



Financial  
**Ombudsman**  
Service

# Corporate plan & 2010/2011 budget



January 2010

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## this corporate plan and budget

This document consults on the Financial Ombudsman Service's workload forecasts and proposed budget for the financial year 2010/11. It also provides an update on progress with our longer-term corporate plan.

Our financial and reporting year runs from 1 April to 31 March. Our *annual review*, published each June, records what happened in the previous year. Our *corporate plan and budget*, published each January, looks forward.

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### responses

We invite your views on our workload forecasts and proposed budget for 2010/11 and on our corporate plan – to reach us by 22 February 2010. Please send your comments to:

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### context

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In the 1980s the insurance and banking sectors set up ombudsman schemes. They recognised that access to independent redress if things went wrong would increase consumer confidence in financial services – and that consumers see the courts as costly and off-putting. The sectors volunteered to pay the cost of the ombudsman schemes, creating a free service for consumers, and established independent governance arrangements to secure the independence of the ombudsmen.

In 2000 Parliament legislated to create a comprehensive independent Financial Ombudsman Service, merging into it the insurance and banking ombudsmen, together with other financial ombudsmen that had subsequently been established. The financial services regulator – the FSA – acts as an arms-length sponsor, and the financial industry continues to meet all of the cost.

The ombudsman service resolves financial services and consumer credit cases as an informal and quicker alternative to the courts. It is not a regulator or policy-maker. Like the courts, the ombudsman service is independent of the parties in dispute, and operationally independent of government and regulators.

Its specialist expertise allows the ombudsman service to resolve disputes at a fraction of the costs incurred in court, and with no charge to the public purse. Decisions made by the ombudsman service on individual cases – coupled with the service's commitment to openness and transparency – encourage fair behaviour by financial businesses, enabling regulators to focus on major and systemic issues.

Unlike the courts, the ombudsman service engages with regulators, the financial industry and consumer bodies about the lessons learned from its work, so all can benefit. The availability of the ombudsman service – and the extensive information it makes publicly available – helps financial businesses that want to treat their customers fairly and improves consumer access to redress.

Our *corporate plan and budget* sets out how the ombudsman service aims to carry out the role intended for it by Parliament – in an effective, open, accessible and transparent way – in the light of the challenges that continue to face the financial sector and its customers. The budget sets out the resources and income required for the ombudsman service's work.

We have handled a record number of cases so far in our 2009/10 financial year and have reduced waiting times for our users. We aim to resolve even more cases in the 2010/11 financial year, and to work towards eliminating waiting times – while reducing our unit cost and freezing both the total levy (paid by all financial businesses) and our case fee at the levels that applied in 2009/10.

We are keen to receive input from all our stakeholders on:

- the likely volume and mix of cases referred to the ombudsman service in 2010/11 and beyond;
- the range of confidence and risks associated with those forecasts;
- the overall structure of our budget; *and*
- the balance between case fees and levy.

The responses to this consultation will help us to finalise the budget we put to the financial services regulator for approval in March 2010.

# overview of 2009/10

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We set our plan and budget for 2009/10 against unprecedented levels of uncertainty in financial markets, and increasing challenges for financial businesses and their customers. In accordance with the aims set out in that plan, we have:

- responded flexibly to the uncertain demand for our services;
- used outsource partners where appropriate to manage fluctuations in workload;
- updated our computerised case-handling systems;
- enhanced our quality assurance systems;
- reduced waiting times for cases to be allocated and resolved;
- improved our accessibility; *and*
- increased the transparency of what we do.

The demand for our services reflected two long-standing trends. The first is the increase in the number of cases where consumers are dissatisfied with the financial business's response and bring their complaint to the ombudsman. There were 31,347 new cases in the year to 31 March 2001, but this had risen to 127,471 new cases in the year to 31 March 2009.

The second is that a significant proportion of these cases relate to so-called 'mass claims' – where large numbers of similar complaints are made by consumers about a particular financial product, often in relation to a limited number of financial businesses. Out of a total of 900,000+ new cases between 1 April 2000 and 31 December 2009, more than half have related to just six topics: mortgage endowments; dual-variable-rate mortgages; split-capital investment trusts; unauthorised-overdraft charges; credit-card default charges; and payment-protection insurance (PPI).

