Financial
Ombudsman
Service

our plans and budget for 2017/2018

December 2016

our closing date for comments is Tuesday 31 January 2017

we look forward to hearing your views

our year so far • our plans for 2017/2018

contents

annexes

responses

Please send your responses by **31 January 2017** to
consultations@financial-ombudsman.org.uk

or by post to

Debbie Enever
stakeholder team – consultation responses
Financial Ombudsman Service
PO Box 69989
London
E14 1PR

We plan to publish the responses we receive. If you think your response should be kept confidential, please let us know.

foreword

Like last year, we're planning for the next financial cycle at a time of ongoing uncertainty in the area with the most significant bearing on our work. Three quarters of the way through 2016/2017 we've received over 110,000 complaints about mis-sold payment protection insurance (PPI) – bringing the total number to 1.6 million. And we're expecting that by the time we begin 2017/2018, 140,000 PPI complaints currently with our service will be affected by the Supreme Court's judgment in *Plevin v Paragon Personal Finance Limited (Plevin).*

We think that the number of complaints we'll receive in 2017/2018 will be heavily influenced by the Financial Conduct Authority's proposed deadline for PPI complaints – as well as the final content of its proposed rules and guidance on how firms should approach complaints following *Plevin*. And complaint volumes will depend both on the timing and the implementation of these proposals.

We'd been preparing our plans based on the FCA's published timetable. On 9 December, the FCA announced that it's still carefully considering the issues raised in its most recent consultation – and will make a further announcement in the first quarter of 2017. We don't yet know the impact this will have on how quickly we can resolve PPI complaints affected by Plevin – or on how many new PPI complaints we'll receive next year. We'll be discussing these issues with our stakeholders, including the FCA, as we consult on our plans over the next month.

Of course, life goes on outside PPI – and over the last few months we've also been very busy putting right problems in other areas of financial services. This consultation sets out the year we've had so far and, based on this, the position in which we expect to end 2016/2017. We then explain how we plan to manage the unpredictable demands of 2017/2018 – so we can continue to give quick and fair answers to individual problems, while ensuring we're in a position to respond effectively to future demand for our help.

The views of our stakeholders – the people who use and fund our service, as well as those with a close interest in what we do – will, as always, be invaluable in ensuring our plans are as informed as they can be. But this will be particularly so in the face of the uncertainty we highlight here. We'll continue to talk to the FCA, financial businesses and trade bodies, consumer representatives and others before we publish our final plans in March 2017. And I'm looking forward to hearing your views.

Caroline Wayman
chief ombudsman and chief executive
14 December 2016

about us

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 banking and insurance, to pensions and investments, and from mortgages to payday loans.

"... 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.

1 2016/2017 – our year so far

In this chapter, we set out the complaint volumes and trends we've seen in the first eight months of 2016/2017 – and the position in which we expect to end the financial year.

complaint volumes and trends in 2016/2017

As the tables show, at this stage in 2016/2017 we're expecting that we'll receive more complaints than we planned for at the beginning of the year.

new complaints received	**2016/2017 budget**	**2016/2017 revised forecast**
general casework (*including payday loans*)	106,000	125,000
packaged bank accounts	30,000	24,000
payment protection insurance (PPI)	170,000	170,000
total	**306,000**	**319,000**

complaints resolved	**2016/2017 budget**	**2016/2017 revised forecast**
general casework (*including payday loans*)	106,000	125,000
packaged bank accounts	30,000	27,000
payment protection insurance (PPI)	270,000	170,000
total	**406,000**	**322,000**

Overall, we've had a productive year across our general casework – complaints that aren't about PPI or packaged bank accounts – in resolving the problems that have been brought to us. In these areas, we're expecting to resolve 18% more complaints than originally anticipated – reflecting the increased volumes of complaints we've received.

However, the uncertainty generated by the Supreme Court's judgment in *Plevin* means that we won't resolve as many PPI complaints as we'd planned to this year. By April 2017 we anticipate that we'll have around 140,000 complaints to which we've already given an initial answer about whether PPI was mis-sold – but which, due to *Plevin*, we haven't fully resolved.

We've explained below the trends we've seen this year across the different areas of our work – including the ongoing challenges we face in PPI.

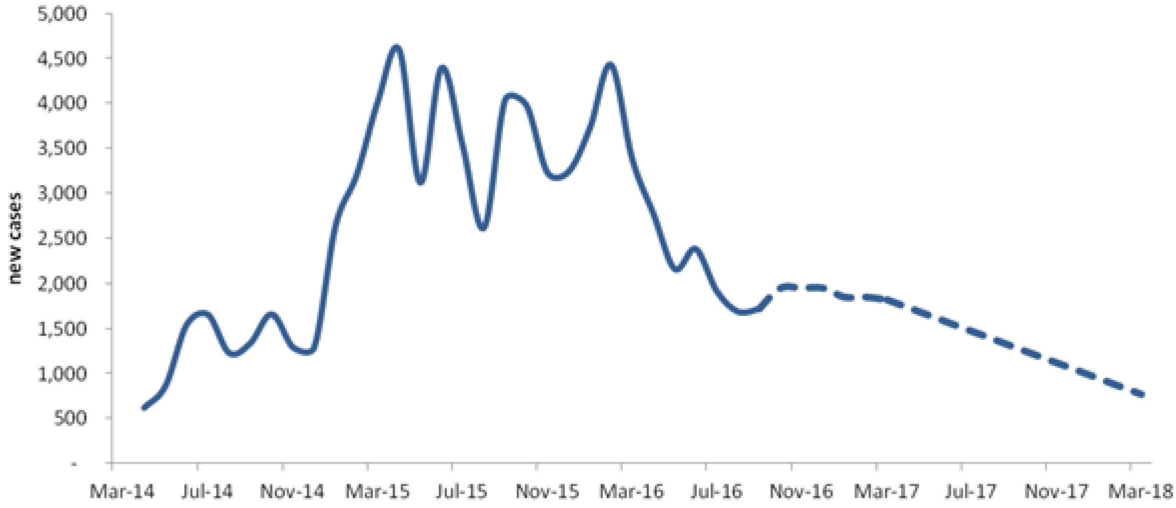
banking and credit

Over the course of the year we've seen an increase in our general casework. In particular, more people have been contacting us about problems with credit, especially payday loans. We now expect to receive around 10,000 complaints about payday loans in 2016/2017, compared with around 3,000 in 2015/2016 – which in turn was more than double the number we received in 2014/2015. These increases could reflect growing awareness among payday customers of their right to complain if they feel they've been treated unfairly – following well-publicised action by the Financial Conduct Authority (FCA) against some payday lenders.

packaged bank accounts

When we consulted on our plans this time last year, we said we expected to see around 15,000 packaged bank account complaints – but revised that figure to 30,000 in light of our stakeholders' feedback. At this stage, we expect to receive around 24,000 packaged bank account complaints by the end of March 2017, and to resolve 3,000 more than we receive.

volumes of packaged bank account complaints



Recently, volumes of complaints about packaged bank accounts have appeared to be tailing off. This is largely due to a sharp fall in complaints brought to us via claims-management companies – which outweighs a slight increase in complaints from people who aren't using a claims manager.

