

Banks say ‘Get lost’ to the CFPB’s inquiry on customer service

Article

The news: Banking trade groups responded to the **Consumer Financial Protection Bureau’s (CFPB) request for information on banks’ customer service practices** with a letter stating that the agency can’t regulate customer service, [per](#) Bloomberg Law.

What the letter says: Major banking industry trade groups American Bankers Association, Bank Policy Institute, and Consumer Bankers Association said that the CFPB does not have

the authority to create rules or to review how banks provide customer service.

- It's their response to the agency's [June request for information](#) (RFI) about how banks can provide better customer service.
- Banks are worried that the RFI is the CFPB's attempt to dictate how banks provide customer service, and how quickly the services must be completed.
- The CFPB claims the objective of the RFI is to learn about the obstacles customers face when trying to get help from their financial institutions.

The letter says that the CFPB is misinterpreting its powers under the 2010 Dodd-Frank Act, which states that consumers must be able to get information about their accounts, including in writing, in a timely manner, and that the CFPB has the authority to ensure compliance. But banks claim that stipulation applies only to customer complaints.

Relationships and algorithms: Banks are concerned that the RFI signals that the CFPB has already reached its own conclusions about how banks provide customer service. They fear the information will be used to write up specific guidance on how banks should operate. They claim the CFPB is placing too much emphasis on relationship banking and suppressing algorithmic banking.

- Relationship banking bolsters personalization and customization, but it's difficult to scale. Banks face increasing [competition](#) for customers—making customer [acquisition](#) a main imperative, and scalability of services a priority.
- The use of artificial intelligence and machine learning (AI/ML) technologies can help [create efficiencies](#) as banks bring on more customers. But they fear CFPB involvement in customer service might squash the use of some AI-powered tools.

Importance of Personalization in Successful Customer Interactions According to Financial Services Executives in North America, Nov 2021

% of respondents

	Very important	Important	Total
Customer acquisition	31%	37%	68%
Customer service	33%	32%	65%
Customer onboarding	30%	33%	62%
Other	24%	29%	53%

Note: n=324

Source: Forrester Consulting in collaboration with Blend, "How Banks Can Unlock Quick Wins and Lasting Benefits Through Smart Personalization," March 24, 2022

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If the CFPB is truly trying to limit AI technologies in banking, it would draw a hard line for how the technology could be used. Earlier this year the Office of the Comptroller of the Currency (OCC) [advocated](#) the use of AI for regulatory compliance at banks.

Overreaching CFPB: The banks' response to the RFI comes as tensions mount between the regulatory agency and trade groups. In June, the Chamber of Commerce [launched](#) an advertising campaign against the CFPB's Director, Rohit Chopra.

- The group accused Chopra of trying to “radically reshape” the American financial industry, and said the agency is overstepping its ability to act outside of federal court.

In this other instance where banks felt the CFPB overstepped their authority, the Chamber of Commerce joined other trade groups—including those involved with the letter on customer service—to commission a paper on the CFPB's proposed changes to regulations on unfair, deceptive, and abusive acts and practices (UDAAP), which says the CFPB is acting in areas where the laws don't apply.

The CFPB has vowed it will review a wide range of topics that it claims must be reformed to better protect consumers. They include overdraft fees, open banking regulations, and consumer data protections.

The big takeaway: The response to the CFPB's inquiry on customer service may be based on a false assumption about the agency's intentions. But it could affect how banks respond to customers' desire for greater personalization.

- Banks that build their brand on stellar [customer service](#) and identify the true needs of customers seeking [customization](#) could gain a competitive advantage in the market. But prescriptive rules on customer service would eliminate that advantage.
- Re-engaging [disengaged](#) customers would be difficult if customers were able to get the same undifferentiated level of service from any competitor.
- A more relational approach might actually detract from a good customer experience as banks become pressed to service more customers in a less efficient, less technology-driven way.

**Benefits of Delivering Highly Effective
Personalized Customer Experiences According to
Financial Services Executives in North America,
Nov 2021**

% of respondents



Note: n=324

Source: Forrester Consulting in collaboration with Blend, "How Banks Can Unlock Quick Wins and Lasting Benefits Through Smart Personalization," March 24, 2022

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