



annual review

and report & financial statements

1 April 2004 to 31 March 2005



Financial
Ombudsman
Service

... an independent service for resolving financial complaints

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The photos in this *annual review* were taken during the year by Financial Ombudsman Service employees – showing colleagues at work and our local community in the Isle of Dogs, East London, where we are based.



chairman's foreword



I am delighted to have succeeded Sue Slipman as chairman of the Financial Ombudsman Service. Sue had a big impact during her two years as chairman and she will be sorely missed. During the year the board also said goodbye to four of its members, three of whom had served on the board since its creation in 1999. Their wisdom and experience was invaluable in helping to create the service as it now is. My regret at their standing down is tempered only by the fact that we have been able to replace them with new board members of a similarly high quality.

The last year has seen another significant increase in the workload of the ombudsman service, caused entirely by the continuing flood of mortgage endowment complaints. Meeting the demands that this has involved has posed considerable operational challenges. Complaints-handling resource is not a tap that can just be turned on and off. We have mounted an intensive – and successful – recruitment and training programme, and our staff have responded magnificently at all levels. But the stresses this imposes on the organisation are considerable. If we are to continue to provide a fair and effective service – resolving disputes within reasonable timescales – complaints-handling by some financial firms must improve, so that a smaller proportion of disputes need to be referred to the ombudsman service, or better still, so that the causes of disputes can be reduced. Following action by the industry regulator, the Financial Services Authority, there are some signs of this beginning to happen.

Part of our strategy has been to prioritise complaints *other than* those about mortgage endowments – so as not to let the surge in endowment complaints overwhelm all our other work. This approach has been successful. In the last year we resolved more complaints than we received about matters other than mortgage endowments. But it does mean that mortgage endowment cases are taking longer for us to resolve than we would like. I am grateful to consumers for their patience when we explain this to them.



Again this year – as part of this *annual review* – we have published in full the separate report by the independent assessor. The independent assessor’s role is to investigate complaints made against the ombudsman service. I am grateful to Michael Barnes, the independent assessor, for his work in casting an impartial eye over our service.

During the year the ombudsman service was also subjected to the rigorous independent scrutiny of Professor Elaine Kempson of the Personal Finance Research Centre at Bristol University. Professor Kempson carried out a detailed assessment of our work, and I was greatly heartened by her verdict – that we are doing a good job in difficult circumstances. I recognise, however, that what ultimately counts is the personal experience of each individual firm and consumer who uses our service. This focus on providing a service at the individual level is what has always driven the Financial Ombudsman Service, and will continue to do so.

Sir Christopher Kelly KCB

June 2005



chief ombudsman's report



This document describes the work of the Financial Ombudsman Service during the last financial year – from 1 April 2004 to 31 March 2005. However, before we launch into the detailed account of another busy year for the ombudsman service, I would like to reflect on a fact that might otherwise be overlooked – that it is now just over five years since our predecessor ombudsman schemes came together under one roof to form the new single Financial Ombudsman Service.

At that point – Easter 2000 – our newly combined staff were dealing with around 25,000 disputes a year between financial firms and their customers. In this *annual review*, you will see that in the past year we have received over 110,000 new complaints. To keep up with this fourfold increase in workload, our staff numbers have tripled over the same period – from 350 back then to over 950 now.

The agenda we faced in 2000 looked challenging enough. The Financial Services and Markets Bill was still progressing through Parliament, with implementation predicted for the end of that year. We had to merge and re-locate six schemes and their staffs – while ensuring full continuity of ongoing caseloads – at a time when complaint numbers were starting to rise sharply. In the event, because the Act was not finally brought into force until December 2001, we had to continue to operate under the existing rules of the six separate schemes for a year longer than had been anticipated.

A key feature of those schemes had been the support they enjoyed from both industry and consumer representatives. Those representing the industry naturally had some sense of ownership and pride in the schemes that they themselves had helped initiate. There was widespread political, industry and consumer support for the notion of a single statutory scheme – based on the model of private independent dispute resolution that had been established in the insurance ombudsman scheme in 1981. But as this proposed single



scheme would operate on a compulsory basis – whereas some of the earlier schemes had been voluntary – there were concerns that the level of involvement and co-operation might diminish. So an early step was to put in place liaison arrangements with the main industry sectors – banking, insurance and investment – as well as an industry funding forum to comment on our budget plans. This funding forum was particularly important in securing approval for our early budgets. In these we had to provide for the infrastructure for managing the new service. Although the overall cost to the industry would initially rise, we pledged that the investment would be repaid in lower unit costs in future years.

Early on we encountered some controversial issues. Complaints about interest rates on closed TESSA accounts and about how mortgage interest conditions were affected by the introduction of “dual” standard rates – together with concerns about the treatment of Equitable Life policyholders – all generated unexpected surges of complaints. Complaints about split capital investment trust companies, which we encountered for the first time in 2002, and then “precipice bonds” in 2003 had a similar effect. Meanwhile the numbers of mortgage endowment complaints were gathering pace. In 2000 the figures did not look unduly alarming, running at some 175 new cases a week. By early 2002 that number had risen to just under 300. Little did we know that, only three years later – in the year covered in this *annual review* – we would be receiving 1,300 new cases a week just about mortgage endowments.

Being able to respond to unpredictable surges of complaints has required a substantial degree of organisational flexibility. We have benefited from a number of serendipitous factors over our first five years. First, the bias in our funding towards case fees has meant that, as case volumes increased, so did our income – allowing us to recruit staff to help handle the additional work. Secondly, the depressed commercial property market where we are based has enabled us to obtain relatively economical rents for the additional floors of our building needed to accommodate these new



on an average day...

- ... 2,750 consumers get in touch with us
- ... 3,250 people log on to our website
- ... we receive 2,500 items of post, 6,700 emails and 7,500 phone calls
- ... we receive 260 new mortgage endowment complaints
- ... we produce 6,500 documents and send out 3,500 items of post

staff. Thirdly, the employment market in the financial services sector has meant that we have been able to attract high quality people with solid relevant experience to come to work for us.

Most of all, we have benefited from the goodwill and support of a wide range of stakeholders. Despite expressing occasional concerns – sometimes in no uncertain terms – the industry, its trade associations and its principal firms see the value in an ombudsman service that can add consumer confidence in financial products and services. Consumer bodies naturally take a strong interest in the health of the UK's largest ombudsman organisation, and we keep them closely in touch with our work. The media form an important source of information about us, and many personal finance journalists contact us on a weekly, if not daily, basis. Many parliamentarians naturally take an interest in our work, both at a general level and in relation to individual constituents' complaints; and the House of Commons Treasury Select Committee, before which I have appeared twice, forms a channel of our public accountability. Finally, our sister organisations, the Financial Services Authority and the Financial Services Compensation Scheme, cannot avoid taking a close interest in our affairs and we benefit from the excellent working relationships we have developed with them.

We have come a long way in our first five years. We have withstood challenges that might have defeated other organisations less well supported. We have substantial challenges to face in planning for our next five years, notably in coping with unpredictable volumes in the field of mortgage endowment complaints. But our early experience has given us a sound basis on which to build and improve a service that we know is widely appreciated by consumers and firms alike.

Walter Merricks

June 2005

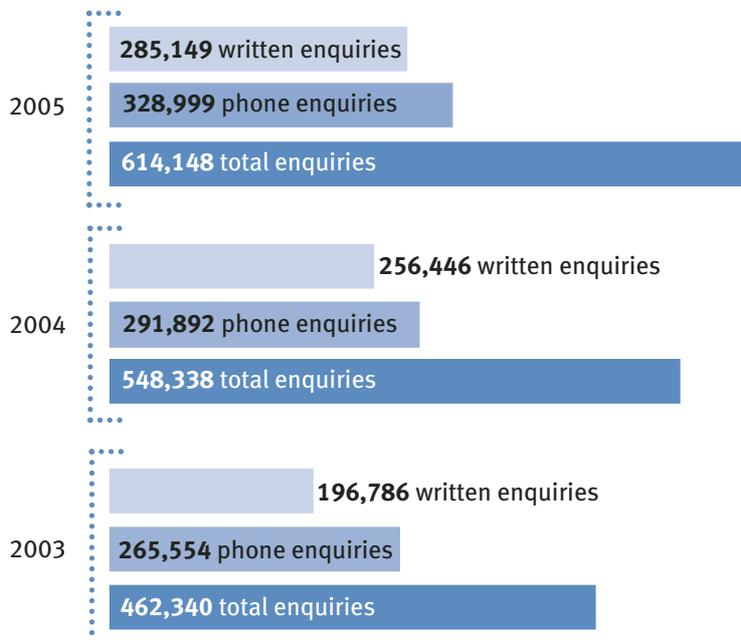


the complaints we received

at the front-line

Our customer contact division provides our front-line for all consumer enquiries – by phone, letter and email. During the year we handled **614,148** front-line enquiries – a **12% increase** on the year before that (following a 19% increase the year previously). This means we are now handling more than 1,500 phone calls and over 1,250 pieces of new correspondence every day from consumers – with questions, concerns and complaints about the way they believe they have been treated by financial firms.

front-line enquiries from consumers



year ended 31 March

Where consumers contact us *before* raising their complaint with the firm, our customer contact division forwards the complaint to the firm and asks it to investigate the matter under its formal complaints procedure. We remind consumers that they can ask us to get involved directly if the firm is not able to resolve their complaint within eight weeks.

Our customer contact division also gives general advice and guidance to consumers with enquiries. At this early stage, we try to nip straightforward problems in the bud, before they become full-blown disputes. For example, where a problem stems from a simple administrative error or misunderstanding between the customer and the firm, it might only take a few phone calls for us to sort things out.

A key part of this complaints-resolution work involves our customer contact division intervening at the earliest stage in mortgage endowment complaints – for example, by providing information and guidance to consumers whose complaints arise from confusion or uncertainty about redress already on offer from the firm. In many of these cases, the consumer is concerned that there is still something wrong, because the amount of compensation offered does not match the estimated shortfall shown on the “re-projection” letter that the firm sent them. We can resolve many of these early complaints by clarifying – from an entirely independent standpoint – the regulatory approach to mortgage endowment compensation, and by explaining how redress has been calculated in these cases to comply with guidance set by the Financial Services Authority (FSA). During the year our customer contact division resolved 12,721 complaints in this way – complaints which would otherwise have become full-blown cases.



An increasing number of consumers are getting the information they want directly from our website, rather than phoning us or writing to us directly. Over 95,000 people visit www.financial-ombudsman.org.uk each month (a 25% annual increase – following a similarly-sized increase the year before). Three-quarters of those who logged on during the year were first-time visitors.

Where further work is needed to resolve complaints, our customer contact division acts as the gateway to our specialist casework teams of adjudicators.

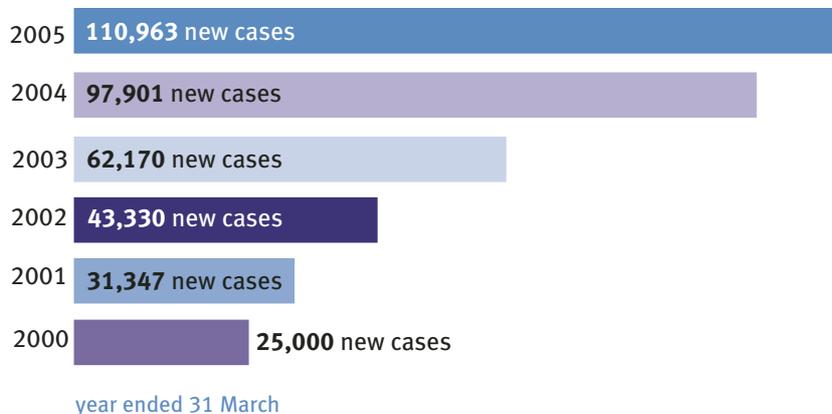
new cases referred to our adjudicators

In the year ended 31 March 2005, our customer contact division referred **110,963** new cases to our adjudicators for more detailed dispute-resolution work – a **13% increase** on the previous year. This continues the upward trend of recent years.

The increase in new cases during the year resulted mainly from the continued high volumes of mortgage endowment disputes being referred to the ombudsman service.

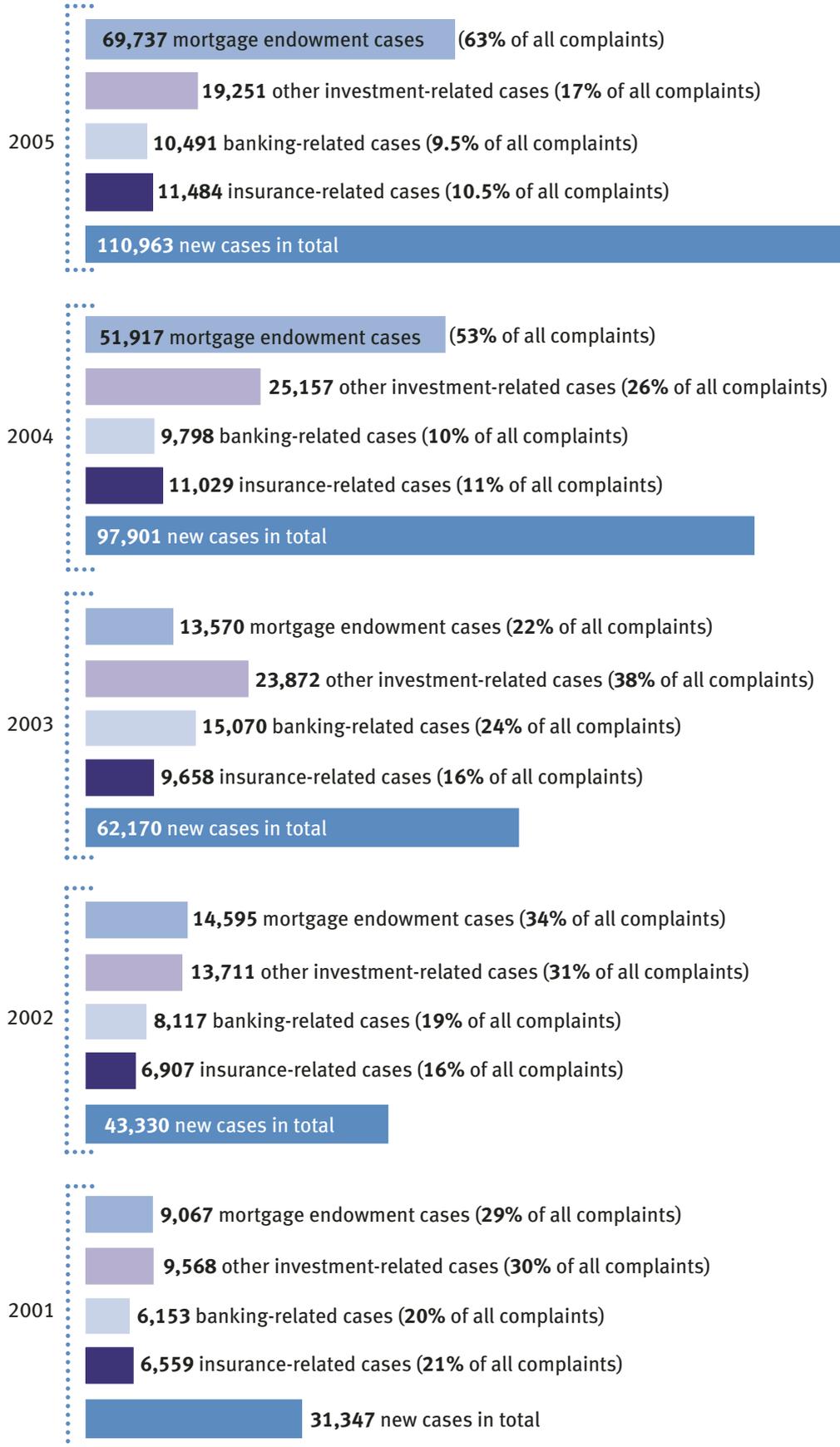
We received just under 70,000 new cases about mortgage endowment mis-selling – the highest number so far, and a 34% increase on the number of mortgage endowment complaints received in the previous year. This meant that almost two thirds of new cases during the year were mortgage endowment complaints – compared with around a half the previous year (and under a quarter the year before that).

number of new cases





new cases by type of complaint



year ended 31 March

what the complaints were about

new cases by financial product	year ended 31 March 2005	year ended 31 March 2004
mortgage endowments	69,737	51,917
other “packaged” investment products including complaints about	8,213	10,627
■ single-premium investment bonds (including “precipice bonds”)	6,281	7,222
■ investment ISAs	788	1,537
■ PEPs	389	693
■ unit trusts	192	306
whole-of-life policies and non mortgage-linked endowments	4,506	5,442
personal pension plans including complaints about	4,214	5,303
■ personal pensions	2,656	3,470
■ purchased life annuities	228	168
■ small self-administered schemes and executive pension plans	181	144
■ income drawdown	162	212
■ guaranteed annuity contracts	131	280
■ stakeholder pensions	43	65
mortgage loans	3,001	3,220
motor insurance	2,571	2,727
current accounts	2,521	2,106
buildings insurance	1,624	1,549
credit cards	1,599	1,444
travel insurance	1,525	1,453
savings and deposit accounts including complaints about	1,154	806
■ cash ISAs	347	117
■ TESSAs	70	86
■ re-discovered passbooks and dormant accounts	62	61
contents insurance	1,145	1,154

other lending	1,133	1,116
<i>including complaints about</i>		
■ unsecured loans	839	770
■ second charges	234	229
■ home income plans	60	117
other banking services	1,083	1,106
<i>including complaints about</i>		
■ cheque clearance	493	368
■ money transfer	216	223
■ cash machines	190	128
■ safe custody	38	43
income protection insurance	980	872
other types of general insurance	957	868
<i>including complaints about</i>		
■ commercial policies	333	242
■ pet insurance	138	134
■ caravan insurance	63	78
loan protection insurance	833	802
“splits” and “zeros” (in relation to investment trust companies)	729	1,673
critical illness insurance	717	582
portfolio and fund management	583	921
free-standing additional voluntary contribution (FSAVC) schemes	482	704
stockbroking	473	432
extended warranty insurance	363	328
private medical insurance	337	294
legal expenses insurance	304	271
personal accident insurance	128	129
derivatives	51	55
<i>including complaints about</i>		
■ spread-betting	42	37
total number of new cases	110,963	97,901

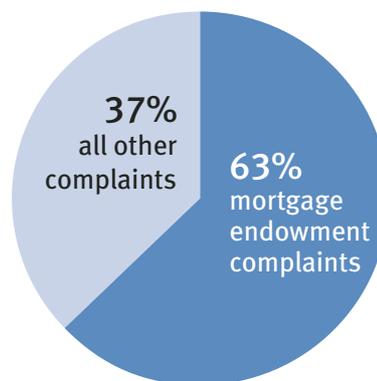


Given the very wide-ranging nature of the disputes we handle – from pet insurance to spread-betting – we have not included individual case studies in this *annual review*. The limited space in this publication means we could not give a fair and representative overview of all aspects of our work.

