

The power of listening and why our theme for this year is

“WE HEAR YOU”



The FAIS Ombud has a dual mandate in terms of the FAIS Act and FSR Act: consumer protection and maintaining the integrity of the financial services industry. This is achieved by dealing with complaints independently, impartially, expeditiously, informally and at no cost to the consumer.

What I am certain of is that we all want to see:

- better relationships between FSP's and their consumers;
- FSP's that nurture and grow consumer loyalty; *and*
- strong consumer service standards.

In my position, I see what happens when these *don't* work. In my short but very insightful time as FAIS Ombud (nearly fourteen months now), I've seen far too much going wrong.

The FAIS Ombud's Office has two goals. The first is to sort out individual complaints. The second one is to *share insights* into those complaints; to help identify *what's going on* with consumers and FSP's to prevent those issues arising in the first place.

I would like to take the opportunity to share some of those insights with you. I'd like to share what we see, and what we think FSP's might take away to strengthen and rebuild relationships with a consumer base that, like the financial services sector itself, has taken some hard knocks over the last decade.

Our workload reflects that annually we receive in excess of 10 000 complaints. Our increasing workload is a reflection of more consumers complaining. More and more people across all aspects of society are saying "*this went wrong for me, and the FSP hasn't put*

it right".

The good news is that I'm slowly but surely starting to hear the right words from financial institutions about what they want to do to turn things around. I meet senior leaders from FSP's, Banks, Insurers, Intermediaries and Industry Associations on a regular basis. Over the past fourteen months I've heard an increasing commitment to treating consumers fairly and restoring trust. That's something that everyone in South Africa would want to see happen.

But there's also a danger here. *You* might be moving on, but your consumers haven't. Your consumers' experience today will lag tomorrow's aspiration. *You* might all be focusing on new products, better sales approaches and clearer pricing. But many of your consumers are struggling with past failings. Your consumers are realising that products sold to them years ago weren't what they needed. Or they are only now discovering that they were persuaded to buy products that they could never use. For many consumers, they are battling with a complaints "infrastructure" that's slow,

bureaucratic and doesn't "*live your brand*".

It is, of course, crucial that the mistakes of the past don't reoccur. It is just as important to put past wrongs / shortcomings right. Consumers won't trust you until they see that *their* case has been resolved; that *they* are treated as a valuable consumer and not just as a vehicle for making more money. You need to resolve the past, as well as prepare for the future.

You only have to pick up a newspaper to see the mismatch between the aspiration and the reality, as perceived by many consumers. What does the financial industry say? We've all got our values, our slogans, our mottos and our customer value propositions. They're a statement of who we are - who we want to be. I know from speaking with leaders across the financial services sector that you want to deliver this for your consumers. But the reality for many consumers is very different. This is evidenced by the volumes of complaints and queries received, the press releases relating to consumers experiences when engaging with the financial services

We Hear You continued...

industry and increasing use of social media as a platform for consumers to air their perceptions.

It is easy to blame newspaper headlines. In my role, I have insight into what happens when it does not go according to plan. I can see just how many consumers of FSP's are let down when they tell you that something has gone wrong. If you want to restore trust, you need to do more than promise. You need to deliver.

What is really happening when consumers tell you things are going wrong? Cases we see at the FAIS Ombud's Offices can give us real insight here. When things do go wrong, you need to communicate with people *and* their representatives in a way that genuinely meet their needs. Financial services providers need to be able to deal with this reality, because if they can't, it causes huge distress, inconvenience and cost. Consumers are forming opinions of you every time they deal with you, and particularly when things go wrong.

When a business does not handle things well, it reinforces their worst suspicions. It makes your job in turning things around so much harder.

I'm starting to believe that the experience of the last decade has fostered "the lost generation" of consumers. A generation of mistrust and missed opportunities, meaning that instead of focusing on growth and innovation, you now have to focus on repairing reputations. You need to deal with this if you want to rebuild trust. But the good news is that *you* have the power to stop this "cycle of scandal" in its tracks. And I truly believe it starts with turning it around for consumers who lodge complaints.

We have opportunities to set things right. Our new ways of connecting with consumers means that we can do that more powerfully than ever before. As consumer behaviour changes, it becomes the new standard to match. In an age where the private can go public in a matter of minutes using social media platforms, we need to match consumer expectations.

