

# TOOLS

## How to Design a Complaints Mechanism

### A Tool for Financial Institutions

#### AUTHOR

Leah Wardle

#### CONTRIBUTORS

Nadia van de Walle, Tanwi Kumari,  
Jackie Mbabazi, Rose Mwaniki, Joseph Adia,  
Dominique Bowers, and Adet Kachi

## Overview

Most financial institutions (FIs) provide clients with one or more channels for communicating their questions and complaints. However, not all complaints mechanisms are effective. **This tool discusses how FIs can design effective complaints mechanisms—communication channels that are accessible to clients, allow for a timely response to clients, and enable the institution to address both individual and systematic problems.**

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## Introduction

Most financial institutions (FIs) provide clients with one or more channels for communicating their questions and complaints to the institution. However, not all complaints mechanisms are effective. **This tool<sup>1</sup> will discuss how FIs can design effective complaints mechanisms.** A complaints “mechanism” refers to a system for collecting, resolving, and responding to client questions and complaints, and for using client feedback to improve products and operations. An “effective” mechanism is one that allows for a timely response to clients and enables the institution to address both individual and systematic problems.

**Section 1** introduces the importance of having an effective complaints mechanism for resolving client questions and grievances. The points raised in this section may be used to convince managers and other stakeholders that a complaints mechanism should be an institutional priority.

**Section 2** explains a five-step process for developing a new complaints mechanism. These steps help ensure that the mechanism is well understood and accepted by staff and clients, making it more likely that both groups will use the mechanism successfully.

**Section 3** discusses the elements of an effective mechanism, detailing the characteristics that all mechanisms should have. Examples of successful mechanisms are included throughout the section.

**Annex 1** compliments this section by comparing seven common complaints mechanisms. **Annex 2** provides an example of a complaints analysis report for management use.

**Section 4** presents common problems that FIs face with existing complaints mechanisms, alongside ideas for how to improve the mechanism to address these issues.

<sup>1</sup> The Smart Campaign offers additional tools on the topic of Mechanisms for Complaint Resolution. These include a sample **complaints-handling manual and intake form** from Tamweelcom, Jordan (<http://smartcampaign.org/tools-a-resources/106>), a **complaints-handling manual** from FONDESURCO, Peru (<http://smartcampaign.org/tools-a-resources/105>), a **complaints-analysis spreadsheet** from Fundacion Delamjuer (<http://smartcampaign.org/tools-a-resources/104>), and a **complaints channel brochure** from Opportunity Bank, Serbia (<http://smartcampaign.org/tools-a-resources/103>). Additional tools are listed throughout this document. For more tools and resources on this topic, visit: <http://smartcampaign.org/tools-a-resources>.

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## Who Should Use the Tool

This tool can be used by FIs and those who support them, including technical assistance providers, professional associations, donors, and others. FIs with existing mechanisms can use the tool to rethink and strengthen their current model for receiving and resolving complaints. Those without an existing mechanism can use it to understand their options and design an effective mechanism.

Additionally, FI employees and other stakeholder seeking to “convince” managers of the importance of an effective mechanism will find this tool useful for crafting these arguments and proposing new ideas.

## Client Protection Standards for Client Protection Principle 7

This tool responds to **Client Protection Principle 7**—Mechanisms for Complaints Resolution (see Box 1). The Smart Campaign defines successful implementation of this Principle as *having in place timely and responsive mechanisms for complaints and problem resolution for clients and using these mechanisms both to resolve individual problems and to improve products and services.*

The Smart Campaign’s Client Protection Certification Standards expand on the above definition and provide the foundation for the recommendations found in this tool. **Annex 3** provides the complete list of Certification Standards for Principle 7.

### BOX 1

#### The Smart Campaign Client Protection Principles

1. Appropriate Product Design and Delivery
2. Prevention of Over-Indebtedness
3. Transparency
4. Responsible Pricing
5. Fair and Respectful Treatment of Clients
6. Privacy of Client Data
7. Mechanisms for Complaint Resolution

For more information, see [www.smartcampaign.org](http://www.smartcampaign.org)

## SECTION

# 1

## The Importance of Effective Mechanisms for Complaint Resolution

## TOOLS

**Complaints mechanisms benefit clients.** Institutions that offer one or more complaints channels protect their clients' right to understand product terms and conditions, report unethical treatment and other problems, and allow their clients to have their voice heard as a consumer.

### Understand Products and Avoid Surprises

Your institution can use a complaints mechanism as a means to prevent complaints by answering client questions before they become problems. The first line of defense against client complaints is to provide clear, transparent information on products before clients begin using them.<sup>2</sup> However, even clients who start out with a solid understanding of the product may have questions that arise along the way—for example: “Why won’t the ATM allow me to withdraw the entire amount that I request?” “How can I make an insurance claim?” “How can I pay my loan installment online?”