However, we include case studies in our monthly newsletter, *ombudsman news*, which gives regular feedback on changing complaints trends, as well as commentary and briefing on our approach to different types of dispute. We hope that firms, in particular, find *ombudsman news* a helpful source of reference – and that they will take its contents into account when considering how to handle complaints. Subscription to *ombudsman news* is free of charge. (Please email us at publications@financial-ombudsman.org.uk, to join our mailing list.) All issues of *ombudsman news* are also available on our website.

On the following pages we highlight the issues behind the key areas of complaint during the year.

mortgage endowment complaints



During the year we continued to face the practical challenge of dealing with ever-higher volumes of new mortgage endowment complaints. We received 69,737 new mortgage endowment cases – a 34% increase on the previous year, and two thirds of our total workload. We expect – and are geared up for – similarly high levels of mortgage endowment complaints throughout 2005/06.

Increasingly, however, the time limit rules will have an impact on the number of new mortgage endowment complaints that the ombudsman service is able to look into. In June 2004 the Financial Services Authority (FSA) amended these rules, so that firms must now explicitly warn mortgage endowment customers that there is a “final date” for making a complaint – and that once this final date has passed, the consumer will be too late to complain because their complaint becomes “time-barred”. We gave a full explanation of these rule changes in issue 40 of *ombudsman news*.



In January 2005 the FSA wrote to the chief executives of larger mortgage endowment firms, giving them the feedback that we had passed to the FSA on how firms were dealing with complaints – and reminding firms of the requirement to handle complaints fairly and properly. Following an earlier letter that the FSA had sent firms in April 2002 about mortgage endowment complaints handling, the FSA acknowledged that some progress had been made in some areas. But it stressed the importance of ensuring that all firms handled mortgage endowment complaints in a way that put matters right for those who had been mis-sold. We continue to liaise closely with the FSA on these matters, as the quality of complaints handling by firms has a significant direct impact on our workload.

Over the year some firms continued to raise questions about how the ombudsman service assesses what a consumer’s “attitude to risk” was at the time the mortgage endowment policy was sold – usually a number of years previously. In issue 44 of *ombudsman news* we set out our approach, explaining that – when we assess a complaint – we take into account the customer’s overall circumstances at the time of sale. We do not rely solely on one piece of evidence to do this. This means that where a box has been ticked on a “fact find” (a document completed at the time of the sale) to note the customer’s attitude to risk, we view this information as a useful, but often inconclusive, indication of what the customer’s attitude to risk might have been.

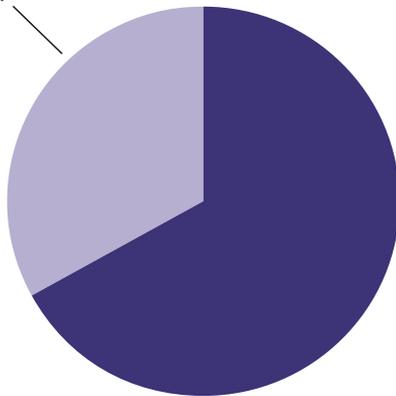
About 12% of all mortgage endowment complaints are now referred to us on behalf of consumers by third-party claims management companies (sometimes referred to as “no win, no fee” agencies). The outcome in these cases appears no different from the outcome in cases that consumers bring direct to the ombudsman service themselves. In other words, we are no more or less likely to uphold a complaint referred to us through a claims management company. Typically, these companies charge between 25% and 50% of any compensation that is awarded. We make clear to consumers that no one should need the help of a third-party company to bring a complaint to the ombudsman service. And we make no additional awards against financial firms to cover the charges of any claims management company involved. So any such charges have the effect of reducing the amount of any compensation awarded to the consumer to reduce their mortgage debt.

In March 2005 we invited the main claims management companies operating in this area to a seminar that we hosted. The purpose was to discuss our processes and procedures, and to explain our general approach to investigating and resolving complaints about mortgage endowments. We acknowledged that our procedures are designed for the individual consumer, and not to accommodate “bulk” complaints through claims management companies – and we explored the challenges this creates for both sides, and the need for complaint handlers to adopt good practice. We expect to continue this dialogue over the coming year – and to take part in the wider debate about the need for regulation of claims management companies in the financial services sector.



single-premium investment bonds

33%
complaints about
single-premium
investment bonds
(including
“precipice bonds”)



67%
other investment
-related complaints
(*apart from*
mortgage
endowments)

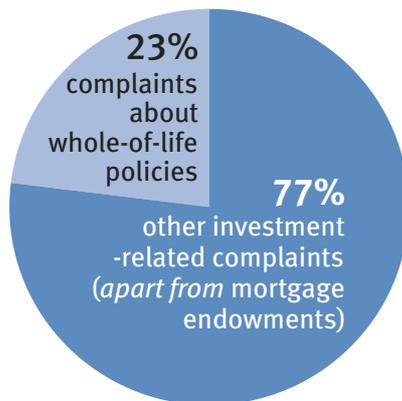
As we anticipated in our annual *plan & budget* forecasts, during the year we saw a gradual decline in the number of complaints we received about “structured retail products” – so-called “precipice bonds”. Out of a total of 6,281 new complaints about single-premium investment bonds, we received 1,914 cases involving “precipice bonds”. This decrease is probably attributable to a tightening of regulatory requirements since these products were first sold, and a change in the design of many structured products to contain a capital guarantee. The complaints we received largely concerned the suitability of the bond for the consumer – where the consumer received advice to take out the investment. If the consumer bought the bond as a result of a financial promotion by direct mail, we have looked at how accurately the risk inherent in the product was described.

The number of complaints about other types of single-premium investment bonds has increased during the year – especially complaints about with-profits bonds. Poor stock market conditions have resulted in many firms applying market value adjusters (MVAs) to their funds. These mean that if the bond is cashed in during its term (rather than waiting for maturity or a death claim) the return will be reduced – often by a substantial amount. This is designed to protect the underlying assets of the fund – effectively to make sure that a customer who is leaving the fund early is not taking more than their fair share.

The possibility of an MVA is a key piece of information for consumers deciding whether to take out one of these products – especially if they are not sure how long they want to invest for. Consumers often tell us that they would have made alternative arrangements if they had been aware that an MVA was a real possibility. The facts of each individual case are central to our assessment of these disputes. In some cases we conclude that the documentation made the matter clear – and that the consumer was (or should have been) aware of the implications of this feature of the product. However, in other cases we may consider that the matter was not brought effectively to the consumer’s attention – especially if an MVA is actually already applying to the fund at the time of the sale, and the consumer had not been aware of this. If we are satisfied that the consumer would not have made the investment in these circumstances, we are likely to uphold the complaint.



complaints about whole-of-life policies

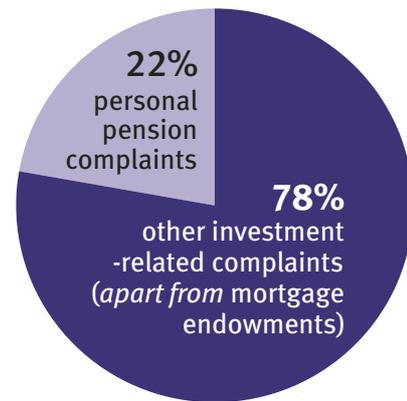


The complaints about whole-of-life policies that we received during the year fall into two distinct groups. Some consumers complained that their policy should never have been sold to them in the first place, because it was inappropriate for them. Others accepted that they needed such a policy but are unhappy that the premium is reviewable every few years. These reviews can cause very large increases in the premium payable.

For the first type of complaint, we look carefully at the individual customer's circumstances at the time of the sale of the policy. These policies may be suitable for inheritance tax planning or funeral expenses cover. But they are not generally suitable for providing life cover for mortgages or other loans, because there are normally more cost-effective alternatives.

Disputes about the reviewable nature of the premium tend to centre on the clarity of the explanation and documentation at the time the policy was sold. If the sales process and documents are clear in mentioning the review, we will not usually uphold the complaint. But if they are not, we may ask the firm to adjust the policy or premium in some way.

personal pension complaints

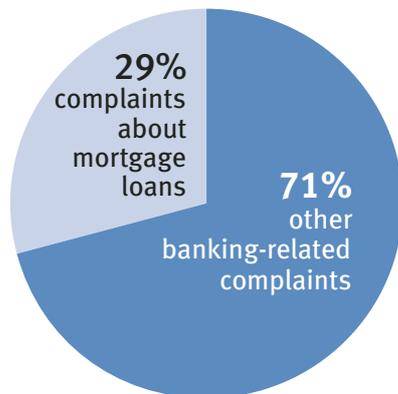


Pensions continue to represent a significant part of our workload, although the number of complaints referred to us about personal pensions has been declining for the last two years. Most complaints about the administration of pensions are dealt with by the Pensions Ombudsman – separate from the Financial Ombudsman Service. This means that the majority of the complaints we receive are about advice given in relation to pensions. Some of the personal pension complaints we deal with still relate to the industry-wide Pension Review instigated by the regulator in the mid 1990s. These cases include a decreasing number of complaints from people who say they were never invited by the firm involved to have their case looked at as part of the Pensions Review.

We continue to receive complaints about advice in connection with income drawdown arrangements. The complaint is usually that the risk associated with such arrangements was not explained, with the consumer saying that they would have been better off with an annuity – even with declining annuity rates. Where we uphold this type of complaint, the redress necessary to put matters right is generally complex.



complaints about mortgage loans

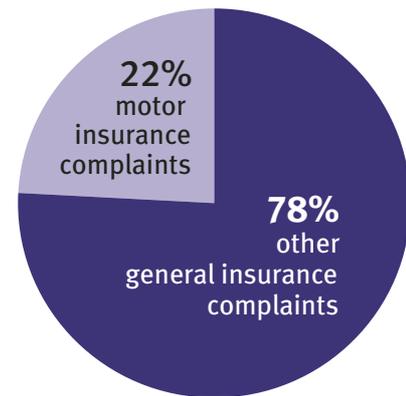


We still receive complaints about early repayment charges on mortgages, but the decrease in the number of these cases – that we identified in last year’s *annual review* – has continued this year. The calculations for some early repayment charges are complex, and we are often asked by the consumer to check the lender’s calculations – which are not always correct.

Shared appreciation mortgages, which many predicted would prove a growing area of concern, particularly among the elderly, have not been a significant part of our work this year.

We are seeing more complaints about “offset” mortgages – where the customer’s borrowing and saving accounts are linked for purposes of calculating interest. These mortgages can be difficult for borrowers to understand and for lenders to administer, and putting mistakes right may require complicated account re-workings.

motor insurance complaints

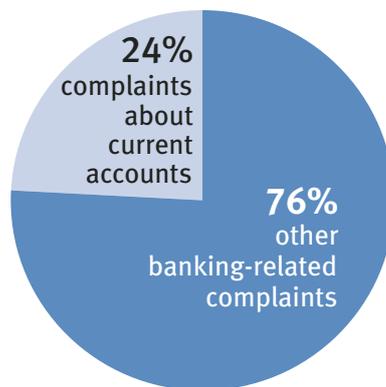


The 6% fall in the number of motor insurance complaints that we received during the year is welcome and may reflect, in part, the fact that the insurance sector now generally has a good understanding of the approach we are likely to adopt on many issues relating to motor policies. The size of this “mature” market is such that minor variations in the proportion of dissatisfied customers can have a material effect on the volume of complaints that we are asked to resolve.

The areas that dominate our workload remain the same as in previous years – disputes about repairs, valuations and the exclusion of liability for breaches of security (in particular, the strict application of an exclusion of liability for theft when the keys are left in a car). We believe it is of central importance that consumers should be able to understand what cover they are receiving – and which exclusions and limitations apply – particularly since, increasingly, the application process is carried out over the phone or internet.



complaints about current accounts

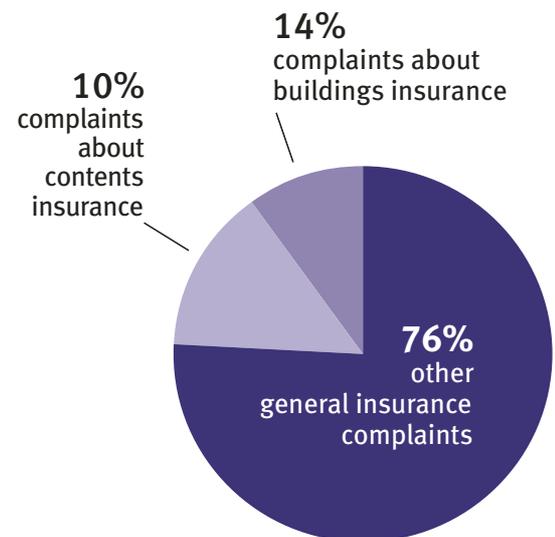


A large proportion of the complaints that we received during the year about current accounts related to errors and poor administration. There was a core of complaints about charges – often where the customer was already experiencing financial difficulty – and this was compounded by charges. The consumers in these cases clearly perceived some charges (for example, the charge for bouncing a small direct debit) as a form of punishment – and out of proportion to the work involved for the bank or building society.

Some of the complaints we received show that technical matters – such as cheque clearance and the operation of direct debits – are still misunderstood by many customers (and by some bank and building society employees).

On a more positive note, we received very few complaints this year from customers who had experienced difficulty switching between account providers.

complaints about buildings and contents insurance



The 2.5% increase in complaints to the ombudsman service about buildings and contents insurance reflects the steady growth in this well-established market. We continue to receive a wide range of complaints about the handling of claims by insurers – as well as disputes where claims were rejected.

Insurers' handling of subsidence and building repairs, which can be complex and lengthy, gave rise to a significant proportion of complaints during the year. We also regularly dealt with disputes over what caused the damage that led to consumers making claims on their policies. Exclusions of liability for "fair wear and tear" and "gradually operating processes" continue to cause concern to consumers, who may view sudden and unexpected serious damage to their home as exactly what they have insurance for – while insurers may regard the same event as the result of an inevitable long-term process that should have been foreseen.



credit card complaints

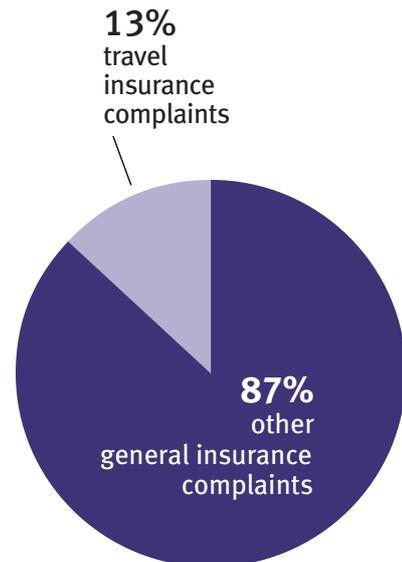


A significant issue in relation to credit card disputes during the year was the High Court decision on whether section 75 of the Consumer Credit Act 1974 applies to credit transactions made abroad. This is the section under which, in certain circumstances, the provider of credit is jointly liable with the provider of goods or services where there is a misrepresentation or breach of contract.

The High Court decided that, generally, section 75 did not apply to foreign transactions. However, the Office of Fair Trading has said that it will appeal the decision. Pending the outcome of any appeal, most card issuers are continuing to accept liability for foreign transactions up to the amount of the credit provided. This therefore continues to represent good industry practice – which we take into account when deciding individual disputes.

During the year we have continued to see an increase in disputes about so-called “first party” fraud. These are cases involving disputed credit card transactions, where the card issuer claims that the card holder is implicated in the fraud.

travel insurance complaints



The number of travel insurance complaints we received increased by 5% during the year – following a 33% rise in the previous year. We hope that this steadier rate of increase indicates that some travel insurers are starting to address the main causes of complaints.

A number of the disputes that are referred to us again relate to the exclusion that insurers apply to claims involving “pre-existing medical conditions”. More insurers now appear to use declarations (sometimes referred to as “general/medical warranties”) agreed by the consumer at the point of sale. The aim is to ensure that people are aware of the need to declare any such medical conditions. This generally appears to have helped consumers better understand the pre-existing medical conditions exclusion. However, where a customer subsequently makes a claim on a policy, it may also have led to some staff at travel insurers becoming confused between the insurer’s right to “avoid” (retrospectively cancel) a policy as a result of the customer’s non-disclosure or



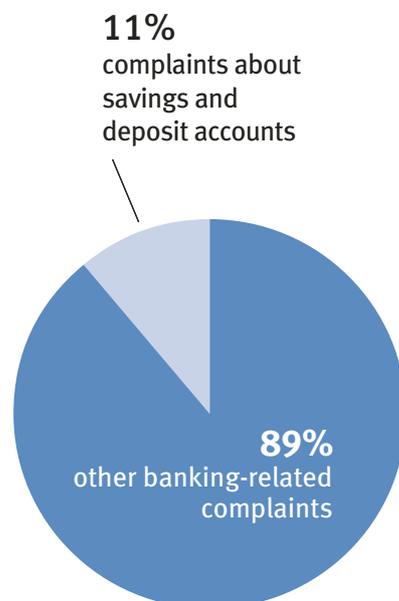
misrepresentation and the insurer's right to rely on the exclusion relating to pre-existing medical conditions, and on the general/medical warranty agreed by the consumer.

We also see a wide range of disputes about other travel insurance issues – often relating to the clarity of the wording of policies. The FSA's new rules for insurers, that came into force in January 2005, should help reduce the number of these complaints. The rules require policy summaries and wordings that are clear, fair and not misleading.

Delay and errors by providers of cash ISAs (individual savings accounts) – particularly around the end of the tax year – gave rise to an increased number of complaints. Consumers often felt that their provider did not have adequate administrative resources to deal with the year-end rush.

