

Report on Banking Ombudsman Mystery Shopper Exercise December 2007

Introduction

The Banking Ombudsman survey of bank branches – originally a biennial exercise – was made an annual event principally to provide banks with annual opportunities to review their compliance with requirements of the Code of Banking Practice in relation to the accessibility of complaint information to bank staff and bank customers. The concluding section of paragraph 1.3 of the Code confirms that banks will display in “all of our bank Branches”. . . “[B]rochures relating to our complaints procedures and the Banking Ombudsman’s services”.

The Code also requires banks to ensure that their staff are “aware of the Code and the minimum standards of good banking practice that are relevant to their area of work”. In the context of the Code’s provisions on the display of information about banks’ complaints procedures and the Banking Ombudsman, banks have generally undertaken to include basic information about both in their staff training.

The annual mystery shopper survey puts to the test banks’ capacity to fulfil the above obligations arising from the Code. Although the outcome of these surveys has tended to fluctuate from one year to the next, in both positive and negative terms, a general upwards trend has begun to emerge. Today’s banks affirm complaints resolution as an integral part of the total customer experience. Although they accept the Banking Ombudsman as an avenue of last resort for the diminishing proportion of complaints which they are unable to resolve themselves, they are all, in different ways, trying to enhance the effectiveness of their internal complaints resolution processes. It is pleasing to see some success at one of the entry points to this internal process.

Methodology

The 2007 survey covered 181 branches, compared with the rather larger number of 195 branches surveyed last year. This slight decline in the number of branches surveyed is not of itself a problem. However, if we examine one aim of the survey – the inclusion of a diversity of towns and cities, both small and large, the 2007 survey has been less comprehensive in this regard. Small towns or communities, such as Dargaville, Waikanae, Paraparaumu, Balclutha and Milton, that were included in the 2006 survey, are altogether absent from this one, qualifying its representativeness. We aim to rectify this in our next survey. Also, a check of the location of branches surveyed revealed that most were in or near the main streets of inner city or town areas, with small or outlying suburban branches also being somewhat underrepresented. We also hope to redress this deficiency in next year’s survey.

While there were minor changes to the instructions to our mystery shoppers (copy attached to this report as Appendix 1), the results should be reasonably comparable to those of previous years.

The steps that we have taken in the last two years to ensure a uniformly high quality of responses from mystery shoppers have in general borne fruit. Next year we will take further steps to enhance the average quality of mystery shopper responses.

We will reconsider our previous policy of targeting bank branches at peak hours in a peak period. We appreciate that even the most highly trained and capable bank staff member can, if confronted with a lengthy and rapidly lengthening queue of lunchtime Christmas shoppers, feel overwhelmed by the need to devote time, care and energy to an unusual complaint, knowing full well that the waiting queue is growing in length with every passing moment. Some of our mystery shoppers explicitly commented on this, displaying considerable sympathy for the staff members in question.

In the interest of brevity, we have included in this report a small proportion of all mystery shopper responses – a balanced sample representative of responses as a whole.

The next section of this report identifies those findings of this year's survey that are relevant to all or most banks. As was the case with the 2006 report, this general report will be made publicly available one month after it has been communicated to all participating banks. Each bank has already received an analysis of the survey's findings in relation to those of its branches covered by this mystery shopper survey.

To avoid any misunderstanding, it should be noted that some statistics included in tables in this report have been rounded off, either upwards or downwards, and therefore do not always add up to a precise total of 100%.

Generally improved performance across the banking industry

There has been a general improvement in performance right across the banking industry, and it was particularly good to see that all the larger banks recorded an increase in the number of branches where the Banking Ombudsman information leaflet was found on display.

With a couple of exceptions, the Code was also found more often, with a quite dramatic improvement in its availability in some cases. It is good practice for branches to display it prominently, even if copies to take away are available only on request. The existence of the Code is not so well known that customers can be expected to know of it and to ask for a copy.