In these cases, your institution must provide timely, accurate responses to client questions. Product misunderstanding can have dangerous consequences for the client—for example, missed loan payments, gaps in insurance coverage, or a savings balance that drops below the minimum

<sup>2</sup> For in-depth guidance on transparent communication with clients, see the following Smart Campaign tools: **Transparency in Promotions and Sales: A Checklist for Financial Service Providers** (<http://smartcampaign.org/tools-a-resources/494>); **Putting Transparency into Practice: Communicating About Pricing** (<http://smartcampaign.org/tools-a-resources/498>); and **Essential Documents for New Clients** (<http://smartcampaign.org/tools-a-resources/507>)

requirement. Encourage clients to use your complaints mechanism as a way to clarify any questions they have, so that they can use products safely and to their benefit.

### Report Unethical Treatment and Problems With Other Clients

A complaints mechanism protects clients from unethical treatment by your staff and other clients. Clients have the right to use your products and interact with your staff without suffering indignities such as harassment, bribery, or threats. They should also have a way to report unethical behavior they may witness, such as a loan officer taking “extra fees” from other clients, or client using their loans for illegal businesses. Even unintended problems such as errors on clients’ bank statements can cost clients time and money, and should be resolved quickly.

### Build Confidence in Using Financial Services

In addition to resolving issues that negatively affect clients, a complaints mechanism communicates a strong message to clients—you *have a voice*. Many lower-income and underserved clients are not accustomed to having personal power in their relationships with formal institutions such as banks, government agencies, and retailers. They often face similar dynamics with less-formal relationships such as moneylenders.

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By assuring clients that they have the right to ask questions and complain, ensuring that they face no negative consequences when they do complain, and responding quickly with an answer or resolution, clients gain confidence in their consumer rights. Use of financial services may become less intimidating and clients may be encouraged to continue to use formal means to manage their money.

**Complaints mechanisms benefit the institution.**

Institutions that offer one or more complaints mechanisms have the opportunity to address issues before clients become dissatisfied or leave the institution, and can use client feedback to make operational and product improvements.

## Improve Client Retention and Loyalty

Your institution is at risk of losing clients who are confused by, and/or dissatisfied with your products. For example, these clients may not renew their loan or make savings deposits. In particular, clients that do not know how to communicate their problems to the institution may find it easier to change to a different financial service provider. This risk is particularly high in competitive markets.

Your institution needs the opportunity to resolve questions and complaints before they interfere with client loyalty and retention. Many issues are fairly simple to resolve—for example, questions about loan terms or complaints about a chronically late loan officer—and are not worth losing clients. Even more serious issues require a response, so that dissatisfied clients do not spread word of unethical treatment or seemingly unfair business practices.

## Gain a Reputation for Client Care and Improve Your Competitive Position

In the same way that a complaints mechanism allows you to avoid a poor reputation brought on by confused and dissatisfied clients, it also gives you an opportunity to become known as an institution that cares about clients. Your responsiveness to clients' questions and complaints can give you a competitive edge and foster client loyalty, particularly in competitive markets and those in which effective complaints mechanisms are rare. Additionally, clients who feel heard and valued may be more likely to respond positively to your institution, even in difficult situations such as loan delinquency, fee increases, or errors on the part of the loan officer.

## Gain Valuable Feedback on Your Products, Service Delivery, and Operations

Complaints data is a valuable form of market research. Your institution should certainly employ other methods of market research that inform product design and delivery, as questions/complaints are biased toward poorly performing clients and those with grievances against the institution. However, client questions can reveal operational issues such as gaps in loan officer knowledge, and complaints can spur product design ideas such as a grace period for loyal clients. Such information, when analyzed and discussed by management, can also help the institution narrow the focus of additional market research.

## Avoid Sector-Wide Problems

All institutions should contribute to a stable financial sector by resolving client issues before they become major problems. Some markets have experienced public outcry by dissatisfied clients who have voiced their complaints to the media and/or the government. In such cases, politicians or the media may react in a way that negatively affects all financial institutions in a given market. Clients that have access to effective complaints mechanisms may be less likely to take their grievances to public sources. Additionally, your institution may benefit from demonstrating effective complaints resolution to regulators and policymakers.

## The Process for Developing a Complaints Mechanism

While the process for developing a new complaints mechanism will vary by institution and by your choice of mechanism, there are several common steps that should be common to any institution.

These steps help ensure that the mechanism is well understood and accepted by staff and clients, making it more likely that both groups will use the mechanism successfully.

