Fairer Finance

How We Calculate Our Customer Experience Ratings

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Fairer Finance

Overview

Our unique Customer Experience Ratings are designed to help consumers look beyond price when choosing financial products. They rate the overall customer experience provided by a brand, and reward providers that lead the market for positive customer outcomes.

To analyse this experience, we look at four key metrics:

- How happy are a firm's customers?
- How much do customers trust the firm?
- How good is the provider at handling complaints?
- How transparent is the provider?

However, in life insurance we don't poll customer happiness and trust. Instead, we ask:

- What percentage of life insurance claims are paid?

Each of these criteria is expressed as a percentage. We then work out the mean average of the four scores, which gives the overall percentage score for our Customer Experience Ratings.

Ribbons

Companies are awarded Fairer Finance Ribbons based on their Customer Experience scores. We calculate the normal distribution of scores providers receive in each product area. This calculates where providers' scores sit in relation to the product area average in terms of standard deviation.

Fairer Finance Ribbon	**Normal Distribution Score**
Fairer Finance Gold Ribbon	≥0.8
Fairer Finance Silver Ribbon	0.7 – 0.799
Fairer Finance Bronze Ribbon	0.6 – 0.699
No Ribbon	≤.599

Effectively, companies are awarded ribbons based on the degree to which they've outperformed the rest of the market. Companies with Fairer Finance Gold Ribbons typically have outperformed 80% of the market, those with Fairer Finance Silver Ribbons have outperformed 70%, and so on.

Customer Happiness

What data do we use?

We calculate customer happiness using data gathered by consumer surveys. These surveys are conducted by independent polling company Opinium, and sent to its nationally representative panel every six months. These receive over 23,000 responses, which inform the scores we award.

A brand must have received at least 40 responses in a period before we will consider its score to be statistically significant. If a brand doesn't receive the required number of responses, it won't be included in our ratings.

The question asked by this survey is:

> *"Thinking about the overall service that you receive from your bank or building society, which may include customer service, rates, access to online banking and benefits/incentives, how satisfied are you?"*

Participants are then presented with five possible responses:

- "Extremely satisfied"
- "Fairly satisfied"
- "Neither satisfied nor dissatisfied"
- "Fairly dissatisfied"
- "Extremely dissatisfied"

How do we use this data?

To calculate the happiness score as a percentage, we multiply the number of 'extremely satisfied' responses by 2, and 'fairly satisfied' responses by 1. We then multiply the number of 'extremely dissatisfied' responses by -2, and the number of 'fairly dissatisfied' responses by -1.

We add the results together and divide them by the number of respondents.
We take the figure that gives us and express it as a percentage of the maximum score of 2.

This is the brand's final customer happiness percentage score.

Customer Trust

What data do we use?

We calculate customer trust using data gathered by consumer surveys. These surveys are conducted by independent polling company Opinium, and sent to its nationally representative panel every six months. These receive over 23,000 responses, which inform the scores we award.

A brand must have received at least 40 responses in a period before we'll consider its score to be statistically significant. If a brand doesn't receive the required number of responses, it won't be included in our ratings.

The question asked by this survey is:

> *"Based on everything you know about this bank or building society, to what extent would you agree or disagree with the following statement:*
>
> *"I trust [brand name]"?"*

Participants are then presented with five possible responses:

1. "Strongly agree"
2. "Agree"
3. "Neither agree nor disagree"
4. "Disagree"
5. "Strongly disagree"

How do we use this data?

To calculate the happiness score as a percentage, we multiply the number of 'strongly agree' responses by 2, and 'agree' responses by 1. We then multiply the number of 'strongly disagree' responses by -2, and the number of 'disagree' responses by -1.

We add the results together and divide them by the number of respondents.
We take the figure that gives us, and express it as a percentage of the maximum score of 2.

This is the brand's final customer trust score.

Complaints

What data do we use?

We calculate our complaints score by analysing the complaints data published by the Financial Ombudsman Service (FOS). This data is published by the FOS every six months. We've matched our ratings periods to the publication of this data.

When complaints are initially rejected by the relevant company, the customer may escalate the complaint to the FOS. The FOS then independently reviews the complaint to provide a final decision.

It publishes data on these decisions, showing the percentage of complaints upheld in the customer's favour. Brands must receive at least 30 decisions within each six-month period to be included in the FOS' published complaints statistics.

Some brands are categorised by group, rather than individually. And some products may be reported as part of the same complaints category.

> *Because the FOS reports data in this way, we send out requests to certain providers to ask for more specific data. If you'd like to provide more specific data relating to your brand and product area, please get in touch at:* corporate@fairerfinance.com

If we don't get responses from this, or if brands are happy with the complaints data we're using from the FOS, then we use the data as it appears on the FOS site. We'll use the most relevant data available.

For example, the relevant data for Churchill and Direct Line as reported by the FOS would be UK Insurance Ltd. We'd use this data for both product areas, unless we received more specific data.

Meanwhile, complaints data relating to bank accounts and credit cards are reported in a single category: 'banking and credit'. We'd use this data for both product areas, unless we received more specific data.

We also send out additional requests to brands that don't meet the ombudsman's 30-case threshold, and use this direct data instead. If we can't get data from the FOS, nor directly from the provider, then we use a weighted industry average calculated from the complaints data we have collected.

This is a last resort, and for the vast majority of brands we rate, we don't have to do this.

How do we use this data?

We take the 'percentage upheld in the customer's favour' data from the FOS, and invert it. This means that the higher the resulting percentage, the better the provider's complaints performance.