During 2016/2017 we've continued to talk to the Claims Management Regulator about the standards of behaviour we've seen among the firms it regulates. As a result of regular frank conversations with claims managers themselves, we're seeing fewer speculative or unsubstantiated complaints about packaged bank accounts. And we continue to work closely with regulators and other organisations to ensure that consumers don't unnecessarily use claims-management companies – causing them either to miss out on a significant proportion of any compensation they're awarded, or equally, to believe they're owed compensation when this isn't necessarily the case.

investments and pensions

In response to our consultation last year, some of our stakeholders said they thought we might see an increase in complaints about pensions. We explained in *ombudsman news* in June 2016 that, although around a quarter of a million people had used their "pension freedoms" by that point, we'd received very few complaints. This position hasn't changed. And it's now been confirmed that the planned secondary market for annuities – which some stakeholders thought might have resulted in complaints to us – won't be going ahead.

In light of this – and given complaints about investments don't generally seem to be rising – we expect we'll end the year having received a volume of complaints that's broadly in line with our budget.

insurance

Over the course of 2016/2017 the mix of insurance problems being referred to us has been subject to change – with recent rises in complaints about motor, health and travel insurance. Because of this, we think we'll end 2016/2017 having received around 6,000 more insurance complaints than we'd planned for – of which half will be about motor insurance.

PPI

So far this year, we've received broadly the number of new PPI complaints we planned for. However, an increasing proportion of our PPI caseload is affected by the judgment in *Plevin*. In this case, the Supreme Court decided that, in some circumstances, an undisclosed commission could result in an unfair relationship between a lender and a consumer under the *Consumer Credit Act 1974*.

As a result of *Plevin*, the FCA has proposed guidance that would mean some people whose PPI policies involved commission of 50% or higher might be entitled to compensation. The FCA has also proposed to set a two-year deadline for complaining about mis-sold PPI – and a communications campaign to raise public awareness of the issues involved and how to complain.

The FCA first consulted on its plans in November 2015. In August 2016, it consulted for a second time in light of changes it had made in response to stakeholders' feedback – and this consultation closed in October 2016. We've planned on the basis that the FCA would make a decision by the end of December 2016 about whether and how to proceed. However, on 9 December 2016, the FCA announced that it's still carefully considering the issues raised in its consultation – and will make a further announcement in the first quarter of 2017. We don't yet know the impact this might have on how quickly we can resolve PPI complaints affected by *Plevin* – or on our projections of how many new PPI complaints we might receive next year.

As a result of these ongoing issues, we expect to resolve fewer PPI complaints than anticipated – around 170,000 this year, compared with the 270,000 in our plans. This means we'll begin 2017/2018 with around 170,000 PPI complaints still to resolve, of which around 140,000 will be affected by *Plevin*. In nearly every complaint affected by *Plevin* that's already been referred to us, we've given an answer about whether the PPI policy was mis-sold.

Our ability to progress and resolve PPI complaints next year – both those affected by *Plevin* and those that aren't – is dependent on a number of factors, each involving a high level of uncertainty. In the next chapter, we give more detail about these uncertainties and the significant bearing they have on our planning for 2017/2018.

how quickly we're resolving complaints

As we explain in the next chapter, where we're working differently, we're resolving complaints significantly faster than under our traditional model. So far this year we've resolved 85% of complaints in our general casework within three months, compared to 66% in 2015/2016. Although we haven't finally resolved PPI complaints affected by *Plevin,* we've managed to sort out other PPI complaints much more quickly.

time taken to resolve complaints (*excluding PPI*)	resolved within 3 months	resolved within 6 months	resolved within 12 months
2015/2016	66%	86%	95%
so far in 2016/2017 (*1 April 2016 to 31 October 2016*)	85%	96%	99%

time taken to resolve PPI complaints	resolved within 3 months	resolved within 6 months	resolved within 12 months
2015/2016	18%	30%	51%
so far in 2016/2017 (*1 April 2016 to 31 October 2016*)	44%	59%	73%

As the official provider of alternative dispute resolution (ADR) for UK financial services – and the largest ADR provider in Europe – we aim to meet the 90-day standard for giving an answer about complaints, as set out in the EU Directive on ADR. In light of the unprecedented scale of the fall-out of mis-sold PPI, we and the FCA agreed a separate timeframe for resolving PPI complaints. This helps us to ensure that people who contacted us *before* the new standards came into force aren't at a disadvantage compared with people who contacted us *after* that date.

Our plans for resolving PPI complaints – as well as our progress against the EU Directive's standards – are published on our website. We're currently on track to meet the timeframes we set for PPI complaints – and aim to be giving an answer to *all* complaints within 90 days by January 2017. However, future developments in PPI could have a significant impact on our ability to do this. In the next chapter, we set out the challenges we anticipate in 2017/2018 – and how we plan to respond to them.

2 our plans for 2017/2018

Since 2011, the majority of the complaints referred to us each year have been about mis-sold PPI. In light of ongoing developments in this area, we expect this will be the case for some years yet. In this chapter, we explain the challenges we anticipate in 2017/2018 – in particular, the consequences for our future plans of ongoing uncertainties around PPI.

PPI – managing uncertainty

The challenges we're currently experiencing with PPI relate to the judgment in *Plevin* – where the Supreme Court decided that, in some circumstances, an undisclosed commission could result in an unfair relationship between a lender and a consumer under the *Consumer Credit Act 1974*. We'll begin 2017/2018 with around 170,000 PPI complaints, of which 140,000 will be affected by *Plevin*.

We're currently at a stage where we have to make plans for the next financial year. But this year we're doing so while there's still considerable uncertainty about what could happen in the short to medium term, let alone further into the future. A number of factors – which we set out on the following pages – could have an impact on our work and our resources next year.

the FCA's rules and guidance

As a result of *Plevin*, the FCA has proposed changes to its rules for handling PPI complaints and the introduction of a deadline for complaining about PPI – proposals that haven't been finalised at this stage. We prepared our plans for 2017/2018 based on the FCA's published timetable – which anticipated that its rules and guidance would be announced by the end of December 2016, with some rules coming into effect by March 2017, and a June 2019 time limit for complaining about PPI.