We have also received complaints during the year about a type of savings product commonly called a "guaranteed capital bond". With these products, interest is calculated at the end of the bond's term, but the interest rate depends on the movement of a specified investment index. So if the investment index performs badly over the term of the bond, the customer may get no interest at all – although the invested capital is guaranteed to be returned in full. Consumers who complained to us about these products found these interest arrangements difficult to understand – and many said they had thought the interest was also "guaranteed".

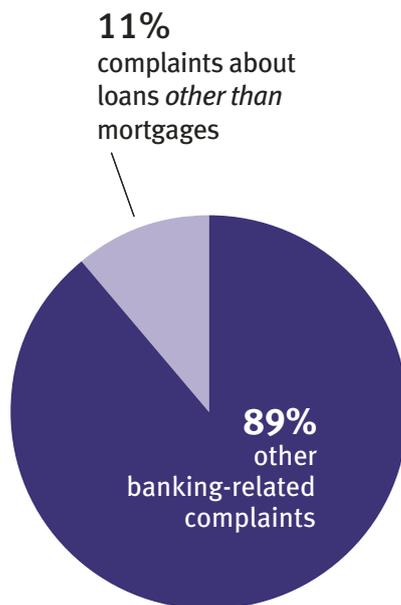
complaints about savings and deposit accounts



We continue to receive complaints about "unfair" interest rates. The new Banking Code came into effect in March 2005 and we are disappointed that it did not reflect our recommendation that (except where the balance on the account is very small) customers should receive personal notification of changes in interest rates on savings accounts. We believe there is still potential for complaints here.



complaints about loans *other than* mortgages



A significant proportion of the complaints we received during the year about loans *other than* mortgages related to financial difficulties faced by consumers. The consumers involved frequently complained that their lender had failed to give sufficient consideration to their financial difficulties when trying to recover a loan debt.

Increasingly, consumers say that the loan was unaffordable at the outset – particularly where it was a consolidation of an existing loan and overdraft. There have been complaints of lenders repeatedly consolidating debts without making any real assessment of the customers' ability to meet the repayments. We mentioned this trend in our last *annual review* – and it appears to be growing.

“splits” and “zeros”

We received fewer than half the number of complaints about “splits” and “zeros” – split capital investment trust companies and zero dividend shares – that we received in the previous year (1,673 in 2003/04 and 729 in 2004/05). By 31 March 2005 we had received a total of around 5,500 “splits” and “zeros” cases since the first complaints of this type were referred to us in 2002/03. Around 3,400 of these cases had been closed by 31 March 2005.

Disputes involving “splits” and “zeros” remain among the most complex that we deal with. The vigorous and extensive representations made by firms in cases where we are minded to uphold the complaint have made progress slower than we would have liked. The “lead” cases are particularly complex and strongly contested by the parties involved. These are cases where we aim to resolve key general principles by focusing on a single case that is broadly similar to many others.

In December 2004 the FSA announced that a number of “splits” firms had agreed to contribute to a “Distribution Fund” for certain eligible “zeros” investors. This is an arrangement entirely separate from the Financial Ombudsman Service, with its own terms and conditions for eligibility. The existence of the Distribution Fund will affect our work, as investors who have already lodged complaints with us and who apply to the Distribution Fund – administered by Fund Distribution Limited – must ask us to suspend our investigations while their applications are made and offers considered.



During the year we published on our website our approach to dealing with “splits” complaints involving intermediary firms. In developing our approach in this area, we carried out detailed analysis of over 3,000 component investments held in “splits” – providing a sound and consistent foundation to our adjudicators’ investigations.

Equitable Life

Our work continued during the year on complaints we have received alleging mis-selling and maladministration by Equitable Life. The majority of these complaints are linked to “lead” cases – where we focus on a handful of apparently typical complaints to establish the key general principles that are then likely to apply to other similar cases.

In July 2004, the ombudsman made provisional decisions on two “lead” cases – following earlier adjudications and initial views on the cases. These cases involved disputes about what people were (or were not) told – when they took out Equitable Life policies between September 1998 and July 2000 – about the potential costs that Equitable Life was facing in relation to policies with guaranteed annuity rates (so-called “GAR” policies).

Having considered a significant number of detailed comments and representations in response to the provisional decisions, the chief ombudsman issued his final decision on one of these GAR-related “lead” cases in March 2005 – upholding the complaint of the consumer in question. The chief ombudsman’s 79-page decision (and a separate 10-page summary of it) are available on our website – in the section dedicated to frequently-

asked-questions (FAQs) about Equitable Life. We have continued to update these FAQs throughout the year, so that people can check developments and progress. Now that this GAR-related “lead” case has been decided, and the key general principles established, work can start on all the linked “follow-on” complaints where we believe the circumstances involved are similar.

In March 2005 the chief ombudsman also issued his decision on whether to investigate around 50 complaints that we had received about Equitable Life – relating to certain new information (for example, on alleged “over-bonusing”) that came to light in Lord Penrose’s report into Equitable Life, published in March 2004. Having considered representations made by a number of different parties – including Equitable itself – the chief ombudsman concluded that, in the circumstances, he should exercise his discretion to decline to investigate these complaints further. The detailed reasoning for this decision is set out in a document also available on the website.

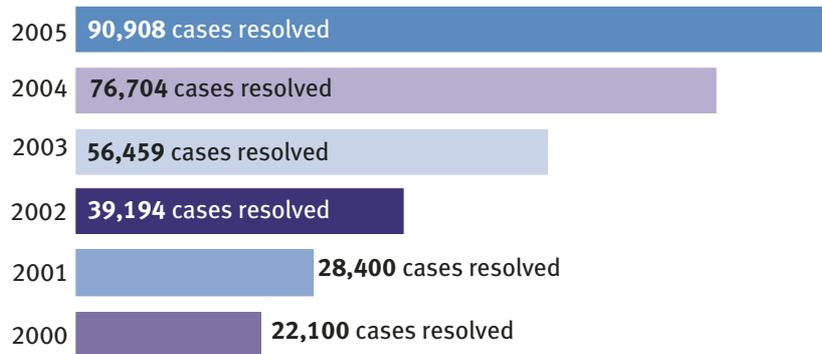


how we dealt with the complaints

resolving complaints

We resolved a total of **90,908** cases in the financial year 2004/05 – an **18% increase** on the previous year. This figure includes 48,869 mortgage endowment complaints. In dealing with each case, we use our knowledge and experience of dispute resolution to decide the approach that we believe will be the most appropriate in the individual circumstances – and the most likely to settle the complaint quickly and fairly.

number of cases resolved each year



year ended 31 March

Generally, the approach we take will begin with an assessment of each case, to see whether we can resolve the complaint using “guided mediation”. Mediation is often quicker and more efficient than a formal investigation, which can sometimes be quite a drawn-out process. Mediation usually involves negotiating a constructive way forward – satisfactory to both sides – without seeking to apportion any blame for what may have gone wrong in the past between the firm and the customer. We do not record “win” or “lose” statistics for complaints we resolve at this stage, as this would not be in keeping with the nature of mediation.

During the year the number of cases that we were able to resolve informally through mediation rose significantly – 55% of the total number of cases we resolved, up from 42% in the previous year. This included 32,703 mortgage endowment complaints that we settled informally during the year.

And that figure does not take account of almost 13,000 “potential” complaints that we were able to nip in the bud at the earliest stage – in our customer contact division – without even having to begin the mediation process.

Where we are unable to resolve matters through mediation, we usually issue an adjudication on the case – setting out our recommendations about whether the complaint should be upheld. In most cases, both sides accept the recommendations. But either side can ask instead for a review and final decision by an ombudsman. This happened in around 1 in 14 cases during the year. A decision by the ombudsman is final – it is the last stage of our dispute-resolution process.

The chart opposite shows the number of cases we resolved during the year – at the various stages of our dispute-resolution process.

outcome of cases

resolved at the different stages of our dispute-resolution process

year ended
31 March 2005
number of cases

year ended
31 March 2004
number of cases

cases resolved informally
(generally involving “guided mediation”)

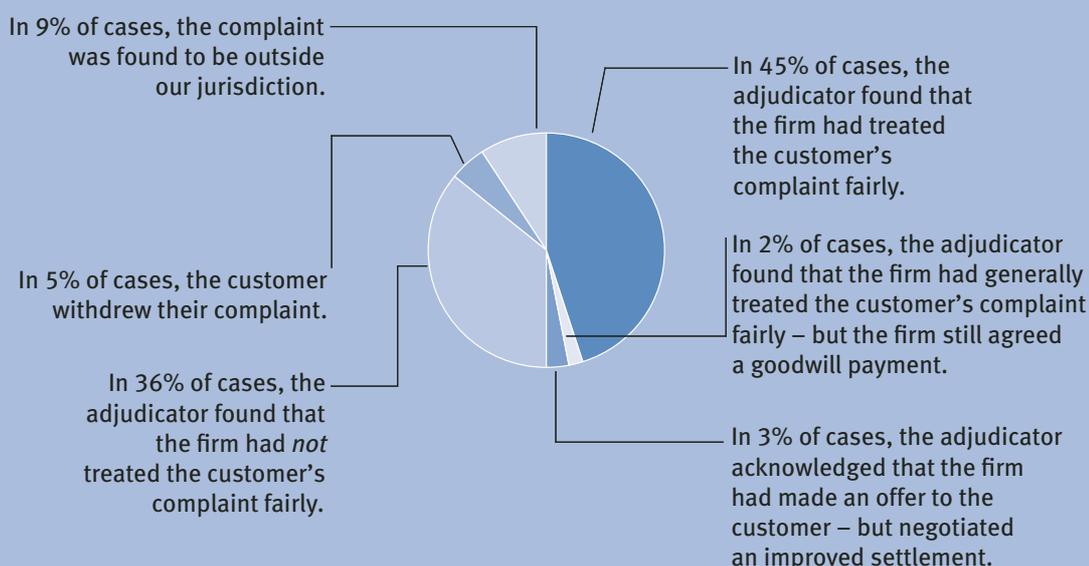
50,004 (55%)

32,136 (42%)

cases resolved more formally
(generally involving an adjudication)

34,434 (38%)

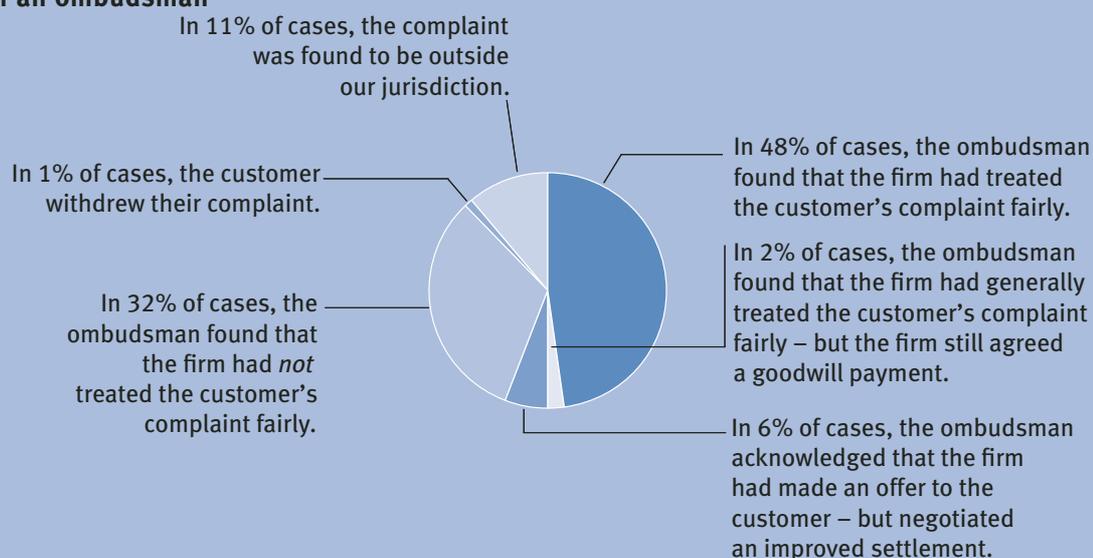
38,263 (50%)



cases resolved by the final decision of an ombudsman

6,470 (7%)

6,305 (8%)



total cases resolved

90,908

76,704



A growing number of mortgage endowment complaints are now starting to fall outside our jurisdiction as a result of “time barring”. This is where the time-limits for complaining – set under the Financial Services and Markets Act – have expired, and so the consumer is too late to bring a complaint. In these cases, more consumers are now challenging our decisions that they are “out of time” – and more appeals are going to the ombudsmen about time-barred cases. In fact, a quarter of appeals to the ombudsmen on mortgage endowment complaints during the year related to whether the rules on time barring had been fairly and properly applied.

Where we uphold a complaint in favour of a consumer – either wholly or partly – there are a number of ways in which we can put matters right. These include:

- awarding financial redress – paid by the firm to put the consumer back in the position they would now have been in if the firm hadn’t got it wrong;
- awarding compensation for distress and inconvenience caused by the firm to the consumer – generally a modest amount of between £150 and £500, where we believe the individual circumstances justify it;
- directing the firm to carry out whatever course of action we believe is needed to put right what has gone wrong. This can range from correcting credit references to paying a previously rejected insurance claim;
- asking the firm to apologise to the customer.

Where we do *not* uphold a complaint in favour of a consumer, we always aim to give a clear explanation of why we believe the firm has not acted unfairly. In some cases, this is something the firm could have done better itself, to have avoided the complaint in the first place. In other cases, our explanation simply reinforces – from an impartial standpoint – what the firm has already set out clearly for their customer.

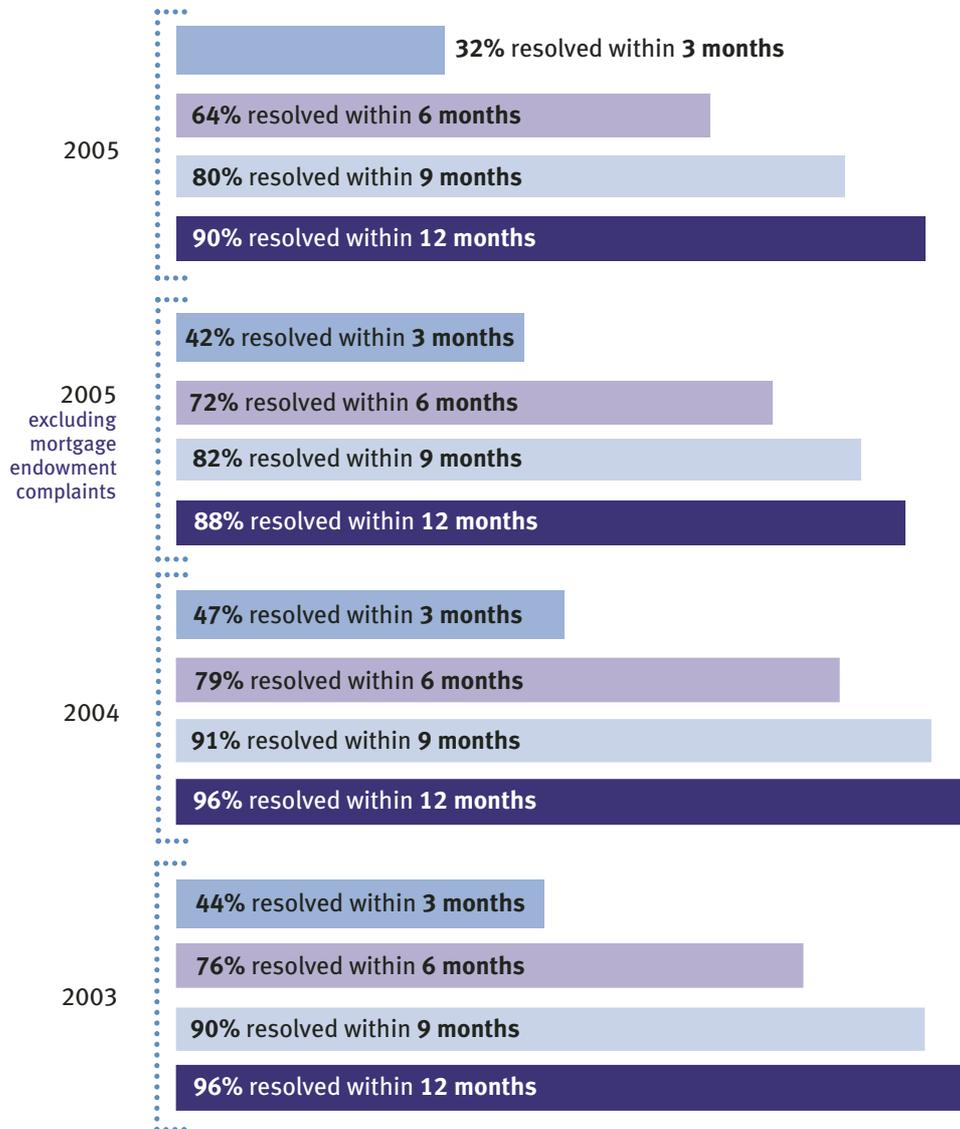
We recognise that any decision of ours will be disappointing for the side that does not hear what it wanted to hear. But whatever the outcome, we hope that we will have “added value” by giving our view on the case fairly, authoritatively and independently.

timeliness

The chart opposite shows the time it takes to resolve disputes that are referred to the ombudsman service. The very large volumes of mortgage endowment complaints that we are receiving mean we have not been able to deal with these cases as quickly as we would like. On average, a complaint now takes us between six and nine months to resolve.



time taken to resolve complaints



year ended 31 March

However, the real concern for consumers with mortgage endowment complaints is whether they will be able to pay off their mortgage when their endowment matures – usually at some future date. Generally, no loss has yet materialised in real terms – so a longer waiting period before deciding these cases, while regrettable, is not critical in terms of the loss currently faced by the consumer.

This is why our approach, in the short term, is to give priority to our work on resolving disputes that involve products *other than* mortgage endowments, where any loss is likely to have materialised *already*.

We also continue to give priority to cases where the consumer might clearly be disadvantaged by having to wait – for example, through financial hardship or for medical reasons.



The time it takes us to resolve a complaint is also affected by the complexity of the case – and by whether the firm and consumer are willing to accept any conciliated settlement at an early stage, or whether either side instead requests a more formal review, including an “appeal” to an ombudsman.

