



ombudsman



our plans for the year ahead

March 2013





The Financial Ombudsman Service was set up over ten years ago. Since then, we have seen major change in the way people live and work, in the way we interact with the services we use, and to the regulation and structure of retail financial services.

So it is no surprise that the ombudsman service has had to adapt and evolve in response to these changes. And it seems clear that this pace of change is not going to slow.

So our role needs to develop further – and to continue to adapt – to ensure we stay as relevant as ever, meeting the needs of everyone who uses our service. We also need to ensure we have the flexibility and resource to deal with unprecedented volatility in complaint volumes – especially the high levels of complaints about payment protection insurance (PPI) that currently dominate our workload and that look likely to be with us for the next three years or so.

Over the past few months we have been seeking the views of stakeholders about the challenges we face. This has helped us review our plans for the year ahead – and decide where we need to spend our time and money in developing and strengthening our service.

This document explains what we will be doing and spending, how and why. It sets out what we are going to deliver, and how you will be able to track our progress in delivering what we have promised. It also emphasises why we matter and what we are here for – to deliver an effective, trusted independent service to all our customers – businesses and consumers alike.

A handwritten signature in black ink, appearing to read 'Natalie Ceeney'.

Natalie Ceeney CBE

chief ombudsman and chief executive

March 2013

what we're here for

We were set up under the *Financial Services and Markets Act 2000* to resolve individual disputes between consumers and financial businesses – fairly, reasonably, quickly and informally.

- We handle complaints about all kinds of money matters – from insurance and mortgages to savings and credit.
- If a financial business isn't able to resolve a customer complaint, we can step in to settle the dispute. But the business must have the chance to sort things out itself first.
- We are independent and impartial. When we decide a complaint, we look carefully at both sides of the story and weigh up all the facts.
- If we decide the business has treated its customer fairly, we explain why. But if we decide the business has acted wrongly, we can order matters to be put right.
- Our service is free to consumers.
- Consumers do not have to accept any decision we make. But if they accept an ombudsman's decision, it is binding on both them and the business.
- We do not write the rules for financial businesses – or fine them if rules are broken. That is the job of the regulator.
- Everyone can learn something from complaints – so that what has gone wrong in the past need not happen again. This is why we have a crucial role in sharing what we see – to help prevent future problems.

what matters to us

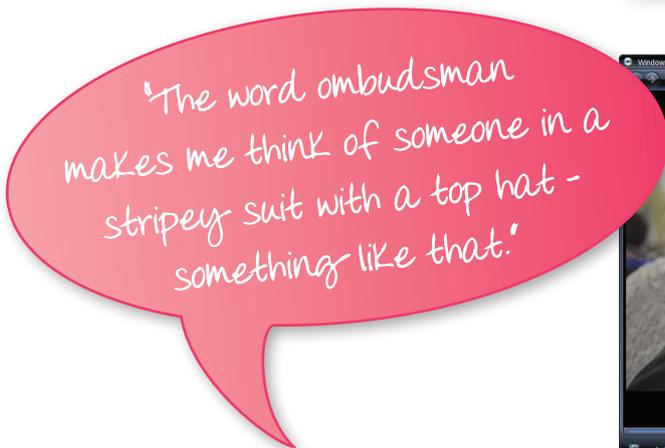
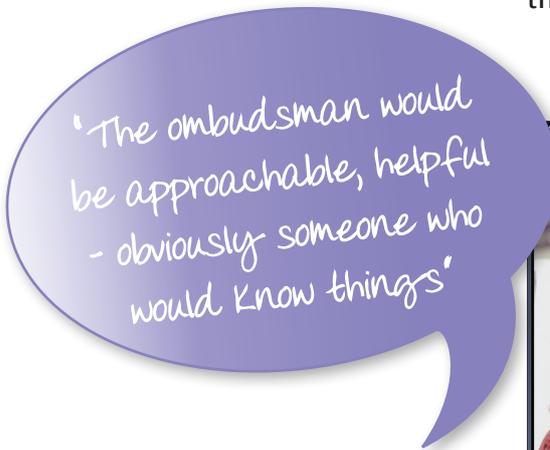
We believe we can best do what we're here for by knowing what matters to us – and standing by our values in all areas of our work. What matters to us is that:

- we do the right thing;
- we treat our customers well and respect their needs;
- we do what we say we'll do; *and*
- we're inquisitive and build everyone's knowledge.



in their own words

We asked people to tell us on video what the word *ombudsman* means to them.



planning ahead

volatility and uncertainty

The past decade has shown that our workload is inherently difficult to forecast with any degree of certainty. The chart on pages 16 and 17 shows some of the external events that have had a significant impact on us over the last ten years – often in ways that no one predicted at the time.

