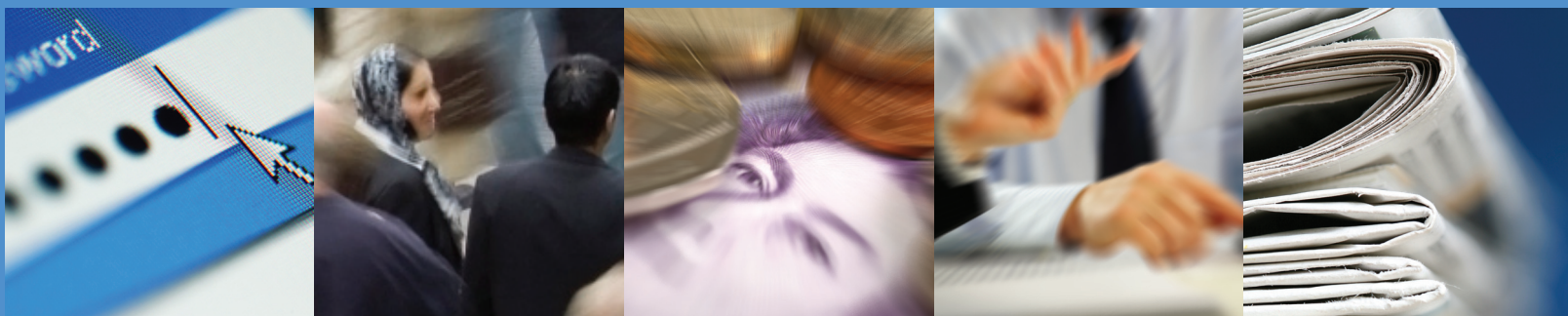


Financial Ombudsman Service our plans for a changing world



Financial
Ombudsman
Service

... the power to settle financial complaints

updated March 2012



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The Financial Ombudsman Service was set up over ten years ago. Since then, there have been significant changes to how people live and work, to the way we all interact with the services we buy and use, and to the regulation and structure of retail financial services.



So it is no surprise that the ombudsman service has had to adapt and evolve in response to these changes. And I am glad that our service has grown in reputation and effectiveness over this period.

It seems clear that this pace of change is not going to slow, however. So our role needs to develop further – and to continue to adapt – to ensure we stay as relevant as ever, meeting the needs of everyone who uses our service. We also need to ensure we have the flexibility and resource to deal with unprecedented volatility in complaint volumes. Over the past few months we have been seeking the views of stakeholders about the challenges ahead. This has helped us review our plans for the future – and decide where we need to spend our time and money in developing and strengthening our service.

This document updates the one we produced for the first time last year. It explains – in what I hope is a very readable format – what we will be doing and spending, how and why. It sets out what we are going to deliver, and how you will be able to track our progress in delivering what we have promised. It also emphasises why we matter and what we are here for – to deliver a first-rate service to all our customers – businesses and consumers alike.

A handwritten signature in dark ink, appearing to be 'Natalie Ceeney'.

Natalie Ceeney CBE

chief ombudsman and chief executive

March 2012

what we're here for

We were set up under the *Financial Services and Markets Act 2000* to resolve individual disputes between consumers and financial businesses – fairly, reasonably, quickly and informally.

- We can handle complaints about a wide range of financial and money matters – from insurance and mortgages to investments and credit.
- If a business doesn't resolve a consumer's complaint, we can step in to settle the dispute. But the business must have the chance to sort things out itself first.
- We are independent and impartial. When we decide a complaint, we look carefully at both sides of the story and weigh up all the facts.
- If we decide a business has treated a consumer fairly, we explain why. But if we decide the business has acted wrongly, we can order matters to be put right.
- Our service is free to consumers.
- Consumers do not have to accept any decision we make. They are free to go to court instead. But if they accept an ombudsman's decision, it is binding on both them and the business.
- We do not write the rules for businesses providing financial services – or fine them if rules are broken. That is the job of the regulator.
- Best practice in complaints handling includes learning lessons when disputes have arisen. So we also have a crucial role in sharing insights from the complaints we see. This gives consumers greater confidence in financial services – and helps businesses prevent future problems by learning from situations where things have gone wrong.

what matters to us

We believe we can best do what we're here for by knowing what matters to us – and standing by our values in all areas of our work. What matters to us is that:

- we do the right thing;
- we treat our customers well and respect their needs;
- we do what we say we'll do; *and*
- we're inquisitive and build everyone's knowledge.

in their own words

Consumers who used our service during the year reflected on video on what it was like to bring a complaint to the ombudsman. The videos are in the “my story” section of our website.

