

Prevention is better than cure

A comprehensive guide to protecting client trust in financial advice

Why good firms still get complaints, and how to stop them before they start



Foreword



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The best firms in this profession are built on trust. Clients work with their planners for decades and trust them with the things that matter most.

After more than twenty years managing complaints for financial planners, I've seen how carefully the best firms protect that trust, and I've seen what happens in the cases where it slips. It often isn't a single dramatic moment, more a gradual erosion caused by breakdowns in communication, lapses in understanding, or simply the passage of time wearing away what clients once knew.

Quite often, it's in the gap between what a client took from a conversation and what the adviser believes they said that complaints take root. When that gap opens up, the client's trust in the advice they were given can start to weaken and that's when problems follow. In most cases, complaints don't arise from the quality of the advice itself, but from how well the relationship around it has been built and maintained.

This guide is a longer read than most of my normal BareRock Briefing documents and draws from content raised in some previous editions. But given how much time, money and stress a single complaint can consume - and how preventable most complaints actually are - I believe it's worth your time.

What follows also draws on behavioural science research, regulatory expertise and hard-won experience from the coalface. The behavioural science elements have been developed with guidance from Babs Crane, our Head of Behavioural Science & CXO (Advisory). Babs brings nearly 20 years of commercial experience and deep expertise in Consumer, Cognitive and Social Psychology to BareRock. Holding an MSc in Consumer Psychology and a BSc(Hons) in Psychology, she has helped me understand the scientific reason why clients behave the way they do - and how firms can respond more effectively. Her insights have been invaluable in shaping this paper.

Some of what follows might challenge how you think about client communication. Some of it might confirm what you already suspected but hadn't articulated, which was certainly the case for me. Either way, my hope is that it gives you practical tools to reduce complaint risk whilst strengthening the relationships that make this profession worthwhile.

I should be upfront: I'm not going to pretend complaints can be eliminated entirely. They can't and shouldn't be. But they can be dramatically reduced - and when they do arise, the trust you've built along the way can mean the difference between swift resolution and protracted dispute.

Behavioural science (the application of psychological research to real-world decisions and behaviours) has moved firmly into the mainstream over the past decade or so.

This has been particularly evident in financial services, where a substantial and growing body of research into behavioural finance has transformed our understanding of how people make financial decisions. From how clients choose products, to how they respond to risk, it's been reshaping the systems, processes and communications that firms use every day. The FCA itself draws heavily on behavioural economics in how it approaches consumer protection, so it's safe to say behavioural science is having a significant impact within our industry.

A lot of that work has focused on the decision-making that happens at the point of advice. However, what this paper sets out to do is something slightly different, looking at the cognitive and behavioural processes that influence what happens both during and afterwards, specifically looking at what can lead someone to make a complaint.

The goal here isn't to discourage legitimate complaints or to make advisers complaint-proof. Clients have every right to complain and they absolutely should when something has genuinely gone wrong. But if we understand how clients process and retain information, how memory works (and sometimes doesn't) and how the brain responds under uncertainty or disappointment, then we can design services, communications and experiences that **work with human cognition rather than against it**. We can make it easier for clients to understand what they've agreed to, reduce the likelihood of misunderstanding and create the conditions for better outcomes on both sides.

And for advisers on the receiving end of a complaint, many of whom take enormous pride in their work and are genuinely committed to their clients' best interests, understanding some of the psychological forces that can drive a complaint could help take the sting out of it. Not every complaint is an accusation and not every client who misremembers advice is being dishonest. Human memory and cognition are more complicated than that and knowing why can make all the difference to how you respond.

John and I have spent a lot of time in conversation about the patterns he's observed over his decades of experience within the industry and how so many of these can be explained by the science of human behaviour.

Where there are humans, there is psychology and financial advice is, at its heart, a deeply human profession. The more we understand how people think, remember and make sense of their experiences, the better placed we are to design services that genuinely serve them.



Babs Crane MSc, BSc (Hons), GMBPsS
Head of Behavioural Science & CXO (Advisory)

Key Takeaways

- 1** **Most complaints stem from confusion, not malice.** The majority of complaints we see don't arise from clients trying their luck or claims management companies fishing for fees. They arise because clients genuinely didn't understand what they agreed to - even when advisers are certain they explained it clearly.

- 2** **Memory fades faster than you think.** Clients who fully understood advice at the point of sale will forget most of the details within months. Without regular reinforcement, that understanding degrades until clients genuinely believe they were never told things that were clearly explained.

- 3** **Ongoing engagement is your best protection.** Firms maintaining regular, meaningful contact with clients experience significantly fewer complaints than those with transactional relationships. The data on this is unambiguous.

- 4** **Clients won't always tell you when they're confused.** Psychological barriers prevent clients from admitting they don't understand. Asking "does that make sense?" rarely surfaces genuine confusion. You need different approaches.

- 5** **How clients discover problems matters enormously.** When clients find issues themselves, their reaction is disproportionately negative compared to when advisers disclose problems proactively. The same issue, discovered differently, produces vastly different outcomes.

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Introduction

Receiving a complaint can feel like a personal criticism. For advisers who dedicate themselves to protecting their clients' best interests, it can sting.

But the reality is, complaints are an inevitable part of operating in a regulated industry where products are complex, circumstances change, and human memory proves fallible. The question isn't whether your firm will ever face a complaint. It's how effectively you can prevent complaints from arising in the first place - and how constructively you handle them when they do occur.

The cost of complaints extends far beyond any financial redress. They consume significant time and resources. They create stress for advisers and support staff. They damage client relationships and can harm your firm's reputation. More fundamentally, complaints represent a failure in the adviser-client relationship - a breakdown in communication or understanding that could often have been prevented with the right approach.

When prevention efforts are embedded into how a firm operates, complaints become less frequent, client relationships strengthen and the firm's reputation grows. That's what this guide is about.

“Prevention isn't simply about avoiding complaints. It's about building stronger client relationships, improving communication, and creating a practice that clients trust and value.”

Part One:

Understanding Why Complaints Arise

Drawing on cognitive and social psychology, this section explores how memory, perception, power dynamics and cognitive biases all play a role in how complaints arise.

Why clients stay silent

Admitting confusion

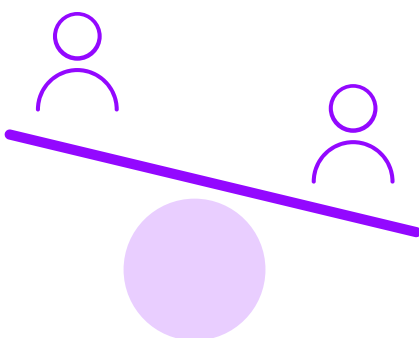
When a client sits across from their financial adviser and doesn't fully follow the explanation being given, the most natural response isn't to say so. It's to manage the impression they're making. This is what social psychologists call 'impression management', the real-time process of regulating how we present ourselves to others, particularly in situations where we feel a power imbalance^{[1],[2]}.

Admitting confusion in a professional setting carries psychological cost. It can threaten the client's self-image as a capable, competent adult who can make informed decisions about their own finances. Rather than absorb that discomfort, many clients instinctively follow the path of least resistance: they nod along, ask no questions and move on, perhaps having promised themselves they'll look up whatever they weren't sure about at a later point (that never comes).

Power dynamics in the adviser-client relationship

This is reinforced by the nature of the advisory relationship itself. From the moment a client walks into an adviser's office, a power dynamic is established. The adviser is the expert and the client isn't. When we believe someone knows more than we do in a domain we don't fully understand (i.e., the position most clients find themselves in), the mind can take a shortcut and hand the decision to the expert, skipping the analytical process that would otherwise generate critical questions^[3]. This happens automatically, below the level of conscious awareness, before the client even realises it has occurred^[4]. The result is that the client doesn't think to ask whether this is truly right for their circumstances, probe any risks, or push back in any way - not out of choice, but because in the presence of perceived expertise, those thoughts simply don't arise^[5].

Cultural norms play a role here too. From a young age, most people learn that questioning doctors, teachers, or other professionals can be seen as disrespectful or inappropriate. Those learned behaviours don't disappear in a financial advice meeting.



The result is a significant and largely invisible future risk. The client leaves the meeting appearing satisfied, the adviser has no signal that anything is wrong and the seeds of a future complaint may have already been sown - by neither party's intention.

