

CONSUMER ACTION MONITOR

January 2017

Key findings and methodology

**Ombudsman
Services**

Good for consumers – Good for business

Foreword

Now an established part of the consumer satisfaction landscape, the fourth annual Consumer Action Monitor (CAM) reveals growing disillusionment among consumers and that the customer does not always come first.

The report also highlights the business cost of poor customer service for the first time – an estimated £37 billion – as disgruntled consumers vote with their feet.



Complaints made by UK consumers reached 55 million in 2016 – up by three million from last year – with over a quarter now more likely to complain about an issue than they were 12 months ago. However, over 75 million issues were ignored, because many perceive the complaining process to be too much hassle, and don't trust businesses to look after their interests.

While many businesses are committed to putting the consumer at the heart of what they do, one in five consumers still don't believe that companies are listening to them, and many feel resigned to poor service.

Last year, more than a quarter of consumers either spent less money with a company or took their custom elsewhere after receiving poor service, at an estimated cost of over £37 billion to companies. Of course, this is only possible in sectors where consumers have a choice – but it's 'grudge purchase' sectors, such as rail, where disillusionment is particularly rife.

On-going, and highly publicised, issues in the rail sector saw complaints increase by 30 per cent last year. As with other regulated sectors, the majority of complaints will be handled quickly, but what happens to those who remain unhappy? The services available for those who take a complaint further do not provide binding resolutions and there needs to be a straightforward way to pass the balance of power back to aggrieved passengers.

As we move towards leaving the EU it is critical that protection for UK consumers remains, it could also provide an opportunity to enhance and improve what's already in place.

Having access to an ombudsman is good for business and good for consumers. It is crucial that consumers continue to feel empowered to raise complaints, that those complaints are handled well by providers and that there is easy access to an ombudsman where the customer remains dissatisfied.

As the largest multi-sector Ombudsman in the UK, we're committed to improving customer service processes for both consumers and businesses. We have no doubt that there will continue to be an increased call for dispute resolution and redress – particularly with the renewed focus on Responsible Capitalism – but the sooner ombudsman schemes are seen as the mainstream option, the sooner consumers and businesses will realise the benefits.

A handwritten signature in black ink, reading "Lewis Shand Smith". The signature is fluid and cursive, with a long horizontal stroke at the end.

Lewis Shand Smith, Chief Ombudsman

Executive summary

The key findings of the Consumer Action Monitor are:

- **There were a total of 55 million complaints about products or services in 2016, up six percent from last year (52 million)**
- Many consumers are feeling more confident in complaining, with a quarter (26%) admitting they are more likely to take action when they experience a problem than 12 months ago
 - 37 per cent of people raised a complaint last year, up from 34 per cent when the report began in 2014
- The most common sectors for complaints were Retail (24%), Telecoms (13%), Energy (10%) and Public Transport (7%)
- **Many consumers seem disillusioned with complaining**, as on-going issues dent businesses
 - One in five (19%) do not believe companies listen to consumers
 - 17 per cent say they've complained before and nothing changed
 - In some sectors, customers are becoming resigned to poor service
- **There is still a long way to go, as 75 million problems were ignored**, up from 64 million last year
 - 44 per cent of people who experienced an issue but did not raise it with the company thought it wasn't worth the hassle
 - One in four (28%) said they could not be bothered to make a complaint
- Lack of trust in businesses to put things right discourages people from raising their issues
 - One in three (34%) believe you can only get a result from a complaint if you kick up a big fuss
- **Good customer service is essential for brand loyalty**
 - Four in five (79%) people said they would be unlikely to return to a brand if their complaint was handled badly
- **Last year, more than a quarter (28%) of consumers spent less with a company or took their customer elsewhere after receiving poor service – at a cost of over £37 billion to companies**
 - Sectors where companies missed out most were Retail (£10.05bn), Banking (£5.81bn) and Transport (£5.51bn)
- **Social media** has overtaken ombudsmen as the most popular third party for consumer complaints
 - Four in 10 (41%) shared their complaint(s) on social media, in addition to taking the issue to a provider
 - One in three (29%) went to an ombudsman
 - Overall, seven in 10 (71%) discussed an issue on social media or with friends and family