Under the complaint-handling rules, a business has eight weeks to look into a complaint and issue its final response – and if the consumer remains unhappy, they have a further six months in which to refer the dispute to us. So even with a June 2019 deadline, it's likely we'll be receiving PPI complaints through into 2020/2021. However, this may change in light of the FCA's recent announcement. And of course, exactly how quickly we can resolve complaints depends on how well businesses and claims-management companies follow the guidance, and provide us with appropriate information so we can decide what's fair in individual cases.

future complaint volumes

As we've explained, the FCA has proposed a two-year deadline for complaining about PPI – which, based on its current timeline, would fall in June 2019. Before then, a communications campaign – funded by the businesses who contributed most to PPI-mis-selling – would raise consumers' awareness that they might have cause to complain.

However, we don't know at this stage how many people will respond to the campaign. Whatever volumes of complaints the campaign prompts, we don't know *when* exactly those complaints will be raised. And it's also possible that the campaign will increase consumers' awareness of their right to complain more generally – and that as a result, we'll see more complaints about products other than PPI. This is something we saw in 2010/2011, when widespread reporting of the British Bankers' Association's unsuccessful challenge to the Financial Services Authority's rules and our approach to PPI complaints caused an increase in volumes of complaints in other areas.

The issues raised in *Plevin* come into play where PPI wasn't necessarily mis-sold, but where the level of commission on the policy might have been unfair. Although the picture isn't totally clear, current estimates suggest that between 4 and 5 million PPI complaints have already been rejected – a quarter of a million of which are cases that were referred to us, but that we didn't uphold. It's not clear how many of the consumers involved will complain for a second time in light of *Plevin* – this time about the potentially unfair level of undisclosed commission on their PPI. And as we explain below, the responses of businesses and claims-management companies to future PPI complaints – affected by

Plevin or not – will influence how many complaints require our involvement to ensure consumers receive a fair outcome.

businesses' response

The FCA's proposed communications campaign will advise consumers who think they might have a problem with PPI to complain to the business responsible. If consumers contact us first, we'll direct them to the business – unless we and the parties agree that, in the particular circumstances, it would be better for us to get involved earlier on.

Businesses will be making their own plans for dealing with increased volumes of PPI complaints. And the choices businesses make – including the resources they choose to allocate to their PPI operations, and how far their handling of PPI complaints aligns with any new rules and guidance – will have an impact on how many complaints are settled without needing our input.

For example, even if a business doesn't uphold a complaint, their explanation could satisfy their customer that they've been treated fairly. On the other hand, someone who doesn't feel fairly treated, who doesn't understand the outcome, or who has been waiting an unreasonable amount of time for an answer, may be more likely to contact us.

So if businesses wrongly reject complaints on a large scale, if they don't explain their answers clearly, or if they're not geared up to resolve complaints quickly, we'll spend most of our time next year and beyond making decisions about complaints that shouldn't have needed our involvement – diverting our resources from those that turn on more complex individual facts and circumstances. Equally, if businesses don't cooperate with us – for example, if they're unwilling to share the information we need about the PPI policies they sold – this will hinder our ability to progress and resolve complaints.

In both respects, businesses' behaviour – as well as any regulatory action to encourage or address it – will have a significant impact on our own response to this next phase of PPI.

claims-management companies' response

Perhaps more so than any other area of complaint, the PPI mis-selling scandal is widely associated with phone calls and text messages from claims-management companies. We continue to make it clear that there's no need for consumers to pay a claims manager to use our service. However, years of persistent marketing – combined with the fact that one of the hallmarks of PPI mis-selling is that many people didn't know they had a policy – has resulted in a consistently high level of claims manager involvement in the PPI complaints we receive.

If claims managers ramp up their advertising further in the run-up to any deadline, we may see even more PPI complaints through claims managers than we see now – in addition to those complaints prompted by the FCA's campaign that are made directly by consumers.

At the same time, the claims-management market is currently undergoing significant changes following Carol Brady's review of claims-management regulation. Proposed caps on fees – together with the proposed transition of regulation from the Claims Management Regulator to the FCA – may result in some claims managers deciding not to take on PPI claims, or leaving the market completely. On the other hand, it's been suggested that there could be a spike in complaints from claims managers as they rush to get new business before any changes come into force.

Whatever volume of complaints we receive from claims-management companies next year, we'll be relying on claims managers' diligence and cooperation. As in previous years, we'll work closely with the Claims Management Regulator to report any unhelpful behaviour we see from claims managers – for example, if they omit key information, don't respond to our requests, or submit complaints where there's no evidence that PPI was mis-sold. And the extent of this poor practice will have an impact on how quickly consumers and businesses get an answer from us about their complaint.

our response to PPI

We need to make decisions now about whether to gear up to meet the potential for very high growth in volumes of PPI complaints – or instead to wait and see, anticipating that volumes will be moderate. When setting our proposed PPI plans for 2017/2018, we've used the following assumptions:

- The FCA estimates that between 45 and 60 million PPI policies were sold;
- There have been over 17 million complaints about mis-sold PPI;
- Recent FCA research found that 47% of consumers who said they have, or had, PPI have already complained (although one of the hallmarks of PPI mis-selling was that people weren't aware that PPI had been added to their borrowing);
- We've received 1.6 million PPI complaints since April 2007; *and*
- Incoming volumes of PPI complaints involved levels of up to 12,000 a week in late 2012 (500,000 in total between October 2012 and September 2013).

We've also assumed for planning purposes that the FCA's timetable for its PPI rules and guidance – as well as the two-year deadline – will go ahead as published. As we've explained above, the FCA now expects to make a further announcement in 2017, and we don't yet know what impact this will have. Taking everything that we do know into account, however, we anticipate receiving 250,000 PPI complaints in 2017/2018 – and propose to resource our operations based on these levels.

We've learnt lessons from our past experience of handling large volumes of "mass" claims. So, although we'll need to recruit more case handlers to deal with the volumes of PPI complaints we anticipate, we believe we're in a stronger position than we were in 2011/2012, before we began to receive complaints in unprecedented volumes. In addition to having an infrastructure already in place, we think there would be the potential, once again, to work efficiently with businesses and claims managers who are familiar with how we work.

However, if we resource our operation to deal with 250,000 new PPI complaints, but go on to receive significantly higher volumes, we'd need not only to reactively recruit new case handlers, but to then invest time in building their knowledge and skills. This would of course be necessary to ensure complaints were resolved fairly. But the delays this would cause would clearly be disappointing for the consumers and businesses involved – and might also mean we don't meet the timescales expected of us under the EU ADR Directive.

On the other hand, if we were to scale up our operations to deal with larger volumes of complaints than we'd anticipate in a more moderate scenario – having asked for the funding to do so – those larger volumes might not actually materialise. We'd then potentially be in the position where we had spare capacity, meaning we wouldn't be making effective use of our resources.