### 1. Create buy-in

- Discuss the importance and benefits with managers and the board.
- Define possible channels available to the institution.
- Develop organizational objectives for the mechanism(s).
- Determine the resources the institution can allocate to a complaints mechanism(s), including budget and staff time.
- Assemble a design team and seek external expertise as needed.

### 2. Get input from staff and clients

- Get direct input from clients on their preferences (channels, cost, resolution process, etc.)
- Get input from staff on appropriate mechanisms, staff roles, and how to add this new role to existing workloads.

### 3. Design and pilot mechanism(s)

- Base the choice on: the objectives established by management, input from staff and clients, the institution's technical capacities and resources, and careful consideration of what is appropriate for clients (see Annex 1).
- Introduce the mechanisms(s) to selected pilot staff: how to use the mechanism, their specific roles, how to talk to clients about the it, and how to provide feedback to management on the mechanism.

- Introduce the mechanism(s) to selected clients: how to use the mechanism, the resolution timeline, and how to provide management with feedback on the mechanism(s).

### 4. Improve and roll-out mechanism(s)

- Ask for direct feedback on the pilot mechanism from clients and staff.
- Review the institution's technical capacities to execute the mechanism.
- Plan for the long-term resources needed for implementation.
- Create an institutional complaints policy and get board approval.
- Make needed improvement before rolling it out to all branches.
- Provide training and documentation to regional and branch staff.
- Provide staff and clients with a clear and thorough introduction to the selected mechanisms(s). Include information listed in step 3.

### 5. Periodically review the mechanism

- Review the institution's: staff training, client communication, technical capabilities, budget, use of complaints data, resolution of complaints.
- Review clients': knowledge, use, and satisfaction.
- Make changes as necessary, based on the above information.

## Characteristics of Effective Mechanisms for Complaint Resolution

### CHARACTERISTIC 1

Clients can easily submit a complaint. The mechanism is low-cost or free for clients, easy to access, and easy to understand.

#### Create Awareness and Understanding Among Staff and Clients.

The first step in creating an accessible mechanism is making staff and clients aware of its existence and how to use it. Start by training staff on how the mechanism works, how to refer clients to the appropriate mechanism/person, and any specific job responsibilities they have for resolving client complaints. For example, loan officers may be responsible for informing clients about the mechanism during orientation training, referring clients to it during the loan cycle, and reminding clients about it during group meetings. Your staff book of rules should be very clear on the importance of using the mechanism correctly and should specify sanctions for staff that willfully fail to report a complaint.

Next, inform clients on their right to complain and how to make complaints. You may have to convince clients that your institution sincerely wants and values their questions and feedback, as many clients are not accustomed to having such a right. Emphasize that your institution wants clients to ask questions and make complaints before their issues become major problems, and assure them that their complaints will not be met with negative consequences. It is best to provide complaints “how-to” information at multiple points (e.g., during orientation and printed in their passbooks or on their bank cards), ensuring that the instructions are easy to understand.

Finally, clients should know how to bypass a particular staff member, especially their loan officer, to make a complaint—particularly if the complaint is related to that person. This protects clients from mistreatment and gives them confidence that they will be treated fairly.

**Aim for Simplicity.** For clients to use a complaints channel, it must be easy for them to access. This means that using the mechanism does not involve multiple or complicated steps and that the technology is appropriately simple.

Clients should not be required to:

- Contact multiple people or use multiple contact methods
- Ask their question several times and/or follow up on their own complaint
- Use an unfamiliar language (non-native) in order to complain
- Use an unfamiliar technology in order to complain
- Read or write in order to access at least one channel for complaints

**Offer Multiple Mechanisms.** The best way to ensure that all clients have access to your complaints mechanism is to offer more than one way for clients to ask a question or complain. For example, an institution offering a phone line and a customer service desk in the branches would ensure access for literate and non-literate clients, those with and without cell phones, and those who are already visiting the branch office, as well as those who cannot. See Annex 1 for a list of common mechanisms and their advantages/disadvantages, for ideas on which mechanisms are most appropriate for your clients.

## **BOX 2**

### **Field example: Yehu Microfinance, Kenya Surveys Clients on Which Mechanisms to Create**

When choosing the mechanisms your institution will use to resolve client complaints, consider asking clients how they would prefer to communicate with the institution. During Yehu's complaints mechanism review and redesign process, the institution held four focus groups with existing clients, asking them to discuss their experience with the current mechanism and their preferences for new mechanisms.