In this context I would repeat the suggestion, made in my annual report for 2007, that the NZ Bankers' Association give favourable consideration to making the Code easier to understand and more accessible to the public, amongst other things by simplifying its language and considerably reducing its length. While it is important for the Code to be available for all bank customers, if it is written in a manner that makes it inaccessible even to literate native speakers of English, the probability that it will be widely used as a handy reference tool is greatly diminished.

The survey is also useful in establishing what sort of information a complainant is likely to have before approaching us with a complaint, including how well the Banking Ombudsman scheme is known to bank staff confronted with a problem or a potential complaint.

If bank staff lack a sound understanding of the complaints process, and if printed information about it is not readily accessible to them and bank customers, there is a real risk of customer dissatisfaction, ranging from mild discomfort to an entrenched and enduring sense of grievance, with adverse implications for a bank's reputation for customer service.

All frontline bank staff should at the very least know that their bank has a customer complaints process and that information about it is required to be available in printed form. Too many staff in the branches surveyed have still not reached this basic level of knowledge.

This finding, coupled with the absence of banks' own information leaflets from the display stands of 31% of branches, means that I cannot yet affirm that banks are generally fulfilling their obligation under the Code to provide complaints procedures that are accessible to all their customers, and to provide for the timely resolution of complaints in a fair and reasonable manner. If there is a demonstrable lack of available information about the complaints process, the quality of the process itself will undoubtedly suffer. While this year's result is a significant improvement on last year's 38% result, almost one third of all branches surveyed are still not fulfilling this fundamental obligation under the Code.

Need for some banks to review their staff training to match the high standard achieved by others

The survey shows that several individual branches achieved across-the-board perfect scores, including one or two branches of banks whose overall performance was less positive than that of some others. If three out of five larger banks consistently rate highly in terms of quality and achievement, this can not be attributed to chance. It can instead, with a significant degree of probability, be ascribed to a commitment to training in raising awareness among branch staff of problems and potential complaints, as well as of behaviour aimed at the early identification and resolution of issues that can otherwise become intractable.

One larger bank scored results of a quality and consistency not surpassed by any bank since this survey began. Two other larger banks which also achieved very high ratings were not far behind this outstanding performance. The more mixed performance of the remaining two larger banks and some smaller banks attests perhaps to the less effective and consistent implementation of training programmes.

In the test of bank staff willingness to help and knowledgeability of their banks' complaints processes, it was heartening to note that, while average achievement on both counts has improved only slightly since 2006, the median ratings for 2007 have increased by approximately 10% over the same period – revealing a much greater concentration of branches rated at the high end of the scale. Our statistics, backed up by detailed accounts of staff behaviour compiled by our mystery shoppers, nevertheless continue to reveal a significant gap between the expectations raised by the friendliness and helpfulness of the overwhelming majority of branch staff and the disappointment which can result if the expectations raised by this behaviour are not fulfilled.

A further encouraging development was the greatly decreased number of branches receiving the lowest ratings, in relation to previous years. If we focus on the results for the five larger banks, only three branches received the lowest rating for willingness to help in 2007 – down from nine in 2006, while two-thirds fewer branches received the lowest possible rating for knowledgeability – down from 21 in 2006 to 7 in 2007.

It was also heartening to note that branch staff made available printed information on their banks' complaints processes in 13% more cases than in 2006 (up from 56% to 69%). This shows that more banks are training their staff, not simply to display documents to technically fulfil the minimum requirements of the Code, but more importantly, to view them as a useful resource for their interaction with customers.

The survey records a substantial improvement of 16% in the proportion of branches displaying the Banking Ombudsman leaflet, in compliance with banks' obligation under the Code. This welcome development – by far the greatest single improvement recorded since the survey began to collate this information – may be attributed to various factors, including the prominence ascribed to this question in recent mystery shopper reports, and the staff training DVD produced by the Banking Ombudsman and circulated amongst banks in the latter part of 2007, with its attendant publicity in banks' own internal media. I welcome the growing willingness of banks to commit resources to acquainting their staff and their customers with information about their complaints processes.

