



BANKING SECTOR COMPLAINTS MANAGEMENT

REVIEW REPORT

February 2025

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1 EXECUTIVE SUMMARY

The Financial Sector Conduct Authority (FSCA) is the market conduct regulator of financial institutions in South Africa. A key part of the FSCA mandate, as stated in section 57 of the Financial Sector Regulation (FSR) Act, No. 9 of 2017, is to protect financial customers by promoting fair treatment of financial customers by financial institutions, including banks.

In light of the above, the FSCA conducted a desktop review in terms of section 131 of the FSR Act, to assess the ability of banks to consistently deliver on fair customer outcomes as it relates to complaints handling, and also assess the extent of banks' adherence to the relevant principles in section 8 of Conduct Standard 3 of 2020 (Conduct Standard for Banks).

This report presents the findings of the desktop review, which was conducted between 18 July 2022 and 17 November 2022, and the recommendations that were made as a result.

Twenty-three banks were assessed for regulatory compliance and correspondingly assigned a satisfactory or unsatisfactory rating relating to section 8 (S8) of the Conduct Standard, specifically S8(7), S8(13), S8(14)(a)(b) and (d), S8(15), S8(21), S8(22), and S8(23)(b).

For the assessment of S8(13), (14)(a)(b) and (d), (21), (22) and (23)(b), banks were further requested to submit documentary evidence. By pointing out satisfactory and unsatisfactory processes, the desktop review afforded banks the opportunity to rectify poor complaints management processes.

The initial stages of the review revealed that the majority of banks exhibited unsatisfactory complaints management processes across the assessed requirements. Considering this observation, the FSCA informed banks about the imperative to align their processes with the principles outlined in section 8 of the Conduct Standard. Banks were encouraged to take remedial action as soon as possible.

In evaluating the **categorisation of reportable complaints**, it was found that 60% of banks failed to meet the S8(7) requirement, which requires the accurate classification of complaints according to specified minimum categories.

These banks were subsequently rated as unsatisfactory. Conversely, only 40% of banks were compliant and demonstrated adequate and accurate categorisation practices.

The evaluation of banks' compliance with S8(14) requirements revealed a substantial deficiency in adherence. A total 85% of banks were assigned an unsatisfactory rating with respect to the **accurate, efficient, and secure recording of complaints-related information**. This includes the obligation to maintain comprehensive records for each reportable complaint received from retail complainants.

In addition, 70% of banks did not satisfy the S8(15) requirement which stipulates that **a bank must maintain data in relation to reportable complaints that are received and categorised** in accordance with subsection (7). The general lack of oversight of overall complaints' statistics is concerning and a possible impediment to the effective management of complaints by banks.

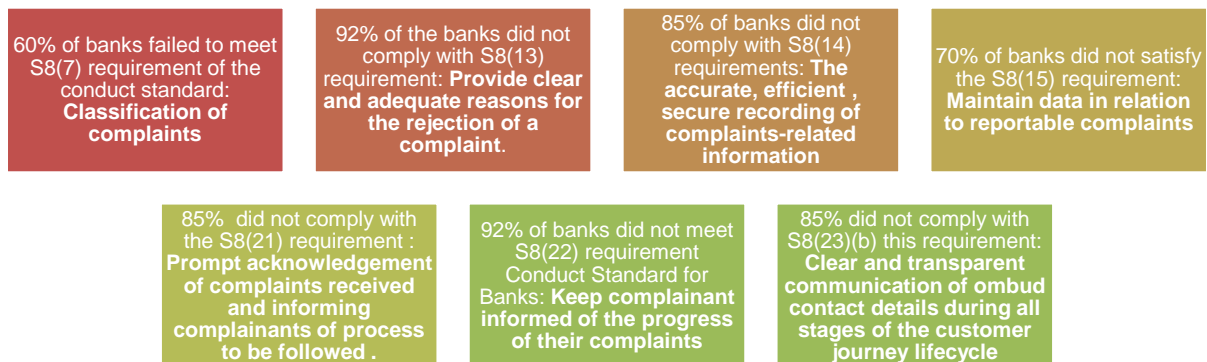
The review highlighted that only 15% of banks ensured the **accuracy, efficiency and secured recording of complaint-related information**. Furthermore, it was noted that **92% of banks failed to keep complainants adequately informed of the progress of their complaints**, as stipulated in S22 of the Conduct Standard for Banks.

