



FEWER COMPLAINTS - AGAIN

Complaints to the Banking Ombudsman are still going down.

It is sometimes said that the complaints business is the only one in the world where the objective is to make one's own position redundant. If the measure of success is the extent to which the intake of new work has reduced, then the early part of 2004 has been remarkably successful.

In comparing the first five months of 2004 with the first five months of 2003, we have seen a decline of 20% in the number of formal complaints made to the Banking Ombudsman, a decline of 30% in telephone complaint enquiries and a massive decline of 38% in investigations commenced.

There has been a gradual decrease in most types of complaint for about the past two years, though overall complaint numbers remained high as a result of an influx of complaints about investment products in 2002 and 2003. As the performance of managed funds and other investment products with a shares component improved, these complaints slowed to a trickle and the underlying trend became apparent.

Full employment, rising property prices and generally favourable economic conditions have undoubtedly contributed to the decrease in complaints. In the past a substantial proportion of complaints have come from bank customers who were having difficulty managing debt, and we are seeing fewer of this type of complaint.

A period of stability in the banking industry has also made a contribution. We are seeing fewer problems caused by systems failures and staff error, both of which tend to increase in periods of change. More importantly, as the operational and organisational changes of the past five or six years settle down, considerations of customer service are coming to the fore. There is an increased awareness of the differing needs of individual customers and of the importance of personal contact, and specifically of the importance of a non-adversarial, non-judgemental approach to customers with problems.

While the factors mentioned above probably account for much of the decline in complaints overall, there are additional reasons for the decline in investigations commenced. Some banks have always recognised the importance of robust and well-resourced internal complaints processes, but it is only very recently that this has become true of almost all banks. Those banks that have restructured and put more resource into their internal complaints processes are those that have contributed most to the reduction in cases that require investigation by the Banking Ombudsman.

Work still needs to be done to ensure that complaints that cannot be resolved at the customer's first point of contact are directed into the bank's internal process and that customers are properly advised about their right to approach the Banking Ombudsman, but in general this year's progress has been very pleasing.

There is a perception that complaining to the Banking Ombudsman is likely to result in a long wait for an outcome. There may have been some truth in this when we were struggling with an ever-increasing caseload. It has always been possible to resolve the majority of complaints made to us within a matter of weeks, either by referring them to the relevant bank's own complaints process or by informal discussion, but cases that required some investigation could take considerably longer.

Many more complaints are now being resolved quickly. Most complaints that we refer to banks are resolved in a few days, and of those that are not resolved by banks, more are being settled at an early stage. Cases 1 and 2 below are examples of this trend. It is now the exceptional case that remains under investigation for more than six months.

There will always be fluctuations in the level of complaints that have nothing to do with the processes by which they are handled, and we cannot expect the current respite to last indefinitely. When it does end, I believe that banks and the Banking Ombudsman will be well placed to provide an excellent service to complainants.

Liz Brown
Banking Ombudsman

Case 1

Mr J needed a loan to assist with the purchase of a property. He enquired about finance at several banks before deciding to accept a loan offer from his current bank. Mr J understood that as part of the arrangement he would receive a fee exemption on all his accounts.

A few months after he took out the loan Mr J noticed that he had been charged a fee on the account from which loan payments were made. When he contacted the lending officer he had dealt with, he was told that he was only exempt from fees on some of his accounts.

Mr J was not happy. He had understood from the initial information provided by the lending officer that he would be entitled to a fee exemption on all his accounts and he had made the decision to stay with the bank on that basis. Other banks had offered him a fee exemption on all his accounts and therefore it was costing him money to stay with the bank.

The bank then offered a fee exemption on all accounts for a twelve-month period. Mr J declined the offer and indicated that he

was considering taking his business to another bank. He also contacted my office for assistance at this point and the bank was formally notified of his complaint on 1 March.

The bank's complaints manager looked into the complaint immediately but then told me that bank could not grant Mr J a full fee exemption on all his accounts for an indefinite period as that would put him in a superior position to its other customers.

It seemed to my investigator that there was a way out of the apparent impasse. She talked to the bank's complaints officer, and to Mr J, after which the bank made another offer. As well as the fee exemptions that had been applied, it offered Mr J a fee exemption on the loan funding account, as long as his loan balance remained above a minimum figure, along with reimbursement of his loan-processing fee. Mr J was pleased to accept this offer and my investigation of his complaint was concluded in mid-April.

