this new process, there should be a clear process available to deal with false, frivolous and vexatious complaints. If a complaint falls into this category it should be exempt from FOS jurisdiction and any further action."

Carl Lamb, managing director of Almary Green, added that a one-stage process will make the procedure more transparent and will add clarity, saying: "Anything that makes the system more straightforward will be a good thing."

Mr Lamb also pointed out that the rule change is likely to be aimed at the rest of the industry and not particularly at IFAs, considering that FOS complaints involving IFAs make up less than two per cent of complaints.

He said: "This change is only a good thing. Irrespective of who you are or what you do, you need your clients to be confident about who they are dealing with."

Andrew Beer, director at mortgage adviser firm Lime Tree Financial Services, highlighted that complaints should be dealt with based on their complexity and severity.

He said: "When firms receive a complaint they should send an initial letter, stating they have received the complaint and will look into it and give a certain amount of time. The time it takes will be down to the severity and complexity of the complaint.

"If they complaint involves a number of other parties, stating the complaint will be handed within a month is not practical."

A spokesperson for the Financial Ombudsman Service, said: "We are very supportive of the idea of businesses being better able to investigate and resolve complaints at the earliest opportunity so they don't need to be referred to the Ombudsman service."

Mike Dailly, panel member of Financial Services Consumer Panel, highlighted that the Panel has criticised the two-stage process as it is a requirement for the consumer to state their complaint twice.

He said: "A simplified one-stage complaints process is more accessible and will focus the minds of firms to resolve disputes fairly.

"If unsuccessful, consumers can then proceed to the FOS without further delay. Particularly, given that FOS can now make individual compensatory awards of up to £150,000.

"The new streamlined complaints procedure will make it good business sense for firms to invest in better complaints handling."