“You know they’re going to do everything quite independently. And if they come back and say, “Well, the financial company has done everything above board”, from my point of view I would accept that.”

Beverley, London



“The whole process of contacting the ombudsman proved to be a real surprise. It was a surprise in terms of how easy it was, how helpful they were – and it was far easier than certainly I thought it was going to be.”

Mr and Mrs Hughes, Kent



the changing world around us

The world is changing around us – as society, business and technology evolve and transform. We need to recognise and understand these changes – to be able to respond appropriately and continue to meet the needs of our customers.

consumer society

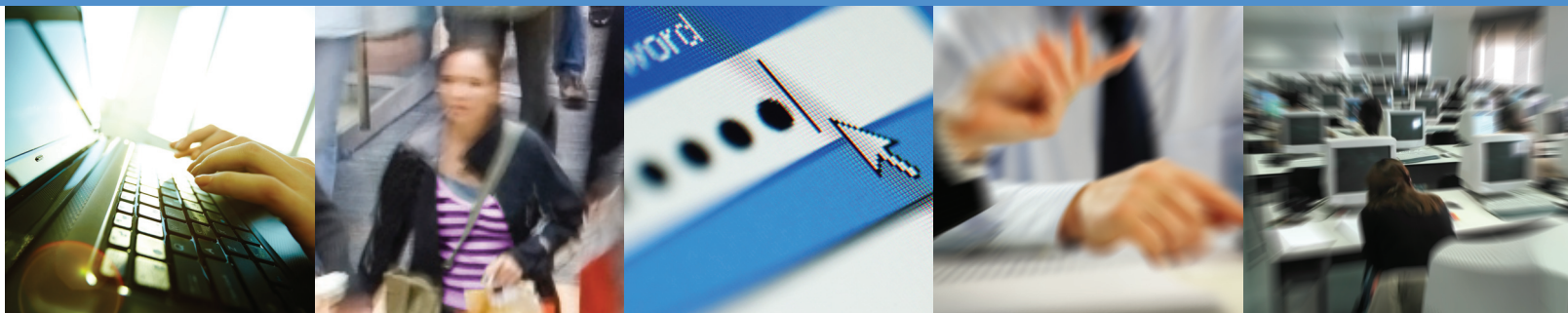
We are seeing people ...

- living longer – putting more strain on healthcare and welfare services;
- having to take greater responsibility and more decisions for themselves;
- wanting the benefits of low-cost mass-production – as well as personalised service, tailored to suit their own needs;
- expecting higher levels of customer service, accountability and transparency;
- challenging institutions and businesses whose authority was once regarded as unassailable;
- growing more confident in articulating and sharing views – using social media to connect with others;
- distrusting the right of conventional authority to decide “what’s best”;
- struggling to keep up with all kinds of social and technological change;
- facing greater uncertainty as the tough economic environment continues – with growing worries about jobs and money.

the business world

We are seeing businesses ...

- competing globally for the mass market – with the emphasis on low cost;
- launching as highly specialised players in niche markets;
- exploiting the value of their brand;
- facing tighter margins and financial constraints;
- capturing and mining customer data to inform product development, innovation and marketing;
- finding new ways of relating to their customers, including social media.



technology

We are seeing ...

- sophisticated automation of most transactions – enabling people to do business in ways and at times to suit their own convenience;
- exponential growth in the volume of information on the internet – giving people instant access to the data they need, to help them sort out and add value to their lives;
- the growth of intelligent systems that sift and interpret data that might otherwise be overwhelming and confusing;
- ever-faster, cheaper and easier ways of keeping in touch – anywhere, at any time;
- the growth of mobile e-money and “contact-less” payment services;
- the convergence of information, communication and entertainment streamed into our homes;
- consumers without access to – or ability to use – the latest technology finding themselves left behind and disadvantaged.

financial services

We are seeing financial businesses ...

- blurring the boundaries between traditional financial services and other retail services such as utilities, media and communications;
- planning “alternative business structures” with providers of legal services
- “bundling” services and products in customised packages;
- “disintermediating” their traditional role – focusing instead on “self-select” services for savvy consumers, who want to do it themselves;
- playing a more active role in engaging consumers who may be too bored, bewildered or busy to take an interest in financial matters;
- recognising that genuine commitment to principles is more likely to result in good customer service than a box-ticking approach to compliance.

how the changing world affects us

volatility and uncertainty

The past decade has shown that our workload is inherently difficult to forecast with any degree of certainty. The chart on pages 16 and 17 shows some of the external events that have had a significant impact on us over the last ten years – often in ways that no one predicted at the time.