The institution found that clients were overwhelmingly dissatisfied with the current mechanism (verbal complaints passed from clients to center chiefs to loan officers) and suggested that the MFI introduce the following list of client complaints mechanisms:

- Introduce a customer service desk in the head office and at each branch, with a dedicated line/queue and staff.
- Provide clients with branch managers' and credit officers' cell phone numbers.
- Conduct regular client training—both during client orientation and regularly—on how to complain and what to expect in response from the institution.
- Introduce open meetings between clients and management during which clients can raise issues.
- Schedule regular visits between customer service representatives and clients, particularly during center meetings.
- Schedule regular visits between branch managers and clients—visits to center meetings and a sample of individual client businesses.

#### **Keep Costs Low for Clients.**

Cost presents a significant barrier for clients. When cost is an obstacle for clients, they may decide not to ask a question or make a complaint, which could result in bigger costs in the future, such as a missed loan payment or a lapse in insurance coverage.

Some costs are unavoidable, but to the extent possible, your institution should shift the costs of accessing the mechanism away from the client and onto the institution.

For example, calling a customer hotline should not create additional costs for the client (e.g., fees) beyond using their own airtime to make the call. It is also best to give clients a means to ask questions and make complaints without needing to come to a branch office. This presents travel costs (e.g., bus fare) as well as the opportunity cost of being away from their business, if they need to contact the branch at a time other than during a regularly scheduled visit.



**CHARACTERISTIC 2**

The institution can respond in a timely way to address and resolve individual complaints.

**Put Specific Staff in Charge of**

**Complaints.** All staff should know how the mechanism works and how to explain it to clients. In addition, your institution should give designated, staff-specific responsibilities for handling client complaints. These responsibilities include recording complaints, reporting them to the appropriate managers, resolving complaints and responding to clients, and analyzing them for strategic use by management.

Table 1 provides examples of how your institution might designate staff to complaints resolution tasks.

**Create an Escalation Process.** Your institution should be clear on which types of questions and complaints are handled at different levels of the institution. For example, you may develop a list of “frequent questions and complaints” that all employees are authorized to handle, as well as a separate list of more complicated issues that should be handled by designated customer service staff. More serious problems should be reserved for upper-level managers and/or a special Ethics/ Complaints Committee selected for the task. Serious problems include ethical issues such as abuse

**BOX 3**

**Field example:  
UGAFODE Uganda’s  
Escalation Process**

Each of UGAFODE’s branches has an “Inquiries Desk,” staffed by a Customer Service Officer (CSO) who receives verbal, in-person questions and complaints from clients. When a CSO cannot resolve a client’s complaints immediately, s/he records the issue in an electronic complaints register and sends it to the Branch Manager on the same day it was received. When the Branch Manager resolves the complaint, s/he records the resolution in the complaints register and the case is closed.

If the issue cannot be resolved at the branch level, the Branch Manager escalates it to the supervisor in-charge of customer service at the head office. Most of these escalations relate to complaints on products features and delivery channels such as complaints about the interest rate or requests for new services. Serious cases of staff misconduct are also escalated. The Branch Manager then informs the client that senior management is reviewing the issue.

After the supervisor in-charge of customer service reviews the complaints from the Branches, s/he contacts the customers if necessary (e.g., to get more details about the issue) and then makes recommendations to management on how the complaint should be handled. S/he then communicates the management decision to the Branch Manager who gives this feedback to the customer. This process is typically completed within 14 days.

**TABLE 1**

**Example Staff Responsibilities for Complaints Resolution**

STAFF POSITION	SPECIFIC RESPONSIBILITIES FOR COMPLAINTS RESOLUTION
Two staff designated to the complaints hotline (each at 50% time)	<ul style="list-style-type: none"> <li>➤ Respond to complaints over the phone— answer questions and solve simple problems</li> <li>➤ Record calls in the database</li> <li>➤ Contact the appropriate manager on more serious issues</li> <li>➤ Update the database when a complaint is resolved</li> </ul>
All area branch managers (each at 10% time)	<ul style="list-style-type: none"> <li>➤ Respond to complaints appropriate for higher-level management</li> <li>➤ Attend group meetings or visit individual clients at their business premises—both scheduled and impromptu visits—to check for and resolve client complaints</li> <li>➤ Discuss complaints trends at management meetings</li> <li>➤ Make operational/product improvements based on client feedback</li> </ul>
Customer service representatives at each branch (each at 25% time)	<ul style="list-style-type: none"> <li>➤ Respond to complaints in person— answer questions and solve simple issues</li> <li>➤ Record complaints in the database</li> <li>➤ Contact the appropriate manager for more serious issues</li> <li>➤ Update the database when a complaint is resolved</li> </ul>

of clients and theft, and widespread problems such as delayed loan disbursement across an entire branch or malfunctioning ATMs.