The complaints landscape

Average number of complaints per person



Average number of 'actioned' complaints per person



Average number of complaints not acted on per person



Poor service is not acceptable

People's willingness to take action against a product or service provider when things go wrong compared to 12 months ago:

More likely **26%**
No difference **67%**
Less likely **3%**

In the UK, people tend to vote with their feet if they receive poor service from a product/service supplier

19% Decided to stop spending money with a company

15% Decided to start spending less money with a company

14% Switched suppliers



Complaints by sector

The number of complaints varies by sector, with Retail receiving the largest share, and 'grudge purchases' like Energy and Telecoms also generating a large number of complaints. These three sectors combined were responsible for nearly half (47%) of all complaints in 2016.

However, while the number of complaints in the Retail sector remains stagnant, both Telecoms and Energy sectors have seen their complaints drop by 1.4m and 1.3m respectively, which hints that customer service is starting to improve. Meanwhile, traditionally smaller sectors such as Post, Tradespeople and Property Services have seen their complaints rise, indicating a decline in service standards.

Some service issues have been highly publicised, like those in the Rail sector (part of Transport). Transport complaints have increased by 400,000 since last year, and it is clear that the Rail sector is responsible, with complaints up by around half a million, from 1.56m in 2015, to 2.04m last year.

1 **Retail**
13.1 million: Number of complaints
24%: As a percentage of total complaints

2 **Telecoms**
6.9 million: Number of complaints
13%: As a percentage of total complaints

3 **Energy**
5.5 million: Number of complaints
10%: As a percentage of total complaints

4 **Transport**
4.0 million: Number of complaints
7%: As a percentage of total complaints

5 **Banking / Finance**
3.6 million: Number of complaints
7%: As a percentage of total complaints

6 **Leisure / Tourism**
2.5 million: Number of complaints
5%: As a percentage of total complaints

7 **Tradespeople**
1.6 million: Number of complaints
3%: As a percentage of total complaints

8 **Post**
1.4 million: Number of complaints
3%: As a percentage of total complaints

9 **Property Services**
1.2 million: Number of complaints
2%: As a percentage of total complaints

10 **Parking**
1.2 million: Number of complaints
2%: As a percentage of total complaints

11 **Motor Vehicle Repairs / Dealerships**
748,430: Number of complaints
1%: As a percentage of total complaints

Complaints by region

The number of customer complaints varies considerably by region and this is not just accounted for by differences in population size.

Residents in the North West made the most complaints by far – an average of 1,84 per person. In contrast, people in the North East complained the least, making just 0.74 complaints per head.