All banks fell short of ensuring that complaints handling **processes cater for effective communication strategies to ensure that complainants are kept informed of the process being followed and the outcome of their complaint as well as the availability and contact details of the relevant ombud services during** all relevant stages of the customer relationship.

The desktop review found that 92% of the banks did not comply with S8(13) as they did **not provide clear and adequate reasons for the rejection of a complaint nor details of any applicable escalation or review processes**, including how to use them as well as the applicable timelines.

The results of the desktop review indicate areas of non-compliance and serve to guide banks in taking the necessary steps to comply with requirements outlined in section 8 of the Conduct Standard, and also to improve the overall customer experience.

Key findings at a glance



The FSCA recommended that banks improve aspects of their complaints handling such as categorisation of complaints; recordkeeping of relevant evidence, decision and statistics; and alignment of customer details on complaints registers with details on their customer database.

Banks were furthermore advised to notify financial customers about the status of their complaints, progress and decisions made in resolving complaints, and about unforeseen delays.

Subsequent to the complaints management desktop review, the FSCA has noted that banks enhanced and/or started implementing good complaints management practices, among others the key shifts mentioned below:

- 🚩 Banks overhauled the complaints management processes. This includes the implementation of systems and frameworks to improve customer experience during the process, while ensuring fair outcomes for complainants.
- 🚩 Banks developed and implemented robust training interventions to operationalise the complaints management framework and policies.
- 🚩 Banks reviewed internal complaints escalation processes, including the communication thereof to complainants.

Going forward, the FSCA will continue to monitor the complaints management processes and conduct of the banking sector.

2 INTRODUCTION

The Financial Sector Conduct Authority (FSCA) is a statutory agency established under the Financial Sector Regulation Act (FSR Act), which permits the FSCA to perform its duties in a largely pre-emptive, outcomes-focused, and risk-based manner.

The FSCA is mandated to regulate and supervise the operations of financial institutions in line with various financial sector rules. This is to ensure that financial customers are safeguarded and treated fairly in all business interactions with financial institutions, including banks. There were 31 registered banking entities in South Africa, supervised by both the FSCA and the Prudential Authority of the South African Reserve Bank, as at July 2022.

In light of the above, the FSCA issued a notice to all the banks specifying the intention to conduct a desktop review in terms of section 131 of the FSR Act, aimed at evaluating and highlighting satisfactory and unsatisfactory complaints management processes. The review took place between 18 July 2022 and 17 November 2022. Conducting the desktop evaluation provides the FSCA with valuable insights into banks' complaints management processes, as well as the customer experience when interacting with products or services offered by financial institutions

3 REVIEW METHODOLOGY

The desktop review primarily focused on the critical review of complaints registers for the period between 1 July 2021 and 30 June 2022. The sampled banks were requested to submit documentary evidence in line with the selected complaints handling requirements under review. A random sampling methodology was used to select the total number of complaints to be analysed for each bank.

The FSCA requested complaints registers' data from 29 banks. A total of 23 banks submitted their registers with the required complaints data and six banks confirmed not having received any complaints during the review period.

The submitted registers contained a total of 316 133 complaints. A random sample, capped at 100 complaints per bank, was selected and assessed in accordance with the principles outlined in section 8 of the Conduct Standard for Banks. The review was conducted through focused engagements with the relevant banks.

The scope of the evaluation focused on bank complaints management and/or handling processes, including policies, procedures, governance, and standards, among other critical areas.