What influences human memory?



Hindsight bias

When things go wrong and a client reflects back on the advice they received, many will genuinely believe they were never properly informed. This isn't always dishonesty. It could also be due to a predictable feature of how human memory works. This is known as 'hindsight bias'^[6] aka the '**I knew it all along**' **phenomenon**. Once we know the outcome of an uncertain event, we automatically reconstruct our memory of past events in light of it. We might come to believe we had reservations we didn't have, or recall feeling uncertain when at the time we felt entirely confident. In these cases, the client isn't fabricating, their memory has been revised automatically by knowing how things turned out.

But hindsight bias doesn't just distort how clients remember their own thoughts and feelings. It also shapes how they judge the adviser. Research shows that once a negative outcome is known, people consistently perceive it as more foreseeable than it actually was and are significantly more likely to conclude that negligence or oversight was involved, even where none existed^[7]. The adviser who made a perfectly reasonable decision with the information available at the time can find themselves judged by a standard that simply didn't exist when the advice was given.

Layered on top of this is motivated reasoning. When a financial decision goes badly, we instinctively search for an explanation that protects our self-image and the most comfortable one locates the failure somewhere outside ourselves, in the advice we were given, the product we were sold, or the explanation we received. Accepting that we should have asked more questions or read the documents more carefully is a much harder conclusion to sit with^[8].

These processes together go a long way to explaining why clients can later, in good faith, believe they were inadequately informed and why the complaint that follows can feel, to the adviser, disproportionate to what actually happened.

Why clients judge mistakes differently

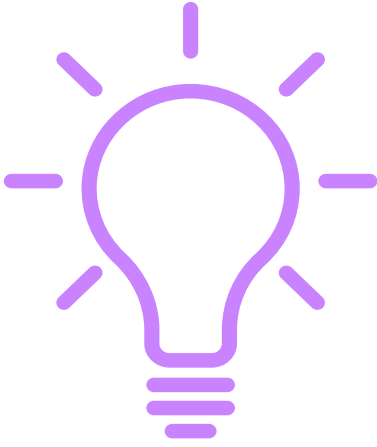
If and when an adviser makes a mistake, they understand the context. Maybe it was due to an unusually busy period, a new team member still learning, a provider's system error, or simply a human mistake that anyone could make. When a client observes the same mistake, they have none of that information available to them - what they see is the error and so they conclude that it reflects the adviser's competence or care.

Think of a time when you've pulled out into traffic or cut someone up on the road...you might not have seen another car because the sun was in your eyes, you might've been having a stressful day and had a momentary lapse of concentration etc. You're still a good driver, you weren't being reckless, it was just one of those things because of something external. Whereas, think of a time when someone else has cut you up - there's every chance you thought there was something 'wrong' with their skill as a driver in that moment... 'they're not looking where they're going', 'they're being reckless' etc.

Psychologists call this the **Fundamental Attribution Error**^[9] - our tendency to attribute other people's mistakes to character flaws while attributing our own mistakes to external circumstances. It isn't malice on the client's part, it's a predictable feature of how human judgement works and it explains why clients often react with disproportionate anger to relatively minor errors.

Understanding how clients judge mistakes is one thing, but the manner in which they discover those mistakes shapes that judgement profoundly.





The moment of discovery

When something goes wrong, how a problem comes to light matters.

When an adviser identifies a problem and comes forward proactively - before the client has noticed anything - the conversation that follows is a fundamentally different one. Even though a mistake has occurred, the adviser's decision to come forward can be interpreted as evidence of integrity and genuine commitment to the client's interests. Research on how trust is repaired after a violation consistently shows that voluntary disclosure produces significantly better outcomes than disclosure that only happens once the client has already found something^{[10], [11]}. The response to the same mistake is measurably less severe.

However, if the client finds the problem themselves, the picture changes. The fundamental attribution error explained earlier helps explain why. Without any context for why the problem wasn't flagged sooner, the client is left to draw their own conclusions, which tend to follow one of three lines: the adviser wasn't paying close enough attention, didn't consider it worth raising, or hoped it would go unnoticed. Each of those conclusions carries a very different emotional weight from simple disappointment and once a client has landed on one of them, it is hard to shift.

Psychological contracts

The advice relationship also carries unwritten expectations that go beyond the formal terms of engagement. Clients expect to be looked after, to be warned about problems before they become serious and to feel like a priority. When a client discovers a problem themselves, it can feel like a betrayal of the relationship they thought they had - the 'psychological contract'^[12].

Proactive disclosure helps with this. It reaches the client before those conclusions have formed and before the relationship feels broken. The mistake doesn't disappear, but the way it lands is different.

The same problem, discovered differently, produces vastly different outcomes.

The role of financial literacy

Research into financial literacy and complaint behaviour reveals a complex relationship that might surprise you.

Some studies suggest that clients with higher financial literacy complain less because they better understand what they purchased and have more realistic expectations. However, other research indicates that financially literate clients actually complain more vigorously when problems arise - because they're more capable of identifying issues and articulating their concerns.

This creates an interesting dynamic:

- **Less financially literate clients** may not recognise problems until much later (or until prompted by claims management companies), but when they do complain, they may lack the knowledge to effectively evaluate whether their complaint has merit.
- **More financially literate clients** may spot problems earlier and can more clearly articulate their complaints, but may also have the expertise to engage constructively in resolution rather than simply demanding redress.

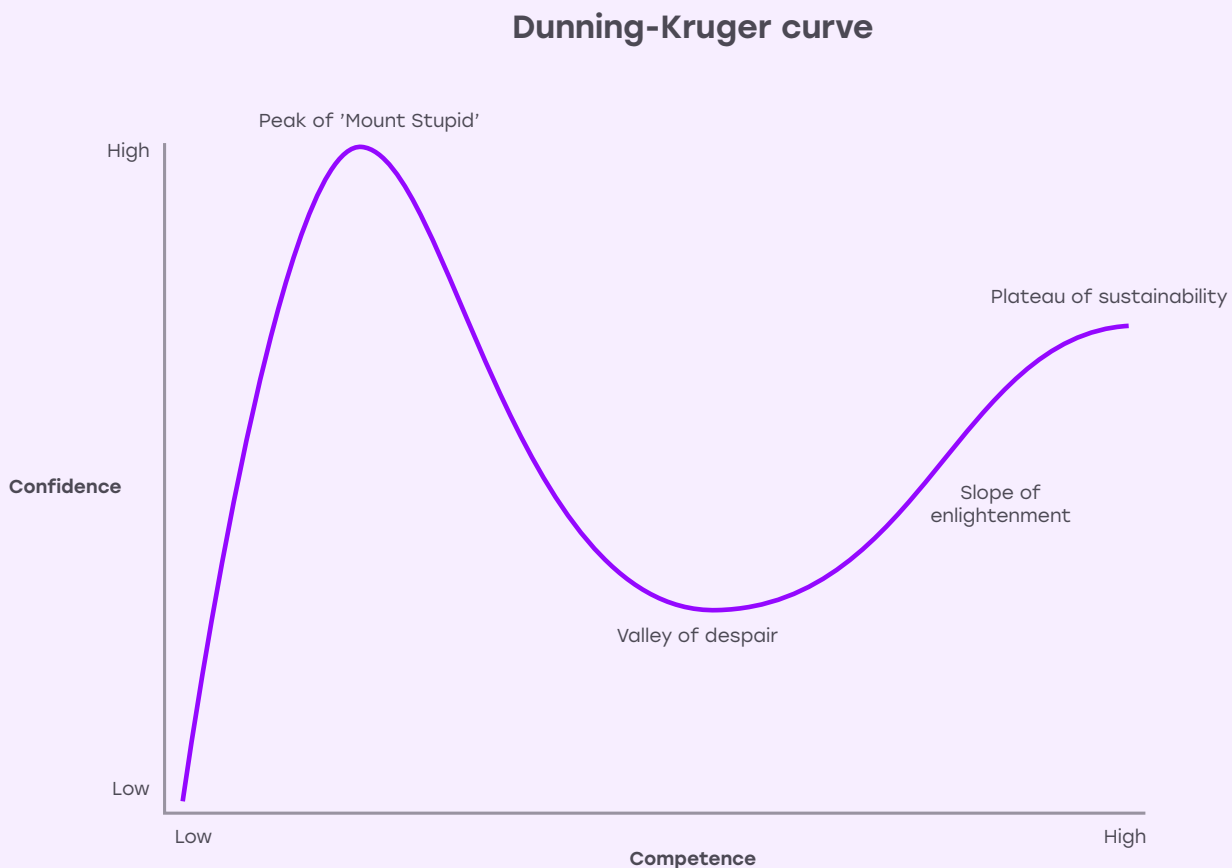


The overconfidence effect

Perhaps the most underappreciated complaint risk of all is the client who knows just enough.

