

**Date: December 6, 2024**

**To: Brian Shearer and Kiren Gopal, Consumer Financial Protection Bureau**

**From: Jennifer Chien, Senior Policy Counsel, Consumer Reports**

**Subject: Customer service and digital chatbots**

Consumer Reports (CR) strongly supports the Consumer Financial Protection Bureau (CFPB)'s plans to initiate rulemaking to address the obstacles and "doom loops" that many consumers face when interacting with customer service at financial institutions, whether through interactive voice response (IVR) menus or digital chatbots. The problems that consumers encounter with their financial products and services can often be urgent, complex, and time-sensitive, and consumers can suffer monetary harm if their issues are not resolved quickly. However, we are concerned that consumers increasingly face obstacles in reaching a live representative to resolve their issues.

We understand that the CFPB is in the initial stages of considering what to cover in rulemaking on this topic and is seeking inputs from stakeholders. This memo provides CR's inputs on the following areas to help inform the CFPB's rulemaking:

- Recent trends in use of chatbots by financial institutions
- Potential risks to consumers arising from digital chatbots
- Consumer challenges with IVR customer service menus
- CR recommendations on customer service

## Recent trends in use of chatbots by financial institutions

In recent years, an increasing number of financial institutions have begun leveraging digital chatbots and virtual assistants for customer service, primarily to increase efficiency and reduce operational costs given that customer service is often viewed as a significant "cost center." Most banks now offer chatbots of varying ability, which were particularly leveraged during the pandemic. More than half of the leading mobile banking apps now provide chat assistance.<sup>1</sup> In addition, a growing number of banks are offering chatbots with more advanced capabilities, such as natural language processing (NLP) (28% of banks), while 11% offer 1<sup>st</sup> generation generative AI (GenAI)-assisted virtual assistants.<sup>2</sup>

"Traditional" chatbots are typically rule-based and deterministic, with pre-defined, predictable responses based on specific inputs. Consumers often engage with such chatbots via pop-up screens which accommodate typing and text but offer limited capacity for interaction beyond this. In contrast, more advanced chatbots can dynamically engage in unstructured conversations with consumers, address more complex tasks, and provide more personalized services by leveraging a combination of artificial intelligence (AI), machine learning (ML), NLP, and large language models (LLMs) like OpenAI.<sup>3</sup> In

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<sup>1</sup> <https://www.americanbanker.com/opinion/virtual-assistants-are-the-future-but-some-banks-are-falling-behind>

<sup>2</sup> <https://www.americanbanker.com/opinion/virtual-assistants-are-the-future-but-some-banks-are-falling-behind>

<sup>3</sup> LLMs, a type of GenAI, are neural network-based models trained on massive amounts of unstructured data.

These models learn to predict the probability of the next word in a desired output response, resulting in the capability for LLMs to produce understandable and meaningful text based on a prompt. Because foundation models such as ChatGPT are trained on such massive datasets across the entire internet, they can generate content on a wide range of topics and hence be used for a variety of use cases, though they also raise risks of embedded bias.

the most advanced cases, voice-activated virtual assistants can dynamically learn from interactions with consumers, have conversations with consumers, handle complex questions, conduct simple transactions, and offer personalized advice.

For example, Bank of America’s Erica can provide weekly snapshots of spending and track account balance trends, while U.S. Bank’s Smart Assistant can provide predictive notifications regarding cash shortfalls and duplicate transactions. Klarna, a Buy Now, Pay Later (BNPL) provider, reports that its OpenAI-powered virtual assistant already handles two-thirds of all customer service chats, with 2.3 million conversations completed a month after its launch.<sup>4</sup> Klarna states that its AI assistant is available 24/7, can speak 35 different languages, and can handle tasks such as refunds and cancellations.

