



Financial
Ombudsman
Service

our plans for the year ahead

and consultation feedback

2017|2018

about the ombudsman

We were set up by Parliament to resolve individual complaints between financial businesses and their customers – fairly, reasonably, quickly and as informally as possible. We can look into problems involving most types of money matters – from payday loans to pensions, pet insurance to PPI.

... a fair, pragmatic answer that helps both sides move on ...

If a business and their customer can't resolve a problem themselves, we can step in to sort things out. Independent and unbiased, we'll get to the heart of what's happened – and reach a fair, pragmatic answer that helps both sides move on.

If we think the business has acted fairly – or there's just been a misunderstanding – we'll explain how things stand. But if someone's been treated unfairly, we'll use our powers to put things right. That could mean telling a business to do anything from amending a credit file to reducing loan repayments, or from settling an insurance claim to correcting a pension.

... sharing our insight and experience to encourage fairness and confidence ...

Since 2001, we've seen the real impact of financial concerns, complaints and disputes on all sorts of lives and livelihoods. We're committed to sharing our insight and experience to encourage fairness and confidence in financial services.

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chief ombudsman's foreword



It's often said that nothing's more constant than change. But in a complex world, no single organisation can get the whole picture of what's happening. So as always, we're very grateful for the perspectives we've received in response to our public consultation on our plans and budget for 2017/2018.

In particular, I'm really encouraged by the support we've received for our increasingly flexible ways of working. As we begin the financial year 2017/2018, we're resolving the problems people bring to us more quickly than at any time since we were set up in 2001. And businesses are telling us they're seeing the benefits too – most importantly in their own customer feedback. In these plans for the year ahead, we explain how we'll build on the progress we've made – ensuring we continue to meet the expectations of people who depend on our fair and independent answers.

At the same time as looking ahead, we're also necessarily focused on resolving the problems of the past. As we explained when we opened our consultation in December 2016, we've had to account for a number of uncertainties around how the area of payment protection insurance (PPI) could develop. By that point, we'd received over 1.6 million PPI complaints – and in 2017/2018, we'll be making sure we're resourced and ready to deal with a further 180,000.





Since we consulted, the Financial Conduct Authority (FCA) has published its rules and guidance for complaints affected by the Supreme Court’s judgment in the case of *Plevin v Paragon Personal Finance Limited* – which will be effective from August 2017 – and announced a deadline of August 2019 for complaining about mis-sold PPI. We don’t yet know the exact impact these developments will have on our work. But in the months ahead, we’ll be working closely with the FCA, financial businesses and others to ensure everyone with concerns about PPI gets a fair and final answer.

Of course, life goes on outside PPI – and we’re also at the beginning of a busy year, putting right problems in other areas of financial services. There’s more detail in these plans about what we think we’ll see, given what we know ourselves and what our stakeholders

have told us about the challenges that might be ahead. Our stakeholders have also given their support to a number of wider priorities for us – including continuing to focus on resolving complaints quickly, working increasingly efficiently and digitally, and sharing more of our insight.

The conversation doesn’t end here – and we’ll keep talking to our stakeholders as the year develops. Whatever 2017/2018 brings, we’ll solve problems, and encourage fairness, by working together.

Caroline Wayman chief ombudsman
March 2017



our plans for 2017/2018

From 14 December 2016 to 31 January 2017, we consulted publicly on our proposed plans and budget for 2017/2018. In response, our stakeholders gave us their perspectives on the challenges we'd identified and on the types and volumes of problems we anticipated that we'd need to be ready to resolve. In addition to our regular conversations with the FCA, businesses, trade bodies and consumer representatives, we asked for their specific views on our plans.

There's more detail about the feedback we received, and our response to it, from page 14 onwards. Having taken this feedback into account, we've now finalised our plans for the year ahead – including how we'll continue to meet the commitments we've made for our service, our customers, our reach and our people.

we treat our customers well and respect their needs

what matters to us

we do what we say we'll do

Fairness is at the heart of what we do – from the answers we give to individual complaints, to the decisions we make about running our service. It's reflected in our long-standing values and in the commitments we make each year.

we keep fairness at our heart – so everything we do is fair and feels fair

our service

we're recognised as a well run and efficient service

our customers

we are trusted and respected by our customers

pragmatism listening

timely answers

we reach and help those who need us

our reach

we provide insight to encourage fairness in all money matters

relevant

we do the right thing

accessible

encouraging fairness

easy to use

sustainable efficient

problem solvers

expertise

our people

we attract, develop and retain people who uphold our values

diversity

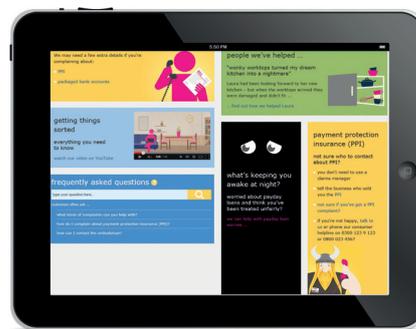
sharing knowledge

we're inquisitive – and build everyone's knowledge

commitments for our service

We'll run a service with fairness at its heart – one that's both relevant in a changing world and sustainable into the future. Working flexibly and efficiently, we'll make sure we're easy to use while being mindful of how we're using our resources.

