

Complaints Management

Effective complaints management has become an integral part of financial institutions' operating models as companies increasingly seek to deliver more positive outcomes for customers and stakeholders.

Consumers are more empowered than ever before, with continually expanding access to information and choice as to who they do business with. While this offers vast opportunity, negative experiences are likely to impact a customer's perception of a firm. According to the 'KPMG Global Complaints Survey' (2023), 49% of customers were unsatisfied with their complaint outcome, highlighting the continuing need for focus in this area. The perception of complaints should shift from the transactional correction of an error to an opportunity to improve customers' experience. Firms should use every contact, feedback, issue and challenge to identify and understand causes (or potential causes) of dissatisfaction and enable continuous improvement throughout the customer journey.



Regulatory Expectations



Firms have specific regulatory obligations when managing complaints to ensure they are handled speedily, efficiently and fairly. Recent updates to the Consumer Protection Code ("CPC") and European Banking Authority ("EBA") Guidelines highlight the importance of having a complaints operating model that is dynamic and adaptable to the evolving regulatory environment.

1. CPC Amendments

Published in March 2024, the CPC Consultation Paper aims to deliver an updated and modernised Code that reflects the constantly changing financial environment of today. The Central Bank of Ireland ("CBI") aims to enhance financial services firms' governance obligations when addressing and managing complaints and errors. Currently, the CPC specifically lays out the timeframes for handling each complaint and the records that should be kept. Under the revised CPC, the CBI has taken a more holistic approach to complaints whereby firms will be required to have a system in place to track, analyse and manage complaints. Complaints and errors will need to be addressed in a timely manner, with trends being identified and rectified. Firms will also be required to provide information on alternative dispute resolution services as part of pre-contractual information and when the customer commences their complaint journey. The CBI will publish the final regulations in early 2025, with implementation in 2025 / 2026.

2. EBA Extension of Joint Committee Guidelines

In July 2024, the EBA extended the existing Joint Committee (“JC”) Guidelines on complaints handling to credit servicers coming under the new Credit Servicers Directive (“CSD”). The JC guidelines set out common procedures on complaints handling, with the aim of bringing consistency across the financial services sector.

Following the extension of the guidelines, credit services firms are now required to apply the same effective and transparent procedures that have been applied for more than a decade to other firms in the banking, insurance and securities sectors when handling complaints. The guidelines specifically address the complaints management policy, the complaints management function, the registration of complaints, the reporting to the competent authorities or ombudsman, the internal follow-up, the provision of information to the complainant and the procedures for responding to complaints. Publication of the finalised guidelines is expected in 2025.



Future of Complaints Management



The future of complaints management is marked by a significant shift in culture, where complaints are not viewed as mere disruptions but as valuable opportunities for growth and improvement. With the rise of advanced technologies like artificial intelligence (“AI”), machine learning (“ML”), and automation, businesses are better equipped than ever to handle complaints swiftly and effectively through the consistent and controlled capture of data and the application of these modern technologies. These innovations allow for more personalised and proactive responses, transforming complaints into a key driver of customer satisfaction and loyalty.

Complaints Culture

As firms embrace this new mindset, the role of complaints management is evolving from reactive problem-solving to a strategic tool for enhancing customer experience and a key driver for growth. Leading brands treat complaints management and resolution as a firm-wide priority and responsibility. This drives transparency and accountability, stimulating a culture of continuous improvement throughout the firm. Moving to a culture of feedback and proactive problem solving will allow firms to create opportunities for improvement throughout the customer journey and work towards a ‘zero complaints’ state. This change can positively affect a firm’s approach to management of all customers, including those in vulnerable circumstances, by creating a dynamic management approach that incorporates behavioural analysis to better understand customers.

Complaints are fundamentally anchored in managing the expectations from what was promised to customers, providing practical insight to where products or services have failed to meet a customer’s needs or expectations. Firms should understand their customers’ needs in order to reduce dissatisfaction, proactively resolve potential issues, and utilise market leading forecasting and deep root cause analysis to predict and prevent dissatisfaction.

Technology and AI

Volumes of complaints are rising across the global market and we anticipate that this will increase as customer expectations are enhanced through regulatory change, for example, the review of the CPC, Payment Services Directive ("PSD2") and Single Euro Payments Area ("SEPA") Instant Payments. In the Financial Services and Pensions Ombudsman's ("FSPO") 'Overview of Complaints for 2023', it was outlined that there was a 29% increase of complaints compared to 2022. Not all complaints are recorded and typically one complaint may be symptomatic of 20-25 similar dissatisfied customers.