BANKS/BRANCHES PARTICIPATING IN SURVEY

	ANZ	ASB	BNZ	HSBC	KIWI	NBNZ	TSB	WP	RABO	TOTAL
Whangarei	1	1	1		1	1		1		6
Auckland North	2	1	1		1	1		1		7
Auckland Central	2	2	2	1	1	2		2		12
Auckland South	1	2	1		2	1		1		8
Hamilton	2	2	2		1	3	1	3		14
Tauranga	1	1	1			1	1	1		6
Rotorua	1	1	2		1	1		2		8
Napier	3	1	1		2	2		2		11
Gisborne	1	1	1		1	1		1		6
Taupo	1	1	1		1	1		1		6
New Plymouth	1	1	1			1	1	1		6
Wanganui	1	1	1		1	1		1		6
Palmerston North	2		2			1		1		6
Masterton	1	1	1		1	1		1		6
Porirua	1	1	1		1	1		1		6
Upper/Lower Hutt	2	1	2		1	2		2		10
Wellington City	1	2	1		2	2	1	2		11
Wellington Suburbs	1	1	1		1	1		1		6
Nelson	1	1	1		2	2		1	1	9
Blenheim	1	1	1		1	1		1		6
Christchurch	2	2	2	1	2	2		2		13
Dunedin	1	1	1		1	1		1		6
Invercargill	1	1	1		1	1		1		6
Total branches surveyed	31	27	29	2	25	31	4	31	1	181

SURVEY RESULTS

PART 1 – AVAILABILITY OF PRINTED INFORMATION

a) Banks' internal complaints processes

In 69% of branches, students were able to find printed information about the bank's internal complaints procedures. In 31% of branches no such information could be found at all.

The comparable figures for 2006 were 62% and 38% respectively. Seven percent more branches than in 2006 were fulfilling the minimum target set by the Code in this respect.

In 35% of branches information about banks' internal complaints processes was easily and quickly found, within one minute. In a further 24% of branches one to three minutes were required to locate such information, while 6% of branches required 3-5 minutes, with the final 3% requiring more than five minutes. The comparative figures for 2006 are in the table below.

Time taken to locate information on the complaints process

	2006	2007	2006(%)	2007(%)
No information found	74	56	38%	31%
Less than 1 minute	85	64	44%	35%
1 to 3 minutes	30	44	15%	24%
3 to 5 minutes	3	11	2%	6%
5 minutes plus	3*	6	1%	3%
Total	195	181		

There was a significant increase of 7% in the proportion of banks displaying information on their individual complaints handling processes, from 62% in 2006 to 69% in 2007. While this is encouraging, we should not lose sight of the fact that banks are still slightly below the 71% figure recorded three years ago, in 2005.

It is hoped that this upwards trend will continue into the coming year. However, on the negative side of the balance sheet it is also noteworthy that, whereas in 2006 information on the complaints process was not quickly and easily found in 18% of branches, this was the case with 33% of branches in 2007. Some mystery shopper responses cast useful light on this negative trend, by drawing attention to the relative disorder prevailing in some branches, with limited space in which to display bank information in an accessible manner. Another possible explanation was offered by one mystery shopper, who commented that the relatively uniform appearance of one bank's publications made it difficult even for a motivated observer to quickly find a leaflet on a specific issue.

b) Other information**Banking Ombudsman leaflet on display?**

		2006		2007
Yes		48%		64%
No		52%		36%

Since 2005 the proportion of branches displaying the Banking Ombudsman leaflet has increased by 19%, with a 16% increase being recorded in 2007 alone. This welcome trend has been commented on above. However, the Code's target of **all** bank branches is still 36% away.

Code of Banking Practice on display?