- We'll resolve complaints increasingly quickly and informally – working flexibly and building on our relationships with businesses to resolve consumers' problems fairly and at the earliest possible stage.
- Building on our work in previous years, we'll develop and strengthen our channels for sharing knowledge, expertise and insight across our service. As we work increasingly flexibly, this will help us make sure our answers continue to consistently reflect sound judgement and fairness – and mean we can effectively spot and address themes and trends.
- We'll continue to develop our online presence – increasing the numbers of consumers and businesses who engage with us through digital channels.
- We'll continue to modernise our case-handling system, helping us to improve our customers' experience of using our service.
- We'll handle over 1.7m consumer enquiries and resolve 430,000 complaints, including 280,000 PPI complaints.



- We'll continue to talk to our stakeholders about our funding arrangements, to ensure they remain fair and fit for purpose into the future.
- We'll continue to work efficiently and innovatively to make the most of our resources.
- We'll maintain our close and constructive relationship with the FCA as we each carry out our separate roles – as well as with the National Audit Office, who've audited our accounts since 2013/2014.
- Building on our work of last year, we'll aim to minimise our environmental footprint – with support from the Carbon Trust.

Super impressed by the @financialombuds today! Swift, efficient and easy to use. Great help 😊👍



@financialombuds are fantastic on the phone! When you're stressed out with banks they will really help you 😊

commitments for our customers



We'll earn people's trust by showing we've listened to their perspectives. Working flexibly, we'll combine expert knowledge with common sense and pragmatism – giving timely answers that are fair and *feel* fair too.

- We'll remain focused on providing a service that's trusted and valued by the public and our customers – so that businesses and consumers alike say our answers feel fair, and consumers would recommend us to friends and family.
- We'll resolve the problems people bring to us increasingly quickly and flexibly – sorting out 50% of complaints (except PPI) within 45 days by the end of the financial year.
- For PPI complaints that don't involve *Plevin* – depending on the continued uncertainties in the area of PPI – we'll aim to resolve 50% of complaints within 45 days by the end of 2017/2018, and 95% of complaints where people have been waiting more than 12 months.
- We'll continue to engage with our stakeholders – from independent financial advisers to large business groups, and from the consumer advice sector to government and regulators – to understand what matters to them and to build trust and confidence in our service.

we treat our customers well and respect their needs

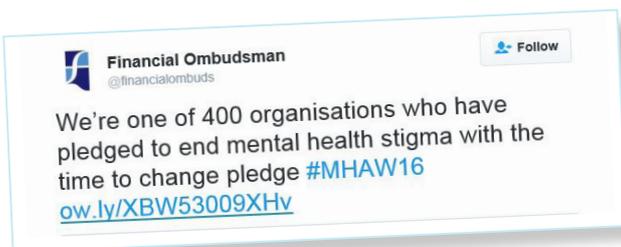


we're inquisitive –
and build everyone's
knowledge

commitments for our people

We're expert problem-solvers who build each others' knowledge and are proud of the difference we make. Being diverse and inclusive gives us different perspectives, which gives us confidence in the fairness of the decisions we make.

- As we work increasingly flexibly, we'll continue to build our service around our ombudsmen's knowledge and professional leadership.
- We'll support our people to grow and develop, providing challenging and rewarding opportunities to apply and expand their experience and expertise.
- We'll maintain our focus on equality, diversity and inclusion, so our service reflects the people we're here to help – recognising that different perspectives are essential for fair and balanced decision-making, and that our people will be at their best if they feel they can be themselves.
- We'll continue to publicly demonstrate our commitment to diversity – including by reporting on our diversity in January 2018, and participating in the Women in Finance Charter.



our plans for the year ahead and consultation feedback

our budget for 2017/2018

We're funded by a combination of annual levies on the financial businesses we cover, and case fees for individual complaints.

Our budget for 2017/2018 has now been approved by the Financial Conduct Authority.

