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COMPLIANCE / POINT OF VIEW

Complaint patterns and actionable risk assessment

What reporting makes visible, what it leaves out, and how evidence reaches a decision

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THE CENTRAL QUESTIONS

The work that begins after the report

A complaint report can accurately describe the records it includes and still give an incomplete view of regulatory risk. Categories and counts may be available, while the evidence needed for a compliance decision remains scattered across narratives, operational records and individual notes.

Across my work, requests to improve complaint analytics often began with the visible output: a category that did not make sense, or a report that needed to be more useful. The deeper problem became clear only after examining the complaints. Officers needed understandable patterns, an explanation of their possible significance and enough evidence to decide what to do next.

This point of view examines five places where that connection can break. I focus on what Compliance can learn from complaints, including when information arrives weeks or months after Operations. Closing an individual complaint does not resolve the question of what a pattern means for the institution.

Key questions that drive this discussion are as follows:

I. **Does the category assigned to a complaint explain the potential compliance concern?**
II. **Can a previously unfamiliar pattern become visible to compliance?**
III. **Are regulatory requirements grounded in the evidence?**
IV. **What did the analysis potentially leave out?**
V. **Can someone follow the risk assessment to a decision?**

In addition, I will also cover model Risk aspects and will provide you with consideration and questions for potential internal and external solution providers in this space.

The observations combine lessons from multiple professional settings. Institution names, chronology and identifying details are omitted. The example worked is hypothetical. The review approaches are the author's proposals, informed by the public sources on page 13.



I. Does the category assigned to a complaint explain the potential compliance concern?

I have repeatedly encountered requests to fix the regulatory categories assigned to complaints. It was a reasonable request. If the category was unreliable, improving it seemed the obvious place to begin.

Reading the underlying narratives changed my understanding of the work. Some classifications depended on words borrowed from regulations. Those words were broad enough to occur in quite different situations. Customers could also describe the same difficulty without using any of the selected terms.

The resulting label did not necessarily explain why a requirement might apply. An officer still had to reconstruct the circumstances, identify the relevant process and assess the connection. The report had organized the complaints, but much of the assessment remained unfinished.

Compliance Officers asking for better categories knew their responsibilities. The information available to them made the category the most visible problem. Asking them to choose better keywords would still require them to anticipate how customers might describe concerns they had not yet seen.

Once understandable patterns became available, officers recognized the processes involved and examined the supporting accounts closely. Their engagement helped reveal the real need: evidence they could relate to their work.

