

# Systems and Processes

## Session 4A

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### Introduction/scope

Out of court dispute resolution can take many forms. This workshop provided an opportunity to compare the systems and processes used by three different schemes.

The Finnish scheme consists of two levels, the Finnish Insurance Ombudsman Bureau (IOB) and the Finnish Insurance Complaints board (FIC). The IOB handles 8,000 enquiries and complaints per year and the ICB receives 800 requests for written statements per year.

The population of Denmark is approximately 5.5 million and eight mortgage banks cover the market. In 2006, 1.685 million mortgage loans were taken out. The Danish Mortgage Credit Complaints Board handles complaints about Danish mortgage credit institutions, their local subsidiaries and Danish branches of foreign mortgage credit institutions.

The Financial Ombudsman Service receives over half a million enquiries a year, and settles 100,000 disputes. It is a large scheme and its systems and processes need to deliver a fair and informal process focussed on the needs of its users, efficiently and consistently.

### Entry to Schemes

- Consumers are the Finnish schemes' main customers but 5-10% of enquires are from businesses. For example, insurers can contact the ICB to request written statements.
- Entry into the IOB scheme is straightforward - there is no threshold
- Complaints can be made to the IOB by telephone, letter, or by visiting the offices. However, complaints to the ICB must include a written statement and signature from the customer and the process usually continues in writing.
- The Insurance Companies Act enables the IOB to order the insurers file by telephone.
- There are no strict 'member insurers' but 99% of customers are clients of insurers who are members of the Federation of Finnish insurers.

### **Advice provided to firms and complainants**

- One of the main tasks of the Finnish IOB is to provide case specific and general advice as well as information for both customers and insurers
- One of the ways in which the IOB provides general advice is via its website. For example comparisons and studies of main insurance lines are published, as is a 'question of the week.'
- The insured, the party suffering loss, damage or injury, the beneficiary or the insurance company involved can request that the FIC issue a statement on the matter. The FIC also issues statements to courts upon request.
- The Danish Mortgage Credit Complaint Board also issues advice to both firms and complainants. For example consumers might ask the Board if the lender has acted in a fair and correct manner. When providing advice to firms and consumers the MCC must ensure that both parties feel confident and do not consider the advice to constitute a decision.

### **Techniques – mediation, arbitration, decisions, hearings**

- In Finland the IOB uses a number of complaint handling techniques, for example listening to the customer, providing advice and mediation. Mediation usually involves negotiations or correspondence with the consumer and the insurer.
- In Denmark mediation is carried out by the general secretariat and is usually a five stage process. The process consists of the initiative, contacting the parties to encourage settlement, mediation, the results and any follow up.
- In the UK, the Financial Ombudsman Service relies heavily on written information from the business and from customers. Very few hearings are held. However, it does try to talk to both of the parties in a dispute.
- Hearings may sometimes discourage less confident customers, but in all of the speakers' schemes, customers may bring representatives to hearings.
- The Financial Ombudsman Service used a streamlined system to deal with the large number of endowment complaints it received. For example banks were sent a list of cases each month that were considered to be upheld. This saved detailed explanations and long communications which allowed the Service to focus on the genuinely difficult or controversial cases.

### **Escalation and Appeals**

- Decisions reached by the schemes in Finland and Denmark are not legally binding but are generally obeyed by the firms.
- Decisions in the UK are only binding on the firm if the complainant accepts the decision. If complainants remain unhappy with decisions they can refer them to court.
- In Finland, consumers or firms who are unhappy with a decision can refer the matter to court but they must do so within three years. Court proceedings are usually lengthy and expensive.

### **Complaints about schemes**

- In Finland complaints about the scheme are rare. Cases are sometimes reinvestigated if new evidence is presented but usually the matter is referred to court.
- The Financial Ombudsman Service has a service review team which deals with any complaints about it. An independent assessor carries out a final review of the service provided by the Financial Ombudsman Service. The independent assessor can consider complaints about procedures and the behaviour of staff. Disagreements about the merits of decisions are excluded from his jurisdiction.