Overall, during the review, the FSCA found that the handling and/or management of complaints was at an advanced level and relevant systems and procedures were in place.

During the second stage of the review, the FSCA requested banks to submit documentary evidence as per complaints registers (no outcome had been communicated thus far), with a focus on assessing the following:

- a) The accuracy, efficiency, and secure recording of complaint-related information.
- b) The acknowledgement of receipt of the complaint.
- c) The information on the processes followed to deal with complaints.
- d) The adequacy of informing the complainant of progress, as well as clear and transparent communication to the complainant of the relevant ombud services at all stages.

The complaints registers submitted were assessed accordingly. The FSCA expanded its scope to further include the assessment of section 8 subsections 13,14, 21, 22, and 23 of the Conduct Standard for Banks. Each sampled complaint was then assessed to see if it complied with the relevant sections of the Conduct Standard for Banks requirements.

4 REVIEW OBJECTIVES

The key objectives of the banking sector complaints management desktop review were to:

- a) understand and assess the extent to which sampled banks adhere to the relevant principles provided for in section 8 of the Conduct Standard 3 of 2020, as far as it relates to complaints management processes; and
- b) gather feedback from the banks to gauge legislation's effectiveness, identify areas of improvement in ensuring fairness, and ensure that legislation is equitable and does not adversely affect customers.


5 REVIEW FINDINGS

The findings of the desktop review highlighted areas where banks fall short in ensuring effective complaints management processes. While some banks satisfactorily complied with certain requirements, most banks displayed non-compliance. This indicates the need for improvement, in order to adhere to the requirements of the relevant sections of the Conduct Standard and to ensure favourable customer outcomes.

5.1 Categorisation of reportable complaints received

In accordance with the **S8(7)** requirement, banks must categorise reportable complaints received from a retail complainant in accordance with the minimum categories provided for in the Conduct Standard. Only 40% of the banks were found to satisfactorily comply with the criteria by sufficiently and accurately categorising reportable concerns.

Summary key points

-  Some banks do not categorise complaints in line with the principles outlined in section 8 of the Conduct Standard for Banks - some banks categorise complaints in accordance with the TCF and have not yet transitioned to categorising complaints in accordance with S8(7) of the Conduct Standard for Banks.

5.2 Accurate, efficient, and secured recording of complaint

Requirements of the Conduct Standard for Banks S8(14) stipulate that a bank must ensure accurate, efficient, and secure recording of complaints-related information in respect of each reportable complaint received from a retail complainant.

Only two banks satisfied this requirement, which constitutes an overall rate of 15% satisfactory compliance. Of these two major banks, one had a slight challenge with ensuring that there is alignment between the customer details captured on the registers with the details captured on the complaints management systems.

Summary key points

- ✚ Most banks failed to provide all the information required in S8(14)(a) that relates to the subject matter of the complainant.
- ✚ Most banks did not comply with the requirements of S8(14) (b), and failed to keep copies of all pertinent documents, communications, and decisions.
- ✚ Most banks' complaints registers were not categorised as per subsection 7.
- ✚ Most banks did not comply with the requirements set out in S8(14)(d) in that they did not indicate whether the status of the complaint is within or outside set timelines.

5.3 Maintaining complaints data in line with minimum categories

In relation to S8(15), 70% of banks did not satisfy this requirement which dictates that banks must maintain data in relation to reportable complaints received and must categorise complaints in accordance with subsection (7). A mere 30% of banks, that is three of the major banks, were found to be compliant.

Summary key points

- ✚ There was a **general** mismatch between the total number of complaints stated on the summary of complaints compared to the actual number of complaints data captured in the spreadsheets used by banks to record complaints.
- ✚ The complaints registers indicated status of the complaint as resolved and/or pending, however, no indication is provided on whether the complaint is upheld or rejected.
- ✚ Most complaints registers did not indicate the number of complaints referred to the Ombuds.
- ✚ Most banks did not provide the total number and amount of goodwill made on the actual complaints register and didn't provide a total number of compensations made.
- ✚ Information relating to the total number and amount of goodwill paid was not readily available or recorded on actual complaints registers. This type of data was only available in the form of a presentation, aggregated monthly and required intervention from the FSCA to determine the volumes and amounts of goodwill paid.

