

Consumer Grievances Handling Mechanism (CGHM)

Introduction: A CGHM in banks encompasses institution's philosophy about customer complaints, the hierarchy, systems and procedures to deal with the complaints. Since CGHM of a bank serves as first line of defense against the grievance of bank customers, it is more important that it should be fair, transparent, accessible, and efficient. A CGHM oriented to achieve customer satisfaction not only reduces operational and reputational risk of a bank but also provides valuable pieces of information which eventually can be used to bring improvement in products, procedures and delivery channels.

At present all banks operating in Pakistan have dedicated function vested with the responsibility of handling customer complaints. The robustness of said function, however, varies across the industry. These guidelines are being issued prescribing a set of good practices for dealing with the customer complaints. The objectives are to:

- a. Promote a culture in banks that values customer experience and where customer satisfaction is considered an important factor to drive growth.
- b. Facilitate fair and efficient resolution of consumer grievances by banks to foster confidence in the banking system.
- c. Reduce burden on external dispute resolution forums and help SBP focus on policy related issues.
- d. Facilitate supervision of business conduct of banks.

These guidelines are divided in two parts, the first part outlines overarching principles which are important to establish a robust CGHM in banks. The banks are required to adopt these broad principles keeping in view their scale and scope of operations. The second part prescribes specific rules for establishment and operation of CGHM in banks.

II. **Citation and commencement:** These guidelines may be referred as Guidelines on Consumer Grievance Handling Mechanism (CGHM) in banks and shall become applicable with effect from July 1, 2016.

III. **Scope of application:** These Guidelines are applicable on all Banks including Islamic banks, specialized banks and Micro Finance Banks. However, the banks having limited branch network (less than 50) and DFIs may follow these guidelines keeping in view their scale of operations. These guidelines supersede instructions issued vide BPRD circular 17 of 2004.

IV. **Interpretation:** In these Guidelines unless the context otherwise requires:

“Complaint” means any written or verbal expression of dissatisfaction from a person alleging financial loss or inconvenience due to provision of or failure to provide product or services by the bank or any third party with whom the bank has outsourcing arrangements.

“Bank” means all banks which are subject to these guidelines as defined above in scope of application.

“Customer” means any legal entity or person who has availed or is intending to avail any product/ service from the banks/DFIs.

“Vulnerable person” means an illiterate, low income, old age or physically handicapped person.

Part 1: Overarching Principles for CGHM in banks

1. ***Board and senior management take appropriate measures to instill a Culture that recognizes the importance of complaints:*** It is not possible to establish a good complaint handling mechanism without a culture that recognizes the importance of customer satisfaction and where complaint handling is viewed as a process that adds value to the organization. In order to change the existing perception of complaint handling from a regulatory compliance to a self adopted success code, commitment at the top management is also required. In this regard the management has responsibility to:
 - a. *Devise bank’s policy which spells out management views about customer complaints and its commitment to resolve complaints.*
 - b. *Establish a separate function independent of business lines to deal with customer complaints. The function may be headed by a senior executive for effective role.*
 - c. *Formulate procedures that ensure integration of complaint handling across organization and their fair, unbiased and prompt resolution.*
 - d. *Ensure that the procedures are effectively disseminated across the organization and are adhered to.*
 - e. *Receive periodic reports about complaint types along with their redressal time and root cause analyses of complaints having material significance.*
 - f. *Take measures to translate customer experience in development and improvement of products, services, processes and delivery channels.*
2. ***Every complainant must be treated fairly:*** Banks need to embed a culture where complaints are considered as an opportunity of improving relationships. A decision in favor of complainant should not be construed as fair treatment rather fairness implies an impartial, consistent and prompt investigation, decision making, and redress without considering commercial value of the relationship or any downside impact of the decision. Fairness is based on two characteristics—impartiality and transparency.
 - a. **Impartiality:** At the heart of any complaint handling process is the principle of natural justice. The complaints should not be viewed as unjustified criticism on processes, products or people and a defensive attitude where all efforts are focused on justifying bank’s position should be avoided. Impartiality means every complaint is taken openly and decided on merit taking into account all evidences and allowing opportunity of hearing wherever required. The decision making should be objective, impartial and consistent.
 - b. **Transparency:** A complainant has the right to know the complaint handling procedure and the grounds on which the complaint is declined. It is a good practice that the acknowledgement of a complaint includes a brief description of complaint handling procedure in the bank and the expected time required to decide a complaint. In case the investigation requires more time, an interim reply briefing the progress made should be communicated to the complainant.

