



## A Refresher For Complaint Management

regulatory business customers risk management

**Summary:** A strong complaint-management program is essential. We cover four key areas as a refresher.

Thai Airways has grounded flights due to the coronavirus and is awaiting bankruptcy protection approval. In the meantime, trying to make lemonade out of lemons, the airline - known for its high-quality cuisine - decided to open a theme-based pop-up restaurant that serves 2,000 meals a day!

Similarly, customer complaints are no one's idea of fun, but, you can make lemonade out of lemons here too. These may provide warning signs of problems with your institution's compliance and risk management. A strong complaint-management program can validate inherent risk, ensure control effectiveness, identify compliance and operational weaknesses, and help your institution achieve strategic goals. While we know you know all of this, a refresher never hurts.

**Validate inherent risk.** Inherent risk is the probability that an event will occur, multiplied by the event's impact if it does take place. Validating inherent risk means figuring out how big a problem you might have. Two very different events can have the same inherent risk, because the probability that either will occur makes up for their difference in severity.

For instance, let's say that a teller makes a mistake of \$1 when a customer withdraws cash. That's not an enormous error. Even if it happens once every five years, it probably won't have a huge impact. But if the same mistake happens every day, you have a more significant problem.

Alternatively, imagine that your IT team makes a mistake that disables two-factor authentication for employees working remotely. As a result, a hacker accesses and vandalizes your operating system. That's disastrous, even if it happens just once in 10Ys.

Customer complaints can show you what's going wrong and how often different kinds of problems are occurring. Then, you can better understand the relative importance and urgency of each problem and take appropriate steps to fix it.

**Ensure control effectiveness.** Complaints can also help you detect whether any safeguards you've implemented are doing their job. If you've worked to fix a problem but are still getting complaints about it, your control isn't working and should be handled.

**Identify weaknesses.** Any institution can have employee mistakes, system failures, and policies or procedures that aren't adequate for their purposes. The sooner you find out about these issues, the sooner you can fix them.

For instance, let's say that a customer asked to transfer a substantial sum from one account to another. There's a problem with your software, so the transfer doesn't happen. A customer complaint will point to that problem much more quickly than an audit or examination.

**Help reach your strategic goals.** There are pitfalls between where you are and where you want to be. Complaints also help you find and fix problems that stand in your way to ensure that your strategic goals are met successfully.

These days, you have a lot on your plate. Having a well-oiled complaint management system will allow you to quickly tweak areas of concern before they expand in size and add to that plate.

## SHARE THE BID WITH A COLLEAGUE

To sign up someone at your financial institution to receive this complimentary BID publication, just forward them [this link](#) and we will do the rest.

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*