



## Supervisory Policy Manual

IC-4

**Complaint Handling Procedures**

V.1 – 22.02.02

This module should be read in conjunction with the [Introduction](#) and with the [Glossary](#), which contains an explanation of abbreviations and other terms used in this Manual. If reading on-line, click on blue underlined headings to activate hyperlinks to the relevant module.

### Purpose

To provide guidance on procedures to handle complaints in connection with the provision of banking or other financial services to personal and small business customers

### Classification

A non-statutory guideline issued by the MA as a guidance note

### Previous guidelines superseded

This is a new guideline

### Application

To all AIs

### Structure

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## 1. Introduction

### 1.1 Coverage

- 1.1.1 This module applies to complaints, whether oral or written, and whether justified or not, lodged with an AI by or on behalf of a customer, about an AI's provision of, or failure to provide, a service or product.

### 1.2 MA's approach to complaint handling

- 1.2.1 Under §7 of the Banking Ordinance, the MA has the functions, among others, of:
  - taking all reasonable steps to ensure that the places of business, etc. of AIs are operated in a *responsible, honest and business-like manner*;
  - *promoting and encouraging proper standards of conduct and sound and prudent business practices* among AIs; and
  - *suppressing or aiding in suppressing illegal, dishonourable or improper practices* in relation to AIs' business practices.



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- 1.2.2 The MA believes it is consistent with these functions to require Als to have systems to ensure that customer complaints are fully and promptly investigated and resolved in a satisfactory manner. Apart from the issue of fairness to customers, complaints may be indicative of misconduct by staff (including possible fraud) or weaknesses in internal controls.
- 1.2.3 Failure to have in place effective arrangements to handle customer complaints may call into question whether an AI continues to satisfy the authorization criteria in the Seventh Schedule of the Banking Ordinance. Specifically para. 10 of the Seventh Schedule requires Als to have adequate accounting systems and systems of control and para. 12 requires them to conduct their business with integrity, competence and in a manner not detrimental to the interests of depositors and potential depositors.
- 1.2.4 This module sets out the HKMA's recommendations on the key elements of an effective system for handling customer complaints.

## 2. Internal complaint handling procedures: key elements

### 2.1 General principles

2.1.1 Als' complaint management systems should be:

- comprehensive in their coverage;
- transparent, accessible to customers and easy to invoke;
- fair and impartial as between both parties (i.e., between customers/complainants and Als, including their staff);
- consistent in their approach to the provision of redress;
- flexible, simple and prompt;
- efficient, with appropriate and measurable minimum performance standards; and
- able to provide appropriate feedback to the regulator (i.e. the HKMA).



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## 2.2 Policies and procedures

2.2.1 Als should have in place appropriate and effective internal procedures for handling customer complaints, including those in relation to the practices of debt collection agencies employed by them. In formulating their procedures, Als should take into account the provisions of section 13 of the Code of Banking Practice on the handling of customer complaints.

2.2.2 The internal complaint handling procedures should be in writing and their scope should include the following:

- receiving complaints;
- responding to complaints;
- the appropriate investigation of complaints; and
- the availability of any redress or compensation in appropriate circumstances.

2.2.3 When deciding what constitute appropriate complaint handling procedures, Als should have regard to:

- the products and services they provide;
- their size and organisational structure;
- the nature and complexity of the complaints they are likely to receive; and
- the number of complaints they are likely to receive and have to investigate.

2.2.4 Als should put in place appropriate management controls and take reasonable steps to ensure that they handle complaints fairly, consistently and promptly and that they identify and remedy any recurring, as well as any specific, problem identified by the complaints received.

2.2.5 Als should take appropriate steps to handle anonymous complaints. Even if a complaint is anonymous, as with other complaints, any problem alleged by the complainant and substantiated by investigation should be rectified as soon as practicable.

2.2.6 Als should be prepared to deal with complaints lodged by a third party on behalf of a customer, if the latter so chooses. A letter from the customer to the AI authorizing the third party to handle the complaint on his behalf should suffice under normal circumstances.



