

Department for Work & Pensions – Triennial Review of Pensions Bodies

response from the Financial Ombudsman Service

9 August 2013

The Financial Ombudsman Service welcomes the opportunity to respond to the call for evidence. We are also an organisation that considers complaints about pensions.

about us

The Financial Ombudsman Service was established by law to resolve individual disputes between consumers and financial businesses – fairly, reasonably, quickly and informally. If we decide that a business has treated a consumer fairly, we will explain why – but if we decide that the business has acted wrongly and the consumer has lost out, we can order matters to be put right. We are completely independent and impartial and decide each case by reference to what is fair and reasonable in all the circumstances.

During the year, consumers referred over half a million new complaints to us. This is a 92% increase on the 264,375 new cases we received last year – and is the highest number of cases we have received in any year since the ombudsman service was set up.

We look at complaints about a wide range of financial matters and can investigate a wide range of complaints about pensions – from complaints about personal pension plans and annuities to pension mortgages and self-invested personal pensions (SIPPs). During the year we saw a significant rise in the number of pension complaints to 4,401 – a 27% increase on the previous year.

access to redress

In answer to your questions about whether an ombudsman scheme is necessary or desirable, we think the principles underpinning the ombudsman concept are well established. It allows disputes to be resolved at relatively low cost, is free to consumers and provides both businesses and consumers with certainty and finality.

We have no evidence to suggest the model has lost any of its relevance. If anything, the reverse is true – demand for financial services redress has soared (as we've said above).

So we believe that access to an ombudsman scheme is important.

scheme clarity and scope

Ombudsmen must be accessible if they are to perform their core functions. So in contemplating your questions about clarity and scope of the existing arrangements, we have started from the principle that ombudsmen should be as easy to navigate and as easy to use as possible. They should be clear in both scope and responsibilities.

There are now a number of ombudsman schemes operating in the UK (both public and private) and statutory private sector ombudsman schemes exist in a number of sectors including financial services, energy, telecommunications, property and legal services. There are accordingly gaps and overlaps in coverage across the retail economy.

If we were designing the ombudsman landscape again then we would do it differently – probably with fewer points of entry and more closely integrated and aligned redress models across sectors. As it stands, the jurisdictional boundaries between us and the Pensions Ombudsman can be complex and there are gaps in coverage – a merger of our organisations was proposed in 2007 (although the challenges posed meant the concept was later dropped).

That said, the current system does work. For example, given the overlaps in coverage between our organisations, we do a lot of work with the Pensions Ombudsman to signpost consumers to the best placed organisation to consider the complaint. We have also recently updated our MoU (<http://www.financial-ombudsman.org.uk/publications/pdf/memorandum-of-understanding.pdf>). This sets out broadly that we will consider complaints about advice, sales and marketing of personal pensions whilst complaints about the administration and/or management of personal pensions and occupational pension schemes (OPS) will be considered by the Pensions Ombudsman.

There remains one notable gap. The Pensions Ombudsman cannot consider most complaints relating to an advice issue, but we cannot consider most complaints relating to an OPS (unless the complaint relates to a Small Self-Administered Scheme, Executive Pension Plan or a Group Personal Pension Plan). So a consumer has no access to an ombudsman for a complaint about advice to transfer from one OPS to another OPS, advice to contribute more (or less) into an existing OPS, or advice to set up an OPS. We believe that it would make good sense to close this gap, thereby improving the coverage of the existing system.

Finally, should DWP consider more radical structural changes in this area – then the issues highlighted by the 2007 *Thornton Review* need to be carefully thought about. Certainly our two ombudsman schemes have very different powers and we would stress the importance of aligning the regulatory framework first before seeking to align any redress mechanisms. The current arrangements are extremely complex and a misalignment between regulation and redress would damage both business and consumer interests.

We remain very willing to meet further to discuss the details of your thinking and proposals.

Richard Goodman
policy director

Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9SR
richard.goodman@financial-ombudsman.org.uk 020 7964 1262