



# Complaint Management:

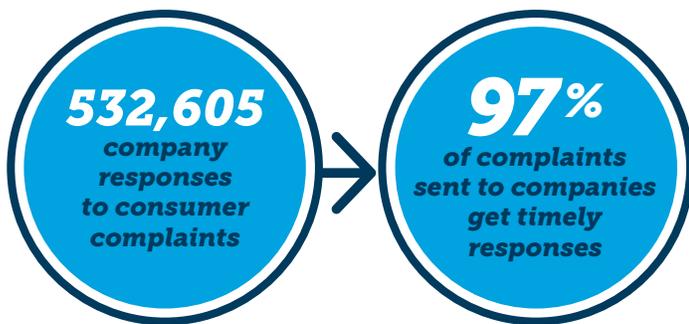
How to Ensure Your Institution is Actively Monitoring Complaints and Preparing for the Next Regulatory Examination



# Background

Financial institutions have always received complaints. Complaints are responded to, appropriate steps are taken to ensure the complainant's issues are addressed, and regulators review complaints at exams. However, the creation of the Compliance Management System has made complaint management a critical component of regulatory examinations.

With the creation of the Consumer Financial Protection Bureau (CFPB) and its laser focus on complaints, complaints went from being an important part of the compliance process to one of the most important aspects of the examination.



The Compliance Management System is defined by the CFPB as having four interdependent control components: (1) Board of Directors and Management Oversight, (2) The Compliance Program, (3) Response to Consumer Complaints, and (4) Compliance Audit. Complaints are indicators of potential regulatory violations, including fair lending and unfair, deceptive, or abusive acts or practices (UDAAP) issues.

**The CFPB has included the following items in their examination manual (as of January 2016) to determine the adequacy of Complaint Management. Financial institutions must:**

- Provide consumers with the opportunity to submit complaints through channels of the customer's choice, including mail, email, or phone.
- Provide complete and timely responses to complaints received either directly from consumers or indirectly through regulators or other third parties that process complaints.
- Ensure third parties that provide services involving consumers have an established complaint process that is appropriately monitored by the supervised entity.
- Track all types of complaints.
- Actively monitor complaints to identify issues that may require changes in products, procedures, and/or training.
- Track the time to final resolution of consumer complaints.
- Ensure complaints are resolved without requiring the direction or involvement of executives, regulators, or third parties (such as the Better Business Bureau), or the prospect of litigation or enforcement actions.



**The Board of Directors and senior management have the responsibility to be aware of the analysis of complaints and trending, as complaints may expose regulatory non-compliance.**



# The Life Cycle of a Complaint

It is in a financial institution's best interest to establish a complaint policy that outlines:



One of the most difficult tasks is determining what constitutes a “substantive” complaint. Written complaints and those received from regulatory agencies are the most traditional methods of complaints. **However, the institution should also be monitoring social media sites (Facebook, Twitter, YouTube, Yelp, etc.), for potential consumer complaints, even if the institution has a “no social media” stance.** Additionally, the Better Business Bureau should be reviewed as the public can lodge complaints against the financial institution that the institution may not be aware even exist.

Oral complaints are often difficult to identify, track, and formally include as substantive complaints. All departments should be trained on what the financial institution has determined to be a complaint and have a method for reporting such complaints to a specific individual/department.

The specific individual/department should be the centralized point of contact for the institution's complaint log and where the analysis and trending of complaints occurs. This individual/department should also house the “official” record of all complaints and their responses. During an exam, the individual/department will be the point person for the examiners, and will ensure a consistent message is conveyed.

The centralized point of contact for complaints should log all complaints deemed to be “substantive” on a complaint log. **The regulators have not specifically identified what information should be included in the complaint log, but the CFPB’s examination procedures do identify a few key fields:**

- How the complaint was received (e.g. letter, email, telephone call, regulatory agency, social media, etc.)
- The date the complaint was received by the institution
- The complainant’s name
- The nature of the complaint
- The resolution to the complaint and the length of time to resolve the complaint
- Who resolved the complaint
- The date the resolution was provided to the complainants
- The root cause of the complaint (e.g. employee, policy/procedure, system malfunction, etc.)

As part of the tracking, monitoring, and analyzing of complaints, an institution should be reporting its results to senior management, any compliance/risk committees, and the Board of Directors to ensure all levels of the institution are aware of the complaints received. Institutions should be keenly aware of any complaints or trends relating to fair lending or UDAAP concerns, specific departments or employees, and system issues that may appear to be an isolated problem but can indicate a much more widespread exception. The financial institution should also be reviewing the publicly available complaints on the CFPB’s website to see what topics are trending and to assess if similar potential issues exist in the institution.



**The Board of Directors and senior management have the responsibility to be aware of the analysis of the complaints and trending, as complaints may expose regulatory non-compliance.** If such non-compliance exists, it is the board and senior management’s duty to ensure that proper corrective action is taken to remediate the issue and, if necessary, that communication is provided to the institution’s regulatory agency for complete transparency.

When trending and analysis is completed, the financial institution will be better prepared for the next compliance examination. The financial institution should be acutely aware of the areas of weakness identified through the complaints and have taken appropriate corrective action when necessary.

The complaint management process is not explicitly defined and there is no set method for the tracking, analyzing, and trending of complaints. Institutions must implement a comprehensive program that will encompass the life cycle of a complaint and include analysis of complaints from a higher level. This trending and analysis will provide valuable information regarding the institution, its policies and procedures, and its employees that cannot be ignored.



### [For additional information on Complaint Management](#)

Additional insights and best practices on complaint management are available from BAI’s webinar “What Doesn’t Kill You Makes You Stronger: Best Practices in Managing Consumer Complaints”