After consulting with industry and consumers about their view of our likely caseload, we based our 2009/10 budget on a working assumption that we would receive 150,000 new cases. Our current forecast is that by 31 March 2010 we will have received around 167,000 new cases, with the excess relating mainly to PPI.

We had carried forward around 15,000 cases concerning unauthorised-overdraft charges. These were on hold, and – under a waiver issued by the financial services regulator – very many thousands were also being stockpiled by banks and building societies pending the outcome of 'test case' proceedings brought to court by the Office of Fair Trading. The Supreme Court's judgment in November 2009 marked the end of that process.

The Court found broadly in favour of the arguments put forward by the banks and building societies. We now expect to be able to resolve most of the 15,000 cases we had on hold awaiting the outcome of the 'test case'. But we may receive more new cases as banks and building societies tackle the far larger volumes of cases they had stockpiled – and there is a steady inflow of cases about the treatment of customers in financial difficulties, where the amount owed often includes such charges.

We are on target to resolve 165,000 cases in 2009/10, in line with the budget. However, regulatory action around PPI cases means there is some risk that – as a number of financial businesses review their position in the light of clear and helpful guidance from the regulator – the resolution of a proportion of these cases might slip into the early months of the following financial year.

To reflect the record number of new cases, we have significantly increased the number of case-handling staff – both our own and those of our outsource partners. So we have still been able to reduce waiting times. The increased operating expenditure was only partly covered by increased income from case fees. The additional cost of more-expensive outsourcing has pushed our forecast

unit cost up from £559 to around £587. This is expected to result in a deficit of £2.7 million and a modest call on our reserves.

We have implemented the first stages of our plans to improve accessibility and transparency, described in last year's *corporate plan and budget* – ranging from extending the opening hours of our front-line customer contact division to launching an online complaint enquiry facility on our website, and from publishing complaints data about named financial businesses for the first time to expanding our series of regional consumer-adviser training days.

Following nominations from the public, in December 2009 our website was named 'website of the year' in the Plain English Campaign's annual awards (in succession to the BBC, last year's winner) – because it "*provides advice and information on a complex subject in a straightforward manner. The introductory 'about us' pages are welcoming and friendly. The layout and design of the pages is uncluttered and easy to follow, and care has been taken to ensure that the website is accessible to all users.*"

We have launched a long-term business-process improvement project, to ensure that our service keeps pace with the needs of users and continues to provide good value for money. The programme includes the use of external consultants, who will report in early 2010.

# plans for 2010/11 and beyond

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## overview

In the year ending 31 March 2011, we aim to:

- resolve even more cases;
- work towards eliminating waiting times;
- reduce our unit cost;
- freeze the total levy (paid by all financial businesses) at the same amount as in 2009/10; *and*
- freeze the amount of our case fee at the level that applied in 2009/10.

Our 2010/11 budget assumes:

- we will receive about 190,000 new cases;
- we will close 210,000 cases;
- the unit cost will reduce to £540; *and*
- operating costs will be £113.5 million, reflecting the increased workload.

In view of potential volatility in the number and type of new cases, the budget assumes that we will use our outsource partners to close around one third of the cases. We can adjust this proportion up or down if the number of new cases is significantly more or less than planned, though the premium involved in outsourcing would affect the financial outturn.

During 2010/11 we also plan to:

- meet the needs of our users by working in a way that combines efficiency with quality and customer service;
- begin to implement the recommendations from our business-process improvement project, to improve service, efficiency and cost effectiveness;
- enhance our organisational capabilities, in response to the increased size of our organisation – while maintaining the flexibility to scale both up and down in line with future demand;
- work collaboratively with other public bodies and with stakeholders in order to support the public interest and improve the availability of redress for consumers;
- assure our stakeholders of the effectiveness and value for money of what we do, including by commissioning a value-for-money study by the National Audit Office; *and*
- further improve the accessibility and transparency of our service, including preparation for the ombudsman service to come under the *Freedom of Information Act*.

## meeting the operational challenge

A crucial aspect of our planning is forecasting the number of cases likely to be referred to us by consumers who are dissatisfied with the way a financial business has handled their complaint. Our objective is to ensure that the ombudsman service is capable of dealing in a cost-effective and timely way with changes in both the number and the types of cases referred to us.

The situation can alter rapidly as a result of many factors. These include the behaviour of financial businesses, the growing impact of proactive intervention by regulators, and increasing consumer activism (noting that data published by the financial services regulator suggests consumers currently pursue only about one in ten of complaints rejected by financial services businesses).