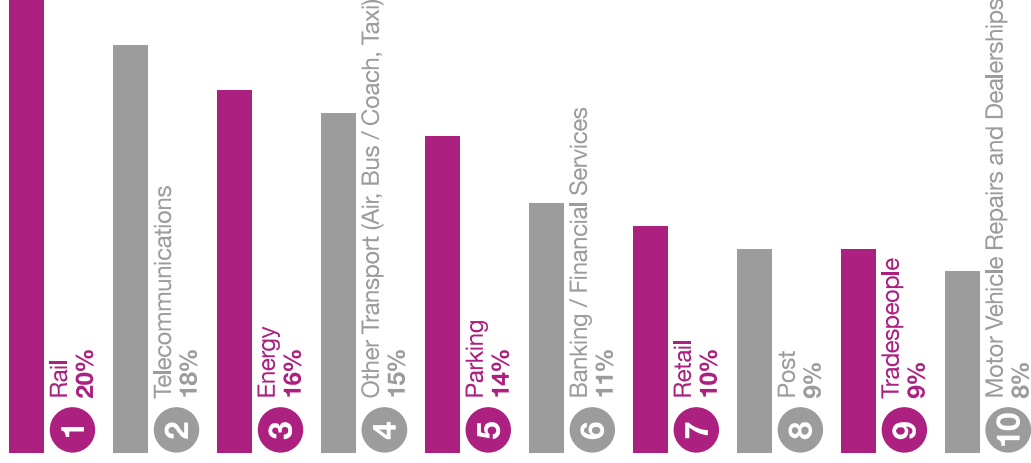
Resigned to poor service

While the perceived hassle of complaining is too much for many consumers, others are left feeling resigned to poor service, with long-term issues leading to high levels of disillusionment.

Poor experiences of complaining to a company can leave many feeling helpless, and puts them off raising issues in future. One in seven (14%) said they feel disillusioned with business, and don't feel complaining will have any real impact, while 17 per cent of those who had an issue did nothing about it because they had complained previously and nothing improved.

Disillusionment is rife in sectors where consumers have limited choice in supplier, or have been tied into lengthy contracts, such as Rail, where people usually only have no choice in provider, and Telecommunications, where contracts are often long-term.

Would you say that you are resigned to poor service in any of the following sectors?



Trust in big business and politics remains low

With so many consumers resigned to poor service, it is unsurprising that trust in big business is low. While there has been some improvement in trust levels, there is still a long way to go.

Three in 10 (30%) adults believe big businesses are only interested in taking money, and they don't care about you if something goes wrong, while one in five (20%) say businesses used to do right by people, but believe this is no longer the case.

With responsible capitalism high on the Government's agenda, it is worrying to see that three in 10 (30%) say politicians don't care enough about consumer rights.

Moving forward, companies and politicians need to ensure that the consumer is at the heart of what they do, and receive the service they are paying for, which will increase trust across the business sector.



Complaints don't have to be bad for a brand...

Most companies will experience disoriented customers at one time or another, but it is how they manage their complaints that most affects their brand and decides whether consumers will remain loyal or choose to go elsewhere.

Consumers are often happy to forgive and forget as long as their complaint is resolved to their satisfaction. If a complaint is handled badly, many consumers will mention this to friends or family so the overall impact on the company might be greater than first thought.

Half of consumers (47%) think more highly of a business that handles complaints efficiently

47%

44 per cent of consumers would feel more confident in a company that offered access to a dispute resolution service

44%

A quarter (26%) of people would be more likely to buy a product from a business if it offered dispute resolution services

26%

Three quarters (75%) would be likely to return to a company if a complaint they made was handled well

75%

Only 8 per cent would be likely to return to a company if a complaint was handled badly

8%

...but a poorly handled complaint could be costly

Consumers in the UK aren't afraid to vote with their feet when they experience poor service - if they have an alternative, they will likely take it.

Last year, one in five (19%) consumers took their business elsewhere due to poor service, while others (15%) made a conscious decision to spend less with a brand in future - these decisions can be costly to business.

Companies missed out on an estimated £37 billion last year due to consumers who decided to either spend less or switch to a rival brand following poor service.

The Retail Sector was the worst affected by this, as customers said they spent £10 billion less, with companies in the Banking & Financial Services Sector and the Transport Sector also taking big hits as a result of poor service.

Retail
£10.05 billion: Cost of poor service
24%: Total complaints received

Banking and Financial Services
£5.81 billion: Cost of poor service
7%: Total complaints received

Transport (bus, rail and airlines)
£5.51 billion: Cost of poor service
7%: Total complaints received

Energy
£5.20 billion: Cost of poor service
10%: Total complaints received

Telecommunications
£2.98 billion: Cost of poor service
13%: Total complaints received

Tradespeople
£1.61 billion: Cost of poor service
3%: Total complaints received

Leisure and Tourism
£1.40 billion: Cost of poor service
5%: Total complaints received

Property Services
£0.44 billion: Cost of poor service
2%: Total complaints received

Post
£0.38 billion: Cost of poor service
2%: Total complaints received

Parking
£0.03 billion: Cost of poor service
2%: Total complaints received

19%

took their business elsewhere

Where people go to complain

Most consumers take their complaints directly to the company or supplier behind the problem. However, when this fails to reach a resolution many choose to escalate their complaint to a third party.