5.4 Acknowledgement of complaints received and process information

The desktop inspection further showed that the majority of banks did not comply with the **S8(21)** requirement of acknowledging receipt of a complaint and promptly notifying a complainant of the process to be followed in evaluating the complaint. Only 15% of banks were found to satisfactorily comply with this requirement, while the overwhelming majority (85%) did not comply.

Summary key points

- ✚ Most banks that did not comply with S8(21)(a) failed to supply evidence that they provide complainants with the contact details of the person or department responsible for handling their complaints.
- ✚ Most banks that did not comply with Section 8(21)(b) failed to supply evidence that complainants are provided with indicative timelines for addressing their complaints that fall outside of SLAs.
- ✚ Most banks also did not comply with the principles provided for in Section 8(21) (these banks did not provide complainants with the details of the relevant ombud where applicable).
- ✚ Furthermore, complainants were not given contact information for the relevant ombud; rather the bank referred some clients to the SAPS for further assistance, not the relevant ombud.
- ✚ Internal complaints escalation process was not stipulated in the customer's email

5.5 Adequately informing complainants about progress

The desktop inspection further showed that the majority of banks reviewed (92%) did not comply with the **S8(22)** requirement. These banks were found to not have kept complainants adequately informed about the progress of the complaint, nor about causes of any delay in the finalisation of the complaint.

Furthermore, they did not inform complainants about revised timelines nor about the bank's decision in response to the complaint. Only 8% of the banks reviewed adequately informed complainants about the progress of their complaints.

Summary key points

- ✚ Most banks did not comply with the principles provided for in Section 8(22)(a), they did not keep complainants adequately informed of the **progress of their complaints**.
- ✚ Most banks did not comply with the principles provided for in Section 8(22)(b), as they did not show evidence that they keep complainants adequately informed **about causes of a delay in the finalisation of the complaint and revised timelines**.
- ✚ Banks generally did not comply with the principles provided for in Section 8(22)(c), as they could not provide evidence that they kept the complainants adequately informed of their decisions in response to complaints.

5.6 Communication of ombud details during customer journey

According to S8(23)(b) requirements, a bank must communicate in a clear and transparent manner, the availability and contact details of the relevant ombud services to financial customers and complainants. This must be done at all relevant stages of the relationship with the bank including at point of sale, in relevant periodic communications, and when a complaint is rejected. The majority (85%) of the banks did not satisfy these requirements; only 15% complied.

Summary key points

- ✚ Most banks did not communicate, in a transparent manner, the availability and contact details of the relevant ombud throughout the product life cycle.

5.7 Complaint outcome and review process

Regarding the provision of clear and adequate reasons for complaint outcome and the details of any applicable review process – this section of the review only applied to banks that had instances where complaints had been rejected. The review found that 40% of the banks that rejected complaints, did not satisfactorily comply with S8 requirements; only 31% complied.

The desktop review further measured banks against **S8(13)** requirements, noting that when a bank rejects a complaint, the bank must provide to the complainant clear and adequate reasons for the decision.

Banks must also inform complainants of any applicable escalation or review processes that the banks may have in place, taking care to explain how such processes ought to be used and the applicable time limits.

Summary key points

- ✚ In relation to rejected complaints, there was no evidence that the complainants were provided with the relevant ombud details.
- ✚ Most banks seldom have internal complaints escalation and review processes in place; the review found no evidence from sampled complaints demonstrating that complainants were provided with same.
- ✚ Most banks did not provide adequate reasons for rejecting a complaint.

