

## [Led by Donkeys](#) [1]

Written by [Tim Ambler](#) [2] | Tuesday 27 August 2013

By 2014, the Financial Ombudsman Service is expected to have grown its headcount 20 times since it was inaugurated 10 years ago with 200-300 people. The FOS is merely responding to the level of complaints and is not to blame. The chief executives of our financial institutions, notably the banks, are. Their leadership is reminiscent of that by our generals in WW1. It is a strange way to celebrate that centenary.

In 1914, Britain was a, maybe the, global military power although Germany, since Bismark, had developed superior land forces. Nevertheless, complacency was rife, Britain ruled the empire and the war would be over by Christmas. In the event it lasted four years and needed US intervention, principally because our generals refused to recognise, still less learn from, their mistakes.

Today the City is a, maybe the, leading global financial centre, although New York has developed strongly. The battlefield now is the financial services marketplace.

In any trade and industry, consumer complaints are an important performance measure. Most companies try to ensure that consumer experience is positive, complaints are few and those that do arise, are dealt with by the companies themselves.

In the year to March 2013, the FOS received over 2 million initial enquiries and complaints from consumers of which half a million turned into formal disputes, an increase of 92% on the previous year. Sixty-two per cent of those were with just four banking groups. On average, FOS found for the consumer on about 50% of occasions, and just 20% for building societies. For the four large banks, however, they found for the consumer 80% of the time.

Do these four CEOs even recognise, still less learn from, these mistakes? It would appear not. The causes of the complaints may be some years back but that is not the point: it would be quicker, cheaper and better business to resolve today's complaints internally today. Marketing academics have long established that consumers whose complaints are well handled become more loyal whereas those who do not receive satisfaction become more dissident.

Compare FOS with the Advertising Standards Authority, not a direct match of course, but relevant. According to the 2012 Report, across all consumer markets the ASA only received 32,000 complaints about 19,000 advertisements and promotions, 94% fewer than the FOS. Bear in mind that these are direct, not filtered by the brand companies dealing with any themselves. Of these only 11.5% were decided in favour of the consumer, compared with 50% on financial marketing and 80% against the big four banks.

On three times (101,000) the occasions, the ASA was spending its time helping the advertisers and promoters prevent complaints. FOS has no wish to bash banks and would much rather be helping them to install best practice in dealing with complaints and, better still, helping banks screen their new offers to ensure they do not give rise to legitimate complaints in the first place.

Unfortunately, like WW1 generals, the four big bank CEOs seem reluctant to learn anything.

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