

Ministry of Justice – Regulatory enforcement – Financial penalties

response from the Financial Ombudsman Service

18 April 2014

The Financial Ombudsman Service welcomes the opportunity to respond to the Claims Management Regulation Unit's consultation on financial penalties for claims management companies.

our response

We are pleased that the CMR is now able to broaden its regulatory enforcement tool-kit. While the CMR has stepped up its action against poor standards, removing more than 200 licences from rogue claims firms, we have often said that the regulatory regime needs to include conduct regulation beyond the initial sale to the customer.

We have recently seen a dedication to enhancing regulation of CMCs in financial services, and certainly the legislation which enables the Legal Ombudsman to take on complaints later this year is most welcome.

As an institution which interacts with CMCs on a large scale from day to day, we have seen the impact that poor practice and maladministration can have. Though in our experience rarely malicious, the poor handling of complaints by some CMCs can have a significant impact on all parties involved the handling of complaints, and has led to direct consumer detriment in some instances. Where this is identified, it is vital that the regulator we refer this to has the power to act, both to impose financial penalties and require other forms of redress or restitution where appropriate.

We therefore support the proposals put forward in this consultation.

about the Financial Ombudsman Service

The ombudsman service was set up by Parliament to sort out individual complaints that consumers and financial businesses aren't able to resolve themselves. It is an independent service for settling complaints which is free to consumers. The business must be given the chance to look into a problem first – and they have eight weeks to do it. If the business does not respond within eight weeks, or does not respond to the consumer's satisfaction, the consumer can go to the ombudsman service.

Stephanie Chapman, Policy Adviser

✉ Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9SR
✉ stephanie.chapman@financial-ombudsman.org.uk ☎ 020 3487 4082