Cases involving hard-fought arguments and entrenched attitudes are becoming more common, as firms increasingly take a legalistic approach to dispute resolution and consumers become more demanding and less willing to concede. This has a direct impact both on the time it takes us to resolve disputes and on our unit cost and productivity.

our budget and productivity

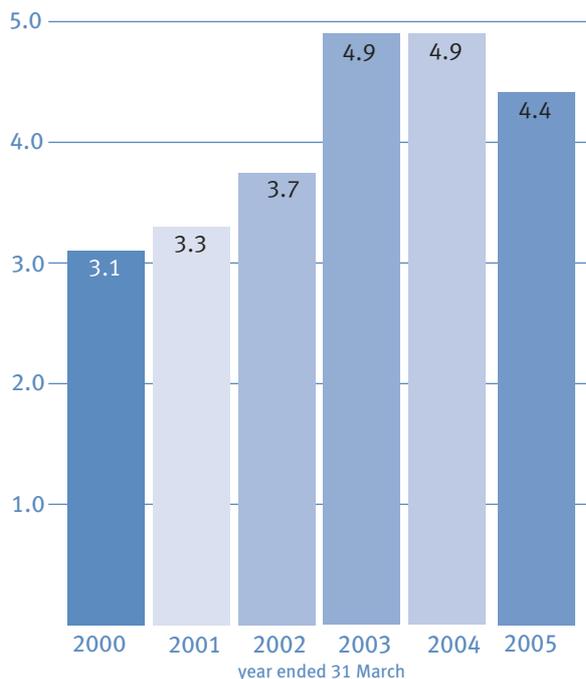
our income and expenditure (summary)	actual year ended 31 March 2005 £ million	budget year ended 31 March 2005 £ million	actual year ended 31 March 2004 £ million	actual year ended 31 March 2003 £ million
income				
annual levy	12.4	12.5	13.1	14.7
case fees	31.2	34.8	27.4	21.1
other income	0.4	0.1	0.5	0.4
total income	44.0	47.4	41.0	36.2
expenditure				
staff-related costs	34.7	37.5	26.6	20.5
other costs	8.2	7.9	6.8	6.6
financing charges	0.2	0.3	0.2	0.4
depreciation	2.7	3.1	2.9	2.5
total expenditure	45.8	48.8	36.5	30.0
write-off of establishment costs	0.0	0.0	0.0	2.9
(deficit)/surplus	(1.8)	(1.4)	4.5	3.3



The Financial Ombudsman Service is funded by an annual levy paid by firms we cover – and by a case fee that we charge firms for each individual dispute referred to us. Our budget is calculated on the basis of workload forecasts which we consult on publicly in our *plan & budget* – published each year in January before the start of the new financial year.

When we consulted in January and February 2004 on our proposed budget and workload for the financial year 2004/05, firms suggested that we were probably underestimating the likely number of mortgage endowment complaints we could expect to receive.

average number of cases resolved weekly by each adjudicator



We therefore increased our budget for the year by a further 20,000 new cases – taking the estimated total number of new cases up to 103,000. We also increased by an additional 15,000 the number of cases we estimated we could resolve and close during the year – up to a total of 103,000. To be able to handle this increased workload, we planned on recruiting a further 100 employees during the year. This has resulted in our complement of adjudicators doubling in the last few years – to keep pace with the growth in numbers of complaints.

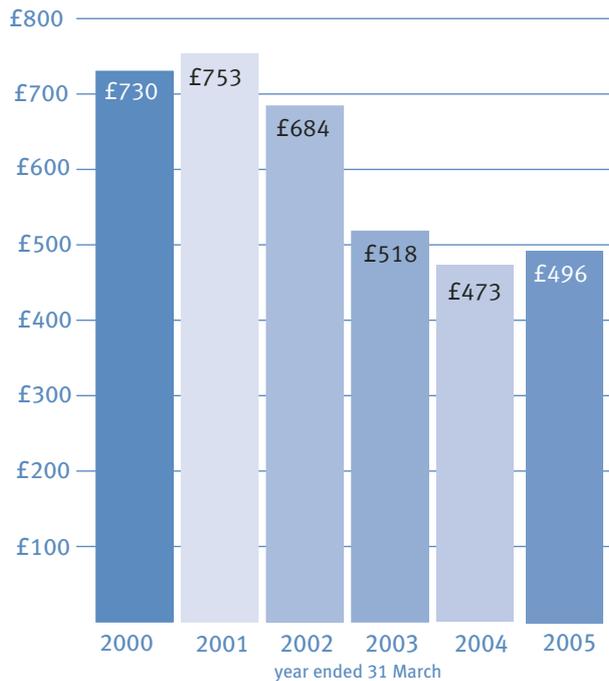
However, the “lead in” time involved in recruiting and training new adjudicators meant that we were not able to resolve as many cases during the year as we had anticipated. Closing 10% fewer cases than planned for in the budget resulted in less income from case fees (charged when we close cases) – and a reduction of £3.4m in the total income we had budgeted on receiving.

On the other hand, our total expenditure for the year of £45.8m was £3m below budget – almost wholly due to lower than expected staff-related costs, largely reflecting the time-lag between the dates when we made offers of new jobs and the dates when “new starters” were able to begin. However, as we set out in our latest *plan & budget* (published in January 2005), we expect to see a pick up in the rate at which we can resolve cases, as our recently recruited adjudicators get up to speed and become fully productive.

The amount of bad debts during the year was unusually high (increasing from £0.2m in 2003/04 to £0.5m in 2004/05) as a result of a number of intermediary firms going out of business, leaving case fees unpaid.



our unit cost*



*Our unit cost is calculated by dividing our total costs (before financing charges and any bad debt provision) by the number of cases we complete.

Our unit cost for the year was £496. And our productivity – which we define as the average number of cases resolved weekly by each adjudicator – was 4.4, compared with the figure of 4.5 that we had planned for in the budget. We anticipated in last year's *annual review* that our productivity could not remain at the level achieved in previous years. Our productivity has also been affected during the year by having to transfer some of our most experienced adjudicators to help recruit, train, and mentor new staff joining us.

All these factors contributed to a financial deficit for the year of £1.8m – reducing our surplus from £8.6m to £6.8m. Our policy on financial reserves, agreed after consultation with the financial services industry, is to keep no more than 5% of our expected annual expenditure – and to return any amount over this to firms, by reducing the amount of the annual levy in the following years. In line with this policy, we therefore plan to return a further £2m to firms in 2005/06 by way of a reduction in the annual levy.

More information about our finances is available in the detailed financial statements which start on page 49 of this *annual review*.



who complained to us

what type of consumer uses the ombudsman service?

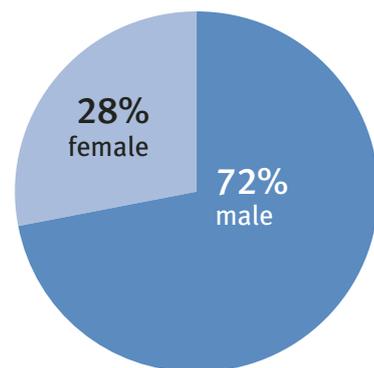
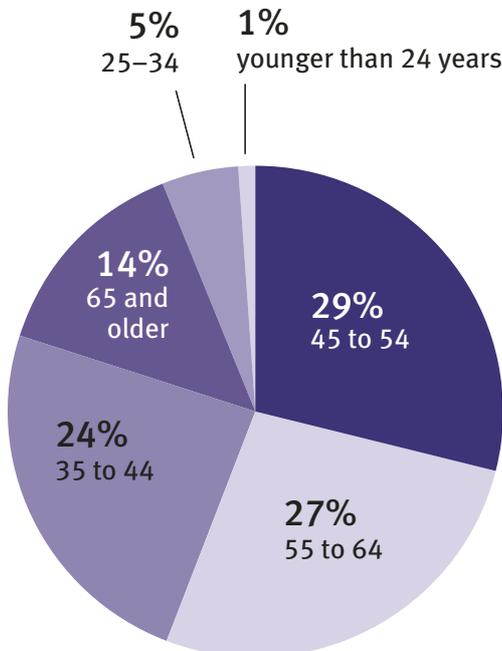
The chart below shows that our “average” customer is between 35 and 64 years old. Eight out of ten people who use our service are in this age bracket – largely reflecting the fact that this is the generation of homeowners most likely to have complaints relating to mortgage endowments sold in the 1980s and early 1990s. Complaints about mortgage endowments make up two thirds of our total workload.

Complaints we receive from people under 35 are generally about motor and travel insurance and banking services. However, over half the complaints we received during the year about investment bonds and stocks and shares were from people over 65.

... and what gender are they?

More men than women complain to the ombudsman service. However, a significant proportion of complaints relate to accounts and policies (especially mortgage endowment policies) held jointly. And with joint accounts, the first-named account-holder – the name our system records – is traditionally a male partner.

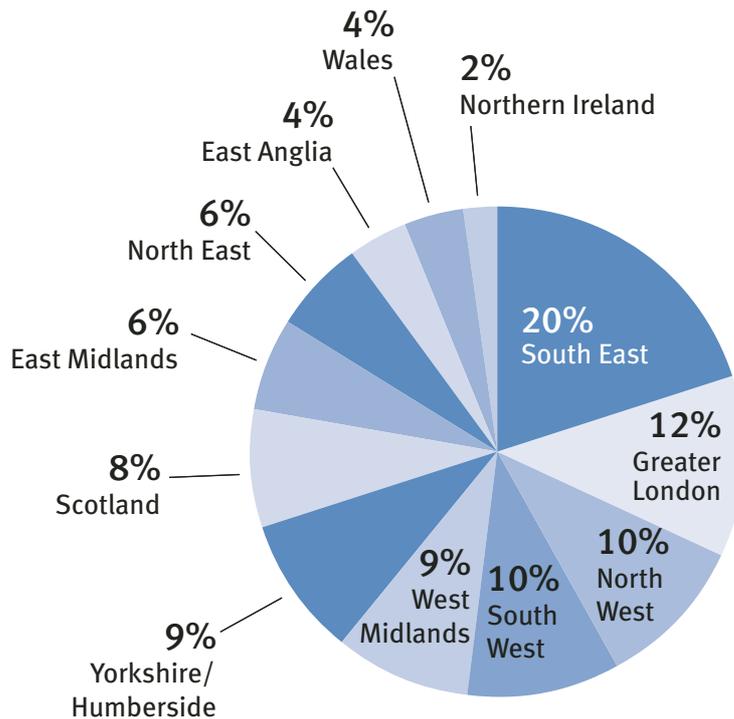
what age are consumers who complain to the ombudsman?





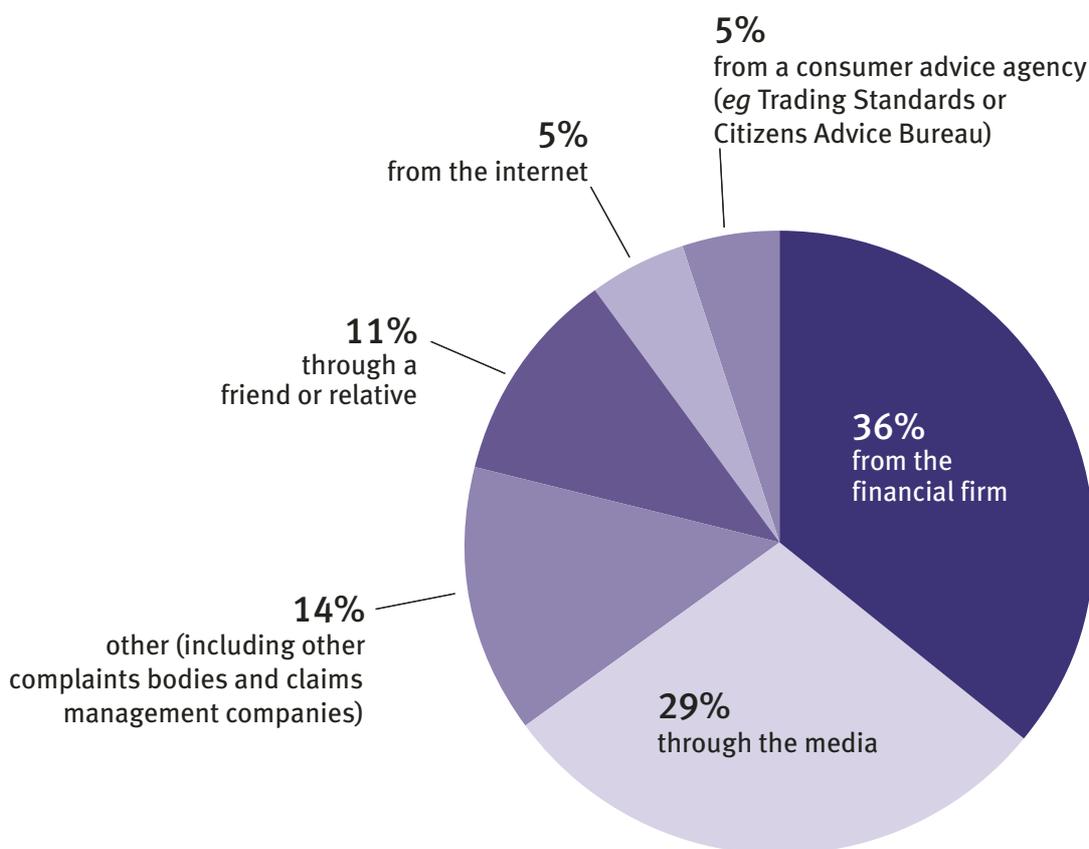
where do consumers live who complain to the ombudsman?

This chart shows the geographical spread of our “customer base”. Comparing these figures with regional population data for the UK helps us target where we may need to focus our outreach work in raising awareness of our service. However, the regional location of those using our service continues broadly to reflect the spread of the population across the UK as a whole.





how did consumers first hear about the ombudsman?



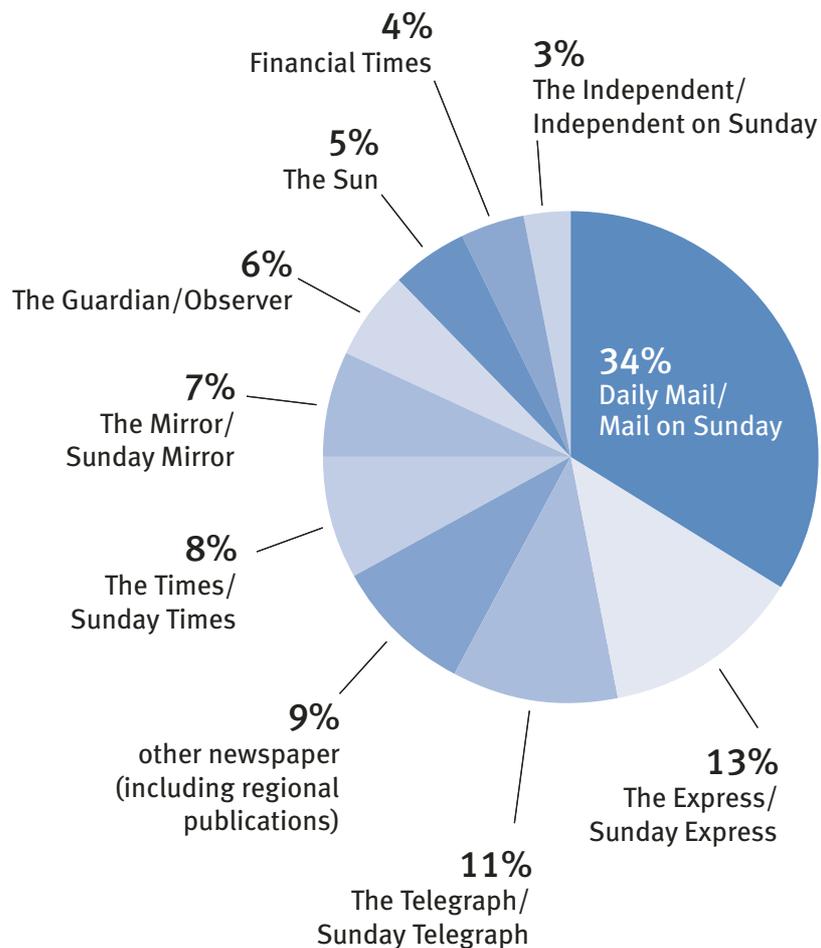
The chart above shows the ways in which people with complaints found out about the Financial Ombudsman Service – based on what consumers tell us in our monthly surveys. The rules of the Financial Services Authority (FSA) require firms to tell their customers about the ombudsman when

they first do business with them – and again, should the customer subsequently have a complaint. So it is to be expected that most people should first hear about us from the financial firm they are complaining about.



The chart below shows the newspapers that the consumers who used our service during the year told us they read. This information helps us tailor our messages more effectively to target the people who do – and *don't* – know about and use the ombudsman service. The percentages for each newspaper are almost identical to those we recorded in the previous year.

what newspapers do consumers read who complain to the ombudsman?





consumer diversity

16% of our customers told us in our monthly surveys that they had some form of disability (15% in the previous year) – predominantly hearing impairment and mobility difficulties. There is strong demand for our publications in Braille, large print and on audiotape – and we use TypeTalk and sign-language on request. This is part of our commitment to be flexible and accommodate our customers’ needs wherever we can.

Our customer surveys indicate that around 4% of people who use our service define themselves as “minority ethnic”. During the year we have worked with an agency specialising in ethnicity-driven research to try to help identify why proportionately fewer people from ethnic communities bring complaints to the ombudsman service – only 2% of our mortgage endowment complaints, for example, are from consumers from a minority ethnic group. Our research indicates that a multiplicity of complex factors are involved – reflecting the different social and economic circumstances of the UK’s diverse ethnic communities. However, in terms of awareness of consumer rights in general, proportionately more consumers from ethnic communities said that they had first heard about the ombudsman through friends, relatives and community organisations – and noticeably fewer said they relied on the media for this type of information.

For people who are not comfortable using English, we provide information and handle phone calls in other languages – and have done so during the year in 29 languages ranging from Albanian to Welsh.



how do consumers who complain to the ombudsman rate the service we provide?

■ we keep consumers well informed about progress on their complaint

87% agree

13% disagree

■ we explain clearly the reasons behind our decisions

76% agree

24% disagree

■ we resolve complaints within an acceptable length of time

69% agree

31% disagree

■ our staff are courteous at all times

96% agree

4% disagree

■ people who use our service are likely to recommend it to friends and family who have a financial complaint

73% agree

27% disagree

We carry out a monthly customer satisfaction survey, each involving a random selection of consumers with recent experience of our service. The feedback we receive from these monthly surveys tells us what our customers want and expect from us – and where we need to focus our priorities in terms of the service we provide. The chart above shows how customers who have completed the survey rated our service – measured against a number of customer service benchmarks.

