Financial Consumer Agency of Canada | Agence de la consommation en matière financière du Canada

Bank Complaint Handling Procedures

INDUSTRY REVIEW

Canada

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Executive summary

This report presents the findings of the Financial Consumer Agency of Canada's (FCAC's) review of banks' procedures for handling consumer complaints. It was conducted in response to a request from the Minister of Finance, who asked FCAC to assess both complaint handling in banking and the effectiveness of external complaints bodies (ECBs). The findings from FCAC's review of the ECBs are reported separately.

FCAC estimates that over 5 million consumers bring at least one complaint to a bank each year. When banks provide consumers with access to a fair and efficient process for resolving complaints, it promotes trust and confidence in financial institutions.

To ensure consumers have access to a fair and impartial process for resolving disputes, FCAC oversees banks' compliance with relevant legislation, regulations and guidelines. Banks are required to implement effective, timely and accessible procedures for handling consumer complaints and to monitor, record and report complaints. FCAC expects banks to analyze complaint data for opportunities to better serve financial consumers and to strengthen their compliance with market conduct obligations. FCAC also reviews complaints to measure the risk of banks' non-compliance with consumer protection legislation and guidelines, and to identify market trends and issues.

Review approach

The review assessed the effectiveness, accessibility and timeliness of the complaint handling procedures (CHPs) of Canada's six largest banks. It was conducted between November 2018 and June 2019. To prepare this report, FCAC reviewed bank documents, analyzed complaint and investigation files, interviewed bank employees and examined regulatory frameworks in other jurisdictions. To better understand consumers' experiences with complaint handling, FCAC also engaged Environics Research to conduct a representative survey of 5,000 Canadians who have an account or credit card with a bank.

FCAC acknowledges that this review is subject to potential limitations, including that it was conducted under time constraints and the findings reflect only what was observed during the review period. The report does not reflect any improvements that banks may have implemented since spring 2019.

Key findings

The review found that banks' CHPs are generally effective, accessible and timely for relatively simple complaints that can be resolved at the first level. First-level employees are frontline staff who provide products and services directly to consumers. For example, bank branch employees, who handle consumer complaints as part of their daily routines, are defined as part of Level 1 in banks' CHPs. However, FCAC found that banks' procedures are much less effective, accessible and timely when consumers escalate more complex complaints to higher levels. The review identified a number of deficiencies in banks' policies and procedures, as well as a number of opportunities for improvements. FCAC will use its supervisory tools to address these concerns.

Effectiveness

In this context, effectiveness is a measure of whether banks are resolving complaints to most consumers' satisfaction. The review found that banks are generally effective at resolving complaints at the first level, but that their effectiveness declines significantly when consumers escalate a complaint beyond that level. FCAC found that:

- banks do not have strong policies and procedures to ensure that escalated complaints are handled consistently and effectively
- banks do not adequately monitor, assess and improve their CHPs
- banks' training programs are largely informal, and banks are unable to demonstrate that employees who handle complaints understand or follow the procedures

Accessibility

Accessibility is a measure of whether consumers know how and where to make a complaint and are able to do so with relative ease. The review assessed whether banks provide consumers with all of the information they need and support consumers' efforts to resolve complaints. FCAC found that:

- consumers are able to access the first level of banks' CHPs
- consumers find it difficult to escalate complaints beyond the first level
- banks do not adequately facilitate consumers' efforts to escalate complaints
- banks do not provide consumers with the information they need to escalate complaints

Timeliness

Timeliness in this context refers to whether banks resolve consumer complaints within a timeframe defined by regulators and that consumers consider reasonable. The banks reviewed generally meet the time requirements for resolving complaints at the first level, but most do not measure up for complaints escalated beyond that level. FCAC found that:

- most delays can be attributed to inefficient bank procedures
- consumers who escalate complaints tend to experience fatigue and frustration
- lengthy delays lead consumers to drop their complaints before they are resolved

Conclusion

FCAC is addressing the deficiencies observed in banks' CHPs through ongoing supervision and oversight. It is also directing banks on how to improve their compliance with market conduct obligations, and expects them to respond with detailed action plans. These directions include: designing better policies and procedures for resolving complaints objectively and in a timely manner; making it easier for consumers to navigate CHPs; ensuring there are adequate resources to handle complaints; reviewing the effectiveness of CHPs; and overseeing and monitoring CHPs to ensure adherence to market conduct obligations.

1 Introduction

Overseeing complaint handling is an important element of supervising the market conduct of institutions that provide financial products and services to consumers. Fair and effective complaint handling builds consumer confidence and trust in financial institutions, and its significance has long been recognized. For example, in 2011, the G20 finance ministers and central bank governors endorsed the principle that financial "consumers should have access to complaint handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient."[1]

In its Domestic Bank Retail Sales Practices Review (2018), the Financial Consumer Agency of Canada (FCAC) identified a number of concerns about banks' complaint handling procedures (CHPs). Consumers and the groups that represent them told FCAC that the CHPs are intimidating, complicated and take too long. They also said they do not have confidence in banks' CHPs because complaints do not seem to be resolved impartially. Parliamentarians have also raised a number of concerns regarding the way banks handle complaints.

> *"Consumers are frustrated and fatigued by the process. They feel they are on a treadmill that they can't get off, in terms of having their problem addressed within the bank."*
> *– Consumer group representative*

In the 2018 Fall Economic Statement, the Minister of Finance called on FCAC to conduct a review, stating: "When Canadians have disputes with their banks, they deserve access to a fair and impartial resolution process."[2]

1.1 Review objective

The objective of the FCAC review was to assess whether banks have implemented the policies and procedures required to handle complaints in an effective, accessible and timely manner, as set out in the consumer provisions[3] and regulations[4] of the *Bank Act* and in the FCAC guideline, CG-12: Internal dispute resolution.[5]

More specifically, banks were required to demonstrate that they have implemented procedures for handling consumer complaints fairly and objectively. FCAC expects banks to assist consumers by providing them with the information they need to follow CHPs. In addition, banks are expected to train employees who handle complaints to ensure they understand and follow the procedures. Banks are also expected to resolve complaints promptly and without

[1] See "Principle 9" in OECD/G20 Task Force on Financial Consumer Protection (2011). *G20 High-level Principles on Financial Consumer Protection*. Paris, p. 7. www.oecd.org/daf/fin/financial-markets/48892010.pdf.
[2] Government of Canada Fall Economic Statement 2018: Chapter 2 – Continued Progress For The Middle Class. See "Consumer Protection Framework in Banking."
[3] Sections 455, 456 and 573 of the *Bank Act*.
[4] Complaints (Banks, Authorized Foreign Banks and External Complaints Bodies) Regulations (SOR/2013-48).
[5] See FCAC Guidelines.

unnecessary delays. Furthermore, each bank is required to be a member of an approved external complaints body (ECB). ECBs handle complaints escalated by consumers when banks are unable to resolve them to the consumer's satisfaction or within the required timeframe.