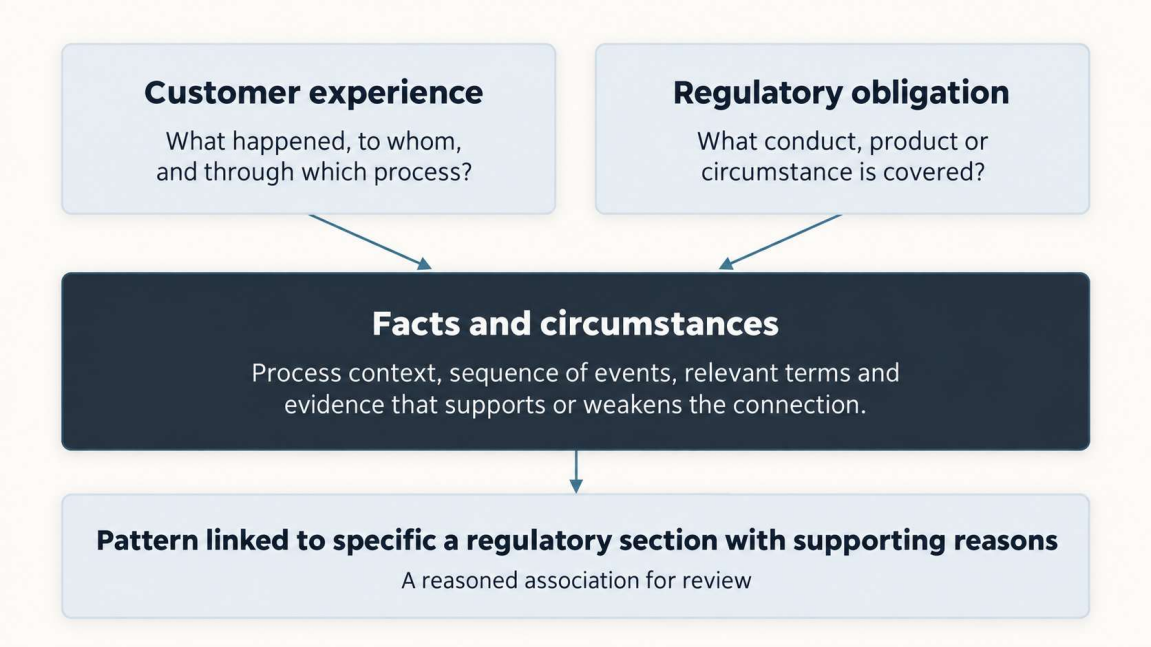
THE IMPLICATION

A regulatory association needs a reason that can be challenged. A model score or a familiar label cannot supply that reason by itself.

II. Can a previously unfamiliar pattern become visible to compliance?

Regulations describe obligations and the conditions under which they apply. Customers describe experiences, often incompletely or in frustration. The connection depends on the facts of the experience and the scope of the obligation.

When we depend on human judgment based on past experiences, a significant limitation is introduced. There is no human being, or a group of human beings who have seen it all, can remember it all. Even if such a group existed in theory, what about new laws, changes to laws, unforeseen changes to the market? During the mortgage crisis of 2006-2008, heightened bankruptcies and foreclosures were the main topics of complaints, with issues never seen before. Similarly, when a new law was enacted in the midst of the COVID pandemic, there was no such historical knowledge.



A useful explanation identifies the facts that matter, the provision potentially implicated and the uncertainty that remains. It also makes room for more than one plausible interpretation.

One of the core principles of being able to identify emerging patterns is to allow the data to organize itself into patterns. This technique, often referred to as Unsupervised Learning, is a critical component of a sustainable AI driven solution for financial services compliance users.

A search for a known issue serves a legitimate purpose. It can follow an established concern across a new period or find additional examples. Its success tells us little about concerns outside the search definition.

The same limitation can persist when a predictive model replaces keywords. A model may recognize different wording within existing categories and still be unable to surface a concern beyond them. Agreement with historical labels does not establish the completeness of discovery.

Providers of analytical solutions must treat any reliance on human guidance or historical interpretations as a potential source of severe limitation and bias; however small it appears. One instruction about relevance can keep an entire class of complaints out of view. The amount of guidance is a poor measure of its effect.

This limitation can enter before the model sees the complaints. A rule that includes only records already marked as regulatory excludes every concern missed by the earlier categorization. A display that hides small groups can keep an unfamiliar pattern from reaching an officer. If a reviewer dismisses a finding, using that dismissal to suppress all similar complaints can repeat the original judgment indefinitely.

I would ask an analytics provider to vary the examples, prompts and inherited labels and show which findings change. I would also review complaints that were excluded, left ungrouped or placed below the display threshold. Testing on a later period can reveal dependence on past conditions. None of these checks prove that every future concern will be found, but each can expose a specific limit that agreement with old labels would miss. Question IV addresses the records that never reach this testing.

THE IMPLICATION

Past customer narratives are evidence. Past labels, selected examples and review decisions are interpretations of that evidence. Treating those interpretations as the full boundary of relevance can preserve earlier blind spots.

I would want to see what the method finds outside familiar cases, what it omits and how its findings change when inherited assumptions are challenged. The label "AI" answers none of those questions.

III. Are regulatory requirements grounded in the evidence?

The requirement itself comes from the applicable law or regulation. What must be grounded in the evidence is the claim that a complaint pattern raises concern under that requirement. An officer should be able to see which part of the customer experience makes a particular provision relevant, and which facts still need to be confirmed.

When I examined complaints behind requests for better categories, a label often left this work to the officer. Naming a regulation did not explain what might have gone wrong in the process. Asking officers to specify more labels would have repeated the same problem. They needed to see the pattern first and then examine its possible significance for their responsibilities.

