Electronic Money Association

Crescent House
5 The Crescent
Surbiton
Surrey
KT6 4BN

United Kingdom

Telephone: +44 (0) 20 8399 2066

Facsimile: +44 (0) 870 762 5063

www.e-ma.org

Samuel Condry
Strategy and Competition Division Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

13 March, 2015

Dear Samuel,

The EMA welcomes the opportunity to respond to FCA's consultation, **'Improving Complaints Handling' CP 14/30.** The response below addresses the questions that are of particular concern to EMA members: Question 3 on the summary resolution communication, Question 8 on the use of premium rate telephone numbers, and Question 20 on the cost benefit analysis.

Response to Consultation

Q3: Do you have any comments on our proposals to improve consumer awareness by requiring firms to send a summary resolution communication in respect of complaints handled within three business days?

The EMA agrees with the extension of the period to resolve complaints informally and with the requirement to send a summary resolution communication in principle. However, we do have concerns about how this new process will operate in practice.

Firstly as the customer may now refer his / her complaint to the Financial Ombudsman Service ("FOS") immediately after receipt of a summary resolution communication, there is concern that respondents will not be awarded sufficient opportunity to resolve a complaint should a complainant remain dissatisfied. In addition, the number of complaints referred to the FOS as well the associated cost will increase significantly.

Given that a respondent would have investigated and resolved the complaint within only three days, the assessment may not have been as detailed and firms will not have put as much resource towards analysing and resolving the complaint as they would, had they been afforded the full 8 weeks to do so.

We propose that, should complainants remain dissatisfied, they should contact the respondent rather than the FOS as respondents are best placed to resolve the complaints within the eight-week timeline. Alternatively, should the right to refer complaints to the FOS immediately after the three business-day period remain, the EMA proposes either an increase in the number of free cases afforded to firms or a reduction in the fees associated with each complaint. Similarly, such complaints could also be handled by front line FOS staff without this incurring a fee, and the firm allowed further time up to 8 weeks to resolve the complaint.

Secondly, we believe the value of the Summary Resolution Communication has been overestimated, and the impact underestimated. Although this is intended to be a shortened communication compared to the 'Final Response Letter' following a formal complaints process, a firm would still want to inform the customer of the outcome of their complaint and rationale for that decision. Where redress is to be offered this would need to be included within the communication, as would details of the customer's right to take their complaint to the Ombudsman, the Ombudsman's contact details and the firm's usual legal/regulatory statement. This information is unlikely to fit into a text message, so firms will be compelled to use email or letter. A customer receiving a an email or letter is likely to expect more information than in the 'summary' response - perhaps something similar to the full 'Final Response' letter. We are not therefore convinced that the Summary Resolution Communication will permit a more informal complaints resolution process.

Q8: **Do you agree that all post-contract telephone calls to financial services firms should be charged at no more than a 'basic rate'?**

The EMA agrees with the FCA on the proposed change to require firms to use 'basic rate' charges for all post-contractual calls and respondents for the making of complaints.

We wish however to be able to address the instances where such numbers are currently in use and are printed on cards that are on sale or in circulation. Replacing cards is costly; it is not always possible to undertake such a programme where cards have not been registered, and in some instances withdrawal of cards may disrupt use. We suggest instead that new cards and terms are updated to provide the non premium rate numbers, and where premium rate numbers are currently in use for existing cards, these would be configured to provide the alternative customer service number immediately upon answering.

Newly issued cards and terms and conditions printed after the new requirements come into force as well as any other physical documentation would not contain any premium rate numbers.

Q20: Do you have any comments on our cost benefit analysis?

Whilst in general, the FCA appears to have taken into consideration a wide range of costs and benefits, there are a couple of missing elements.

(i) The proposed change to DISP 1.2 paragraph 4 refers to the requirement to provide the FOS's website address in general terms and conditions.

> *'(4) provide information to eligible complainants, in a clear, comprehensible, and easily accessible way, about the Financial Ombudsman Service, including the Financial Ombudsman Service's website address:*
> *(…)*
> *(b) if applicable, in the general terms and conditions of the respondent's contract with the eligible complainant.'*

This can be easily implemented for new terms, but creates significant difficulties for products that are in retail outlets, waiting to be sold. The EMA requests that transitional provisions allow for existing physical copies of framework contracts that are attached to prepaid cards in stock and in retail outlets. Removing and replacing such existing hard copies of framework contracts would result in significant cost and bureaucratic burden.

Any newly printed terms and conditions would of course include the new requirements in accordance with the implementation deadline.

(ii) The second issue, is that the impact – both in terms of cost to firms, and impact on consumer behavior – has been underestimated. This arises from the introduction of the Summary Resolution Communication. As explained under our response to Question 3, from an operational/cost perspective it is unlikely that there would be sufficient space to fit all the required information within a standard text message, so firms would be reliant upon email/letter. In addition, where email addresses are not held then letters will need to be issued at a cost to firms.

Similarly, where texts, emails or letters are sent, the firm will need to undertake additional oversight and record keeping, both of which incur additional cost. This is mentioned only very briefly in the Cost Benefit Analysis with a reference to increased "governance" and IT costs, which were not considered to be prohibitive. We believe they may be more extensive than recognised in the proposal.

Thank you for the opportunity to respond to these proposals.

Yours sincerely,

Dr Thaer Sabri

Chief Executive

Electronic Money Association

The Electronic Money Association (EMA) is the trade body representing electronic money issuers and payment service providers. A list of EMA members is given overleaf.

List of EMA members as of March 2015

Advanced Payment Solutions Ltd
American Express
Boku Inc
ClickandBuy International Ltd
Ekuantia EDE, S.L.
Facebook Payments International Ltd
iCheque Network Limited
Ixaris Systems Ltd
National Australia Group
Optimal Payments
Park Card Services Limited
PayPoint Plc
Paywizard
Prepaid Services Company Ltd
PSI-Pay Ltd
Securiclick Limited
Stripe
Transact Payments Limited
Wave Crest Holdings Ltd
Worldpay UK Limited

Airbnb Inc
Blackhawk Network Ltd
Citadel Commerce UK Ltd
Corner Banca SA
Euronet Worldwide Inc
Google Payment Ltd
IDT Financial Services Limited
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