FCAC also looked for opportunities for banks to improve their CHPs. This included a review of international standards and best practices in comparable jurisdictions. FCAC will use the findings from this review to inform its supervision and enhance its guidance on expectations for complaint handling.

1.2 Scope and methodology

FCAC examined the CHPs of Canada's six largest banks: Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and The Toronto-Dominion Bank. These banks represent 82% of the escalated complaints reported to FCAC by all banks over the previous two years.[6]

The review comprised five areas of work:

- a desk review of policies and procedures
- a complaint case file analysis
- on-site examinations
- a review of international best practices
- consumer engagement and stakeholder consultations

1.2.1 Desk review

FCAC conducted a desk review of banks' policies and procedures for handling complaints. The Agency reviewed some 9,200 pages of material, including:

- standard operating procedures
- job aids and decision trees
- reimbursement guides
- investigation manuals
- training modules
- service level agreements
- quality assurance processes
- job mandates and performance management
- compliance testing
- audit reports

[6] Escalated complaints are those that consumers have escalated above Level 1 or the first point of contact. The reportable level may vary based on an institution's operational profile. For more information, see the [Mandatory reporting guide for federally regulated financial institutions](#).

1.2.2 Complaint review

FCAC reviewed 300 files for compliance with timeliness standards and to evaluate reporting and recordkeeping practices.[7] FCAC selected a stratified random sample of completed complaint investigation and resolution files that were representative of those handled by the banks' designated senior complaints officers (SCOs) over the previous two fiscal years. FCAC also performed a more detailed analysis of 150 of the 300 complaint files to assess whether banks are resolving complaints in a manner consistent with FCAC's expectations for effectiveness, accessibility and timeliness, and to assess adherence to banks' internal procedures.

1.2.3 On-site examination

FCAC conducted on-site examinations over the course of three weeks, interviewing approximately 100 bank employees. Customer-facing employees were selected from the Level 2 complaint handling functions and from the offices of the banks' designated SCOs, such as investigators and intake officers. FCAC also interviewed senior management from banks' complaint handling functions, the offices of SCOs, and banks' compliance functions, which are responsible for overseeing CHPs' compliance with applicable market conduct obligations.

1.2.4 Review of international practices

FCAC examined complaint handling regulations in comparable jurisdictions, namely Australia, Ireland, the Netherlands, the United Kingdom and the United States. The Agency also considered the recommendations and principles for complaint handling and redress developed by the World Bank and the Organisation for Economic Co-operation and Development (OECD)/G20 Task Force on Financial Consumer Protection.[8]

1.2.5 Consumer engagement and stakeholder consultations

FCAC engaged individual complainants, consumer groups and representatives, and other key stakeholders (such as provincial regulators) to learn about their views of, experiences with and concerns about CHPs. FCAC also contracted Environics to field a representative public opinion research survey of 5,000 Canadians who have an account or credit card with a bank and to conduct quantitative analysis of the data.[9]

1.2.6 Limitations

The Agency acknowledges that the review is subject to several potential limitations. First, the review was constrained by the amount of time available. FCAC completed its review of banks and ECBs in six months, which limited opportunities to request documentation and information when questions arose.

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[7] FCAC selected the sample from a full list of complaints resolved by the six banks' SCOs and two ECBs from November 1, 2016 to October 31, 2018.

[8] See, for example, the work on Principle 9 in OECD/G20 Task Force on Financial Consumer Protection (2013). *Update Report on the Work to Support the Implementation of the High-level Principles on Financial Consumer Protection*. Paris, pp. 18–23. www.oecd.org/daf/fin/financial-education/G20EffectiveApproachesFCP.pdf.

[9] The survey results can be considered accurate ± 1.4%, 19 times out of 20.

Second, the complaint files in the sample reviewed were selected using a stratified random approach rather than a probabilistic methodology. Therefore, there is the potential for sample bias in the complaint file review data.

Finally, this is a cross-sectional review whose findings reflect only what FCAC found between November 2018 and June 2019. Any improvements that banks may have implemented since spring 2019 will not be reflected in this report.

1.3 Steps to resolve complaints

Banks' CHPs generally consist of three internal levels of escalation plus the ECBs for complaints they cannot resolve internally. Most banks have multiple sub-levels or steps within each level. Consumers must pass through these levels in their pursuit of a satisfactory resolution.

Level 1

Complaints enter banks' CHPs at the consumer's first point of contact, typically a customer service representative (CSR) in a branch or call centre. CSRs may need help from or the approval of branch managers or supervisors to resolve certain complaints, depending on the type of complaint and amount of money involved. Some banks will require consumers to take their complaint to a senior manager, such as a regional vice president, if the frontline employees and their managers cannot resolve it.

Level 2

Consumers who are not satisfied with the resolution offered by the bank at Level 1 may escalate their complaint to Level 2—typically the bank's client relations function, which specializes in resolving complaints. At some banks, Level 2 includes multiple steps—such as "executive client relations"—for complaints not resolved at the first step of Level 2.

Level 3

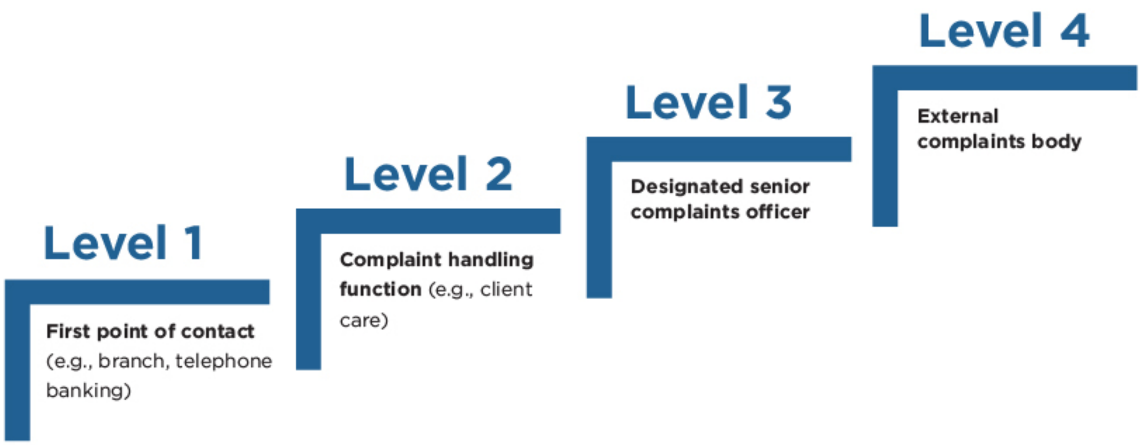
A consumer who is not satisfied with the outcome at Level 2 may escalate a complaint to the bank's designated SCO. Banks are required to designate an officer who holds the most senior position responsible for dealing with complaints. Most banks refer to this officer as the "ombudsman or ombuds." (This report avoids these terms when referring to a bank employee, because it could lead consumers to mistakenly assume the SCO is separate from or independent of the bank.)