Consider a hypothetical group of complaints in which customers describe being passed between an institution and its service partner while trying to dispute debit-card transactions. Some say they were told that an investigation could not begin until a form was returned. These accounts may sit under different categories, such as service, disputes or partner support. The shared experience is the possible delay in starting the investigation.

For a covered electronic fund transfer and a qualifying notice of error, Regulation E section 1005.11(c) is relevant. Its official interpretation explains that an institution must start investigating promptly after oral notice and cannot wait for written confirmation. Section 1005.11(b) sets out notice conditions that also need to be checked. [3] The reason for the association is the alleged handling of the notice, not the occurrence of the word “dispute.”

The assessment should therefore identify the complaint passages describing the delay and request the records needed to check them. Was the transaction covered? What did the customer report, to whom and when? When did investigation activity begin? Did a later hand-off change who was responsible for the work?

The same review should look for evidence that weakens the concern. Operational records might show that the investigation began before the form arrived, even though the customer understood otherwise. That could change the issue from delayed investigation to unclear communication. Both deserve an explanation, but they do not support the same regulatory conclusion.

THE IMPLICATION

A useful output links the pattern to a specific regulatory section with supporting reasons and identifies what remains unverified. It gives the officer a defined issue to examine without presenting an allegation as a confirmed breach. Question V follows this example through the recommended action and decision.

IV. What did the analysis potentially leave out?

I have also encountered a request to produce complaint analytics for use in a regulatory examination. The initial emphasis was on having a report that was clear and visually useful. Instructions were available about which records to use. Once I examined the underlying data, some of those selection assumptions did not hold up.

The lesson was not that the people providing the instructions lacked knowledge of compliance. They had not previously been given complaint information that allowed them to examine patterns effectively. Their requests naturally reflected the reports and extracts they knew. Asking them to specify the desired output could not, by itself, reveal what the data contained or what the selection rules had removed.

I would begin by comparing the records in the source systems with the records included in the analysis. The comparison should show what was excluded and why. For example, an extract limited to complaints with an existing regulatory category cannot establish whether uncategorized complaints contain regulatory concerns. Testing a model on that same extract would repeat the omission.

Other exclusions need a closer look as well. Repeat contact may show that the same difficulty continued after an earlier response. An inquiry may describe the same experience as a record marked as a complaint. A short summary may omit the event that makes the account relevant. Where calls are transcribed, missing passages or transcription errors can remove important details. Access and privacy controls remain necessary, but the assessment should state which records or details those controls prevented it from examining.

Timing creates a separate problem. Compliance may receive the information weeks or months after Operations. I would distinguish the date of the customer experience, the date the complaint was recorded and the date it became available to Compliance. A rise in this month's report could reflect a backlog being delivered or a channel being added. It does not, by itself, show that the underlying problem began this month.

Before describing a pattern as emerging, I would compare periods with similar coverage and examine the underlying event dates. If those dates are unavailable, I would say that the pattern is newly visible to Compliance and explain the limitation. Low volume also needs context: a small number of serious allegations can justify review, and a channel that is missing from the data cannot support a conclusion that no concern exists there.

For a predictive model, this is part of testing whether the method is fit for its intended use. A high success rate within a selected dataset says nothing about complaints excluded before testing. I would want samples from excluded and ungrouped records, a comparison across

channels and a record of which findings changed when selection rules were varied. Those results should limit the conclusions drawn in Question V.

THE IMPLICATION

The ability to detect and react to an emerging risk is essential for any Financial Institution's operations. Not all newly recognized patterns are emerging, and absence of clearly emerging patterns still leaves the possibility of it being present while not being presented to the Compliance team.

When working with any analytics solution provider, it would be essential to understand their process, and approach to detecting emerging patterns.

V. Can someone follow the risk assessment to a decision?

In my experience, officers engaged closely with complaint analysis once they could recognize patterns relevant to their processes. The next challenge was to make that work usable as a risk assessment. If officers still had to download the findings, join them to other records and write the explanation separately, much of the work remained with each individual.