3. ***Complaints must be resolved within shortest possible time:*** It is important that a complaint is resolved as early as possible. Banks need to acknowledge that the person lodging a complaint already holds negative presumption and a delay would reinforce such presumptions.
4. ***Complaint handling mechanism of the bank should be visible and accessible:*** A complaint handling system should be accessible to customers. Public awareness about the complaint handling mechanism specially the knowledge about its access points are the boosters of accessibility. Banks/DFIs should adopt effective and efficient “contact points” for consumer complaints handling. Besides, it should also ensure that the customers are well informed of these contact points.
5. ***The complaint handling should be comprehensive and integrated to core business.*** The banks must follow a holistic approach while recording and analyzing complaints and should consider complaint handling as an indispensable support function of their core business. This means integrating the complaint system with the bank’s other activities. Integration is the key to utilize the available skills, information across the bank to resolve a complaint. It is important to bring in synergies that result in optimum usage of resources delivering a fair resolution of the complaints.
6. ***The complaint handling function should be subject to adequate monitoring.*** There should be adequate monitoring and controls to ensure the operational efficiency and effectiveness of complaint handling mechanism. The function should be subject to internal audit which in addition to identification of procedural exceptions should also examine accessibility of complaint handling, the quality and promptness of decision made and the reports being submitted to senior management. Banks may also resort to other techniques such as mystery shopping or consumer satisfaction surveys to gauge the performance of their complaint handling and identify areas of improvement.

B: Complaint Handling Mechanism

1. Minimum Requirements for Bank's Internal Set Up

1.1 Structure: Banks are required to establish a separate function responsible for overall service quality in the bank, complaint handling unit ideally being a part of it. SBP does not advocate a particular structure, the banks may follow any structural arrangement keeping in view scale and scope of their operations. However, it must be noted that the resources allocated, stature of head of service quality and his/her reporting line have direct implications on business conduct of the institution. It is therefore desirable that in large banks, the Head of Service Quality/other relevant head should report directly to the CEO and have stature of other business heads. While it is not mandatory, banks having large retail exposure and branch network may also consider establishing a management committee to monitor service quality of the bank. Such committee enhances coordination within the institution, augments operational efficiency of complaint handling and integrates customer experience with product and services being offered.

It is expected that the banks will address the possibility of conflict of interest while adopting relevant structure of complaint handling function. Besides, banks will also ensure that the complaint handling function works independently and have adequate powers and resources.

The structural arrangement with respect to receipt and disposal of complaints should not in any way hinder accessibility and visibility of the process and ensures capturing all complaints irrespective of their channel of lodgment. Branches being the focal point of contact be given access to the centralized complaint management system and at least one person in the branch be entrusted with the responsibility to log every complaint that is reported to the branch regardless of the fact that it is resolved at the branch level or escalated to the region or at the head office.

1.2 Policies and procedures: Banks are required to put in place a complaint handling policy and delineate detailed procedures to deal with complaints. The procedures should clearly define the complaint resolution process, roles and responsibilities of people involved right from the receipt of a complaint to its resolution or disposal. The procedures should also outline the mechanism of review and analysis of the complaints and how corrective measures shall be taken to fix the lacunae in a product or procedure as identified through analysis of complaints.

1.3 Process visibility and accessibility: The banks must have a centralized Complaint Management System (CMS) that allows and accommodates complaints received through any source of communication channel including written complaints or claim forms submitted in branches, complaints received through surface mail, fax, email, website or verbal complaints lodged with the banks call centre either through registered/unregistered number. Further, the complaints forwarded by State Bank of Pakistan, BMP etc. should also be recorded in centralized complaint management system. In this regard banks need to ensure that arrangements made are working effectively according to the requirement. For instance poorly staffed call centre help-lines either render unattended calls or long waiting call queues making it difficult and frustrating for customers to register a complaint. Such a practice at bank's end will be an indication of inaccessibility of complaint handling mechanism and shall be considered as non compliance of aforementioned instructions.

