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- ✓ You MUST be in attendance for the entire live session
- ✓ You MUST complete the follow-up survey regarding the session





Assessing Vendor Complaints for Oversight

PRESENTED BY

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Session Agenda

1

What you need to know
about vendor
complaints

2

Setting vendor
performance and
complaints management
expectations

3

Best practices for
managing vendor
complaints

4

Where to find
relevant industry
news

2020 Was the Year of Complaints

- A review of the Consumer Financial Protection Bureau's (CFPB) public complaint database finds that consumer complaints about financial grievances spiked during the pandemic year of 2020, eclipsing 2019, the previous record year.

(source, U.S. PIRG Education Fund)

- The number of complaints about consumer financial products and services surged by more than 50% between 2019 and 2020, found the Watchdog Group's analysis of the CFPB's consumer complaint database.



Pandemic Causes More Complaints

“The surge in complaints is a signal of the strain the pandemic put on consumers, and of the minefield of tricks and traps they face in the financial marketplace.” - Gordon Weissman, Frontier Group

Monitoring your complaints is mission critical during any event that stresses the economy.

Roughly 32,100 of the complaints the agency received in 2020 mentioned the pandemic, which the CFPB said averages out to more than 3,000 complaints a month beginning in April 2020.



CFPB Statistics

- Since January 2012, the CFPB has **processed 2,055,889 complaints**
- In 2020, there were 444,551 complaints - more than **50% higher** than the 277,366 complaints in 2019, which at that time was the most complaints ever received in a year
- To understand the severity of this increase, in the 9 years the CFPB has been operating, **nearly 22%** of all complaints were recorded in 2020



Why Vendor Complaints Matter



Complaints related to a vendor translate to a complaint about your organization



Acts as red flags of a vendor's declining performance



Consumer expectations are evolving



The pace of regulatory change is accelerating



The internet is here to stay



CFPB is mining data lakes for complaint patterns

Why should you be worried about consumers complaining about one of your vendors?

Your organization will be held accountable for the actions of a third-party vendor.

