

# Transforming Your Customer Complaint Process: From customer service to compliance perspectives

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The Dodd Frank Act, created the formation of the Consumer Financial Protection Bureau (CFPB), putting customer service and complaint management processes under a magnifying glass. Financial institutions are not unfamiliar with the process of handling customer complaints and disputes; certain regulations have always required formal processes. However, new requirements under Dodd Frank require financial institutions to deploy more rigor and oversight of consumer inquiries and complaints regarding multiple types of financial products or services. The CFPB has unfair consumer financial marketing practices on its radar, forcing heightened oversight of complaints for financial institutions and their service providers, within their respective organizations, between regulatory agencies, and across state attorney general offices. Organizations within scope of the CFPB will expand their programs for monitoring, analyzing, responding, and reporting on consumer complaints. Organizational readiness for creating more formal complaint management programs will require new tools, processes, metrics and reporting, including training and awareness, for employees with customer contact.

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Good customer service is a basic tenet for maintaining customer relationships. Today, it's easier than ever before for customers to maintain multiple banking relationships with different institutions. The consequences of a failure in customer service are very real. Simply put—customers who have negative experiences leave or tell others about their negative experiences. Deluxe proprietary research demonstrated the importance of the interaction in problem resolution. 72% of consumer research respondents who had a negative “moment of truth” either switched banks or purchased products elsewhere. On the other end of the spectrum, service successes were very real. When customers have positive experiences with their financial institution, 87% of them give their financial institution a larger share of their wallet. When customers have concerns or problems, how your employees handle the situation can make the difference in their satisfaction, or the likelihood of them escalating the situation and complaining internally or externally.

### **A NEW WATCHDOG: FROM CUSTOMER SERVICE TO COMPLIANCE:**

What's changing in this new era of consumer compliance is that a traditional problem, question or area of confusion can quickly become a formal complaint reported directly to the CFPB or to a state attorney general. The watchdog mentality of the consumer protection culture is shifting focus on all components of problem resolution to ensure that the root cause of the complaint is not based on unfair or deceptive marketing practices. Reliance on disclosures “in the fine print” is not sufficient in today's market landscape to ensure customers fully understand the terms and conditions of a particular financial product or service.

The pace and authority of the CFPB to identify and respond to potentially unfair marketing practices raises the bar for financial institutions to enhance their current approach to customer service — creating a compliance culture for complaint resolution. Combine that with the sheer volume of regulations changing that will affect fees and terms, and your front line personnel will be on the daily hot seat of addressing customer inquiries and complaints. When customers are confused, the tension in the process of educating them can further increase the potential for escalated complaints.

### **WHEN PROBLEMS BECOME COMPLAINTS:**

In every potentially damaging customer interaction, there's a pivot point. And this pivot point is not just the initial problem or service failure; it is the financial institutions reaction to the fraught interaction. Service failure, when coupled with failed service recovery, accounts for almost 60% of customers switching to other companies. Your employee's response to the customer inquiry or complaint now needs to take into consideration the *pace* at which the angry customer now escalates the problem into a formal complaint.

### **COMPLAINTS THAT GO VIRAL:**

Technology, social media and our mobile interconnectedness make it faster and easier to escalate problems and complaints. Consumers are more apt to go public online about their reaction to a particular negative experience or problem, making it more critical to invest in helping your front line employees focus on the skills, communication and tools to handle the inquiry positively right away. The new focus on consumer protection will require more proactive approaches to communication with customers, educating on terms and creating the right experiences up front.

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### **THE PERCEPTION OF FAIRNESS:**

Mistakes happen, fees do change and terms and conditions will change during this time of regulatory reform. Customers may not like the changes, but how institutions react to explaining and resolving their concerns or questions can make the difference in how the experience is perceived. The objective of simplified notices and disclosures is one step, but resolving questions and educating customers can make a difference. The shift from “unfair” to “deceptive” can occur with representations or omissions of information likely to mislead consumers acting reasonably. The focus is on the overall net impression left with the consumer — and positive employee interactions can influence that experience. Differentiating between unfair, deceptive or abusive marketing practices will be subjective, based on your point of view and what the reasonable consumer perceived.

## Transforming Your Customer Complaint Process

The heightened attention to Unfair, Deceptive and Abusive Practices (UDAAP) is more important than ever before. The triple threat of the expansion of sharing of complaints across agencies; new mechanisms for reporting and enforcement; and potentially subjective interpretations of what could be considered unfair, deceptive or abusive make it critical to revisit your customer problem resolution and complaint processes. Even before formal rule making is published, you can take steps now to prepare your institution and your employees for navigating these changes.



### 5 Easy Steps

1. Develop your customer complaint brand promise — create a simple message to ensure your employees understand their role in helping consumers.
2. Conduct an inventory and review your current problem resolution and complaint processes; including reviewing training scripts and templates for customer responses from a fairness or UDAAP perspective.
3. Assess the skill set on employees handling complaints based on higher audit expectations. Identify what skills you need to enhance to transform the customer experience.
4. Develop a training plan for your employees to enable them to handle customer problems differently — tools you provide today can strengthen customer relationships and reduce the potential for escalated complaints.
5. Review the current state of your compliance documentation for employee training on customer issue management. Review it not just from a customer service perspective, but from the point of view of consumer protection compliance.

### PREPARATION IS ESSENTIAL:

Ready your employees to enhance their skills to manage problems and complaints, and reduce the potential for the issue to be escalated into formal complaint processes outside your organization. As oversight for complaints grows, your organization's ability to demonstrate to your auditors the steps you took to prepare employees will demonstrate your institution's commitment to managing the transformation of problems with customer service into effective complaint management processes.

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