Annex A gives a breakdown of new cases by product for three scenarios: our central assumption of 190,000 new cases; a pessimistic assumption of 228,000 new cases; and an optimistic assumption of 165,000 new cases. These scenarios reflect discussions with the businesses likely to have the largest number of cases referred to us, as well as our own analysis of trends. We would particularly welcome views on the different scenarios.

Our plans for meeting the operational challenge presented by uncertainties in our workload include the following:

- We will continue to manage volatility in our caseload by using our two outsource partners. We intend to maintain our relationships with these partners to help us to scale up and down quickly in response to a variety of scenarios.
- This includes using one of our outsource partners to handle all cases about mis-selling of PPI, because this is the area in which we foresee the greatest uncertainty about the number of new cases we will receive.
- On our central caseload assumption, we would not need to increase the in-house case-handling capacity that we have built up during 2009/10, and we would confine recruitment to replacing existing case-handlers who leave us and to filling any 'capability gaps'.
- Consolidating our in-house capacity should help to deliver better productivity, as recently-recruited case-handlers reach their potential and as more experienced case-handlers spend less time mentoring them.
- We will recruit more ombudsmen, including some on a part-time basis similar to that used for some judges, to help tackle the increasing numbers of cases where customers and financial businesses do not agree with the initial view set out by our adjudicator.
- We plan to resolve 20,000 more cases than we expect to receive, so that – if the number of new cases is within the range of our working assumptions – we will be able to bring waiting times down to a minimum.
- As we reduce waiting times, we will retrain and redeploy case-handling staff from one area of complaint to another, as required by any significant changes in the proportions of different types of incoming cases. This will have an increasing impact on productivity.

## **efficiency, quality and customer service**

Our objective is to meet the needs of our users by working in a way that combines efficiency with quality and customer service – although the variable quality of complaint-handling by some financial businesses and claims-management companies has a significant impact on our productivity. Our plans include the following:

- We will introduce further efficiencies in our operating model – through measures already underway (such as improving the way we communicate our decisions) and through longer-term measures flowing from our business-process improvement project.
- Our processes already rely on a high degree of robust IT, but we will examine and implement further ways of using technology to improve the way in which we manage our workload and communicate with our users.
- We will continue to integrate our processes for complaint-handling, quality and customer service, so that our business-process improvement project can deliver both quality and customer service improvements as well as value-for-money objectives.
- Our immediate focus in quality and customer service is to work towards eliminating waiting times for users, without detracting from other aspects of quality. We will then focus on developing other areas of quality and customer service.

- We will continue to develop our quality-assurance framework – extending our risk-based auditing capabilities, improving and extending team audits, and enhancing our *service review* team so that it can help resolve potential problems earlier in the process.
- We will continue to engage with employees at all levels, ensuring that they are both involved and accountable, in order to maintain a culture of quality and customer service throughout the organisation.

## **enhancing organisational and management capabilities**

We aim to enhance our organisational and management capabilities, in response to the increased size of our organisation – while maintaining the flexibility to scale both up or down in line with future demand. Our plans include the following:

- We will continue to enhance both our business-planning capacity and our risk-management capability.
- We will identify any ‘capability gaps’ across the organisation and take steps to fill them, including through targeted recruitment. And we will develop improved succession-planning and leadership-development processes.
- We will further develop our induction, training and mentoring arrangements, to enable recently-recruited case-handlers to reach their potential quickly – while allowing experienced case-handlers to spend less time on training and mentoring new colleagues.

## **working collaboratively**

Our objective is to work collaboratively with other public bodies and with stakeholders to support the public interest – so far as the independent role given to us by Parliament allows – recognising that good outcomes can be achieved by a range of formal and informal means. Our plans include the following:

- We will continue to work with others to improve the availability of redress for consumers – and to identify ways in which we can work collaboratively in the public interest when our respective statutory roles overlap.
- This includes enhancing the existing processes for identifying new and emerging problems, giving regulators an opportunity to step in and put things right quickly, and supporting processes to improve the handling of so-called ‘mass claims’ (such as in PPI) arising from past problems.
- We will continue to alert financial regulators to the comparatively small number of financial businesses that cause us significant concern, and to alert the Ministry of Justice where we have concerns about the methods of some claims-management companies that bring cases to us.
- We will engage firmly but constructively with the comparatively small number of financial businesses that account for the majority of our caseload, feeding back the lessons learned from our work in order to help reduce complaints.
- We will continue dialogue with industry and consumer stakeholders through our newly-restructured liaison groups, so that key issues involving the ombudsman service are discussed openly in a timely way.
- We will continue to work through FIN-NET – the EU Commission-sponsored network of European financial dispute-resolution bodies – to ensure the appropriate handling of cross-border complaints.



