

Report on Banking Ombudsman Mystery Shopper Exercise

September-October 2008

This year we conducted our mystery shopper exercise earlier than usual, and included a wider range of small town branches as well as the usual urban branches.

While these changes may have had some effect on the results, they do not account for the very substantial increase in the number of bank staff found to be well informed about the complaints process. Banks have clearly made a real effort to improve their staff training in this area, with considerable success.

On the downside our mystery shoppers found far too many branches where neither information about the bank's internal complaints process nor the Banking Ombudsman's leaflet were on display. It is not satisfactory that over 30% of branches were found in breach of their obligations under the Code of Banking Practice.

Uncertainty and fear generated among customers by the global financial crisis will inevitably be reflected in an increased level of concern about any problem involving a bank. In the Banking Ombudsman's office, we are already seeing a higher intake of complaints and disputes, and many more informal enquiries.

A very large proportion of these could have been resolved easily and quickly by the relevant bank if the customer had known about the complaints process. Some can still be resolved, but there is a close correlation between the time that elapses between the discovery of the problem and the beginning of the resolution process, and the chances of a satisfactory result.

If banks are to maintain the trust of their customers and their reputation for customer service (and ultimately to retain customers) they cannot afford to leave customers without easy access to the channels through which they can express concerns, make complaints, and receive the necessary reassurances and remedies.

In times of economic difficulty, more than ever, resources put into a bank's complaint handling process are resources well spent.

Methodology

The 2008 survey covered a total of 188 bank branches – seven more than in 2007. Perhaps most importantly, it has redressed the methodological incompleteness identified in the 2007 survey's focus on relatively large towns and cities, at the expense of smaller centres. Approximately 30% of branches surveyed in 2008 were in smaller towns. This helped to make the survey much more representative.

This year we did not require mystery shoppers to conduct their surveys over the lunch hour, when banks tend to be at their busiest. We felt that branch staff were perhaps disadvantaged by the necessity to handle complaints enquiries at their

busiest time. This was all the more true as our previous surveys were normally conducted when the annual pre-Christmas rush was at its height. This year's survey was conducted earlier than usual, between mid September and mid October 2008, during a period of staggered university holidays.

As promised in 2007, we have taken steps to improve the quality of mystery shopper responses. As can be seen from the instructions included in the 2008 survey package (copy attached), we emphasised the importance of satisfactorily completed responses to all questions, and indicated that payment might not be made for incomplete responses.

I am pleased to report that this measure has been successful, with responses generally being more complete and of a higher quality.

This year relatively large numbers of branches were surveyed in Hamilton and Christchurch, resulting in one branch in each of these cities being surveyed by two different mystery shoppers. At present mystery shoppers are free to choose the branches they will survey within a particular area of major cities. In principle this is not a bad thing, as it highlights the extent to which any single survey of a bank branch depends on the particular frontline staff member whose performance happens to be surveyed, thus re-emphasising the importance of thorough training for all frontline staff in each branch.

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 2007 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 a confidential 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 figures 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 knowledge and understanding of complaints processes amongst frontline bank staff

Last year's mystery shopper exercise found a general improvement in performance right across the banking industry, and noted that several individual branches achieved perfect scores, including one or two branches of banks whose overall performance was less positive than that of some others. The report commented that, if three out of five larger banks consistently rated highly in terms of quality and achievement, this could not be attributed to chance, but was more likely to be the result of a commitment to training and raising awareness among branch staff of problems and potential complaints.

The Chairman of the Board of the Banking Ombudsman Scheme Ltd, Sir Ian Barker QC, commented approvingly on the 2007 findings in his preface to our 2007-2008 annual report, and concluded by saying that he was "looking forward to further evidence of banks' enhanced commitment to training staff in complaints handling in the year ahead."

I am pleased to report that, in the areas of our survey most relevant to staff training, all banks have lifted their performance to new and unprecedented levels of achievement. Banks' general performance in the area of displaying complaint information and the Code of Banking Practice in public areas of branches is more disappointing.

Until this year's survey, banks' performance had fluctuated from one year to the next, without revealing any evidence of an industry-wide improvement in key areas of knowledge and understanding of complaints handling processes. There is now a definite upwards trend.

I hope that the energy that banks have clearly devoted to staff training on complaints handling in the past year will in future be equally devoted to making available individual banks' own printed materials on their internal complaints handling processes, the Banking Ombudsman leaflet, and the Code of Banking Practice.

Information on display

It is disappointing that, in a year where there has been such an improvement in our mystery shoppers' ratings of bank staff, the same cannot be said of the banks' compliance with their Code obligation to have information on display.

Many customers are hesitant about approaching branch staff with a complaint and prefer the more impersonal approach of a telephone call or an email to a central complaints handling area. This is particularly so when the customer feels that the complaint may be seen as a criticism of branch staff.

It is for this reason, among others, that banks have undertaken to display information about their internal complaints processes and about the Banking Ombudsman.

There has been no real improvement in this area for some years, and this year shows a continuation of the downwards trend that has now been apparent since 2005. I will be talking to individual banks about the steps they can take to improve compliance.

It is also disappointing that fewer branches were found to be displaying the Code of Banking Practice.

Willingness to help and knowledge of complaints handling processes

Previous surveys have consistently, with minor annual variations, identified a major discrepancy between the willingness of bank staff to help customers with a possible complaint and their knowledge and understanding of complaints processes. This could be attributed to inadequacies in banks' training programmes for frontline staff. This year has recorded an improvement in the willingness of bank staff to help, coupled with a very marked improvement in their knowledge of complaints processes.

30.9% of branches achieved the maximum score of 10 for willingness to help – up from 18.8% in 2007. This is a quantum leap showing greater preparedness and self confidence on the part of bank staff to entertain complaints as a normal dimension of their business experience. The median score for all branches also rose from 8.3 to the highest ever recorded level of 9.2.

Bank customers wishing to discuss a complaint are now more likely than previously to meet with well informed advice that increases the likelihood that the complaint will be quickly and effectively resolved at branch level. This is an outcome which serves the interests of bank customers and banks, and is in keeping with banks' contemporary focus on customer satisfaction and market share.

While banks have until now performed reasonably well in the area of willingness to help, most have revealed what can best be described as a gulf between willingness to help and knowledge of complaints processes – a deficiency that has been commented on by our mystery shoppers, who were frequently struck by the stark contrast between the friendly and very human willingness of bank staff to help, and their ignorance of their own complaints processes, including the Banking Ombudsman.

This year the gap between willingness and knowledge has closed significantly, with the percentage of branches awarded the maximum score of 10 for knowledge almost doubling, from a low 11% in 2007 to a much more respectable 21.8% in 2008. The general performance of all banks in this respect also improved markedly, from a median of 7.1 in 2007 to 8.1 in 2008. Although there were minor variations in the performance of individual banks, all have made noteworthy progress.

Knowledge and awareness of the Banking Ombudsman

Since 2005 the survey has included a question on whether bank staff members mentioned the Banking Ombudsman. This question has been refined over the years by the addition of questions clarifying whether any such mention was prompted or unprompted. The previous responses, dismal from the point of view of the Banking Ombudsman, showed that between 36% and 40% of bank staff mentioned the Banking Ombudsman in the context of their banks' complaints handling processes.

The proportion of bank staff mentioning the Banking Ombudsman has increased considerably, from 40% in 2007 to 69% in 2008 – a 58% increase in one year.

A new question, added for the first time in 2008, invited mystery shoppers to comment on whether bank staff members were "aware of the Banking Ombudsman". Sixty-three percent of bank staff were considered to fulfil this criterion. This result is also heartening, as it suggests that almost all of the 69% of bank staff who knew of the Banking Ombudsman were also perceived as having a basic understanding of the role of the scheme in the complaints process.

Table 1: BANKS/BRANCHES PARTICIPATING IN SURVEY

	ANZ	ASB	BNZ	HSBC	KIWI	NBNZ	TSB	WP	TOTAL
Whangarei	1	1	1		1	1		1	6
Warkworth	1	1				1		1	4
Wellsford		1	1						2
North Shore		1	1	1	1	1		1	6
Auckland Central	1	1	1		1	1		1	6
Hamilton	3	2	2		5	3	1	2	18
Cambridge	1	1	1		1	1		1	6
Thames	1		1		1	1		1	5
Tauranga	1	1	1		1		1	1	6
Gisborne	1	1	1		1	1		1	6
Napier	1	1	1		1	1		1	6
Morrinsville	1	1	1		1	1		1	6
Taupo	1	1	1		1	1		1	6
Palmerston North	1	1	1		1	1	1	1	7
Masterton	1	1	1		1	1		1	6
Wanganui	1	1	1			1		1	5
Marion	1		1					1	3
New Plymouth	1	1	1		1		1	1	6
Levin	1		1		1	1		1	5
Lower Hutt	1	1	1		1	1		1	6
Porirua	1	1	1		1	1		1	6
Wellington Central	1	1	1		1	1		1	6
Nelson	1	1	1		1	1		1	6
Blenheim	1	1	1		1	1		1	6
Greymouth	1	1	1		1	1		1	6
Christchurch	3	3	3		3	3		3	18
Dunedin	1	1	1		2	2		1	8
Mosgiel	1		1		1	1		1	5
Invercargill	1	1	1		1	1		1	6
Total branches surveyed	31	28	31	1	32	30	4	31	188

SURVEY RESULTS

PART 1 – AVAILABILITY OF PRINTED INFORMATION

ON BANKS' INTERNAL COMPLAINTS PROCESSES

In 67% of branches students were able to find printed information about banks' internal complaints procedures. In 33% of branches no such information could be found at all.

The comparable figures for 2007 were 69% and 31% respectively. Two percent fewer branches than in 2007 were fulfilling the minimum target set by the Code in this respect.

In 33% of branches, information about banks' internal complaints processes was easily and quickly found, within one minute. In a further 30% of branches one to three minutes were required to locate such information, while 10% of branches required 3-5 minutes, with the final 2% requiring more than five minutes. The comparative figures for 2007 and 2008 are in table 2 below.

Table 2: Time taken to locate information on the complaints process

	2007	2008	2007(%)	2008(%)
No information found	56	62	31%	33%
Less than 1 minute	64	56	35%	30%
1 to 3 minutes	44	48	24%	26%
3 to 5 minutes	11	18	6%	10%
5 minutes plus	6	4	3%	2%
Total	181	188		

There was a decline of 2% in the proportion of banks displaying information on their individual complaints handling processes, down from 69% in 2007 to 67% in 2008. There is a distinct downwards trend from the 71% figure recorded three years ago, in 2005.

Table 3: Banking Ombudsman leaflet on display?

	2007	2008
Yes	64%	63%
No	36%	37%

Since 2007 the proportion of branches displaying the Banking Ombudsman leaflet has decreased by 1%, effectively maintaining the gains from previous years, but still falling 37% short of the Code requirement that the information be on display in all branches.

Table 4: Code of Banking Practice on display?

		2007		2008	
Yes		46%		37%	
No		54%		63%	

I note with concern that the 13% increase recorded in 2007 has been largely reversed in 2008, with the Code displayed in only 37% of branches surveyed.

The Code is a particularly good demonstration of banks' commitment to fair and ethical dealing with their customers. I continue to find it strange that all banks are, to varying extents, failing to publicise this commitment to their customers.

Banks' failure to make this important information generally available compares unfavourably with the trend to greatly improved performance in other areas touched on elsewhere in this report.

The Code of Banking Practice should cease to be a hidden treasure, and should become a much-used information resource for bank customers and bank staff alike.

PART 2 – WILLINGNESS AND KNOWLEDGEABILITY OF BANK STAFF

a) Willingness of bank staff to help

In terms of the willingness of bank staff to help, 30.9% of the branches involved scored 10, or the highest score (an improvement of 61% over 2007), while 3% scored 1 – the lowest score (2.2% in 2007).

The mean for all banks was 8 in 2008 (7.5 in 2007). This marks a considerable improvement over 2007 and previous years.

There was a 0.9% increase in the median performance for all banks in one year, from 8.3 in 2007 to a commendably high 9.2 in 2008.

Willingness to help

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

Table 5: 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

Table 6: 2008

	1	2	3	4	5	6	7	8	9	10
Number of responses	5	3	4	2	11	11	25	31	38	58
Percentage %	2.7	1.6	2.1	1	5.8	5.8	13.3	16.5	20.2	30.9

Average: 8.0

Median: 9.2

b) Knowledgeability of bank staff

7.4% of bank branches received the lowest rating (1 out of 10) for their knowledgeability in 2008 (6.6% in 2007).

The mean knowledgeability for all banks was 6.8 in 2008 (6.2 in 2007), with the median increasing from 7.1 to 8.1. The percentage of bank branches awarded the maximum score of 10 almost doubled from 2007 to 2008, from 11% to 21.8% – another heartening improvement.

Knowledgeability

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

Table 7: 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: 7.1

Table 8: 2008

	1	2	3	4	5	6	7	8	9	10
Number of responses	14	6	13	14	10	14	22	23	31	41
Percentage	7.4	3.2	6.9	7.4	5.3	7.4	11.7	12.3	16.5	21.8

Average: 6.8

Median: 8.1

c) **Mystery shopper observations on the willingness to help and knowledgeability of bank staff**

A balanced and representative sample of such observations is included in this section of the report.

Some mystery shopper observations on willingness to help

“She persistently stonewalled any attempt on my part to get more information, while at the same time trying herself to find out the nature of the problem.”

“She was discourteous, did not display much interest, continued to do other work while I was explaining my query.”

“Did not rush me despite a line of customers waiting.”

“Because the [bank] was busy, he was more worried about getting rid of me, it seemed.”

“Customer service was fantastic. . . . She sat next to me in order to make me feel comfortable to talk with her. This bank had the best customer service out of the six banks.”

“Although the staff member wanted to help, she was very unhelpful due to lack of knowledge, surprising for an enquiry desk.”

“Generally a pleasant encounter. Obviously a relative newcomer to [bank], but made a great effort to help.

“Attentive and helpful. Very concerned (to the point I nearly blurted out that my story was a crock of lies). “

Some mystery shopper observations on knowledgeability

“Very Helpful. Clearly outlined possible courses of action . . . Appeared knowledgeable and non-defensive.”

“Helpful but didn’t know much about any formal complaints process.”

“When I asked about the Banking Ombudsman, he said it was for more serious and “bigger” complaints.”

“I thought it was good how she called over a senior team member. The woman also explained that some bank tellers have no idea about some things as there is so much to know about so many things.”

“She stated that all complaints can be handled by her manager.”

“She simply dismissed the suggestion of there being a pamphlet when I knew that there was one on the wall.”

“Lack of knowledge of internal process reflected by apparent reading from leaflet.”

“I think [bank] should include free postage for the customer to send in the written complaint. The customer shouldn't have to pay for their complaint to be dealt with.”

“I thought that it would have been nice to have been given some sort of complaints information to take away with me that I was then able to give to my friend.”

“When I asked about Ombudsman details the junior went out of her way to locate a pamphlet – they were in a cupboard out the back.”

PART 3 – AVAILABILITY OF INFORMATION FROM BANK STAFF

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Table 9: Customer given printed information on the complaints process

		2007		2008	
Yes		69%		61%	
No		31%		39%	

It seems strange that bank staff, when confronted with an enquiry raising general questions about the complaints process on behalf of a customer who is not present, do not routinely offer printed information that may be of assistance to the mystery shopper's friend with a problem. It is also strange that this measure shows a decline in performance when bank staff have generally been found better informed about the complaints process.

Previous surveys have shown that a significant number of bank staff either do not know of the existence of such literature, or are unable to locate it in their branch. I suggest that banks include in their training material specific references to the printed information.

Table 10: Customer given telephone number to enquire further about complaint

		2007		2008	
Yes		50%		54%	
No		50%		46%	

Almost half of bank staff did not routinely provide our mystery shopper with a contact telephone number. Our scenario involves a possible complainant who lacks the confidence to revisit her branch, and clearly needs to be directed to a point of contact elsewhere in her bank that can advise and assist her in a helpful and authoritative manner.

Table 11: Was the Banking Ombudsman mentioned?

	2007	2008
No	60%	31%
Yes – without prompt	18%	33%
Yes – with prompt	22%	36%

When this question was introduced into our survey in 2005 and 2006, both these surveys produced the same very poor result, with only 36% of bank staff mentioning the Banking Ombudsman. The 2006 survey refined this question by enquiring whether the Banking Ombudsman was mentioned with or without prompting.

Against the background of consistently low bank staff awareness of the Banking Ombudsman over the three-year period 2005-2007, the 2008 result shows that, in the one year since 2007, awareness of the Banking Ombudsman scheme has increased substantially from 40% to 69%. The detailed statistics for each bank show that, with the exception of one larger bank whose performance was only marginally better than in 2007, all banks have dramatically improved their performance in this regard. The proportion of bank staff not mentioning the Banking Ombudsman was halved in one year, from 60% to 31%, while the proportion of unprompted references almost doubled, from 18% to 33%.

Table 12: Were bank staff aware of the Banking Ombudsman?

	2008
Yes	63%
No	37%

Table 12 lacks comparative information on 2007, as this new question was added for the first time in 2008. With the advantage of hindsight, this question could perhaps have been more clearly formulated. We will identify an improved formulation for the 2009 survey. What the question was aiming to elicit was information about whether, if a given staff member knew of the Banking Ombudsman, they seemed to have at least a basic grasp of her role and function in the complaints process.

A comparison of tables 11 and 12 would seem to suggest that the overwhelming majority of bank staff who knew of the Banking Ombudsman were able to satisfy mystery shoppers that they had at least some basic knowledge about the Banking Ombudsman Scheme. I will give consideration to adding to future surveys questions clarifying the nature and extent of bank staff knowledge and understanding of the Banking Ombudsman scheme.

Appendix



THE OFFICE OF THE BANKING OMBUDSMAN
2008 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 in the margin and continue on the reverse side of the page

Your name: _____

[Please print or write **clearly**]

Bank surveyed (please circle one):

ANZ ASB BNZ HSBC KIWIBANK NBNZ TSB WESTPAC

Name and address of bank branch:

Time when you visited this branch (please tick relevant box)

- 9 am–12 midday
- 12 midday–2 pm
- 2-5pm

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)

2. How long did it take to find it? less than 1 min
 1-3mins
 3-5mins
 longer than 5mins

3. Could you tell from the cover page of the printed information that it was what you were looking for, or did you have to look inside?

Had to look inside
Could tell from cover page

4. Now that you have read the information, was anything you would have liked to know missing from it? **YES / NO**

If **YES**, what was missing?

5. Was either of the following on display as well?

Banking Ombudsman leaflet **YES / NO**
Code of Banking Practice **YES / NO**

PART B:

RECORD OF YOUR INTERACTION WITH BANK STAFF MEMBER(S)

6. Please write down in the space below, as accurately and concisely as possible, key details of your conversation with the bank staff member, including any interesting or memorable quotations.

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:

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?)

- 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?)

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

- Please tick this box to confirm that you have responded to the best of your ability to all the above questions, with the exception of question 15, which is optional.**

Signature: _____

Date: _____

Please make use of our addressed freepost envelope to return all completed questionnaires, together with your claim form and any accompanying attachments. If you mislay the enclosed freepost envelope, you will not be required to pay postage if you mail your forms to the below freepost address:

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The Office of the Banking Ombudsman
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