Overconfidence bias - the well-established tendency for people to overestimate their own knowledge and competence in a domain - is particularly acute when someone has partial knowledge rather than none at all. As the saying goes, 'a little knowledge is a dangerous thing'. In psychology, this pattern describes a miscalibration between confidence and competence: the less someone truly understands a complex subject, the less they are able to recognise the limits of their own understanding. They sit at what's sometimes called the "peak of Mount Stupid" on the confidence-competence curve: possessing high confidence without proportional knowledge ^[13].

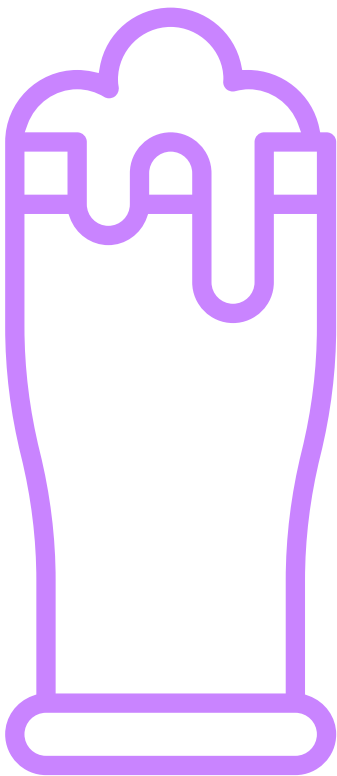
This may also explain why every pub in Britain has at least one self-appointed expert holding forth on complex topics with unwavering confidence!



In financial advice, this creates a specific kind of complaint risk. For financial advisers, this creates an ironic additional hazard. A client receives carefully considered, compliant advice based on years of experience and detailed analysis of their circumstances. They're satisfied, they understand the rationale and they proceed with the recommendation. Then they mention it down the pub and suddenly someone who's never studied for a single regulatory examination is telling them with absolute certainty that their adviser "got it wrong" - usually based on something they read in the Sunday supplements or their mate Dave's experience with a completely different set of circumstances.

The client, now seeded with doubt by this confident amateur opinion, begins to question the professional advice they've received. Market performance adds fuel to the fire, and before long a complaint lands on the adviser's desk, often rooted not in any actual failing but in the Dunning-Kruger-fuelled certainty of someone who doesn't know what they don't know.

The tragedy is that the loudest voice in the room is rarely the most informed one. But it is often the most persuasive to someone who lacks the technical knowledge to distinguish sound advice from confident speculation.



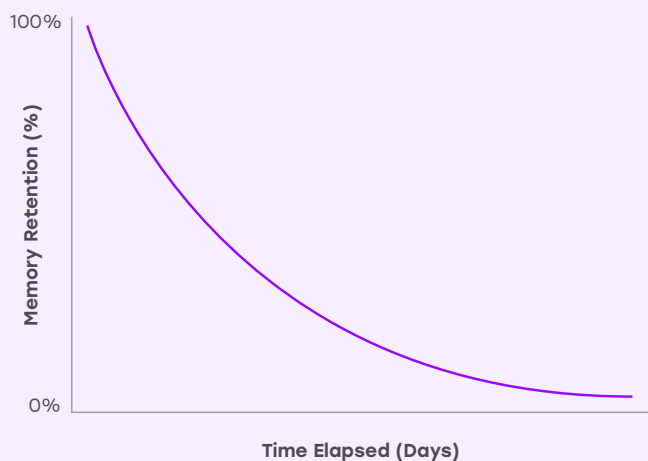
Memory fade (the Ebbinghaus forgetting curve)

Even when clients fully understand advice at the point of sale, that understanding degrades over time unless actively maintained.

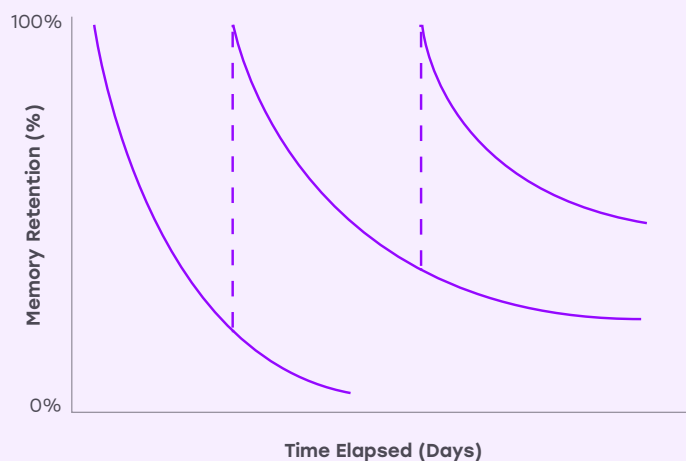
The Ebbinghaus forgetting curve - one of the oldest and most enduring findings in psychology - demonstrates that people forget information exponentially over time without reinforcement. Within days of learning something new, people forget the majority of details unless they actively revisit and rehearse the information.

For financial advice, this means clients who genuinely understood why they purchased a particular product, what risks it carried and what outcomes to expect will progressively forget these details over months and years. Their memory of what they were told becomes increasingly unreliable, often replaced by what they wish they had been told or what they now believe they should have been told with hindsight.

The Ebbinghaus Forgetting curve



Example of memory retention with active rehearsal



What accelerates memory fade?

Several factors accelerate memory fade in the financial advice context:



Cognitive overload

Clients face information overload when receiving financial advice. Advisers may discuss multiple products, various risk factors, numerous fees, different time horizons and complex regulations - all within a single meeting.

The sheer volume of information exceeds clients' capacity to process and retain everything, even if they understand it all at the time.



Lack of daily relevance

Unlike most purchases, financial products operate largely in the background of people's lives.

Without regular engagement with the product, the details around reasoning behind it and expectations for it fade faster than they would for something with daily visibility.



Life circumstances

Stress, sleep deprivation, health issues and life changes all impair memory formation and retention. Clients dealing with personal difficulties during the advice process may never properly encode the information in the first place.

Years later, they are not being dishonest when they say they don't recall being told something, they may simply never have had the cognitive capacity to absorb it properly at the time.

The practical implication

The practical implication couldn't be clearer: **firms cannot assume that explaining something once ensures lasting understanding.**

Without regular reinforcement of why clients made particular decisions, what those decisions were designed to achieve and how the products work, client understanding inevitably degrades.

When problems later arise or unexpected outcomes occur, clients with faded memories may genuinely believe they were never told about risks or features that were clearly explained years earlier.

Summary

Complaints rarely come out of nowhere. By the time one lands, a series of psychological processes will have usually already been at work, shaping both how a client took in the advice and how they remember it later.

We've covered a lot of ground in this section. We've looked at how the **social dynamics** between adviser and clients mean clients may stay silent when confused. We've explored how **memory degrades** over time and how **hindsight bias** means that when things go wrong, the past gets quietly rewritten in light of the outcome. We've also looked at why people are more likely to **attribute others' mistakes to character** rather than circumstance and why the moment a client discovers a problem themselves (rather than being told about it first) can have a significant impact on how they respond.