Given the number of factors that could have a bearing on our plans – and the level of uncertainty they each involve – we're relying more than ever on our stakeholders' engagement with this consultation to decide on our next steps with PPI.

expected complaint volumes and trends in 2017/2018

In light of the trends we've seen this year – and the position with PPI, explained above – the tables below show how many complaints we expect to receive and resolve in 2017/2018.

new complaints	2015/2016 actual	2016/2017 revised forecast	2017/2018 budget
general casework	107,943	115,000	115,000
payday loans	*	10,000	10,000
packaged bank accounts	44,244	24,000	15,000
PPI	188,712	170,000	250,000
total	**340,899**	**319,000**	**390,000**

**included in general casework*

resolved complaints	2015/2016 actual	2016/2017 revised forecast	2017/2018 budget
general casework	123,040	115,000	115,000
payday loans	*	10,000	10,000
packaged bank accounts	55,650	27,000	15,000
PPI	260,112	170,000	360,000
total	**438,802**	**322,000**	**500,000**

**included in general casework*

trends outside PPI in 2017/2018

Due to falling interest on the part of claims-management companies – and better complaints-handling on the part of some businesses – we expect to receive increasingly fewer complaints about packaged bank accounts over the course of 2017/2018. And despite the rise we've seen over recent years, we expect volumes of payday loan complaints to level off. We're mindful that some businesses have indicated they're seeing growing claims-management activity in this area. But in the complaints we've seen so far, it’s encouraging to see that most payday customers have been confident to raise their concerns themselves.

So – apart from PPI – we’re not anticipating any major trends in complaints in 2017/2018. However, we’d welcome our stakeholders’ perspectives on the assumptions we’ve made – as well as anything they think might result in more complaints being referred to us.

questions

1 **Do you agree with our assessment of the uncertainties around PPI?**

2 **Do you agree that we should respond to the challenge of PPI based on the assumptions we’ve set out or should we scale up for a larger increase in demand?**

3 **Do you agree with our projections for new PPI complaints?**

4 **Do you agree with our projections for new complaints other than PPI?**

5 **Are there any further themes or trends that you think might result in complaints?**

quick, fair and informal answers

Since June 2015, new complaints-handling rules have meant that – if the consumer and the business both agree – we can get involved in a complaint during the eight weeks in which the business would usually be investigating it themselves. In the six months to July 2016, we resolved around 600 complaints before the business gave its final response.

We've been very encouraged by businesses' willingness to cooperate with us at this early stage – and by the positive feedback we've received from businesses and consumers alike. On average, we've been resolving these complaints within 15 days. And a number of businesses have now given us their consent to get involved early on whenever their customer would like this to happen.

A further change to the rules in July 2016 means that businesses have to give consumers the option of referring a complaint to us as part of their "summary resolution communication". A business can send this type of communication if it thinks it has resolved its customer's concerns within three working days. Last year some businesses suggested that if their customers were given the option to refer their complaints to us at an earlier stage, then more might be referred to us. But we're currently seeing very few complaints resulting from this rule change.

If we see an increasing proportion of cases where we get involved earlier on, it might make sense to review our current case-fee model. We'll continue to monitor the position over the next year. And we're keen to hear from businesses who'd like to work with us to explore what our early involvement will look like into the future.

questions

6 Do you anticipate we'll be involved in more complaints at an earlier stage?

7 Would you like to work with us on a model for resolving complaints at an earlier stage?

our people and our service

In our *plans for the year ahead* in March 2016, we described how we'd ensure we continue to meet our customers' expectations of getting problems resolved quickly, fairly and as informally as possible. Following trials in previous years, in 2016/2017 we're now working flexibly across the different areas of our work – and will resolve increasing numbers of complaints this way in 2017/2018.

Our people's ability to resolve a wide range of financial problems is central to these new ways of working – and to the future of our service. Because our case handlers have a wide range of knowledge, consumers and businesses don't have to wait until someone is available who knows about a specific product or service. And the person they talk to first is the same person who investigates and resolves their problem. In short, it means we can respond flexibly and efficiently to demand for our involvement in complaints, while at the same time providing a streamlined, personal service.

The right of consumers and businesses to ask for an ombudsman's final decision about a complaint – independent and legally binding – remains a fundamental principle of how we work. However, with our ombudsmen leading and managing our investigation teams, their involvement doesn't have to be limited to the formal end of a long process. Instead, where it's necessary, the parties to a complaint can get the closure of a final decision sooner rather than later.

In their responses to our consultation this time last year, our stakeholders were very supportive of the direction we're taking – and we've been very grateful for businesses' ongoing engagement with us in working to resolve complaints at the earliest possible stage. On average, levels of consumer and business satisfaction with our service are around 10 percentage points higher for complaints resolved under our new model. This is likely to be partly due to the fact it's currently taking around half the time to resolve complaints: an average of 38 days, compared with 80 days using "traditional" ways of working.

As we continue to work flexibly, we expect that our productivity will gradually increase over the course of 2017/2018. During this transition period, we anticipate we'll be able to minimise the risk of delays for our customers by using our flexible team of contract case handlers. We'll increase our resource where we don't currently have the capacity to deal with the higher complaint volumes we've projected – most notably in PPI.

We're very aware that our highly-skilled, knowledgeable people are attractive to financial businesses and other organisations. As our service develops, our success depends on engaging, developing and retaining the talented people who've chosen to work for us because of the difference they feel they can make. As well as underpinning our flexible ways of working, our employees' experience and commitment will be fundamental in helping us meet the challenges presented by the next phase of PPI.

As we prepare for the future, we've also been reviewing the sustainability of our operations – and ensuring we have the infrastructure we need to provide a streamlined, knowledge-oriented and customer-focused service.

For example, the steps we've taken over recent years to put our ombudsmen at the heart of our service reflects our commitment to growing and sharing our knowledge. Having rolled out our online knowledge-sharing platform, we'll continue to strengthen our knowledge-management structures over the course of 2017/2018. As our individual case handlers increasingly deal with a wider range of financial products and services, this will help us ensure we continue to identify and share trends within and across the different areas of our work – and continue to take a fair and consistent approach to resolving complaints. We'll also continue to develop and extend our new case-management software – further supporting our case handlers in providing a service that's efficient, flexible and personal.

In 2016/2017 we've made good headway in making the efficiencies we'd planned across our wider operations – for example, by consolidating support roles, finding smarter ways of working, and getting better deals with our suppliers. Since the summer, we've been sub-letting parts of our premises to the Housing Ombudsman – and we'll release more office space as it becomes spare. We'll continue to find efficiencies over the course of 2017/2018.

questions

8 Do you support our plans to continue to develop our service?

9 What should our priorities be in the years ahead?

sharing our insight

In resolving hundreds of thousands of complaints each year, we get impartial insight into the events, choices and behaviour that can lead to difficulties between financial businesses and their customers. We're committed to using this experience to encourage fairness in financial services – and at a time when the sector is developing and innovating, we think this is particularly important. In response to our previous *plans and budget* consultations, many stakeholders have supported our ongoing engagement and insight-sharing work.

