

Complaints handling: audit, research and performance

BACKGROUND

New complaints handling standards were introduced by Ofgem in October 2008 and are a key element of the new consumer representation arrangements for gas and electricity customers¹.

The new standards apply to all complaints from domestic and micro-business² consumers made to gas and electricity suppliers and network businesses. They provide an improved level of service for consumers. For example:

- Consumers should no longer have to repeat all the details of the complaint if they need to contact the supplier again;
- Suppliers can no longer insist that complaints are put in writing before they can be considered; and
- Companies will publish information on the number of complaints they receive. This will help consumers to decide which companies provide the best service.

To ensure that energy companies had properly put the new complaints handling standards in place, Ofgem commissioned an independent audit. We also carried out research³ with customers who had made a complaint to one of the big six⁴ energy suppliers since the new standards were introduced to assess their satisfaction with way their complaint had been handled.

AUDIT

In October 2008 we appointed PKF to carry out an audit⁵ on the new standards. They consulted with consumer bodies (including Consumer Focus, Consumer Direct and Citizens Advice); obtained copies of companies' procedures and undertook a two day visit to each of the big six suppliers to assess their complaints handling arrangements for domestic and micro business customers and sample test their operation. For the small suppliers⁶ the auditors collected data from each of them and conducted a one day visit to a sample of two small suppliers to test the operation of the procedures.

The results of the audit show that:

- Overall there was a high level of compliance with the new standards;
- Suppliers had reviewed and upgraded (where necessary) their IT systems to ensure that they met the requirements of the standards;
- All suppliers had developed and rolled out a programme of training to their customer facing staff and those with responsibility of complaints management;
- Internal complaints handling procedures had been revised to set out the definition of a complaint and the steps required to process complaints;

¹ A full explanation of the arrangements can be found here:

<http://www.ofgem.gov.uk/Media/FactSheets/Documents1/changestoconsumer.pdf>

² Government has defined a micro business as: an annual consumption of electricity of not more than 55,000kWh; or an annual consumption of gas of not more than 200,000kWh; or fewer than the equivalent of ten full time employees and an annual turnover or annual balance sheet total not exceeding €2 million.

³ The research report can be found here:

<http://www.ofgem.gov.uk/Markets/RetMkts/Compl/ConsRep/Documents1/ComplaintsSurveyReportMay09.pdf>

⁴ British Gas; Scottish & Southern Energy; ScottishPower; E.ON; EDF Energy and npower.

⁵ The audit report for the big six energy suppliers can be found here:

<http://www.ofgem.gov.uk/Markets/RetMkts/Compl/ConsRep/Documents1/CHSmainsuppliersMayfinal.pdf>

⁶ The audit report for the small suppliers can be found here:

<http://www.ofgem.gov.uk/Markets/RetMkts/Compl/ConsRep/Documents1/CHSAuditSmallSuppliersMay09final.pdf>

- The arrangements for handling referrals from Consumer Focus and Consumer Direct were being followed. This was a particular area of concern in advance of the new arrangements and the findings are reassuring;
- All suppliers had updated their published procedures to reflect the new regulatory regime;
- Minor changes were required by some suppliers in respect of providing information on arrangements for face to face complaints, the timescales for investigating and resolving complaints, and the remedies that the Energy Ombudsman can provide; and
- EDF Energy (EDF) was recording a lower level of complaints than other suppliers which we are now investigating further.

Suppliers are required to not only record the details of the customer's complaint, but also to summarise the action taken and the basis on which it considers that the complaint has become resolved. The auditors noted that enhancements are still required to all suppliers' arrangements in this regard. In particular, there was no clear link between the details of the complaint, the agreed action to be taken and the final conclusion that the matter has been resolved, including confirmation that the customer is satisfied that the action taken addresses their concerns.