Banks should make all efforts to make sure that their complaint handling mechanism is visible and easily accessible to all types of customers. In this regard banks are required:

- i. To display placard in branches at prominent places briefly describing the procedure to lodge a complaint. The text must include the address, phone & fax numbers and email address where a complaint can be lodged.
- ii. The above text must also be displayed on banks main webpage.
- iii. Banks are encouraged to transmit above information as ATM screen messages/ a voice recorded message to be played in voice enabled ATM machines and UAN telephone lines.
- iv. As stipulated under BPRD Circular Letter 18 of 2010, Banks must inform their customers about Banking Mohtasib Pakistan (BMP). While declining any complaint the banks must inform the customer of his right to approach the external dispute resolution forum i.e. BMP along with his contact details.
- v. The banks will continue to report the name, designation and contact details (phone, fax, email & mobile, etc) of person handling complaints to SBP.

1.4 Logging and acknowledging complaint: Banks should make sure that all complaints that qualify the definition of a complaint regardless of how they are transmitted are recorded and processed through CMS. Once a complaint is logged it should be assigned a complaint number. An acknowledgement should be sent via SMS, email, recorded line or surface mail confirming the receipt of the complaint. In case the complaint is received after the working hours, the acknowledgement shall be sent on the following working day. The acknowledgement should briefly describe the complaint process, the time line to resolve or decide the complaint and the contact details for follow up on his/her complaint.

1.5 Interim Reply: In case a complaint requires detailed investigation, banks must inform the complainant that the scrutiny of the matter is taking more time. The reply, in such case, should briefly describe the scrutiny required to find facts and expected time during which final reply would be provided. Interim responses can also be in form of SMS, emails etc.

1.6 Resolution Time Line: Banks are required to resolve expeditiously all the complaints. In this regard following timelines should be observed for all complaints excluding ATM related claims.

Acknowledgment	Within 48 hours of receipt of the complaint.
Interim reply	After 10 working days in case the matter requires detailed scrutiny. These sorts of complaints may include issues relating to fraud, embezzlement of funds, repayment disputes, etc.
Final reply	Within 7 working days if the complaint is of minor nature and does not require detailed investigation. These may include complaint of misbehavior, malfunctioning of system, repayment or settlement disputes etc. In any case the complaint must be disposed of within 15 days. However, the fraud related cases the final reply to the complainant must be issued within 30 days from the lodgement of the complaint.

For ATM related claims, banks are required to follow relevant instructions issued by SBP from time to time. However, for international transactions/disputes Turn Around Times (TATs) of the relevant vendor/entity will be followed.

1.7 Escalation procedure: It is important that complaint should be resolved as early as possible and complacency in dealing with complaints should not be tolerated. For the purpose banks should establish an escalation procedure whereby a complaint not resolved or disposed of within particular timeframe should be escalated to next hierarchy. It is up to the banks to devise a suitable escalation mechanism.

1.8 Final Reply: Not all complaints can be resolved to the satisfaction of the complainant. In such cases it is mandatory to finally inform the complainant that his/her grievances cannot be resolved. The reply should include:

- a. The reasons /justification on the basis of which the complaint is being denied.
- b. Alternate grievance redressal forum available to the complainant and their contact details.

1.9 Information system: Banks should have a centralized system that commensurates with the size, complexity and scale of their operations to support complaint handling. The system should be capable of providing any piece of information relating to complaints in an ad hoc manner. Such flexibility shall allow banks to obtain customized reports for management, SBP or review of product or service area. The system must capture vital information relating to each complaint and store it in a centralized data base. The information inter alia should include name of the complainant, his/her CNIC, complaint number, date of lodgment of complaint, product or service area, nature or type of complaint, date the complainant was sent final response and decision (accepted or declined). The information kept in the data base should be treated as permanent record.

1.10 Categorization and analysis of complaint data: Complaints are valuable source of information which can be used to bring improvements in products, processes and delivery channels. Banks are required to categorize every complaint relating to each product or service area and conduct periodic analysis to identify service pitfalls. A sample list is being given at Annexure A for guidance and may not be construed as exhaustive and prescription of SBP.

1.11 Dealing with Vulnerable Person. Banks are required to exercise extra care while dealing with complaints of illiterate, old age or physically handicapped complainants. It should be ensured that the understanding capacity of the vulnerable person is given ample weightage while deciding the complaint. Any instance where bank is found guilty of exploiting customer's level of understanding must be resolved immediately to the satisfaction of the customer. Pensioners and senior citizens should be treated empathically and to the maximum possible extent their complaint should be resolved preferably at the branch level for their convenience.

