

THE STRICT LETTER OF THE LAW

Businesses with consumer credit licenses will soon be required to have formal written procedures for complaints handling

From 6th April 2007, new complaints-handling rules are scheduled to come into force for holders of standard consumer credit licenses that will require them to have written procedures in place for dealing with complaints about their consumer credit activities. Failure to demonstrate such procedures - including giving customers the ultimate right to refer any unresolved dispute to the Financial Ombudsman - may affect their eligibility to hold a license.

"Although this will be the first time that many consumer credit license holders will have dealt with an ombudsman service, it will not be the first time we have dealt with complaints about consumer credit, including debt recovery and collection," explains Brigitte Philbey, external liaison manager at the Financial Ombudsman Service. "We already deal with the consumer credit activities of FSA-authorized firms, and hope to build on our knowledge in the months to come."

The Financial Ombudsman service is described as an independent organisation set up by law to help resolve disputes between consumers and businesses providing financial services. It is not a regulator or consumer champion, and will consider each case brought to its



attention impartially and on its own merits.

The new complaints-handling rules that will need to be demonstrated broadly reflect good business practice: they include what many businesses will already be providing as part of good customer service. The rules state that each business must have 'appropriate and effective' procedures for dealing with any customer complaints about its consumer credit activities. The procedures must be written down, and take into account such specifics as the time limits for dealing with complaints, and the customers ultimate right as referred to earlier.

In the event that there is a dispute referred to the ombudsman, then every effort is made to mediate between the two parties to find a successful resolution.

"We are committed to working closely with those new to the ombudsman service to help make the transition to the new dispute resolution scheme as smooth as possible," Brigitte continues. "We have started to work closely with the consumer credit trade and representative bodies and had a stand at the CSA's annual conference in September.

"I hope that we will have the opportunity of seeing some of you at one of our nationwide series of free drop-in events," she adds. "These start in Maidstone, Kent on 5th December 2006 and continue throughout January, February and

March 2007. Full details of dates and venues are published on our website at http://www.financial-ombudsman.org.uk/news/events_consumercredit.html."

The Financial Ombudsman website contains helpful material including the consultation document published on 16th June 2006 - this is available at http://www.financial-ombudsman.org.uk/fag/consumer_credit.html. Although the consultation period closed in October 2006, this is a good starting place to learn more about how the new ombudsman service for consumer credit is likely to work in practice.

It includes a helpful section answering a number of anticipated queries and the draft rules for handling consumer credit complaints (amending the existing rules contained in the "DISP" section of the Financial Services Authority's Handbook). Publication of the final rules is planned for January 2007.

"I appreciate that some firms may have concerns about the new arrangements," Brigitte concludes. "But I hope they will soon come to recognise, as others have already done, that they bring considerable advantages. An independent ombudsman scheme can help underpin consumer confidence - and can bring finality to disputes so they don't continue to rumble on.

"Businesses will need to be prepared - but should not worry. A complaints-handling procedure is largely a matter of common sense. Those of you that already follow the CSA's model complaints procedure are unlikely to find the new arrangements especially challenging."