## **accounting for what we do**

We aim to assure our stakeholders of the effectiveness and value for money of the service we provide. To that end, our plans include the following:

- We will freeze the total levy and the amount of the case fee for 2010/11 at the levels which applied in 2009/10.
- We will encourage scrutiny of what we do through our continuing commitment to transparency and openness – by expanding further the extensive range of information and data we make available about our approach and the outcome of our work.
- This includes continuing to publish a full range of data about the complaints that we handle, including business-specific complaint data – on which we will work closely with the financial services regulator over its own publication plans.
- In particular, we will finalise a comprehensive ‘publication scheme’ (in line with the Information Commissioner’s guidance) in advance of becoming subject to the *Freedom of Information Act*, as proposed by the Ministry of Justice.
- Our independent public-interest board has asked the National Audit Office to conduct a value-for-money study – as part of our regular pattern of three-yearly external reviews.

The National Audit Office review is likely to start towards the end of 2010, and we would welcome views from our stakeholders now about particular aspects of efficiency and/or effectiveness that the review might focus on.

## complaint trends

### 2009/10 enquiries

Our 2009/10 budget assumed that we would receive 975,000 enquiries – a 23% increase compared to 2008/09. Our current forecast is that enquiries will be in line with the budget.

enquiries	actual 12 months 2008/09	actual 9 months 2009/10	forecast 12 months 2009/10	budget 12 months 2009/10
phone calls to our enquiry line	399,918	339,067	500,000	500,000
written enquiries	389,959	353,049	475,000	475,000
<b>total</b>	<b>789,877</b>	<b>692,116</b>	<b>975,000</b>	<b>975,000</b>

### 2009/10 new cases

Our 2009/10 budget assumed that we would receive 150,000 new cases – an 18% increase compared to 2008/09. New cases are currently running at 11% above budget, and our current forecast is that we will receive around 167,000 new cases.

An analysis by product is set out in annex A. There were fewer insurance and investment cases than we budgeted for, but this was more than offset by higher numbers of complaints about banking and about PPI.

new cases	actual 2008/09	forecast 2009/10	budget 2009/10
banking	51,892	73,000	65,000
insurance (excluding PPI)	19,102	20,400	25,000
investment	22,307	24,300	30,000
consumer credit	3,014	6,600	5,000
PPI (payment protection insurance)	31,066	42,700	25,000
<b>total</b>	<b>127,381</b>	<b>167,000</b>	<b>150,000</b>

### 2009/10 cases resolved

Our 2009/10 budget assumed that we would resolve 165,000 cases: a 44% increase compared to 2008/09. We are on target to close that number, although – because the timetable for introducing regulatory guidance is later than we had originally envisaged – there is some risk that the resolution of a block of PPI cases might slip into the early months of the next financial year. Set against this, the end of the 'test case' on overdraft charges and the associated complaint waiver means that we should be able to resolve a number of the previously 'on-hold' cases about this issue.

The majority of cases have been resolved by our own staff, but a significant minority have been resolved by outsourced staff – in line with the plan we published last year. Although outsourcing is more expensive than using in-house staff, it gives us the flexibility to manage increases in our caseload without incurring the significant potential costs of taking on and then laying-off in-house staff.

## 2009/10 productivity and timeliness

We measure productivity overall – dividing the total number of cases resolved over 52 weeks by the total number of adjudicators. Individual adjudicators do not work 52 weeks, because of leave-entitlement and training. So the average number of cases that an individual adjudicator resolves per working week is higher than the overall productivity figure.

During 2009/10 we have recruited significant numbers of new staff, who need training and experience before they get up to speed. And many experienced staff have had to be diverted to training and mentoring the newcomers.

Additionally, though the number of cases we expect to resolve is in line with our budget, this number includes a higher than expected proportion of more complex cases. So we expect productivity to be closer to 4.0 cases per adjudicator per week, compared with the budget of 4.7.