We also calculate an annual baseline figure, so that we can measure and compare, year on year, the general level of satisfaction of consumers who use our service. During the year, 80% of consumers' views of our service were generally positive (the same figure as in the previous year).



how does the outcome of their complaint affect how consumers rate the service we provide?

■ of those consumers who said they felt they had “*won*” their complaint:

97% were satisfied with our handling of their case

2.5% were dissatisfied

0.5% expressed no view

■ of those consumers who said they felt they had “*lost*” their complaint:

63% were satisfied with our handling of their case

31% were dissatisfied

6% expressed no view

■ of those consumers who said they didn’t feel they had either “*won*” or “*lost*” their complaint:

94% were satisfied with our handling of their case

4.5% were dissatisfied

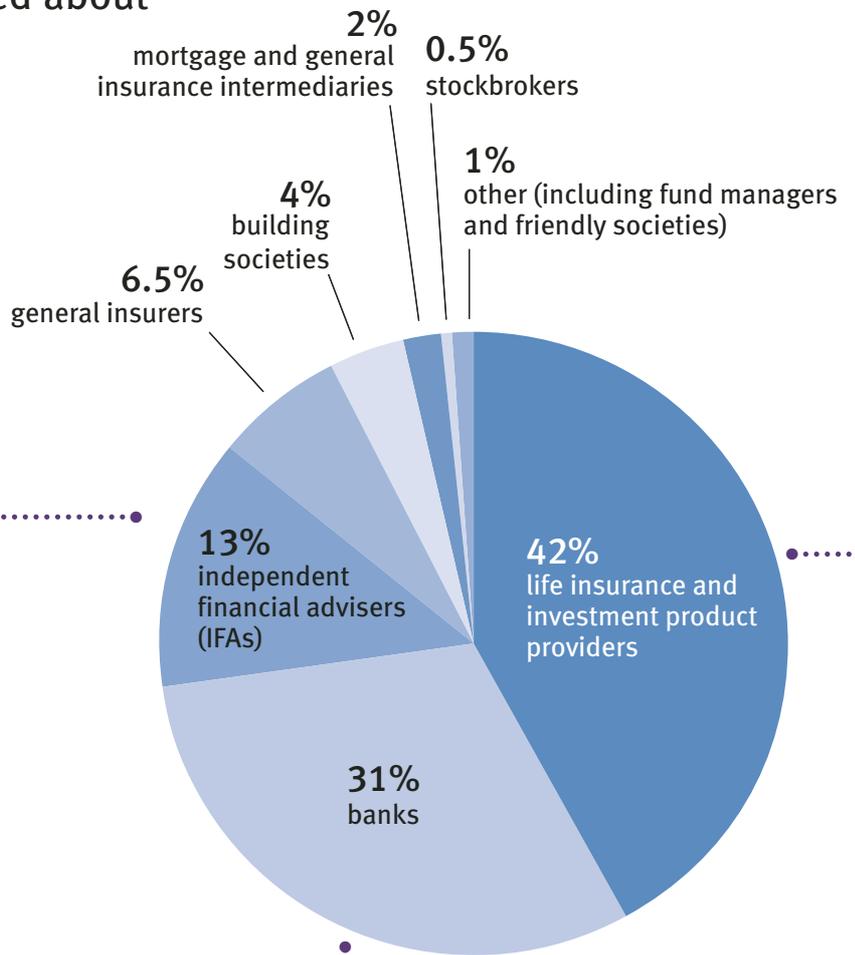
1.5% expressed no view



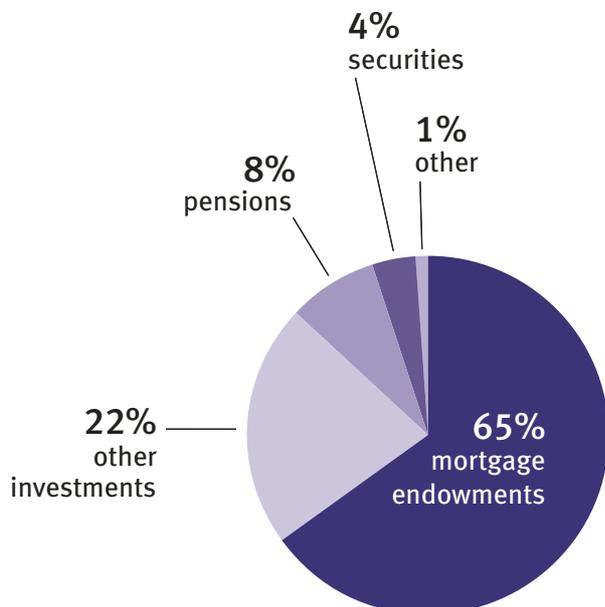
who the complaints were about

These charts show how the new complaints we received during the financial year 2004/05 were spread across the different sectors of the financial services industry.

firms complained about by sector

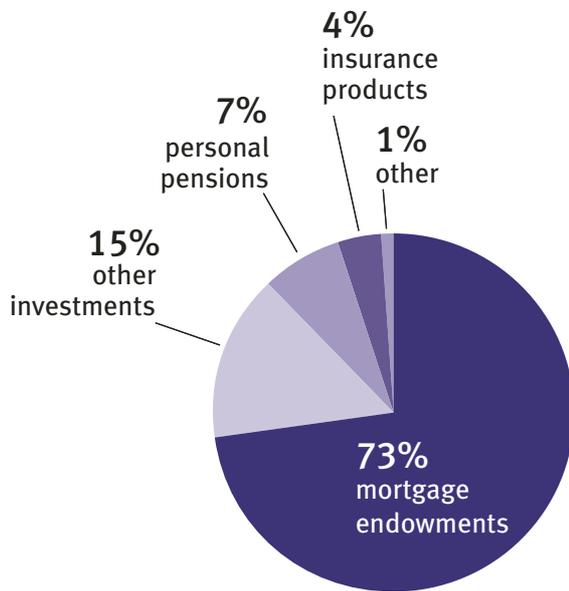


independent financial advisers (IFAs) – what products were complained about

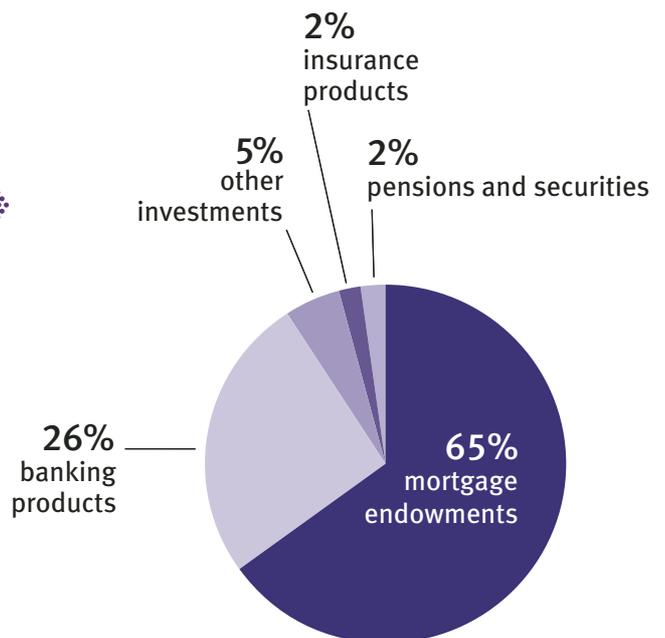




❖ **life insurance and investment product providers – what products were complained about**



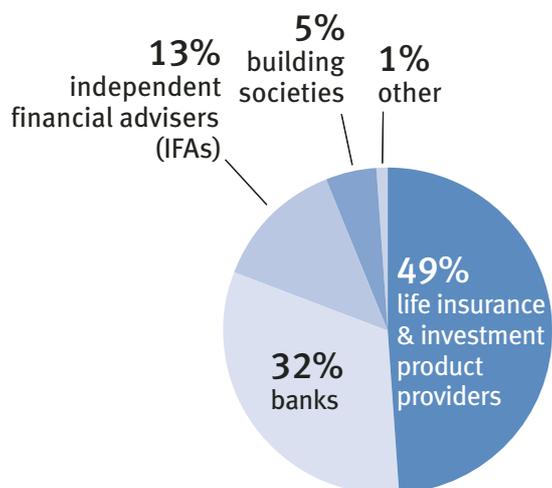
banks – what products were complained about ❖



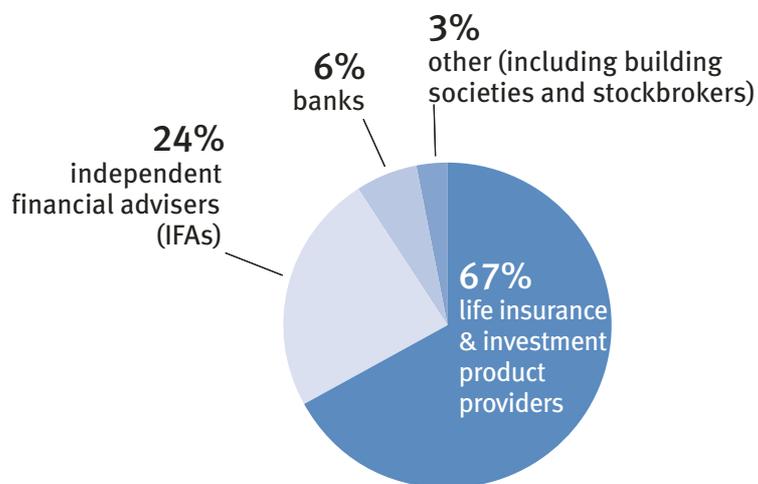


financial products most frequently complained about by sector

These charts show how cases involving the products most frequently complained about to the ombudsman service were spread across the different sectors of the financial services industry.

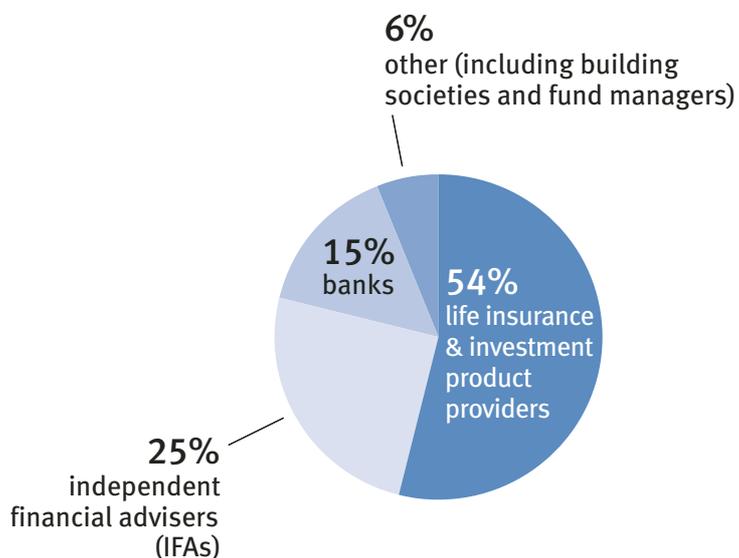


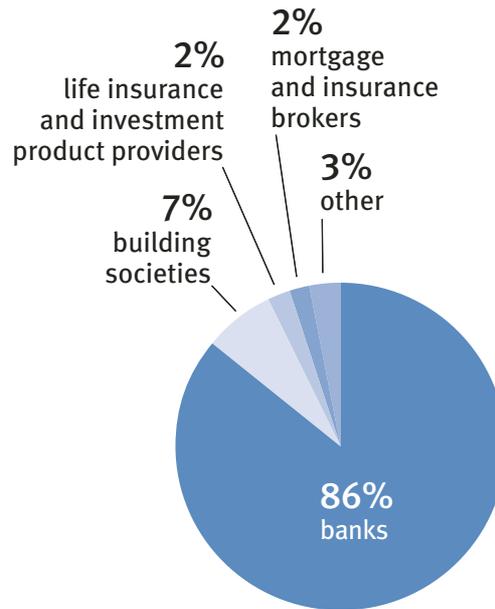
complaints about mortgage endowments



complaints about personal pension products

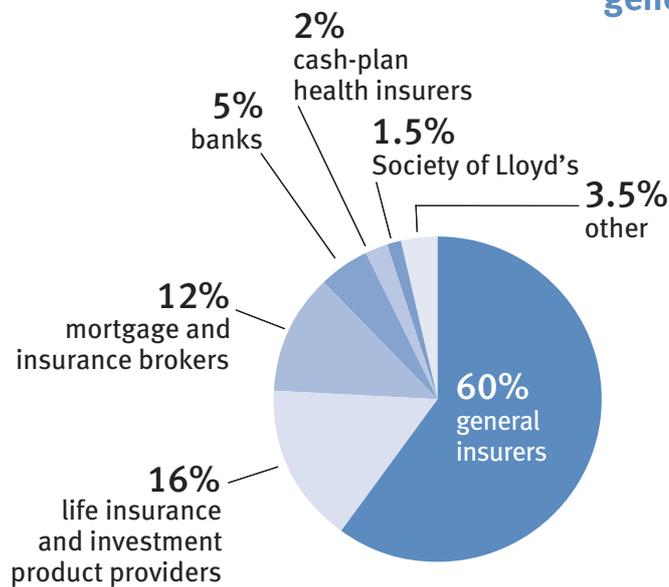
complaints about other investment products





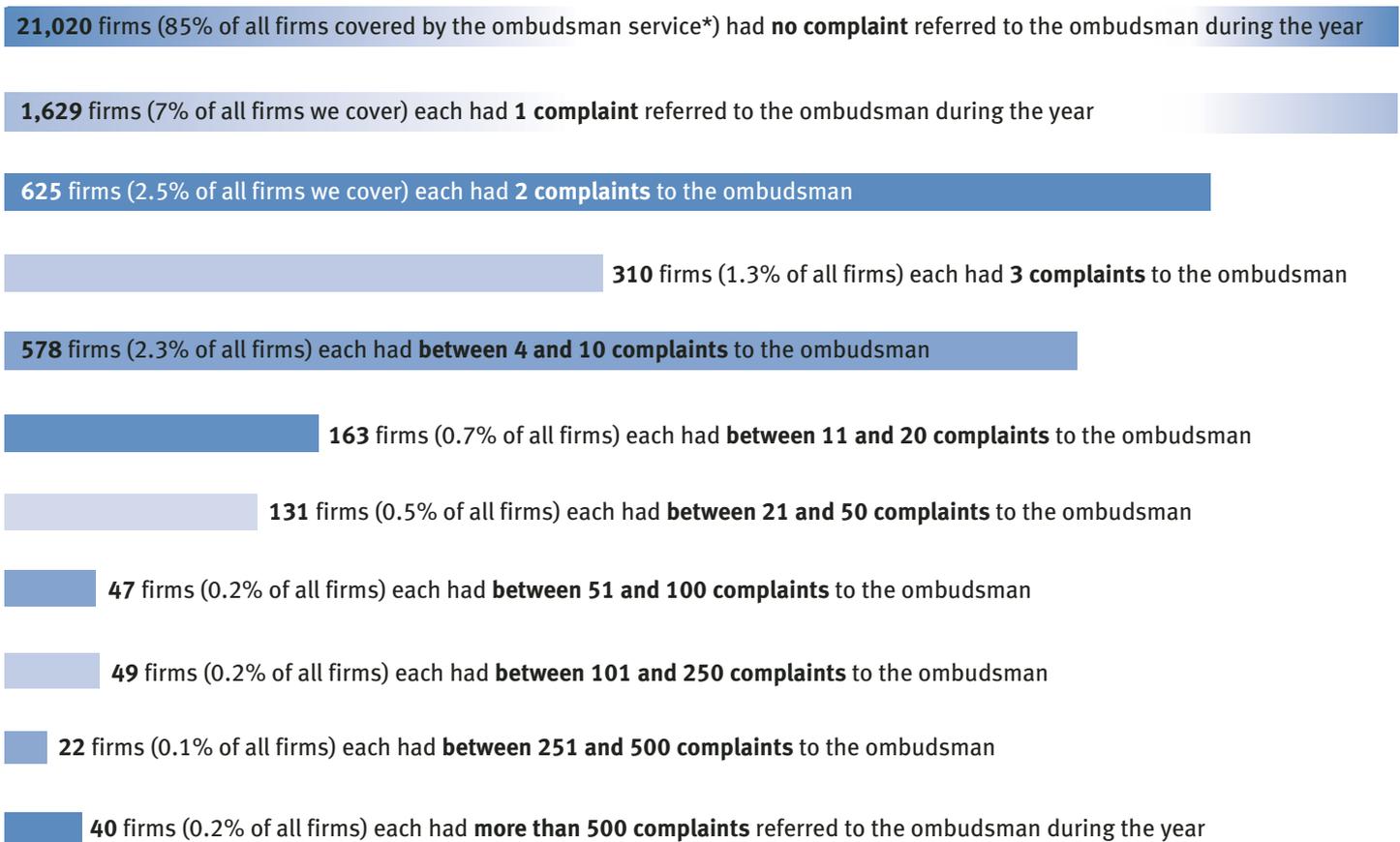
complaints about banking products

complaints about general insurance products





how often do financial firms have complaints about them referred to the ombudsman?



*as at 31 March 2005

The chart above shows that 85% of the firms covered by the ombudsman service as at 31 March 2005 had no complaints about them referred to us during the year. 2,254 firms – fewer than one in ten of all firms we cover – had just one or two complaints referred to us in the year. We do not charge firms case fees for the *first two* complaints each year. So this means that only 5% of firms covered by the ombudsman service paid case fees in the financial year 2004/05.

Ten of the UK's largest financial services providers accounted for 55% of the total number of complaints we received during the year. At the other end of the scale, just four complaints were referred to us about credit unions.



other work we have done

In addition to resolving individual disputes between consumers and firms, we are also involved in a range of other activities. This includes work internally – including management of operational, policy and legal issues – as well as work with our external stakeholders, who include all those with an interest in our service.

In this chapter we highlight some of the projects and activities we have been involved in during the year.

extended jurisdiction

The number of firms covered by the ombudsman service increased from just under 10,000 to around 14,000 when mortgage intermediaries came under our jurisdiction on 31 October 2004. The number of firms we cover then went up again – to just under 25,000 – when statutory regulation began for insurance intermediaries, who came into our jurisdiction on 14 January 2005.