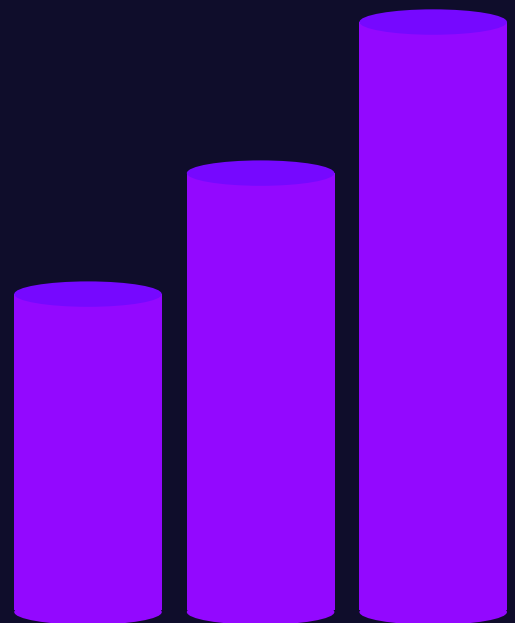
None of this reflects badly on advisers who are doing things properly. These are universal features of human psychology. But understanding them is what allows you to design your practice around how people actually think, rather than how we assume they do.

Part Two:

The Three Pillars of Complaint Prevention

Having explored why complaints arise, we can now examine how to prevent them.

Our experience indicates that three core strategies, when implemented consistently, significantly reduce complaint frequency and severity. We call these the three pillars of complaint prevention.



Pillar One: Ongoing Engagement

The single most powerful complaint prevention strategy is maintaining regular, meaningful contact with clients.

The data consistently demonstrates that firms with transactional client relationships experience significantly higher complaint ratios than firms maintaining ongoing advisory relationships. This correlation is neither coincidental nor surprising once you understand the underlying dynamics.

Why Regular Reviews Matter

Regular review meetings serve multiple preventative functions:

- **Proactive problem identification:** They provide opportunities to ensure advice remains suitable as client circumstances change. When firms conduct annual reviews, they can identify and address suitability issues before clients discover problems themselves. This proactive monitoring demonstrates the adviser's ongoing commitment whilst preventing the escalated negative reactions that occur when clients uncover problems independently.
- **Memory reinforcement:** Each review meeting provides an opportunity to remind clients why they made particular decisions, what those decisions were designed to achieve and how current circumstances relate to original objectives. This regular reinforcement directly combats memory fade, ensuring clients maintain accurate understanding rather than developing confused or incorrect narratives over time.
- **Early concern identification:** Ongoing relationships create multiple touchpoints where clients can raise concerns, ask questions, or express dissatisfaction before frustrations build to complaint level. In transactional relationships, clients have no natural opportunity to voice minor concerns, so these accumulate and eventually explode into formal complaints. In ongoing relationships, small issues get addressed informally at regular meetings, preventing escalation.



Relationship building: When clients meet their adviser regularly, they build genuine relationships characterised by trust and mutual respect. Clients with strong adviser relationships are substantially less likely to submit vexatious complaints or engage with claims management companies. They understand their adviser as a real person trying to do right by them - rather than an abstract target for compensation claims.

Making Engagement Meaningful

Practically implementing ongoing engagement requires more than simply booking annual review meetings. The meetings must be meaningful, with substantive discussion of objectives, circumstances and strategy - rather than perfunctory portfolio reviews.

Advisers should explicitly revisit and reinforce the rationale for existing arrangements, particularly for products or strategies that might seem counterintuitive or complex to clients.

The goal isn't simply to maintain contact. It's to actively strengthen understanding and reinforce the client-adviser relationship.

“Ongoing engagement isn't a compliance box to tick. It's the foundation of complaint prevention.”

Pillar Two: Client Understanding

Advisers typically excel at explaining products and recommendations. But explanation doesn't guarantee understanding - and initial understanding doesn't guarantee lasting comprehension.

Verification, not just explanation

The starting point must be verification of understanding, not simply provision of explanation. After explaining a recommendation, advisers should ask clients to articulate back their understanding of what's being proposed and why. This might feel uncomfortable at first, but it represents the only reliable method of confirming genuine comprehension.

Asking "Does that make sense?" or "Do you have any questions?" rarely elicits admission of confusion from clients experiencing the psychological barriers we discussed earlier.

However, asking "Can you explain back to me in your own words why we're recommending this approach?" immediately reveals whether genuine understanding exists.

It helps to signal this at the start of the meeting. Letting clients know that you'll be asking them to summarise their understanding at key points does two things: it prepares them so the question doesn't feel like a test and it shifts them from passive recipient to active participant from the outset - helping to overcome the tendency to sit back and follow the expert's lead that we described earlier.

When clients can coherently articulate why they're implementing a particular strategy, what it's designed to achieve, what risks it carries and how it fits their circumstances, advisers can feel confident that understanding exists at that moment.

When clients struggle to explain things back, advisers know they need to adjust their explanation, simplify their language, or try different approaches until true understanding emerges.

Documentation quality

The quality of contemporary documentation directly impacts future complaint defence.

For years, we've reviewed complaint files where advisers could clearly articulate in conversation exactly what they told clients and why recommendations made sense - but the file documentation painted a different picture. Poor meeting notes, vague suitability reports and absent file records of key discussions leave advisers vulnerable when clients later claim they were never told about risks or never understood what they purchased.

The age-old compliance adage "if it isn't written down, it didn't happen" has never been more true than in the complaints context.

No matter how clear verbal explanations were, or how satisfied the client appeared at the time, complaints defence ultimately relies on documentary evidence demonstrating what was said and what the client understood.



The AI Documentation Opportunity

The advent of artificial intelligence-powered meeting transcription and note-taking tools represents a significant opportunity to improve documentation quality.

These tools can capture detailed, contemporaneous records of adviser-client discussions, including direct client quotes that demonstrate understanding at the time. When complaints arise years later, being able to point to transcripts showing the client explicitly acknowledging understanding of specific risks or features provides immensely powerful defence.

However, technology alone cannot ensure understanding. Advisers must adapt their communication style to individual client needs, using simpler language for less financially sophisticated clients while providing more detailed technical explanation for those who want and can absorb it.

The key is matching explanation depth and complexity to client capability and preference, then verifying understanding through two-way dialogue rather than one-way explanation.

Pillar Three: Satisfaction Monitoring

Regular collection of client feedback through satisfaction surveys serves multiple complaint prevention functions whilst providing valuable business intelligence. Despite this, many firms resist implementing satisfaction surveys, concerned that asking for feedback invites complaints. My experience suggests exactly the opposite.

Why surveys work

- ✓ **Early issue detection:** When firms ask for feedback after transactions or periodically during ongoing relationships, they create safe opportunities for clients to raise concerns constructively before those concerns escalate into formal complaints. A client who might never formally complain about a service issue may willingly mention it in a survey, giving the firm opportunity to address problems before they fester.
- ✓ **Faster, cheaper resolution:** Early detection of issues enables faster, cheaper resolution. If a firm discovers through a survey that a client feels poorly informed about charges, the adviser can proactively discuss fees, explain value being delivered and address the client's concerns immediately. The cost of this intervention is often lower compared to addressing a formal complaint about charges months or years later - after the client's dissatisfaction has solidified and a claims management company has become involved.
- ✓ **Defensive evidence:** Satisfaction surveys strengthen future complaint defence by creating contemporaneous records of client satisfaction. When clients respond to surveys confirming they received all necessary documents, understood the advice provided and feel satisfied with the service, this evidence significantly undermines later claims that they weren't properly informed or never understood what they purchased.



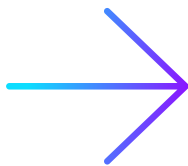
I have, on numerous occasions, enjoyed that moment when I have been able to supply a completed client satisfaction survey to a claims company which completely disproves a claim they are making. Claims companies often make multiple accusations in the hope that they fall upon a weakness in your files, rather than actually presenting a complaint based on an individual client dissatisfaction.

So, it is common that they will say that the client did not receive key documents or did not understand something in the hope that you cannot disprove the accusation. Having empirical evidence in such circumstances is incredibly valuable and satisfying.

The Psychology of commitment

There is a relevant psychological principle worth understanding here. Research shows that people feel compelled to behave consistently with prior commitments, particularly when those commitments are written and on record^[3]. In theory, a client who has formally expressed satisfaction in writing would face some psychological tension if they later claim the opposite.

However, it's important to highlight the potential limitations of this principle. A client who answered positively on a survey without genuinely understanding the advice (which, given the psychological barriers we described in Part One, is entirely possible) will not have truly committed to a position they hold. The commitment and consistency principle is most likely to be relevant where the client genuinely understood and agreed with what they were confirming. Which is precisely why ensuring real understanding in the first place matters so much.