For the first time, social media has become the most popular method of airing grievances. Of those who went to a third party, two in five (41%) posted about the issue to their followers. This makes good customer service vital for companies, as many people who raised their complaint using more official channels also posted on social media.

After social media, taking complaints to ombudsmen, which provide a free and impartial alternative to court action, was the most popular choice. Nearly three in 10 (28%) chose this option, while 17 per cent appealed to a government organisation.

Which third party did you take your complaint to?

(base: All who complained to a third party)

An ombudsman or government organisation



Media



Courts and mediation



Other



Love not money

When our expectations of a product or service are not met, the disappointment can lead to anger and frustration.

Financial compensation is often not the goal – most consumers just want to have their problem fixed, or to know they will have a better experience in future.

It sounds simple, but more than half (52%) of customers would also like an apology when things go wrong.

What is the minimum reparation you would expect if you received poor service or a defective product?



Barriers to complaining

This year's report has revealed that high numbers of customers aren't willing to put up with poor service or poor quality goods, however many people are still reluctant to take action.

Over 75 million problems were ignored last year, with nearly half (44%) of people saying it was 'not worth the hassle'. A third (34%) believe you can only get a result from a complaint if you kick up a big fuss, but many could be missing out as a result of this perception. Apathy has struck others, with three in 10 (28%) who had something to complain about saying they could not be bothered to complain.

Misconceptions surrounding the complexity and cost of the court system are also putting people off.

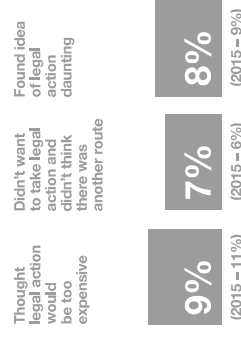
Biggest barriers to complaining

(base: All who had a complaint which they did not take to a supplier or third party)

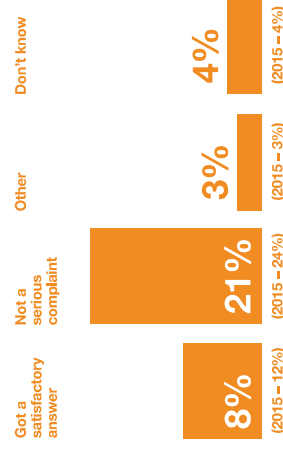
Time and effort



Legal action



Other



Methodology

- The 2017 Consumer Action Monitor is the fourth annual report of its kind produced by Ombudsman Services
- Research was commissioned by Ombudsman Services and carried out by ICM Research between 4 - 6 January 2017

Methodology Online omnibus:
nationally representative
sample of adults
aged 18+

Number of interviews 2,477

Coverage of fieldwork Great Britain,
with quotas by gender,
age, region.

Fieldwork dates 4 - 6 January 2017

- Certain extrapolations have been made based on the findings in order to estimate the numbers of complaints that have taken place nationally, regionally and within particular industry sectors. These extrapolations, made by ICM are based on an ONS audited GB adult population figure of 47,350,000

For further information, including data breakdowns, please contact:

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About Ombudsman Services

- Ombudsman Services is a not for profit, private company limited by guarantee
- Ombudsman Services runs national, private sector ombudsman schemes which provides independent dispute resolution for the communications, energy, property, copyright licensing sectors, the Green Deal, the ABFA and Reallymoving.com
- Ombudsman Services provides an expert dispute resolution service. The service focuses on encouraging early agreed resolution wherever possible and does not charge a fee so it's able to offer access to redress for consumers to resolve their complaints without proceeding to the civil courts
- Ombudsman Services is a full member of the Ombudsman Association (OA) and adheres to its principles
- Further information about Ombudsman Services can be found at www.ombudsman-services.org

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