The widening of our jurisdiction to cover these firms has gone smoothly – following considerable advance preparation, both strategic and operational, as described in last year's *annual review*. While this extension has resulted in a near tripling of the total number of firms we cover, we expect the volume of complaints arising in relation to these firms to be disproportionately small.

In our *plan & budget* published in January 2005 we suggested that we might receive around 5,000 complaints about mortgage and insurance intermediaries during the financial year 2005/06 – less than 5% of the total number of expected complaints. Feedback we received was that these *plan & budget* estimates were realistic.

We continued to plan for the possible further extension of our jurisdiction – to cover consumer credit firms. Consumer credit – where it is provided by firms not already in our jurisdiction (for example, banks and building societies) – remains the only significant area of personal finance not already covered by the Financial Ombudsman Service. During the year, draft legislation began its passage through Parliament which would have involved overhauling existing consumer credit legislation and extending our jurisdiction to cover disputes relating to consumer credit. This proposed legislation had not, however, become law before Parliament dissolved in April 2005 for the General Election.

Since May 2002 one of our ombudsmen has been formally carrying out a separate statutory function – that of the Independent Adjudicator for National Savings and Investments. Following public consultation, our rules were amended with effect from October 2004 – to enable National Savings and Investments (NS&I) to join our voluntary jurisdiction, rather than continuing to come



under the Independent Adjudicator. NS&I aim to join on 1 September 2005, from which point we will deal with complaints about NS&I products using the same rules and approach that we apply to complaints about other financial products.

In November 2004 the Treasury launched a consultation document on the regulation of investment trust companies – in response to a recommendation by the Treasury Committee of the House of Commons in its report, published in February 2003, on split capital investment trusts. The Treasury Committee recommended that investment trust companies should be brought within the scope of investment product regulation by the Financial Services Authority (FSA). As part of its consultation on these matters, the Treasury sought views on whether investment trust companies should also be brought fully under the jurisdiction of the Financial Ombudsman Service. Currently we can normally consider complaints about *advice* on buying shares in investment trust companies; and we can deal with complaints about ISAs or unit trusts that invest in investment trust companies. But we do not cover complaints about investment trust companies themselves.

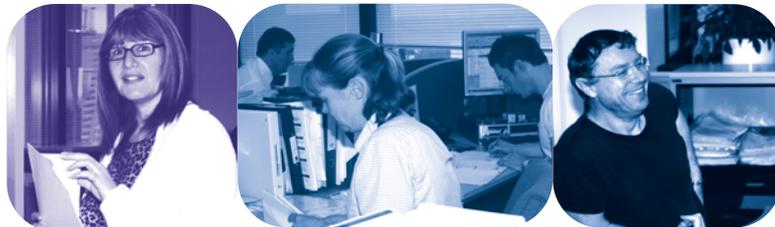
quality

In January 2004 – as reported in last year's *annual review* – the board of the Financial Ombudsman Service commissioned Professor Elaine Kempson of the Personal Finance Research Centre at Bristol University to carry out an independent assessment of the operations of the ombudsman service.

The board saw this as an important exercise in scrutinising and testing our process and output in terms of quality, consistency and value – building on the internal review procedures and quality-checking systems already in place.

Professor Kempson and her team of researchers carried out the assessment over the first six months of 2004. The board published Professor Kempson's report in full in July 2004. The report – *Fair and reasonable: an assessment of the Financial Ombudsman Service* – is available on our website. It concludes with the “*overall view that the Financial Ombudsman Service is a thoughtful, well-managed organisation that is doing a good job under difficult circumstances*”.

Our then chairman, Sue Slipman, sent a copy of the report to the chief executives of the twenty firms that together account for well over two thirds of our total workload (in terms of the number of complaints referred to us by consumers). The chairman invited comments and feedback from the firms – in particular, in response to Professor Kempson's findings that the quality of our case-handling was “*generally high*” and that there was “*no evidence to suggest that lack of consistency was a significant problem within the organisation*”. The chairman asked firms to send the chief ombudsman – over the following six months – any decisions they identified which they believed were inconsistent. Only one firm of the twenty eventually responded, giving three examples of outcomes in individual cases with which it had disagreed.



The recommendations put forward in Professor Kempson's report were considered in detail by the board and executive team and have all been – or are in the process of being – implemented. This included the recommendation that specific responsibility for the management of quality should be assigned to a single member of the executive. The new post of quality director was advertised in October 2004 and Estelle Clark was subsequently appointed in January 2005. The quality director's role is to act as a champion for quality across the ombudsman service, working across all levels of the organisation to develop new approaches to quality. This includes ensuring that our staff are properly trained and supported, and that a culture of continuous improvement exists throughout the ombudsman service.

investment in management

Following Professor Kempson's assessment of our operations – and in response to the continuing increase in our workload – we re-structured and strengthened our organisational framework during the year. We have invested, in particular, in our senior management structure, in order to take account of the changing requirements of an organisation that has tripled in size, in terms of its workforce, over the last five years – while handling a fourfold increase in cases over the same period.

In addition to creating the new role of quality director, described above, and appointing a new human resources director, we have realigned the roles of our two principal ombudsmen. As principal ombudsman and corporate director, David Thomas now leads our work on corporate policy, including relations with government and regulators, and our work on "wider implications" cases. As principal ombudsman and decisions director, Tony Boorman leads our team of ombudsmen, assisted by five senior ombudsmen who have been given lead responsibility for particular sectors. There is an organisation chart showing our senior management structure on page 78 of this *annual review*.

working with the Financial Services Authority (FSA)

The FSA and the ombudsman service are operationally independent, with separate and distinct roles. However, our two organisations have a strong and constructive relationship. In operational terms, a memorandum of understanding (MoU) provides the formal framework for our relationship with the FSA. This MoU – which can be downloaded from our website – reflects the importance of close co-operation and communication between the FSA and the ombudsman service, because our functions are so closely related.



We and the FSA have worked together closely during the year in areas ranging from mortgage endowment complaints to the extension of the regulatory framework (and of the ombudsman service's remit) to cover mortgage and general insurance intermediaries. And we liaise closely where changes to the FSA rules will affect our consideration of cases. For example, we will have to take into account the difference between the "basic advice" regime for the new "stakeholder" investment products and the "full advice" regime for other investments.

"N2+2" review and "wider implications"

During the year we and the FSA continued our joint consultation with stakeholders on certain aspects of the Financial Services and Markets Act 2000 – relating specifically to how the Financial Ombudsman Service operates in practice. The aspects under consultation were identified as part of the Treasury's wider review of this new Act, two years after it came into force. This wider review became known in shorthand as the "N2+2" review – because "N2" was how the financial services industry referred to the date on which the Act became law.

The aspects of the review involving the ombudsman service covered our interaction with the FSA on complaints with "wider implications"; and whether there should be an external appeals system on top of our existing procedures (which already involve at

least two stages, enabling an appeal by either party from an adjudicator to an ombudsman, as well as the availability of judicial review of ombudsman decisions).

In March 2005 we and the FSA announced jointly the outcome of our extensive consultation on these matters. This included publishing details of new arrangements aimed at clarifying the different roles and responsibilities of the FSA and the ombudsman service when "wider implications" issues arise; improving the identification and handling process for such cases at both the FSA and the ombudsman service; enhancing co-operation on cases between us and the FSA; and improving the overall transparency of the process.

We also confirmed that the majority of those who had responded to the consultation – including larger firms and consumer bodies – were opposed to introducing a formal appeals mechanism; and that we and the FSA did not, therefore, propose to recommend to the government that legislation should be introduced for an external appeals mechanism.

our work with stakeholders and customers

year ended 31 March 2005

roadshows and conferences	We held 19 roadshows across the UK – from Plymouth to Edinburgh, Maidstone to Belfast – and 2 <i>workingtogether</i> conferences.
tradeshows and consumer events	We took our exhibition stand to 49 tradeshows and consumer events: from <i>BBC Good Homes</i> at the NEC to <i>Mortgage Business Expo</i> at Olympia; from <i>NewStartScotland</i> in Glasgow to the <i>United Counties Agricultural Show</i> in Camarthen.
speeches and presentations	We spoke at 124 seminars, conferences <i>etc.</i>
visits and workshops for consumer advisers	We met 136 consumer advice organisations nationwide, such as trading standards departments and citizens advice bureaux.
visits and training for firms	We met 269 financial services providers – from sole-trader financial advisers to international investment banks.
industry meetings and seminars	We took part in 208 meetings for groups of financial services practitioners – including our industry liaison forums (attended by trade bodies and industry representatives).
media enquiries	We handled over 3,000 enquiries from newspapers, magazines and TV/radio stations.
MPs	We responded to 474 letters from MPs and 138 ministerial enquiries – and provided replies to 18 Parliamentary Questions.
website hits	95,000 people a month logged on to www.financial-ombudsman.org.uk
publications	<ul style="list-style-type: none"> ■ We printed and distributed over a million copies of our publications (including our leaflet, <i>your complaint and the ombudsman</i>, and 10 editions of our newsletter, <i>ombudsman news</i>). ■ We sent 30,000 copies of our <i>introduction to the Financial Ombudsman Service</i> to smaller firms that came under our remit during the year.
our technical advice desk <i>(general guidance and advice on ombudsman practice and procedures – for complaints-handlers and consumer advisers)</i>	Our technical advice desk handled 18,486 enquiries, comprising: <ul style="list-style-type: none"> ■ 15,898 calls from financial services practitioners ■ 2,129 enquiries from consumer advisers ■ 459 calls from trade associations, researchers, official bodies <i>etc.</i>



the independent assessor's annual report

annual report by **Michael Barnes** CBE
to the board of the Financial Ombudsman Service

The independent assessor's role is to carry out a final review of the service provided by the Financial Ombudsman Service, in cases where a user of our service has already referred the matter to our service review team for investigation but remains dissatisfied. Under his terms of reference, the independent assessor can consider complaints about our investigative process and the behaviour of our staff. Disagreements about the merits of decisions are expressly excluded from his jurisdiction. The independent assessor is authorised to make findings and recommendations for redress in cases where he believes it is justified.

During the year ended 31 March 2005, I dealt with a total of 319 referrals (367 in the previous year). I carried out investigations in 164 of these cases – an increase of 36% on the 121 investigations I carried out in 2003/04.

Of the 155 cases where I did not carry out a full investigation:

- 97 had been referred to me too early in the process – usually before the service review team at the Financial Ombudsman Service had first been given the chance to resolve the matter;
- 38 were enquiries rather than actual complaints (a 71% decrease on the 129 enquiries the previous year – probably as a result of growing awareness of how the complaints system works); *and*
- 20 cases were outside my jurisdiction, either because they were “out-of-time” or because they were outside the jurisdiction of the Financial Ombudsman Service.

I upheld the complaint about the ombudsman service (either wholly or in part) in 58 of the 164 cases that I investigated – just over a third, and roughly the same proportion as in 2003/04. In all but seven of the 58 complaints I upheld, I made a recommendation that compensation for distress or inconvenience should be paid – the amount of compensation ranging from £50 to £500. The ombudsman service accepted all the recommendations that I made.

I continue to receive a number of complaints about the ombudsman service's acceptance of the compensation calculations carried out by firms in mortgage endowment cases, where the complaint is upheld. The concept behind the methodology of the regulatory guidance on mortgage endowment redress, issued by the Financial Services Authority (FSA), is easy to understand – namely, to put consumers in the position they would have been in, if they had taken out a repayment mortgage. However, the problem seems to be that the manner in which the calculations are presented to the consumer lacks transparency, when surrender values, interest rates and possible life cover are fed into the equation. Clearly, the ombudsman service cannot be expected to check firms' calculations in every case. Nevertheless, I consider that the ombudsman service should always be prepared to re-run calculations when there appear to be strong reasons for doing so.

Another area where consumers have expressed strong views to me about the handling of their complaints has been where the dispute concerns the management of a sizeable portfolio of investments. In responding to the ombudsman service about such complaints, firms often make lengthy submissions defending their position. These submissions may not necessarily contain any new evidence that has to be disclosed to the consumer before the adjudicator drafts an assessment – but they may amount to a re-working of the response that the firm had previously given to the complainant, which seeks to present the events that occurred in a somewhat different light.

In several such cases referred to me during the year, consumers only became aware of the existence of such submissions at a later stage in the investigation – at which stage they considered that their position had been prejudiced as a result of not being able to comment earlier. In my view, the nature of portfolio management complaints is such that adjudicators need to take particular care in deciding what constitutes new evidence or argument, when they are considering representations received from firms. If they are in any doubt, it is always best to give the complainant further opportunity for comment.

Consumers whose complaints are upheld – particularly where large insurance claims are involved – may face a dilemma if the ombudsman makes a *binding award* of £100,000 (the maximum permitted under the rules) *plus a recommendation* that the

firm should pay a further amount of compensation in addition to the £100,000. In one such case during the year, the consumer received an ombudsman's decision in his favour – but felt unable to accept it in full and final settlement. This was because he felt he would have forfeited the full extent of his entitlement under his insurance policy, if the firm declined to pay the additional recommended compensation – leaving him with only the binding award of £100,000. He therefore decided *not* to accept the ombudsman's decision but instead to negotiate with the firm himself – with the opportunity still open to him of taking legal action against the firm as a last resort.

In some cases, the ombudsman service is able to obtain an assurance from the firm – before the final decision is issued – that it will agree to pay the additional compensation recommended. In other cases that may not be possible, because the final figure on which the additional recommended compensation is based cannot be quantified when the ombudsman's decision is issued (for example, it may depend on the cost of building works yet to be carried out). Clearly, the situation as it stands is not entirely satisfactory. The £100,000 limit on binding awards was inherited by the ombudsman service from some of its predecessor schemes. It has remained at that level for many years and, in my view, should be raised to a substantially higher figure. That would be at least a partial solution to the dilemma I have referred to. I hope, therefore, that the ombudsman service will raise this possibility with the FSA, who would have to agree to the rule change that would be needed.

Eight of the 164 complaints I investigated were complaints from firms. Seven of these firms were independent financial advisers and one was a firm of insurance brokers. In two of these cases I upheld the complaint. Delay and other forms of administrative shortcomings continue to be the reasons most commonly cited by consumers who complain to me about the ombudsman service – with claims of bias or unfair treatment coming next, but some way behind. The financial services products that featured most frequently during the year in the complaints referred to me were mortgage endowments and investments (including pensions). Banking matters came next – followed by insurance policies of one kind or another.

Again this year, I must emphasise that the cases I see are a tiny fraction of the ombudsman service's overall caseload. The matters I have drawn attention to should not, therefore, be regarded as a basis for drawing conclusions about how they might apply more generally.



Michael Barnes CBE
May 2005

report & financial statements

Financial Ombudsman Service Limited
(a company limited by guarantee)

company registration no. 03725015

directors

Sir Christopher Kelly KCB – *chairman*

Caroline Banks
David Crowther
Richard Hampton
Ed Hucks
Roger Jefferies
Kate Lampard
Julian Lee
Roger Sanders OBE

company secretary

Barbara Cheney

registered office

South Quay Plaza
183 Marsh Wall
London
E14 9SR

bankers

Lloyds TSB Bank plc
London

auditors

Deloitte & Touche LLP
London

directors' report

The directors of the Financial Ombudsman Service Limited present their report for the year ended 31 March 2005, together with audited financial statements of the company for the same period.

principal activities

The principal activity of the Financial Ombudsman Service is the provision of an informal dispute resolution service for consumers and providers of financial products. It was created as part of the government's legislation for the financial services market and derives its statutory authority from the Financial Services and Markets Act 2000. The company was incorporated in 1999 to consolidate into a single statutory body the complaints handling and ombudsman services formerly provided by a number of statutory and voluntary schemes.

The company received its powers as the "scheme operator" provided for in Schedule 17 of the Financial Services and Markets Act 2000 through the enactment of secondary legislation on 1 December 2001.

financial results

The company presents its results for the year to 31 March 2005. During the year, the company had an operating deficit after tax of £1,791,969 (2004: surplus of £4,533,453). In line with our reserves policy, where any accumulated surplus in excess of 5% of our annual expected expenditure is returned to firms, we had planned for a deficit of £1.4m. However, the deficit for the year was £0.4m higher than expected, largely due to fewer case closures than anticipated.

The company derives its income from firms covered by the Financial Ombudsman Service, partly from an annual levy and partly from case fees, which become payable when chargeable cases are closed. The amount of the annual levy paid by each firm depends on its size and the industry sector. Consumers do not pay to bring a complaint to the Financial Ombudsman Service and the company receives no government funding.

directors' report, continued

directors

The Financial Services Authority appoints all members of the board, and HM Treasury also approves the appointment of the chairman. Directors are appointed for a period of up to four years and they may be reappointed for a further term, which must not exceed six years in total. The directors of the Financial Ombudsman Service Ltd during the year, and their attendance at board meetings, are shown below as a proportion of the meetings each director was eligible to attend:

director		attendance
Sue Slipman OBE	chairman to 3.02.05	9/9
Sir Christopher Kelly KCB	chairman from 4.02.05	8/10
Caroline Banks	from 23.02.05	1/1
David Crowther	from 23.02.05	1/1
Lawrence Churchill	to 22.02.05	9/9
Robert Crawford	to 22.02.05	8/9
Richard Hampton	from 23.02.05	1/1
Ed Hucks		8/10
Roger Jefferies		9/10
Kate Lampard		9/10
Brian Landers	deputy chairman to 22.02.05	8/9
Julian Lee	from 23.02.05	1/1
Roger Sanders OBE	from 23.02.05	1/1
Helena Wiesner	to 22.02.05	8/9

No director has any interests in the company. In the event of the winding up or dissolution of the company, each director's responsibility for payment of the company's debts and liabilities is limited to £1 each.

fixed assets

The movements in fixed assets during the year are set out in note 13 to the accounts.

supplier payment policy

The company's policy is to pay all suppliers within 30 days of date of invoice.

employment policies

The Financial Ombudsman Service continues to monitor its recruitment policy to ensure it provides equal opportunities and fair treatment in all aspects of employment and does not tolerate any form of harassment either by or against employees. There are opportunities for staff to work part-time, flexible hours, to job share and to work from home. The company provides a comprehensive training programme involving internal and external courses. A modular qualification for adjudicators has been developed internally to enhance adjudicators' skills, and includes case-handling, product knowledge and management modules.

diversity

The Financial Ombudsman Service is fully committed to a policy of treating all employees and job applicants equally. All selection and recruitment decisions, both internal and external, and the progression of employees within the company are based on merit and not on any consideration of race, colour, religion, disability, nationality, ethnic origin, sex, sexual orientation, age, part-time hours or marital status.