Over the last year, we've highlighted our perspective on issues including changes to pensions, the evolution of financial scams, emerging FinTech activities and the interaction between mental health and debt. This built on our work in the previous year, when we shared our experience of phone fraud, small businesses' experience of financial services, and complaints linked to consumers' age.

At our own workshops and roundtables around the UK, as well as at national and regional forums, we've continued to talk to smaller businesses and trade associations – listening to their concerns and answering their questions about our role and our approach. We've run a number of issue-specific events for financial businesses. And by meeting front-line consumer advisers, we've been able to better understand the challenges faced by communities across the UK, to improve awareness of the ombudsman's role, and to pass on our practical experience of resolving problems.

In October 2016, we proposed changes to the way we publish data about the complaints we're seeing – with the aim of making this source of insight more meaningful. After considering our stakeholders' views, we've now published a response on our website explaining the decisions we've made.

question

10 What themes or issues would you like our insight on – or to engage with us about?

3 our proposed budget for 2017/2018

In this chapter we set out our proposed budget for the next financial year – based on the plans we explained in the previous chapter.

overall picture

£m	16/17 budget	16/17 forecast	17/18 budget
income	£m	£m	£m
compulsory jurisdiction levy	24.5	24.5	24.5
voluntary jurisdiction levy	0.6	0.7	0.6
release of deferred CCJ levy	0.0	0.2	0.0
group fees	144.2	144.1	167.0
case fees	55.9	53.2	82.6
other income	1.2	1.7	1.9
total operating income	**226.5**	**224.4**	**276.6**
expenditure			
staff and staff-related costs	167.9	165.2	165.5
contractor staff	39.8	40.3	70.1
consultancy support	5.0	4.8	5.9
professional fees	1.1	1.6	1.5
IT costs	7.2	8.1	7.7
premises and facilities	26.4	24.8	25.1
other costs	1.2	1.2	1.3
depreciation	8.4	7.5	7.5
bad-debt write-off	0.4	0.0	0.5
contingencies	7.6	3.0	10.0
total operating costs	**265.0**	**256.5**	**295.2**
operating surplus / (deficit)	**(38.5)**	**(32.1)**	**(18.6)**
accounting adjustments			
deferred income release	13.0	4.5	10.0
total accounting surplus / (deficit)	**(25.5)**	**(27.6)**	**(8.7)**
reserves + deferred income total (end of year)	**197**	**218**	**199**
unit cost	**£652**	**£796**	**£589**
case fee	£550	£550	£550
free cases	25	25	25
incoming cases			
other than PPI	136,000	149,000	140,000
PPI	170,000	170,000	250,000
resolved cases			
other than PPI	136,000	152,000	140,000
PPI	270,000	170,000	360,000

our case fees

For both our compulsory and voluntary jurisdictions, the level of the case fee is set by us and approved by the FCA. Businesses outside the group-fee arrangement aren't charged a fee for the first 25 cases each year. However, every complaint we receive about a business counts towards their allowance – and for the 26th case onwards, we charge £550 once the complaint is resolved.

Reflecting the fact that the few largest business groups account for the vast majority of complaints, nine in ten of the businesses we receive complaints about each year don't end up paying any case fees. We think it's fair to maintain a "user pays" approach.

And in 2017/2018 we propose to freeze the standard case fee at £550 – the fifth consecutive year we've been able to do so. We also plan to keep the number of free cases at 25 and the PPI supplementary case fee at £0.

group-account fee

Since April 2013 the largest businesses pay their fees to us under a group-account arrangement – to reflect the fact they account for the majority of our work. Rather than paying fees for individual complaints, these businesses pay in advance each quarter, based on expected volumes of complaints.

If the numbers turn out to be significantly different, there may be some adjustment at the end of the year. In line with 2016/2017, the "free" case allowance will remain at 125 cases in 2017/2018.

The benefits of our group-fee arrangement – including lower administrative costs, increased efficiency and steadier cash flow – arise because large volumes of complaints are involved. We don't propose to extend the group-account arrangement further in 2017/2018, because we don't expect to receive comparable volumes of complaints from any business currently outside the arrangement.

compulsory jurisdiction levy

The FCA will consult separately in spring 2017 on the levies it collects from all the businesses it regulates – including levies for the Financial Ombudsman Service, the Financial Services Compensation Scheme, the Money Advice Service and the FCA itself.

Broadly, allocating the levy relating to our service involves:

- dividing the total levy among industry blocks (based on activities) according to the number of complaints-handling staff we expect to need for complaints arising from that sector; *and*

- dividing the levy for each industry block among businesses in that block according to a tariff rate (relevant to that sector) intended to reflect the scale of each business's activities.

The beginning of the current financial year marked the end of the period during which consumer credit businesses that had been licenced by the Office of Fair Trading transferred to FCA authorisation. Having been lowered during this transition period, the levy was restored this year to its previous level. We plan to freeze it at this level – £24.5m – in 2017/2018.

voluntary jurisdiction levy and case fees

Our voluntary jurisdiction covers businesses that don't come under our compulsory jurisdiction but have chosen to be covered by the ombudsman. The levy is set by us and approved and collected by the FCA – and, as with our compulsory jurisdiction, the income we receive is ring-fenced for this jurisdiction only.

The levy rates we propose for 2017/2018 are set out in *annex C*. The rates are broadly the same as in 2016/2017, except for participants in blocks 13v and 14v where we propose a levy of £75. In line with our compulsory jurisdiction, we're proposing to freeze the case fee for our voluntary jurisdiction at £550 and keep the number of free cases at 25.

split between jurisdictions

Based on the demand that we anticipate in 2017/2018, we plan to set an operating income budget of £276.6m. To reflect the caseload we forecast under the compulsory and voluntary jurisdictions, we expect that 99.2% of our total budget expenditure for 2017/2018 will relate to our compulsory jurisdiction and 0.8% will relate to our voluntary jurisdiction.

managing our reserves

We've always aimed to ensure that the impact on our service of PPI-mis-selling is paid for in a fair and stable way. As part of our strategy for managing the long-term costs of our PPI operation, we charged a supplementary fee for PPI complaints between 2012 and 2014 – something that's still reflected in our current level of reserves.

Last year our stakeholders agreed that we should continue to draw on our reserves, rather than returning any reserves at that stage. In light of the uncertainties we currently face in PPI – and although we'll keep the position under review – we think it's important to continue with this strategy in 2017/2018.

In particular, if we receive more complaints than we budget for, we can use these funds to increase our capacity. They'll also help us manage the costs of winding down our PPI operation when the time comes.