ISSUES FOR STUDENTS

I am often asked whether I receive many complaints from tertiary students or from those who have recently completed tertiary studies. This is usually in the context of a discussion of student debt. While tertiary students are certainly represented among complainants, their complaints are more likely to resemble Case 2 than to be directly connected with student loans and the management of high debt levels.

Case 2

In February 2002, Mr M, along with his two flatmates opened a joint bank account to make rent payments for their flat. Each flatmate put funds into the account, and a fortnightly automatic payment for rent was set up. There was no formal overdraft facility on the account.

The automatic payment for rent was often paid before enough funds to cover it were received in the account. The bank's automated system allowed this to occur because of previous satisfactory banking behaviour of some of the account holders. Overdraft interest was charged and this gradually mounted up over the year.

Mr M and his flatmates finished their studies and moved out of their flat in November 2002. They intended to stop paying rent at the end of December 2002 but did not cancel the automatic payment. They assumed that as there were no funds in the account and no overdraft facility, it would not be paid. In late January 2003, Mr M discovered that two rent payments had been paid from the flat account after their lease ended, further overdrawing the account. Mr M tried to close the account but the bank would not let him do so without repaying the overdraft.

Mr M complained to the bank that it had told them that they had no formal overdraft facility, but it had allowed the account to constantly go into overdraft. Further, it had not advised them of ways to prevent this from happening, for example by timing their payments to go out after the regular payments into the account. He said, "*It is a concern that other students could be in a similar situation.*" He asked the bank to reimburse the account holders for the last two rent payments and for the interest they had paid on the account. The bank refused and said they should try to get the rent overpayments back from the landlord. At the end of January 2004, Mr M asked me to investigate his complaint.

In its report to this office, the bank advised that the account holders had received fortnightly statements for the account and they should have known that their account often had an overdrawn balance. After discussion with my investigator, however, it offered to reimburse Mr M one third of the overdraft interest charged on the account from January 2003 to June 2003 in settlement of his complaint. By this time it was early March, and Mr M had moved on. It took some time to track him down and discuss the offer, but by the end of April he had accepted it and the investigation was discontinued.

Footnote: Some months later the bank told me that after the complaint was settled it contacted the landlord to see if he was prepared to refund the overpaid rent. It turned out that he had kept the overpayment because the flat had been left in a damaged state, and that the Tenancy Tribunal had ruled that he was entitled to do so.

PROTECTING AGAINST UNCONTROLLED SPENDING

The final casenote in this newsletter is on a topic that is appearing more frequently in complaints made to me. We now routinely receive complaints from bank customers and their families that banks have breached safeguards that had been put in place to protect customers against their own spending habits. The customer often has a drug, alcohol or gambling addiction.

Reasonable protection can be afforded by putting funds in a joint account and requiring more than one signature for withdrawals. However if a bank has a policy of not checking signatures on cheques or withdrawal slips when the sum involved is below a certain level, it must make this clear to customers who seek advice on protecting funds in a joint account.

Case 3

Mr E and Ms F had a joint account which either of them could access independently. Mr E has a gambling addiction and withdrew funds from the account without Ms F's knowledge. Ms F contacted the bank and asked how she could protect the funds in the account. She was advised to change the account mandate so that both parties' signatures were required to withdraw funds. Mr E agreed and they completed a new operating authority requiring both signatures to authorise a withdrawal from the account. Ms F now believed Mr E could not access the account without her knowledge.

About a fortnight later Mr E went into two different branches and withdrew \$180 and then \$200. Three days later he went to another branch and withdrew \$200. When Ms F discovered he had withdrawn money from the account without her knowledge she was very upset.

The bank acknowledged that it ought not to have accepted withdrawal slips signed by Mr E alone and offered to reimburse Ms F half the money withdrawn on the grounds that the funds in the account were owned equally by Mr E and Ms F. It said that as the rest of the money Mr E withdrew belonged to him, he had suffered no loss and was not entitled to reimbursement.

I agreed that the bank should reimburse half the loss to Ms F. However Ms F had been very upset and worried when she found that money was missing from the account, and her faith in the security of her banking arrangements had been shaken. She suffered inconvenience as a result of the breach of account mandate and it was appropriate that the bank acknowledge this through a payment of \$400 to her in compensation. I was of the view that Mr E was the author of his own misfortune and no compensation should be paid to him. Both parties accepted my proposal and the complaint was settled accordingly.