



Debate at a glance: what you need to know

WELL INTENTIONED

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THE POSITIVES

There are many positives to take from TCF as highlighted by the debate. For example, most businesses with commitment to quality of service will have existing processes in place

LESSONS TO LEARN

There is an over-reliance on operational metrics which are blocking attempts to implement TCF principles. One common reason why businesses missed the March deadline

Play fair

The importance of treating customers with respect

In the latest Customer Strategy Executive Forum debate - sponsored by Tealeaf - delegates discussed the Financial Services Authority's Treating Customers Fairly initiative which is being treated as a matter of extreme urgency by a sector facing an end of 2008 compliance deadline. James West reports

BY THE END OF THIS YEAR FINANCIAL SERVICES providers have to prove both they are treating customers fairly and that they are able to measure that treatment effectively. A perceived lack of direction by regulator the Financial Services Authority (FSA) has caused some consternation in the sector and delegates from some of the UK's leading financial services organisations shared a mix of concern, relief they were not alone, and useful advice as to how the industry can move forward.

The Treating Customer Fairly (TCF) initiative from the FSA is a key issue from a customer strategy perspective, but maddeningly difficult to quantify. Steve Hurst, editorial director of Customer Strategy, set the tone for the latest executive debate, affirming what the attendees gathered from the cream of UK financial services organisations are experiencing first hand: most companies are unable to meet the criteria of TCF and the regulations are causing some confusion.

Designed to create parity between customers and suppliers, particularly targeting retail financial services, which have in the past been guilty of unfair selling practices, TCF may be well intentioned. It's problem lies with its marriage of opposing methodologies. FSA is keen that businesses solve their own problems, creating ways of testing and proving whether they are treating customers fairly. But at an interim deadline in March this year

FSA demanded companies provide evidence of management information which tests the effectiveness of TCF. The majority of organisations were behind schedule. December 2008 is the final deadline the FSA has set when all businesses must be able to demonstrate 'to themselves and us that they are treating customers fairly'.

Rohan Moorthy, associate director of compliance for Barclays Wealth, detailed the seriousness of the situation. "Senior managers across the industry must understand what is at stake if they don't meet the December deadline. FSA will perform a full inspection, with executives being interviewed to see if they understand what TCF is."

Ball of confusion

The contradiction of having non-prescriptive principles leading to an undefined compliance audit is best summed up in this line from the FSA website concerning TCF: 'Firms should decide for themselves what fairness means to them', which begs the question: how can something this vague be regulated? Furthermore, FSA is not providing enough guidance to help businesses who are keen to avoid intrusive audits and fines. "I attended a conference and a FSA spokesperson was tripped up by the questions being asked. The central problem is that we were





» asking for guidance, and the answer from FSA was that it should be an industry initiative," said Daniel Eddie, head of customer services for Axa Distribution Services, who added that the TCF representative for FSA has changed three times in the last year.

Attendees were comforted by a consensus of opinion concerning a lack of TCF clarity, and the shared experience of trying to 'second guess' what FSA wants, according to Rohan Moorthy. Steve Hurst asked Wilf Gibbons to move the debate forward, highlighting his status as the only attendee with TCF in his job title (Gibbons is TCF programme manager at Norwich Union).

"It's easier for front office staff to understand their role in TCF; the challenge is to get back office staff to understand. We have training specific to TCF for all new recruits and a computer-based training programme all staff have to take before the end of October."

After Gibbons put forward his thoughts on training, the group began to share advice about how best to approach the TCF cultural issues. Robert Jones, head of customer services at GE Money Home Lending, affirmed that the cultural changes brought about by TCF could not be embedded overnight.

It was clear from the debate that TCF must be adhered to at all levels of the business. "Our people are embedded with what we call Zurich basics, they have to show evidence of how they contribute to TCF in their quarterly review documents," said Annette Edwards, customer care manager at Zurich Assurance, who added TCF has transformed meetings, with 'each item on the agenda now required to show the relevance to one or more of the six TCF outcomes'.

Taking TCF seriously

"Our TCF forum is chaired by our chief executive and incorporates senior people across the business as well as two non-executive directors. Across all senior staff, one of four bonusable annual objectives is clearly linked to TCF," said Steve Jennings, director of business banking, Alliance & Leicester Commercial Banking. Part of Jennings' executive focus is not only the practical challenges presented by TCF, but also long term planning. "We're into our medium term planning cycle and incorporating TCF into this review. This means that we are looking at the external factors that may influence our business, and ensuring that our planning response takes account of TCF as well as when we launch new products or upgrade our processes."

Daniel Eddie said that the behavioural change starts at the point of employing staff. "As ours is a new business unit, when we recruited, we asked candidates questions about TCF and asked for evidence of how they practised in previous operational roles." Annette Edwards has a similar approach. "We've taken the cream of our people who have the right behaviours for TCF, put them through a set of psychometric tests, and the results have helped us



write new role profiles for our people and anyone we recruit."