A wide range of external factors affect the levels of demand for our service – in terms of the volume and types of cases referred to us. These factors include:

- how the economy and financial markets are performing;
- the level of awareness of the right to complain – and of the role of the ombudsman;
- consumers' ability and confidence to pursue complaints;
- how well businesses handle complaints when consumers first raise them;
- the extent of any regulatory action when wider problems are identified;
- the impact of legal action – such as the judicial review in 2011 that the British Bankers' Association (BBA) brought against us and the FSA in relation to our approach on complaints involving mis-sold payment protection insurance (PPI);
- the actions of claims-management companies;
- publicity in the media, information and campaigns on the internet, and the continued rise in popularity of social media.

More than half of our total workload over the last decade has related to just *three* issues – mortgage endowments, bank and credit-card charges, and most recently PPI. Having to deal with large surges of these so-called “mass claims” has given rise to major operational and financial challenges.



planning for the challenges ahead

Responses to the public consultation on our *plans and budget for 2012/2013* agreed with the wide range of factors that affect the volume and types of cases referred to us.

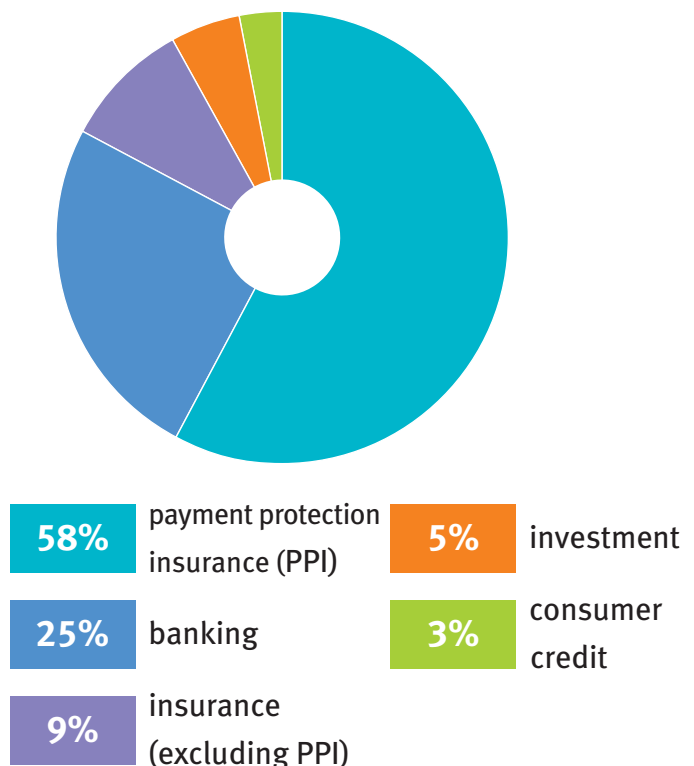
These responses also recognised that our ability to settle cases promptly and efficiently will be affected significantly by:

- the growing complexity of many complaints;
- a larger proportion of harder-fought disputes, as consumers and businesses increasingly take more entrenched attitudes;
- fewer cases that can be resolved quickly by informal settlements (with some businesses now improving their own front-line complaints handling – and resolving more straightforward cases satisfactorily themselves);
- more cases requiring an ombudsman's formal decision; *and*
- unprecedented volumes of PPI complaints – with the “industrialisation” of PPI complaints-handling across the financial services sector.

Taking into account the feedback from our public consultation – and subject to the volatility, uncertainties and challenges described here – our plans for the coming year involve our having the capacity and flexibility to:

- answer 1.4 million front-line consumer enquiries;
- take on 285,000 new cases; *and*
- settle more disputes involving mis-sold PPI than ever before – a record 130,000 cases (half of our expected caseload).

the types of cases we expect to receive in 2012/2013



staying ahead in a changing world

We remain committed to developing and strengthening our service – to meet the needs of our customers in a changing world and to respond to continuing volatility and unprecedented demand for our service. The priorities and plans we have agreed for this year reflect these commitments, and will help us build on the programme of work we started last year, to transform and modernise our operations.

priority 1

to deliver a trusted, fair and easy-to-use service – for everyone

The ombudsman service sees the hardest-fought disputes, which financial businesses and consumers have already tried and failed to resolve themselves.

We need to *be* – and be *seen to be* – fair and impartial. We want our service to be trusted and recognised as high quality. And we want to be open and accessible to everyone, from all backgrounds.

We believe we can do more to make our service easier to use – both for consumers (especially those more likely to struggle with process and officialdom) and for businesses (who tell us they want as little “red tape” as possible).