## Potential risks to consumers arising from digital chatbots

Digital chatbots and virtual assistants can provide some benefits for consumers. In particular, unlike call centers, they are available 24/7 to respond to questions and provide information. In the case of more advanced chatbots and virtual assistants, consumers can receive personalized advice that may help them better manage their financial lives.

At the same time, digital chatbots and virtual assistants raise a range of potential concerns. A primary concern is that consumers will not be able to obtain the assistance they urgently need. In the case of traditional chatbots, consumers may not be able to obtain answers to their questions given the limited functionality of traditional chatbots. These concerns are compounded if consumers are limited to interacting with digital chatbots and have difficulty reaching a live representative for further assistance. In worst-case scenarios, digital chatbots and virtual assistants may be intentionally used to avoid accountability or stymie consumers’ ability to resolve issues.

In the case of more advanced GenAI-enabled chatbots and virtual assistants, consumers also run the risk of receiving inaccurate or unreliable information or being given inappropriate advice or offered inappropriate products. LLMs produce outputs based on probability, not predictive analytics or logical reasoning. A poorly trained LLM may produce unpredictable and unreliable results. LLMs are also known for producing hallucinations - factually inaccurate statements that may be presented in a very plausible sounding manner - particularly when faced with complex questions or situations. Inaccurate information could potentially lead consumers to make poor financial decisions that harm their well-being.

GenAI-enabled chatbots also pose risks of biased or discriminatory outputs given that general purpose LLMs are trained on large datasets from across the internet, resulting in embedded bias. Digital chatbots also pose data privacy concerns, as highlighted in the CFPB’s June 2023 spotlight on digital chatbots.<sup>5</sup>

## Results from CR’s consumer survey on digital chatbots

The risks from digital chatbots highlighted above can lead to consumers feeling frustrated, erode trust in financial institutions, and potentially cause financial harm. Results from CR’s nationally representative surveys of U.S. consumers demonstrate that these concerns are not theoretical. Many consumers are

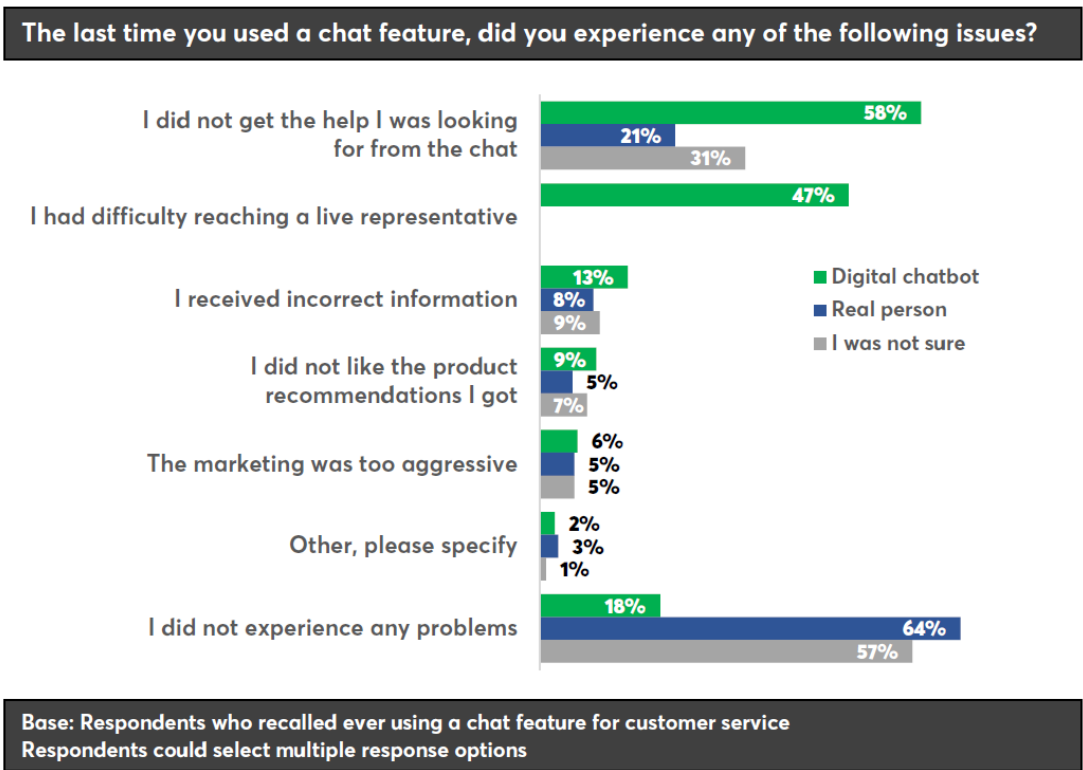
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<sup>4</sup> <https://www.fastcompany.com/91039401/klarna-ai-virtual-assistant-does-the-work-of-700-humans-after-layoffs>

