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The Fault, Dear Barclays, Lies in Yourselves [1]

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Over the last three years, the caseload of the Financial Ombudsman Service FOS) has soared. The fault lies not with building societies, or insurers, or financial advisers, but with the big banks.

Few complaints come in about Building Societies and those are mostly not supported by the Financial Ombudsman. The Building Societies are good at dealing with their own complaints.

Not so with the big banks, which generate 74% of Ombudsman complaints, most of which are upheld. Clearly the banks? internal complaint procedures do not work. And market forces do not work either because consumers think the banks are all the same so there is no point in switching. Or most of them: when frustrated by Barclays? incompetence and failure to deal with complaints, I moved to First Direct and the sky is blue again.

No customer is more loyal than one whose complaint has been well handled. I complained about my breakfast on British Airways once and got a personal letter from Colin Marshall, then the CEO. How can we get banks to satisfy their own customers like that?

Properly managed internal complaints systems would be better for consumers, better for FOS, better for the country at large and better for the banks themselves. The banks cannot win public trust unless, like the building societies, they cut complaints to the FOS to a trickle and lose few FOS judgements.

What can FOS do about it? If they charged the banks thumping fines for their poor complaints handling, FOS would be accused of bias, imposing fines just to raise revenue. Handing the fines over to HM Treasury might mitigate that but maybe not enough.

The big banks are more of a club than a competitive market. The FSA has to take the rap for that. By trying to standardise everything, making entry difficult, disallowing failure and fining them all together in an effort to be fair, the regulator has done no service to the consumer. The new Financial Conduct Authority talks competition but nobody has any idea of how that will be achieved. Maybe the FCA has no idea either. The FOS could make a start by singling out and publishing the best and the worst performer of the month so that the odium can be targeted, not shared equally.

The FCA should be closed down immediately and these matters left to the FOS. That would deal with the boundary issues between them. The suggestion that regulators look forward but the FOS looks back is nonsense: for ten years the regulators have lagged far behind the FOS ? which at least has its ear to real customers in the real world.

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