



Information Release

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Complaints Handling Inspection in Investment & Stockbroking Firms Shows Room for Improvement

The Central Bank of Ireland today (17 June 2011) published the findings of a themed inspection into complaints handling procedures in investment and stockbroking firms regulated under the Markets in Financial Instruments Directive (MiFID).

The inspection examined firms' complaints handling procedures and whether firms were in compliance with MiFID. MiFID requires firms to have effective and transparent complaints handling processes, in order to ensure reasonable and prompt handling of client complaints and to keep a record of each complaint and the measures taken to resolve it. Six firms, representing almost 60 per cent of the retail client market, were selected for on-site inspection and in excess of 160 individual complaints were reviewed. A separate desk-based analysis of the complaints procedures of the 53 investment and stockbroking firms dealing with retail clients was also conducted.

Overall, the findings from the on-site inspections were positive with firms acknowledging complaints, updating clients on the status of their complaints and maintaining adequate records of complaints. All firms inspected had processes in place for escalating complaints information to senior management. The desk-based analysis found that all 53 firms had a written complaints procedure in place. However, concerns were identified in relation to the procedures including failures to provide a definition of a complaint; to acknowledge complaints in a timely manner; to keep the complainant updated on the status of the complaint;

and to advise the complainant of their right to refer the matter to the Financial Services Ombudsman (FSO).

Head of Consumer Protection Division, Sharon Donnery said: 'Clients expect that all investment and stockbroking firms will handle their complaints promptly, fairly and transparently if and when they arise. Complaints provide firms with the opportunity to put things right when they go wrong and, in so doing, enhance their reputation and trust with their existing and potential clients. It is important that firms use complaints information to identify possible trends, to continuously improve procedures and controls where relevant and to prevent similar related complaints in the future.'

The desk-based study showed that:

- 57 per cent of firms did not have a definition of a complaint;
- 19 per cent of firms did not acknowledge each complaint;
- 26 per cent of firms did not provide the complainant with regular written updates; and
- 15 per cent of firms did not inform the complainant of their right to refer the matter to the FSO.

While all the firms were found to have complaints handling procedures in place, there were significant grounds for attention and improvement. The Central Bank considers the identified failings do not meet the definition of an effective and transparent procedure for the prompt handling and resolution of complaints. The Central Bank expects the complaint handling requirements as set out in the Consumer Protection Code to be the standard used by firms and, to that effect, has issued a letter notifying all firms of these important findings. All investment and stockbroking firms have been advised to review their current procedures to ensure that they meet the standard set out in the Code and that the procedures are approved by senior management within the firms.

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Notes for editors:

About the MiFID Regulations

The European Communities (Markets in Financial Instruments) Regulations, 2007 ('MiFID Regulations') is a comprehensive regulatory regime covering investment services and financial markets in Europe and introduces common standards for investor protection throughout the European Union. It applies to both investment firms and credit institutions when providing investment services, and to regulated markets. The MiFID Regulations came into effect on 1 November 2007.

Client Categorisation

The MiFID Regulations set out a three-tier categorisation system classifying parties as retail clients, professional clients or eligible counterparties. The MiFID Regulations attach different levels of regulatory protection and approaches to each party depending on the category of client, with retail clients receiving the highest level of MiFID protection.