We use data from H1 2011 through to the latest period. We weight this data, to smooth out fluctuations in performance, which gives a more consistent view of a provider's complaints

performance over time. The latest period's data makes up 50% of the complaints score we award, the previous 25%, before that 12.5%, and so on.

The above methodology is used for the majority of providers. But if a provider didn't receive at least 30 cases in a period, we apply a different formula.

Firstly, we collect the data directly from providers for each period. To calculate a score for each period, we start at the current period, and add up data from each previous period until the total number of complaints meets the 30-case threshold.

For example, if a provider's complaints data was:

H1 2017: 7 complaints / 5 in the firm's favour

H2 2016: 12 complaints / 9 in the firm's favour

H1 2016: 14 complaints / 11 in the firm's favour

H2 2015: 5 complaints / 4 in the firm's favour

Then at no point did the provider meet the 30 complaint threshold to appear in the FOS tables. So we begin at H1 2017, and add up the previous data until the 30 complaint threshold is met.

This would mean the score for H1 2017 would be made up of the data for H1 2017, H2 2016, and H1 2016. This would result in 33 complaints in total, and 25 in the firm's favour. This would therefore give a score of 76% in the firm's favour.

For the H2 2016 score, the same would apply. We'd begin at H2 2016, and move back to H2 2015, which would result in 31 complaints in total, with 24 in the firm's favour. This would therefore give a score of 77%.

This data is then weighted in the same way as the data directly from the FOS, and a complaints score is awarded.

Transparency

Our transparency analysis focuses on two key aspects:

- The brand's purchase journey
- The brand's terms and conditions, or policy document

Our analysis of a brand's purchase journey makes up 75% of the total transparency score, with a brand's document analysis making up the other 25%. This is consistent across all product areas.

Transparency – purchase journey

What do we analyse?

The aspects of the purchase journey we analyse depends on the financial product.

For banking products (bank accounts, credit cards, mortgages, personal loans, and savings accounts) we analyse the main pre-application product page. This is to ensure all key information is presented by the brand before the customer applies.

For insurance (car insurance, home insurance, life insurance, pet insurance, and travel insurance), we analyse the journey from the quote page through to the purchase page. This is to ensure that once a customer is provided with a personalised quote, all key information is presented before the customer makes the decision to purchase a policy.

We expect providers to be answering a key series of questions about their products in these pages. We rate brands against how well they are answering these questions.

Marks are awarded depending on what information is provided, and how clear this information is.

> *If your brand or brands are included in our ratings, and you'd like to see the exact set of questions we ask to assess transparency in your sector(s), you can use our Data Portal. This will also show you all the other data we collect on your brand.*

For your free login details for our Data Portal, email corporate@fairerfinance.com.

How are marks allocated?

Most questions in our analysis are marked out of ten.

Marks are added up for each question, and we then divide the result by the total number of marks available to create a percentage score for purchase journey transparency.

Transparency – terms and conditions/policy document

What do we analyse?

We analyse terms and conditions for banking products, and policy documents for insurance products. Our analysis looks at both the language and the design of the document, and ultimately produces an overall transparency score based on the simplicity and clarity of the document.

Our language analysis focuses on readability. We use the Automated Readability Index to find the document's reading grade. This shows how simple of the structure of the language is.

We also look at the words used. This involves analysing the amount of jargon used, and the simplicity of the other language. For example, we'll look at whether a document uses complicated words when simpler ones will do – for example using 'commence' instead of 'start'.

The tone of the document is also important. Marks are awarded for the use of conversational language and tone, as well as for the use of everyday examples, amongst other criteria.

Our design analysis focuses on the structure of the document. Marks are awarded if there is a clear structure, with an effective use of headings and subheadings. Clear contents and navigation tools (such as colour-coding) are also important.

We look at the use of colour and white space. We award marks for the effective use of these, and reward documents for having layouts which aren't made entirely up of bulky blocks of text. Font size and line spacing is also analysed, amongst other criteria.

> *If your brand or brands are included in our ratings, and you'd like to see all our criteria for transparency assessments, you can use our Data Portal. This will also show you all the other data we collect on your brand.*

For your free login details for our Data Portal, email corporate@fairerfinance.com

How are marks allocated?

Documents are awarded marks for each aspect of our criteria. The total marks available vary between each aspect.

We award a total of 20 marks for language, and 20 for design.

Marks are added up for each question, and we then divide the result by the total number of marks available to create a percentage score for document transparency.

Claims paid

What data do we use?

Providers publish their claims paid data every year. This is a percentage of claims brought to the provider that were paid out.

We only use percentage of claims paid as a metric for our life insurance ratings.
We don't use this type of statistic in our ratings of any other types of insurance.

How do we use this data?

We weight this percentage against the percentages for previous years. The most recent claims paid percentage makes up 50% of the weighted score, with the previous year making up 25%, the one before that 12.5%, and so on. This weighted score is the score we use in our life insurance table.

However, this weighted score is not the claims paid score used to calculate a brand's overall Customer Experience score. Additional calculations are applied to it first.

All life insurance providers in our ratings pay between 90% and 100% of claims. Due to the limited range of results, we take an extra step to help differentiate the brands in our tables.

We subtract 90 from each score and divide the result by 10. We then express this result as a percentage. For example, if a company has a weighted score of 98.42%, we subtract 90 from this, divide the result by 10 and end up with a claims paid score of 84.2%.

We calculate the mean average of this percentage, the complaints score, and the transparency score, to give the overall score for each life insurance brand.