Improving productivity is one of the aims of the long-term business-process improvement project we have launched, as mentioned in chapter 2, which includes the use of external consultants.

<b>workload plans</b>	<b>actual 12 months 2008/09</b>	<b>actual 9 months 2009/10</b>	<b>forecast 12 months 2009/10</b>	<b>budget 12 months 2009/10</b>
opening work-in-progress	58,106	71,628	71,628	62,364
new complaints	127,471	117,906	167,000	150,000
cases resolved	113,949	107,549	165,000	165,000
closing work-in-progress	71,628	81,985	73,628	47,364
work in hand (weeks)	32.7	25.0	23.2	14.9
productivity	4.8	3.7	4.0	4.7
% closed within 6 months	56	65	65	65
unit cost	£508	n/a	£587	£559

## 2010/11 enquiries

Enquiries to our customer contact division during 2010/11 are expected to grow in line with our estimate of new cases.

<b>enquiries</b>	<b>actual 2008/09</b>	<b>forecast 2009/10</b>	<b>budget 2010/11</b>
phone calls to our enquiry line	399,918	500,000	575,000
written enquiries	389,959	475,000	550,000
<b>total</b>	<b>789,877</b>	<b>975,000</b>	<b>1,125,000</b>

## 2010/11 new cases

Our central estimate is that the total number of new cases will increase to 190,000 during 2010/11. An indicative breakdown of new cases is given in annex A and summarised in the table below. Forecasting the numbers of new cases is not an exact science, and we have planned for a range between 165,000 (optimistic) and 228,000 (pessimistic).

Initial discussions with stakeholders have suggested a consensus that our central forecast is probably about right, but that there is a greater risk of the figure moving towards the pessimistic rather than the optimistic end of the scale.

<b>new cases</b>	<b>actual 2008/09</b>	<b>forecast 2009/10</b>	<b>budget 2010/11</b>
banking	51,892	73,000	85,000
insurance (excluding PPI)	19,102	20,400	23,600
investment	22,307	24,300	25,200
consumer credit	3,014	6,600	10,200
PPI (payment protection insurance)	31,066	42,700	46,000
<b>total</b>	<b>127,381</b>	<b>167,000</b>	<b>190,000</b>

## 2010/11 cases resolved

We aim to resolve 210,000 cases in 2010/11 – to deal with the record number of new cases in our central forecast, and to work towards eliminating the waiting times that have necessarily grown up in some areas while we recruited and trained extra staff.

This represents a substantial increase compared to 2009/10, and requires a capacity of 925 adjudicators. We intend to resolve 135,000 cases with our own staff, and to use outsourced staff for the remainder (about one third).

## 2010/11 productivity and timeliness

Our 2010/11 budget assumes that both productivity and timeliness will improve during the year – as a result of staff recruited during 2009/10 becoming more experienced, and of our implementing business-process improvements.

<b>workload plans</b>	<b>actual 2008/09</b>	<b>forecast 2009/10</b>	<b>budget 2010/11</b>
cases with us at the beginning of the year	58,106	71,628	73,628
new cases	127,471	167,000	190,000
cases resolved	113,949	165,000	210,000
cases with us at the end of the year	71,628	73,628	53,628
work in hand (weeks)	32.7	23.2	13.3
productivity	4.8	4.0	4.3
% closed within 3 months	30	40	55
% closed within 6 months	56	65	75
% closed within 9 months	77	80	85
% closed within 12 months	88	90	90

## proposed budget for 2010/11

### income and expenditure

Income for 2009/10 is expected to be £1.3 million above budget – partly because the industry grew between the time the tariff rates were set and the levy was collected, and partly because there were fewer than expected free cases. Expenditure for 2009/10 is expected to be £4.3 million above budget – mainly reflecting an increase in staff, including outsourced staff, to deal with more new cases than budgeted. This means that for 2009/10 we are currently expecting a deficit of £2.7 million, rather than the budgeted surplus of £0.3 million.

For 2010/11, we have budgeted to break even. We do not propose to increase either the total of the levy or the amount of the case fee, which will remain at 2009/10 levels. But we plan to close significantly more cases, and our 2010/11 budget will increase in line with the additional case fees. The corresponding expenditure reflects:

- a significant increase in employment costs to cover staff required to resolve 210,000 cases; *and*
- rent reviews on our existing premises plus some additional premises taken on during 2009/10.