<sup>5</sup> <https://www.consumerfinance.gov/data-research/research-reports/chatbots-in-consumer-finance/chatbots-in-consumer-finance/>

already using chatbots, including for customer service issues related to financial services, and there are noticeable differences in consumers' experiences when engaging with chatbots versus live representatives.

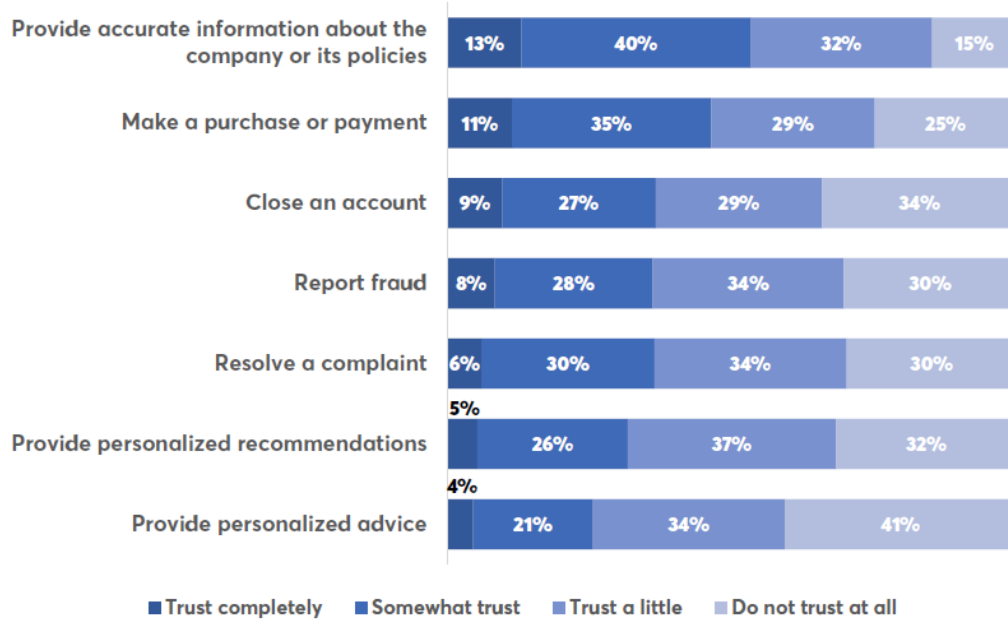
For example, in a nationally representative survey conducted by CR in February 2024,<sup>6</sup> we found that consumers utilizing customer service chat features had the impression that they were interacting with a digital chatbot nearly half the time (45% of respondents) compared to a real person (42% of respondents), while 13% of respondents were not sure. Consumers who thought they were interacting with digital chatbots were three times more likely to say they did not get the help they were looking for compared to consumers who thought they were interacting with a live representative (58% vs 21%). In addition, nearly half of those who thought they were chatting with a bot (47%) indicated they had difficulty reaching a live representative. Consumers who thought they were interacting with digital chatbots were also more likely to indicate that they received incorrect information or did not like the product recommendations they received.