There is an over-reliance on operational metrics which are blocking attempts to implement TCF principles. "One common reason why businesses missed the March deadline is that they focused on processes rather than outcome," explained Rohan Moorthy.

Rajinder Tamber, deputy head of compliance, National Savings and Investments, warned against becoming obsessed by management information. "Are we now spending so much time on measurement that we're not focusing on whether we are treating customers fairly?" Several of those present admitted that their dashboards and metrics were too operational focused to encourage TCF thinking.

TCF: Six outcomes required by the FSA

There are six outcomes that the FSA would like customers to experience which are the basis of TCF:

1. Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.

2. Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

3. Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

4. Where consumers receive advice, the advice is suitable and takes account of their circumstances.

5. Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.

6. Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint. The FSA is giving financial services companies until the end of December this year to comply. Many are struggling to meet the deadline



CUSTOMER STRATEGY DEBATE: THE DELEGATES

- **Jeanette Hibbs**
service excellence
senior manager
Nationwide Direct
 - **Daniel Eddie**
head of customer services
Axa Distribution Services
 - **Rohan Moorthy**
associate director of compliance
Barclays Wealth
 - **Margaret Steel**
business support manager
Swiftcover
 - **Wilf Gibbons**
TCF (Treating Customers Fairly)
programme manager
Norwich Union
 - **David Gurney**
customer experience leader
GE Money
 - **Steve Jennings**
director of business Banking
Alliance & Leicester
Commercial Banking
 - **Robert Jones**
head of customer services
GE Money Home Lending
 - **Annette Edwards**
customer care manager,
Zurich Assurance
 - **David York**
director consulting
CGI
 - **Rajinder Tamber**
deputy head of compliance
National Savings and
Investments
 - **Sue Millington**
head of customer services
Citi Bank
- Plus co-hosts**
- **Steve Hurst**
editorial director
Customer Strategy
 - **John Lillie**
UK country manager
Tealeaf
 - **Ira Pollack**
worldwide vice president of sales
Tealeaf

A moveable feast

Tamber also warned of the importance of continuous development, citing the example of checking all your written material against TCF principles. "What you consider to be perfectly clear today might change tomorrow - TCF can't be static." David York, director consulting at CGI, says that written material needs special consideration: 'there will be always be one customer who doesn't understand, so we ask ourselves what questions people will ask when reading our material'.

The group spent considerable time talking about challenges of using feedback as a method of proving TCF. Daniel Eddie offered one solution. "We have created a customer impact forum, the intention of which is give our customers a voice in our business. We are set up to react swiftly and efficiently to customer feedback." Steve Hurst pushed home the point that such forums, although potentially painful for the businesses offering them, are likely to be a very powerful tool for convincing FSA that efforts have been made. Wilf Gibbons brought up the point that it is not just customers who need to be consulted. "We have a database that staff can access to record any TCF blockages they have seen, and a TCF page on our website which can be used to publish these sorts of issues. We review these regularly to identify TCF issues and then work to resolve them."

Voice analytics was highlighted as one potential way of monitoring customer's reactions to your service, without the need for laborious surveys and manual play-back of calls. "You can, in theory, ID customer behaviour, there are clear signs: key words, tones, competitor names etc, that could indicate a customer is unhappy with how they are being treated," says Daniel Eddie.

Another method for testing fairness of systems and processes was put forward by Margaret Steel, business support manager, Swiftcover. "We

invite friends and family into the centre to use the website, and the IT team monitor how user friendly the site is." Online service was highlighted as a unique consideration with regards to TCF, as most companies cannot gauge the web experience until the customer calls with a problem.

John Lillie, country manager at Tealeaf, highlighted the challenge. "We often say: don't use the agent as a diagnostic tool. Our research shows there is a second wave of customer abandonment - if the customer has a problem on your website, they will then call you. If the call centre then doesn't address the problem, you will lose that customer. The problem is that most companies don't offer the facility for agents to see what has happened to that customer online, so they are working in the dark once that call arrives."

Accentuate the positive

There are many positives to take from TCF as highlighted during the debate. For example, most businesses with commitment to quality of service will have existing processes in place which can be used to prove TCF effectiveness; the leap will be proving that these measures actually work. Also, TCF has helped push service up to the boardroom, with some organisations fielding requests from executives to hear calls for the first time. Similarly, Rajinder Tamber admitted that TCF has made the organisation 'question things we perhaps hadn't considered'.

Steve Jennings said that TCF is being adopted across business and commercial banking as it is 'sound business practice' to ensure customers receive a consistent service. Wilf Gibbons agreed, explaining that RAC, which is part of the same group as Norwich Union, is adopting TCF principles even though it isn't regulated. In summary an industry it appears that, despite its flaws, TCF would be a good thing for the sector. ☺