The Financial Ombudsman Service complies as far as possible with the contents and aims of the *Code of Good Practice on the Employment of Disabled People* issued by the Employment Service.

The company:

- has ensured that there is full disabled access to its offices and all its facilities;
- considers all applicants for vacancies on merit. Where necessary, special arrangements are made for interviewing disabled applicants;
- raises awareness amongst staff of the assistance needed by their disabled colleagues at work; *and*
- reviews its policy annually and makes changes as required by legislation and best practice.

directors' report, continued

employment policies, continued

employee involvement

Senior members of staff meet a representative group of staff, the Employee Communications Forum, every month. The purposes of the meetings are:

- to give all staff an opportunity to raise questions, make suggestions or air matters of concern, through their representative on the forum; *and*
- to allow managers to consult staff on proposals prior to implementation and keep staff informed of the development of the Financial Ombudsman Service.

There is also a subsidised Sports & Social Committee, run by members of staff, which organises a wide range of social and sporting events.

corporate governance

The Financial Ombudsman Service Ltd is a company limited by guarantee, without shareholders, which is a common structure for not-for-profit organisations. The directors remain committed to high standards of best practice in corporate governance. While not bound by the provisions of the Code of Best Practice identified within the *Combined Code*, the Financial Ombudsman Service aims to ensure that it complies with best practice in all relevant areas.

The board consists of the chairman and eight directors, all of whom are non-executive directors. Members of the board are appointed in the public interest and represent a wide range of business, financial and consumer expertise. The board has no involvement in considering individual complaints. The role of the board is to ensure that the company is properly resourced and is able to carry out its functions effectively, impartially and independently – free from any control or influence by those whose disputes are resolved by the Financial Ombudsman Service.

The board met ten times during the year. Detailed papers were circulated in advance of each meeting to ensure that the directors were able to make informed decisions at meetings. The company secretary attended and

directors' report, continued

corporate governance, continued

minuted all meetings of the board and its committees. The directors believe they have full and timely access to all relevant information required to carry out their functions. Registers of directors' and ombudsmen's interests are maintained. The board meeting in June 2004 was held away from the office over a full day to give the directors an opportunity to review their strategic vision, direction, structure and their responsibilities.

In addition to the provision of strategic direction and management, decisions taken by the board include:

- the appointment of the ombudsmen and the independent assessor;
- the making of rules in respect of the scheme's voluntary jurisdiction, subject to the approval of the Financial Services Authority;
- the making of rules relating to the levying of case fees, subject to the approval of the Financial Services Authority; *and*
- the approval of and recommendation to the Financial Services Authority of the annual budget.

committees

The terms of reference for the board committees are on the website at www.financial-ombudsman.org.uk/about/board.html. Details of the board committees are as follows:

audit committee

The audit committee met three times during the year. Its remit is to:

- make recommendations to the board in respect of the external auditors' appointment;
- review the draft report and financial statements before submission to the board;
- discuss with the auditors issues arising from the external audit;
- receive reports from the internal auditors and approve the internal audit programme;
- ensure compliance with all requirements governing financial reporting; *and*
- review risk management controls.

directors' report, continued

committees, continued

audit committee, continued

Members of the audit committee were (with attendance at meetings shown in brackets):

Brian Landers – chairman (3/3)

Robert Crawford (2/3)

Ed Hucks (2/3)

Roger Jefferies (3/3)

The committee reviewed and approved the financial statements and external auditors' report. The risk management model was maintained and considered, with the assistance of the internal auditors. Key risks identified formed the basis for drawing up the internal audit plan for the year. The committee considered various internal audit reports (including reports about case-handling, quality assurance, human resources, cash, bank and treasury management) and an internal audit plan for the coming year.

During the year the committee carried out a self-assessment evaluation of its performance, in accordance with the *Combined Code Guidance* in the Smith Report.

remuneration committee

The remuneration committee met three times during the year. Its remit is to:

- consider and agree proposals from the chief ombudsman about the remuneration of senior executive staff and ombudsmen;
- give advice about the policy for, and scope of, pension arrangements for all staff;
- review and note annually the remuneration trends across the organisation; *and*
- advise on any proposals for major changes to employee benefit structures.

Members of the remuneration committee were (with attendance at meetings shown in brackets):

Sir Christopher Kelly KCB – chairman (3/3)

Lawrence Churchill (3/3)

Robert Crawford (2/3)

Kate Lampard (2/3)

directors' report, continued

committees, continued

remuneration committee, continued

The committee reviewed, and approved, proposals for remuneration for senior staff and ombudsmen at the Financial Ombudsman Service. It also considered a range of proposals for dealing with the issue of fairness between the final salary and money purchase pension schemes.

performance evaluation

The chairman met with each director individually to assess the board's view of the performance of the Financial Ombudsman Service, the operation of the board (including its method of operation, contributions by directors and the sub-committee structure), the role and performance of the executive team and proposals for further development. At its planning meeting, in June 2004, the board discussed the assessment of its performance and agreed a number of measures for further development.

auditors' independence

The company has reviewed its relationship with its auditors, Deloitte & Touche LLP, and has concluded that there are sufficient controls in place to ensure the required level of independence. During the year no fees, other than for audit and tax advice, were paid to Deloitte & Touche LLP.

internal controls

The board of the Financial Ombudsman Service has overall responsibility for establishing key procedures designed to achieve a sound system for internal control and reviewing its effectiveness. The system is designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. As part of this process, the board and audit committee initiate reports from either the executive team or the internal auditors where necessary.

The Financial Ombudsman Service's key internal control and monitoring procedures include:

directors' report, continued

internal controls, continued

financial reporting

There is a comprehensive budgeting system, with the annual budget (which sets out workload assumptions, financial plans and priorities) being approved by the boards of both the Financial Ombudsman Service and the Financial Services Authority. Monthly results with revised forecasts are reviewed at each board meeting.

monitoring systems

The audit committee reviews regular reports at their meetings from the internal auditors. The board receives a management information pack of key performance indicators at each of its meetings.

risk management

The Financial Ombudsman Service operates a risk management process that identifies the key risks facing the company. A risk management model has been developed, which identifies key risks, an impact analysis, the current risk management strategy, its effectiveness, any further action required and the risk owner. This model is reviewed by the audit committee and the executive team.

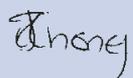
quality assurance

The Kempson review recommended the appointment of a member of the executive team to take responsibility for all aspects of quality control throughout the organisation. A quality director was appointed in January 2005 and is developing our quality assurance initiatives.

auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

.....
Approved by the board of directors and signed on behalf of the board.



Barbara Cheney

company secretary

9 June 2005

directors' responsibilities in respect of the financial statements

United Kingdom company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of the income and expenditure of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; *and*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the financial statements comply with these requirements.

The directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

independent auditors' report to the members of the Financial Ombudsman Service Limited

We have audited the financial statements of the Financial Ombudsman Service Limited for the year ended 31 March 2005 which comprise the income and expenditure account, the balance sheet, the cash flow statement, notes a to f to the cash flow statement and notes 1 to 19 to the accounts. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent mis-statements.

basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2005, its deficit and its cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

9 June 2005

income and expenditure account

for the year ended 31 March 2005

	notes	2005 £'000	2004 £'000
turnover	2, 3	43,645	40,535
administrative costs		<u>(45,593)</u>	<u>(36,322)</u>
		(1,948)	4,213
other operating income	4	147	342
operating (deficit)/surplus		<u>(1,801)</u>	<u>4,555</u>
interest receivable	5	234	158
interest payable and similar charges	6	(214)	(182)
(deficit)/surplus on ordinary activities before taxation	7	<u>(1,781)</u>	<u>4,531</u>
tax (charge)/credit on (deficit)/surplus on ordinary activities	8	(11)	2
(deficit)/surplus on ordinary activities after taxation		<u>(1,792)</u>	<u>4,533</u>
balance of income over expenditure brought forward at 1 April		8,561	4,028
balance of income over expenditure carried forward at 31 March		<u><u>6,769</u></u>	<u><u>8,561</u></u>

All amounts relate to continuing activities in the current and prior year.

There were no recognised gains or losses in either the current or the prior year other than those included in the income and expenditure account above. Accordingly, no statement of total recognised gains and losses has been presented.

Notes a to f to the cash flow statement and notes 1 to 19 to the accounts form an integral part of these financial statements.

balance sheet as at 31 March 2005

	notes	2005 £'000	2005 £'000	2004 £'000	2004 £'000
fixed assets					
tangible assets	13		7,382		7,859
current assets					
debtors	14	8,064		6,383	
cash at bank and in hand		3,780		5,088	
		<u>11,844</u>		<u>11,471</u>	
current liabilities					
creditors: amounts falling due within one year	15	<u>(4,957)</u>		<u>(3,269)</u>	
net current assets			6,887		8,202
total assets less current liabilities			<u>14,269</u>		<u>16,061</u>
creditors: amounts falling due after more than one year	16		(7,500)		(7,500)
net assets			<u>6,769</u>		<u>8,561</u>
capital and reserves					
accumulated balance of the income and expenditure account			6,769		8,561
			<u>6,769</u>		<u>8,561</u>

signed on behalf of the board of directors



Sir Christopher Kelly KCB
chairman

Notes a to f to the cash flow statement and notes 1 to 19 to the accounts form an integral part of these financial statements. These financial statements were approved by the board of directors on 9 June 2005.

cash flow statement

for the year ended 31 March 2005

	notes	2005 £'000	2004 £'000
net cash inflow from operating activities	a	892	5,252
returns on investments and servicing of finance	b	20	(27)
taxation	c	9	7
capital expenditure and financial investment	d	(2,229)	(1,263)
net cash (outflow)/inflow before financing		<u>(1,308)</u>	<u>3,969</u>
financing			
movement in long-term borrowings		–	(2,000)
(decrease)/increase in cash in the year	e,f	<u><u>(1,308)</u></u>	<u><u>1,969</u></u>

notes to the cash flow statement

for the year ended 31 March 2005

a reconciliation of operating (deficit)/surplus to net cash inflow from operating activities

	2005 £'000	2004 £'000
operating (deficit)/surplus for the year	(1,801)	4,555
depreciation	2,706	2,865
increase in debtors	(1,698)	(1,497)
increase/(decrease) in creditors	1,685	(671)
net cash inflow from operating activities	<u><u>892</u></u>	<u><u>5,252</u></u>

notes to the cash flow statement for the year ended 31 March 2005 (continued)

**b returns on investments
and servicing of finance**

	2005 £'000	2004 £'000
interest received	234	158
interest paid	(214)	(185)
	<u>20</u>	<u>(27)</u>

c taxation

	2005 £'000	2004 £'000
UK corporation tax paid	(8)	(15)
UK corporation tax recovered	17	22
	<u>9</u>	<u>7</u>

**d capital expenditure
and financial investment**

	2005 £'000	2004 £'000
payments to acquire tangible fixed assets	(2,229)	(1,264)
receipts from sales of tangible fixed assets	–	1
	<u>(2,229)</u>	<u>(1,263)</u>

**e reconciliation of net cash
flow to movement in net debt**

	2005 £'000	2004 £'000
(decrease)/increase in cash	(1,308)	1,969
cash inflow from decrease in debt financing	–	2,000
movement in net debt for year	(1,308)	3,969
net debt at 1 April	(2,412)	(6,381)
net debt at 31 March	<u>(3,720)</u>	<u>(2,412)</u>

f analysis of changes in net debt

	at 1 April 2004 £'000	cash flows £'000	at 31 March 2005 £'000
cash at bank and in hand	5,088	(1,308)	3,780
long-term loans	(7,500)	–	(7,500)
	<u>(2,412)</u>	<u>(1,308)</u>	<u>(3,720)</u>

notes to the accounts

for the year ended 31 March 2005

1 status of the company

Financial Ombudsman Service Limited is a company limited by guarantee and registered in England and Wales (company registration no. 03725015). The liability of each of the members is limited to the amount of £1 guaranteed in the Memorandum of Association.

2 principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom company law and accounting standards. A summary of the principal accounting policies is set out below.

turnover

annual levy – each firm that comes under the jurisdiction of the Financial Ombudsman Service is required to pay an annual levy based on the permissions given to that firm by the Financial Services Authority.

case fees – each firm that has a chargeable complaint referred for investigation to the Financial Ombudsman Service is required to pay a case fee upon closure of the third and subsequent complaint.

service charges – the Financial Ombudsman Service provides accounting and other services to some of the former schemes.

recognition of income – levy and service charge income is recognised on invoicing for the period to which the invoices relate. From 1 April 2002, case fee income is recognised at the date when invoices are raised, this being the end of the month in which the case is closed. For cases transferred from the Personal Investment Authority Ombudsman Bureau at 30 November 2001, and for cases billed by the Financial Ombudsman Service, at conversion, between 1 December 2001 and 31 March 2002, income is recognised upon closure of the case (see ‘deferred income’ accounting policy).

2. principal accounting policies (continued)

tangible fixed assets

Depreciation is calculated so as to write off the cost, less estimated residual value, of tangible fixed assets on a straight-line basis over the expected useful economic life of the asset concerned.

leasehold improvements	over ten years
premises fees and stamp duty	over five years
computer hardware	over three years
computer software	over five years
computer systems development and fees	over five years
office furniture and equipment	over five years
fixtures and fittings	over ten years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

pension scheme payments

The company operates both a defined benefit pension scheme and a defined contribution (money purchase) scheme, both being part of the Financial Services Authority tax-approved pension plan. The costs of the contributions to the defined benefit scheme are accounted for in accordance with SSAP 24, where the charge to the income and expenditure account relates to the cost of the pension spread over the service life of the employees, and is determined by independent qualified actuaries undertaking a formal valuation every three years. The costs of the contributions to the money purchase scheme are charged to the income and expenditure account as incurred.

operating lease commitments

Operating lease costs are charged to the income and expenditure account to reflect usage of the assets leased.

notes to the accounts for the year ended 31 March 2005 (continued)

2. principal accounting policies (continued)

deferred income

The accounting policy used by the Personal Investment Authority Ombudsman Bureau for billing chargeable cases was continued in the Financial Ombudsman Service from 1 December 2001 to 31 March 2002. Case fees were billed to firms and credited to the deferred income account on the conversion of the case. Amounts are released to case fee income only on closure of the case. The balance in the deferred income account therefore represents the number of open cases being:

- those cases originally converted and billed in the Personal Investment Authority Ombudsman Bureau prior to 1 December 2001 and transferred to the Financial Ombudsman Service at that date; *and*
- those cases converted and billed in the Financial Ombudsman Service between 1 December 2001 and 31 March 2002.

Amounts billed by the Financial Services Authority in advance for levy due for the year from 1 April 2005 are shown as deferred income at 31 March 2005.

3 turnover	2005	2004
	£'000	£'000
annual levy	12,408	13,112
case fees	31,222	27,398
service charges	15	25
	<u>43,645</u>	<u>40,535</u>

The figure for annual levy includes charges of £151 (2004: refunds of £537) representing establishment costs billed (2004: refunded) to firms in the year.

4 other operating income	2005	2004
	£'000	£'000
conference fees	20	96
publications	127	95
miscellaneous	–	151
	<u>147</u>	<u>342</u>

notes to the accounts for the year ended 31 March 2005 (continued)

4. other operating income (continued)

5 interest receivable	2005	2004
	£'000	£'000
bank interest	233	158
other interest	1	–
	<u>234</u>	<u>158</u>

6 interest payable and similar charges	2005	2004
	£'000	£'000
bank loan and overdraft	214	182
other interest	–	–
	<u>214</u>	<u>182</u>

7 (deficit)/surplus on ordinary activities before taxation	notes	2005	2004
		£'000	£'000
this is stated after charging:			
staff costs	9	32,899	25,642
depreciation	13	2,706	2,865
operating lease rentals:			
premises		1,861	1,647
other operating lease rentals		41	25
bad debts written off		508	186
auditors' remuneration	12	54	32
		<u>54</u>	<u>32</u>

8 tax (charge)/credit on (deficit)/surplus on ordinary activities

analysis of tax (charge)/credit on ordinary activities

	2005	2004
	£'000	£'000
United Kingdom corporation tax at 19% (2004: 19%) based on the surplus for the year	(10)	(7)
adjustment in respect of prior years	(1)	9
current tax (charge)/credit for the current year	<u>(11)</u>	<u>2</u>

notes to the accounts for the year ended 31 March 2005 (continued)

8. tax (charge)/ (deficit)/credit on surplus on ordinary activities (continued)

factors affecting tax (charge)/credit for the current year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 19% (2004: 19%). The differences are explained below:

	2005	2004
	£'000	£'000
(deficit)/surplus on ordinary activities before taxation	<u>(1,781)</u>	<u>4,531</u>
tax at 19% (2004: 19%) thereon	338	(861)
effects of:		
non taxable income	(349)	853
marginal relief	–	1
prior period adjustments	–	9
current tax (charge)/ credit for year	<u>(11)</u>	<u>2</u>

Corporation tax is only provided on the surplus generated from the company's activities not directly related to its statutory obligations.

9 staff costs

	note	2005	2004
		£'000	£'000
salary costs		25,321	20,119
social security costs		2,835	2,189
other pension costs	10	3,545	2,460
flexible benefit costs		1,198	874
		<u>32,899</u>	<u>25,642</u>

The average number of employees during the year in the United Kingdom was as follows:

	2005	2004
adjudicators	397	301
other	429	333
	<u>826</u>	<u>634</u>

10 pension costs

The Financial Ombudsman Service is part of the Financial Services Authority's (FSA) tax-approved pension plan open to permanent employees. The pension plan was established on 1 April 1998 and operates on both a defined benefit and defined contribution (money purchase scheme) basis. Since 1 April 2000, all employees joining the Financial Ombudsman Service have been eligible only for the defined contribution section of the plan. The defined benefit section of the plan is non-contributory for members. The defined contribution section is part of a flexible benefits programme and members can, within limits, select the amount of their overall benefits allowance that is directed to the pension plan.

For the three years ended 31 March 2005 the company has accounted for pensions in accordance with Statement of Standard Accounting Practice No 24 'Accounting for Pension Costs' and followed the transitional arrangements permitted by FRS 17 under which disclosure on retirement benefits is given by way of a note in the financial statements.

The latest full actuarial valuation of the FSA pension plan was carried out as at 1 April 2002 by an independent actuary using the projected unit method. Independent actuarial advice has been obtained in order to calculate the share of the assets and liabilities of the FSA scheme relating to those present and past employees of the Financial Ombudsman Service.