Implementing Surveys Effectively

Survey implementation need not be complex or burdensome. Simple, brief surveys with a handful of key questions can provide substantial value without creating excessive client burden.

Critical questions should address:

- Whether clients received all necessary information
- Whether they understood the advice and products
- Whether they feel satisfied with service quality
- Opportunity to raise specific concerns



CRITICAL POINT

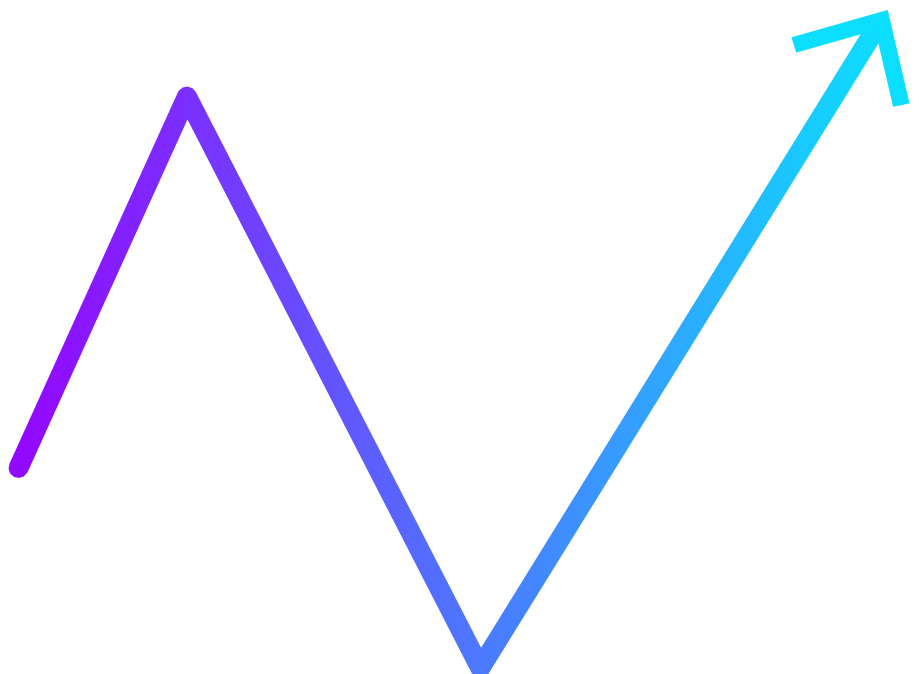
Firms must respond constructively to any negative feedback surfaced through surveys. Collecting feedback but failing to act on it represents a wasted opportunity and may actually increase complaint risk by creating client frustration that their concerns were ignored.

When surveys reveal issues, firms should reach out promptly to understand and address the specific concerns, demonstrating commitment to client satisfaction and problem resolution.

Don't worry about response rates

Some advisers worry that low response rates limit survey value. While higher response rates are preferable, even modest response rates provide value. The act of sending surveys demonstrates to all clients that the firm values feedback and wants to ensure satisfaction, even if not all clients complete surveys.

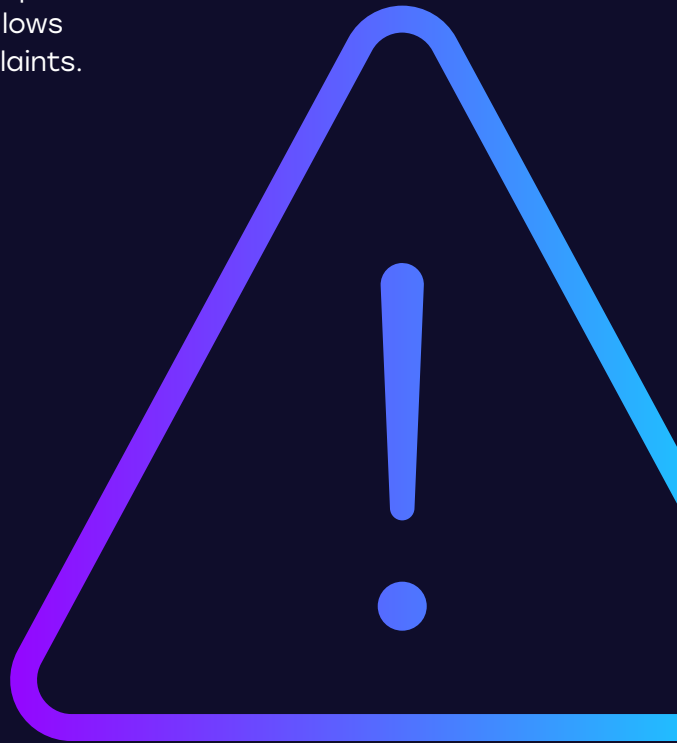
Additionally, clients who are dissatisfied are often more motivated to respond - meaning surveys may preferentially surface problems that require attention. The lack of a response is potentially in itself a useful indicator. However, we'd always recommend building a cultural environment which actively encourages feedback at any opportunity. An adviser saying at the end of every appointment 'you will shortly receive a feedback request, we find it incredibly valuable to understand how we are doing, so ask that you please take the time to complete it' helps set client expectation and increases response rates.

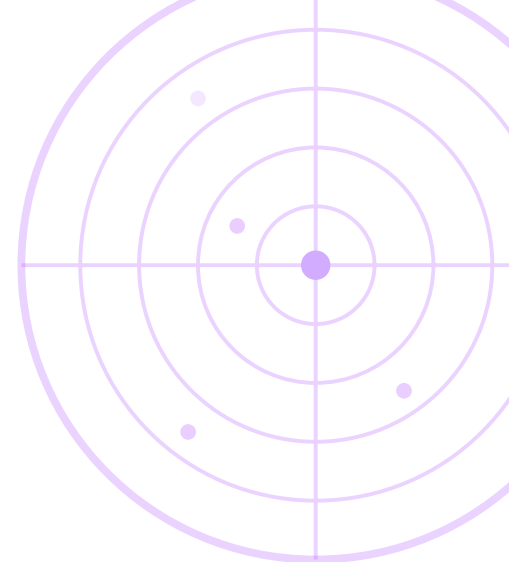


Part Three:

Early Warning Signs

Even with strong prevention strategies in place, some complaint risk will inevitably arise. Recognising early warning signs allows firms to intervene before issues escalate to formal complaints.





Your Complaint Radar



Changes in communication patterns often signal brewing dissatisfaction. When previously responsive clients become evasive or delayed in responding, when friendly clients adopt formal tones, or when clients begin questioning matters they previously accepted without concern - advisers should recognise potential problems emerging. These changes may indicate that someone has influenced the client's thinking or that the client has discovered something concerning.



Confusion or lack of understanding indicators require immediate attention. When clients express confusion about aspects of their arrangements, struggle to recall why decisions were made, or request explanations of matters that were supposedly understood at the time, advisers should recognise significant risk. Rather than simply re-explaining, advisers should explore what specifically is causing confusion and whether broader misunderstandings exist.



Irritation or frustration expressions, even about seemingly minor service issues, deserve serious attention. Clients who complain about administrative matters, service delays, or communication lapses may actually be expressing frustration about deeper concerns they find difficult to articulate directly. Advisers should respond to service complaints professionally whilst also exploring whether underlying dissatisfaction exists beyond the specific issue raised.



Avoidance behaviours represent particularly concerning warning signs. Clients who become reluctant to attend meetings, repeatedly reschedule appointments, or become difficult to contact may be avoiding uncomfortable conversations about dissatisfaction with advice or outcomes. Rather than simply accepting the client's distance, advisers should proactively reach out, acknowledge the apparent reluctance to engage and create safe opportunities for the client to raise any concerns.

Remember too what we covered earlier about the moment of discovery. When clients discover problems themselves, their disproportionate negative reaction could make complaints significantly more likely. The moment an adviser becomes aware that a client has discovered an error, issue, or unexpected outcome, immediate proactive communication becomes essential.

Waiting to see if the client raises the matter significantly increases the likelihood of an escalated complaint. Reaching out immediately, acknowledging the issue, explaining what happened and proposing resolution gives the conversation a fundamentally different starting point and the research on proactive disclosure consistently shows better outcomes as a result.

