

FCA supervision - Thematic reviews

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CATEGORY:
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Complaint handling

The FCA has published the findings of its thematic review concerning complaint handling which identified four main barriers within firms that in the FCA's view, prevents effective complaints handling under DISP:

- application of FCA dispute resolution rules (DISP)
- culture
- operational models
- the ability to conduct root cause analysis

The results of the thematic review provide firms with the following action points to consider, including:

- whether your complaints-handling policies and processes have the interests of consumers at its heart and to avoid a tick-box approach to compliance with the FCA's dispute resolution rules
- review your definition of 'complaint' and ensure that staff are properly trained to understand its meaning and the meaning of related words, such as 'material distress' or 'material inconvenience'
- check whether your systems and processes could inhibit accurate recordings of complaints and consider how this affects the ability to conduct root cause analysis. Examples of measures being introduced at some firms include significant training programmes, introducing best practice guidance and enhancing systems to make it easier for staff to categorise a complaint
- review your firm's approach to root cause analysis by having greater consideration of tactical and strategic root causes for customer complaints and using a wider source of relevant data
- focus on consistency of redress and distress and inconvenience payments. Measures introduced by firms include: reviewing the quality assurance frameworks in place and ensuring that they are aligned across all business areas and annually testing and reviewing the use, purpose and suitability of any 'calculators' available to staff
- identifying areas where improvement can be made as regards management information. For example, messaging, interpretation, quality metrics and use of targets.

We can expect to see further changes with respect to complaints handling. The FCA is currently considering proposed changes to its dispute resolution rules and it conducting further research in light of the recommendations in its review, with a view to developing policy proposals.

*Conflicts of interests in wealth management and private banking firms

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The FCA has published a report on the findings from its thematic review on the conflicts of interest arising from wealth management and private banking firms' use of in-house investment products (IHPs) in retail discretionary and advisory investment portfolios.

The review was carried out to assess whether wealth management firms and private banks identified and managed conflicts of interest that might arise when providing investment products manufactured within the same group or firm and put customer outcomes at risk.

While the review found that firms recognised the potential risks from conflicts of interest to their customers, their reputation and market integrity, the FCA found shortcomings and a lack of consistency in certain areas.

For example, the FCA identified that firms failed to show how IHPs fitted within their business model and strategy, and how they were aligned with customers' interests. Communications with customers were not always clear about the nature of the firm's services and the extent to which IHPs might feature in customer portfolios and some firms did not monitor the level of IHPs in customer portfolios, which could help to indicate how effectively they are managing conflicts.

Firms that were not involved in the review, which have access to IHPs, are expected to consider how their own arrangements meet the standards set out in the report and are advised to consider the FCA's examples of good and bad practice provided in the report, to ensure these are reflected in firm policies and procedures.

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