- We're freezing our individual case fee at £550 for the fifth year running.
- We'll fund around 60% of our work through our group-fee arrangement with the largest business groups, whose customers complain to us the most.
- We're keeping our 25 "free case" allowance, so businesses only pay for the 26th and each subsequent complaint their customers refer to us – meaning over 9 in 10 businesses won't pay any case fees at all.
- We'll run our service with a total operating income of £241.9 million.
- We'll continue our planned approach to managing our reserves – helping us to manage the multi-year challenge of PPI, and giving us the flexibility to resource our service in response to demand.



our income and expenditure plans

	2016/2017 latest forecast*	2017/2018 consultation budget	2017/2018 budget
income (£m)			
case fees	56.3	82.6	71.2
group fees	144.3	167.0	143.8
levies and other income ¹	27.5	27.0	27.0
total operating income	228.1	276.6	241.9
net movement in deferred income	4.7	10.0	8.6
total income	232.8	286.6	250.6
expenditure (£m)			
staff and staff-related costs	160.2	165.5	156.2
contractor staff	39.2	70.1	48.7
consultancy support	5.4	5.9	5.9
professional fees	1.8	1.5	1.5
IT costs	8.9	7.7	9.0
premises and facilities	24.8	25.1	25.0
other costs	1.1	1.3	1.3
depreciation	7.5	7.5	5.4
bad-debt write off	(0.1)	0.5	0.5
contingencies	0.0	10.0	10.0
total operating costs	248.7	295.2	263.5
operating surplus/deficit (£m)	(20.6)	(18.6)	(21.6)
financial surplus/deficit (£m)	(15.9)	(8.7)	(13.0)
reserves and deferred income at end of year (£m)	229	199	208
closing FTE	3,623	3,901	3,807
new case volumes			
total new cases	311,000	390,000	330,000
case resolution volumes			
total case resolutions	335,000	500,000	430,000
cost per case resolution	£743	£589	£612

¹ inclusive of £0.6m of voluntary jurisdiction levy

* Feb 2017

cases we expect to receive and resolve

When we consulted in December 2016, we explained we'd based our PPI plans on the timetable the FCA had published at the time – which anticipated that its rules and guidance would come into effect by March 2017.

Now the FCA has said this will happen in August 2017 – with its consumer communications campaign beginning at the same time – we've revised downwards our projections for new and resolved PPI complaints in 2017/2018.

expected number of new cases

	2016/2017 latest forecast	2017/2018 consultation forecast	2017/2018 budget
banking and credit	96,100	90,400	97,000
<i>of which packaged bank accounts</i>	<i>21,000</i>	<i>15,000</i>	<i>15,000</i>
<i>of which payday loans</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
investments and pensions	14,000	13,100	16,000
insurance (<i>excluding PPI</i>)	35,900	36,500	37,000
payment protection insurance (PPI)	165,000	250,000	180,000
total	311,000	390,000	330,000

expected number of resolved cases

	2016/2017 latest forecast	2017/2018 consultation forecast	2017/2018 budget
banking and credit	100,000	90,400	97,000
<i>of which packaged bank accounts</i>	<i>25,000</i>	<i>15,000</i>	<i>15,000</i>
<i>of which payday loans</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
investments and pensions	14,000	13,100	16,000
insurance (<i>excluding PPI</i>)	36,000	36,500	37,000
payment protection insurance (PPI)	185,000	360,000	280,000
total	335,000	500,000	430,000

our consultation and feedback

In setting our plans and budget each year, we rely on the views and insight of people who use our service, fund it and take an interest in what we do. We've summarised here the feedback we received from our consultation – and how we considered these perspectives when finalising our plans for the financial year 2017/2018.

uncertainties in PPI

In our consultation, we explained that we were facing considerable uncertainty in the area of payment protection insurance (PPI), following the Supreme Court’s judgment in the case of *Plevin v Paragon Personal Finance Limited*.

We suggested that a number of factors would have an impact on the volumes of PPI complaints we might receive. In particular, we pointed to the timings of the Financial Conduct Authority’s (FCA) proposed *Plevin* rules and deadline for PPI complaints – and how consumers, businesses and claims management companies might respond to these. Looking at the FCA’s assumptions, as well as our own insight, we concluded that we should resource our service so we were ready to receive 250,000 new PPI complaints in 2017/2018.

Our stakeholders broadly agreed with our assessment of the uncertainties we’d identified around PPI. Some – representing both the consumer and business perspective – felt that levels of awareness around PPI were already high, so the FCA’s communication campaign might not have much impact. Some larger businesses thought we’d receive fewer PPI complaints than we’d said – but that we should be flexible, re-forecasting as required.

