Science of the complaint

Handling consumer complaints in the age of CFPB, UDAAP, and Twitter

By Steve Cocheo, Executive Editor

No matter from who, where, or when a complaint arises at Cambridge Trust Co., it lands on Ana Foster’s desk. And she’s not happy.

Not because she minds handling the few formal complaints the Massachusetts bank receives, but because she wants to develop a system that is more proactive, less reactive.

Foster, vice-president, risk and compliance, for the $1.3 billion-assets bank, very much feels the looming shadow of the Consumer Financial Protection Bureau, which encourages complaints through its rhetoric and through multiple portals on its website. She and every bank compliance officer likewise anticipate the growing influence of UDAAP—the regulatory gauge standing for Unfair, Deceptive and Abusive Acts and Practices, and increasingly the government’s consumer regulatory tool of choice.

Foster simply wants to get ahead of the curve, spotting more quickly anything that indicates dissatisfaction, lack of smoothness, or the seeds of future trouble that can be contained and fixed before they become a headache, or worse.

As an example, Foster points to fee waivers. They’re a fact of life in every bank, but if a bank finds it frequently waives a particular fee, that may mean something’s not working right. Foster believes improved documentation and reporting of factors beyond actual complaints may be part of the evolution she seeks.

“I want to do this before an examiner or an attorney from the government tells me to,” says Foster.
Consultant Jo Ann Barefoot believes such concerns are very valid today, when complaints can surface instantly in social media, like dirty laundry. “A lot of banks’ legacy complaint systems,” she says, “don’t have the ability to capture root causes of complaints.” That, she adds, is where solutions and preventative measures must begin. A 2011 Ernst & Young survey among large bank executives, Effectively Leveraging Consumer Complaints For Competitive Advantage, found that many weren’t satisfied with how well their complaints systems drove process improvements.

CFPB, says Barefoot, “is very interested in the quality of systems and their control of complaints.”

Foster, a veteran compliance officer, talks frequently with colleagues at other institutions, and the complaints issue is very much on all their minds. “No one is at the same place,” she says.

It’s fascinating how “complaint” and “compliant” share the same letters. But that’s not all. Lack of one can trigger the other, and managing complaints often involves the Compliance Department. Indeed, sometimes Compliance owns, or at least oversees, complaints.

Yet, ultimately, every banker—not just compliance officers—has a stake. A business driven by trust relies on customer faith that their bank will get it right, or get it fixed.

Better systems expected

In the UDAAP age, focusing on complaints ranks high. “Consumer complaints can be a good early warning system that something may be unfair,” says Virginia O’Neill, senior counsel in ABA’s Center for Regulatory Compliance.

“Complaints are an opportunity,” says Craig Stone, managing director at Alvarez & Marsal Financial Industry Advisory Services. “They are a huge competitive advantage if you leverage them. What separates one bank from another? The quality of the institution’s service.” Stone was formerly Deputy Ombudsman at the Comptroller’s Office and handled day-to-day management of the Customer Assistance Group.

Tracking and monitoring complaints in some fashion is important for all institutions, but especially for larger ones that fall under CFPB examinations.

“The bureau is empirical, and they feel tracking complaints is something a bank can do that is proactive,” explains Barefoot, co-chair at Treliant Risk Advisors. The bureau expects to see a good complaint system in place (she knows of one major bank that’s spending $20 million...
on a new system), and Barefoot says that, in general, these systems “need a lot more work.”

Community bankers who fear the cost of massive systems, software, and staff needn’t worry that every small bank must invent a major new process. The smaller the bank, the more it can rely on direct customer communication.

“Many community banks have only one or two regulatory complaints a year,” O’Neill points out. And many have empowered frontline staff to resolve complaints. “Resolving a customer complaint quickly before it grows into a bigger problem is an effective strategy,” says O’Neill, “but today regulators want to see that these ‘informal’ complaints are being recorded and reported to management.” For the community bank, O’Neill believes that small but significant steps can accomplish much: create a complaint policy and procedure that broadly defines a “complaint”; train all customer-facing staff to report all complaints; and improve management and board reporting of complaints, perhaps up through Internal Audit.

Yet much can be learned from the approaches of larger institutions riding herd on broad populations of customers. We spoke with four, ranging from a $3.9 billion-assets bank to an $84.8 billion organization, working to maintain, adapt, and improve their processes.

Just what is a “complaint”? Rudimentary question, but everyone’s discussing it, because the hard black edges have softened.

At KeyBank N.A., the media relations group operates a 24-hour hotline monitored by Lynne Woodman. But it’s not just for reporters. Woodman says KeyBank employees are encouraged to use it when something outside the box arises.

The message often begins like this, she says: “I don’t know if I should be worried about this, but…” Another banker allows that any communication involving a threat to hire an attorney gets an express ticket to “complaint” status.

Officially and traditionally, banks receive complaints from many sources. Regulators route complaints they’ve received, and participating banks also receive complaints through such organizations as the Better Business Bureau. Grievances sent to a bank’s chairman or CEO immediately rank as official complaints. And then there are direct, definite complaints that come from customers to the bank staff, through myriad channels today, including social media. (See “A little bird told me,” opposite.)

Often, those issues not immediately put into writing have commonly fallen into a gray zone. When does a customer “discussion” become a “complaint”?

“At $11.5 billion-assets Umpqua Bank, Elizabeth Clarkson, senior vice-president and chief compliance officer, says this happens when a discussion is “escalated” to her attention. “It’s when the matter cannot be resolved in the normal course of business,” says Clarkson. To make sure important matters don’t sit still, employees have been given examples as guidance; they are encouraged to ask questions, and when in doubt, escalate. Clarkson says Oregon-based Umpqua has formalized its processes over the last few years. Of course, she says, if something appears to be a violation, it’s clearly escalated as a complaint.

Definitions vary. At KeyBank, when a customer “inquiry” can’t be satisfied immediately, it ripens into a formal complaint, which Laura Karter, executive client relations manager, defines as “when a client expresses dissatisfaction.”

Karter and her team handle all complaints throughout the Key system, including regulatory complaints, legal issues, and anytime a customer remains unsatisfied. “We can go to the CEO, if necessary,” she says.

At $3.9 billion-assets Johnson Bank, Racine, Wis., John Topczewski, senior vice-president and chief
While 100% satisfaction is desired, says Bank of the West’s Checchi, the situation with the customer, standards, and professionally address with the bank’s customer service complaints in a manner consistent ship, promptly investigate, handle clerks and employees to take owner-plaint, our board expects bank offi-
deral agency complaints, such as the Better Business Bureau; complaints received directly by the bank; and “sensitive complaints.” The latter include both verbal and written complaints received by the bank that may include fair-lending issues; issues involving responsible lending—complaints concerning lack of disclosure, alleged deception, unfair pricing, and more; and allegations of fair treatment issues. Even with this infrastructure, ranking something as a “complaint” can sometimes be a struggle, says Mary Checchi, senior vice-presi-
dent, corporate compliance.

Defining a complaint “is a chal-
lenging question right now and it’s one that we don’t see an industry standard on yet,” agrees Amy Bra-
chio, partner, advisory services, Ernst & Young LLP.

Response times for resolving indi-
vidual complaints vary. Regulatory agencies each have their own rules and expectations, and institutions have standards they strive for. These are not always reduced to a time-
frame, but to a level of performance.

“When a customer takes the time and effort to lodge a written complaint, our board expects bank offic-
ers and employees to take ownership, promptly investigate, handle complaints in a manner consistent with the bank’s customer service standards, and professionally address the situation with the customer,” says Bank of the West’s Checchi. While 100% satisfaction is desired, she says, that’s not always possible.

“We review the customer’s desired resolution, attempt to meet their expectations, and offer solutions and alternatives,” she continues. “If the bank is wrong, we admit it.”

Bank of the West’s internal reporting process includes quarterly reports to the bank’s executive committee. “The reporting includes trends, issues, and recommendations, any exceptions to the complaint policy, and root cause analysis with remedial action,” says Checchi.