6 GOOD PRACTICES

Subsequent to the complaints management desktop review, banks enhanced and/or started implementing good complaints management practices, some of which are summarised below:

- a. One of the four major banks used to have 11 distinct systems for complaints management, which led to the customer experience being inconsistent. The bank has subsequently rationalised its systems and converted to one system.
- b. One of the four major banks has appointed executives to be responsible for customer experience and complaints management within personal and private banking as well as within business and commercial banking. Furthermore, the business and commercial banking division reviewed its complaints management framework to ensure that it aligns with the group complaints policy.
- c. One of the four major banks has implemented an automatic complaints escalation functionality within its system in order for the complaint to be escalated to management if the service level agreement is breached.

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- d. One of the banks appointed a quality assurance team within its personal and private banking division. The team is responsible for monitoring complaints daily to ensure that they are resolved in accordance with the service level agreement. In the short period since the team was appointed, there has been an improvement in the complaints resolution turnaround times.
 - e. In order to mitigate against human error, one of the four major banks systematically categorises complaints; this is done at the time of closure to ensure accuracy.
 - f. In responding to the level of complexity inherent in operating a complaints system that requires daily input from a broad group of employees (which leads to variances), one of the four major banks constantly refines its procedures. Said bank also started improving employee training to reduce such variances. Some of the steps that the bank took after the FSCA thematic review, includes enhancements to the complaints procedural manual and quality assurance processes. The quality assurance checklist was updated, and periodic spot checks are conducted.
 - g. In one of the four major banks enhancements have been made to the customer management system where relevant documents received online are automatically uploaded onto a case record and other additional information is imported onto the case record and remains in the Case file as a permanent record.
 - h. One of the four major banks has programmed its service level agreement timelines into the system to ensure automated and real-time tracking of complaints. Any renegotiated timeline now requires an approval process – the escalation manager receives an approval request in-system and is required to review, approve or decline. Any service level agreement renegotiation approval initiates an automated SMS or email to the client to ensure transparency (SMS & email communication channel). Progress updates are enabled on system, but must still be triggered by the case manager.

7 RECOMMENDATIONS AND AREAS FOR IMPROVEMENT

Given the overall finding that none of the sampled banks were found to satisfactorily comply with all of the relevant sections that were assessed, the FSCA recommends that banks improve their complaints handling processes.

Banks ought to consider the following:

- a. Correctly categorising customer complaints, which will assist in conducting robust root cause analysis and improve measures put in place to mitigate reoccurrence in the future.
- b. Keeping copies of all relevant evidence, correspondence and decisions as required. In addition, put measures in place to ensure that employees keep record of all correspondences relating to complaints and that all communication with complainants is recorded and easily retrievable.
- c. Ensuring that complaints registers indicate whether the complaint resolution status is within, or outside set timelines.
- d. Ensuring that there is an alignment between the customer details captured on their complaints registers and what is captured on their systems.
- e. Reviewing their processes to include effective communication of the internal complaints' escalation process.
- f. Ensuring that the details of the relevant Ombud are clearly communicated to customers at all relevant stages of the product life cycle. Using suitable/appropriate communication platforms, based on where the broader customer base is accessible to notify customer of the complaint status, progress, or any delays.
- g. Ensuring that the complaints statistics are accurately recorded.

8 CONCLUSION

The FSCA encourages banks to take note of the findings of the banking sector complaints management process desktop review as summarised in this report.

The FSCA furthermore urges banks to implement the recommendations indicated (on the previous page) which must be considered in accordance with the principles of section 8 of the Conduct Standard for Banks.

The recommendations are aimed at improving banks' complaint handling processes, ensuring that they meet the principles set out in the Conduct Standard for Banks and that they prioritise the fair treatment of financial clients.

9 NEXT STEPS

The FSCA will continue to monitor the conduct of banks in terms of addressing all the shortcomings and implementing the recommendations. This will ensure (a) standardised procedures, (b) proper employee training, (c) continuous monitoring by the banks themselves as well as (d) the implementation of changes when or where necessary.

10 APPENDIX

The FSCA thanks the banks for their cooperation. The 23 banks that were reviewed:

