

Report on Banking Ombudsman Mystery Shopper Exercise December 2006

The Banking Ombudsman survey of bank branches is now in its sixth year, and this is the third report in three years. When the decision was made that the survey should become an annual event, it was hoped that any deficiencies revealed by one year's survey would have been remedied before the next survey, giving banks a chance to build on their success and incrementally increase their performance levels year by year.

While this has happened to some extent, especially as regards displaying the Code of Banking Practice, the results this year have been generally rather disappointing.

A key element in any bank's customer service strategy must be the early and effective resolution of the majority of customer problems and complaints, with a speedy and efficient process for referring on those complaints that cannot be resolved at a customer's first point of contact with the bank. If staff do not have a sound understanding of the complaints process, and the printed information about it is not readily accessible, then there is a real risk of customer dissatisfaction, ranging from mild discomfort to an entrenched and enduring sense of grievance, with consequential effects on the bank's reputation for customer service.

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

This result, coupled with the absence of the bank's own information leaflet from the display stands of 38% of branches, means that I cannot say the banking industry in general is fulfilling its obligation under the Code of Banking Practice to provide complaints procedures that are accessible and provide for the timely resolution of complaints in fair and reasonable manner.

It was partly as a result of previous surveys that the decision was made to confirm formally the Banking Ombudsman's role both in promoting and publicising the Banking Ombudsman scheme and in encouraging and providing advice to participating banks on the development and maintenance of good complaint handling practices. The results of this survey confirm my view that although almost all banks have good processes for handling complaints once they have been referred on from the branch or other point of contact, there is a general weakness in the procedures at the point where a complaint should enter the process.

On a more positive note, the survey results indicate that bank staff are anxious to do their best for their customers and are generally professional and helpful. Some of the students' comments are a joy to read and I am commenting individually to banks on branches with particularly outstanding results. Even on this count, however, there are clearly some branches where customer service training may be needed.

In the course of the coming year I would like to see banks reviewing their existing systems in order to ensure that the required information about the complaints process is on display at all times. It may also be timely to review bank staff training processes and there is material currently under preparation through my office which may assist in that respect.

Methodology

The appendix to this report contains copies of the instructions given to our mystery shoppers, together with the standard forms they were asked to complete. As they were mostly university students seeking vacation employment, they will from now on be referred to simply as "students". Although the instructions to students differ slightly from last year, they still correspond to key aspects of the materials used in previous surveys, and provide a valid basis for comparison.

Because the instructions to students were more specific for this survey, the responses were more even in terms of the provision of detail and background information. This has greatly benefited the survey, by ensuring the availability of more quality information from more students, especially their detailed accounts of interaction with bank staff.

In considering this survey, it is important to recall that the scenario involves a complainant who has taken up her concerns with her branch before a friend makes an enquiry on her behalf at another branch of the same bank. Her concerns have been handled in such a negative way that she for the time being lacks the self confidence to proceed further. Given that the imaginary complaint has been handled poorly at branch level, the central question is now, for the purposes of this survey: what options are open to the complainant through the bank's own internal complaints process, and ultimately recourse to the Banking Ombudsman?

Banks and branches visited are set out below in table 1. Considerably more branches were visited than in previous surveys (195, compared with 155 in 2005 and 122 in 2004). As in 2005, we encouraged our students to visit both inner city and suburban branches in the major metropolitan areas. We also targeted small and medium-sized population centres, once again trying to include in our survey at least some outlying or suburban branches. Following on from last year, we tried to find students in more remote and less accessible areas such as the upper North Island and the lower South Island. We also targeted areas not surveyed last year such as the Hawkes Bay and Bay of Plenty regions. This survey is accordingly more representative of the diversity of bank branches than previous surveys.

We encouraged our students to target bank branches during lunchtimes in the busy days before Christmas. While it is true that bank staff are under pressure at this time, it is precisely when they are under pressure that the effectiveness of their management and handling of complaints can be reliably assessed.

Many student responses are included in the appendix, although some have been edited to prevent the document from becoming overly long. In the report itself, we have set out a few of the students' observations which are representative of the general tenor of student responses.

Table 1
Banks and branches surveyed in December 2006

	ANZ	ASB	BNZ	HSBC	KIWI	NBNZ	TSB	WP	Total
Whangarei	1	3	1			1		1	7
Dargaville	1	1	1			1			4
North Shore	1	3	2	1	2	3		1	13
Auckland Central	2	2	2	1	1	2		2	12
Waitakere/South									
Auckland	5	5	3		3	4		4	24
Hamilton	2	2	2		2	2		2	12
Tauranga	1	1	1		1	2		2	8
Mount Maunganui	1	1	1			1			4
Rotorua	1	1	2			1		3	8
Napier	1	1	1		1	1		1	6
Hastings/Havelock									
North	3		2		3	2		2	12
New Plymouth	1	1	1		1	1		1	6
Waikanae	1		1		1	1		1	5
Paraparaumu			1		1	1		1	4
Porirua	1	1	1			1		1	5
Lower Hutt		1				1			2
Wellington Central	2	3	3		3	3	1	2	17
Nelson	2	2	2		1	2		2	11
Christchurch	2	2	2		1	2		1	10
Oamaru	1		1		2	1		1	6
Timaru	1		1		2	1		1	6
Dunedin	1	1	1		1	1		1	6
Balclutha	1		1		1	1		1	5
Milton						1		1	2
Total branches surveyed	32	31	33	2	27	37	1	32	195

SURVEY RESULTS

Part 1 – Availability of printed information

a) Banks' internal complaints processes

In 62% of branches, students were able to find printed information about the bank's internal complaints procedures.

In 44% of branches information about banks' internal complaints processes was easily and quickly found by our students, within one minute. In a further 15% of branches one to three minutes were required to locate such information, while 2% of branches required 3-5 minutes, with the final 1% requiring more than five minutes. In 38% of branches no such information could be found at all.

The comparable figures for 2005 were 41%, 22%, 6% and 3%. Ten percent more bank branches than in 2005 were simply not fulfilling the minimum target set by the Code of Banking Practice – a major retrograde step.

Table 2
Time taken to locate information on the complaints process

	2005	2006	2005%	2006%
No information found	43	74	28%	38%
Less than 1 minute	64	85	41%	44%
1 to 3 minutes	34	30	22%	15%
3 to 5 minutes	10	3	6%	2%
5 minutes plus	4	3*	3%	1%
Total	155	195		

* Includes one survey where the student was unable to find the brochure, but the staff member found it on display at the front of the branch.

b) Other information

There was a slight improvement in the numbers of branches found to be displaying the Banking Ombudsman's own leaflet about complaints and also displaying the Code of Banking Practice. However on neither count have we yet reached the point where at least half of branches had the requisite information on display.

It is important that customers are aware of the existence of the Banking Ombudsman as a last resort if they are unable to achieve satisfaction through their own bank's complaint processes. Many customers have (largely unjustified) reservations about the fairness and objectivity of banks' own complaints processes and take comfort from the knowledge that if their fears are realised, they have recourse to an impartial and independent authority.

Similarly, the Code of Banking Practice is some assurance of the standards of behaviour that customers can expect from their bank. The Code provides a guarantee to customers that there are universal standards across the banking industry and also provides the answers to numbers of commonly asked questions about banking practices. I have always found it a little surprising that banks do not do more to promote the Code of Banking Practice as an assurance of the quality service they provide to their customers.

The current (2002) Code provides that it should be available in all bank branches and I think it is good practice to have it on display so that the customers have the opportunity to become familiar with it.

Banking Ombudsman leaflet on display?

	2005	2006
Yes	45%	48%
No	55%	52%

Code of Banking Practice on display?

	2005	2006
Yes	31%	33%
No	69%	65%
No response		2%

Part 2 – Availability of information from bank staff

Subjective variations in individual students' appraisal of the performance of bank staff are inevitable, as some clearly have higher expectations of bank staff than others. However, as the same is also true of bank customers, this is no reflection on the general validity of the responses.

Our students' written comments reveal that there was a greater mismatch than in 2005 between the willingness of branch staff to help and their knowledge and understanding of the complaints process.

This retrograde trend is a cause of concern which can only be addressed through a determined commitment to improved induction and refresher training for bank staff interacting with bank customers, especially at branch level, but also elsewhere.

In this context I would note that my office will, in consultation with banks, soon embark on the production of a training DVD for bank staff on the subject of the Banking Ombudsman, in the context of banks' own complaints processes. We are confident that this training resource, which will aim to both educate and entertain, will be invaluable to bank staff at all levels.

In terms of the scale of the willingness of bank staff to help, 20.5% of the branches involved scored 10, or the highest score (down considerably from 26% in 2005), while 4.6% scored 1 – the lowest score (down slightly from 4.8% in 2005). In general, there seems to have been a slight shift towards the centre of the scale.

Almost 14% of bank branches received the lowest rating (1 out of 10) for their knowledgeability; a substantially worse result than the 4.8% scored in 2005. The average for all banks was 5.9% in 2006 (down from 6.5% in 2005). If we look at the results for the five largest banks, nine branches received the lowest grade for willingness to help, while a much greater number – 21 – received the lowest possible rating for knowledgeability.

The ratings show that branch staff are in general keen to help, but are perceived by our mystery shoppers as being seriously deficient in their professional capacity to handle complaints. What was perceived as professional ignorance on the part of bank staff was clearly unacceptable where our students were concerned – even if the bank staff were also perceived as sincerely wishing to help.

On the plus side of the balance sheet we should note that, of the five major banks, 37 branches received the highest rating for willingness to help, although only 12 received the highest rating for knowledgeability. Ten branches of one major bank received the highest rating for willingness to help, while six branches of the same bank received the same rating for knowledgeability – the best individual performance by any bank in this respect.

Bank staff need training which capitalises on their very human willingness to help customers with a problem, although those relatively few staff who are perceived as rude, dismissive, or even hostile are manifestly in need of more basic training in customer relations.

Table 3
Willingness to help

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

2005

	1	2	3	4	5	6	7	8	9	10
Number of responses	7	4	7	5	9	15	10	24	27	38
Percentage	4.8	2.7	4.8	3.4	6.2	10.2	6.8	16.4	18.5	26

Average: 7.4

Median: 8.3

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

Some student observations about willingness to help

“Very busy. Had little time she seemed to give to the matter. Once I mentioned the amount (\$1000) the staff member did seem concerned, but simply handed me the internal complaints booklet and said to give it to my friend.”

“Very friendly staff, got the pamphlet and explained each step in detail and explained ombudsman to me also. Said the bank tries to resolve it but if not, use the Ombudsman.”

“Very helpful. Explained the situation to the staff member and bank manager who were both sitting at the ‘information desk’ at the front of the bank. Both staff members stopped what they were doing to listen to my story. One staff member then went and got me a leaflet on how to make a complaint and the other (bank manager) asked me if there was anything he could personally do to resolve the situation. Both were extremely helpful and friendly.”

“They paid close attention to what I was saying... appeared genuinely concerned about my friend’s situation... customer service was exceptional.”

“Did not want to know, was very rude and could not help in any way. Just said to tell my friend to talk to the police.”

“Staff member was helpful, gave me the phone number of the regional manger. Asked me the problem and if it could be resolved by the regional manager and then I asked if I could take it further if it wasn’t resolved. She mentioned the banking ombudsman and gave me a booklet, the banking ombudsman leaflet and the Code of Practice.”

“Hugely polite – also approached me. Listened intently to the story and asked questions. I asked her for information on complaints and although I had to wait – was given it and she thoroughly explained details. Very friendly – asked my name and spoke to me personally.”

“She was disinterested and moved papers unrelated to me while looking for pamphlets. No help with the process, just gave me the pamphlet.”

“Extremely unimpressed with the service. Explained to the bank teller the situation, he asked for my flatmate’s name, I asked why he needed it because she didn’t want me to give out details. He said he wanted to see if he could help sort the situation. I told him I wasn’t happy giving him her details and I just wanted to know who she could make a complaint to and he said that he couldn’t help me if I didn’t give him her name.”

“Didn’t value any of the experience and I’m glad that I don’t bank here because they obviously don’t value their customers. Very poor customer service. Would like to make a complaint about his service – but don’t know how!!”

“Very brief, as soon as he returned with the brochure he said ‘Thanks, is there anything else today?’”

“Got a pamphlet for me. I asked what to do, she said she didn’t know, said there was a form and that was it.”

“She said that if my friend was not happy with the person she spoke to at the bank, she could ask to speak to someone higher. If she wanted to take it higher, there is such a thing as a banking ombudsman. She also went out the back to talk to the manager and confirm that there was nothing else that could be done but [the other person] didn’t come out to speak to me. She also said my friend needed to go to the bank were the cheque was banked.”

“Very keen to help – even went and spoke to her manager to make sure she had given the right advice. This branch was very busy but she took the time to help me in every way possible.”

