

## Claims Management Regulation consultation: cutting the costs for consumers – financial claims

April 2016

The Financial Ombudsman Service welcomes the opportunity to respond to the consultation.

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### about the Financial Ombudsman Service

The Financial Ombudsman Service was set up under the *Financial Services and Markets Act 2000* to resolve individual complaints between financial businesses and consumers – fairly, reasonably, quickly and informally – and we are free to consumers.

We are independent and unbiased, and financial businesses must have the chance to sort things out before we get involved.

### our response

Since we were set up, we have received over 3 million complaints about a range of financial products, and over 1.5 million of these were about payment protection insurance (PPI). Complaints can be referred to us in a variety of ways, and some complaints are referred to us by claims management companies (CMCs) on behalf of consumers.

CMCs refer complaints to us about some types of financial products more than other types. For example in 2014/15, while approximately 80% of complaints about PPI and Packaged Bank Accounts (PBA) were referred to us by CMCs, only approximately 5% of other complaints were referred to us by CMCs.

We continue to emphasise that we can help consumers to resolve their problems with financial businesses without a representative, that we do not charge consumers for using our service, and that using a CMC does not make it more likely that we will uphold a complaint – although by the time a consumer brings their complaint to us, the CMC has often been involved for quite a while. When we uphold a consumer's complaint, we usually tell the financial business to put the consumer in the position they would now be in if the original problem that led to the complaint hadn't happened. Using a CMC means that the consumer doesn't get to keep all the money that's supposed to compensate them for their loss – they have to pay the CMC.

We have observed good complaint handling from CMCs, and complaint handling that could be improved. As CMCs represent consumers in a large number of financial complaints, it is important that they are helpful and cooperative. We are committed to improving the standard of complaints that CMCs refer to our service, and we regularly engage with CMCs to help them understand our approach and procedures, and in some cases we have had frank conversations about the standards we expect from them. We also support the effective regulation of CMCs and work with the Claims Management Regulator, and this includes sharing the CMC practice that we see.

Although it is not for us to comment on the merits of the proposals, in our plans for the year ahead, published in March 2016, we noted that a cap on fees could impact the number and types of complaints that CMCs refer to our service.

We will continue to look into complaints fairly and impartially, regardless of whether a consumer is or is not represented by a CMC. We do not tolerate poor standards of submissions to us and we will continue to provide feedback directly to CMCs and to the regulator where we think that standards are not being met, in order to support the effective regulation of CMCs.