The accuracy of this information is important. The number of complaints that remain unresolved at the end of the next working day following receipt will be published to allow customers to make comparison on respective supplier performance. In addition, customers' satisfaction or lack of it with suppliers' complaints handling was directly linked to the resolution of the complaint as noted in the research referred to earlier.

RESEARCH

Ofgem also appointed the market research agency Harris Interactive to undertake quantitative and qualitative research with customers who had made a complaint to one of the big six suppliers. This involved telephone interviews with 2708 domestic and 308 micro-business customers, and 36 more detailed qualitative interviews, with customers who had made a complaint during December 2008.

Billing and price related complaints were the most common reason that customers complained, with price related complaints the most likely to be resolved with just one phone call or letter to the supplier.

Overall satisfaction was low with less than one in four customers satisfied with the complaint handling process. While some suppliers (in particular Scottish and Southern Energy (SSE) and E.ON) were better than others, all suppliers need to look at how they can improve.

Whilst the softer elements of the process at the initial contact point such as the attitude of the staff are very well thought of by customers, this satisfaction quickly dissipates the longer that the complaint remains unresolved. Empowering staff to take ownership of the complaint, proactively managing the customer (for example, keeping the customer informed about the progress of their complaint) and recording information accurately so that customers do not have to repeat the details if they call again are key to customer satisfaction.

There is also often a fundamental difference between a customer's view of whether a complaint has been resolved and the supplier's. This is a primary driver of dissatisfaction for consumers and one which suppliers should be most concerned to address.

Ofgem's Chief Executive has written⁷ to all the major suppliers asking them to develop an action plan which sets out what improvements they intend to make in response to the consumer research and the audit.

COMPLAINTS DATA

The tables below show complaints data from the big six energy suppliers for the first six months of the new consumer representation arrangements (1 October 2008 – 31 March 2009).

How well suppliers are performing in terms of complaint handling can be important to customers in choosing a supplier. Publishing information on relative performance is therefore an important aspect of the new arrangements. However it is important that the information is not misleading and that a focus on particular measures does not act as a disincentive on suppliers to record all complaints. The question of what counts as a complaint involves an element of judgement by the customer service staff. **The purpose in putting this report on the Ofgem website is to take forward the debate on complaints handling and the robustness of data and to do so in a transparent way.** Further work is needed to ensure comparability of data between suppliers.

The table below shows the total number of complaints received per hundred thousand customers in the first six months. **This is included in the interest of transparency around the new arrangements but should not be used as a measure of relative performance.** As noted above EDF have been under-recording complaints. We are also aware that British Gas records all contacts and hence their higher figure almost certainly reflects a stronger culture of recording rather than being evidence of poor performance. This practice also appears to provide a higher percentage of complaints resolved that day or the next. We are keen that suppliers record all complaints and learn from them hence a high level of reported complaints is not, of itself, a concern.

Overall complaints numbers

	Complaints received per 100,000 customers⁸	Unresolved at day+1 per 100,000 customers	% of complaints received that are unresolved at day+1
British Gas	9819	751	8%
EDF	1300	151	12%
E.ON	3425	288	8%
npower	2715	1179	43%
Scottish & Southern Energy	2609	391	15%
ScottishPower	3368	1209	36%
TOTAL	5015	653	13%

Many complaints can be resolved at the initial contact or at some point during that day or the next. Those complaints that suppliers are unable to resolve so quickly are more likely to be recorded as complaints. In the standards we have therefore concentrated on those complaints that remain unresolved by the end of the working day after the complaint has been recorded ('day + 1') as, we hoped, a more consistent measure across suppliers.