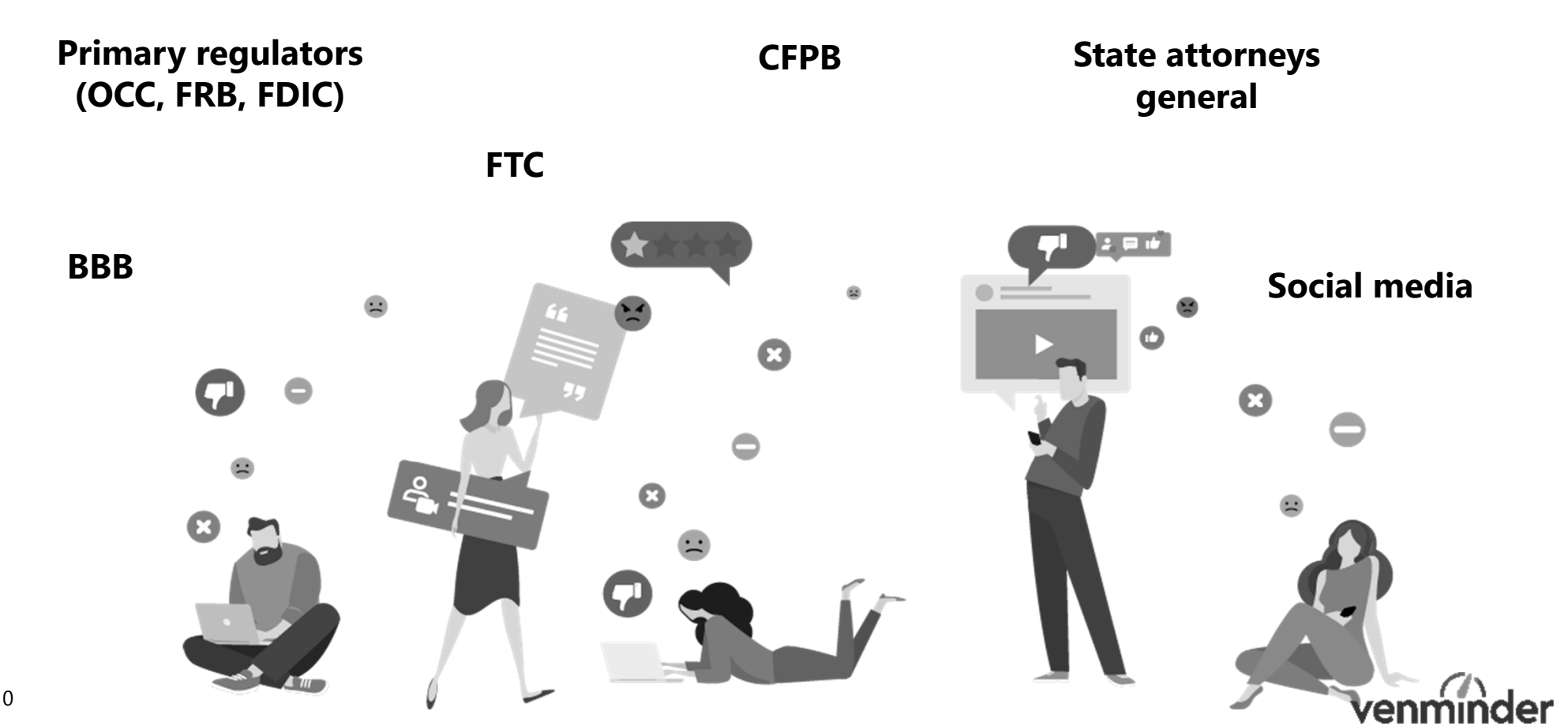


Poll Question

What is your biggest vendor management challenge?

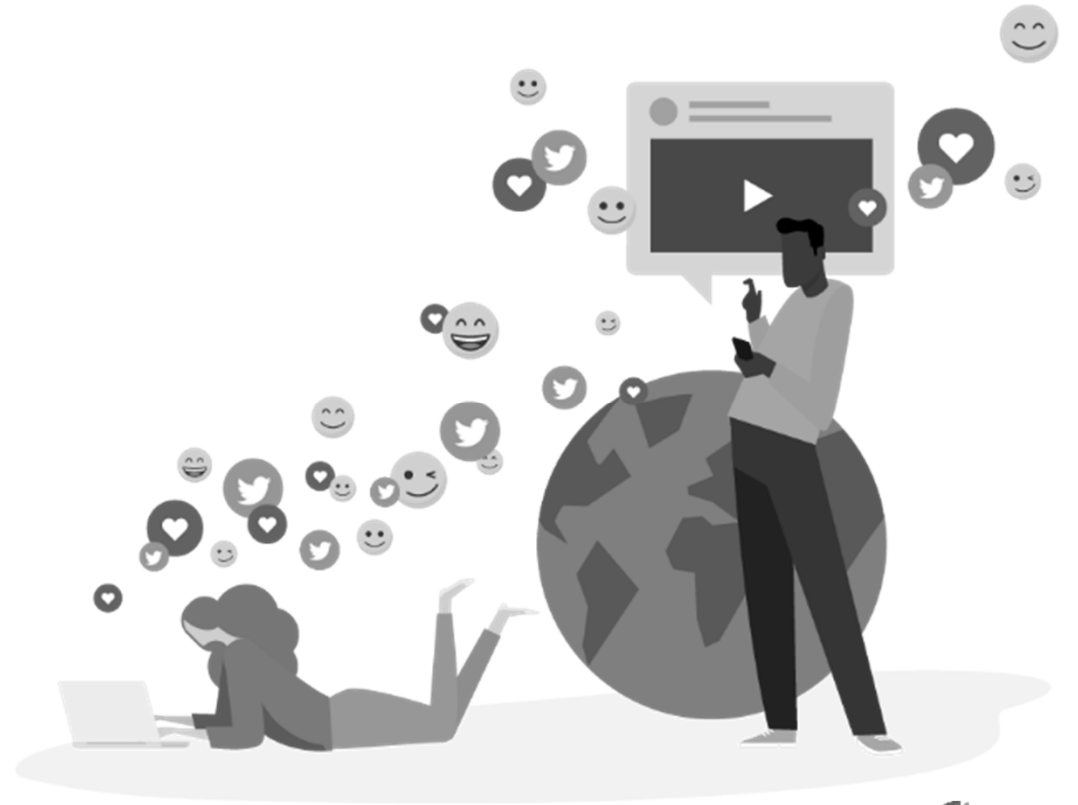
- a. Time
- b. Getting the right documents from vendors
- c. Risk assessments
- d. Keeping up with the regulations
- e. Ongoing monitoring
- f. Reporting
- g. Not sure

Who Do Consumers Complain To?