In contrast, a respondent from the claims management sector felt we should scale up to receive more. There was concern among businesses that claims managers might ramp up their activity and bring high volumes of complaints where PPI clearly wasn’t mis-sold.

Focusing on *Plevin* in particular, consumer representatives suggested that the complex nature of the issues involved might mean we’d hear from large numbers of consumers wondering if they’ve been treated fairly. Some business respondents said that we should return *Plevin* complaints we’d already received to the businesses involved, so they could look into this part of the complaint.

In March 2017 the FCA published its *Plevin* rules and guidance – and gave clarity around the timings of its communications campaign and deadline for complaining about mis-sold PPI. But given the level of uncertainty that still exists about the exact impact of these developments, we’re very grateful for the range of feedback we’ve received.

We agree that unfounded complaints are costly and frustrating for everyone involved. So we’ll continue to work closely with claims managers and their regulator, highlighting unhelpful practice and stopping complaints being escalated to us unnecessarily. In tandem with the FCA’s communication campaign, we’ll continue to stress that consumers can contact us directly for free – and that we’ll help them understand how far the issues involved in *Plevin*, or PPI mis-selling more generally, apply in their individual circumstances.



We recognise that some businesses want us to pass PPI cases back to them so they can look into the *Plevin* aspect. We think the right answer is for us to work together with businesses to resolve these complaints. The FCA's final *Plevin* rules and guidance come into effect on 29 August 2017. And in our feedback to our consultation on data publication last year, we explained that we won't publish uphold rates for *Plevin* complaints received before this date and resolved by 30 June 2018 (the end of the next full six-month reporting period).

We based our December 2016 plans on the timetable the FCA had published at the time – which anticipated that its rules and guidance would come into effect by March 2017. Now we know that this will actually happen later into the financial year – with the FCA's consumer communications campaign beginning at the same time – we think we'll receive and resolve fewer PPI complaints in 2017/2018 than we'd originally anticipated.

Building on the effective operating relationships we've already established, we'll work flexibly and pragmatically with individual businesses – as well as the FCA and others – to help draw a line under PPI, including the fall-out from *Plevin*, as quickly and efficiently as possible.



types and volumes of other complaints

We explained in our consultation that, in the main, we expected volumes of complaints to remain relatively steady during 2017/2018. Although complaints about payday loans rose steeply in 2016/2017, we suggested we'd receive only similar levels in 2017/2018. We explained that we hadn't seen the spike in complaints about pension freedoms that some of our stakeholders had anticipated when replying to our 2016/2017 consultation.

The notable exception to this overall stability in numbers looked to be complaints about packaged bank accounts. We said we expected complaints to fall significantly here in the months ahead – as claims management companies responded to the clear messages they'd been getting about the merits of these cases.

Our stakeholders generally agreed with our projections and offered views on where things could be subject to change. For example, consumer representatives identified a shift from problems with payday loans to other types of high-interest credit. A respondent representing lenders felt that our payday loan projections were high, given the tighter regulation now in force.

Some respondents suggested that if there were to be a downturn in the economy, this might result in more complaints. Similarly, there were suggestions that any Bank of England interest rate change might cause volatility in complaints. Pensions and annuities were suggested as other areas where we might see more complaints, given the recent media attention they'd received.

Our stakeholders also put forward a number of issues we hadn't specifically mentioned, which they thought might result in complaints. These included problems arising from new legislation around money laundering and payment services, fees and charges, fraud, hire purchase, and pension transfers and drawdown.

As always, we really value this type of insight when we're planning for the future. And we'll keep talking to our stakeholders about what's on the horizon – whether the issues in question relate to consumer behaviour, business practice, claims-management activity or regulation. Since consulting, we've slightly revised our projections upwards for complaints that aren't about PPI, packaged bank accounts or payday loans – based on the rate at which complaints have been referred to us in the meantime. The final figures are on page 13.

developing our service

The world has changed significantly since we were set up in 2001. While we've continually adapted over the years, our consultation set out the work we'd done over the last year in particular to build a modern, flexible service. This included how, with our ombudsmen at the heart of our investigation teams, we'd been working with businesses to resolve the problems people brought to us increasingly quickly and informally.

We also pointed to a number of changes in the regulator's rules – which we suggested might result in us getting involved at an earlier stage in some complaints. And we raised the question of what this might mean for our operating model in the future.

In line with the feedback we'd been receiving over the course of the year, our stakeholders were generally very supportive of how we've been developing our service. Some businesses didn't think we'd necessarily be getting involved in more complaints at an earlier stage – because they felt they'd be helping customers quickly themselves, within their own complaints process. But they were keen to explore a model with us for resolving complaints sooner – building on the way we'd already been cooperating to achieve this. Some highlighted the need for any model to work equally well for smaller firms as it would for larger ones.