**Automate the System.** Your institution's complaints "system" refers to the process of recording a complaint in a database, recording the resolution process, and analyzing the database of complaints for trends and institution-wide issues. This system should be as automatic as possible. For example, each complaint is recorded in an internal database and is automatically assigned a reference number. Additional database entries are recorded when that complaint is "in process" (e.g., being reviewed by an Ethics Committee), and when it is resolved.

The database should allow your institution to easily aggregate complaints and analyze them by type (e.g., loan questions, employee misconduct), location, and other relevant factors. Ideally, the database will also generate reports on complaints trends, though your institution should also use a specialized staff person to generate in-depth complaints analysis and management reports (see Characteristic 3).

**Respond Quickly.** Your institution should strive to respond as quickly as possible to client questions and complaints. Many issues can be resolved on the same day they are raised. These issues include the "frequent questions/complaints" that all employees are authorized to handle. Others will require follow-up and investigation, such as accusations against an employee or problems using a product or service. Create a timeline for complaints resolution, including realistic but responsive timeframes for dealing with different types of issues. Even the most serious/complicated issues should be resolved within one month of submission by a client—though most should be resolved much sooner.

**Verify that the Mechanisms Are Effective.** Your institution should verify the effectiveness of the system on an ongoing basis. This means that the internal audit team or some other controls team should conduct periodic checks to assess how many complaints are being registered—this tests whether clients are using the system actively—and what actions were taken. To do this, it is helpful to investigate a sample of complaints, which should include follow-up visits with clients, to monitor not only whether the issue was resolved, and how quickly, but also whether the client was informed of the outcome.

#### BOX 4

### Field example: Ujjivan India's Complaints Policy

Your institution should have a *written complaints policy*, to ensure that employees understand the complaints mechanism and apply it uniformly across departments, branches, and over time. Ujjivan includes the following topics in their complaints policy:

- ✦ **Descriptions of the mechanisms**—Describes the various channels, including field-based customer care representatives, a customer hotline and complaints logs in branches.
- ✦ **Objectives of the mechanisms**—Describes their importance and why they exist, including to resolve client problems and inform products and delivery.
- ✦ **Escalation matrix**—Defines how serious complaints will escalate to senior staff, and how complaints are categorized based on severity.
- ✦ **Timeline for responding to complaints**—Defines the time in which different types of complaints must be resolved.
- ✦ **Staff roles and responsibilities**—Defines roles and responsibilities of staff in handling complaints and informal client feedback.
- ✦ **Staff Training**—Describes how staff handling complaints will be trained.
- ✦ **Use of Client Complaints and Feedback**—Provides information on how often the data will be analyzed, published, and shared with the Board of Directors.

Read more on this example from the Smart Campaign:  
<http://smartcampaign.org/tools-a-resources/911>

**CHARACTERISTIC 3**

The institution can use complaints information to address systemic problems.

**Analyze and Report Complaints Trends.**

In addition to responding to individual client issues, your institution should be able to aggregate, analyze, and report client complaints information. Such reports should describe the number of client complaints received in a time period and over time, the mechanisms used to receive complaints (e.g., 40 percent of complaints received through suggestion box and 60 percent by phone), and the issues raised by clients (e.g., interest rate complaints, confusion on savings product terms). See **Annex 3** for an example complaints analysis report.

Management should review these reports on a regular basis (e.g., quarterly), looking for potential operational and product-related issues that are systemic and/or consistent over time. Management should address such issues by discussing possible improvements to the institution’s operations and products. In this way, complaints data is a valuable form of market research and can also be used to avoid client complaints in the future.

**Use Analysis for Operational Improvements.**

Table 2 provides example trends that might appear in a client complaints report, alongside corresponding operational improvements that management might discuss.

**Use Analysis for Product Development.**

Table 3 provides example trends that might appear in a client complaints report, alongside corresponding product development ideas that management might discuss.

**TABLE 2**

**Example Complaint Trends and Operational Improvements to Address Complaints**

EXAMPLE COMPLAINT TREND	EXAMPLE OPERATIONAL IMPROVEMENT
<b>Lengthy wait time to speak to a teller at branch offices</b>	Open an additional teller window; Use customer service desk to answer simple questions that do not require teller involvement; Offer clients additional product information while they wait
<b>Clients are surprised by fees when making a savings withdrawal</b>	Improved staff training on how/when to disclose fee information; Introduction of transparent marketing materials with savings account information
<b>Client account information is frequently out of date and inaccurate</b>	Improvements to IT systems that allow more frequent updates to client account information; Staff refresher training on how to keep accurate client records; Spot checks of client account information by internal audit, to increase staff attention to the issue

