

## funding and case fees

This quick guide to how the Financial Ombudsman Service is funded explains when and how our case fees apply. It is intended primarily as a general guide for businesses covered by the ombudsman service – but may also be of interest to others.

### who pays for the ombudsman service?

The Financial Ombudsman Service is paid for by levies and case fees which businesses covered by the ombudsman have to pay by law. At the time the ombudsman service was set up – and when its remit was extended to cover consumer-credit disputes – parliament decided that consumers should not be charged for bringing a complaint to us.

### how is the money raised?

All businesses covered by the ombudsman service pay a general levy to contribute to our costs. For businesses regulated by the Financial Services Authority (FSA), the FSA collects the levy at the same time that it collects both its own regulatory fees and the levy for the Financial Services Compensation Scheme (FSCS). This is more efficient and helps simplify administration.

The amount of levy that each FSA-regulated business pays currently ranges from around £100 a year for a small firm of financial advisers to over £300,000 for a high-street bank or major insurance company.

For businesses regulated by the Office of Fair Trading (OFT), the OFT collects the levy at the same time that they apply for their standard consumer-credit licence and, after that, every five years. Currently the amount each OFT-regulated business pays is £150 for each five-year period.

Businesses covered by the ombudsman service – including those that are no longer regulated – are also required to pay an individual case fee, if we handle a complaint about them.

### when does a case fee become chargeable?

Fewer than one in six of the initial complaints and enquiries we receive at our front-line customer contact division become chargeable cases. The other complaints and enquiries usually involve matters we do not deal with – or matters that that can be resolved very early on, just by clarifying misunderstandings and sorting things out informally.

A case fee becomes “chargeable” when our customer contact division passes a complaint on for further work to one of our casework teams of adjudicators. The fee does not actually become payable until the case is settled and closed. Our finance team sends out an invoice for the case fee to the business concerned at the end of the month in which the case is closed.

However, all businesses are entitled to a number of “free” cases. We do not charge businesses for the *first three* chargeable cases closed during the (financial) year. We charge only for the *fourth* (and any subsequent) case. ➔

## how much is the case fee?

The standard case fee (which we charge for the *fourth* and any subsequent “chargeable” case during the year) is £500. Case fee arrangements are reviewed each year and may be subject to change.

## how are “non-chargeable” cases allocated for IFA-networks?

The ombudsman service covers regulated firms authorised by the FSA. A network is technically a single regulated firm, which means the same case fee arrangements apply to networks as they do to any other regulated firm (however many members the network has). These arrangements currently include – for each single regulated firm – three chargeable cases a year for which we do not charge a case fee.

## why should the business pay a case fee if the complaint isn’t upheld?

Our rules (set out in FSA’s Handbook) say that if we consider a complaint against a business, the case becomes chargeable whatever the outcome.

In fact, only around 1% of businesses we cover pay case fees. For businesses that have four or more complaints a year referred to the ombudsman service, the cost involved – £500 per case, after the third complaint – is likely to be much less than the legal costs that might otherwise be involved in defending a claim in court, where the publicity could be far more damaging to the business’s bottom line.

## does a business pay a case fee if the complaint is dismissed without consideration of its merits?

When we receive a completed complaint form from a consumer, our front-line customer contact division checks the form and the final response letter that the business should have sent the consumer.

At this initial stage, we may decide it is apparent that the complaint is not something we deal with or that it should be “dismissed without consideration of its merits” under our rules. We decide this on the basis of:

- the information contained in the complaint *and*
- the final response letter from the business to the consumer.

The complaint does not become a chargeable case in these circumstances.

So businesses will want to set out their position as clearly as possible in their final responses – and attach the relevant evidence – to help us establish the facts early on.

But sometimes it may not be apparent at this stage that the complaint should be “dismissed without consideration of its merits”. The facts may be unclear or in dispute, and we will need to look into the issues in more detail.

This will mean a case fee becomes chargeable, even if we later decide that the complaint should be dismissed in this way.

## the case was outside the ombudsman’s jurisdiction – does this mean there is no case fee?

It may not always be a straightforward matter to determine whether a complaint is covered by the ombudsman service. “Jurisdiction” disputes can involve complex arguments, and we will need to take account of – and investigate – all the facts and legal points that either side might raise.

Where it is not apparent – from the complaint form and the final response letter from the business to the consumer – whether or not we can take on a complaint, a case fee will become chargeable – even if we later decide, after more investigation, that the complaint is outside our jurisdiction. →

## why don't consumers have to pay for taking a case to the ombudsman?

The legislation that gives the Financial Ombudsman Service its powers – the *Financial Services and Markets Act 2000* and the *Consumer Credit Act 2006* – does not contain any power to charge consumers for using our service.

Parliament decided that the ombudsman should be funded by the businesses that we cover and that these businesses – not consumers – should meet the costs of resolving disputes.

## can a business recover its costs from a complainant?

No. A business cannot claim back costs from a consumer who has complained to the ombudsman service – or suggest that it might do so. Consumers have a statutory right to refer disputes to us, free of charge, if they are unhappy with the way a business has dealt with a complaint.

If a business threatens to penalise a consumer for exercising their statutory right to refer a complaint to us, this may have regulatory consequences for the business.

### [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

visit our website for:

- news and frequently-asked questions
- information and updates
- technical guidance for businesses and help for consumers
- *ombudsman news* – our regular newsletter with case studies, features and commentary.

*This quick guide gives general information only and is correct at the time it was published. It is not a definitive statement of the law, our approach or our procedure.*

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