Having taken this approach to managing our reserves, we're again expecting to make an operating deficit. At the current rate, our reserves should be much closer to normal levels of around three months' operating expenditure towards the end of 2019/2020. By then, we anticipate that our total costs to the financial services industry will have fallen significantly.

our unit cost

We calculate the unit cost of resolving a complaint by dividing our total running costs (less financing costs and bad debts) by the total number of complaints we resolve in the year. For 2016/2017 we expect that our unit cost will be approximately £796 – compared with the £652 we'd budgeted for. This is a direct result of our not being able to resolve PPI complaints affected by *Plevin.* Our assumption of being able to resolve around 500,000 complaints, including those affected by *Plevin*, means that we expect our unit cost to fall to an estimated £589 next year.

questions

11 Do you agree with our plans for our case-fee arrangements?

12 Do you agree with our plans for our levies?

13 Do you agree with our approach to managing our reserves?

14 Do you have any other comments about our plans and budget?

questions

1 Do you agree with our assessment of the uncertainties around PPI?

2 Do you agree we should respond to the challenge of PPI based on the assumptions we've set out – or should we scale up for a larger increase in demand?

3 Do you agree with our projections for new PPI complaints?

4 Do you agree with our projections for new complaints other than PPI?

5 Are there any further themes or trends that you think might result in complaints?

6 Do you anticipate we'll be involved in more complaints at an earlier stage?

7 Would you like to work with us on a model for resolving complaints at an earlier stage?

8 Do you support our plans to continue to develop our service?

9 What should our priorities be in the years ahead?

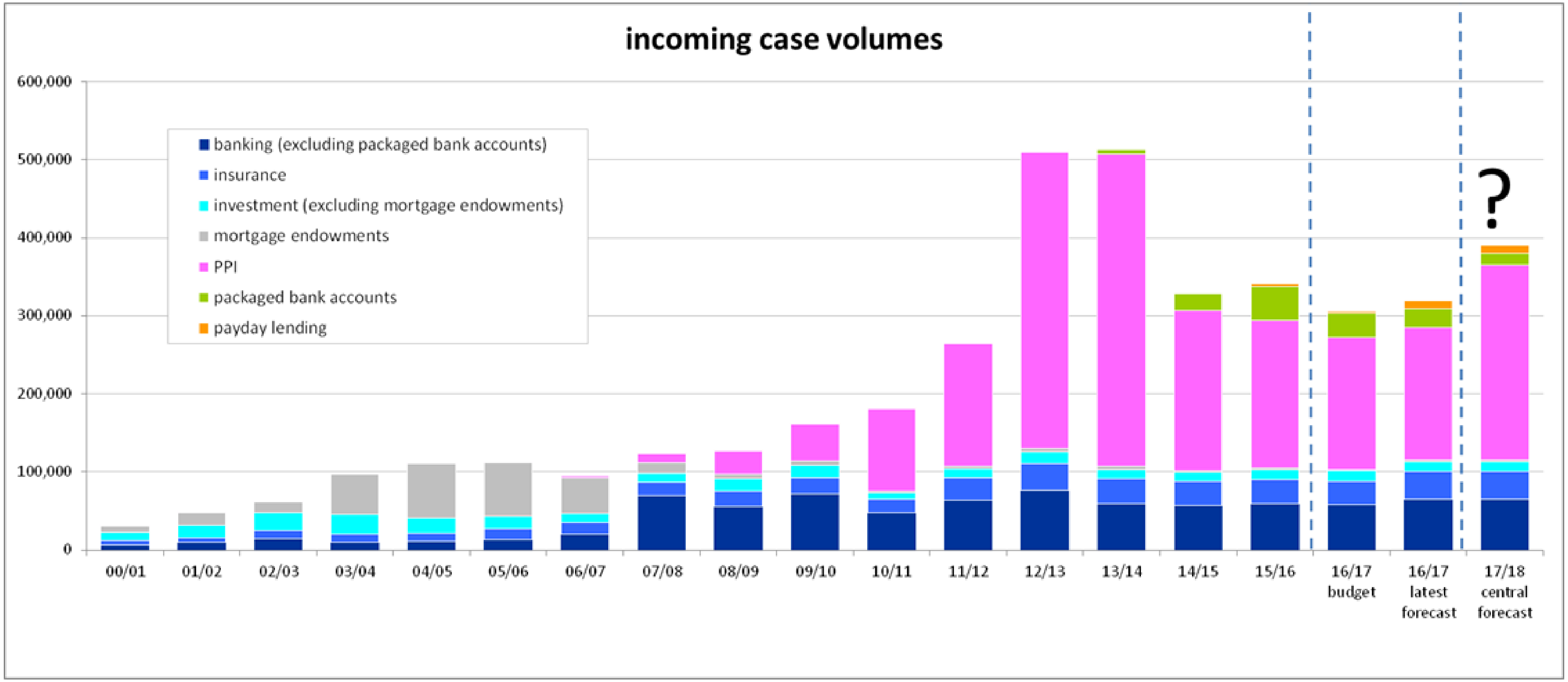
10 What themes or issues would you like our insight on – or to engage with us about?

11 Do you agree with our plans for our case-fee arrangements?

12 Do you agree with our plans for our levies?

13 Do you agree with our approach to managing our reserves?

14 Do you have any other comments about our plans and budget?


incoming case volumes
600,000
500,000
400,000
300,000
200,000
100,000
0
banking (excluding packaged bank accounts)
insurance
investment (excluding mortgage endowments)
mortgage endowments
PPI
packaged bank accounts
payday lending
?
00/01
01/02
02/03
03/04
04/05
05/06
06/07
07/08
08/09
09/10
10/11
11/12
12/13
13/14
14/15
15/16
16/17 budget
16/17 latest forecast
17/18 central forecast

our projections for new complaint volumes in 2016/2017 and 2017/2018 **annex B**

product family	2015/2016 actual	2016/2017 budget	2016/2017 revised forecast	2017/2018 plans
banking	50,795	49,000	53,100	53,700
mortgages	11,288	13,900	12,700	11,700
investment	14,576	12,700	13,100	13,100
insurance	31,284	30,400	36,100	36,500
core general casework total	**107,943**	**106,000**	**115,000**	**115,000**
payday lending	*	*	10,000	10,000
packaged bank accounts	44,244	30,000	24,000	15,000
payment protection insurance (PPI)	188,712	170,000	170,000	250,000
total	**340,899**	**306,000**	**319,000**	**390,000**

**included in banking*

FOS 2017/xx

FEES MANUAL (FINANCIAL OMBUDSMAN SERVICE CASE FEES 2017/18) INSTRUMENT 2017

Powers exercised by the Financial Ombudsman Service

A. The Financial Ombudsman Service Limited makes this instrument amending:

(1) the rules relating to the payment of fees under the Compulsory Jurisdiction; and
(2) the standard terms for Voluntary Jurisdiction participants relating to the payment of fees under the Voluntary Jurisdiction.

in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000:

(a) paragraph 14 (The scheme operator's rules) of Schedule 17;
(b) paragraph 15 (Fees) of Schedule 17; and
(b) paragraph 18 (Terms of reference to the scheme) of Schedule 17.

