

Small schemes

Session 2C

speakers	Otakar Schlossberger	financial arbiter	Financial Arbiter of the Czech Republic
	Judy Chang	ombudsman	Financial Services Ombudsman, Trinidad and Tobago
	Karen Stevens	ombudsman	Insurance & Savings Ombudsman, New Zealand
arranged by	Tony King	ombudsman	Pensions Ombudsman, UK
session leader	Barbara Cheney	company secretary	Financial Ombudsman Service, UK
note taker	Kirsteen Margetson	adjudicator	Financial Ombudsman Service, UK

Introduction/Scope

Small schemes may be beautiful, but may leave a high profile organisations exposed and under-resourced in terms of infrastructure (IT, systems, HR/staffing, media handling) and vulnerable to swings in workload.

- How do they work in comparison to larger schemes?
- What are the difficulties caused by size, including limited resources?
- What are the benefits from being small

Czech Republic - The Financial Arbiter

The Financial Arbiter was established in 2002 to handle electronic banking complaints and complaints about domestic and cross border payments. The Czech National Bank covers the cost of the scheme. Other financial services are not covered by a dispute resolution scheme.

During 2004 and 2005, the scheme investigated, on average, 150 complaints per year. During 2006 the scheme received and investigated only 77 complaints.

The Financial Arbiter has been in lengthy discussions to extend his jurisdiction and cover additional activities, such as commercial banking. However funding is the main difficulty as the financial services industry is not keen to cover the cost of the scheme.

Trinidad and Tobago - Financial Services Ombudsman

The Financial Services Ombudsman scheme was established in 1993 by the Central Bank to deal with banking complaints. Trinidad and Tobago has six commercial banks covering retail business, of which four are considered to be fairly large and two are small. Although the scheme is voluntary, all six firms joined the scheme.

During 2005 the scheme was also able to consider insurance complaints and all 32 insurance firms joined the voluntary scheme.

The Financial Services Ombudsman has wide autonomous power but this is limited to the terms of a voluntary agreement between firms. The ombudsman reports directly to the Governor of the Central Bank.

The Financial Services Ombudsman is headed by one ombudsman who is remunerated by the Central Bank which also pays for the cost of its offices. It has six members of staff who are remunerated by the industry.

The number of banking complaints referred to the scheme has been declining in recent years. During 2003 and 2004, the scheme investigated around 150 banking complaints per year. During 2005, this dropped to 73 banking complaints and to 40 complaints in 2006.

Banks in Trinidad and Tobago are very competitive and pay a great deal of attention to customer service which has reduced the number of banking complaints referred to the scheme.

Around 80% of insurance complaints are about third party car insurance, the majority of which are against small family owned insurance firms who do not have adequate claims handling procedures and practices. The scheme investigated 209 insurance complaints in 2005, rising to 407 in 2006.

New Zealand - Insurance and Savings Ombudsman Scheme (ISO Scheme)

The Scheme was established in 1995. It is the second industry ombudsman scheme in New Zealand after the Banking Ombudsman Scheme. The ISO Scheme provides a free service to consumers who have complaints about insurance or savings firms in the fire, general, life and health insurance industry.

The ISO Scheme was set up as an incorporated society. In terms of governance, it has an Industry Board and a Commission with two industry representatives from the Board, two consumer representatives appointed by the Ministry of Consumer Affairs, and an Independent Chair. The Commission is responsible for setting the budget and overseeing the role of the ISO.

The ISO Scheme has a jurisdiction limit of \$NZ150,000 and \$NZ1,000 per week for disability claims.

ISO has ten members of staff, including 1 ombudsman. In the last financial year, ISO:

- had 48 participant insurance and savings firms.
- received 201 complaints for investigation.
- received 1,951 complaint enquiries.

Advantages of a small scheme

- Consistency – small schemes usually have one person involved in the entire decision making process.
- Flexible working practices – small schemes are able to offer a relaxed flexible working environment which can help retain staff.
- Little bureaucracy – a small scheme is more easily able to change its processes.
- Ability to ‘piggyback’ other schemes – although small schemes have limited resources and expertise, small schemes can ‘piggyback’ other schemes, including those representing different industries. New small schemes can be ‘bolted’ on to established schemes to take advantage of their synergies, such as back office procedures and processes.

Disadvantages of a small scheme

- Attracting and retaining the right calibre of staff – small schemes are less able to offer a career path to employees. Younger employees and those with technical or specialist knowledge can be difficult to retain.
- Lack of in-house technical or specialist knowledge – small schemes typically have a small number of staff and therefore require multi skilled employees who can carry out several roles. However, specialist knowledge can be obtained from consultants.
- Complaint fluctuations and staff numbers – small schemes are less likely to be able to respond to complaint fluctuations and have fewer resources to train an influx of new staff. An on-call staffing pool, made up of retired or part time ad hoc staff, can be useful as is sourcing staff through secondments. Small schemes can also outsource to other schemes (see ‘ability to piggyback’ above). Complaint fluctuations can also be managed by improving consumer awareness and industry training.

Consumer awareness and industry training

Most, if not all, small schemes tried to increase consumer awareness of their schemes and provided varying forms of industry training. In some places, central governments had developed literacy programmes focused on key target groups, such as youth schemes, higher education, those starting work, buying a house, saving for retirement and retirement. However, opinions varied about the effects these initiatives had on the level of complaints received.

In South Africa industry training had reduced the number of complaints received. One scheme educated firms in dealing with common problems and hot topics and informed them as early as possible about its approach to a particular problem. This was often done at meetings with firms. The scheme had previously promoted a competition to find the firm with the best complaint handling systems. The scheme had experienced a drop in the number of complaints as more complaints had been resolved by firms. Some other schemes published case studies and information factsheets as a method of communicating to firms. DVDs are used to deliver industry training in New Zealand.

Increasing consumer awareness of an ADR scheme was also discussed. ISO educates consumers about how to complain through the use of community outreach programmes. Representatives also highlighted the use of the internet in promoting consumer awareness. However areas that are remote, have low internet access or where there are language barriers presented problems. It was suggested that the head of the communities could be targeted. One drawback in increasing consumer awareness was the potential increase in frivolous and vexatious complaints, which some schemes had experienced.