Taking our plans for developing our service more generally, our stakeholders' feedback was again very positive. Consumer representatives asked for reassurance that there'd be benefits for consumers as well as businesses, while businesses pointed to encouraging feedback they'd already had from their customers. A few business respondents looked for assurance that our flexible ways of working would still allow for complaints to be resolved fairly and consistently, particularly in areas they felt were more complex and technical.

As we explained in December, we're committed to growing and retaining knowledge within our service. This includes our people's knowledge of specific areas of financial services, as our stakeholders identified. And it necessarily goes beyond this to their problem-solving expertise – having the ability to get to the bottom of why a consumer is actually unhappy, and the sound judgement and common sense required to sort things out. Our commitment is also supported by our ongoing work to strengthen our knowledge-management structures.



We're confident that the investment we've made in working more flexibly – and in putting our ombudsmen's knowledge and pragmatism at the heart of how we operate – will have, and has already had, positive benefits for businesses and consumers alike. Like many respondents to our consultation, we're looking forward to building on the progress we've made. We'll continue to monitor the stage at which we're being asked to get involved in complaints, as well as the nature of the problems involved. And we'll discuss with individual stakeholders their offers to explore new models of working, as well as suggestions for sharing insight and engagement in the coming year.

Looking to the future, our stakeholders suggested a number of priorities for us – including continuing to focus on resolving complaints quickly, working increasingly efficiently, improving our IT capability and ensuring our people have the knowledge and experience they need. We also received requests to engage and share our insight. These ranged from helping raise consumer awareness of the ombudsman in specific parts of the UK, to sharing more, and more detailed insight into areas of interest to particular respondents. We'll look into these requests and, where it's appropriate, discuss them further with individual stakeholders.



our funding

In our consultation, as we do every year, we asked for our stakeholders' views on the level of funding we'll need to run our service, given our projected complaint volumes and priorities. We explained that in 2017/2018, we thought we could deliver everything we'd planned while once again freezing our levies and case fees – including keeping the 25 “free case” allowance.

We also said that, having considered the uncertainties we're faced with, we believed it was sensible not to return any of our reserves at this stage. This would give us the flexibility to scale up if we received higher volumes of complaints than anticipated. We also highlighted how we expected our unit cost to fall in 2017/2018, following an increase in 2016/2017 as a result of *Plevin*.

In general, the stakeholders who responded to this part of our consultation – all of them representing businesses – agreed with our funding plans. There was overall support for our position on the flexibility afforded by not returning any reserves at the moment, although two businesses said they'd like to discuss how and when some reserves might be returned. In addition, a couple of businesses questioned whether a “flat” case fee model would remain appropriate if we were to resolve increasing numbers of complaints at an earlier stage. And one respondent suggested that case fees should be proportionate to the size of the business involved.

From the conversations we've had throughout the year, we know the challenges involved for some businesses in changing the way they work. As we've worked to resolve problems increasingly quickly, we've experienced similar operational challenges ourselves. However, our own customer insight, as well as the feedback businesses have shared with us, suggests

that working through these challenges is worthwhile on many fronts. And it's good to hear that our stakeholders agree we should build on what we've achieved together this year.

We're mindful of the different views that exist about our funding model – in particular, whether complaints resolved more quickly should incur lower fees. But in practice, we think this would come with its own complexities, which would need to be carefully evaluated first. For example, we'd need to decide what the cut-off point should be between an “early” and a “standard” resolution. And once any new arrangement was in place, a lot of time and effort might then be given to working through differences of opinion about individual cases – which isn't the point at all.

So we're not going to change our funding model in 2017/2018 – and we'll go ahead with the arrangements we set out in our consultation. Overall, we think our arrangements remain fair and proportionate: because of our “free case” allowance, more than nine in ten of the businesses whose customers complained to us didn't actually pay any case fees last year. However, we'll continue to talk to our stakeholders in the coming months and keep an open mind about options for the future.

list of respondents to our consultation

Association of Mortgage Intermediaries

Aviva

Barclays Bank

BCCA

Building Societies Association

Capital One

Clydesdale Bank

Consumer Finance Association

Consumer Liaison Group

Council of Mortgage Lenders

Direct Line Group

FCA Financial Services Consumer Panel

Finance and Leasing Association

Gladstone Brookes

HSBC

Lloyds Banking Group

MBNA

Nationwide

Northern Ireland Consumer Council

Professional Financial Claims Association

Royal Bank of Scotland

Santander

Standard Life

Which?

WizzCash



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