

Stakeholder relations and management

Session 4C

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Introduction/scope

Financial ombudsman schemes have a very wide range of stakeholders including consumer bodies, industry, trade associations, regulators, government and the media. Although the schemes differ they all have to deal with problems arising from relationships with these stakeholders to varying degrees. Most do more than simply resolve the individual complaints - they feed back to their industries and regulatory bodies to improve complaint handling, raise standards and help prevent complaints from arising in the first place.

This session considered different approaches to stakeholders. Ombudsmen are an informal alternative to the courts, but this may create difficulties for businesses which would prefer the certainty of the courts or for consumers who may not understand their role. Individual complaints are dealt with on their specific facts; but these can have repercussions that are far wider than the complaint itself.

The Canadian experience

The banking services and investment scheme is a non-regulatory, non-statutory scheme with voluntary membership. It deals with approximately 50 different regulatory bodies across the 13 provinces in Canada. There are no fair trading laws in Canada and there is no significant, identifiable consumer movement.

- The scheme began by dealing with banking issues only; it now has 650 member firms and includes investment business
- The fragmented Canadian context makes the management of stakeholder relationships a top priority
- A strategic plan has been in place since the scheme was first set up – it sought support, or at least acceptance from four key stakeholders: government, industry, individual consumers and the media.
- The aim was to identify the objectives of each group and, where there were overlaps, to manage conflicting objectives
- All interested stakeholders receive a quarterly newsletter and key stakeholders are visited by the ombudsman
- The scheme attempts to raise its profile by volunteering input on policy issues

- A recent independent review suggested that consideration should be given to raising consumer awareness via other consumer contacts such as MPs or through bodies like Age Concern

The Polish experience

- The Polish scheme is a statutory scheme, acting as a mediator but without authority to issue binding decisions. Its main aim is to protect consumer interests even at the expense of disagreement with the government
- Assessing consumer interests is difficult but involves the 'Board of Insured' – an advisory body – and the consideration of consumer communications and claims
- Communication with the insurance industry includes seminars to foster an informal understanding and therefore make communication easier
- It is involved in joint actions (for example against insurance crime) and, of course, has direct contact with the insurance companies through individual claims
- The Polish scheme is involved in the legislative process via the Polish Chamber of Insurance to ensure adequate consumer protection. It also engages with the Office of Competition and Consumer Protection and the European Commission.
- The Polish media seeks sensational headlines and this expectation must be countered with clear and balanced communications
- The goodwill of the industry is vital to the Polish scheme as it acts as a mediator only but this goodwill cannot be at the expense of independence
- In Poland this independence can be demonstrated by an application to the Supreme Court to have the law clarified to assist conflict resolution
- The non-binding nature of the decisions is often disappointing to consumers so their expectations have to be managed.

The South African experience

- The South African statutory scheme issues determinations that are published in full and treated as judgments of the court
- With the advent of a constitutional democracy in South Africa, the ideas of accountability, responsiveness and openness have become central to all statutory bodies.
- The Act that created the South African scheme came about, partly, in response to a serious scam that took advantage of the fact that the vast majority of South African investors were unsophisticated and inexperienced
- Consumers were vulnerable and there was a need to create consumer protection and to uphold the integrity of the industry
- To achieve these aims the scheme must be free to pronounce on firms and regulatory processes without fear or favour
- The South African media can be very vitriolic when it perceives there has been unfairness and there is a strong need to manage this response
- As a small organisation with wide powers, stakeholder management is essential
- To an extent the approach to stakeholder management, at least where it relates to transparency, is regulated by statute. The Act requires the scheme to publicise itself and its services and also requires that determinations (as opposed to mediations) are published in their entirety.

Discussion

- Stakeholder relationships require long term investment and a strategic plan
- It is difficult to measure the success of strategic plans (although surveys can help) but the benefits can be seen when things go wrong
- The goodwill of stakeholders is essential regardless of the statutory or regulatory status of schemes
- Transparency, communication and the management of expectations are crucial.

- But how much information can be placed in the public domain, especially on issues that affect a large number of people, before the ombudsman scheme is effectively performing a regulatory role?
- And how much specific information can be published before individuals are put off pursuing claims for fear of public disclosure?
- Stakeholder trust will ultimately be fostered by being fair and consistent.