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2.2.7 In establishing their internal complaint handling procedures, Als may wish to refer to international standards for complaint handling and management<sup>1</sup>.

2.2.8 For complaints referred to an AI by the HKMA, the AI should follow the recommendations in subsection 5.2 below.

### 2.3 Accessibility

2.3.1 Als should ensure that customers know where and how to complain. Complaints should be received in a courteous manner.

2.3.2 Als should:

- publish details of their internal complaint handling procedures, for example in the form of a leaflet and a notice on their websites;
- communicate in an effective manner to new customers the availability of their internal complaint handling procedures;
- supply a copy of the leaflet to customers upon request and automatically to the complainant when they receive a complaint (unless the complaint is resolved by close of business on the next business day of its receipt); and
- make available copies of their internal complaint handling procedures in each branch and each sales office to which customers have access for transacting businesses.

2.3.3 Als should allow complainants to make a complaint by any reasonable means (for example, letter, telephone, facsimile, e-mail or in person). Special assistance should be given to customers with disability or language problems.

2.3.4 Als' correspondence and literature relating to complaints should be in clear and plain language. Correspondence with customers should generally be in the language chosen or used by the customer.

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<sup>1</sup> Examples of these are (i) British Standard 8600: 1999 "Complaints Management Systems – Guide to Design and Implementation", and (ii) Australian Standard on Complaints Handling AS 4269-1995.



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#### 2.4 Confidentiality

2.4.1 Procedures should be designed to protect the identity of customers.

2.4.2 Information in relation to a complaint should be treated as confidential and should be processed by the responsible staff strictly on a need-to-know basis.

#### 2.5 Independence and authority in handling complaints

2.5.1 Als' internal complaint handling procedures should make provision for:

- complaints to be investigated by an employee who was not directly involved in the matter which is the subject of the complaint;
- the persons charged with responding to complaints to have the authority to settle complaints (including offering redress where appropriate) or to have ready access to those who have the necessary authority;
- complaints, in appropriate cases, to be escalated to senior management for their personal attention; and
- responses to complaints to address the subject matter of the complaint adequately and, where a complaint is upheld, to offer appropriate redress.

2.5.2 Where an AI decides that redress is appropriate, it should aim to provide the complainant with fair compensation for any acts or omissions for which it was responsible.

2.5.3 Appropriate redress may not always involve a financial element. It may simply entail an apology, for example. Where financial redress is deemed appropriate, interest on the amount should be considered.

#### 2.6 Resources and staff training

2.6.1 Als should make available the resources needed to ensure the efficiency and effectiveness of a complaint management system. Resources comprise staff (including those with specialised skills), appropriate training, technology and finance.



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2.6.2 Als should take reasonable steps to ensure that all relevant employees (including employees of appointed agents) are aware of their internal complaint handling procedures and that they act in accordance with them. In particular, staff in contact with customers should be provided with training in how to handle complaints.

## 2.7 Monitoring and audit

2.7.1 Als should set up effective procedures to monitor complaints and to make regular reports to their senior management for review. Information to be collected may include:

- statistics on the volume and type of complaints;
- how well the internal complaint management system meets prescribed performance standards;
- the level of customer satisfaction with how complaints are handled; and
- whether repeat problems are being identified and corrected.

2.7.2 Data monitoring may include gathering statistics on the following:

- complaints received;
- complaints substantiated;
- complaints acknowledged outside target time (see subsection 3.1 below);
- complaints resolved outside target time (see subsection 3.2 below) ;
- complaints going to court;
- further complaints by customers who remain dissatisfied with the results of investigation of the complaint;
- complainants' profiles;
- the nature and the value of redress provided;
- suggestions from customers arising from complaints;
- complaints referred by the HKMA; and



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- complaints referred by other organisations such as those referred to in para. 5.3.1 below.
- 2.7.3 Regular audits should be conducted by competent and independent staff. Audit exercises should aim at examining whether:
  - the complaint handling procedures fulfil the stated aims of the policy; and
  - the procedures are operating effectively.
- 2.7.4 The results of audits should be used to improve complaint handling procedures, operating processes, products and services as appropriate.
- 2.7.5 Responsibility and authority to make such changes should be assigned to staff with the appropriate competence.
- 2.8 Management review**
  - 2.8.1 Als should carry out periodic reviews of the ability of their complaint management systems to meet customers' expectations.
  - 2.8.2 Management reviews should consider the following:
    - internal factors such as changes in organisational structure or products or services offered;
    - external factors such as changes in legislation or technological innovation;
    - the overall performance of the complaint management system; and
    - the results of audits.