B. The making and amendment of these rules and fixing and variation of these standard terms by the Financial Ombudsman Service Limited is subject to the consent and approval of the Financial Conduct Authority.

Approval by the Financial Conduct Authority

C. The Financial Conduct Authority consents to the making and amendment of the rules and approves the fixing and variation of the standard terms by the Financial Ombudsman Service Limited.

Commencement

D. This instrument comes into force on 1 April 2017.

Amendments to the Handbook

E. The Fees manual (FEES) is amended by the Board of the Financial Ombudsman Service in accordance with the Annex to this instrument.

Citation

F. This instrument may be cited as the Fees Manual (Financial Ombudsman Service Case Fees 2017/18) Instrument 2017.

By order of the Board of the Financial Ombudsman Service Limited
X March 2017

By order of the Board of the Financial Conduct Authority
X March 2017

Annex

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Amend the following as shown.

5 Annex 2R **Annual Levy Payable in Relation to the Voluntary Jurisdiction ~~2016/17~~ 2017/18**

Voluntary jurisdiction – annual levy for VJ participants				
Industry block and business activity		**Tariff basis**	**Tariff rate**	**Minimum levy**
1V	Deposit acceptors, mortgage lenders and mortgage administrators and debit/credit/charge card issuers and merchant acquirers	number of accounts relevant to the activities in *DISP 2.5.1R*	£0.0278	£100
2V	*VJ Participants* undertaking general insurance activities [**Note:** Transitional provisions apply – see *FEES TP 13*]	Per £1,000 of relevant annual gross premium income	£0.103	£100
3V	*VJ Participants* undertaking life insurance activities [**Note:** Transitional provisions apply – see *FEES TP 13*]	Per £1,000 of relevant adjusted annual gross premium income	£0.025	£100
6V	Intermediaries	n/a	n/a	£75
7V	Freight-forwarding companies	n/a	n/a	£75
8V	National Savings & Investment	n/a	n/a	£10,000
9V	Post Office Limited	n/a	n/a	£2,000
10V	Persons not covered by 1V to 9V undertaking activities which are: (a)*regulated activities* or (b)*payment services* or would be if they were carried on from an establishment in the *United Kingdom*	n/a	n/a	£75
12V	Persons undertaking the activity which is the issuance of electronic money or would be if carried on from an	Average outstanding electronic money as described in *FEES 4 Annex 11*	£0.15 per £1000	£75

	establishment in the *United Kingdom*	Part 3		
13V	Persons not covered by 1V to 9V undertaking activities which are CBTL activities or would be if they were carried on from an establishment in the *United Kingdom*	~~[TBC]~~<u>n/a</u>	~~[TBC]~~<u>n/a</u>	~~[TBC]~~£75
14V	Persons not covered by 1V to 9V providing *credit information*, under the *Small and Medium Sized Business (Credit Information) Regulations* or providing *specified information* under the *Small and Medium Business (Finance Platforms) Regulations* or would be if it was carried on from an establishment in the *United Kingdom*	~~[TBC]~~<u>n/a</u>	~~[TBC]~~<u>n/a</u>	~~[TBC]~~£75

5 Annex 3R Case Fees Payable for ~~2016/17~~ <u>2017/18</u>

…

Part 3 – Charging groups	
The *charging groups*, and their constituent *group respondents*, are listed below. They are based on the position at 31 December immediately preceding the *financial year*. For the purposes of calculating, charging, paying and collecting the special case fee, they are not affected by any subsequent change of ownership.	
1	Barclays Group, comprising the following *firms*: Oak Pension Asset Management Limited Barclays Asset Management Limited Barclays Bank Plc Barclays Bank Trust Company Limited Barclays Capital Securities Limited Barclays Insurance (Dublin) Limited Barclays Insurance Services Company Limited Barclays Mercantile Business Finance Limited Barclays Private Clients International Limited Barclays Sharedealing Barclays Stockbrokers Limited Clydesdale Financial Services Limited Firstplus Financial Group Plc

	Gerrard Financial Planning Ltd Gerrard Investment Management Limited Solution Personal Finance Limited Standard Life Bank Plc Woolwich Plan Managers Limited
2	HSBC Group, comprising the following *firms*: CL Residential Limited HFC Bank Limited HSBC Alternative Investments Limited HSBC Bank Malta plc HSBC Bank plc HSBC France HSBC Global Asset Management FCP (France) HSBC Global Asset Management (UK) Limited HSBC Hervet HSBC International Financial Advisers (UK) Limited HSBC Investment Funds HSBC Life (Europe) Limited HSBC Life (UK) Limited HSBC Private Bank (Luxembourg) S.A. HSBC Private Bank (UK) Limited HSBC Securities (USA) Inc HSBC SPECIALIST INVESTMENT FUNDS HSBC Trinkaus & Burkhardt AG HSBC Trust Company (UK) Ltd John Lewis Financial Services Limited Marks & Spencer Financial Services plc Marks & Spencer Savings and Investments Ltd Marks & Spencer Unit Trust Management Limited The Hongkong and Shanghai Banking Corporation Limited
3	Lloyds Banking Group, comprising the following *firms*: AMC Bank Ltd Bank of Scotland (Ireland) Limited Bank of Scotland Plc Black Horse Limited Cheltenham & Gloucester plc Clerical Medical Financial Services Limited Clerical Medical Investment Fund Managers Ltd Clerical Medical Investment Group Limited Clerical Medical Managed Funds Limited CLERICAL MEDICAL OPEN ENDED INVESTMENT COMPANY Halifax Assurance (Ireland) Limited Halifax Financial Brokers Limited Halifax General Insurance Services Limited Halifax Insurance (Ireland) Limited Halifax Insurance Ireland Ltd Halifax Investment Services Ltd Halifax Life Limited Halifax Share Dealing Limited HBOS Investment Fund Managers Limited

