

our powers

The Financial Ombudsman Service was set up pursuant to Part XVI of the Financial Services and Markets Act 2000 (FSMA). We are an alternative to the courts and provide an independent and impartial dispute resolution mechanism. As set out in section 225 FSMA, our core role is to resolve disputes quickly and with minimum formality.

FSMA provides for the making of rules to cover the jurisdiction and operation of the Financial Ombudsman Service. These rules are set out in the [“DISP Dispute Resolution: Complaints”](#) section (DISP) of the FCA Handbook.

An ombudsman must determine complaints on the basis of what is fair and reasonable in all the circumstances of the case. As set out in DISP 3.6.4 R, in considering what is fair and reasonable in all the circumstances of the case, the Ombudsman will take into account relevant: laws and regulations; regulators’ rules, guidance and standards; codes of practice; and, where appropriate, what they consider to have been good industry practice at the relevant time.

Where a complaint is determined in favour of a complainant, an ombudsman’s decision may include a money award against the respondent firm. As set out in DISP 3.7.2 R, an ombudsman makes money awards based on what they consider to be fair compensation, which can be different to the way in which courts award compensation.

The FCA can make rules that specify the maximum amount of compensation that can be awarded. When the Financial Ombudsman Service was set up in 2001 – the award limit was set at £100,000. In 2012, the FCA increased this to £150,000. On 1 April 2019, the award limit was changed to:

- £350,000 for complaints about acts or omission by firms on or after 1 April 2019
- £160,000 for complaints about acts or omissions by firms before 1 April 2019, and which are referred to the Financial Ombudsman Service after that date

An ombudsman’s money award may not exceed the relevant award limit. But if the ombudsman considers that fair compensation requires payment of a larger amount, the ombudsman can recommend that the respondent firm pays the complainant the balance.

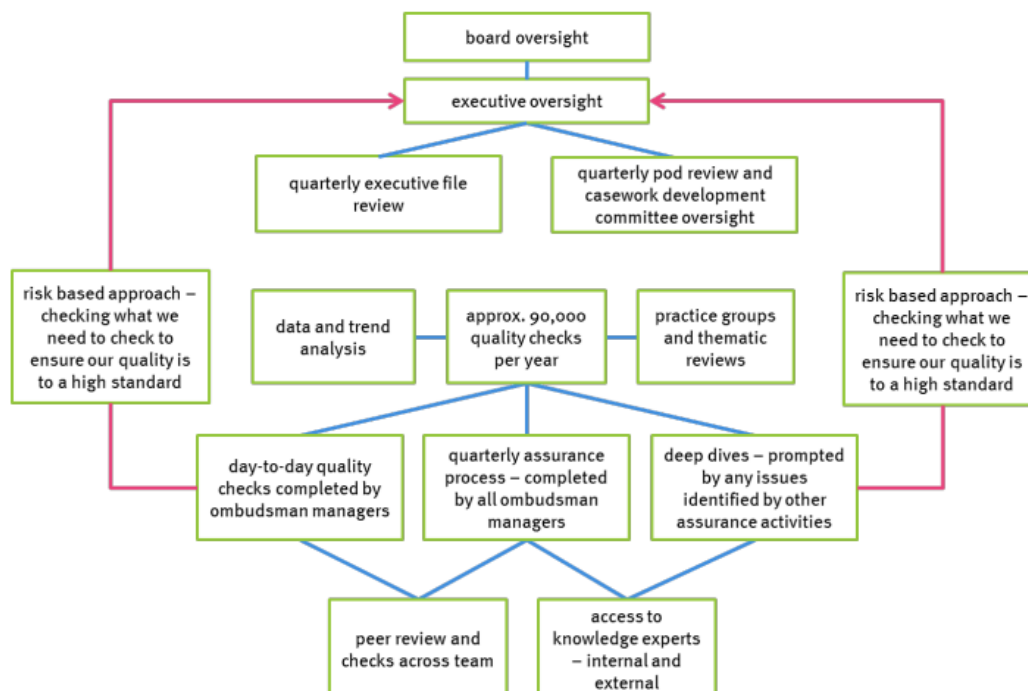
governance

Ombudsmen decisions do not set legal precedents, but firms should take them into account – ensuring that lessons are learned for future complaint handling. Ombudsmen are not bound by previous decisions made on other cases – and complaints are decided by the ombudsman on the basis of the individual facts and circumstances in each case.

Our ombudsmen are independent decision makers and each one has been subject to individual approval by our non-executive board.

However, we recognise that good decision making requires consistency, both in terms of the types of complaints we see and what we consider to be fair resolutions.

Our approach to quality assurance is set out in detail on our [website](#). This explains that we have well-established quality assurance principles and controls, based on a “3 lines of defence” model with assurance activity undertaken in the front line, by quality experts in separate teams, and by governance mechanisms led by an executive director and two non-executive board members. The diagram below describes the various ways in which our assurance activity builds oversight of the quality of our work:



Ombudsmen are required to consider the circumstances of each case they are dealing with (for example the complexity of the issue or the value of an award) and decide whether the case needs to be referred to a more senior ombudsman. Following the introduction of the higher award limit, we have concluded that it is appropriate and proportionate for our ombudsmen to report *all* cases where the potential award for compensation is more than our previous limit of £150,000, both to our legal team and their senior manager. This will help us to ensure that all relevant sources of information and relevant points of law have been considered, and that complaints have been considered in a consistent way.