**TABLE 3**

**Example Complaint Trends and Product Development Improvements to Address Complaints**

EXAMPLE COMPLAINT TREND	EXAMPLE USE FOR PRODUCT DEVELOPMENT
<b>Loan size increases are not sufficient to capitalize clients’ growing businesses</b>	Increase in loan size limits for well-performing clients; Strengthening of loan capacity assessment procedures
<b>Mandatory insurance coverage is largely unused</b>	Inquiry into the types of risks clients face, needs for insurance coverage, and desire to pay for coverage; Changes to insurance products and/or prices based on new understanding of clients’ insurance needs
<b>Clients want the same savings interest rate offered by commercial banks</b>	Design of savings account with a higher interest rate, made sustainable by requiring a higher minimum balance and/or limits on withdrawal frequency

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**BOX 5****Field example: Tameer Bank, Pakistan's Customer Services Unit**

A 2007 client delinquency crisis forced Tameer Bank to reevaluate its credit policies and procedures. As part of this process, Tameer realized that they needed to offer their clients better ways to communicate directly with the institution. The bank wanted to strengthen their relationships with clients, better understand client needs, and respond quickly to client problems.

In line with these goals, Tameer established the Customer Services Unit (CSU). Among other responsibilities, the CSU was responsible for monitoring and addressing client complaints. The CSU accepts client complaints using a specific phone line and a dedicated staff to answer client calls.

When the CSU receives a call, an employee logs the details in a complaint-tracking database. If the complaint or inquiry is simple, it is resolved immediately, over the phone. Otherwise, the CSU contacts the appropriate bank department or branch office. For example, if a client complains about receiving the wrong loan amount, the CSU contacts the client's branch with the issue, and requests that the branch follow up with the client directly.

In the majority of cases, Tameer contacts the client within 24 hours of the initial complaint. If the bank needs to investigate further, they contact the client and inform him/her of the process and the expected date that they will provide a response.

Tameer actually receives more questions than complaints. Typical questions include topics such as interest rates, monthly repayment amounts, and other credit terms. By providing answers to these questions, the CSU keeps clients informed and also increases client satisfaction and understanding.

Finally, the CSU is also responsible for producing reports that highlight possible risk scenarios. These reports are based in part on client complaints, and they include risks such as client over-indebtedness, staff fraud, and client unwillingness to repay. These reports provide valuable information for management.

Read more on this example from the Smart Campaign:

**<http://smartcampaign.org/tools-a-resources/589>**

**SECTION**

**4**

**Ideas for Improving an Ineffective Mechanism**

**TOOLS**

Many institutions have a client complaints mechanism in place but feel that they could be more effective in resolving client complaints and using complaints information to improve operations

and products. Table 4 lists several common issues that FIs experience when implementing a complaints mechanism, alongside ideas for how to improve the mechanism to address these issues.

**TABLE 4**

**Solutions to Common Issues With Complaints Mechanisms**

ISSUE	SOLUTION IDEAS
<b>Clients do not actively use the mechanism</b>	<p>First, get client feedback on whether the issue is due to an inappropriate mechanism (e.g., it is too costly for clients to access) or due to lack of client awareness. If it is the former, use the guidelines in this tool to (re)design an appropriate mechanism.</p> <p>If it is the latter, spend more time explaining the mechanism during new client orientation and ongoing trainings. Make sure that staff are explaining the mechanism correctly and encouraging clients to use it. Include discussion of the mechanism during other points of contact with clients such as group meetings or the loan renewal process. Post complaints information on materials including loan agreements, passbooks, branch posters, and marketing materials.</p>
<b>Some client complaints are unfounded</b>	<p>All institutions receive complaints that are unfounded (e.g., false accusations against an employee) or out of the FI's control (e.g., complaints about a policy dictated by national regulation). In these cases, it is still important to record and respond to the concern. Though your institution does not have a responsibility to take action against a wrongfully accused employee or change a regulation-dictated policy, ensure the client is heard and respond to him/her with a timely answer.</p>

**TABLE 4**

**Solutions to Common Issues With Complaints Mechanisms (continued)**

ISSUE	SOLUTION IDEAS
<b>Management suspects that field employees do not report all complaints</b>	Field employees that receive client complaints may not always report the complaints. To check for this issue, use internal audit/risk management staff to check client understanding of the official mechanism(s), and to check whether clients have unresolved issues previously addressed to field staff. Also, ensure that clients have at least one way to contact non-branch staff (e.g., a customer service employee at headquarters).
<b>Clients fear reprisal for reporting problems to field staff</b>	Clients may believe that they will be suffer negative consequences for reporting problems to field officers, such as being denied a service. In all communication with clients about the complaint mechanism(s), reiterate that clients have the right to complain, and will face no negative consequences. Train field staff on the importance of client complaints in improving client relations and mitigating risks such as client exit. Use internal audit/risk management staff to check field officer handling of complaints and possible instances of reprisal against clients. Also, ensure that clients have at least one way to contact non-branch staff (e.g., a customer service employee at headquarters).
<b>Clients are predominately illiterate</b>	Client literacy levels are an important factor to consider when choosing an appropriate mechanism. Institutions serving predominately illiterate clients should choose mechanisms that allow clients to complain/ask questions orally. These mechanisms are elaborated in Annex 1, and include in-branch customer service representatives, a telephone number/“hotline,” field visits by managers, and a telephone number of field officer and/or branch manager.

