FINANCIAL CONDUCT AUTHORITY

12 Endeavour Square
London
E20 1JN

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

Rt Hon Mel Stride MP
Chair of the Treasury Select Committee
House of Commons
London
SW1A 0AA

02 June 2020

Our Ref: SA200430A

Dear Mr Stride

**RE: Complaints Commissioner**

Thank you for your letter of 30 April 2020 regarding the Complaints Commissioner's (Commissioner's) recently published Final Report for complaint FCA 00700, and wider issues regarding the handling of complaints by the Financial Conduct Authority (FCA). We have also seen the Commissioner's letter to you of 11 May which sets out more details of his concerns regarding the FCA's handling of complaints.

I would like to start by confirming that we accept the Commissioner's criticism raised in the above case and the wider comments he has made in his response to you around the levels of service and quality of complaints handling. Whilst the majority of complainants do receive timely and adequate responses to their complaints, it is unacceptable that some complainants have experienced significant delays in the handling of their complaints or received inadequate responses. We have acknowledged that significant and prompt improvement is necessary to address this, and ensure this situation does not recur.

We are absolutely committed to effecting the changes necessary to address these issues, with this being recognised by the Board and prompting the change in Senior Management in charge of the function, a significant increase in resources and revised improvement plans noted in the Commissioner's letter. As requested, in this letter I will outline how this situation arose and the measures we have implemented in response and which are already demonstrating positive outcomes. I will also summarise the actions planned over the course of this year that should further improve the performance and resilience of our complaints handling function going forward.

We appreciate it will take some time for the impact of the changes we are making to filter through into the complaints that are referred to the Commissioner. In the meantime, we continue to liaise proactively with the Commissioner on these points, and to keep him updated on our plans and progress.

I would like to start by setting the Commissioner's views in context. The FCA resolved 734 (non-deferred[1]) complaints in the 2019/20 year. In the same year, the Commissioner investigated and concluded a decision on a total of 63 complaints about the FCA. The Commissioner fully upheld our decision in 49 of the complaints he determined in 2019/20. The number of complaints where he either partially or fully did not uphold our decision represents only 1.9 per cent. of the total number of (non-deferred) complaints determined by the FCA in the same year. On the basis of this sample, the Commissioner has drawn wide-ranging conclusions about the FCA's approach. While the Commissioner is right to point to failures he has seen in a minority of the specific cases referred to him, we do not believe that the small sample of cases he sees enables general conclusions to be drawn about the overwhelming majority of complaints, which are determined by the FCA without reference to him.

***How this situation arose***

When I arrived as Chair, the complaints function was located within the Corporate Services Division of the FCA. No Executive Director was accountable for its performance, so it was less likely to receive attention at meetings of the Executive Committee and to be allocated resources. Its location within that Division also meant that it was not directly connected to our Risk function, which oversees the systems of management of risk and quality assurance for the FCA. This meant that it was less likely to be part of an effective system of continuous improvement despite the important lessons that we can learn from the complaints we receive. The function also had a history of periodic backlogs.

From 2018, we started to receive a notable increase in both the volume and complexity of complaints. To address this, towards the end of 2018, we agreed to increase the baseline headcount of the team by 50% and to supplement the team with additional temporary resource.

Towards the end of 2018/early 2019, we received some large groups of complaints following the failures of a few regulated firms. These complaints were from consumers who had lost the money they had invested through these firms, and who are seeking reimbursement of their losses from the FCA, often because the investments in question were high risk investments not protected through the Financial Services Compensation Scheme, and they had no other form of redress available. Whilst the investigation of many of these complaints has been deferred pending the outcome of ongoing regulatory action, for example, concurrent supervisory or enforcement investigations, the complaints still had to be considered and responded to when received, and they continue to be monitored on a regular basis, with updates provided to the complainants at intervals while the concurrent investigations continue.

Towards the end of 2019, we experienced a further unprecedented increase in the volumes of complaints received. Overall, during FY19/20, we received 848 complaints which required consideration (i.e. which were not deferred). This represents nearly a 70% increase compared to the total of 504 complaints from FY18/19.

The marked unexpected increase in complaints experienced in 2019 has resulted in a further re-evaluation of the resource requirements, with agreement to increase the permanent baseline of the team by a further 40% with the team continuing to be supplemented with additional resources until we have reached a sustainable position.

***Actions implemented and planned***

In addition to the changes related to resourcing outlined above, there are a number of other steps we have already taken to respond to the increased demand and to address quality

[1] I explain below why some complaints are deferred.

concerns. We also have significant further actions in train and planned over the coming months. For example:

a. The complaints function was moved to our Risk Division in October 2019 to come under the stewardship of an Executive Director, and we have recruited additional senior resource to help oversee the function and take forward changes to the current processes to improve efficiency and effectiveness.

b. We have strengthened our management information, training and Quality Assurance processes and will be progressing further iterative enhancements to these over the next quarter. The responses to all outstanding older cases are being reviewed by a member of the wider leadership team from the Risk Division.

c. We are reviewing and revising the team processes and guidance material, to include a revised triage and prioritisation process, and an enhanced governance and oversight process. We are also improving the quality of the guidance, reference materials and training provided to complaints investigators.

d. We are enhancing how we track the embedding of recommendations made as a result of complaints investigations, and seeking to strengthen our root cause analysis of the issues leading to complaints being made, through thematic analysis. As part of this, we are also using insights gained from complaints to inform work being undertaken by some of our Risk Assurance function.

We have already made good progress with the above and are committed to rolling out further improvements over the course of this calendar year.

***Performance during FY19/20***

To conclude, I thought it would be helpful to summarise the overall levels of performance during FY19/20. Whilst, as outlined above, it is unacceptable that some complainants have received a poor level of service, the complaints handling team have, overall, improved their performance over the course of the year, and concluded more complaints this year than in previous years.

For example, during FY19/20, they concluded final responses to 734 complaints, in addition to those that were reviewed and deferred. This represents a significant improvement on the FY18/19 performance, when they concluded a total of 718 cases over the year, including those that were deferred.

Furthermore, the volume of complaints investigated and concluded by the Commissioner is relatively low (63 complaints in 2019/20). Despite the very significant increase in complaints concluded in FY19/20, it is reassuring to note that the proportion of our decisions that were fully upheld by the Commissioner rose to 81%, compared to 75% for last year.

During the second half of 2019/20, our compliance with our 8-week SLA target also improved significantly, from an average of 60% during H1 19/20 to an average of 75% during H2 19/20. This demonstrates that the majority of complainants in this period were receiving full responses in a timely manner.

I hope this summary of the measures already implemented, and those planned, assures you of the significant importance we attach to maintaining an efficient and effective Complaints function within the FCA, and our commitment to addressing the issues we and the Commissioner have identified. However, please let me know if you have any further questions or I can help the Committee further in any way.

Yours sincerely,

**Charles Randell**
**Chair**