Level 4

Level 4 is the ECB contracted by the bank to deal with complaints that have not been resolved to the consumer's satisfaction through internal bank processes. Each bank is required to be a member of an ECB approved by the Minister of Finance. Consumers can escalate a complaint to a bank's ECB if:

- they are not satisfied with the resolution offered by the most senior level at the bank (i.e., Level 3, SCO)
- the bank has not proposed a resolution within 90 days from the time the consumer escalated the complaint

Figure 1: Complaint escalation process



The sections below present FCAC's analysis of the effectiveness, accessibility and timeliness of banks' internal CHPs as well as the Agency's findings and conclusions.

2 Effectiveness

In the context of this review, effectiveness means banks are resolving complaints in a manner that is fair and satisfactory to most consumers. FCAC's CG-12 guideline establishes four principles of effectiveness:

- organizational commitment
- adequate resources
- training for staff
- monitoring and reporting systems

Banks are generally effective at resolving complaints at the first level. According to the consumers surveyed, banks resolve three-quarters (76%) of the complaints brought to the first level. Three-quarters (77%) of surveyed consumers whose complaints were resolved at Level 1 were satisfied with the process.

However, effectiveness declines significantly when consumers escalate complaints beyond the first level. Consumers report that banks resolve fewer than half (43%) of complaints escalated to the second level, and only a third (34%) of those brought to the SCO office in Level 3. Furthermore, consumers who escalate complaints report lower levels of satisfaction. Just over half (52%) who had a complaint resolved at Level 2 said they were satisfied with the process, while only 42% of consumers who had a complaint resolved by a higher level were satisfied. The main reasons consumers were not satisfied are poor customer service (52%), no resolution of the complaint (26%) and the process took too long (17%). Notably, only 12% of consumers who did not get their complaint resolved said that they were satisfied with the bank's CHPs.

During the review, FCAC identified a number of areas where banks' CHPs fell short of the Agency's expectations for effectiveness. None of the banks reviewed have implemented a robust, comprehensive framework of policies and procedures to demonstrate their commitment to handling complaints effectively across the organization. For example, banks do not have well-developed reimbursement policies and procedures in place to ensure they handle complaints objectively. This shortcoming helps explain the lack of objectivity and consistency in the complaint resolutions observed during the review. In addition, banks' procedures for soliciting feedback from complainants are not adequate, particularly at levels 2 and 3. There is also significant room to improve the training provided to employees who handle complaints.

2.1 Organizational commitment

Banks can demonstrate organizational commitment by establishing and adhering to procedures that ensure they address complaints objectively. FCAC also expects banks to demonstrate organizational commitment by developing a culture of continuous improvement in their approaches to handling complaints. This includes soliciting regular feedback from consumers who make complaints, reviewing procedures regularly and taking appropriate actions to address areas where room for improvement has been identified.

2.1.1 Procedures for handling complaints objectively

FCAC found that banks' procedures to ensure they handle complaints objectively are inadequate. Most banks have guidelines around the amount of money that frontline employees, managers and executives are authorized to offer consumers to compensate for bank errors or to extend as goodwill gestures. However, most banks have not implemented comprehensive or well-developed reimbursement policies that provide employees with clear guidelines about the circumstances under which specific forms and amounts of reimbursement are appropriate. Well-developed reimbursement policies ensure that bank employees reimburse consumers in a manner that is consistent with and based on the complaint's circumstances.

The employees who handle complaints at the first level are not independent of the banks' lines of business and may not be impartial. In other words, most complaints are resolved by frontline employees who are under pressure to make sales and control costs, and these pressures may influence their decision to reimburse the consumer, particularly in the absence of a clear policy on what and how to reimburse. Level 1 employees may feel conflicted because of the need to meet sales targets, which may lead them to improperly consider the potential for future sales when deciding how to resolve a consumer's problem. Some banks also require employees who work in Level 2 to look for opportunities to sell products and services. This may impair their objectivity and damage the consumer's confidence in the process.

> *"They are more interested in selling the products. They don't want to find out what the customer needs." – Consumer and survey respondent*
>
> *"They tried to sell me more stuff." – Consumer and survey respondent*

The review suggested that sales goals and targets may inhibit the bank's ability to resolve consumer complaints effectively. Survey respondents indicated that some bank employees seemed more concerned with selling them more products and services than with figuring out what happened and resolving their complaint. When the bank employee addressing a consumer's complaint has to meet sales goals, there is a risk they will prioritize solutions that generate more sales over investigating the complaint and resolving it fairly and objectively.

FCAC also observed significant inconsistences in how employees defined fair and reasonable remediation for the problems that consumers brought to their banks. Some bank employees would consider the consumer's particular circumstances (such as technological or financial literacy); others would consider negative experiences, inconveniences and non-financial harm (such as the potential impact on the consumer's credit bureau report); other employees at the same bank might not consider any of these factors.

Effective guidelines for objective complaint resolution identify goodwill gestures as separate from compensation for the financial and non-financial consequences of bank errors or omissions. Goodwill gestures may be appropriate for repairing business relationships with consumers who have had a poor experience with a product or service, even when the bank's conduct was consistent with its policies and the applicable rules. In contrast, compensation is appropriate when the bank's actions (or failure to act) harm a consumer in contravention of their obligations (such as policies, procedures and/or expected standards of care).

However, banks have largely failed to set clear parameters in their CHPs to specify when it is appropriate to consider the business relationship—such as the length of time the consumer has been with the bank, the profitability of the consumer's business with the bank, and the potential to earn future business. As a result, complaint resolution sometimes depends more on who the consumer is to the bank and less on the harm the bank error caused them. Employees involved in resolving escalated complaints need to exercise judgment based on the circumstances and chain of events, but banks have not provided clear guidelines to ensure employees use their discretion appropriately.

2.1.2 Feedback from consumers

FCAC expects banks to solicit feedback about CHPs from consumers on a regular basis.[10] This feedback is meant to help banks identify areas where the process could be improved. The

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[10] This expectation is set out in [CG-12: Internal dispute resolution](#).

review found that banks are making limited efforts to gather consumers' views, and that these efforts are particularly deficient at the second level and in the office of the SCO.

Like businesses in many other sectors, banks use net promoter score (NPS) surveys to gather consumer feedback about their interactions in branches, on the phone or online. During the review, banks said that these surveys gave them insights into complainants' experiences. However, NPS surveys are neither intended to perform this function nor focused on complaint resolution. Their purpose is to find out whether consumers would recommend the bank to others based on a recent experience.

The review revealed that only one bank uses a survey designed to provide insights into consumers' experiences with complaint handling, randomly sampling consumers who have recently escalated a complaint to its second level. None of the banks have formal processes to gather feedback from consumers who have brought complaints to the SCO. Two have plans to implement surveys at the second level in 2020, one of which will also introduce surveys of SCO complainants.

2.1.3 Oversight and controls

None of the banks reviewed could demonstrate that they have implemented a robust and comprehensive complaint-management program or framework. FCAC found that banks' policies, procedures and controls for handling complaints are underdeveloped, and that most would struggle to demonstrate that their employees adhere to the resolution process or resolve complaints objectively.