Firms have adopted technological innovations to enhance both customer and complaint handler experiences to drive operational efficiencies. The most common application of these innovations is the use of advanced data analytics, automation, ML and AI to anticipate and learn from customer issues and behaviours, enabling proactive operational interventions and enforcement of preventative measures.

Along with technology, AI can have a transformative effect on complaints management by automating manual tasks, providing detailed insights and enabling complaints management to be personalised through modern Large and Small Language Model ("LLM" and "SML") technology. ML can support predictive and sentiment analysis techniques to identify customer trends and behaviours to initiate proactive operational response and help complaint management teams target cases with escalation potential.

This will allow firms to focus on improving the quality of their interactions with customers, making data-driven decisions and providing better customer outcomes. The below outlines an example of how AI can be utilised for complaints management.

AI Customer Journey

Example of how AI can be leveraged to improve complaints handling and management



01	Identification	02	Triage and classification	03	Investigation	04	Resolution	05	Root-cause analysis
	As requests come in from customers it is imperative to accurately identify the type of communication and category of complaint, to ensure appropriate service and treatment is provided to the customer. Modern LLM technology has the capability of detecting differences between complaints, queries, feedback and incidents which will reduce the manual effort and resources required to undertake this task.		Once a complaint is identified, it should be classified so that simpler issues can be resolved promptly, while more complex complaints are escalated to the appropriate team. AI and ML techniques can recommend categorisation of the complaint to support prioritisation, allocate a priority and assign out to agents based on skillset.		Investigation is the most time intensive section of the complaint resolution process. Frustration can occur in this step due to unclear or delayed customer communications and inadequate tracking systems. AI can be used to automate the customer communications to ensure transparency, manage customer expectations, retrieve large volumes of supporting documents and data points and effectively track the complaint from start to finish.		AI can be utilised to embed resolution procedures and rules to ensure consistent customer outcomes.		Once the complaint has been resolved, detailed analysis needs to be undertaken in order to derive trends and conduct root-cause analysis. Insufficient / incomplete data can make this step difficult. Root-cause identification and resolution should be front-of-mind for firms with engagement at all levels, including data management, dashboarding and insights gathered from complaints classification.

How can KPMG help?

KPMG has developed an end-to-end Complaints Management Lifecycle Framework which is designed to not only resolve and prevent customer complaints but also to foster a culture that views complaints as opportunities to enhance customer satisfaction and the firm's reputation. This end-to-end framework leverages complaints as valuable feedback to drive continuous improvement and operational excellence. We have an extensive range of innovative solutions as well as services and skillset that will support our clients in streamlining their complaints management processes.

We understand the skills needed to facilitate your requirements.

- Our Complaints Lifecycle Framework ensures fit-for-purpose and sustainable solutions. This was built from market leading customer excellence capabilities, to assess the full end-to-end journey across prevention, resolution, recovery, learnings and customer service.
- We can utilise our leading Targeted Operating Model methodology which is a robust framework rooted in best practices for aligning operational processes and systems with enterprise strategic goals.
- We can utilise innovative solutions to detect sentiment in customer contact centres as early warnings of systemic or repeated complaints, identify trends and actions in date and assist in the auto closure of complaints.
- We can support large or small scale design and delivery to establish a data infrastructure that will transform the approach to complaints handling, reporting, analysis and ultimately the decision making capabilities across a business.

Contact us



Gillian Kelly
Partner,
Head of Consulting,
KPMG Ireland

t: +353 (0)87 744 1120
e: gillian.kelly@kpmg.ie



Owen Lewis
Partner,
KPMG Ireland

t: +353 (0)87 050 4760
e: owen.lewis@kpmg.ie



Yvonne Kelleher
Managing Director,
KPMG Ireland

t: +353 (0)87 050 4349
e: yvonne.kelleher@kpmg.ie



Donata Halpin
Director,
KPMG Ireland

t: +353 (0)87 050 4417
e: donata.halpin@kpmg.ie



Alan Lavery
Director,
KPMG Belfast

t: +44 7385 398 346
e: alan.lavery@kpmg.ie



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