In the coming year our continuing priorities are to:

- Ensure that quality, trust and fairness are at the heart of everything we do.
- Show that our approach is consistent, clear and transparent for all our users and stakeholders.
- Make ourselves as accessible as possible to everyone – with outreach work to help connect with those consumers who know less about us and a stakeholder-engagement programme for businesses and their trade associations.
- Make our commitment to diversity and inclusion an integral part of our work.
- Make our service easier to use – including closer technical integration with businesses and consumer advice agencies.



priority 2

to put knowledge and expertise at the heart of everything we do

Professionalism is at the heart of everything we do – and this professionalism depends on our people having the right knowledge and expertise to do their work to the highest standards.

We want our staff to continue learning and developing skills that help them deal with a wider variety and complexity of casework.

In the coming year our priorities are to:

- Ensure our values are central to our approach to recruiting, training and developing our people.
- Put our values at the heart of our new professional career-structure, which we launched in 2011 to encourage and enable the professional development of our case-handling staff.
- Invest in our ombudsmen as mentors and coaches – at the core of the professional leadership of our service.
- Extend our approach to knowledge-management, to ensure all our people have the information they need at the time they need it.
- Roll out our externally-accredited training programme for adjudicators, set at Masters degree level, in partnership with Queen Margaret University, Edinburgh.
- Ensure a continuing high level of staff engagement, to maintain impetus and enthusiasm as we face the changes and challenges ahead.



priority 3 to be flexible, reliable and effective

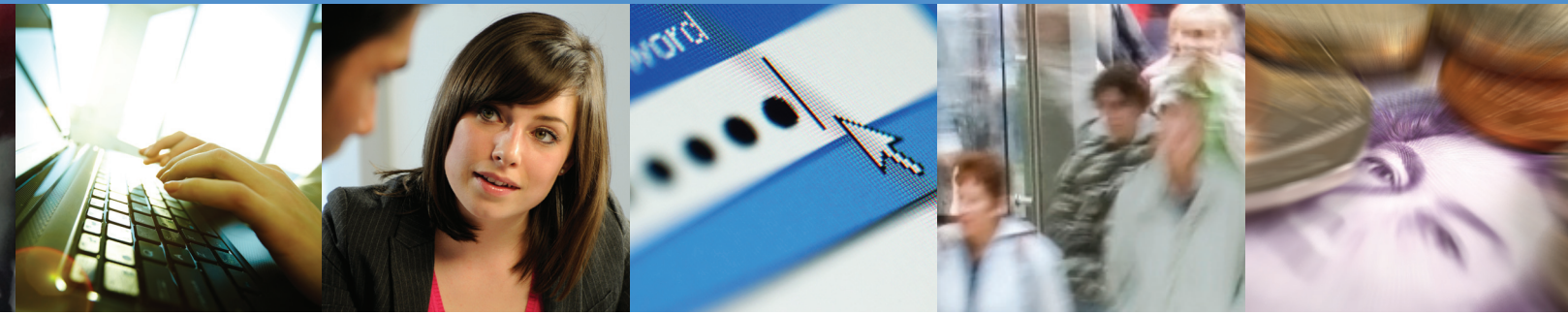
Demand for our service is inherently volatile (see page 6). This was one of the key findings of the National Audit Office (NAO) who carried out a review of our efficiency in 2011.

Volatility is evident not only in case volumes, but also in the mix of types of cases, as well as in the behaviour of financial businesses and consumers. This makes it challenging to forecast levels of demand.

Despite this, it is essential that we offer a consistently good service, whatever the volume or mix of cases we face. This is why we have been reviewing our operational model – to ensure we have the flexibility to respond efficiently and reliably to variable demand.

In the coming year our continuing priorities are to:

- Reduce the time it takes us to resolve cases, wherever possible.
- Streamline our operations to ensure the efficient handling of cases and make the best use of resources.
- Develop our culture of innovation and continuous improvement.
- Meet new needs – for example, as we scale-up to handle increasing volumes of PPI cases, and in relation to emerging areas such as mobile e-money and “contact-less” payment services.
- Strengthen our operational planning capability in relation to demand and capacity – so we can rapidly identify and respond to changes and trends in the volumes and types of cases.
- Review the underlying costs of handling different types of cases in varying circumstances, to better understand the costs and efficiencies involved.



