

Improving complaints handling

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

In July 2015 the FCA published the feedback it had received from its consultation on improving complaints handling. It also published some revisions to its rules on complaint handling in response to the consultation. These included:

- Extending the ‘next business day rule’, whereby firms are permitted to handle complaints less formally, without sending a final response letter, to allow three business days after the date of receipt;
- Reporting all complaints, including those handled within three business days Raising consumer awareness of the ombudsman service, by sending a ‘summary resolution communication’ following the resolution of complaints handled by the close of the third business day after receipt ;
- limiting the cost of calls consumers make to firms to a maximum ‘basic rate’, including all post-contractual calls and all complaints calls ; and
- improvements to the FCA’s ‘complaints return’ which requires firms to submit data twice a year on the number of complaints they receive.

Impacts of the measure

The FCA explains that approximately 56,000 firms would be affected by the new rules. It estimates:

- total cost savings of £31.5 million per year as a result of the extension of the time limit for complaint handling. These savings are generated by reducing the number of complaints that pass the limit and must be escalated to the next stage of complaint handling. The average cost of escalation is estimated at around £150 per complaint;
- total costs to firms of £3.3 million per year as a result of the requirement to raise customer awareness of the ombudsman service by sending a ‘summary resolution communication’.
- negligible costs and benefits to business as a result of all the other changes, and of changes to internal systems to support the first two changes.

These estimates are supported by consultation with firms and the FCA's Cost Benefit Analysis (CBA).

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £29.2 million. This is a qualifying regulatory provision that will score under the Business Impact Target.

Quality of submission

The FCA has provided sufficient detail to allow the RPC to validate this measure. In particular, the impacts are evidenced by feedback from businesses through the FCA's survey and consultation. Through discussions with business, the FCA has subsequently confirmed that it would be disproportionate to estimate transitional costs in relation to IT resources and upgrading of databases.

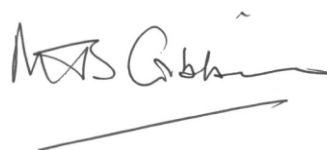
The assessment would have benefited from a summary statement of the support for the estimates, in particular in relation to the costs associated with the 'summary resolution communication' and the wider impacts on consumers.

Regulator assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	-£29.2 million
Business net present value	£267.8 million

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated ¹	-£29.2 million
Business Impact Target (BIT) Score ¹	-£146 million



¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.

Opinion: EANDCB validation
Origin: Domestic
RPC reference number: RPC17-FCA-3993(1)
Date of implementation: June 2016

Michael Gibbons CBE, Chairman