CR's survey also explored how much consumers would trust a digital chatbot to successfully help them with each of a series of actions. About half (53%) of chat users would somewhat or completely trust a digital chatbot to provide accurate information about the company or its policies. Just under half (46%) would somewhat or completely trust a digital chatbot to help them make a purchase or a payment. A lower percentage of respondents would somewhat or completely trust a digital chatbot to provide personalized recommendations (31%) or personalized advice (25%).

<sup>6</sup> Consumer Reports nationally representative American Experiences Survey of 2,035 U.S. adults (February 2024). [https://article.images.consumerreports.org/image/upload/v1710449643/prod/content/dam/surveys/Consumer\\_Reports\\_AES\\_February\\_2024.pdf](https://article.images.consumerreports.org/image/upload/v1710449643/prod/content/dam/surveys/Consumer_Reports_AES_February_2024.pdf)

**If you were certain that you were chatting with a digital chatbot or a virtual assistant, how much would you trust it to successfully help you with the following actions, if at all?**



**Base: Respondents who recalled ever using a chat feature for customer service**

## Consumer challenges with IVR customer service menus

CR found that consumers often face challenges when interacting with IVR customer service menus as well, though these challenges primarily revolve around delays and obstacles in reaching a live representative and operational issues with the phone menu. The vast majority of consumers indicated wanting to speak with a live representative to resolve their customer service issues and most ultimately ended up doing so, but with unnecessary delays due to having to navigate menu options or wait on hold. Many respondents indicated experiencing some kind of problem, including the customer service phone menu not having the option they needed, having to repeat information multiple times, or menu systems that were too long.

## Results from CR’s consumer survey on customer service IVR menus

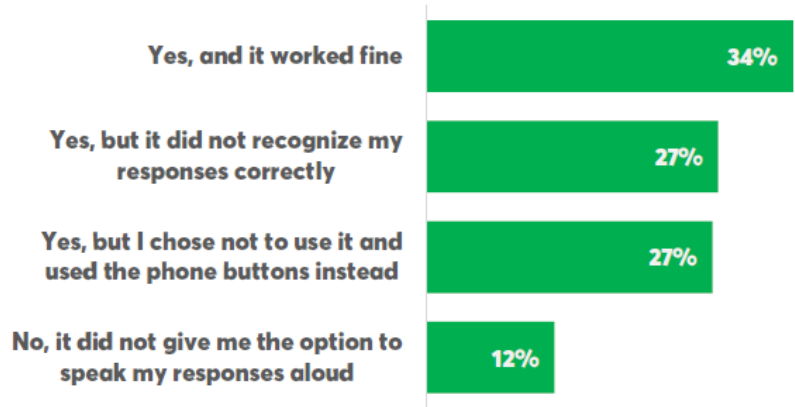
CR conducted another nationally representative survey in October 2024<sup>7</sup> to better understand U.S. consumers’ experiences with customer service phone menus.<sup>8</sup> We found that many consumers are regularly interacting with customer service phone menus – three out of four Americans (74%) indicated having used a customer phone menu within the past 30 days. Of this group, only one in three (34%) said

<sup>7</sup> Consumer Reports nationally representative American Experiences Survey of 2,019 U.S. adults (October 2024). [https://article.images.consumerreports.org/image/upload/v1731522540/prod/content/dam/surveys/Consumer\\_Reports\\_AES\\_October\\_2024.pdf](https://article.images.consumerreports.org/image/upload/v1731522540/prod/content/dam/surveys/Consumer_Reports_AES_October_2024.pdf)

<sup>8</sup> Note that these survey results are not specific to customer service menus at financial institutions.

they had encountered IVR and that it had worked fine. Other consumers either found that the IVR did not recognize their responses or they chose not to use it, while 12% of those who had used a customer service menu said the menu did not offer IVR.