Banks have implemented standard operating procedures, decision trees, job aids, manuals, best practices guides and memos. However, it is difficult to manage and oversee these policies and procedures effectively without a robust and comprehensive framework for complaint handling. Most of the procedural documents were intended for specific business lines (such as branches or phone channels) or for certain levels in the banks' CHPs. In addition, FCAC researchers frequently found it difficult to determine the documents' dates of origin, owners, revision histories and review schedules. Such gaps are most serious in procedures at the first level, where the majority of disputes are resolved.

FCAC did not find strong controls to ensure that employees handling Level 1 complaints adhere to internal policies and procedures. Most banks seemed to rely mainly on branch managers and call centre leaders to supervise employees, review complaints periodically and report issues. FCAC did find that Level 2 employees provide informal guidance, instruction and support to employees handling complaints at Level 1. However, banks would be challenged to demonstrate that they resolve Level 1 complaints in a manner that adheres to internal procedures and complies with market conduct obligations.

Most banks have implemented quality assurance processes to monitor the compliance of employees handling complaints at Level 2, such as reviewing a small number of investigation files or phone calls with consumers. Some banks have implemented quality assurance processes for SCO employees, but phone calls with consumers are not recorded, so the processes are limited to reviewing a sample of investigation files for compliance with internal procedures. The office of the SCO exchanges a considerable amount of information with consumers over the phone, and it can be challenging to evaluate the performance of SCO employees without access to recordings or transcripts of the calls.

The second-line compliance function is accountable for monitoring and testing the controls related to ensuring that complaint handling complies with the bank's market conduct obligations. Compliance must verify whether the controls are working as they should in order to provide senior management with assurances that employees are adhering to applicable regulations.

However, during the review, FCAC found that most banks' compliance function provided inadequate oversight of the controls in place to ensure employees handling Level 1 complaints are adhering to market conduct obligations.

At most banks, the compliance function provides a measure of oversight of the controls implemented at Level 2, mainly by conducting periodic reviews to ensure that procedures are in place to achieve compliance with market conduct obligations. For example, most have strong procedures to ensure that Level 2 meets its obligation to report complaints related to consumer provisions to FCAC. In general, compliance function oversight is more limited at the SCO level.

2.2 Resources

FCAC expects banks to regularly evaluate the resources designated to handle complaints. Banks should assess whether there are enough employees and whether they have sufficient resources (for example, financial, technological and operational support), experience, training and authority (for example, access to documents and the authority to resolve complaints or recommend resolutions). Current procedures for evaluating resources are not adequate.

During the on-site exam interviews, most banks reported upward trends in the volume of consumers escalating complaints, the number of investigations opened, and the complexity of the complaints escalated. Banks expressed the opinion that consumers' expectations were increasing in terms of the level of interaction and responsiveness. Consumers now expect banks to respond to a complaint in hours, not days. In addition, consumers expect to be able to resolve their complaint in the forum and manner they find most convenient. Banks know that regulators' expectations of and attention to complaint handling are also increasing.

The resources that banks have designated to handle escalated complaints at the second and third levels appear to be strained under current caseloads. As noted below in the discussion of timeliness, four of the six banks are not resolving the complaints escalated to the SCO within the standard of 90 days set out in FCAC's guideline. FCAC found that three of the six banks are exceeding 90 days by 50% or more, on average. Two SCO offices are regularly informing consumers that they are dealing with "greater than average" caseloads. This suggests these banks have not allocated sufficient resources to meet regulatory expectations.

During the CHP review, FCAC observed some recent increases in the resources available to the second level and SCOs. Some banks have hired additional full-time employees to resolve complaints. Most have made more significant investments at the second level in areas such as data analytics, the investigation of potential breaches of consumer legislation, and allegations of inappropriate sales practices. At some banks, the SCO and second level have also added resources to support quality assurance, governance, reporting and compliance. Banks made some of these investments in response to recommendations from FCAC after the Agency identified gaps in its 2018 Domestic Bank Retail Sales Practices Review.

FCAC observed opportunities for banks to strengthen their processes for evaluating the resources they allocate for handling complaints. For example, most banks currently rely on statistics to understand the average time it takes them to resolve complaints. However, second-level management and the SCO perform these self-assessments in silos, without considering the time consumers spend at lower or higher levels throughout the escalation process. As a result, these assessments do not measure whether banks have adequate resources to meet FCAC's expectations for timeliness across levels 2 and 3.

In addition, some banks are not looking at trends in the complexity of the complaints they receive to support resource assessments. There can be significant differences in the time and resources needed to investigate and resolve more complex issues, such as those related to fraud or third-party service providers. While banks evaluate the experience of employees who handle complaints, more attention to training, authority, technological resources and operational support would increase the value of these assessments.

2.3 Training

FCAC requires banks to demonstrate that the employees who handle complaints have the training they need to understand and follow CHPs. The information employees need to adhere to the dispute resolution process should be readily available. Banks are expected to provide employees with the necessary training during onboarding and to deliver ongoing training and refresher courses, particularly to frontline employees who interact directly with consumers. Finally, FCAC requires banks to establish review processes to make sure training remains relevant and current.

FCAC found that banks' annual training regarding complaint handling and applicable market conduct obligations is generally inadequate; in some cases, it is totally absent. FCAC expects banks to demonstrate that they have trained the employees designated to handle complaints to ensure they are able to give consumers accurate information and guide them through the banks' procedures.

The need for enhanced training is greatest at the second and SCO levels. Half of the six banks reviewed could demonstrate that they held annual training sessions for Level 1 employees about complaint handling and the applicable market conduct obligations overseen by FCAC. But only two banks provided this annual training at the second level, and only one could demonstrate that SCO personnel complete annual training on relevant consumer legislation and guidelines. While some banks have formal onboarding at the second level, most banks rely on job shadowing, coaching and experience to be sure that employees know how to perform their roles at the second and SCO levels.

Banks appear to rely less on formal training for complaint handling than for other regulated activities, such as anti-money laundering initiatives. Most employees who handle escalated complaints appear to have experience in the branch and phone channels. Banks emphasized that handling escalated complaints requires employees to exercise judgment and discretion because the circumstances surrounding these complaints can vary widely. Employees are encouraged to learn how to help consumers and resolve escalated complaints on the job through frequent but informal coaching from managers and ongoing discussions with their peers.

However, because there are few formal, annual training modules on complaint handling or the applicable rules, it is more difficult for banks to monitor whether their employees have an adequate level of understanding. In comparison, banks can monitor completion rates for the more formal, mandatory annual training modules, such as those pertaining to the employee code of conduct or anti-money laundering activities. Some of the CHP training material provided to FCAC by banks did not indicate dates, revision histories, document owners or review schedules. These deficiencies make it difficult to determine how banks ensure the training they provide to employees is relevant and accurate.

In addition, most banks could not demonstrate the effectiveness of their training programs to FCAC. Some indicated they use branch surveillance programs to oversee training. However, none of the banks could produce reports or otherwise demonstrate that their employees have acceptable levels of knowledge and understanding.