Even on this measure there is a significant variation between suppliers and it is unclear how far this reflects genuine differences in the level of complaints rather than their approach to recording complaints. Our overall conclusion is that these figures should be treated with

⁷ Chief Executive's letter to the big six can be found here: <http://www.ofgem.gov.uk/Markets/RetMkts/Compl/ConsRep/Documents1/open%20letter%20to%20suppliers%2030%20June%2009.pdf>

⁸ Customer data is derived from suppliers quarterly reporting on compliance with their debt and disconnection licence conditions. The formula used to calculate complaints per 100,000 customer accounts is: total complaints ÷ average customer accounts x 100,000.

caution as at these early stages when the new complaint handling standards are bedding down it is difficult to draw robust conclusions on comparative performance. These figures should therefore be looked at in the context of the other information available, including the consumer research referred to earlier. We note that on this measure, ignoring EDF given the problems previously mentioned, SSE and E.ON perform best which is in line with the consumer research.

Timescales for resolving complaints – % of those unresolved after 31 days

The table below shows the percentage of complaints which were still outstanding after 31 days. The time taken was one of the concerns raised in the consumer research and while we know satisfactory resolution rather than speed is consumers’ main focus we encourage suppliers, such as npower to look at their performance in this area. As the statistics have only been collected over a short period we have not got an accurate picture of those complaints which take longer to resolve. Under the complaints handling standards a complaint should only be treated as resolved when there remains no outstanding action to be taken by the supplier. The nature of the complaints received will impact on the time required to resolve them. However, information is not collected on complaints by category.

	Outstanding after 31 days
British Gas	2%
EDF	3%
E.ON	3%
npower	16%
Scottish & Southern Energy	5%
ScottishPower	2%
TOTAL	4%

Repeat complaints

Under the standards suppliers are required to specifically identify repeat complaints. “Repeat complaints” may be complaints that the supplier thought were resolved but the customer did not. This is an important area for supplier focus given the findings of the audit and consumer research and we believe that repeat complaints should be at a low level. Our consumer research showed there was a significant discrepancy between the proportion of complaints that each of the suppliers considered to be resolved and the proportion to be resolved in the eyes of the customer. However at this stage we urge caution in the interpretation of these results as a very low level of repeat complaints may actually reflect a failure by the supplier to recognise that these are indeed repeat complaints rather than new issues. It should be noted that repeat complaints are included in the total complaints and suppliers are required to include these in the complaints not resolved at day+1.

	Number per 100,000 customers	Repeat complaints as a % of complaint received
British Gas	651	7%
EDF	41	3%
E.ON	54	2%
npower	367	14%
Scottish & Southern Energy	88	3%
ScottishPower	245	7%
TOTAL	312	6%

Overall consumer representation process

There may be occasions when customers require the assistance of another agency to pursue their complaint further. The figures below represent the number of customers referred (per hundred thousand customers) from advice agencies to the big six suppliers. Customers whose

complaints are unresolved after eight weeks or sooner where deadlock (nothing more can be done) is reached can ask the Energy Ombudsman (EO) to investigate their complaint.

	Consumer Direct referrals per 100,000 custs	Consumer Focus referrals per 100,000 custs	CAB/Age Concern referrals per 100,000 custs	EO cases as % of those sent a letter
British Gas	14	11	25	7%
EDF	10	6	7	31%
E.ON	8	3	1	8%
npower	23	13	9	5%
Scottish & Southern Energy	6	3	0⁹	40%
ScottishPower	25	8	27	4%
TOTAL	14	8	13	8%

Eight per cent of customers who had reached the stage in the process where they were able to take their case to the Ombudsman actually did so. Although this is better than the consumer research suggests, we will explore this issue together with the individual supplier variance further as part of the Ombudsman review later this year. Again care is needed in interpreting these figures; we do not wish to disincentivise suppliers from ensuring that their customers know about the Ombudsman and the process for taking their case to them or facilitating referrals from other agencies. Better signposting is likely to lead to higher levels of referrals. Overall however, the figures do tend to confirm the overall findings of the consumer research in that SSE and E.ON have the lowest referrals from all agencies.

For further information please contact Marcus Clements, Ofgem's Head of Consumer Affairs, on 0207 901 7200.

⁹ Scottish & Southern Energy did not collect data on this until February.