		2006		2007	
Yes		33%		46%	
No		65%		54%	
No response		2%		-	

Since 2005 the proportion of branches displaying the Code has increased by 15%, with 13% of this increase being recorded for 2007. However it was still only displayed in fewer than half the branches surveyed. The Code is a particularly good demonstration of banks' commitment to fair and ethical dealing with their customers, and I continue to find it strange that some banks appear to be reluctant to publicise this commitment to their customers

PART 2 – AVAILABILITY OF INFORMATION FROM BANK STAFF**a) Willingness of bank staff to help**

In terms of the scale of the willingness of bank staff to help, 18.8% of the branches involved scored 10, or the highest score (20.5% in 2006), while 2.2% scored 1 – the lowest score (4.6% in 2006). The average for all banks was 7.5% in 2007 (7.2% in 2006).

b) Knowledgeability of bank staff

6.6% of bank branches received the lowest rating (1 out of 10) for their knowledgeability (13.9% in 2006). The average for all banks was 6.2% in 2007 (5.9% in 2006). If we look at the results for the five larger banks, three branches (nine in 2006) received the lowest grade for willingness to help, while seven (21 in 2006) received the lowest possible rating for knowledgeability. As has been commented on above, three of the five larger banks significantly improved on their overall performance in this area, as well as in others.

Willingness to help

(with 1 and 10 being least and most willing respectively)

2006

	1	2	3	4	5	6	7	8	9	10
Number of responses	9	6	5	7	23	12	28	27	38	40
Percentage %	4.6	3.0	2.5	3.6	11.8	6.2	14.4	13.8	19.5	20.5

Average: 7.2

Median: 7.4

2007

	1	2	3	4	5	6	7	8	9	10
Number of responses	4	7	8	8	12	15	23	32	38	34
Percentage %	2.2	3.9	4.4	4.4	6.6	8.3	12.7	17.7	21	18.8

Average: 7.5

Median: 8.3

Some mystery shopper observations on willingness to help

“Staff member was very kind and helpful and suggested various things I could do. Best experience of all the banks.”

“Not a good experience. I felt threatened by her manner. I think she over-reacted, was unprofessional and clearly untrained.”

“Listened thoughtfully, friendly and helpful, offered sufficient information and brochure.”

“It looked as if she was going to put a pile of leaflets on display as I left.”

“She was snarly, unsmiling, and rude.”

“He came over and spoke to me about it. He was very helpful and concerned.”

“Might have been too helpful. I had to make up more stuff so that she couldn't help then and there. No complaints with service.”

“As soon as I mentioned the word ‘complaint’, her tone changed.”

“Good customer service – thoughtful and caring. Helpful in providing info.”

"I felt that this teller needed a lesson in general person-to-person manners. Regardless of whether she was in the position to help or not, she showed no interest in my enquiry and answered me back bluntly as if I had no ability to understand."

"She became discourteous when I kept asking for information. She started to cut me off as I was talking."

"She did bend over backwards to help me and she listened to what I had to say."

"The manner was fantastic. Definitely willing to bend over backwards to help. Succeeded in making me feel as if I had a valid enquiry that needed assistance."

"I was in line behind another customer with a complaint and noticed that the lady really did bend over backwards to help them, asking other staff and eventually coming up with a solution to the problem. Those customers looked satisfied."

"She also said that [her bank] hardly has any complaints as far as the Ombudsman is concerned, and that [another named bank] was the worst for having them go that far."

"They had a section for brochures, but it was almost empty and very untidy. I had to find the pamphlets behind other ones."

"He did not display much interest in my friend's story. He questioned me rather rudely why my friend wanted to make a complaint, even after I had said my friend was quite upset about the situation."

"I thought it was rather interesting that enquiries staff referred to the Banking Ombudsman as 'she'".

Knowledgeability

(with 1 and 10 being least and most knowledgeable respectively)

2006

	1	2	3	4	5	6	7	8	9	10
Number of responses	27	9	13	18	22	11	15	27	31	21
Percentage	13.9	4.6	6.7	9.3	11.3	5.7	7.7	13.9	16.0	10.8

Average: 5.9

Median: 6.2

2007

	1	2	3	4	5	6	7	8	9	10
Number of responses	12	8	15	21	19	12	23	23	28	20
Percentage	6.6	4.4	8.3	11.6	10.5	6.6	12.7	12.7	15.5	11

Average: 6.2

Median: 7.3

Some mystery shopper observations on knowledgeability

“Staff member obtained information I requested, but seemed to have little interest in my situation and little knowledge of the complaints process.”

“Prompt, helpful, clear, and concise.”