priority 4 to run a “lean” and efficient organisation

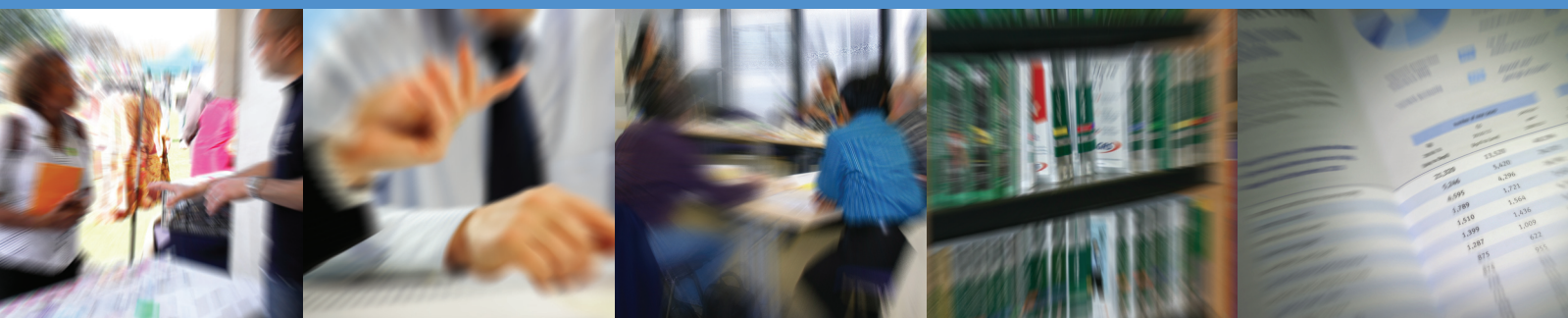
We want to invest sensibly in our service. But we recognise the importance of keeping our overall costs as low as possible to those who fund us. During 2011/2012 we delivered a programme to reduce our costs by 10%. We will continue to scrutinise and control our underlying costs in 2012/2013 and beyond.

We believe there are longer-term cost and efficiency benefits to be gained through greater use of electronic and web-based technology. This is why a key part of our planning involves “e-enabling” our service. Our ongoing e-enablement programme is intended to deliver not only service improvements, but also more cost-effective processes and lower transaction costs for users.

We are also committed to ensuring our service remains accessible to those consumers who prefer to deal with us through more traditional channels.

In the coming year our priorities are to:

- Continue to control the costs of “doing business” with us – working in partnership with businesses to streamline our “end-to-end” processes.
- Enhance our capacity to manage electronic files as part of our case-handling process.
- Develop online portals for businesses and consumers.
- Improve our environmental sustainability.
- Build on the work from our “continuous improvement” programme and from our operational responses to rising volumes of PPI cases – to help ensure we have a robust platform on which we can handle future challenges efficiently and effectively.



priority 5

to share our experience and insight – helping to prevent future problems

Our work is about putting things right when they have gone wrong. But this is only part of the challenge. What is essential is that lessons are learnt – to prevent the same thing happening again. To help with this learning, we need to be open and transparent about what we see and what we do.

Following Lord Hunt's review of our accessibility and openness in 2008, we have been publishing substantially more information. This includes details of our approach to the wide range of complaints we see most frequently (in our *online technical resource*), as well as complaints data about individual financial products and individual businesses.

In November 2011 we came under the *Freedom of Information Act* – although broadly we had been acting for the previous few years as though we were already covered by the requirements of that Act.

In the coming year our continuing priorities are to:

- Share more with key stakeholders about what we do and what we see, to help prevent future complaints.
- Engage with stakeholders on the practicalities involved in our publishing ombudsman decisions.
- Keep working with businesses, claims-management companies and consumer groups, to help them resolve issues themselves where possible.
- Build a strong, effective working relationship with the new regulator.

how we will deliver – key measures

There are key measures which will show if we have achieved the priorities we have set ourselves (see pages 8 to 12). By the end of the financial year 2012/2013 we will have:

- Met our service standards and achieved a customer satisfaction rate of 90% in responding to the 1.4 million front-line enquiries we expect to receive.
- Resolved three quarters of all cases (other than those involving PPI) within six months.
- For PPI cases – kept customers informed about progress on their complaint – with an early assessment of each case as soon as possible.
- Ensured we have the capacity – within the agreed budget – to respond to fluctuations in demand of up to 15% (for cases other than PPI complaints).
- Identified and met the specific needs of individual customers – providing our service across a wide range of languages and formats.
- Seen continuing diversity in our customers.
- Sought regular feedback and ratings from our customers – to measure how we are doing and where we can improve.
- 75% of our customers saying they would recommend us to their friends and family – whatever the outcome of their own personal complaint.
- Held regular complaints-handling training days across the UK both for front-line community workers and for smaller businesses who have less direct contact with the ombudsman.
- Continued to expand the information on our website – including more technical resource and more video content.

how we will deliver – our finances

funding our service

Our plans for the financial year 2012/2013 include handling 1.4 million front-line consumer enquiries and settling 260,000 cases. Taking into account the volatility, uncertainties and challenges described on page 6, this will involve:

- total operating costs of £197.5 million (of which over 75% relate to staff costs);
- total income of £191.1 million;
- a unit cost of £760; *and*
- a supplementary case fee of £350 for each PPI mis-selling case (chargeable only when businesses have more than 25 of these cases a year).