That is where methods begin to differ. One officer may review the full narrative, another may rely on the summary, and another may add information from an operational discussion. Different judgments can be reasonable, but it is difficult to explain them when the officers did not start with the same evidence. A reviewable assessment needs to show the evidence used, the reason for the conclusion and the action it supports.

If the connection between a specific pattern and a regulatory requirement is valid, then “do what the regulation says” is a tempting way to come with potential remedial action. The patterns of potential regulatory risk are often a result of a potential gap in the process, a poorly designed or mossing control, or a misunderstood regulatory requirement.

A process that is affected by such findings will impact multiple regulatory requirements; hence actions must take into account full picture. Not only do individual patterns need to produce tangible, verifiable remedial actions, such actions need to be integrated across all patterns reviewed, to produce a practical, feasible action plan.

THE IMPLICATION

The CFPB’s compliance management examination procedures connect complaint evaluation with identification of potential harm, root-cause analysis, reporting and corrective action. [1] The practical question for the CCO is whether the institution can demonstrate that connection in its own work. A category count or a meeting note will rarely explain the full sequence.

I would use an actual recent assessment to check this. Can another officer open the supporting records, understand why the requirement was considered relevant and see what happened to the recommendation? Can the officer identify what new evidence would cause the conclusion to be reconsidered? If the original reviewer must reconstruct the answer from separate spreadsheets and recollection, the assessment is still incomplete.

Model risk when complaint analytics guides review

A tool used to help officers explore complaints can gradually become the basis for deciding which complaints receive attention. The consequences of an omission change when everything below a score or outside a displayed group is left unreviewed. The CCO needs to know whether the output is helping a review or effectively determining its boundaries.

Supervisory guidance SR 26-2 discusses model risk in relation to inherent risk, exposure, purpose and use; purpose and exposure determine materiality. It also addresses limitations, validation and changes in use. [2] Applied to complaints, I would distinguish grouping accounts for exploration from using a prediction to rank concerns or support a decision that no further review is needed. The latter uses require evidence about the consequences of missed or wrongly associated patterns, as well as the review controls that remain.

For an internal team or an external analytics provider, I would ask for evidence against the five questions in this document. For Question A and Question C, show the facts and reasoning behind a regulatory association, including evidence that could weaken it. For Question B, show what changes when historical labels, examples and prompts are varied. For Question D, show excluded records and the effect of selection rules. For Question E, show how a finding becomes a recommendation and how a reviewer records disagreement or a decision to take no further action.

Human input requires particular care. An officer's explanation that a finding is unsupported can help improve its interpretation. Turning that explanation into a rule that prevents similar accounts from ever appearing can conceal the next concern. A provider should show where expert guidance is used, what it changes and how those effects are tested. A small amount of guidance can have a large effect; neither the amount of automation nor the absence of manual labeling establishes that a method is unbiased.

Before increasing reliance, I would document the proposed use, the effect of an incorrect result and the evidence that supports the change. Testing should use authorized data in an approved environment. A demonstration using synthetic complaints can explain a method, but actual performance needs to be assessed using evidence appropriate to the institution's work.

SR 26-2 is supervisory guidance, not an enforceable standard. It is most relevant to banking organizations above $30 billion in assets and may be relevant to some smaller organizations. Generative and agentic AI are outside its scope; an institution's risk management and governance practices still guide controls for tools outside that scope. [2]

Public sources

These sources provide context for the discussion. They do not prescribe the analytical method proposed here. Links checked October 18, 2026.

1 CFPB Compliance Management Review

August 2017 examination procedures, pages 13–15. Complaint evaluation, potential consumer harm, root-cause analysis and corrective action.

2 Interagency Supervisory Guidance on Model Risk Management

SR 26-2 attachment, April 17, 2026. Sections II–V and VII cover scope, purpose, use, limitations, validation and third-party models.

3 Regulation E section 1005.11

Notice of error and investigation requirements, especially paragraphs (b) and (c) and official interpretation 11(c)-2. Used for the hypothetical dispute example.

About the author

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