2.4 Monitoring and reporting

FCAC expects banks to establish systems for capturing and retaining information about complaints. This is for the purpose of improving their products and services for consumers, monitoring compliance and reporting escalated complaints to FCAC. Complaints can help identify broader or widespread issues and trends. The *Bank Act* requires the designated SCO to report specific information publicly, such as the number of complaints investigated, the average length of time to resolve complaints and the number resolved to consumers’ satisfaction.

Based on the findings of its 2018 sales practices review, FCAC provided the large six banks with recommendations requiring them to improve their policies and procedures for recording, analyzing and reporting on complaint data. During the complaint review, FCAC found that banks had significantly enhanced their monitoring and reporting of Level 2 complaints. These investments have improved their ability to gather intelligence about the risks of mis-selling and breaches of market conduct obligations.

2.4.1 Level 1

Banks have considerable room to improve their monitoring and reporting of first-level complaints. Two banks produce internal reports on first-level complaints, but these are based on incomplete records. In response to FCAC's supervisory work and the new consumer protection legislation passed by Parliament in December 2018, banks are developing the systems and resources required to keep records of first-level resolutions.

2.4.2 Level 2

As noted above, banks have improved procedures for identifying and investigating second-level complaints related to market conduct obligations. Before FCAC's 2018 review of sales practices, banks tended to rely too heavily on changes in the volume of complaints (for example, quarter-over-quarter) to identify trends and root causes. In response to FCAC recommendations, they have strengthened their procedures for analyzing low-volume, high-risk complaints about employee behaviour once those complaints reach the second level. For example, most banks now conduct root-cause investigations when second-level specialists flag complaints about sales practices and related market conduct obligations.

The actions taken to better identify complaints related to consumer provisions have improved banks' mandatory reporting to FCAC. For instance, some banks have added monitoring resources to the compliance function so second-level complaints can be sampled and analyzed to see whether reportable complaints are flagged appropriately. Banks are expected to report all second-level complaints related to market conduct obligations quarterly, in an aggregate format, using FCAC's classification system. They are also required to keep records of their investigations of second-level reportable complaints and to provide the investigation data to FCAC upon request.

One of the most important responsibilities of employees who handle complaints is to identify areas where banks can prevent complaints by strengthening controls, improving sales practices or giving consumers clearer information. The procedures for reporting opportunities to improve business practices are overly informal, which can make it difficult to monitor the status of action plans addressing the issues identified by Level 2 employees.

2.4.3 Designated senior complaints officer (monitoring and reporting)

In general, the SCOs' reporting procedures are underdeveloped. Most could not produce or describe the steps taken to verify and ensure the accuracy of information about their activities (such as the number of complaints resolved to consumers' satisfaction), which they are required to report publicly. FCAC found a number of inconsistencies in the SCOs' records during the review of complaint investigation files, such as incorrect records of the date when the complaints were received at the second level.

Most SCOs have a narrow interpretation of the reporting requirements in the *Bank Act*. They tend to report the minimum amount of information required, namely complaints investigated, average time to resolve and the number resolved to consumers' satisfaction. Some report SCO statistics in their annual corporate social responsibility reports in a manner FCAC found to be difficult to find and interpret. In contrast, one bank's SCO produces an exemplary annual report that includes a clear description of its mandate and the services it provides to customers. This bank's SCO report also includes case studies, a discussion of trends and issues, and tips for consumers about protecting themselves from fraud and other harms.

Most SCOs do not have procedures in place to identify, flag and report complaints that may involve potential breaches of market conduct obligations. They suggested that the responsibility to report such complaints lies at the second level. However, the SCO performs complaint investigations that are, in many cases, more thorough than those at Level 2 and may identify additional issues related to market conduct obligations.

The procedures for using complaint data to identify opportunities to enhance sales practices and improve communication to consumers are overly informal in the SCO offices as well. FCAC found SCO investigators at most banks were reaching out directly to business lines to promote enhancements and manually monitor action plans, which may lead to a lack of oversight by the compliance function or risk management.

3 Accessibility

Banks' procedures for handling complaints should be accessible, straightforward and easy for consumers to understand. Since banks have multiple levels of employees designated to handle complaints, FCAC expects them to facilitate consumers' efforts to escalate complaints across all levels. This ensures the accessibility of their CHPs.

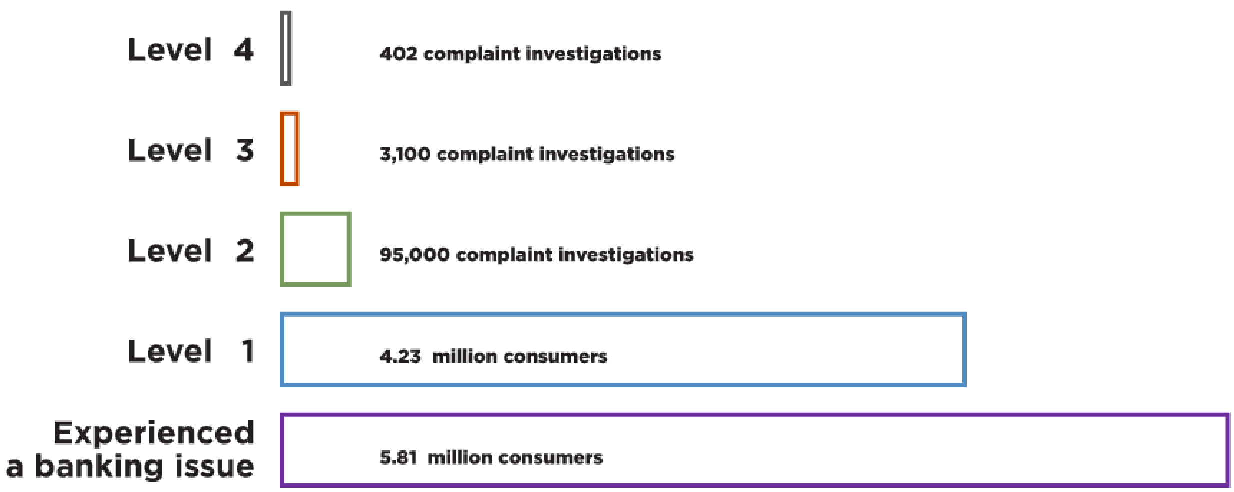
FCAC found that the first level of banks' CHPs is relatively accessible. In a representative public opinion survey conducted for FCAC, 73% of Canadians who experienced a problem with their bank during the previous year said they contacted the bank about the issue. FCAC calculated that in 2018, approximately 4.23 million of the 5.81 million Canadians who experienced a problem with one of the large six banks brought their complaint to the bank.