These financial plans mean that, for the third year running, we will be able to:

- freeze the case fee at £500 (paid by businesses only after their *first three* free cases during the year); *and*
- freeze at £19.7 million the total amount we raise through levies.

Given inflationary and other cost and operational pressures, this is likely to be the last year in which we will be able to freeze our case fees and levies at this level.

These funding arrangements assume:

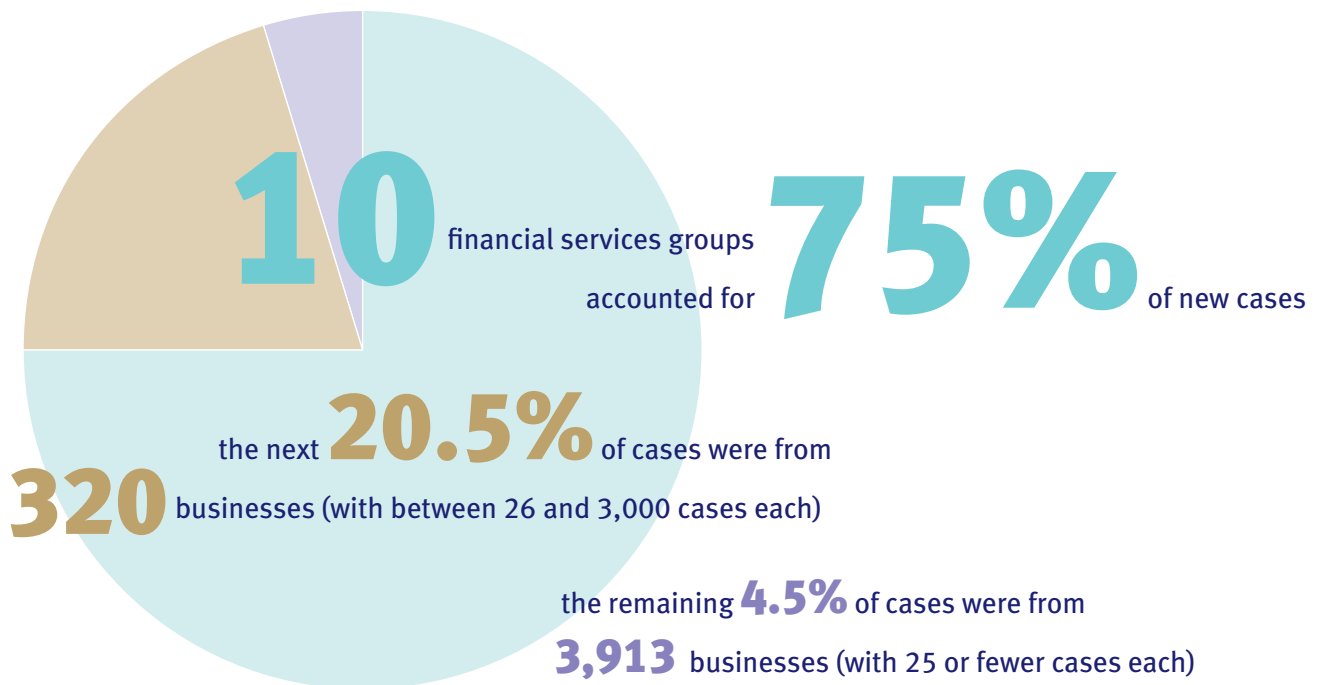
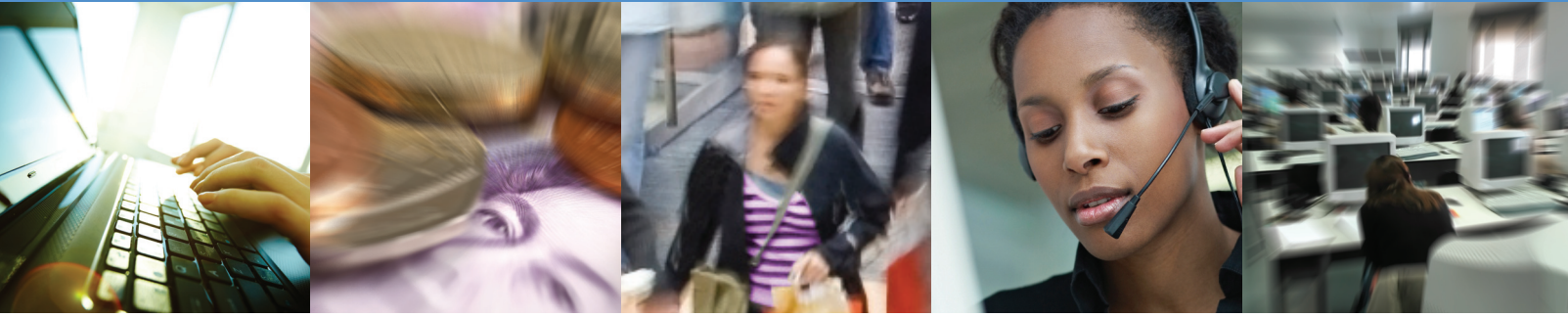
- we will handle the types and numbers of cases set out on page 7;
- financial businesses will cooperate with our investigations; *and*
- we will control underlying costs tightly following a 10% cost-cutting programme in 2011/2012.