**The last time you engaged with a customer service phone menu, did it use Interactive Voice Response, where you were invited to speak your responses aloud?**



**Base: Respondents who have encountered a customer service phone menu in the past 30 days**

Only 12% of Americans who had used a customer service phone menu in the past month said they did not need to speak with a live customer representative. The rest of that group indicated they wanted to speak with a live representative. The vast majority of people who wanted to speak with a live representative ended up doing so (83% of phone menu users who wanted to speak with a live representative). These results clearly indicate that for many consumers, speaking with a live representative is critical for ultimately resolving their customer service issues.

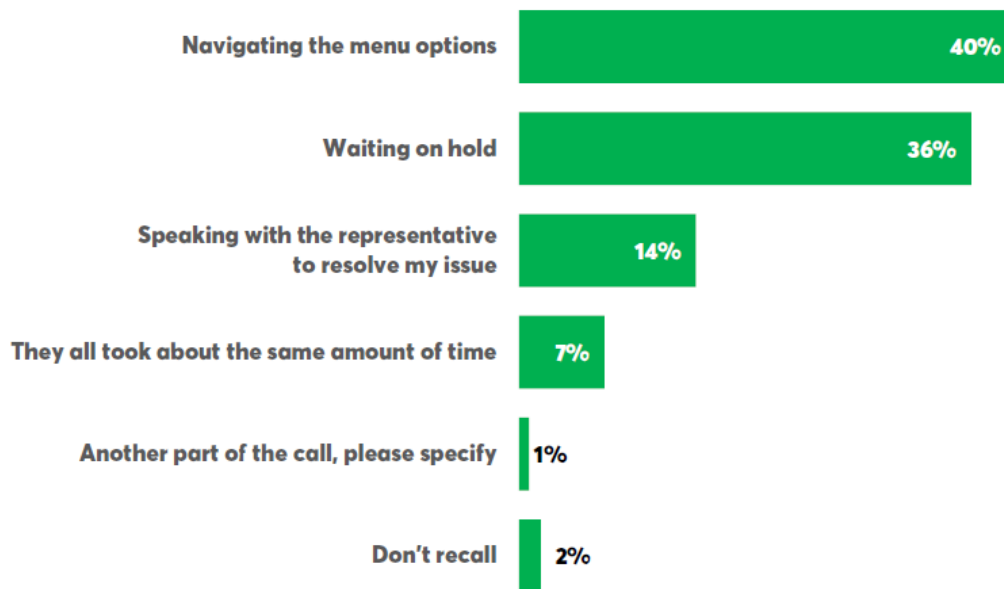
**That last time you interacted with a phone menu, did you want to speak to a live representative on that call?**



**Base: Respondents who have encountered a customer service phone menu in the past 30 days**

While speaking with a live representative clearly appears to be important to most consumers, reaching a live representative can be challenging. Phone menu users who wanted to speak to a live representative indicated they spent the most amount of time on the call navigating menu options and waiting on hold, while speaking with a representative to actually resolve their issues took less time in contrast. These results indicate that consumers are facing unnecessary delays in reaching a live representative that can resolve their issues more quickly.

**That last time you interacted with a phone menu and asked to speak to a representative, which part of the call took the most time?**