Social Media Isn't Always "Social"

**Anyone can tweet anything,
anytime, from anywhere.**



Anyone can say anything, at any time, on any platform



Facebook



Twitter



Pinterest



YouTube



Google+



Line



**Facebook
Messenger**



LinkedIn



Viber



WhatsApp



Skype



WeChat



Instagram



Snapchat

The CFPB's Response to Signing Up for Email Alerts

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Don't forget to sign up for our [other email lists](#) to learn more about our work at the Bureau.

Sincerely,

The Bureau of Consumer Financial Protection

Follow us



Poll Question

Do you have a documented risk assessment process as part of your vendor management protocol?

- a. Yes
- b. No
- c. Not sure

Enforcement Actions Aren't Exclusive to the One Industry

Historically, enforcement actions occurred more in the finance industry (banks, credit unions, insurance, etc.)

The CFPB now includes:

- Legal Firms
- Marketing Companies
- Information Systems
- Auditors
- Asset Recovery Firms
- Educational Institutions



YOU are Responsible for Your Third Parties

It is up to you to monitor your third-party, fourth-party, fifth-party vendors and so on for both:

- Quality Assurance (the processes in place)
- Quality Control (product sales and service)



Accountability isn't in an SLA; it's up to you!

CFPB Mines Data

- Is it an isolated incident or tip of an iceberg?
- Investigate each one
- Develop a complaints management policy
- Assume for each consumer who complains there are 20 others who didn't bother



The Enforcement Arsenal

Any entity is subject to the FTC and every entity selling a product or service to a regulated industry is subject to enforcement!

- FTC UDAP §5
- CFPB UDAAP
- FDCPA
- TILA (under the purview of the CFPB)

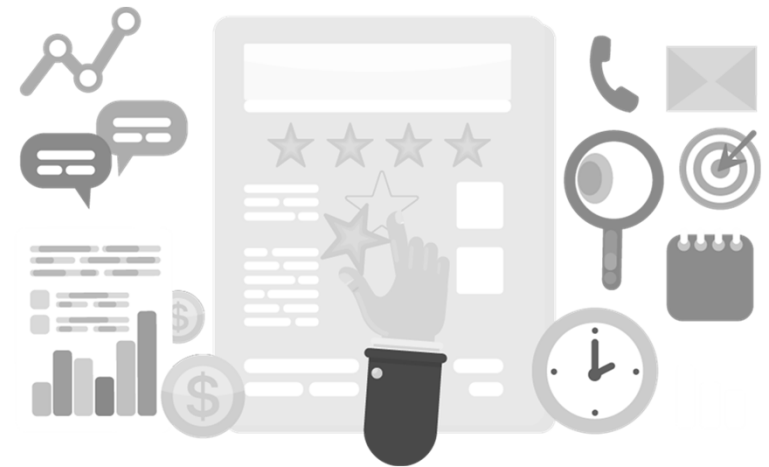


Why Are Complaints Harmful?

Set aside enforcement actions for a moment

Other collateral damage:

- Reputation risk
- Loss of consumer confidence
- Silent attrition
- Cost of acquiring new customers increases



Where to Look for Complaints Against Your Third Parties

- CFPB and FTC databases
- Better Business Bureau
- Google news search
- Social media –
hello, Twitterverse!



Who Should Be Responsible for Complaint Management?

Even though responsibility of customer complaint management can sit in various places in the organization, it's likely that roles and responsibilities will be dispersed across various teams. It's recommended to create a **RASCI** chart to make sure each component of complaint management is accounted for.

R

Responsible

Person who will complete the task or activity.

A

Accountable

Who oversees the progress and answerable for performance of task.

S

Supportive

A person or a system which assist the responsible person during project or process implementation.

C

Consulted

Internal or external resource that must be consulted. Two-way communication required.

I

Informed

The mandatory stakeholders who must be informed. One-way communication.