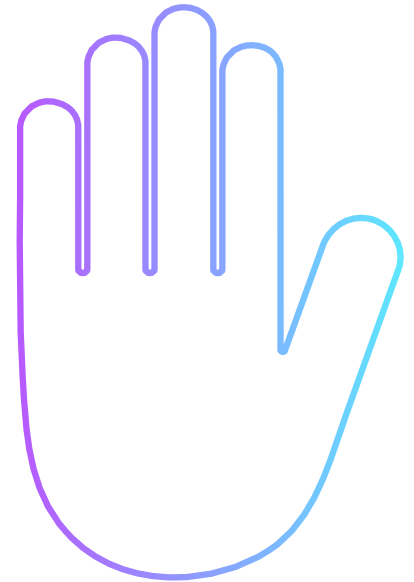


Part Four:

The Human Factor

When complaints do arise despite prevention efforts, how advisers and firms respond - emotionally and psychologically - significantly affects outcomes.





The natural defensiveness response



In my experience, financial advisers overwhelmingly have a genuine desire to help people. They take pride in protecting clients' interests and solving clients' problems. When clients complain, advisers naturally experience criticism as personal attack on their competence and integrity.

This emotional response is entirely normal and deeply human. But allowing defensiveness to drive responses to complaints consistently produces poor outcomes.

Defensive responses dismiss client concerns, minimise issues, or shift blame - all of which escalate conflict and strengthen client determination to pursue complaints. Defensive advisers often focus on proving they were right rather than understanding why the client is upset, missing opportunities to address underlying concerns that might be relatively easily resolved.

Separating professional from personal

When a complaint arrives, it lands close to something most advisers care deeply about - their reputation, integrity and genuine desire to do right by their clients. That's precisely why it feels personal.

When our sense of professional identity feels threatened, the natural response is to defend it and that defence instinct, however understandable, can get in the way of resolving the complaint^[14]. The adviser who can step back from that instinct and approach a complaint by asking "why does this client feel this way?" is in a much better position to handle it well.

Reframing how you think about complaints

Reframing how advisers think about complaints can significantly improve response quality.

Most complaints aren't what they first appear to be. Rather than accusations of incompetence or dishonesty, they most commonly reflect confusion, misunderstanding, or the memory fade we explored in **Part One**. This reframing can make complaints feel less personally threatening while informing what the adviser needs to do in response.

When an adviser understands that a client complaining about advice suitability may genuinely not remember or understand the rationale that was clearly explained years earlier, the adviser can focus on re-educating and clarifying rather than defending past actions. This approach typically proves far more productive.

Similarly, recognising that client anger often stems from feeling inadequately informed - rather than actual inadequacy of information provided - helps advisers respond with empathy rather than defensiveness. As the psychology we covered earlier suggests, the client's perception may be entirely genuine even where the recollection isn't accurate.

Acknowledging and addressing that experience proves far more effective than simply asserting that adequate explanation was provided.

“Most complaints aren't accusations of dishonesty. They're often expressions of confusion. Respond accordingly.”

The value of third-party support

Many firms appropriately engage compliance consultants or other third parties to help manage complaints. This practice provides significant value by introducing objectivity and emotional distance into the process.

Compliance consultants can evaluate complaints dispassionately, identify the real issues at stake and recommend responses that balance empathy with appropriate protection - all without the emotional investment that advisers naturally feel in their own work.

Third-party involvement also signals to clients that complaints are being taken seriously and evaluated independently. Clients often fear that firms will automatically defend their advisers regardless of merit, so knowing that independent experts are reviewing complaints can increase client confidence in process fairness.

When a complaint arrives, it's worth taking time to understand what it's actually about - not just what the client is saying, but what caused it.

Clients rarely articulate complaints in terms of their root cause. They describe the effect - e.g., advice that in retrospect seems wrong, a product that didn't perform as expected, a risk they say they were never warned about. The psychology we covered in Part One helps explain why the client experiences it that way. But for the firm, the useful question is what actually broke down in the process.

Was the advice genuinely unsuitable, or was it suitable but poorly understood at the time? Was the client truly not informed about the risks, or were they informed but unable to retain it, for reasons of cognitive overload or circumstance? etc.

Every complaint is a diagnostic opportunity and a way to reduce the likelihood of them over time.

Part Five:

Communication Strategies

How firms communicate with clients throughout relationships - and particularly during complaints - dramatically impacts complaint frequency and resolution success.



Adapting to individual clients

When it comes to explaining complex financial advice, there's rarely a single approach that works for everyone, or even for the same person in every situation.

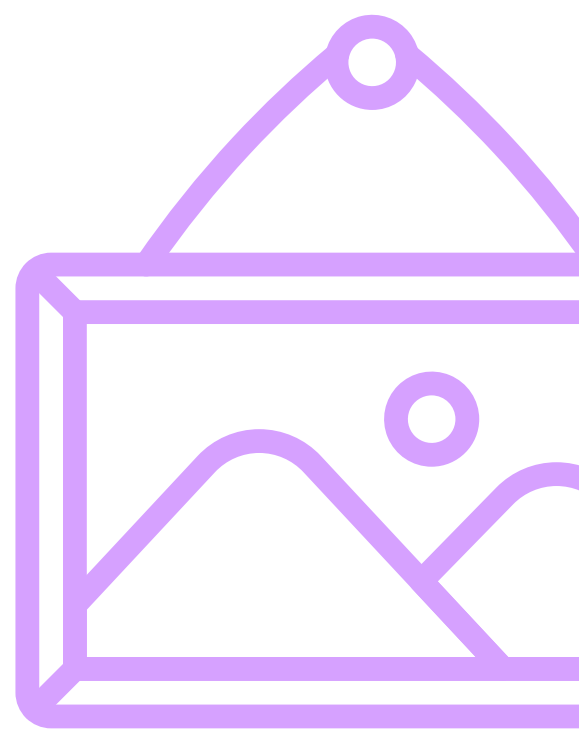
Some clients want detail, others want the headline and the practical implication. Some absorb information better when they can see it laid out visually whereas others need to talk it through. Many benefit from having something written to review afterwards, away from the dynamic of the meeting itself.

The research is clear that presenting information in more than one way significantly improves the likelihood of it being understood and retained because complex information is more likely to land when it's reinforced through more than one channel^[15].

There is also strong evidence that visual material e.g., diagrams, charts, illustrations of how a strategy works, is remembered more reliably than the same information presented in words alone^[16].

In a financial advice context, using visuals can improve the chances that what was explained is actually retained. In practice, this might look like talking through a recommendation verbally, supporting it with a chart or diagram during the meeting and following up with a clear written summary the client can review at home. Each of those formats reaches the client in a different way, reinforcing their comprehension and helping to reduce the gap between what was explained and what was understood.

Asking clients how they prefer to receive information is a useful starting point, but it shouldn't replace the adviser's judgement about what that client actually needs. A client who says they prefer a verbal conversation may still benefit from a written summary to review at home. The goal is genuine understanding, and as we've seen throughout this document, that is one of the most reliable protections against a future complaint.



The research is clear that presenting information in more than one way significantly improves the likelihood of it being understood and retained

Clarity in communications

Whatever the depth of information being shared, the way it is presented matters as much as the content itself.

For clients with lower financial literacy, plain language and everyday analogies work better than technical explanation. These clients need to understand what a product will do for them and what risks they face - not necessarily how it works internally. More financially sophisticated clients may expect and appreciate greater depth and could find oversimplified explanations frustrating.

But the principle of clarity applies to both. Research into how people process information consistently shows that familiar, plain language is easier to absorb and better retained than complex or jargon-heavy alternatives - and this holds even for expert audiences^[17]. Usability studies with professionals in medicine, science and technology have found that **even highly educated readers prefer succinct, easy-to-scan content over dense technical prose.**

Cognitive effort spent parsing complicated language is cognitive effort not spent understanding the substance of what's being said.

In practice, keep things:



Simple

Use the simplest word that accurately conveys the meaning.



Short

Keep sentences short.



Straightforward

Avoid industry terminology unless you are confident the client uses it themselves. If you need to use a technical term, explain it immediately in plain language.

The goal is a client who leaves the meeting with a clear, accurate understanding of what they have agreed to.

Proactive communication when problems arise

As we covered earlier, how a problem comes to light matters enormously. A client who hears about an issue from their adviser first is in a fundamentally different psychological position from one who discovers it themselves. The research on trust repair consistently shows that voluntary disclosure produces significantly better outcomes ^{[10], [11]}.