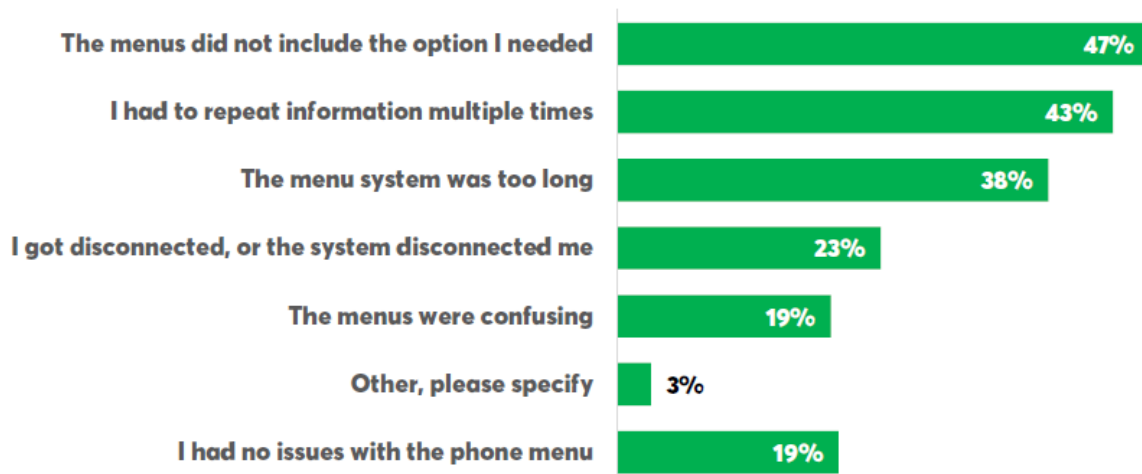
**Base: Respondents who wanted to speak to a live representative the last time they interacted with a phone menu**

Americans indicated mixed satisfaction with their customer service experiences. Consumers that had interacted with a customer service phone menu in the past 30 days indicated that their customer service issue was resolved on the first call six out of ten times (61%). For 15% of those people, it took two calls to resolve their issue, and for 11% of them it took three or more calls. For 8% of people who had encountered a customer service phone menu in the past 30 days, their customer service issue had not yet been resolved. Americans who had used a customer service menu in the past 30 days express middling satisfaction with the experience overall. About six in ten (59%) were very or somewhat satisfied, while about four in ten (41%) were somewhat or very dissatisfied.

Concerningly, the vast majority of Americans (81%) who had interacted with a customer service phone menu indicated experiencing some kind of problem with the system. Nearly half (47%) said the menu did not include the option they needed. About four in ten said they had to repeat information multiple times (43%), and 37% said that the menu system was too long. More than two in ten (23%) said they had been disconnected from the call, and two in ten (19%) said the menus were confusing. These results

clearly indicate that customer service phone menus can be challenging to use for consumers and that improvements and enhancements are needed to improve customer service.

**Please tell us if you experienced any of the following issues the last time you used a customer service phone menu.**



**Base: Respondents who have encountered a customer service phone menu in the past 30 days  
Respondents could select multiple responses**

## CR recommendations on customer service

As the above data demonstrates, U.S. consumers currently face a range of obstacles when seeking to resolve customer service issues whether they are interacting with digital chatbots or customer service phone menus. Financial institutions should be required to meet minimum standards for customer service that apply regardless of the customer service channel or mechanism being utilized. Monitoring and reporting on performance metrics for customer service would also help to ensure the adequacy of customer service operations at financial institutions.

### Minimum standards for customer service

CR believes that financial institutions should meet minimum standards for customer service and dispute resolution. We have elaborated on core indicators for customer service and dispute resolution in our Fair Digital Finance Framework,<sup>9</sup> which CR uses to evaluate digital finance products and services. This includes indicators such as the following:

- Customer support should be easy to access via multiple channels (e.g. in person, over phone, email, web, mobile app)
- Convenient hours should be provided to reach live customer service
- Financial institutions should address customer service requests within a reasonable time period

<sup>9</sup> <https://advocacy.consumerreports.org/issue/money/financial-fairness/principles/user-centered/>

- The channels and processes for dispute resolution should be widely publicized to consumers via multiple channels
- Financial institutions should keep consumers informed throughout the complaints handling process
- Financial institutions should analyze complaints data to continuously improve their products, services, and processes

While these indicators seem commonsense and practical, there are increasing concerns that even basic indicators regarding accessibility are not being met, particularly as financial institutions shift to digital channels. For example, we have come across instances, particularly with fintech companies, where customer service channels are limited to SMS and digital chatbots with no options to reach live customer service. Limiting consumers to digital channels for customer service often results in more time-consuming processes that require multiple follow-ups and harms the ability of consumers to rapidly resolve more complex, urgent issues that require live assistance.