Sample RASCI Table

Task	Vendor	Operations	Compliance	Marketing /Public Relations	TPRM	Legal	Senior Leadership
Collect complaints through call center	R	A	I	I	I		I
Collect complaints through email	I	S	A	R	I		I
Monitor social media sites	S	R	I	A	I		I
Analyze complaints	S	R	A	I	I		I
Respond to regulator inquiries	S	R	A	I	I	C	C
Respond to customer complaints	S	R	A	I	I		I
Determine what counts as a complaint	I	S	R	I	I	C	A
Measure response timeliness	S	R	A	I	I	I	C
Identify solutions to prevent complaints	S	R	C	C	I	I	A
Awarding financial compensation	I	I	A	I	I	R	C

Reasons Why Complaint Management Programs Fall Short

- Failure to capture and categorize complaints consistently
- Senior leadership is not aware of volumes or reasons of complaints
- A failure to conduct root cause analysis
- Failure to appropriately monitor vendors interacting with the customer
- Firms giving compensation to those who complained but ignoring other customers who were wronged but did not complain



Monitor & Respond to ALL Complaints

It's simple predictive analytics

If you haven't already done so – create a database of complaints and track the following:

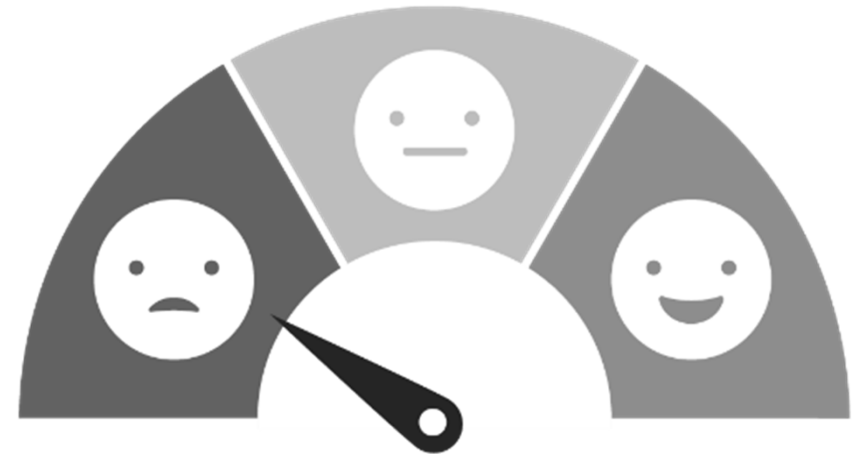
- Calls (all calls inbound and outbound)
- Written communication
- In-person conversations
- Any communication with the CFPB (the CFPB has a complaints database for consumers to share their negative experiences)



Complaint Program

- Log every complaint and every interaction with anyone
- Track if a vendor was the cause of complaint
- Date & time stamp all interactions
- Answer every customer, every time

Remember! Complaints are **your** responsibility...**not** your vendor's



Listen to Your Customers

- Set time aside to discuss what feedback you're receiving
- Call center monitoring
- Mail monitoring
- Quarterly business reviews with your third parties
- Setup a social media watchdog



“The customer is always right...”

- Ok – hyperbolic but the customer is the one who can complain the loudest
- Social media can lead to media disaster
- Develop a social media policy
- Take it “offline”
- Monitor your social media



Empower Your Front Line

- Make them your eyes and ears
- Educate them on how your organization wants specific issues handled. "If you see or hear something, say something."
- This extends to anyone dealing with customers and third parties



Poll Question

At my organization, complaints management is handled by?

- a. The Business Line or Operations
- b. Compliance
- c. Third-Party Risk Management
- d. The Vendor
- e. Other
- f. I don't know

Study Recent Enforcement Trends

- Use as a lens for your own organization
- Social media reports
- Google news
- Primary regulators' websites (FDIC, FRB, OCC)
- Davis Wright Tremaine LLP
(dwt.com/blogs/financial-services-law-advisor)



Be Careful with Products & Disclosures

- Credit repair products
- ID theft protection products
- Add-on products in general
- Heavily fee laden, difficult to understand and/or difficult to cancel
- Anything verbally communicated to your customers
- Anything in writing to your customers



Avoid the Regulatory Chain-of-Pain

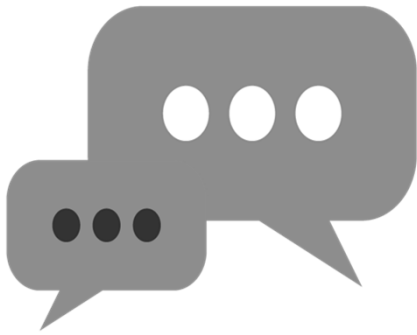
1. Have a dedicated response team to handle complaints
2. Require aggressive action and timeframes
3. Acknowledge, respond and resolve in writing



A Few Final Best Practices



- ✓ Make complaint management part of your contract with your third parties
- ✓ Develop clear guidelines on who and how to handle
- ✓ Require root cause analysis of every issue you log
- ✓ Follow through to be sure the issue is remediated



Questions & Answers

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