We are currently consulting on proposals for new case fee arrangements from 2013.

These would involve:

- increasing the number of free cases from 3 to 25 for the majority of businesses that have the lowest number of complaints referred to the ombudsman service (so that only 1% of businesses pay any case fees at all); *and*
- developing a new group-account arrangement for each of the 10 financial services groups that together account for over 75% of our complaints workload.

our plans for a changing world



figures for January to December 2011



our caseload over the last decade



events over the last decade

2000

Mar: the Royal Bank of Scotland Group completes its acquisition of NatWest in a £21 billion deal – the largest takeover in British banking history

Apr: 300 employees from former ombudsman schemes come under one roof – at new offices on the Isle of Dogs, East London

Sep: we publish our approach to complaints about interest paid on TESSAs

Dec: the new complaints-handling rules (“DISP”) published in FSA’s “CP49”

Dec: Equitable Life closes to new business, following a House of Lords’ ruling (in July 2000) on policyholders’ rights

2001

May: Halifax plc and Bank of Scotland agree a merger to form HBOS plc

Jun: we publish our approach to mortgage endowment complaints, which form a third of our caseload

Jun 2001: failure of the firm, Independent Insurance

Jun: Walter Merricks, chief ombudsman, asks in his first *annual report* whether poor sales practices and opaque products mean “*more skeletons lurking in the cupboard*”

Dec: “N2” – we get our official new powers under the new *Financial Services and Markets Act 2000*

2002

Jan: ombudsman’s decision upholds the lead case of “Mr & Mrs A” against Halifax plc on dual (standard variable) base rates

Jan: euro notes and coins are issued across Europe

Nov: Norwich & Peterborough Building Society’s judicial review of the ombudsman’s approach to superseded accounts (TESSAs replaced by ISAs)

Dec: we announce plans to open our “voluntary jurisdiction” – for some complaints that would not otherwise be covered by our remit

2003

Jan: FTSE 100 falls to 3567

Feb: first identified case of the respiratory disease, SARS

Mar: Iraq War begins with the invasion of Iraq by the US and Allied forces

Jun: UK decides against adopting the euro

Jul: we publish a guide to our work on “splits” complaints – as cases peak at a rate of 50 a week

Dec: we have 700 employees –with over 150 working just on mortgage endowment cases

2004

Jan: our board commissions Bristol University’s Personal Finance Research Centre to review our quality, consistency, process and value

Feb: social network service Facebook launched by Mark Zuckerberg

Mar: incoming complaints about “precipice bonds” peak at a rate of 150 a week

Jul: we consult jointly with the FSA on handling cases with “wider implications”

Oct: mortgage brokers come under our remit

Nov: Abbey National plc becomes part of Grupo Santander

2005

Jan: insurance brokers come under our remit

Mar: incoming mortgage endowment complaints peak at a rate of 1,300 a week (two-thirds of our workload)