A wide range of external factors affect the levels of demand for our service – in terms of the volume and types of cases referred to us. These factors include:

- how the economy and financial markets are performing – and the way this affects consumers and businesses, both directly and indirectly;
- the level of awareness of the right to complain – and of the role of the ombudsman;

- consumers' ability and confidence to pursue complaints;
- how well businesses handle complaints when consumers first raise them;
- the extent of any regulatory action when wider problems are identified;
- the actions of claims-management companies;
- publicity in the media, information and campaigns on the internet, and the continued rise in popularity of social media.

Over half of our total workload over the last decade has related to just *three* issues – mortgage endowments, bank and credit-card charges, and most recently PPI. Having to deal with large surges of these so-called “mass claims” has given rise to major operational and financial challenges.

your views on the challenges ahead



Responses to the public consultation on our *plans and budget for 2013/2014* agreed with the wide range of factors that affect the volume and types of cases referred to us.

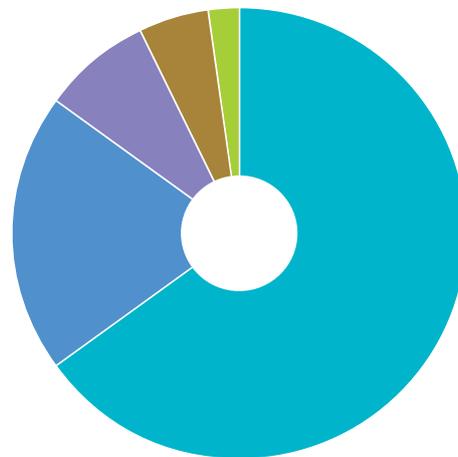
These responses also recognised that our ability to settle cases promptly and efficiently continues to be affected by:

- the growing complexity of many complaints;
- fewer cases that can be resolved quickly by informal settlements (with some businesses now improving their own front-line complaints handling – and resolving more straightforward cases satisfactorily themselves);
- a larger proportion of harder-fought disputes, as consumers and businesses increasingly take more entrenched attitudes;
- more cases requiring an ombudsman’s formal decision; *and*
- continuing record levels of PPI complaints – with up to 3,000 new PPI cases referred to us each working day.

Taking into account the feedback from our public consultation – and subject to the volatility, uncertainties and challenges described here – our plans for the coming year involve our having the capacity and flexibility to:

- answer 2.2 million front-line consumer enquiries;
- take on 385,000 new cases; *and*
- settle more disputes about mis-sold PPI than ever before – a record 245,000 cases.

the types of cases we expect to receive in 2013/2014



● payment protection insurance (PPI)	65%
● banking	20%
● insurance (excluding PPI)	8%
● investments and pensions	5%
● consumer credit	2%

staying ahead

We remain committed to developing and strengthening our service – to meet the needs of our customers in a changing world and to respond to continuing volatility and unprecedented demand for our service. The priorities and plans we have agreed for this year reflect these commitments.

commitment 1 to deliver a trusted, fair and easy-to-use service – for everyone

The ombudsman service sees the hardest-fought disputes, which financial businesses and consumers have already tried and failed to resolve themselves.

We need to *be* – and be *seen to be* – fair and impartial. We want our service to be trusted and recognised as high quality. And we want to be open and accessible to everyone, from all backgrounds.

We believe we can continue to do more to make our service easier to use – both for consumers (especially those more likely to struggle with process and officialdom) and for businesses (who tell us they want as little “red tape” as possible).

In the coming year our continuing priorities are to:

- Ensure that quality, trust and fairness are at the heart of everything we do.
- Show that our approach is consistent, clear and transparent for all our users and stakeholders – including publishing ombudsman decisions online.
- Make ourselves as accessible as possible to everyone – with outreach work to help connect with those consumers who know less about us and a stakeholder-engagement programme for businesses and their trade associations.
- Increase our use of social media and digital content (including apps and online video) to reach wider audiences.
- Make our commitment to diversity and inclusion an integral part of our work.



commitment 2 to put knowledge and expertise at the heart of everything we do

Professionalism is at the heart of everything we do – and this professionalism depends on our people having the right knowledge and expertise to do their work to the highest standards.

