

# ADR Schemes and New Technologies

## Implications for Financial Ombudsman Schemes

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# AI and our work as financial Ombudsman schemes

Five perspectives on what AI is/will be doing to our work:

- ③ What financial services providers are doing with/to their customers
- ③ How customers will feel/react
- ③ The challenges for investigating complaints
- ③ The potential upside for complaint handling
- ③ The practical limitations for complaint handling

# What financial services providers are doing with/to their customers

Where we see AI being used:

- ③ New customer applications (CDD processes, AML, CTF)
- ③ Know your client processes
- ③ AI-based auto-decisioning for risk (credit scoring and credit applications)
- ③ Product/service pricing
- ③ Collections activity

# How customers will feel/react



# How customers will feel/react

AI from the customer perspective:

- ③ Feeding information into a system to generate a system-generated response
- ③ AI-generated results may look/feel arbitrary unless the basis for the decision is disclosed – will the customer even know it was AI-driven? Will they care?
- ③ The humanity and discretionary aspects of some financial services may feel lost
- ③ Some will embrace the convenience

# The challenges for investigating complaints

AI implications for complaint handling:

- ① Different types of complaints will arise
- ① Mandate boundary issues re commercial decisions and proprietary commercially-sensitive systems
- ① Is the complaint about an AI-supported process ever going to be in mandate for us to review? Is it purely commercial judgment if the “process” has integrity?
- ① How do we as ADR schemes validate the integrity of AI-supported processes?

# The challenges for investigating complaints

## AI implications for complaint handling (continued):

- ③ Who in the financial services provider understands the AI aspects of the customer-facing process to respond to the complaint?
- ③ Implications for our own staff expertise, training and development if we need to understand the AI workings to do our job – or do we simply outsource that aspect to outside experts (budget implications and conflicts management)

# The potential upside for complaint handling

What AI will enable for complaint handling, both for financial services providers and for ADR schemes:

- ③ Low-cost, consistent and fast responses through any remote channel – no longer just overhead cost
- ③ Simulated human interaction (including empathy?) not limited by staff resources, working hours and time-zones
- ③ Potential for unlimited accessibility from a language perspective

# The potential upside for complaint handling

What AI will enable for complaint handling, both for financial services providers and for ADR schemes (continued):

- ③ Can avoid the defensive behaviours and personal conflicts of interest aspects that can arise in complaint handling
- ③ Speed and accuracy of evidence scanning (if we have full access) and response (if the AI knows what to look for, and ignore)
- ③ Audit trail of complaint handling and customer interaction

# The practical limitations for complaint handling

What is AI not (yet?) able to replace for internal complaint handling and ADR schemes:

- ① True human interaction (“cathartic experience”)
- ① “Translation” of the customer experience into language the staff of the financial services provider can understand and respond to
- ① Investigation of the merits of what the customer claims, and what the customer experienced but did not even know to claim about

# The practical limitations for complaint handling

The more fundamental questions for ADR schemes:

- ③ Who trains the AI to know what to look for (and ignore) when investigating complaints?
- ③ If the AI can do what we need, surely it could be mandated to prevent the basis of the complaint from happening in the first place (eliminate the problem) – question of integrity
- ③ Do we as humans need a decision based on a fellow human's empathetic response to the customer's experience (analogous to the legal right "to be judged by one's peers" in a court of law)

# Conclusions (really questions)

- ③ AI is already present in our ADR field, but limited so far to narrower applications and product/issue environments (will change quickly)
- ③ Implications for our work already from a complaint content perspective (KYC/CDD processes, credit scoring, auto-decisioning, robo-advising, pricing, collections activity)
- ③ Will change the behaviours and service models of financial services providers and therefore generate new types of complaints and DR challenges

# Conclusions (really just questions)

- ③ Who in the financial services provider and the ADR scheme will understand what the AI is doing and be able to respond to complaints?
- ③ Do we as ADR schemes need to understand the AI to validate/reject complaints arising from AI-supported processes?
- ③ Are we too busy handling current complaint volumes using current methods to keep up with the technology that is changing our professional space? How do we ourselves adapt?

# Is this not still a human game? For how long?



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**For further information**

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