



September 2013

Dear business

I am writing to you and to other businesses about payment protection insurance (PPI) complaints that have been referred to the Financial Ombudsman Service. I last wrote an open letter like this in April 2009 and I want to update you on our progress since then – and to let you know what we need from you to make sure we keep making progress.

As you know, the volume of PPI complaints has risen significantly. Last year, complaints about PPI accounted for almost three quarters of all the complaints we received. To manage this increased demand, we recruited and trained around 1,000 new staff.

We will continue to have to grow at this rate in the year ahead. So to help our service run effectively and efficiently, it is critical that businesses such as yours maintain the standards we expect – as well as those required by your own regulatory rules, codes of conduct or as good industry practice. Of course, many of our expectations apply equally to [claims-management companies](#) too – and I am also writing to them to give them the same message.

To make things as clear as possible, I have grouped the standards expected into sections which reflect the typical lifecycle of a complaint.

our expectations about handling complaints

The Financial Conduct Authority's DISP rules – specifically DISP App 3 for PPI complaints – set out clearly the requirements for handling complaints. We of course expect you to follow the rules set out so that complaints are handled promptly and fairly.

our expectations when you deal with claims-management companies or other third party representatives

Many PPI complaints are brought on behalf of consumers by claims managers or other third party representatives. We expect you to work together with any representative a consumer has chosen, to resolve complaints directly and quickly.

Where consumers have provided their authority for a representative to act on their behalf, we expect you to respect the consumer's wishes and liaise with that representative. For example, we still see too many complaints referred to us where they have not been provided with a copy of a business' final response letter – and it is subsequently found that it was only sent to the consumer. This is unhelpful as it does not allow the representative to consider what you have to say before referring the matter to us.

Businesses normally have eight weeks to respond to a complaint before it can be referred to us. If there is a reason why you may not be able to issue your final response in that time, we

expect you to inform the consumer's representative (or the consumer where they are complaining directly) why this is – and indicate when you expect to be able to provide one.

We have seen good examples where businesses and claims-management companies have worked together pragmatically and sensibly around short-term delays to avoid unnecessary referrals being made to us.

our expectations about your final response

We still see too many generic final response letters from businesses that do not clearly set out *how* their decision has been reached for the *individual* complaint. We need and expect to see:

- details of the consumer's circumstances at the time of the sale;
- how the policy was sold and whether the sale was advised or not;
- the type of credit the PPI policy was attached to and the type of PPI policy sold;
- how much the policy cost and what benefit the consumer would receive in the event of a claim;
- why, in the individual complaint, the business considers it met its obligations:
 - that any advice given was suitable given the consumer's circumstances
 - that any information provided was clear, fair and not misleading and enabled the consumer to make an informed choice.

Generic letters and those that do not include the evidence you have relied on are unhelpful. In these situations, not only is it more likely the complaint will be referred to us, but we have to investigate from scratch. I have told claims-management companies that we expect their submissions to be similarly specific to the *individual* consumer – both when they correspond with you, and also if they decide to refer the complaint to us.

our expectations when complaints are referred to us

We will tell you when a complaint has formally been referred to us and ask you to complete the [business response form](#).

It is important this form is fully completed and returned – in good time – along with all supporting evidence and documentation for each individual case. The form also must be completed in the following situations:

- where an offer has been made;
- where jurisdiction is in question; *and*
- where there is a dispute about whether or not a PPI policy was sold.

If you do not provide us – in good time – with your side of the story and the necessary supporting evidence, we are likely to issue our assessment of the complaint and/or an ombudsman's final decision based on the information we do have to hand.

We have set out our [general approach](#) to PPI complaints on our website and have issued many assessments and decisions based on it:

And we have also recently started publishing [ombudsman decisions](#).

We expect you to learn from this information – particularly from complaints we have upheld – and to apply your analysis of our past decisions to handling new complaints.

Where you have complaints waiting to be assessed by us and your analysis leads you to conclude that an offer of redress is a fair and reasonable outcome, we expect you to proactively let us know. We *do not* expect to routinely issue assessments or decisions on cases that you *already know* are likely to be upheld.

our expectations when we send our assessments and decisions

Our adjudicators follow the approach our ombudsmen take when deciding cases – and as set out on our [website](#). In many cases, businesses accept our initial view of the complaint. Of course, you do have the right to appeal if you don't agree with our assessment – but unless there is any new information, it is unlikely that we will reach a different outcome. However, we will consider all of the facts and evidence carefully before reaching our conclusion.

If you decide to appeal, we expect you to return our response card within the stated timescales and clearly set out why you disagree with the adjudicator's assessment – providing any new, relevant information. If you do not respond within the timescale set out, the ombudsman is likely to issue a final decision based on the information they do have to hand.

our expectations about redress

When we uphold a complaint about the sale of a PPI policy, we usually tell the business to put the consumer in the position they would now be in if they hadn't taken out the PPI policy. We have set out on our website further information about our [typical approach](#).

If you are paying redress, we expect you to set out clearly *how* you have calculated redress in each case. If a consumer, or their representative, asks for more information – or disputes the amount calculated – we expect you to deal with their queries rather than referring the matter straight to us. The business, not us, is responsible for calculating the amount due – and so you will be better-placed than we are to respond to questions in the first instance.

our expectations around disputes about whether or not PPI was sold

We continue to see too many [disputes about whether or not PPI was sold](#). So please remind yourself of our expectations in these situations:

our expectations about keeping us informed – and working with us

As well as complying with the requirements of the appropriate regulator(s), we expect you to keep us informed about significant changes in your business, such as changes to contact details or to the roles held by key employees.

For larger businesses, we also expect you to help improve efficiency through technology, and to cooperate with us when we introduce improvements to our own systems.

in summary

Most businesses that have PPI complaints referred to us follow the steps set out – which is very welcome. And I hope this open letter has been helpful for all in setting out the standards expected.

In the interests of openness, we may monitor how far your business is meeting these expectations and feed back to you from time to time. We may also share information with the relevant regulator, where the steps set out are not being followed. We strongly recommend

that you set up your own internal measurement processes to help you spot any potential shortcomings before we do.

If you need any clarification on what I have said in this letter, please contact our helpline for businesses on 020 7964 1400 or email technical.advice@financial-ombudsman.org.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C Wells', written in a cursive style.

Caroline Wells
head of outreach and customer insight