The Financial Ombudsman Service made regular contributions totalling £790,998 at the agreed rate of 21.3% of pensionable salaries for final salary section benefits and, in addition, contributed towards the insurance cost of death benefits payable from the plan and the expenses of administering the plan. In addition, the Financial Ombudsman Service made lump sum contributions totalling £1,000,000 to the plan towards funding the deficit. However, due largely to worsening actuarial assumptions for both withdrawal and mortality rates, the overall deficit increased by £0.3m.

The figures below relate solely to the obligations of the Financial Ombudsman Service in respect of the defined benefit section of the FSA pension plan, had FRS 17 been implemented in the year.

The principal assumptions used by the independent qualified actuaries in updating this valuation for FRS 17 purposes are shown below:

(a) main financial assumptions

	31 March 2005 (%pa)	31 March 2004 (%pa)	31 March 2003 (%pa)
inflation	2.9	2.9	2.5
rate of general long-term increase in salaries	4.4	4.4	4.0
rate of increase to pensions in payment	2.8	2.8	2.5
discount rate for plan liabilities	5.4	5.5	5.4

notes to the accounts for the year ended 31 March 2005 (continued)

10. pension costs (continued)

(b) expected return on assets

	at 31 March 2005		at 31 March 2004		at 31 March 2003	
	long-term rate of return expected (%pa)	value (£m)	long-term rate of return expected (%pa)	value (£m)	long-term rate of return expected (%pa)	value (£m)
equities	7.7	5.81	7.7	4.01	7.5	2.37
government bonds	4.7	0.00	4.7	0.96	4.5	0.68
corporate bonds	5.2	1.48	5.2	0.05	5.4	0.00
other	4.8	0.07	4.2	0.04	4.0	0.03
total market value of assets		<u><u>7.36</u></u>		<u><u>5.06</u></u>		<u><u>3.08</u></u>

(c) analysis of amount charged to operating (deficit)/ surplus

	for the year 31 March 2005 (£m)	for the 31 March 2004 (£m)
current service cost	0.83	0.75
past service costs	0.00	0.00
total operating charge	<u><u>0.83</u></u>	<u><u>0.75</u></u>

(d) analysis of amount credited to other finance income

	for the year ending 31 March 2005 (£m)	for the year ending 31 March 2004 (£m)
expected return on pension plan assets	0.42	0.26
interest on pension plan liabilities	(0.41)	(0.30)
net return	<u><u>0.01</u></u>	<u><u>(0.04)</u></u>

notes to the accounts for the year ended 31 March 2005 (continued)

10. pension costs (continued)

(e) analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	for the year ending 31 March 2005 (£m)	for the year ending 31 March 2004 (£m)
actual return less expected return on pension plan assets	0.07	0.60
experience gains and losses arising on the plan liabilities	(0.20)	(0.47)
changes in assumptions underlying the present value of the plan liabilities	(1.14)	(0.54)
actuarial loss recognised in STRGL	<u><u>(1.27)</u></u>	<u><u>(0.41)</u></u>

(f) reconciliation to balance sheet

	value at 31 March 2005 (£m)	value at 31 March 2004 (£m)	value at 31 March 2003 (£m)
total market value of assets	7.36	5.06	3.08
present value of plan liabilities	<u>(9.64)</u>	<u>(7.06)</u>	<u>(5.25)</u>
deficit in plan	(2.28)	(2.00)	(2.17)
related deferred tax liability	0.00	0.00	0.00
net pension liability	<u><u>(2.28)</u></u>	<u><u>(2.00)</u></u>	<u><u>(2.17)</u></u>

(g) analysis of movement in deficit during the year

	for the year ending 31 March 2005 (£m)	for the year ending 31 March 2004 (£m)
deficit in plan at beginning of the year	(2.00)	(2.17)
current service cost	(0.83)	(0.75)
contributions and expenses	1.81	1.37
past service costs	0.00	0.00
other finance income	0.01	(0.04)
actuarial loss	(1.27)	(0.41)
deficit in plan at end of the year	<u><u>(2.28)</u></u>	<u><u>(2.00)</u></u>

notes to the accounts for the year ended 31 March 2005 (continued)

10. pension costs (continued)

(h) history of experience gains and losses

	for the year ending 31 March 2005 (£m)	for the year ending 31 March 2004 (£m)	for the year ending 31 March 2003 (£m)
difference between expected and actual return on plan assets:			
■ amount (£m)	0.07	0.60	(1.12)
■ percentage of plan assets	1%	12%	(36%)
experience gains/(losses) on plan liabilities:			
■ amount (£m)	(0.20)	(0.47)	0.12
■ percentage of the present value of the plan liabilities	(2%)	(7%)	2%
total amount recognised in STRGL:			
■ amount (£m)	(1.27)	(0.41)	(1.20)
■ percentage of the present value of the plan liabilities	(13%)	(6%)	(23%)

11 directors' remuneration

Directors' remuneration payable during the year amounted to £157,603 (2004: £147,000). The chairman, who was also the highest paid director, was paid £45,000 per annum from 1 April 2004 to 31 January 2005 and £65,000 per annum from 1 February 2005 to 31 March 2005 (2004: £45,000 per annum). The deputy chairman was paid £18,000 per annum from 1 April 2004 to 30 September 2004 and £21,000 per annum from 1 October 2004 to 28 February 2005 (2004: £18,000 per annum) and the other directors £12,000 per annum from 1 April 2004 to 30 September 2004 and £14,000 per annum from 1 October 2004 to 31 March 2005 (2004: £12,000 per annum).

12 auditors' remuneration

	2005 £'000	2004 £'000
audit fee	42	32
other non-audit services	12	–
	<u>54</u>	<u>32</u>

notes to the accounts for the year ended 31 March 2005 (continued)

13 tangible assets

	premises and leasehold improvements	computer equipment and software	furniture and equipment	total
cost	£'000	£'000	£'000	£'000
at 1 April 2004	4,618	8,290	1,916	14,824
additions	264	1,585	380	2,229
at 31 March 2005	<u>4,882</u>	<u>9,875</u>	<u>2,296</u>	<u>17,053</u>
depreciation				
at 1 April 2004	1,643	4,460	862	6,965
charge for year	625	1,654	427	2,706
at 31 March 2005	<u>2,268</u>	<u>6,114</u>	<u>1,289</u>	<u>9,671</u>
net book value				
at 31 March 2005	<u>2,614</u>	<u>3,761</u>	<u>1,007</u>	<u>7,382</u>
at 31 March 2004	<u>2,975</u>	<u>3,830</u>	<u>1,054</u>	<u>7,859</u>

14 debtors

	2005 £'000	2004 £'000
trade debtors	5,876	5,340
other debtors	1,116	288
prepayments	1,072	755
	<u>8,064</u>	<u>6,383</u>

15 creditors: amounts falling due within one year

	2005 £'000	2004 £'000
trade creditors	797	422
UK corporation tax	10	7
other taxes and social security	832	646
other creditors	304	165
accruals and deferred income	3,014	2,029
	<u>4,957</u>	<u>3,269</u>

16 creditors: amounts falling due after one year

	2005	2004
	£'000	£'000
bank loan	7,500	7,500
	<u>7,500</u>	<u>7,500</u>

The company took out a revolving loan facility of £25m on 30 March 2000, which was available for draw-down until 30 September 2001 and was fully repayable by means of variable annual tranches from 31 March 2002, to be fully repaid by 31 March 2011. The facility was varied by means of an Amendment Letter dated 21 May 2001 amending the revolving loan facility to £18m, which was available for draw-down until 30 September 2002 and which was repayable by means of variable annual tranches from 31 March 2003, but still to be fully repaid by 31 March 2011. This facility was replaced by a new revolving loan facility of £15m dated 24 January 2003. The amount drawn down at 31 March 2005 was £7.5m (2004: £7.5m). The interest rate payable is 0.15% per annum above London interbank offered rates. A commitment fee of 0.08% is charged on the outstanding sum on the revolving loan facility not yet drawn down. The Financial Services Authority has guaranteed the loan facility.

17 operating lease commitments

The company entered into a fifteen-year lease for four floors at South Quay Plaza in November 1999, with a rent review every five years. Under the lease the company was entitled to a one-year rent free period. The Financial Services Authority is a party to the lease agreement for the four floors as guarantor of performance of the lease in the sum of £1,089,798 per annum. On 6 July 2001, the company entered into a thirteen-year lease for the sixth floor with a break clause and rent review in 2004. For both leases, rent has been charged from the date at which the premises became available for occupation. On 23 December 2003, the company entered into a five-year lease for half of the seventh floor. Under the lease the company was entitled to a one-year rent free period. On 5 May 2004, the company exchanged contracts on the lease for the ninth floor of South Quay Plaza. The lease runs until July 2009, with a break clause in December 2006 and a rent review in September 2008. On 27 April 2005, the company entered into a lease for half of the eighth floor. The lease runs until 24 June 2010 with break clauses in March 2007 and in March 2008. As at 31 March 2005, the company was committed to making the following payments during the next year, in respect of operating leases:

	premises	other	premises	other
	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
leases which expire:				
within one year	–	2	–	2
between two and five years	318	40	106	24
after five years	1,666	–	1,530	–

18 contingent liabilities

Following the detailed review of a number of complaints referred to in note 18 to the financial statements for the year ended 31 March 2004, which has been completed for 92% of the cases and which did not give rise to any rectification cost, there remain a small number of cases for which the review is expected to be completed within the next few months. It is not possible to quantify with any certainty what costs may be incurred in rectification and therefore the level of any financial provision that may be required but the effect, if any, on the financial position of the company would not, in the opinion of the directors, be material. These costs, if any, are expected to be paid in the current financial year.

19 related party transactions

The Financial Ombudsman Service, together with the Financial Services Authority, was created as part of the government's legislation for the financial services market and derives its statutory authority from the Financial Services and Markets Act 2000. The Financial Services Authority is regarded as a related party.

The Financial Ombudsman Service has entered into an agency agreement with the Financial Services Authority whereby, with effect from 1 April 2004, the Financial Services Authority will collect tariff data, issue levy invoices and collect levy monies on behalf of the Financial Ombudsman Service, at a cost of £52,875 for the year ended 31 March 2005.

An amount of £820,281 was due from the Financial Services Authority at 31 March 2005 (2004: £26,038 due to the Financial Services Authority). This was the net balance due following the billing of levies to firms and is included in 'Other debtors' (see note 14).

The Financial Services Authority is a guarantor of the loan facility in the sum of £7,500,000 at 31 March 2005 (see note 16), and also is a party to the lease agreement for four floors at South Quay Plaza as guarantor of performance of the lease in the sum of £1,089,798 per annum (see note 17).

Other than disclosed above, there were no related party transactions during the year (2004: none).

organisation chart

as at 31 March 2005

executive management team

Walter Merricks
chief ombudsman

Tony Boorman
principal ombudsman
and decisions director

Barbara Cheney
company secretary

Estelle Clark
quality director

David Cresswell
head of communications

Roy Hewlett
operations director

Jeremy Kean
finance and IT director

Peter Stansfield
director of human resources (HR)

David Thomas
principal ombudsman
and corporate director

panel of ombudsmen

Walter Merricks
chief ombudsman

Tony Boorman
principal ombudsman
and decisions director

David Thomas
principal ombudsman
and corporate director

ombudsmen with lead responsibility for:

mortgage endowments

Heather Clayton

general insurance

Peter Hinchliffe

banking & credit

Jane Hingston

pensions & securities

Tony King

general investment

Caroline Mitchell

ombudsmen:

Audrey Baxter
David Bird
Mike Boyall
Juliana Campbell
Melissa Collett
Reidy Flynn
Adrian Hudson
Michael Ingram
Steve Lilley
Doug Mansell
David Millington
Roy Milne
Clare Mortimer
Richard Prior
Philip Roberts
Mark Sceeny
Robert Short
Chris Tilson
Richard West
Sue Wrigley
Roger Yeomans

Appointments to the panel of ombudsmen are made under paragraphs 4 and 5 of schedule 17 of the Financial Services and Markets Act 2000. Ombudsmen make formal decisions in the small proportion of disputes that our adjudicators cannot resolve.

operations team

Roy Hewlett
operations director

Paul Bentall
general counsel

service managers:

Mark Boyle
facilities manager

Simon Coe
Julia Hawkins
Jane North
Caroline Wayman
Ken Webb
*(managing our
teams of
adjudicators)*

Sindy Grewal
head of knowledge
& information
services

Sharon Jones
head of IT

communications managers:

publications & web
Fiona Boyle
stakeholder liaison
Alison Hoyland
Brigitte Philbey
Caroline Wells

Paul Kendall
head of customer
contact division
*(front-line
consumer
enquiries)*

Ray Neighbour
service review
manager
*(handling
complaints about
our service)*

Chris Smith
financial controller

the board

as at 31 March 2005

Sir Christopher Kelly KCB *(chairman)*

- chairman of NSPCC
- a director of the National Consumer Council

formerly

- permanent secretary at the Department of Health
- head of policy at the Department of Social Security
- director of monetary & fiscal policy and director of the budget & public finances at HM Treasury

Caroline Banks

- a director of the Consumer Policy Institute
- a member of the Civil Service Appeal Board
- a member of the Association of Energy Suppliers Code Panel

formerly

- director of the consumer, regulation and enforcement division at the Office of Fair Trading
- director of the consumer affairs division at the Office of Fair Trading

David Crowther

- a member of the Professional Oversight Board for Accountancy
 - a non-executive director of TT electronics plc
- formerly*
- head of global risk management & partner at PricewaterhouseCoopers LLP

Richard Hampton

formerly

- director of HSBC Reinsurance (Ireland) Limited
- managing director of HSBC General Insurance (Services) Limited
- head of general insurance at HSBC Bank plc
- management consultant at Coopers & Lybrand Deloitte

Ed Hucks

- a member of the Court, University of Leeds
 - a non-executive director of West Bromwich Building Society
- formerly*
- a non-executive director of Empiricom
 - customer services director at NPI
 - a director of the former National & Provincial Building Society

Roger Jefferies

- a director of the Telecommunications Ombudsman Service
- formerly*
- Independent Housing Ombudsman
 - chief executive of Hounslow and Croydon London Boroughs
 - a director of the National Clinical Assessment Authority
 - chairman of an NHS disciplinary tribunal

Kate Lampard

- a trustee of Esmée Fairbairn Foundation
 - chair of Kent and Medway Strategic Health Authority
- formerly*
- chair of the Independent Housing Ombudsman Limited
 - chair of the Invicta Community Care NHS Trust

Julian Lee

- Justice of the Peace to the North Sussex Bench
 - crisis & change management consultant
- formerly*
- chairman, then chief executive, of the Allied Carpets Group
 - chief executive of the Bricom Group

Roger Sanders OBE

- principal of Roger Sanders Associates – IFAs and employee benefits consultants
- formerly*
- joint chairman of the FSA Small Business Practitioner Panel
 - a director of the Personal Investment Authority (PIA) Ombudsman Bureau
 - a PIA board member
 - registered insurance broker

our aims and values

The Financial Ombudsman Service was set up by law as an independent public body. Our job is to resolve individual disputes between consumers and financial services firms – fairly, reasonably, quickly and informally.

fairly

Established by law, we are the champion of neither the financial services industry nor consumers. We are completely independent and deal with disputes fairly and impartially.

Our service is for people from all backgrounds. We look at the facts of each complaint – not at how well the people concerned have presented their case. So no one should need any special expertise or professional help in order to bring their complaint to us.

reasonably

We aim to give clear, jargon-free reasons for our decisions – so that any fair-minded person can understand why we reached a particular conclusion. And we actively share our knowledge and experience with the outside world – to help consumers and firms settle disputes

without the need for our involvement – and to try to help prevent the need for complaints in the first place.

quickly

Because we deal with thousands of disputes every week, we have to be practical and business-like in our approach. We set ourselves challenging targets and aim to produce a fair outcome in each case as speedily as we can.

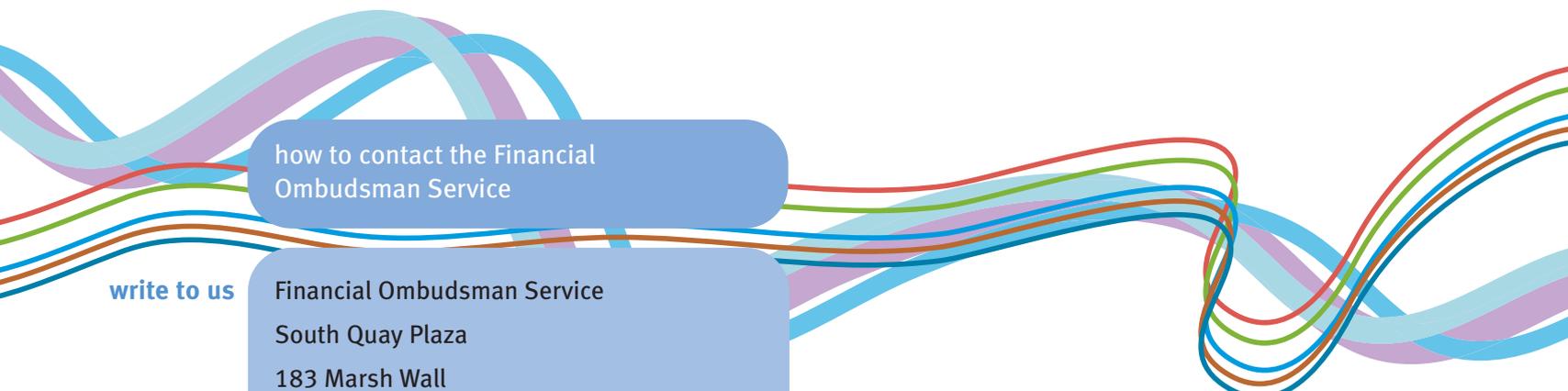
informally

Our service is an informal alternative to the courts, and our approach is very different. We do not usually have formal hearings or face-to-face cross-examinations. We are not hidebound by rigid procedures and we aim to be as flexible as possible in our approach.

about the print and paper used in this *annual review*

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how to contact the Financial
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email us

complaint.info@financial-ombudsman.org.uk

**look at
our website**

www.financial-ombudsman.org.uk

We can help if you need information in a
different format (eg Braille, audiotape *etc*)
or in a different language. Just let us know.