We want our staff to continue learning and developing skills that help them deal with a wider variety and complexity of casework.

In the coming year our priorities are to:

- Ensure our values are central to our approach to recruiting, training and developing our people.
- Put our values at the heart of our professional career-structure – enabling the professional development of our case-handling staff.
- Invest in our ombudsmen as mentors and coaches – at the core of the professional leadership of our service.
- Develop our approach to knowledge-management, to ensure all our people have the information they need at the time they need it.
- Extend our externally-accredited training programme for adjudicators, set at Masters degree level, in partnership with Queen Margaret University, Edinburgh.
- Ensure a continuing high level of staff engagement, to help us meet change and challenge positively and enthusiastically.

commitment 3

to be flexible, reliable and effective

Demand for our service is inherently volatile (see page 6). This was one of the key findings of the National Audit Office (NAO) who published its review of our efficiency in January 2012.

Volatility is evident not only in case volumes, but also in the mix of types of cases, as well as in the behaviour of financial businesses and consumers. This makes it challenging to forecast levels of demand with accuracy.

However, the service we deliver should be consistently good, whatever the volume or mix of cases referred to us. This is why we continue to keep our operational model under review – to ensure we have the flexibility to respond efficiently and reliably to variable demand.

In the coming year our continuing priorities are to:

- Reduce the time it takes us to resolve cases, wherever possible – but recognising the challenges of the PPI workload that is likely to be with us for the next three years or so.
- Meet new needs – for example, as we scale-up yet again to handle increasing volumes of PPI cases.
- Streamline our operations to ensure the efficient handling of cases and make the best use of resources.
- Develop our culture of innovation and continuous improvement.
- Strengthen our operational planning capability – so we can rapidly identify and respond to changes in the volumes and types of cases.
- Track the underlying costs of handling different types of cases in varying circumstances, and keep under review the costs and efficiencies involved.



commitment 4 to run a “lean” and efficient organisation

We want to invest in our service where there are clear benefits in doing so. But we recognise the importance of keeping our overall costs as low as possible to those who fund us. Following a recent programme to reduce our costs by 10%, we will continue to scrutinise and control our underlying costs in 2013/2014 and beyond.

We recognise the longer-term cost and efficiency benefits to be gained through greater use of electronic and web-based technology. This is why a key part of our planning involves “e-enabling” our service. Our ongoing e-enablement programme is intended to deliver not only service improvements, but also more cost-effective processes and lower transaction costs for users.

But we are also committed to ensuring our service remains accessible to those consumers who prefer to deal with us through more traditional channels.

In the coming year our continuing priorities are to:

- Control the costs of “doing business” with us – working in partnership with businesses to make our “end-to-end” processes as efficient as possible.
- Extend our use of electronic files as part of our case-handling process.
- Strengthen our internal governance processes as we operate on a larger scale.
- Develop the use of online portals and electronic communication for our larger users.
- Improve our environmental sustainability.
- Develop our “continuous improvement” programme – to help ensure we have a robust platform on which we can handle future challenges efficiently and effectively.



commitment 5

to share our experience and insight – helping to prevent future problems

Our work is about putting things right when they have gone wrong. But this is only part of the challenge. It is essential that lessons are learnt, to prevent the same thing happening again. To help with this learning, we need to be clear and open about what we see and what we do.

Following Lord Hunt's review of our accessibility and openness in 2008, we have been publishing substantially more information. This includes details of our approach to the wide range of complaints we see most frequently (in our *online technical resource*), as well as complaints data about individual financial products and individual businesses.