“Excellent service – sympathised with me, asked lots of questions, then got the manager. The manager took me into an office and listened to the story and again asked questions. Told me to send my friend in, or if she couldn’t/too scared, could ring her. Apologised on behalf of the bank and was very helpful – however said they didn’t really have a complaint process and didn’t give me a pamphlet.”

Table 4

Knowledgeability*

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

2005

	1	2	3	4	5	6	7	8	9	10
Number of responses	7	9	10	9	14	19	16	18	19	25
Percentage	4.8	6.2	6.8	6.2	9.6	13	11	12.3	13	17.1

Average: 6.5

Median: 6.5

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

*There were only 194 responses to this question in 2006.

Average: 5.9

Median: 6.2

Some student observations on knowledgeability

“Strongly advised not getting the banking ombudsman involved because if the banking ombudsman found in favour of [the bank], my friend could lose more money. Seemed to think the friend had not crossed the cheque properly and said tellers have no responsibility for questioning cheques if ‘for bearer’ or ‘non negotiable’ not crossed out. She said to lodge a complaint with the police, fill in a fraud form and bring it to the branch. She had quite an abrasive attitude.”

“The bank had absolutely no information in written form on complaints even when I specifically asked for it. The staff member seemed embarrassed by this like they knew they should have some. ...”

“Said she couldn’t give me any information/advice and needed to speak to her supervisor. Came back and said there is a complaints process and to ring national 0800 number. I even asked if there was some printed information I could take away and she said no and just quickly read out the 0800 number to me.”

“Considering the printed brochure was at her desk it was pretty slack she didn’t offer me a copy. She didn’t even seem to know it was there.”

“Very nice, told me to write a letter and/or fill in complaint form, though failed to mention Ombudsman even when I prompted if there were any other steps available. ...”

“She suggested [the bank’s] leaflet that shows phone number of [the bank’s] customer feedback. Seemed genuinely concerned about the need to resolve the complaint. She also suggested the Banking Ombudsman as a way to resolve complaint, gave out leaflet and explained process.”

“Huge display of brochures at both branches I visited however no display of complaints brochure.”

“Very friendly lady. As soon as I walked in the door she greeted me and asked to help. I asked her about lodging a complaint, she showed me pamphlet and ombudsman pamphlet. Told me to write letters to the bank first, if not happy, head office of bank via pamphlet complaint sheet, worst case ombudsman.”

“Pleasant but had absolutely no knowledge of complaints process. I asked for leaflets containing information about how to make complaints and the staff member said “Unfortunately we don’t have anything”.

“Staff member very friendly. Immediately wanted to solve issue – showed general concern. Went to find complaints information without hesitation. Returned quickly with complains leaflet and Banking Ombudsman leaflet and explained what both were.”

“He was unsure of the situation. Seemed to think that the whole process of complaints stopped because of the bank manager’s decision. When I asked what the banking ombudsman did, he said they only resolve issues of fraud. He made no connection with my story and the fact that there clearly was fraudulent behaviour. Was fairly unsympathetic and did not seem to have a good understanding of the complaints process, though writing to the branch manager would help.”

“Straight away grabbed a copy of the brochure I had picked up and took me through the steps on how to make a complaint.”

“Didn’t know what to do about it! Kept passing me onto different people. Last lady told me to tell my friend to ring the [the bank’s] 0800 number.”

“...she listened carefully and went and got the [bank’s] complaints brochure and the ombudsman brochure. She circled the phone numbers I could call and explained the role of the ombudsman. She was very helpful, I felt really comfortable... although it was very busy.”

“Didn’t know where pamphlets were, what ombudsman was or what they did and didn’t know about process or if there was a 0800 number until got pamphlet.”

“When I asked for brochures about making customer complaints he told me there was no such information brochures available but I found them when I entered the bank.”

Other statistics

Customer given printed information on the complaints process?

	2005	2006
Yes	71%	56%
No	29%	44%

Customer given telephone number to enquire further about complaint?

	2005	2006
Yes	40%	50%
No	60%	49%
No response		2%

Was the Banking Ombudsman mentioned?**2005**

No	64%
Yes	36%

2006

No	64%
Yes – with prompt	11%
Yes – without prompt	25%

The percentage of banks which did not mention the Banking Ombudsman has remained unchanged at 64%. As the 2005 survey did not distinguish between yes with and without a prompt, it is not possible to compare the “yes” results for 2005 and 2006. It seems to me that, as banks now have fifteen years’ shared experience of the Banking Ombudsman scheme, more and better can be expected of them in this important respect.