However, four in ten consumers (41%) reported at least one barrier when attempting to get their complaint resolved. The process for escalating complaints is not sufficiently accessible when banks are unable to resolve a complaint at the first level. FCAC estimates that more than 90% of consumers whose complaint was not resolved to their satisfaction at Level 1 did not have it investigated by the second level, suggesting it is not straightforward or easy for consumers to escalate complaints.[11]

[11] Calculation based on results of the representative survey and data acquired from banks during the industry review. Based on the representative survey of financial consumers, FCAC estimates that the large six banks did not

FCAC also observed significant levels of attrition when consumers try to escalate their complaints further in the banks' processes. Approximately two-thirds (65%) of consumers surveyed who were not satisfied with the resolution proposed at the second level chose not to escalate their complaint to the bank's designated SCO. More than two-thirds (68%) of consumers surveyed whose complaints were not resolved satisfactorily by the SCO dropped the complaint and said they did not contact the ECB.

Figure 2: Consumer complaints brought to each level of the large six banks' CHPs in 2018*



*Graph is for illustrative purposes, and the length of the bars is not to scale. The estimated number of consumers who experienced a banking issue and brought their complaint to Level 1 is based on the results of the representative public opinion research survey and FCAC calculations. The numbers of investigations opened at levels 2, 3 and 4 are based on data gathered from the large six banks and ECBs during FCAC's CHP review.

FCAC observed two main reasons behind the lack of access to the banks' processes for escalating complaints. First, contrary to FCAC guidelines, banks are not facilitating complaint escalations, a hurdle that is compounded by the fact that the process is not easy to navigate. Consumers need to initiate and drive the process. The high levels of attrition may indicate that banks are placing an unreasonable burden on consumers who are not satisfied with the initial response to their complaints.

Second, FCAC found that banks are not doing enough to provide consumers with CHP information or help them understand how to navigate procedures for escalating complaints. For example, banks do not reliably provide consumers with all of the information they need to have a complaint resolved at higher levels.

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satisfactorily resolve complaints from 1.015 million consumers at Level 1. During the review, FCAC found that between them, the six large banks opened only 95,000 complaints at Level 2 (see Figure 2).

3.1 Facilitating access to complaint escalation process

FCAC expects banks to make sure consumers understand how to escalate their complaint to the next level when they are not satisfied with the resolution proposed at the prior level. This expectation goes beyond simply providing an information brochure. FCAC also expects banks to facilitate complaint escalations; banks should make it straightforward for consumers to navigate the process of bringing a complaint not just to the second level, but to the designated SCO and to the ECB if the bank cannot resolve the dispute internally. FCAC's expectations about the accessibility of the internal escalation process and ECBs are closely aligned with the recommendations of the World Bank and the OECD/G20 Task Force on Financial Consumer Protection.[12]

3.1.1 Banks lack procedures for escalating complaints

The process of escalating complaints is consumer-driven. In general, banks do not have well-developed procedures for employees to help consumers escalate problems from the first level to the next step. In certain circumstances, banks instruct employees to escalate complaints proactively if they foresee reputational risks, such as when a consumer threatens to take a complaint to the media.

Most banks have policies that strongly encourage frontline employees to resolve as many complaints as possible at the first level. This generally benefits consumers, as most problems can be resolved more quickly and effectively this way. However, it can deter consumers from escalating complaints that merit more in-depth investigations, particularly when combined with other policies. For example, some banks have procedures to send large numbers of complaints back to the first level after consumers manage to escalate a problem. In fact, one bank sends roughly half of the complainants who reach the second level back to the first. Some banks require their frontline employees to receive targeted coaching sessions when consumers escalate complaints that the bank believes should have been resolved at Level 1. While this training may help employees serve consumers better, it may also discourage them from escalating complaints even when consumers are not satisfied with the response they receive at Level 1.

In addition, most banks have neither developed nor implemented procedures to provide additional assistance to consumers who may have more difficulty escalating their complaint or navigating the bank's CHPs, such as seniors, people with disabilities, consumers in rural areas or those in low-income households. Only one bank has implemented procedures and training modules for employees to provide additional support and assistance to seniors with complaints.[13]

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[12] World Bank. (2017). *Good Practices for Financial Consumer Protection*. Washington, DC: State Secretariat for Economic Affairs SECO, pp. 49-52. openknowledge.worldbank.org/handle/10986/28996.

[13] The banks adopted a Code of Conduct for the Delivery of Banking Services to Seniors (the Code) in July 2019. The code was developed to guide banks in delivering products and services to Canada's seniors. It includes

3.1.2 Multiple layers and steps within each level of complaint handling procedures

Most banks include multiple layers of management in their definition of Level 1, including supervisors, team leads, branch managers and, in some cases, regional or district vice-presidents. FCAC found that banks instruct employees to ensure consumers exhaust all of the steps in the first level before letting them know how to escalate a complaint. For example, one bank requires consumers to contact a "senior officer in the appropriate business group" to escalate their complaint beyond the first level. As a result, this bank receives significantly fewer complaints at the second level than most other large banks.

When banks develop multiple layers and steps within each level, it reduces the CHP's accessibility. Consumers may find it too difficult, confusing or intimidating to escalate their complaint to senior officers and vice-presidents.

3.1.3 Unreasonable burden on consumers escalating complaints

Banks do not make it easy for consumers to escalate complaints. In most cases, consumers are required to produce evidence of a final resolution from each level before they can take a complaint to the next step.

Consumers who manage to escalate their complaint to the second level often encounter lengthy and frustrating processes. In addition to acquiring a final response from the first level, consumers are normally required to resubmit their complaint (to describe their complaint, propose a resolution, and submit supporting documentation for a second time), in part because banks do not have reliable recordkeeping at the first level. Consumers are often required to resubmit information about their complaint yet again if they choose to escalate it to the bank's SCO as well.

3.2 Providing information about complaint handling procedures

FCAC expects banks to facilitate consumers' understanding and use of CHPs. This includes providing consumers with CHP information that is accessible, straightforward and easy to understand, wherever they provide products and services to consumers. It should also explain how consumers can complain to a bank over the phone, by letter, online or in person. Banks should provide consumers with progress updates when key milestones are reached and let them know how they can request information about the status of their complaint.

During the review, FCAC found that banks do not consistently give consumers the information they need to confidently navigate CHPs, particularly when it comes to escalating complaints beyond the first level. Banks have not implemented the procedures required to make sure consumers have the information and documentation they need. This failure is of real

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commitments to establish and implement appropriate policies, procedures and processes to communicate effectively with seniors.

consequence and is reflected in the high rates of attrition as consumers attempt to initiate and drive the escalation process without bank support.

3.2.1 Procedures for providing information about complaint handling procedures to consumers

Few consumers receive information from their banks about CHPs, according to FCAC's public opinion research. Only 30% of consumers surveyed who had brought a problem to their bank said they were given additional information about how they could resolve or escalate their complaint.

Most banks do not have procedures to help consumers understand how to follow the process, such as explaining in plain language what documents or agreements they need to escalate a complaint. Some banks have implemented procedures that instruct first-level employees to only provide information about additional steps consumers can take when they explicitly state their intent to escalate a complaint or specifically ask for the bank's CHP.