In addition, we have assumed a capital expenditure budget of £1.0m to cover both IT systems-development costs and office repairs (mainly essential work to the lifts).

Out of the total income and expenditure budgeted for 2010/11:

- 97.9% relates to our compulsory jurisdiction;
- 1.6% relates to our consumer credit jurisdiction; *and*
- 0.5% relates to our voluntary jurisdiction.

	actual 2008/09 £m	budget 2009/10 £m	forecast 2009/10 £m	budget 2010/11 £m
<b>income</b>				
levy	19.3	19.5	20.2	19.5
case fees	46.4	73.4	74.2	94.5
other income	0.4	0.4	0.2	0.2
provision for bad/doubtful debts	(0.3)	(0.5)	(0.5)	(0.5)
<b>total</b>	<b>65.8</b>	<b>92.8</b>	<b>94.1</b>	<b>113.7</b>
<b>expenditure</b>				
staff and staff-related costs	46.8	77.5	83.0	97.7
professional fees	0.9	1.6	1.3	1.6
IT costs	1.4	1.6	1.6	1.8
premises and facilities	3.7	6.5	6.1	7.0
other costs	3.8	3.0	2.8	3.5
depreciation	1.4	2.1	1.8	1.9
<b>operating costs</b>	<b>58.0</b>	<b>92.3</b>	<b>96.6</b>	<b>113.5</b>
financing costs	0.1	0.2	0.2	0.2
<b>total costs</b>	<b>58.1</b>	<b>92.5</b>	<b>96.8</b>	<b>113.7</b>
<b>surplus(deficit)</b>	<b>7.7</b>	<b>0.3</b>	<b>(2.7)</b>	<b>0.0</b>
cases resolved	113,949	165,000	165,000	210,000
<b>unit cost</b>	<b>£509</b>	<b>£559</b>	<b>£587</b>	<b>£540</b>

## unit cost

Our unit cost represents our total costs (apart from the cost of financing) divided by the number of cases resolved.

The unit cost for 2009/10 is expected to be £587. This is £28 above budget, reflecting the increased expenditure (including additional outsourcing) described earlier, to deal with the record number of new cases.

The unit cost for 2010/11 shows a decrease of 8% to £540.

## staff

For 2010/11 the year-end headcount budget is distributed as follows:

	<b>budget March 2010</b>	<b>forecast March 2010</b>	<b>budget March 2011</b>
casework divisions and ombudsmen	918	1,284	1,341
customer contact division	121	109	125
support services	131	142	148
<b>total</b>	<b>1,170</b>	<b>1,535</b>	<b>1,614</b>

The additional, mainly outsourced, casework staff are required to resolve our target of 210,000 cases.

## 2010/11 case fees and levy

The additional funding required will come from the case fees relating to the extra cases we resolve. We plan to keep unchanged from 2009/10:

- the total of the levy in the compulsory jurisdiction;
- the amount of the case fee (£500); *and*
- the number of free cases (three).

This means that 80% of our funding will come from case fees, reflecting the views that have been expressed to us in favour of case fees forming an increasing part of our funding.

Raising the number of free cases from the three that are currently available to each business would mean increasing the rate of the levy. This would benefit those few, mainly large, financial businesses that already take up their existing allocation of free cases – but it would require *all* financial businesses, including smaller ones, to pay more levy.

**compulsory jurisdiction levy:** The method of allocating the levy was consulted on in consultation paper CP74. Broadly, it involves two stages:

- The total levy is divided among industry blocks (based on activities) according to the number of case-handling staff we expect to need for cases from that sector.
- The levy for each industry block is divided among the firms in that block, according to a tariff rate (relevant to that sector) which is intended to reflect the scale of the firm's business.

This means that an individual industry block's share of the total levy may change – to reflect the sectors from which our workload comes.

The levy payable by individual FSA-regulated firms in the compulsory jurisdiction is set by the FSA, which will be consulting on this separately. Annex B sets out, on an indicative basis, how the levy might be divided.

The minimum levy in each industry block would be likely to stay the same or reduce – except for an increase of £5 in block 17 (general insurance mediation). We estimate that around 82% of the firms liable to pay the levy will pay only the minimum levy for their industry block.

The total levy in each industry block would also be likely to stay the same or reduce – except in block 1 (deposit acceptors, mortgage lenders and administrators) and block 17 (general insurance mediation).

