

Background Memo

To: Financial Services Regulatory Authority of Ontario (FSRA) Board of Directors

From: Consumer Advisory Panel (CAP)

Date: April 2025

Subject: Strengthening FSRA's Complaints Resolution Framework: Recommendations for Systemic Improvement

Executive Summary

The Financial Services Regulatory Authority of Ontario (FSRA) introduced its Complaints Resolution Policy Framework and Best Practices Guidance in December 2021 to enhance consumer protection across regulated sectors, including insurance, pensions, mortgage brokering, and credit unions. While FSRA's principles-based approach has driven progress, a 2022–2023 review and ongoing monitoring reveal persistent gaps in accessibility, transparency, and enforcement. This memo evaluates the implementation of FSRA's guidance, identifies critical challenges, and proposes actionable recommendations to achieve a fairer, more efficient, and consumer-centric complaints ecosystem by FY2026.

Our principal recommendation is the development of a cross-sector AI-driven complaint portal to streamline processes, improve data analytics, and enhance consumer access. Additional measures include clarifying metrics for principles-based regulation, strengthening enforcement, harmonizing external dispute resolution (EDR) mechanisms, and supporting smaller entities with internal dispute resolution (IDR) resources. These steps will align FSRA's framework with global best practices and reinforce public trust in Ontario's financial services regulatory system.

1. Background and Context

In December 2021, FSRA launched its Complaints Resolution Policy Framework, grounded in five consumer-focused principles—**accessibility, fairness, timeliness, transparency, and effectiveness**—and informed by nine internationally recognized best practices from bodies such as the G20/OECD Task Force on Financial Consumer Protection and Australia's ASIC. The framework aims to ensure complaints are resolved consistently and equitably without imposing new compliance obligations. Instead, it guides FSRA's policy development and encourages sector-wide adoption of robust IDR and EDR processes.

FSRA's FY2022–2023 Statement of Priorities included a sector-specific review to assess the complaints resolution ecosystem's strengths and weaknesses. While the review spurred

targeted improvements, systemic challenges persist, undermining FSRA’s vision for a consumer-first regulatory framework.

2. Implementation Progress and Ongoing Challenges

FSRA has made notable strides since 2021, including:

- **Improved Resolution Rates:** Life insurance complaint resolutions increased from 74% in Q2 FY2024–2025 to 96% by Q3 FY2024–2025 through focused reviews.
- **Enhanced Operations:** Resource reallocation reduced licensing delays for Health Service Providers, and better coordination within FSRA’s Contact Centre cleared backlogs.
- **Data Tracking:** Quarterly scorecards now provide greater visibility into complaints trends.

Despite these achievements, critical gaps remain:

a. Inconsistent IDR and EDR Processes

- Smaller entities, such as mortgage brokers and pension administrators, lack the resources to maintain robust IDR systems, leading to uneven consumer experiences.
- EDR fragmentation—exemplified by multiple bodies like the OmbudService for Banking Services and Investments (OBSI) and ADR Chambers Banking Ombuds Office (ADRBO)—creates inefficiencies and confuses consumers, contradicting FSRA’s best practice of a single EDR body per sector.

b. Limited Data Transparency and Enforcement

- Smaller sectors, such as mortgage brokering, underperform on resolution targets, with only 78% of complaints resolved within 90 days in Q3 FY2024–2025.
- Enforcement actions are weak, relying heavily on warning letters without escalating to fines or license suspensions for repeat offenders, reducing deterrence.

c. Industry Resistance and Ambiguity

- Stakeholders, including the Canadian Association of Financial Institutions in Insurance (CAFI), resist binding IDR requirements, preferring informal resolutions that lack accountability.

- The principles-based framework’s qualitative metrics (e.g., “fairness”) allow entities to interpret compliance inconsistently, undermining uniformity.
-

3. Recommendations for Systemic Improvement

To address these challenges and align with FSRA’s vision, the Consumer Advisory Panel proposes the following recommendations:

3.1 Principal Recommendation: Implement a Cross-Sector AI-Driven Complaint Portal

A centralized, AI-powered digital platform would transform complaints resolution by improving accessibility, efficiency, and data-driven oversight across all FSRA-regulated sectors.

Key Features:

- **Unified Access:** A single, user-friendly web and mobile portal for consumers to submit complaints.
- **AI-Powered Triage:** Natural language processing (NLP) to categorize complaints by sector and urgency, with sentiment analysis to escalate high-risk cases.
- **Real-Time Analytics Dashboard:** Tracks trends (e.g., delays in auto insurance claims) and identifies systemic risks for proactive regulatory intervention.
- **Chatbot Integration:** AI chatbots handle routine inquiries (e.g., billing disputes), freeing resources for complex cases.
- **Seamless EDR Integration:** Automates case routing to external bodies like OBSI, reducing delays.

Global Benchmarks:

- Australia’s Financial Complaints Authority (AFCA) reduced complaint cycle times by 30% using similar technology.
- The EU’s FIN-NET portal resolves 85% of cross-border disputes within 90 days through automated workflows.

Anticipated Benefits:

- Up to 50% faster complaint resolutions.
- 24/7 accessibility for consumers, particularly underserved populations.

- Enhanced data insights to pre-empt systemic issues, strengthening FSRA’s supervisory capacity.

3.2 Clarify Metrics for Principles-Based Regulation

Establish measurable benchmarks for principles like “fairness” (e.g., mandatory bias audits) and “timeliness” (e.g., sector-specific resolution deadlines, such as 60 days for insurance complaints). Clear metrics will reduce ambiguity and promote consistent compliance.

3.3 Strengthen Enforcement Mechanisms

Escalate consequences for non-compliance beyond warning letters, including fines and license suspensions for repeat offenders. Publicly disclose enforcement actions to enhance deterrence and build consumer confidence.

3.4 Advocate for EDR Harmonization

Collaborate with federal regulators, such as the Financial Consumer Agency of Canada (FCAC), to consolidate EDR bodies into a single, streamlined system per sector where feasible. This will reduce consumer confusion and improve resolution efficiency.

3.5 Support Smaller Entities with IDR Resources

Provide cost-effective tools, such as standardized IDR templates, training programs, and shared services platforms, to help smaller entities (e.g., mortgage brokers) build robust complaint-handling systems.

4. Conclusion

FSRA’s 2021 Complaints Resolution Policy Framework has laid a strong foundation for improving consumer protection, but persistent gaps in EDR fragmentation, enforcement, and compliance consistency threaten its success. The proposed AI-driven complaint portal offers a transformative solution, leveraging cutting-edge technology to enhance accessibility, accelerate resolutions, and provide FSRA with actionable insights to address systemic risks.

By implementing this portal alongside clearer metrics, stronger enforcement, EDR harmonization, and targeted support for smaller entities, FSRA can achieve its vision of a fair, timely, transparent, and effective complaints ecosystem. These reforms will not only strengthen consumer trust but also position FSRA as a global leader in financial services regulation by FY2026.

The Consumer Advisory Panel urges the Board to prioritize these recommendations and allocate resources to initiate the AI portal's development in FY2025–2026. We stand ready to support FSRA in refining and executing this strategy.

Attachments:

- FSRA Complaints Resolution Policy Framework (December 2021)
- FY2022–2023 Review Summary Report