So what *are* the new expectations? In a challenging economic environment, money is tighter than ever. For many consumers, money lost in interest when claims aren't processed timeously, or when a claim was wrongly rejected because of poor advice or poor service rendered by an

FSP in not adhering to the FAIS Act and Code of Conduct requirements, really matters. Over the last decade (whether we're talking about politics, the media or financial services), we've seen a collapse in people's trust in authority. People are a lot more willing to speak up where they see things going wrong. We are in a world where technology has changed the conversation dramatically. If you can send a payment around the world in 30 seconds, why does it take *weeks* or sometimes even months to sort out a complaint if things go wrong?

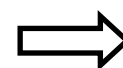
If something goes wrong with a consumer's account / policy, you ask them to rectify it straightaway. How much longer do you think they're going to be content with giving *you* weeks or even months? We increasingly deal with a consumer who is a lot more aware of his / her rights and now more willing to vent their grievances through the press or more often than not on social media platforms.

The consumer nowadays can often be described as requiring instant gratification on their expectations. How do you meet these expectations in financial services? Is it too much to ask? How do we do

it? In my view, first, we must **listen**. The consumer usually has financial difficulties, suffered the indignity of a traumatic event, then the disappointment of a financial product he was advised to purchase and which he paid for, only to have that product not live up to its promise. This usually has disastrous financial consequences for the consumer.

In adjudicating a complaint, we interact with FSP's, obtain their response to the complaint and try to resolve the matter. Firstly, by listening to both sides. Secondly, by impartially forming a view on the matter, then communicating such view to the parties. The key aspect throughout is communication. Listening and keeping parties informed. From the statistics from our Offices, you will note that a majority of the time we dismiss complaints. It is the experience of various Ombudsman offices that roughly 2/3 of complaints are dismissed and the balance of 1/3 decided in favour of the consumer.

What do these statistics tell us? What do the numbers really mean?



At first glance most of the time we agree with the FSP's original decision. However, why is the consumer still complaining? We often find that there has been little or no communication with the consumer. A letter of rejection or an email dismissing his complaint does not suffice. You actually need to be talking to your consumers, even when they are not in the right to explain to them why.

Secondly, a third of complaints in favour of consumers means that a third of the time, FSP's got it wrong.

Thirdly, this experience with the consumer could have been your story, not mine.

So what does this tell me? It tells me there *is* another way.

Let's consider "complaints" from a different perspective. We know that in the provision of financial services, things *can* go wrong, and there a number of instances where things *have* gone wrong in the past. Over the past decade or so we've seen a series of headlines / scandals in the financial services space which have rocked consumer confidence to the

core. It is how we *deal* with things going wrong which challenges perceptions, and turns them around.

Here's my challenge to you: *Let's try and step away from looking at "complaints" in isolation.*

How delighted would you be if your marketing teams approached you tomorrow and said that over ten thousand consumers had given you feedback on your services? Wouldn't you seize the chance to pore over their comments, to find out what made them tick? Further, to use this insight to inform new ways of working, new products, better services, a new relationship with your consumer base?

I am pleased to tell you it has already happened - with the over 10 000 complaints that we receive annually. That is over 10 000 people giving you honest feedback, for free.

We talk about trust, but trust is a hollow word if it is just something you talk about wanting. Trust is something you *earn*, and it starts with:

Honest dialogue. Trusting your consumers enough to listen more deeply and insightfully, and using that insight to explore new opportu-

nities to connect, learn and improve.

Live up to promises. I understand that organisations spend a lot of money on risk management, compliance etc. to ensure good business practices and good governance. However, I also know organisations depend on people, systems and processes to function. These are never infallible and mistakes can and do happen. When they do, the challenge is to acknowledge the shortcoming and not unfairly penalise the consumer.

Instead of approaching complaints in a defensive manner merely repeating the original decision or original treatment of the consumer, use this as an opportunity to honestly assess where it identifies room for improvement in your organisation. No doubt this consumer is highly unlikely to be the only one affected in this manner.

Also, keep in mind the relative costs of consumer retention versus acquisition costs of new consumers. The objective surely should be in the vast majority of instances to find an amicable resolution to the client's dissatisfaction and retain the client.

The FAIS Ombud's Office can and does help in this respect. We provide financial services providers with another opportunity to rectify any shortcomings in engaging with the consumer and to retain such consumer.

We hear what you want to do to make good on your consumer promises, to turn your aspirations into action.

However, as the saying goes "*Talk is cheap*". Perhaps the time has come for visible steps in this respect to be taken.

"It requires wisdom to understand wisdom: the music is nothing if the audience is deaf"

Walter Lippmann