“To be honest, they were not very friendly, but they did tell me what I needed to know when I asked.”

“Banker said that the brochures were on the front desk but when I looked, I could not see any.”

“The complaints brochures were easy to see, although the process wasn’t explained very well.”

“She seemed unsure of what to do, so went to somebody higher up who knew what to do.”

“She was extremely professional and did not push for my friend’s details. She simply gave me the information I requested.”

“She was not giving me answers to questions I asked nor did she seem aware of a complaints or information brochure.”

“Very helpful, listened, wanted to help right then, explained things well.”

“Appeared to lack knowledge of complaint procedure.”

“Teller listened intently but did not answer enquiries. Consulted somebody who did not know either. She pointed to a telephone booth and said that I should call their help desk.”

“Even though I was not given any information on the complaints process or the BO, I found this bank most helpful.”

“Teller spoke to a few other colleagues about the situation which took a few minutes. This bothered me.”

“Staff couldn’t even find brochures when asked. The Code of Banking Practice was located by the back bench among the women’s magazines.”

“They were very helpful and said that the bank would do whatever it could do to help. Referred to the leaflet throughout the whole conversation.”

OTHER STATISTICS

Customer given printed information on the complaints process?

		2006		2007		
Yes		56%		69%		
No		44%		31%		

Customer given telephone number to enquire further about complaint?

		2006		2007		
Yes		50%		50%		
No		49%		50%		
No Response		2%		-		

Was the Banking Ombudsman mentioned?

		2006		2007		
No		64%		60%		
Yes – without prompt		25%		18%		
Yes – with prompt		11%		22%		

The considerable improvement in the availability of the Banking Ombudsman leaflet in bank branches has not been matched by a corresponding increase in the capacity of branch staff to refer to the Banking Ombudsman in the context of their complaints handling processes – with 2007 recording only a 4% improvement over 2006. While a detailed knowledge of the Banking Ombudsman role is not expected, branch staff should be aware of the existence of the Banking Ombudsman as a last resort for unsatisfied customers.

Appendix 1



THE OFFICE OF THE BANKING OMBUDSMAN
2007 MYSTERY SHOPPER SURVEY RESPONSE FORM

[Please note that you are expected to complete all responses to the best of your ability. We are unable to pay students who have not satisfactorily completed this form]

If you need more space for your response than we have left for you, just insert an arrow and continue on the reverse side of the page

Your name:.....

Your postal address:.....

Your email address:.....

[Please print or write **clearly**]

Bank surveyed (please circle one):

ANZ ASB BNZ HSBC KIWIBANK NBNZ RABO TSB WESTPAC

Name and address of bank branch:

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PART A: AVAILABILITY OF PRINTED INFORMATION

1. Did you find printed information about the bank's own internal complaints procedures? **YES / NO**

If **YES**, what information did you find? (Please specify title and if possible date of publication)

7. On a scale of 1 to 10, where 1 is poor and 10 is excellent, rate the bank staff member for the following (*please circle one number in each case*):

Willingness to help

1 2 3 4 5 6 7 8 9 10

[poor]

[excellent]

Knowledge of the bank's complaints process

1 2 3 4 5 6 7 8 9 10

[poor]

[excellent]

8. Were you given printed information about complaints? **YES / NO**

If **YES**, please specify what information:
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.....
.....

9. Were you given a telephone number to call? **YES / NO**

If **YES**, whose telephone number was provided?

10. Was the Banking Ombudsman mentioned? **YES / NO**

11. Did the bank staff member appear to be aware of the role of the Banking Ombudsman in the complaints process? **YES / NO**

12. If the Banking Ombudsman was mentioned, was this with or without prompting from you? **WITH / WITHOUT**

13. In your own words, what did you value most about the bank staff who advised you? (For example, did they bend over backwards to help you, did they listen thoughtfully to what you had to say, etc?)

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14. In your own words, what did you value least about the bank staff who advised you? (For example, were they discourteous, did they not display any interest in your story, was their behaviour questionable in any other way?)

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15. Please add any comments that throw further useful light on your experience of getting information about a complaint at this branch.

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