## 3. Time limits for dealing with complaints

### 3.1 Acknowledgement

- 3.1.1 Als should send a written acknowledgement of a complaint within seven days of its receipt, giving the name or job title and contact details of the person handling the complaint within the AI (as well as details of their internal complaint handling procedures). Als should consider whether to send written acknowledgement in



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respect of telephoned complaints where these are acknowledged over the phone.

- 3.1.2 Als which are able to provide a final response (see subsection 3.2 below) within seven days of receiving a complaint may combine the acknowledgement of the complaint with the final response.

### 3.2 Final response

- 3.2.1 Within thirty days of receiving a complaint, Als should send the complainant either:

- a final response; or
- a response which explains why the AI is not in a position to make a final response, gives reasons for the delay and indicates when it expects to be able to provide a final response.

- 3.2.2 In any case, a final response should be sent to the complainant within a reasonable period of time (normally not exceeding sixty days), taking the nature of the complaint into account.

- 3.2.3 For the purposes of this module, a final response means a response from the AI which either accepts the complaint (and where appropriate offers redress), offers redress without accepting the complaint or rejects the complaint and gives reasons for doing so.

## 4. Record keeping

### 4.1 Retention period and coverage

- 4.1.1 Als should record and retain details of complaints for a minimum period of two years from the date of their receipt.

- 4.1.2 The details to be recorded should include, where applicable:

- the complainant's name;
- the substance of the complaint; and
- any correspondence between the AI and the complainant, including how the complaint was resolved and details of any redress offered by the AI; and



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- whether any alleged problems, if substantiated, were rectified and how.

#### 4.2 Access for inspection and reporting

- 4.2.1 The records should be kept in a convenient and accessible form to facilitate inspection by the HKMA during regular or ad hoc examinations.
- 4.2.2 If necessary, the HKMA may request a report from an AI on the number and type of complaints received and the manner in which they have been resolved.

### 5. Cooperation with the HKMA and other complaint handling organisations

#### 5.1 Contact point

- 5.1.1 To enhance communication with the HKMA in relation to complaint handling, AIs should provide the HKMA, at the time of their authorization or within one month after the issue of this module, whichever is later, with details of a single contact point within the AI for handling complaints.
- 5.1.2 AIs should notify the HKMA of any subsequent change in their contact point.

#### 5.2 Complaints referred by the HKMA

- 5.2.1 AIs should cooperate fully with the HKMA in the handling of complaints against them. The HKMA expects complaints referred to an AI to be fully investigated.
- 5.2.2 The AI concerned should submit the findings from its investigation, together with copies of any correspondence with the complainant, to the HKMA as soon as possible, but normally not later than thirty days after the date of the letter from the HKMA referring the complaint.

#### 5.3 Complaints referred by other organisations

- 5.3.1 AIs should render appropriate assistance to other organisations or parties<sup>2</sup> that have received complaints on the AIs.

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<sup>2</sup> Such as the Legislative Council, the Consumer Council, District Councils, and the media.



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5.3.2 Apart from handling the complaints as usual, AIs should make available the relevant correspondence and documents to such parties (subject to the need to maintain customer confidentiality and, if necessary, after seeking the consent of the complainant), as well as explaining their policy governing the subject matter of the complaint, actions taken to resolve the complaint and any offer of redress.

## 6. Exemption

6.1 Sections 3 and 4 do not apply :

- where an AI has taken reasonable steps to determine, and has determined, that the complaint is not made by, or on behalf of, a customer; or
- where the complaint has been resolved by close of business on the next business day of its receipt.

6.2 Section 3 does not apply where the complaint is anonymous.

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