Banks' policies and procedures for providing consumers with information are somewhat better at the second and third levels. In general, second-level employees and designated SCOs have procedures instructing them to acknowledge consumers' complaints promptly and inform consumers when their complaint has been assigned to a specialist or investigator. They also have reasonable standards for communicating the bank's final response. The employees FCAC interviewed from the second levels and SCO offices demonstrated a firm understanding of these procedures.

However, FCAC found limited evidence in the complaint files analyzed during the review that employees at the second level and SCO offices are providing consumers with status updates or information about the banks' CHPs. FCAC found that, despite having more knowledge and access to stronger procedures than their colleagues at Level 1, employees at levels 2 and 3 rarely provide consumers with brochures about complaint handling. As well, once the investigation is open, banks tend not to provide consumers with regular status updates. This means consumers do not know what direction the investigation is taking or when to expect a final recommendation. Consumers appear to initiate most of the communication with their banks, requesting status and progress updates.

> *"I would just like to know the status of my complaint. I don't want to think and feel that my whole complaint is just being ignored or being swept under the carpet." – Consumer, complaint file review*

The representative survey confirmed the deficiencies FCAC observed at the second and SCO levels. Only 22% of consumers who escalated their complaint to the second level said banks gave them information about how to escalate their complaint to the next step if it was not resolved to their satisfaction. Only 19% of consumers who reached the designated SCO said they were provided with information about next steps. As a result, fewer than one in five Canadians have heard of either of the two approved ECBs.

> *"No one knew what to do. I was asked to go higher and didn't know what to do. The bureaucracy and [staff] not being trained adequately. It took too long to fix it." – Consumer, survey respondent*

3.2.2 Complaint handling procedure brochures

Banks are required to provide brochures about their CHPs. These must be available in branches and wherever products or services are offered in Canada. In the review, FCAC found that most banks do not have sufficient controls in place to make sure frontline employees know when they are required to provide consumers with these brochures.

In addition, FCAC found that some banks' brochures do not provide clear and comprehensive information about how to escalate complaints. For example, one bank does not identify its second-level complaint resolution team.

In other cases, the information banks provide to consumers in complaint brochures is outdated. For example, one bank has consolidated the SCO service for its subsidiary, meaning the subsidiary's customers must escalate complaints to the parent bank's designated SCO, but this change was not reflected in the subsidiary's brochure at the time of the review.

3.2.3 Providing information about external complaints bodies to consumers

FCAC guidelines require banks to inform consumers about their right to escalate a complaint to an ECB if it takes more than 90 days to resolve from the time it was escalated to the bank's second level. This means consumers do not need to wait for the bank's SCO to complete its investigation: they have the right to bypass the SCO and escalate their complaint from Level 2 to the ECB if the bank takes more than 90 days to resolve it from the date it is escalated.

However, banks generally fail to communicate this right to consumers clearly. FCAC's review found that most banks do not have reliable procedures to provide consumers with 90-day letters, particularly at Level 2. In fact, some banks have misleading letter templates that suggest consumers must wait until the SCO completes its investigation before they can escalate a complaint to the ECB. Some banks provide consumers with misleading information over the phone, suggesting they should wait for the SCO to reach a decision because the ECB will need the results of the bank's investigation to carry out its own investigation.

4 Timeliness

In Canada, the standards for timely complaint handling are relatively generous toward banks by international standards. FCAC guidelines require banks to resolve the majority of complaints within 90 days, which is about 50% longer than the standard in the United Kingdom and twice as long as permitted by regulators in Australia. In addition, FCAC guidelines do not require banks to start the 90-day clock until the complaint has been escalated to the second level, which means the time consumers spend going through various steps at the first level is not counted. Most jurisdictions start the clock when the complaint is first submitted.

While banks resolve the majority of complaints brought to them within a reasonable amount of time, just over a quarter (26%) of consumers surveyed feel their bank takes too long. Consumers reported that two-thirds (66%) of the complaints they bring to banks are resolved in less than a week, while nearly nine in 10 (88%) are resolved in less than a month. Slightly more than seven in 10 (72%) consumers say their bank resolved the complaint in the right amount of time.

Figure 3: Timeliness of complaint resolutions by banks' senior complaints officer

Bank	Average number of days to resolve*
Bank 1	207
Bank 2	89
Bank 3	140
Bank 4	88
Bank 5	107
Bank 6	158

* The average number of days between receipt of the complaint by Level 2 and when the designated SCO sent the consumer a final resolution letter. FCAC's timeliness calculations are based on the review of a sample of 300 complaint files resolved by the banks' SCOs over the previous two years. The order and number of the banks has been randomized.

However, consumers who choose to escalate a complaint often face unreasonable delays in banks' efforts to resolve them. As illustrated in Figure 3 above, four of the six banks did not resolve the complaints escalated to the SCO in a manner consistent with the 90-day standard. FCAC found that three of the six banks are exceeding 90 days by 50% or more, on average. In the more detailed review of the sample of 150 complaint files, FCAC observed that the main reasons for this are inefficient bank policies and procedures for handling escalated complaints and a failure to allocate sufficient resources.

> *"I am confused what possibly could be taking so long to review. It is coming up on a month almost since this issue took place. What more are [you] trying to find out?"*
> *– Consumer, complaint file review*

In keeping with international best practices, FCAC guidelines require banks to acknowledge escalated complaints without delay. Banks are also required to provide consumers with a timeline outlining how long it will take to resolve their issue, and to advise consumers of their right to escalate their complaint to the ECB.

The timeliness standard of 90 days is intended to promote efficiency by giving banks an opportunity to resolve complaints internally while empowering consumers with the information they need to escalate their complaint if the bank cannot resolve it in a reasonable timeframe.

Some complaints may take longer to investigate properly, and regulators generally require banks to resolve complaints on a timeline that is reasonable and consistent with other, similar complaints.

In most cases, the issues consumers bring to their banks' attention are time-sensitive. For example, three of the most frequent consumer complaints are about access to their money, unauthorized transactions and fraudulent access to funds. The impact of these problems can grow more acute with each hour that passes before the bank addresses them. In FCAC's review of complaint files, consumers who were unable to access their funds said they had difficulty purchasing basic necessities and incurred fees for non-sufficient funds and late payments. They also missed payments on debt obligations and suffered damage to their credit bureau reports, which can affect access to affordable credit.

When banks take an unreasonable amount of time to resolve a complaint, it can be more difficult to reach a fair resolution. Lengthy complaint resolution processes tend to generate other problems, making it harder for the bank to propose resolutions that consumers will ultimately find satisfactory. Consumers may feel they have no option other than to accept a partial resolution, or one they feel is unfair in the circumstances, when banks take too long to resolve a complaint. Banks' inefficiencies may also lead consumers to drop complaints before banks have an opportunity to resolve them. FCAC found that the length of time it takes banks to resolve complaints is an important cause of attrition.