Whenever an adviser becomes aware of any error, oversight, or unexpected development that might concern a client, early proactive communication is essential.

This communication should clearly explain:

- **What happened**
- **Why it happened**
- **What impact it has had on the client**
- **What steps the firm is taking to address it**

Transparency in these moments demonstrates integrity and reinforces the trust the client placed in the relationship. Waiting (even with good intentions) can carry the same psychological risk as concealment from the client's perspective. By the time they find out, the attribution has already formed.



Part Six:

The Regulatory Framework

Understanding the regulatory framework governing complaints helps firms navigate requirements whilst identifying opportunities for innovation.



The FCA definition of complaint

The FCA defines a complaint as any oral or written expression of dissatisfaction, whether justified or not, about the provision of or failure to provide a financial service, which alleges that the complainant has suffered financial loss, material distress, or material inconvenience.

This deliberately broad definition captures far more than most advisers realise. Complaints include not only direct complaints about advice suitability but also complaints about service quality, administration errors, third-party issues, and virtually any other source of client dissatisfaction that might result in loss, distress, or inconvenience.

When advisers claim they've never received a complaint, they typically mean they've never received a complaint about advice suitability. But they've almost certainly received expressions of dissatisfaction that meet the regulatory definition.

Recognising what constitutes a complaint is essential because the definition triggers regulatory obligations around handling, reporting, and escalation rights. Firms that fail to recognise complaints risk regulatory breaches, inadequate client communication, and failure to properly notify professional indemnity insurers.



The three-day rule opportunity

DISP 1.5.1R provides that firms need not trigger formal complaint handling procedures if they resolve complaints to the complainant's satisfaction by close of the third business day following receipt.

This "three-day rule" was designed to enable swift resolution of minor issues without imposing disproportionate regulatory burden. In practice, however, many firms have found the three-day rule difficult to utilise. Traditional professional indemnity insurance policy conditions require firms to notify insurers of complaints and obtain approval before making settlement offers or admitting liability. The time required to notify insurers and await instructions typically exceeds three days, making it impossible to utilise the three-day rule without risking breach of insurance conditions.

This created a significant industry problem: the regulator wanted swift resolution of minor complaints, but insurance requirements prevented firms from achieving such swift resolution. The result was that minor complaints that could easily have been resolved quickly instead triggered full formal complaint procedures - consuming disproportionate resources and potentially escalating client dissatisfaction.

BareRock's Innovation

Recognising this problem, BareRock developed an innovative policy clause that enables insured firms to utilise the three-day rule effectively.

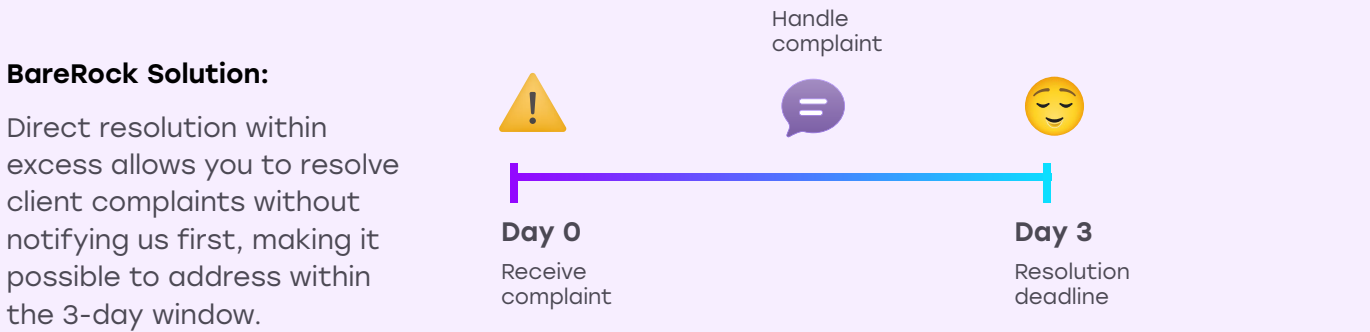
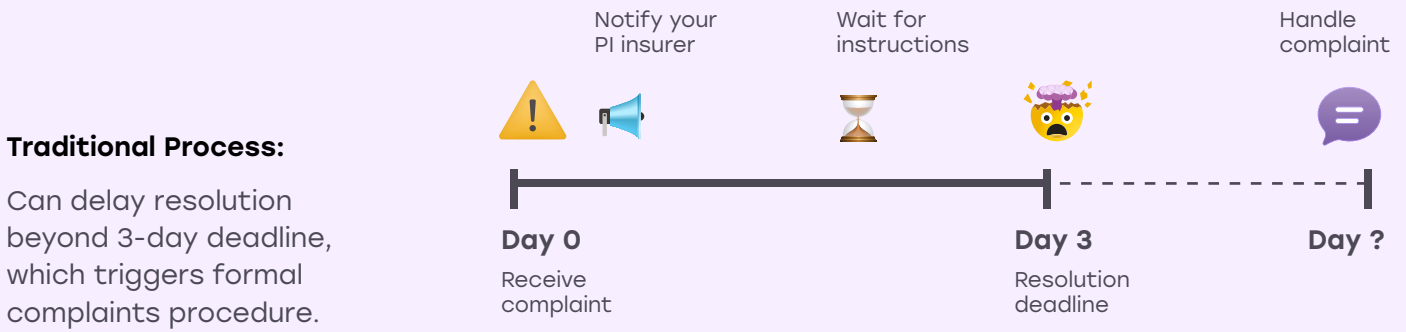
Policy clause 4.2 permits firms to handle complaints falling within the policy excess without prior notification or approval, provided they use prescribed template wording.

This innovation directly addresses the traditional barrier to using the three-day rule. Firms can now respond to minor complaints immediately, resolve issues within the three-day window and avoid triggering formal complaint procedures - all whilst remaining compliant with insurance conditions.

If resolution proves unsuccessful or the matter escalates, firms can then notify the insurer without having breached policy conditions by attempting early resolution.

This represents genuine innovation in professional indemnity insurance, aligning insurance requirements with regulatory expectations and client needs. It demonstrates how thoughtful policy design can enable better outcomes for all stakeholders rather than creating artificial barriers to optimal practice.

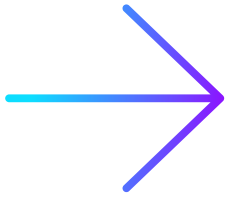
Illustration of the 3 Day rule process:



Part Seven:

When Prevention Isn't Enough

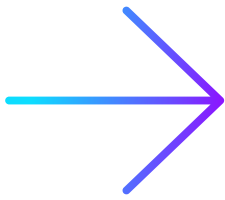
Despite best prevention efforts, some complaints will inevitably arise. How firms respond determines whether complaints can be resolved constructively or escalate into costly, relationship-destroying disputes.



Recognising the complaint

The first step is recognising when a complaint exists under the regulatory definition. Any expression of dissatisfaction alleging loss, distress, or inconvenience constitutes a complaint requiring formal handling unless resolved within three days.

Firms should err on the side of treating borderline situations as complaints rather than risking regulatory breach by failing to recognise them.



Responding without defensiveness

As discussed earlier, natural defensive reactions undermine effective complaint handling. Firms should approach complaints with genuine curiosity about why the client is dissatisfied and what might resolve their concerns - rather than immediately focusing on defending past actions or proving the client wrong.

Even when firms believe complaints lack merit, respectful, empathetic engagement produces better outcomes than dismissive or defensive responses. Clients whose concerns are genuinely heard and carefully considered - even if ultimately not upheld - tend to feel better about the process than those who feel their complaint was brushed aside.