## 1

## Advantages and Challenges of Seven Common Complaints Mechanisms

TOOLS

COMPLAINTS MECHANISM	ADVANTAGES	CHALLENGES
<b>Suggestion box</b>	<p><b>Access.</b> Easy for clients to use if they are already at the branch and literate.</p> <p><b>Cost.</b> Can be free, if the client is already at the branch.</p> <p><b>Understanding.</b> Easy for FI to explain how the mechanism works and to provide information. Allows clients to make confidential and/or anonymous complaints.</p>	<p><b>Access.</b> Difficult for clients to use if they are not at the branch or if illiterate.</p> <p><b>Cost.</b> Clients bear the cost of traveling to the branch.</p> <p><b>Understanding.</b> Writing and submitting the complaint is public and may make clients uncomfortable.</p> <p><b>Response.</b> Unless the box is opened every day, response time is delayed.</p>
<b>In-branch customer service representative</b>	<p><b>Access.</b> Easy for clients to access if they are already at the branch.</p> <p><b>Cost.</b> Can be free if the client is already at the branch.</p> <p><b>Understanding.</b> Easy for FI to explain how the mechanism works and to provide information, as clients are accustomed to in-person conversations.</p> <p><b>Response.</b> Clients receive an immediate and in-person response to their question/complaint and/or information on how it will be resolved.</p>	<p><b>Access.</b> Difficult for clients to use if they are not at the branch.</p> <p><b>Cost.</b> Clients bear the cost of traveling to the branch.</p> <p><b>Understanding.</b> Clients may not feel comfortable complaining in-person. Does not allow clients to complain anonymously and is typically not confidential.</p> <p><b>Response.</b> Clients only receive immediate responses if they appear in-person, but cannot receive answers/solutions at other times.</p>

COMPLAINTS MECHANISM	ADVANTAGES	CHALLENGES
<b>Telephone number/“hotline”</b>	<p><b>Access.</b> Easy for clients to access, if they already have cell phones.</p> <p><b>Cost.</b> Can be free for clients if the number is toll-free, or low-cost depending on phone charges.</p> <p><b>Understanding.</b> Easy for FI to explain how the mechanism works and to provide contact information. Clients familiar with cell phones can understand this method easily. Allows clients to make confidential and/or anonymous complaints.</p> <p><b>Response.</b> Clients can receive an immediate response to their question/complaint and/or information on how it will be resolved.</p>	<p><b>Access.</b> Difficult for clients to access if they do not have cell phones or access to a landline.</p> <p><b>Cost.</b> If the number is not toll-free, or airtime is expensive, cost might be a barrier.</p> <p><b>Understanding.</b> Difficult for clients to understand if they are not familiar with cell phones.</p>
<b>Telephone number of field officer and/or branch manager</b>	<p>All advantages apply from the mechanism “Telephone number/hotline,” above.</p> <p><b>Response.</b> Response time may be faster, as branch staff are more likely to know the client and understand his/her issue and may be more motivated to resolve the problem before it escalates.</p>	<p>All challenges apply from the mechanism “Telephone number/hotline,” above.</p> <p><b>Response.</b> Clients may not receive accurate or unbiased responses if complaints are the fault of the loan officer/branch.</p>



