

The Dubai Financial Services Authority (DFSA) conducted a thematic review during 2023-2024 to assess the processes of complaints handling among Authorized Firms (AFs). This review was aimed to evaluate the entire complaints lifecycle from identification to resolution and provided a clear view of AFs governance and culture in managing complaints. Findings are based on a detailed survey and follow-up assessments, offering valuable insights into the compliance levels, best practices and areas requiring improvement.

Key Themes and Findings:

The review identified several areas where Authorized Firms need to strengthen their complaints handling procedures. The key findings include:

1. Written Complaints Procedures

Many AFs lacked comprehensive written procedures to manage complaints. Following key issues were also noted in relation to written policies & procedures: (a) policies inappropriately excluded Complaints concerning fees, costs, and other charges; (b) failed to include the process for recognising or handling oral Complaints; (c) did not include the process and individual responsibilities for recommending and approving redress or other resolution outcomes; (d) Lacked appropriate detail on the steps to be taken by relevant staff when investigating a Complaint; (e) did not define "complaint" as used by the AF in practice; and (f) had not been reviewed or updated for several years.

Key Themes and Findings (Continued):

2. Complaints Recognition

Firms demonstrated inconsistencies in recognizing and recording complaints. Many failed to identify complaints accurately which may have contributed to the low number of complaints reported.

A substantial number of AFs did not consider expressions of dissatisfaction resolved at the point of receipt as Complaints and therefore failed to appropriately record or report those Complaints.

AFs using inconsistent definitions of a Complaint and failing to include their definition of a Complaint within their policies & procedures

AFs failed to record any oral expressions of dissatisfaction, and would only acknowledge a complaint had been made if the Client had explicitly stated in writing that they were complaining

3. Governance Arrangements

Weaknesses in governance were observed with several Firms lacking clear oversight and accountability structures related to complaints handling.

4. Volume of Complaints

Despite a growing number of clients, the volume of complaints reported remained low raising concerns about whether AFs were adequately identifying and tracking client dissatisfaction.

5. Complaints Outcomes

AFs that have not put in place adequate systems and controls which would allow them to identify and remedy any recurring or systemic problems identified from Complaints.

Key Themes and Findings (Continued):

6. Complaints Monitoring

The monitoring and reporting of complaints were inconsistent across Firms. Effective monitoring is necessary to identify trends and prevent recurring issues. Common issues identified in this regard include (a) AFs failing to monitor Complaints on a regular basis as part of the CMP; (b) senior management not using MI to monitor Complaints handling and resolution; and (c) AFs not considering Complaints handling as a potentially relevant area of focus as part of the initial scoping of internal audit reviews.

7. Training and Staff Awareness

Staff across many AFs were inadequately trained in complaints handling leading to gaps in their ability to recognize and manage complaints effectively.

8. Record Keeping

Incomplete or poor record-keeping practices hindered AFs ability to track complaints and assess their handling performance over time.

Next Steps for Authorized Firms:

The review identified several areas where Authorized Firms need to strengthen their complaints handling procedures. The key findings include:

- Establishing robust and transparent written procedures for managing complaints. This should specifically address mechanism related to oral complaints as well.
- Clearly defining the what constitutes a complaint in relation to the business activities of the entity.
- Strengthening governance arrangements to ensure proper oversight and accountability.
- Enhancing training programs to ensure staff can recognize and handle complaints effectively.
- Implementing better monitoring and reporting systems to track complaints trends and outcomes.
- Ensuring accurate and complete record-keeping practices.

AFs may be asked to demonstrate how they have addressed these findings during future regulatory engagements.

Summary:

Effective complaints handling is essential to maintain client trust and ensure continuous improvement in the quality of services offered by AFs. The DFSA's thematic review has identified key areas for improvement, and it is now up to AFs to implement these recommendations to align with best practices and regulatory expectations.