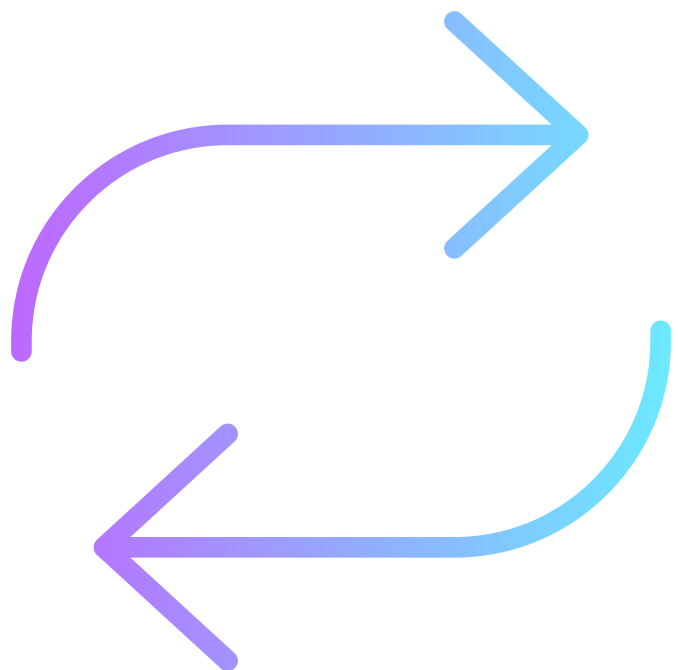
The service recovery paradox

Research into how clients respond to complaints has documented something encouraging: a client who raises a concern and receives an excellent response can end up more loyal than one who never had cause to complain at all ^{[18], [19]}.

The reason makes sense when you think about it. How a firm handles a problem reveals something about its character that smooth sailing never can. When a client raises a concern and the response is professional, genuinely empathetic and focused on resolution, they see that the firm is accountable, that it listens and that the relationship matters more than being right. That's not something a glossy brochure can demonstrate.

The research also tells us something useful about when this effect is most likely to occur, which reinforces everything we've covered in this document. The service recovery paradox tends to emerge when the original problem was relatively minor. Serious failures are harder to recover from and the effect is far less reliable. Which means the best way to benefit from it is to ensure that the complaints you do receive are the smaller, more manageable kind - and for advisers who are doing things properly, that is exactly what most complaints look like.

Handle those well and a complaint becomes an opportunity to demonstrate the kind of integrity that genuinely strengthens a client relationship.



Responding promptly

Speed matters significantly in complaint handling. Swift responses demonstrate that firms take complaints seriously and respect clients' concerns. Delays, conversely, increase client frustration and suspicion that firms are avoiding responsibility or trying to "run out the clock".

Regulatory rules set out maximum response times as follows:



Prompt acknowledgement

Written acknowledgement providing early reassurance that the complaint has been received and is being dealt with (DISP 1.6.1R). No specific timeframe is stated, but must be "prompt".

There used to be a "5 business day" acknowledgement rule but this was replaced with the more flexible "prompt" requirement, however we strongly recommend that firms acknowledge complaints within five business days, providing early reassurance that the complaint has been received and will be investigated properly.



Communication throughout the process

A frequently overlooked aspect of effective complaint handling is the importance of keeping the client informed throughout the process, not just at the start and finish.

DISP 1.6.1R explicitly requires firms to ensure complainants are kept informed of the progress being made towards resolution - and there's sound psychology behind this regulatory requirement. Silence breeds suspicion. When a client hears nothing for weeks, their imagination can fill the void - usually with worst-case scenarios.

A simple update, even one that says you're still investigating and gathering the relevant information, reassures them that their complaint is receiving proper attention and that the wheels are still turning.

This doesn't mean bombarding them with daily emails, but a well-timed mid-process update at around the three- or four-week mark can make the difference between a complaint that's resolved amicably and one that escalates to the Financial Ombudsman Service purely out of frustration at perceived indifference. Regular communication also manages expectations about timescales and demonstrates transparency, which builds trust precisely when trust is most fragile.



8 weeks

By the end of 8 weeks after receipt, the firm must send either:

- A final response accepting or rejecting the complaint with full reasons, OR
- A response explaining why still not in position to make final response, giving reasons for delay, indicating when they expect to provide one, AND informing the complainant they may now refer to the Financial Ombudsman Service

The eight-week deadline for final responses should be viewed as an absolute maximum, not a target timeframe. Firms should strive to provide final responses as quickly as thorough investigation permits - ideally within four weeks for most complaints. Protracted investigations frustrate clients and risk circumstances changing in ways that complicate resolution.

The importance of empathy and acknowledgment

How firms communicate during complaints dramatically affects client reactions and resolution prospects. Two psychological principles should guide all complaint communications:



First, clients need to feel heard and understood.

Even when firms ultimately reject complaints, clients whose perspectives were genuinely considered and whose concerns were thoughtfully addressed typically feel better about outcomes than clients who felt their complaints were perfunctorily dismissed.

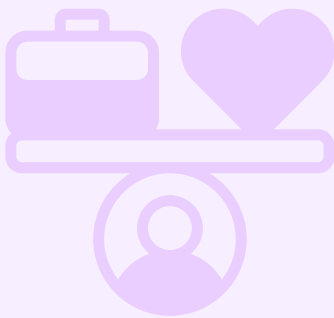
Taking time to understand the client's perspective, acknowledge their feelings, and explain why issues arose demonstrates respect and helps maintain relationships even when outcomes disappoint clients.



Second, appropriate acknowledgment of mistakes or shortcomings helps defuse client anger and demonstrates integrity.

When errors occurred, acknowledging them honestly whilst explaining how they happened and what steps are being taken to prevent recurrence typically produces far better outcomes than attempts to minimise or excuse mistakes.

Clients generally understand that errors happen. But they need to see that firms take responsibility and learn from mistakes.



Balancing empathy and protection

Complaint responses must balance empathy and acknowledgment with appropriate protection against unwarranted liability.

Firms can express regret that clients are dissatisfied and acknowledge the frustration or concern that complaints represent - without accepting liability for outcomes that were properly disclosed risks or accepting responsibility for matters beyond the firm's control.

Carefully worded responses that validate client feelings whilst maintaining appropriate boundaries serve both objectives.

Example wording:

“We’re sorry to see your investment has fallen in value and we understand this is concerning. Market conditions have been challenging for investors across the board during this period and we want to make sure you feel supported through that.

When we established your strategy together, we discussed the inherent risks of equity investment and the possibility that values could fall as well as rise in the shorter term. We recognise there’s a difference between understanding that risk in theory and seeing it play out in your own portfolio. That’s why we’d be very happy to talk it through with you.”

This wording acknowledges the client’s feelings, demonstrates understanding of their concern and explains the situation clearly - whilst gently but clearly reminding the client that the current situation represents a disclosed risk rather than a failing of advice. It validates emotion whilst maintaining the firm’s position.

Summary

When a complaint does arrive, how you respond matters as much as anything covered in the prevention sections.

This section has looked at the practicalities of complaint handling, from recognising when something formally constitutes a complaint under the regulatory definition, to the psychology of how to respond when one lands.

We've looked at why defensiveness, however understandable, consistently produces worse outcomes, and why approaching a complaint with genuine curiosity about what went wrong tends to produce better ones.

We've covered the importance of **speed, keeping clients informed** throughout the process and **balancing genuine empathy with appropriate protection**. We've also looked at the **service recovery paradox** - the well-evidenced finding that a complaint handled exceptionally well can actually strengthen a client relationship rather than damage it.

The effort invested in getting this right pays back in more ways than one.

Conclusion: A final word

If you've read this far, thank you. I know it's been a long one. I want to leave you with the same thought I started with: Complaints rarely begin as complaints. They begin as a client who stopped feeling properly looked after. Sometimes that reflects something we did wrong. Sometimes it doesn't. But the firms that see fewer complaints are almost always the ones who never stopped making clients feel like a priority in the first place.

That's not something you achieve through a single intervention or a ticked box. It requires building a culture that genuinely puts client understanding at its centre. One that maintains meaningful relationships over time, monitors how clients are feeling, spots the warning signs early and handles problems constructively when they do arise. None of those things work in isolation. They work because they are embedded in how the firm operates, day to day, year on year.

I've covered a lot of ground in this guide, and I won't pretend all of it is easy to implement. Some of it requires a shift in how you think about complaints, not as something that happens to you, but as signals about how your firm is communicating and whether your clients truly understand what they've agreed to. That shift, in my experience, makes all the difference.

What I can tell you, with confidence drawn from many years on the front line of this, is that firms who treat these strategies seriously see fewer complaints. When they do receive one, they resolve it faster, at lower cost and with far less damage to the relationship. That's a return worth investing in.

Thanks for reading.

John Netting

COO, BareRock Limited

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