CR supported<sup>10</sup> a bill in CA (AB 1320)<sup>11</sup> to address this issue by requiring payment transfer apps such as Cash App and Venmo to operate a toll-free telephone helpline during business hours, so that fraud victims or other consumers with urgent problems could reach out to a live person. We supported similar efforts by the New York Department of Financial Services (NYDFS) to require virtual currency providers to resolve customer service requests and complaints in a timely and fair manner, including by maintaining a phone number and e-mail or chat-based customer service channels at a minimum that are monitored by human, properly trained representatives.

While we welcomed the NYDFS guidance,<sup>12</sup> we highlighted the need for similar guidance to apply to all fintech companies to ensure that an adequate minimum standard of customer service is consistently provided across the industry. The CFPB would be well-placed to ensure that a minimum bar is established across the industry so that all consumers are consistently protected regardless of provider or product type.

CFPB staff have indicated considering specific solutions such as a single upfront button to press to immediately bypass IVR levels and chatbots and reach live customer service. While we agree with the overall objective of this type of solution, we caution that it may in practice increase call wait times dramatically as well as operating costs for financial institutions. An alternative solution that could be considered is to restrict the number of IVR layers before a live option is made available.

As noted above, we also consider it good practice and important not only for there to be multiple channels accessible to consumers for customer service, but for information on these legitimate, secure customer service channels to be widely publicized to consumers. We are concerned by recent instances where consumers were unaware of official customer service channels and ended up contacting scammers impersonating the customer service of financial institutions, an increasing concern in the increasingly digitized financial ecosystem. Information on the official channels for customer service should be clearly and prominently displayed across multiple platforms in order to help mitigate this risk.

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<sup>10</sup> CR's comment letter in support of AB 1320 can be found at <https://advocacy.consumerreports.org/wp-content/uploads/2021/04/Final-CR-April-2021-Support-AB-1320-telephone-number-for-MSBs-4.pdf>

<sup>11</sup> [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=202120220AB1320](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB1320)

<sup>12</sup> <https://www.dfs.ny.gov/industry-guidance/industry-letters/il20240530-cus-serv-req-and-complains>



There are a number of ISO standards on customer service that cover a more comprehensive set of issues related to customer service beyond accessibility and may serve as useful references as the CFPB considers developing broader rules on this topic. This includes:

- ISO 10002 on Quality management — Customer satisfaction — Guidelines for complaints handling in organizations<sup>13</sup>
- ISO 23592 on Service excellence — Principles and model<sup>14</sup>
- ISO 24082 on Service excellence — Designing excellent service to achieve outstanding customer experiences<sup>15</sup>

With respect to digital chatbots, minimum standards and good practices for customer service and complaints handling should apply, as digital chatbots should be considered simply another channel for customer service. For example, customer service representatives are expected to provide appropriate support and accurate responses to customer inquiries, which entails adequate training and resources. Similar expectations should apply where digital chatbots or virtual assistants are being employed for customer service, which similarly should entail taking proactive measures in design and testing of chatbots to ensure accuracy and decrease the risk of hallucinations. Employing GenAI tools to interact directly with consumers should not absolve financial institutions of liability arising from the outputs of such tools, and consumers' reliance on such outputs. For example, Air Canada was recently held liable for incorrect information provided to a consumer by its chatbot.<sup>16</sup>

Similarly, financial institutions should generally be required to consider accessibility of channels for limited English proficiency consumers or consumers with disabilities. Such considerations should be applied to digital chatbots and virtual assistants as well to ensure appropriate accommodations are made.