The increases in blocks 1 and 17 reflect the increased proportion of ombudsman service staff expected to be needed for cases from these sectors – covering mainly an anticipated increase in cases relating to various types of lending (block 1) and in relation to the sale of PPI (block 17).

Subject to the FSA's consultation, typical levies in the compulsory jurisdiction would be likely to be:

	2008/09 levy £	2009/10 levy £	2010/11 levy £
bank or building society with 2 million relevant accounts	46,000	54,000	55,600
general insurer with £100 million of relevant gross premium income	12,600	12,600	10,300
life office with £200 million of relevant adjusted gross premium income	9,800	5,600	5,000
investment adviser that holds client money and has 50 relevant approved persons	4,000	2,250	1,750
three-partner firm of independent financial advisers that does not hold client money	120	120	105
mortgage intermediary firm	60	70	70
insurance intermediary firm with £0.5m commission income	60	80	120

**consumer credit jurisdiction levy:** The total levy for the consumer credit jurisdiction in 2010/11 has been set at £2.4 million (net of the Office of Fair Trading's collection costs), which is the same figure as for 2009/10. This is in line with our aim to average this levy over the 5-year renewal period for consumer credit licences. The OFT sets the amount of the levy payable by individual licensees who take out or renew licences during the year.

**voluntary jurisdiction levy:** The 2009/10 rates of levy proposed for voluntary jurisdiction (VJ) participants are set out in annex E.



## assumptions for new cases in 2010/11

	2008/09	2009/10		2010/11 projection			2009/10	2010/11
	actual	plan	re-forecast	base	optimistic	pessimistic	vs 2008/09	vs 2009/10
current accounts	12,957	18,000	30,500	35,000	25,500	45,000	135%	15%
credit cards	18,590	16,000	19,100	22,100	22,100	24,000	3%	16%
mortgages	7,603	16,000	7,900	8,500	8,000	9,500	4%	8%
other banking	12,832	15,000	15,500	19,400	17,500	20,000	21%	25%
<b>banking</b>	<b>51,982</b>	<b>65,000</b>	<b>73,000</b>	<b>85,000</b>	<b>73,100</b>	<b>98,500</b>	<b>40%</b>	<b>16%</b>
motor insurance	6,267	8,000	5,800	6,600	6,600	6,600	-7%	14%
other general insurance	12,835	17,000	14,600	17,000	17,000	17,000	14%	16%
<b>insurance (excluding PPI)</b>	<b>19,102</b>	<b>25,000</b>	<b>20,400</b>	<b>23,600</b>	<b>23,600</b>	<b>23,600</b>	<b>7%</b>	<b>16%</b>
mortgage endowments	5,798	6,000	5,600	4,000	4,000	4,000	-3%	-29%
pension products	4,940	8,000	3,700	3,600	3,600	3,600	-25%	-3%
other investment	11,569	16,000	15,000	17,600	17,600	17,600	30%	17%
<b>investment</b>	<b>22,307</b>	<b>30,000</b>	<b>24,300</b>	<b>25,200</b>	<b>25,200</b>	<b>25,200</b>	<b>9%</b>	<b>4%</b>
<b>consumer credit</b>	<b>3,014</b>	<b>5,000</b>	<b>6,600</b>	<b>10,200</b>	<b>8,100</b>	<b>10,700</b>	<b>119%</b>	<b>55%</b>
<b>PPI (payment protection insurance)</b>	<b>31,066</b>	<b>25,000</b>	<b>42,700</b>	<b>46,000</b>	<b>35,000</b>	<b>70,000</b>	<b>37%</b>	<b>8%</b>
<b>total</b>	<b>127,471</b>	<b>150,000</b>	<b>167,000</b>	<b>190,000</b>	<b>165,000</b>	<b>228,000</b>	<b>31%</b>	<b>14%</b>

## compulsory jurisdiction – provisional levy 2010/11

These are provisional figures, which are expected to form part of a separate consultation by the FSA in January 2010.