Finding root causes
“It is critically important that institu-
tions self-identify issues now,” says Brachio. “That’s less risky than wait-
ing for regulators to identify them.” Craig Stone believes it is important to track and categorize by regula-
tion, because regulators view them through that filter. Barefoot, on the other hand, says the essence of UDAAP risk lies in the matters that fall into the cracks between regulations. Not that reg-by-reg tracking can be left behind, she adds. (Noted in passing: CFPB’s complaint portal is arranged by product type.)

Indeed, the challenge behind it all, says Barefoot, has become the need to find root causes. “From a UDAAP standpoint,” says Bare-
foot, “that is the single-most-
important thing to do.”

What can further complicate defining a complaint is that things aren’t always what they seem. “In many cases, the real complaint is buried,” says Key’s Laura Karter. “Often people are reacting emotion-
ally—that’s human nature.”

At Key, a team backstops multiple Facebook and Twitter accounts, including @KeyBank_Help, which is specifically intended for customer service. It’s Twitter description includes “Client Services Experts. Problem resolution enthusiasts.”

One tweet it intercepted read, “I hate Key Bank...they really suck.” The Keybanker on duty tweeted back, “What happened? Is there something we can help you with? Follow&DM your contact info.” For non-Tweeters, “follow&DM” means to follow Key’s account, which enables private “direct messaging” via Twitter. At that point the bank asks for private, secure means of communication, such as email.

Key’s Debbie Peltz, one of six bankers whose faces and basic ID appear on the @KeyBank_Help page, explains that they maintain ownership of a social media complaint. “We really are connecting with that individual,” she says, “until a resolution is reached.

“The buck stops here,” says Peltz.”We are fully engaged.”
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— Craig Stone, Alvarez & Marsal

Colleagues Jeff Burke and Debbie Peltz, managers who work with Key’s social media channels, agree. “Often it’s like being a doctor,” says Burke. “You have to get past the symptoms.” Adds Peltz: “It’s built into our model to ask questions to get at the root cause.”

The UDAAP overlay can’t be overstated. Umpqua’s Clarkson says the highest number of investigations by her group are those matters that hold the possibility of being more than what one case exhibits. “These will alert you to issues before they become bigger problems,” she explains. The bank strives for an approach that both centralizes and decentralizes complaint resolution, and when warranted, she says, “we work with business units to establish root causes.”

Where tracking systems are automated, that can help. One bank interviewed is exploring a vendor system that will permit data mining. Complaints chiefs say they work the data they have for patterns and trends that may require more training or changes to procedures and practices.

But the people factor can’t be ignored. Umpqua’s Clarkson says a helpful feature to build into a complaints program is a “no-fault” philosophy. This ensures that staff escalates issues appropriately. “I would rather see more than less,” she explains.

**Evolving through complaints**

All bankers interviewed say their institutions have had situations large and small, broad or isolated, that arose as complaints and have led to changes, or to possible changes.

Action taken is what regulators notice, in this regard, says Ernst & Young’s Amy Brachio. They like to see understanding of root causes, and of the interests and needs of the full spectrum of customers. “It’s very important for banks to take a customer-centric approach,” she says.

Umpqua’s Clarkson boils it down to an action step: “When something’s not a perfect process, let’s tweak it.”

Some real-life examples:

◆ At Johnson Bank, multiple complaints about severe delays in the mortgage process led to four more employees being assigned to that function and adoption of a standard promising responses to issues within 24 hours. Investigation determined that a personnel change had led to a disconnect that “got out of hand,” according to John Topczewski.

◆ KeyBank had been involved in a highly publicized situation involving the school loan of a Rutgers student who died of brain injuries sustained in an auto crash. “We received feedback that caused a policy change in regard to student lending,” says Lynne Woodman. The issue concerned cosigners on such loans and the impact of borrowers’ deaths.

◆ Bank of the West recently formed a steering committee to review practices related to insufficient funds and overdraft fees and associated disclosures, based on an analysis of complaints.

Bankers say commitment to service means taking complaints more seriously than ever.

“In the past, it may have been sufficient to direct a customer’s attention to, or quote, a section in our disclosures to justify a fee or a change in terms,” says Checchi. “Those kinds of responses are no longer the right way to respond.”

Umpqua’s Clarkson sees the remedy in a service-based attitude. “All banks have to remember to tie the complaints issue back to their services standards,” she says. “If you do so, the rest will flow from there.”