COMPLAINTS MECHANISM	ADVANTAGES	CHALLENGES
<b>Field visits by managers</b>	<p><b>Access.</b> Easy for clients to access during the time of the visit.</p> <p><b>Cost.</b> Free for clients, if visits take place during normal meeting times.</p> <p><b>Understanding.</b> Easy for FI to explain how the mechanism works, as clients are accustomed to in-person conversations.</p> <p><b>Response.</b> Clients can receive an immediate and in-person response to their question/complaint and/or information on how it will be resolved.</p>	<p><b>Access.</b> Clients cannot use the mechanism at any time other than the visit, which are typically infrequent.</p> <p><b>Understanding.</b> Clients may not feel comfortable complaining in-person. Does not allow clients to complain anonymously and is typically not confidential, unless the visit is one-on-one.</p> <p><b>Response.</b> Response is limited by the frequency of the visits—i.e., clients cannot receive a response unless a visit occurs.</p>
<b>Email address</b>	<p><b>Access.</b> Easy for clients to use if they have access to a computer and email address, and are literate.</p> <p><b>Cost.</b> Free for clients that have computer access; potentially low cost for those with access to a “cyber café.”</p> <p><b>Understanding.</b> Easy for FI to explain how the mechanism works and to provide contact information. Easy for computer-literate clients to understand. Allows clients to make confidential and/or anonymous complaints.</p> <p><b>Response.</b> Allows quick response time.</p>	<p><b>Access.</b> Very difficult for clients to use if they are not familiar with computers, illiterate, and/or do not have easy access to a computer.</p> <p><b>Cost.</b> Costly for clients without easy access to a computer—depends on distance traveled and pay-for-use charges associated with accessing a computer.</p> <p><b>Understanding.</b> Requires computer literacy.</p> <p><b>Response.</b> A quick response from the FI may go unseen by clients that do not have regular access to computers.</p>
<b>Web and social media (Facebook, Twitter, website)</b>	<p>All advantages apply from the mechanism “Email address,” above.</p> <p><b>Response.</b> Publicly posted responses may help to answer questions and solve problems for other clients who see them.</p>	<p>All challenges apply from the mechanism “Email address,” above.</p> <p><b>Response.</b> Responses may be limited, in order to preserve the institution’s public image.</p>

# 2

## Example Complaints Analysis Report

### Management Report—Complaints Analysis—Quarter 4 2014



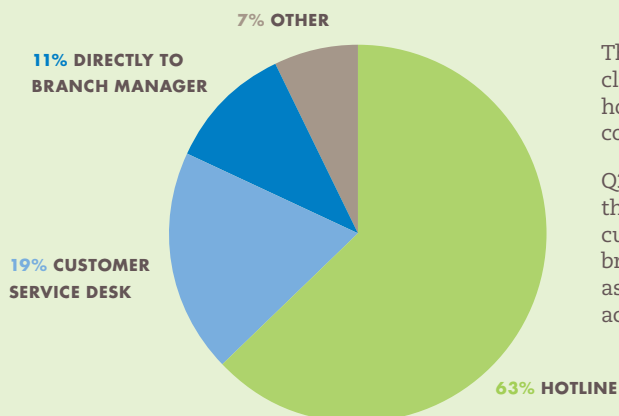
This graph demonstrates that our marketing campaign “We Are Listening!” was effective in increasing client awareness about the client complaints hotline.

#### Most common client complaints in Q4:

- ☑ Long wait times in branch offices
- ☑ Lack of time to ask questions during client orientation sessions
- ☑ Repayment problems related to national inflation in Q1 to Q4

These complaints are similar to those in Q3, suggesting possible management action on these items.

#### Channel Used by Clients to Complain



These results suggest that clients prefer to use the hotline to ask questions/complain.

Q3 client focus groups found that clients prefer to use customer service desks for branch-related issues such as disbursement delays and account opening questions.

#### Issue escalated to the Board Ethics Committee in Q4:

- ☑ Potential fraud case in Lewa Branch. **Status:** Investigation in progress.

## 3

## The Client Protection Certification Standards for GPP 7

## TOOLS

### Standard: The financial institution's (FI's) clients are aware of how to submit complaints

**Indicator:** The FI informs clients about their right to complain and how to submit a complaint to the appropriate person (or where they could find that information if they don't know it first-hand).

### Standard: The FI's staff is trained to handle complaints

**Indicator:** The FI's dedicated staff induction training includes a session on how the complaints mechanism works, the loan officer's role in the process and how to appropriately manage complaints until they are completely resolved (how to handle complaints and refer them to the appropriate person for investigation and resolution).

### Standard: The FI's complaints resolution system is active and effective

**Indicator:** The FI's policies include how to handle complaints. They include how to inform client about the complaint mechanism.

**Indicator:** The FI has an effective, appropriate system in place to resolve complaints in a timely way.

**Indicator:** The FI has assigned someone to handle complaints and refer them to the appropriate person for resolution, at least on a part-time basis.

**Indicator:** The FI has a clear reporting system in place to ensure that complaints from branches/POS reach complaints handling staff.

**Indicator:** The complaints mechanism is actively used by clients.

**Indicator:** The FI's clients receive a timely response to their issues, within a month of complaint submission.

**Indicator:** The FI's internal audit or other monitoring systems check that complaints are resolved satisfactorily.

### Standard: The FI uses client feedback to improve practices and products

**Indicator:** The FI uses information to correct mistakes, omissions and activities that may be harmful to the client.

**Indicator:** The FI uses complaints information to improve the organization's operations/products/communications.