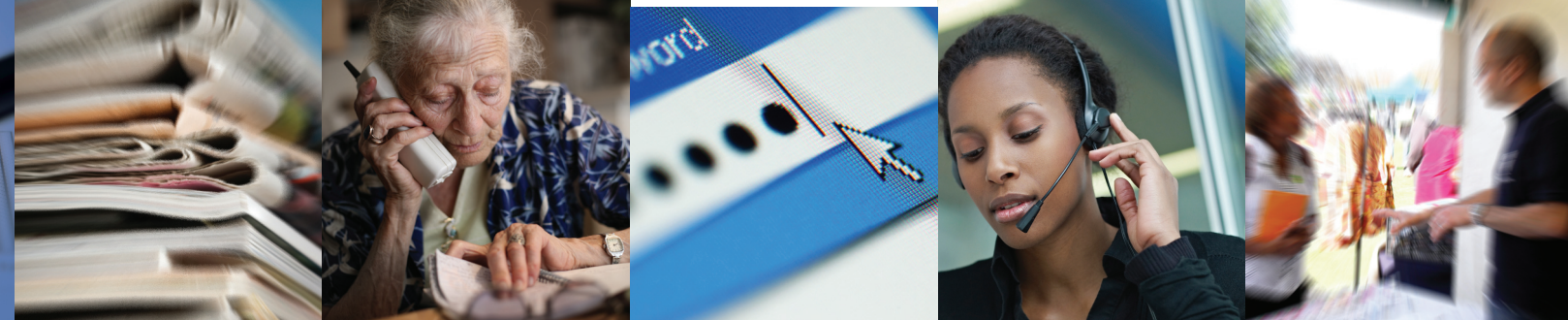
Mar: Walter Merricks, chief ombudsman, upholds the lead case of “Ms E” against Equitable Life

May: IFG Financial Services Ltd’s judicial review of the ombudsman’s “fair and reasonable” approach

Jul: co-ordinated terrorist attacks on London kill 56 people

Sep: National Savings & Investments (NS&I) come under our remit

Oct: bird flu reaches Europe



2006

Jan: we have 1,000 employees – including 30 ombudsmen

Mar: English-language *Wikipedia* reaches its one millionth article

Mar: council workers strike over pension rights

May: we publish a discussion paper on options for the future funding of the service

May: “fathers 4 justice” campaigners invade the National Lottery TV studio

Oct: UK government publishes the *Stern Review* on the economics of climate change

2007

Mar: we see incoming complaints about unauthorised overdraft charges at a rate of 500 a week

Apr: consumer credit complaints come under our remit

Apr: the Ministry of Justice starts to regulate claims-management companies

Jun: severe flooding in Hull and South Yorkshire

Jul: Office of Fair Trading’s test case in the High Court on unauthorised overdraft charges – with all cases put on hold

Sep: quarterly gross mortgage lending reaches a record high at £98.6 billion

Oct: FTSE 100 rises to 6,722

2008

Mar: incoming complaints about the sale of payment protection insurance (PPI) rise from an average of 35 a week to over 200 a week

Apr: publication of Lord Hunt of Wirral’s review of our openness and accessibility

Sep: failure of Bradford & Bingley plc; and Lloyds TSB agree rescue takeover of HBOS

Oct: the government announces it will take a controlling stake in the Royal Bank of Scotland Group

Nov: freight-forwarders invited to join our “voluntary jurisdiction”

2009

Jan: travel insurance that is sold with holidays comes under our remit

Jul: “sale and rent-back” businesses come under our remit

Sep: we start publishing six-monthly complaints data on individual businesses

Nov: Supreme Court’s ruling on the fairness of unauthorised overdraft charges

Nov: money transfer operators come under our remit

2010

Mar: we have 1,500 employees – including 55 ombudsmen

Apr: ash from an erupting Icelandic volcano grounds flights across Europe

Jun: we receive our millionth case

Oct: British Bankers’ Association (BBA) announces judicial review of PPI-related matters

Dec: we are receiving PPI complaints at a rate of up to 2,000 a week

Dec: Natalie Ceeney, chief ombudsman, suggests in *ombudsman news* that “the way to generate positive ‘word of mouth’ is to make it easy for customers to complain – and to handle those complaints well”

2011

Mar: tsunami in Japan

Apr: Court ruling in favour of the ombudsman’s and FSA’s approach to handling PPI complaints – following the judicial review brought by the BBA

Aug: civil disturbances across UK cities

Aug: downgrading of US debt from its triple-A status

Sep: the Independent Commission on Banking recommends that banks’ retail and investment operations are separated

Oct: FTSE 100 dips below 5,000

Nov: we receive up to 3,000 PPI complaints each week

how to contact us

■ write to us

Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

■ phone us

0300 123 9 123

0800 0 234 567

switchboard 020 7964 1000

from outside the UK +44 20 7964 1000

■ email us

complaint.info@financial-ombudsman.org.uk

■ look at our website

www.financial-ombudsman.org.uk

We can help if you need information in a different format
(eg Braille or large print) or in a different language. Just let us know.