



Independent review commissioned by the Board of the Financial Ombudsman Service.

Terms of reference

About the Financial Ombudsman Service

The Financial Ombudsman Service was created under the Financial Services and Markets Act 2000, which provides for an ombudsman scheme under which certain disputes may be resolved quickly and with minimum formality by an independent person. The ombudsman scheme is administered by a “scheme operator”, the Board of the Financial Ombudsman Service. The scheme operator is responsible for appointing a panel of people, with appropriate qualifications and experience, to act as ombudsmen for the purposes of the scheme, on such terms as it considers to be consistent with the independence of those appointed.

Last year the Financial Ombudsman Service resolved more than 336,000 individual complaints about a wide range of financial products and services.

Matters for review

Channel 4 broadcast an edition of its “Dispatches” programme on 12 March 2018. This featured covert filming of ombudsman staff, included the comments of three unidentified individuals who were said to be “current and former staff” and considered the handling of two specific cases.

The issues raised by the programme were:

- That some staff are not equipped to deal with “complex” problems, specifically some investment and pension complaints.
- In the case of a complaint about fraudulent activity on a bank account, that there was a failure to ask for detailed information about the account’s transaction history.
- That awards for distress and inconvenience are not calculated by using a “formula”.
- That the application of the provision for “exceptional circumstances” to extend the time limits under which a consumer may make a complaint, is not appropriate.
- That staff are biased against some complainants, specifically those who complain about credit card and PIN fraud and those who complain about payday loans.
- That the provisions which require banks to be “positive and sympathetic” are not applied correctly.
- That the ability to require a debt to be written off is not applied correctly because of a reluctance to set a precedent.
- That the “pressure ... to deal with caseloads quickly” meant that it is more likely that cases would be decided in favour of the banks.
- That in 2014/15, 11,000 PPI complaints were not dealt with for two years.
- That in both 2015 and 2016, 1000 letters were found to have been unopened - some of which were two years old.
- That if targets were missed, the pay or promotion of investigators could suffer.
- That there is a major backlog of PPI complaints.
- That some PPI complaints were wrongly rejected because, although it was concluded PPI had been mis-sold, it was assumed that the cover would have been useful.
- That when Rushanara Ali MP visited the ombudsman service in 2015 she “was misled, that managers preselected and rehearsed cases to make the service appear more professional”.

Scope of the review

The scope of the review, and any recommendations, must take account of the service’s statutory role and the need to ensure ombudsmen decisions are free from any influence, directly or indirectly.

The review will assess the evidence presented by Dispatches in respect of each of the issues raised in the programme (and set out in the section above) to consider whether there are any matters of substance which should be addressed, although it will not be restricted to the issues raised in the programme.

If the review finds matters for concern, it will seek to identify possible root causes for them (such as management action or inaction, cultural factors, staff objectives and

performance management, organisational structure or any other underlying factor) and how they might be addressed. The review will also consider staff morale and the factors which contribute to it

The review will consider the extent to which the current governance and arrangements for providing assurance about the work of the Financial Ombudsman to its Board, including whistleblowing procedures, are applied effectively and consistently.

The review will make recommendations for addressing matters of substance and, where necessary, for strengthening governance and assurance arrangements.

Delivery of the review

The review will be led by Richard Lloyd who will report his findings to the Board. The reviewer will be provided with full access and the resources necessary to complete the review. The reviewer will have unrestricted access to all ombudsman service staff and all necessary documents.

The review will be completed by the end of June 2018 and published during the summer.

25 April 2018