	Insight Investment Global Investment Funds INSIGHT INVESTMENT PROFESSIONAL FUNDS ICVC Invista Real Estate Investment Management Ltd IWeb (UK) Limited LDC (Managers) Limited Legacy Renewal Company Limited Lex Autolease Ltd Lex Vehicle Leasing Ltd Lloyds Development Capital (Holdings) Limited Lloyds Bank Plc Lloyds TSB Financial Advisers Limited Lloyds Bank General Insurance Limited Lloyds Bank Insurance Services Limited Lloyds TSB Investments Limited Lloyds Bank Private Banking Limited Pensions Management (SWF) Limited Scottish Widows Administration Services Limited Scottish Widows Annuities Limited Scottish Widows Bank Plc Scottish Widows Fund Management Limited Scottish Widows plc Scottish Widows Unit Funds Limited Scottish Widows Unit Trust Managers Limited St Andrew's Insurance plc St Andrew's Life Assurance Plc The Mortgage Business Plc Uberior Fund Manager Ltd
4	RBS/NatWest Group, comprising the following *firms*: Adam & Company Investment Management Ltd Adam & Company Plc Coutts & Company Coutts Finance Company Lombard Finance Ltd Lombard North Central Plc National Westminster Bank Plc National Westminster Home Loans Limited RBOS (UK) Limited RBS Asset Management (ACD) Ltd RBS Asset Management Ltd RBS Collective Investment Funds Limited RBS Equities (UK) Limited RBS Investment Executive Limited The Royal Bank of Scotland Group Independent Financial Services Limited The Royal Bank of Scotland N.V. The Royal Bank of Scotland Plc Topaz Finance limited Ulster Bank Ireland Limited Ulster Bank Ltd
5	Aviva Group, comprising the following *firms*:

	Aviva (Peak No. 1) UK Limited Aviva Annuity UK Limited Aviva Equity Release UK Limited Aviva Health UK Limited Aviva Insurance Limited Aviva Insurance Services UK Limited Aviva Insurance UK Limited Aviva International Insurance Limited Aviva Investors Global Services Limited Aviva Investors London Limited Aviva Investors Pensions Limited Aviva Investors UK Fund Services Limited Aviva Investors UK Funds Limited Aviva Life & Pensions UK Limited Aviva Life Services UK Limited Aviva Pension Trustees UK Limited Aviva Wrap UK Limited CGU Bonus Limited CGU Underwriting Limited Commercial Union Life Assurance Company Limited Gresham Insurance Company Limited Hamilton Life Assurance Company Limited Hamilton Insurance Company Limited Norwich Union Life (RBS) Limited Orn Capital LLP Scottish Boiler and General Insurance Company Ltd The Ocean Marine Insurance Company Limited World Auxiliary Insurance Corporation Limited Friend Annuities Limited Friends Life and Pensions Limited Friends Life FPLMA Limited Friends Life Investment Solutions Limited Friends Life Limited

	Friends Life Marketing Limited Friends Life Services Limited Friends Provident International Limited Optimum Investment Management Limited Sesame Limited
6	Direct Line Group, comprising the following *firms*: Churchill Insurance Company Limited UK Insurance Limited UK Insurance Business Solutions Limited
7	Nationwide Building Society Group comprising the following *firms*: Cheshire Building Society Derbyshire Building Society Derbyshire Home Loans Ltd Dunfermline Building Society (in building society special administration) E-Mex Home Funding Limited Nationwide Building Society Nationwide Independent Financial Services Limited Portman Building society The Mortgage Works (UK) Plc UCB Home Loans Corporation Ltd
8	Santander Group, comprising the following *firms*: Abbey National Treasury Services Plc Abbey Stockbrokers Limited Cater Allen Limited Santander Cards UK Limited Santander Consumer (UK) Plc Santander UK Plc Santander ISA Managers Limited Hyundai Capital UK Limited

Part 4 – Special case fees	
The special case fee shall be calculated and paid as follows:	
1	Proportions:

	(1)	In the calculations that follow in (2), (3) and (4): new *chargeable cases (PPI)* for *group respondents* – A = twice the number of new *chargeable cases (PPI)* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. new *chargeable cases (PPI)* for all *firms* – B = twice the number of new *chargeable cases (PPI)* that were referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. open *chargeable cases (PPI)* for *group respondents* – C = the number of *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* in respect of *group respondents* before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*. open *chargeable cases (PPI)* for all *firms* – D = the number of *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*. new *chargeable cases (general)* for *group respondents* – E = twice the number of new *chargeable cases (general)* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. new *chargeable cases (general)* for all *firms* – F = twice the number of *chargeable cases (general)* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. open *chargeable cases (general)* for *group respondents* – G = the number of *chargeable cases (general)* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*. open *chargeable cases (general)* for all *firms* – H = the number of *chargeable cases (general)* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*.
	(2)	'Proportion X' for each *charging group* is a percentage calculated as follows – A / B x 100
	(3)	'Proportion Y' for each *charging group* is a percentage calculated as follows – {A + C} / {B + D} x 100
	(4)	'Proportion Z' for each *charging group* is a percentage calculated as follows – {E + G} / {F + H} x 100
2		The special case fee is intended to broadly reflect the budgeted workload capacity of

	the *Financial Ombudsman Service* and comprises elements in respect of:
	(1) new *chargeable cases (PPI)*;
	(2) closed *chargeable cases (PPI)*; and
	(3) closed *chargeable cases (general)*;
	with a free-case allowance of:
	(4) 125 new *chargeable cases (PPI)*; and
	(5) 125 closed *chargeable cases (general)*.
3	The special case fee for each *charging group* is a total amount calculated as follows:
	(1) in respect of new *chargeable cases (PPI)* – {£0 x [~~170,000~~ 250,000] x the 'proportion X'} – {£0 x 125}
	(2) in respect of closed *chargeable cases (PPI)* – £550 x [~~270,000~~ 360,000] x the 'proportion Y'
	(3) In respect of closed *chargeable cases (general)*– {£550 x [~~136,000~~ 140,000] x the 'proportion Z'} – {£550 x 125}
4	The *FOS Ltd* will invoice each *charging group* for the special case fee (calculated as above) in four equal instalments, payable in advance on the following dates during the *financial year*: (1) 1 April (or, if later, when *FOS Ltd* has sent the invoice); (2) 1 July; (3) 1 October; and (4) 1 January.
5	Year-end adjustment:
	(1) If the actual number of new *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is more than 10,000 and is more than [115%] of {[~~170,000~~ 250,000] x the 'proportion X'}: (a) the *FOS Ltd* will invoice the *relevant charging group*; and (b) the relevant *charging group* will pay to *FOS Ltd*; an additional £35,000 for each block of 100 (or part thereof) new *chargeable cases (PPI)* in excess of the [115%].
	(2) If the actual number of *chargeable cases (general)* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is more than [115%] of {[~~136,000~~ 140,000] x the 'proportion Z'}: (a) the *FOS Ltd* will invoice the *relevant charging group*; and (b) the relevant *charging group* will pay to *FOS Ltd*; an additional £55,000 for each block of 100 (or part thereof) closed *chargeable cases (general)* over the [115%].
	(3) If the actual number of *chargeable cases (general)* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is less than [85%] of {[~~136,000~~ 140,000] x the 'proportion Z'}, the *FOS Ltd* will promptly repay to the relevant *charging group* £55,000 for each block of 100 (or part thereof) closed *chargeable cases (general)* under the [85%].