industry block	Description	tariff basis	proposed tariff rate	2009/10 tariff rate	proposed minimum levy per firm £	proposed total £	2009/10 total £	proposed contributions by block %	contribution by block % 2009/10
1	deposit acceptors, mortgage lenders and administrators (excluding firms in block 14)	per relevant account	0.0278	0.027	100	7,261,000	7,273,594	41.0	41.0
2	firms that undertake insurance activities subject to prudential regulation only (excluding firms in blocks 13 & 15)	per £1,000 of relevant annual gross premium income	0.103	0.126	100	2,480,000	3,130,688	14.1	17.7
3	the Society of Lloyd's		n/a	n/a	n/a	20,000	28,000	0.1	0.2
4	firms that undertake insurance activities subject to both prudential and conduct of business regulation (long-term life insurers) (excluding firms in block 15)	per £1,000 of relevant adjusted annual gross premium income	0.025	0.028	100	1,594,300	1,781,063	9.0	10.1
5	fund managers (including those holding client money/assets and not holding client money/assets)	flat fee	0	0	200	177,000	180,000	1.0	1.0
6	operators, trustees & depositaries of collective investment schemes	flat fee	0	0	50	20,000	20,000	0.1	0.1
7	dealers as principal	flat fee	0	0	50	14,000	14,000	0.1	0.1
8	advisory arrangers, dealers or brokers holding and controlling client money and/or assets	per relevant approved person	35	45	35	923,000	990,094	5.2	5.6
9	advisory arrangers, dealers or brokers not holding and controlling client money and/or assets	per relevant approved person	35	40	35	923,000	990,094	5.2	5.6
10	corporate finance advisers	flat fee	0	0	50	14,000	14,000	0.1	0.1
11	fee-paying payment service providers (but excluding firms in any other industry block)	flat fee	0	0	75	2,000	0	0	0
13	cash-plan health providers	flat fee	0	0	50	600	600	0	0
14	credit unions	flat fee	0	0	50	24,000	24,000	0.1	0.1
15	friendly societies whose tax-exempt business represents 95% or more of their total relevant business	flat fee	0	0	50	3,700	3,500	0	0
16	mortgage lenders, advisers and arrangers	flat fee	0	0	70	531,000	470,156	3.0	2.7
17	general insurance mediation	per £1,000 relevant commission income	0.25	0.175	85	3,712,400	2,780,313	21.0	15.7
	<b>total – all blocks</b>					<b>17,700,000</b>	<b>17,700,102</b>		

## compulsory jurisdiction – case fees 2010/11

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### compulsory jurisdiction – case fee table

#### case fee

standard case fee	£500	(for the fourth chargeable case and any subsequent chargeable case in this financial year – 2010/11)
special case fee	£500	

The definitions of *standard case fee* and *special case fee* are in FEES 5.5 (case fees) in the *FSA Handbook*.

The definition of *chargeable case* is in the Glossary to the *FSA Handbook*.

## consumer credit jurisdiction – case fees 2010/11

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### consumer credit jurisdiction – case fee table 2010/11

#### case fee

standard case fee	£500	(for the fourth chargeable case and any subsequent chargeable case in this financial year – 2010/11)
special case fee	£500	

The definitions of *standard case fee* and *special case fee* are in FEES 5.5 (case fees) in the *FSA Handbook*.

The definition of *chargeable case* is in the Glossary to the *FSA Handbook*.

## voluntary jurisdiction – levy and case fees 2010/11

voluntary jurisdiction – general levy tariff and case fee table					
industry block and business activity		tariff basis	tariff rate	minimum levy	*case Fee
1V	deposit acceptors, mortgage lenders and administrators, including debit/credit/charge card issuers and merchant acquirers, and electronic money institutions	number of relevant accounts	0.0278	£100	£500
2V	<i>VJ participants</i> undertaking insurance activities subject only to prudential regulation	per £1,000 of relevant annual gross premium income	0.103	£100	£500
3V	<i>VJ participants</i> undertaking insurance activities subject to prudential and conduct of business regulation	per £1,000 of relevant adjusted annual gross premium income	0.025	£100	£500
6V	intermediaries	not applicable	n/a	£75	£500
7V	freight-forwarding companies	not applicable	n/a	£75	£500
8V	National Savings & Investments	not applicable	n/a	£10,000	£500
9V	Post Office Limited	not applicable	n/a	£10,000	£500
10V	Persons not covered by 1V to 8V undertaking activities which would be <i>regulated activities, payment services</i> or <i>consumer credit activities</i> if they were carried on from an establishment in the <i>United Kingdom</i>	not applicable	n/a	£75	£500

\* **note on case fees:** The standard case fee and the special case fee are both £500. As in the compulsory jurisdiction, *VJ participants* will be charged for the fourth and subsequent chargeable case in this financial year – 2010/11