In addition, certain safeguards or good practices specific to digital chatbots should be introduced. Emerging good practices include providing clear disclaimers when consumers are interacting with a digital chatbot or virtual assistant and offering an easily accessible means to escalate to human assistance. Financial institutions should also provide clear information regarding the capabilities and limitations of a digital chatbot or virtual assistant.<sup>17</sup>

## Suggestions for performance metrics for customer service

There are a number of performance metrics for customer service that the CFPB could consider requiring financial institutions to monitor internally and/or report publicly or to regulatory authorities. If the CFPB is considering tracking performance metrics, we would advise considering the multiple dimensions that need to be addressed in customer service. While accessibility and speed are important components as highlighted in the "Time is Money" initiative, these comprise only one dimension of customer service. Consumers also need to receive accurate information and appropriate resolution.

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<sup>13</sup> <https://www.iso.org/standard/71580.html>

<sup>14</sup> <https://www.iso.org/standard/76358.html>

<sup>15</sup> <https://www.iso.org/standard/77762.html>

<sup>16</sup> *Moffatt v. Air Canada*, 2024 BCCRT 149

<sup>17</sup> For example, these practices are highlighted in Artificial Intelligence Governance Principles: Towards Ethical and Trustworthy Artificial Intelligence in the European Insurance Sector. EIOPA, June 2021.

<https://www.eiopa.europa.eu/system/files/2021-06/eiopa-ai-governance-principles-june-2021.pdf>

One approach would be to consider a set of performance metrics on customer service that cover the following three key areas, based on the varied customer service needs of consumers: (1) accessibility, (2) information, and (3) resolution.

(1) Performance metrics regarding accessibility could include:

- Self-service usage
- Response provided using customer's preferred communication channel
- Time awaiting live answer in phone queues (first response time)
- Time to respond to online/email queries (first response time)
- Call abandonment rates at authentication stage
- Call abandonment rates in queue
- Customer satisfaction ratings gathered at the end of the session

(2) Performance metrics for consumers seeking information could include:

- % of instances where information sought was successfully obtained whether through tech or live person (success rates should be measured for each channel)
- Response provided using customer's preferred communication channel
- Customer satisfaction ratings gathered at the end of the session

(3) Performance metrics regarding resolution could include:

- % of issues resolved with a single call
- % of customers successfully placed into financial service provider's complaints handling function at first contact
- % of complaints resolved to customer satisfaction
- % of complaints abandoned during financial institution provider's process
- Number of interactions per complaint during resolution process
- Time to resolution (max, min, median, mean)
- Customer satisfaction ratings gathered at the end of the complaints process
- % of complaints referred to an external dispute resolution (EDR) provider (such as the CFPB)
- Overturn rate of financial service provider's decision by the EDR provider

CFPB staff had indicated an initial focus on average timeframe for complaint resolution. While this is a commonly used metric, we note that it poses some potential drawbacks if used as a standalone measure. Some financial institutions may tout fast resolution times, but in reality have poor customer service mechanisms in terms of quality and fair treatment. We would highlight *% of issues resolved with a single call*, or first call resolution (FCR), as a particularly useful performance metric as it captures both the efficiency and the quality of the customer service/complaints handling. Top performers can achieve up to 90% FCR. More broadly, we would recommend the CFPB consider a balanced set of performance metrics that work together holistically to ensure high-quality customer service.

Lastly, if the CFPB is considering collecting and publishing customer service performance metrics, a useful example may be the UK's Financial Conduct Authority (FCA). The FCA publishes firm-specific and market-level complaints data on a semi-annual basis and also requires firms to publish complaints data on their own websites.<sup>18</sup> Data published includes the number of complaints received, number of complaints closed, % closed within 3 days, and complaints closed within 8 weeks.

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<sup>18</sup> [https://www.fca.org.uk/data/complaints-data?utm\\_source=chatgpt.com](https://www.fca.org.uk/data/complaints-data?utm_source=chatgpt.com)