1.12 Record keeping: For record keeping relating to complaints, banks are required to follow instructions contained in Prudential Regulations. Where CCTV footage is considered part of circumstantial evidence, it must be retained atleast for two months. For complaints escalated to Courts, all the related evidences should be retained till the final decision.

1.13 **Disclosure in annual accounts:** For the purpose of transparency the banks are required to make appropriate disclosures regarding their performance in relation to complaint handling in their annual accounts. The information disclosed in annual accounts should interalia contain:

1. A brief commentary of bank's internal complaint handling mechanism and initiatives taken during the year; and
2. Total number of complaints received directly by banks and average time taken to resolve the complaints.

1.14 **Reporting to SBP:** Banks are required to submit quarterly return regarding the performance of their Complaint Handling as per the format given at Annexures A & B duly signed by Head of Service Quality, within fifteen days after the end of every quarter.

1.15 **Monitoring and assessing Complaint Handling Mechanism:** The internal complaint handling mechanism of banks should be subject to internal audit atleast annually and any deviation or non compliance of internal procedures as well as legal /regulatory requirement should be recorded and reported to Board of Directors (BoD). The internal audit should also review complaint data and highlight any significant operational risk that the bank may encounter.

In addition to internal audit, the bank may also take following measures to gauge the effectiveness of their complaint handling mechanism.

- **Mystery shopping:** Banks are encouraged to use anonymous market research technique like mystery shopping aimed at gauging the effectiveness and efficiency of their complaint handling procedures/mechanism. It is advised that such activities may be conducted atleast once in two years either covering all elements of complaint handling or some specific areas. Outcome of such techniques should provide the top management with an insight of lacunas in CGHM adopted by the bank.
- **Consumer Satisfaction Surveys:** Banks must hold surveys aiming to measure their customer's satisfaction with regard to grievance handling mechanism in place at their end. This should be done atleast once in a two years and the report thereof should be sent to Director, Banking Conduct & Consumer Protection Department, State Bank of Pakistan. The findings of such surveys must also be reported to the Board of Directors and remedial steps shall be taken thereon to address the defective service areas.

Annexure - A

Product / Service area	Complaint Type	Product / Service area	Complaint Type
Credit Cards	Card activation	Personal Loan/overdraft/ Agriloans	Fee/ Charges related disputes
	Fee/charges		Unfair recovery practices
	Card Blockage / Faulty cards		Wrong reporting in eCIB
	Wrong reporting in eCIB		Fraudulent Transactions
	Fraudulent Transactions		Unfair recovery practices
	Payoff Disputes		Miscellaneous
	Unfair recovery practices		
	Miscellaneous		
Auto Loan	Fee/Charges Disputes	House Loan	Fee
	Insurance related disputes		Charges related disputes
	Documents lost		Property Forced Sale Dispute
	Unfair recovery practices		Documents lost
	Miscellaneous		Miscellaneous
	eCIB disputes		eCIB disputes
Account Maintenance	Account Opening Disputes	ATM/Debit Card	Card not provided/faulty cards
	Non delivery of SOA		Activation issues
	Profit Disputes		Short /non payment of cash
	Fraud & Forgery		ATM out of order/cash
	Service charges		Card skimming
	Pension related issues		Fake currency
	Miscellaneous		Miscellaneous
Over the counter issues	Non acceptance of currency notes	Remittance / Clearing (Inland)	Clearing Delayed
	Fake Currency Payment		Service Charges
	Non encashment /acceptance of payment instruments		Instrument Misplaced
	Funds Misappropriation/short payment		Miscellaneous
	Miscellaneous		
e- banking	Activation issues	Home Remittances	Exchange rate
	Service disruptions		Wrong payment
	Fraud and forgery		Delayed payment
	Misbehavior		Misbehavior
LC / BG / TC	Guarantee Non-Encashment	Bancassurance and third party investments schemes	Mis-selling
			Return/claim related disputes
	Miscellaneous		Service charges
			Misbehavior
			Miscellaneous

Annexure- B

Summary of Complaint Handling

For the quarter ended

Product /service area (as in annexure A)	Complaint Source			Number of complaints* (complaints dealt exclusively by the bank .This does not include cases forwarded by BMP & SBP			Average Time taken to resolve a complaint	Number of complaints forwarded by BMP				
	Email /e form	Letter /form	Call	Previous quarter	Lodged in current quarter	Pending			BMP referrals	Decided		Pending
										Complied	Non complied	