> *"I'm sorry but after months and months of having to take these matters in our own hands, [a] $300.00 gift card for one person is an absolute JOKE... very tired and frustrated with these endless games everyone at [the Bank] is playing."*
> *– Consumer, complaint file review*
>
> *"[This] was almost 3 weeks ago and I've just now got the stomach to come back and continue to deal with this problem."*
> *– Consumer, complaint file review*

4.1 Reasons for not meeting timeliness standards

Contrary to FCAC's guidelines and regulatory expectations, most banks are not able to resolve complaints escalated to the SCO within 90 days, and some take significantly longer, as indicated in Figure 3. It is important to note that these timelines do not include the time consumers spend at the banks' first levels, taking their complaints from the frontline CSR to the branch manager and, in some cases, to the regional or district vice president.

FCAC gathered timeliness data related to approximately 300 complaints resolved by the large six banks' designated SCOs over the past two years. The sample included sufficient representation from the main types of complaints and resolution outcomes. Half of the sample was analyzed more closely to determine the causes of the failure to observe the standards for timeliness, as described below.

4.1.1 Procedural delays

Banks are largely to blame for the unreasonable length of time it takes to resolve escalated complaints. While slow responses from consumers result in delays in some cases, delays are mainly attributable to inefficiencies in the banks' policies and procedures.

FCAC observed evidence of delays in approximately two-thirds (67%) of the 150 designated SCO complaint files it subjected to a full review. Almost three-quarters (73%) of the delays can be attributed solely to the bank, while slow responses from consumers were responsible for 10%. For the remainder, FCAC had insufficient information to determine whether the bank or the consumer bore responsibility. More than half of the delays attributable to banks were caused by the office of the SCO, while the second level caused 10%.

There are a number of reasons for these delays. For example, most SCOs have not implemented the procedures necessary to ensure complaints are resolved in a manner consistent with FCAC's timeliness standard, which requires banks to provide consumers with a resolution 90 days from the time the complaint is escalated to the second level. Most SCOs have implemented a policy of resolving complaints in an average of 90 days from the time they assign it to an SCO investigator. Because banks require consumers to go through Level 2 and the SCO's intake process before the SCO starts the clock, they often fail to meet FCAC's expectations for timeliness. FCAC found that SCOs routinely receive complaints that consumers had first escalated to the second level two to three months previously, making it nearly impossible for the SCO to resolve the complaint in less than 90 days from the time it was escalated to Level 2.

Some SCOs lack direct access to their bank's records, which leaves them waiting for busy branch employees or second-level specialists to retrieve contracts, agreements and other documents relevant to complaints. As a result, the SCO's intake officers frequently struggle to obtain all of the documentation necessary to begin the investigation in a reasonable amount of time. For example, it takes one bank's SCO an average of more than 30 days to assemble all of the material necessary to assign the complaint to an investigator.

4.1.2 Intake policies and complaint de-escalation

SCOs redirect most consumers who contact them with complaints to lower levels of the bank's CHP. Generally, they do so because consumers have not gone through the first or second level before escalating their complaint to the SCO. For example, one bank opened investigations for fewer than 20% of the more than 4,000 consumers who contacted the SCO; this ratio between complaints received and investigations opened is typical. The SCO at another bank sent 80% of the complaints it received down to Level 2.

Sending large numbers of complaints to lower levels may increase efficiency by reducing the number of full investigations undertaken at the highest level. Furthermore, the high levels of attrition suggest that most of the consumers sent down to Level 2 will never bring their complaint back to the SCO. However, when consumers escalate redirected complaints back to the SCO a second time, banks struggle to meet FCAC's standards for timeliness. Most banks do not monitor complaints redirected from the SCO to Level 2 to prevent unreasonable delays.

4.1.3 Delays related to senior complaints officers' lack of resolution authority

Most SCOs do not have the authority to reimburse consumers or impose settlements on business units (such as branches) or lines of business (such as cards or insurance). This lack of authority to compel a resolution seems to contribute to the delays in resolving some complaints.

SCOs have mandates to operate independently from the banks' lines of business. For example, SCO employees do not hold management positions or serve as members of committees that contribute to the bank's strategic direction. In practice, this means SCOs recommend and negotiate resolutions and reimbursements rather than directing the branch or business line to provide consumers with redress. The SCO's investigator gathers evidence, assembles the chain of events, and establishes the degree of harm and the extent to which the bank and/or the consumer are at fault. Investigators then use their judgment and experience to propose a fair and reasonable settlement or resolution. However, the SCO then needs to persuade management from the branch or line of business to agree to both the amount of and rationale for the proposed settlement before bringing it to the consumer.

This process can lead to delays as the SCO negotiates with the business line. While these sums are relatively small for the bank as a whole, they can be significant for the business unit accountable for reimbursing the consumer. To hold the business line accountable for reimbursing the consumer, the SCO needs to demonstrate that the complaint is related to a more widespread issue. More commonly, FCAC observed that delays happened while SCO employees and branch managers discussed reimbursement amounts, the degree of negligence, sales procedures and the consumer's behaviour and relationship with the bank. During such negotiations, consumers are left waiting, and many are frustrated by how long it takes the bank to resolve their complaints. This type of delay can undermine consumers' confidence in the fairness and objectivity of banks' CHPs.

5 Conclusion

FCAC is addressing the deficiencies observed in the banks' CHPs through ongoing supervision and oversight. FCAC will use its supervision and guidance tools to require banks to make improvements, including strengthening the policies and procedures for:

- resolving complaints in a timely manner and informing consumers of their right to escalate complaints to an ECB when the bank is unable to resolve the complaint internally within the required timeframe
- facilitating the CHP, ensuring consumers have the information and documentation they need to navigate the bank's process, and generally making it straightforward for consumers to escalate complaints

- ensuring complaints are resolved objectively and implementing comprehensive and well-developed reimbursement policies
- assessing the adequacy of the resources designated to handle complaints
- training employees designated to handle complaints and improving the system for monitoring the completion and effectiveness of the training
- reviewing the effectiveness of CHPs, including how banks solicit regular feedback from complainants and improve the process for consumers
- overseeing and monitoring CHPs to ensure adherence to market conduct obligations, including the roles and responsibilities of the three lines of defence: operational management, compliance and risk management, and internal audit

FCAC will also provide further guidance on its expectations to banks in the coming months.

The Financial Consumer Protection Framework (FCPF) legislation adopted by Parliament in 2018 includes a more robust complaint handling regime and provides new authorities to the FCAC Commissioner that will strengthen the Agency's ability to ensure banks invest adequate resources in their CHPs and make the improvements called for in this report.[14] Among the new provisions, banks will be required to establish CHPs that are satisfactory to the FCAC Commissioner.

Industry reviews are an important element of FCAC's supervision framework. They allow FCAC to compare business practices and controls for ensuring compliance with market conduct obligations across the industry. FCAC uses the findings from industry reviews to recommend improvements, enhancing consumer protection moving forward.

[14] The new regime for complaint handling is contained in Bill C-86, *Budget Implementation Act*, 2018, No. 2, which received Royal Assent on December 13, 2018. It is among a number of new provisions to modernize the FCPF in the *Bank Act* and to amend the *Financial Consumer Agency of Canada Act* by strengthening the Agency's mandate and tools.