In the coming year our continuing priorities are to:

- Share more with key stakeholders about what we do and what we see, to help prevent future complaints.
- Publish ombudsman decisions online.
- Keep working with businesses, claims-management companies and consumer groups, to help them resolve issues themselves where possible.
- Build a strong, effective working relationship with the new regulator, the Financial Conduct Authority (FCA).

how we will deliver – key measures

There are key measures which will show if we have achieved the priorities we have set ourselves (see pages 6 to 10). By the end of the financial year 2013/2014 we will have:

- Met our service standards and achieved a customer satisfaction rate of 90% in responding to the 2.2 million front-line enquiries we expect to receive.
- Resolved over 70% of all cases (other than those involving PPI) within six months.
- For PPI cases – kept customers informed about progress on their complaint – with an early assessment of each case as soon as possible.
- Ensured we have the capacity – within the agreed budget – to respond to fluctuations in demand of up to 15% (for cases other than PPI complaints).
- Identified and met the specific needs of individual customers – providing our service across a wide range of languages and formats.
- Seen continuing diversity in our customers.
- Sought regular feedback and ratings from our customers – to measure how we are doing and where we can improve.
- Over 70% of our customers saying they would recommend us to their friends and family – whatever the outcome of their own personal complaint.
- Held regular complaints-handling training days across the UK both for front-line community workers and for smaller businesses who have less direct contact with the ombudsman.
- Continued to expand the information on our website – including more technical resource and more video content.

how we will deliver – our finances

funding our service

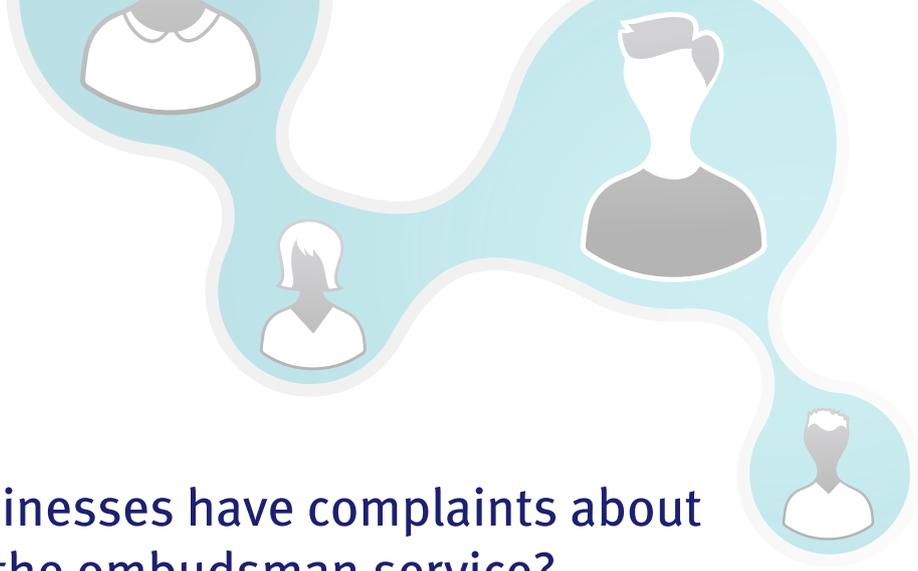
Our plans for the financial year 2013/2014 include handling 2.2 million front-line consumer enquiries and settling a total of 385,000 cases (including 245,000 PPI complaints).

Taking into account the volatility, uncertainties and challenges described on page 4, this will involve:

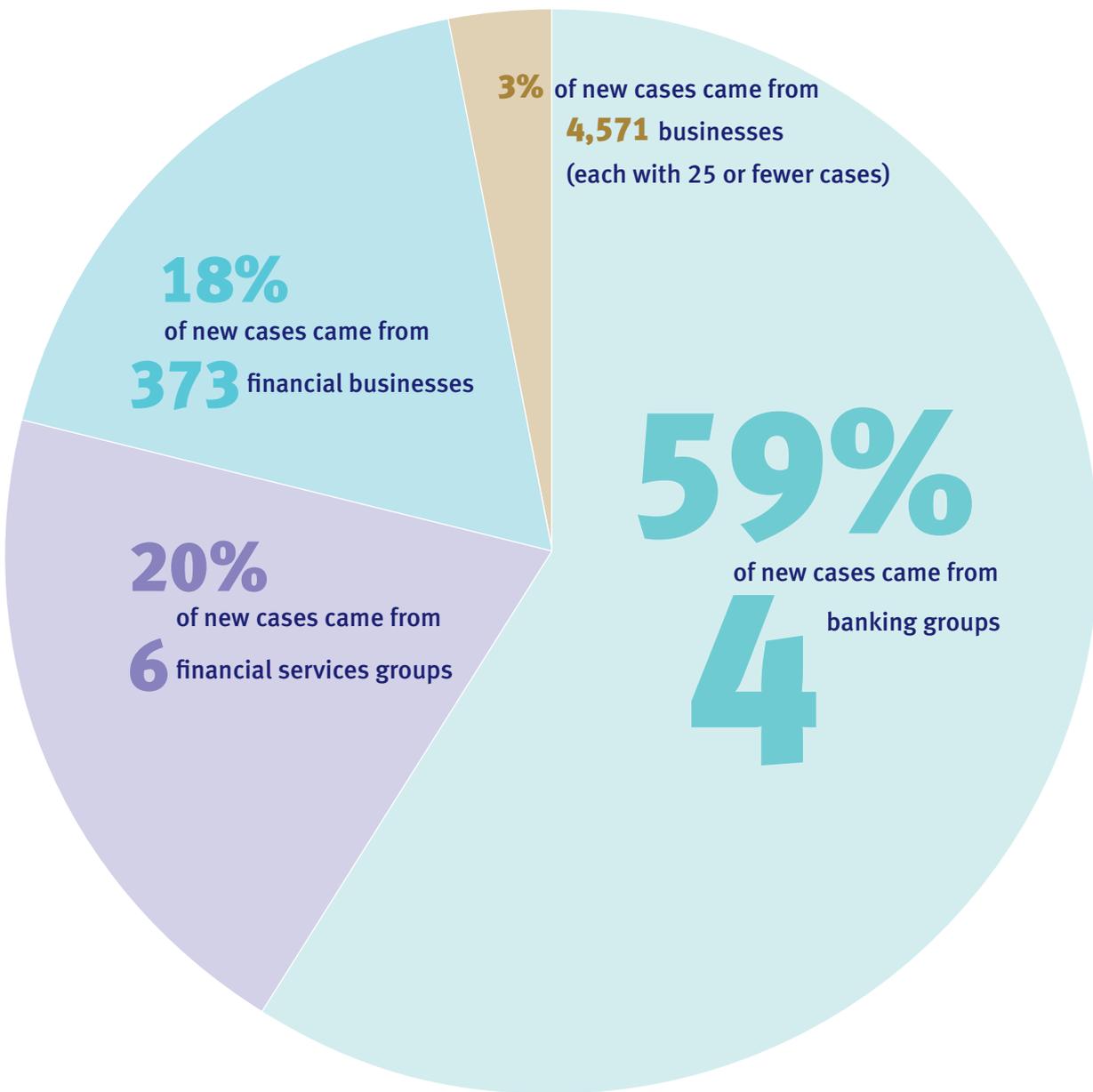
- total operating costs of £266.9 million (of which 75% relate to staff costs);
- total income of £280.1 million; *and*
- a unit cost of £690.

The funding arrangements needed for us to be able to deal with our significantly increased workload include:

- raising the individual case fee from £500 to £550 – having frozen this fee for three successive years;
- increasing the number of free cases for each business from 3 to 25 – so that only 1% of businesses pay any case fees at all;
- changing the way the largest business groups pay their case fees – to a new group-account fee, charged quarterly;
- raising the levy – calculated in line with the estimated proportion of complaints across the different financial sectors – from £17.7m to £23m; *and*
- charging a supplementary case fee of £350 for each PPI mis-selling case referred to the ombudsman service – but chargeable only after 25 of these cases, reflecting where the costs are incurred in sorting out PPI-misselling on this scale.



how often do businesses have complaints about them referred to the ombudsman service?



figures for January to December 2012

expected number of consumer enquiries

	2011/2012 actual	2012/2013 forecast	2013/2014 budget
phone calls	673,999	1,000,000	1,100,000
written enquiries	594,799	1,000,000	1,100,000
total	1,268,798	2,000,000	2,200,000

expected number of new cases

	2011/2012 actual	2012/2013 forecast	2013/2014 budget
banking	56,803	70,000	76,000
consumer credit	7,416	8,700	9,500
insurance (not including PPI)	27,554	32,300	31,000
investments and pensions	14,886	20,000	18,500
PPI (payment protection insurance)	157,716	380,000	250,000
total	264,375	511,000	385,000

expected number of resolved cases

	2011/2012 actual	2012/2013 forecast	2013/2014 budget
banking and credit	63,459	74,000	85,000
insurance (not including PPI)	26,132	30,200	34,200
investments and pensions	14,936	17,800	20,800
PPI (payment protection insurance)	117,806	90,000	245,000
total	222,333	212,000	385,000

our income and expenditure plans

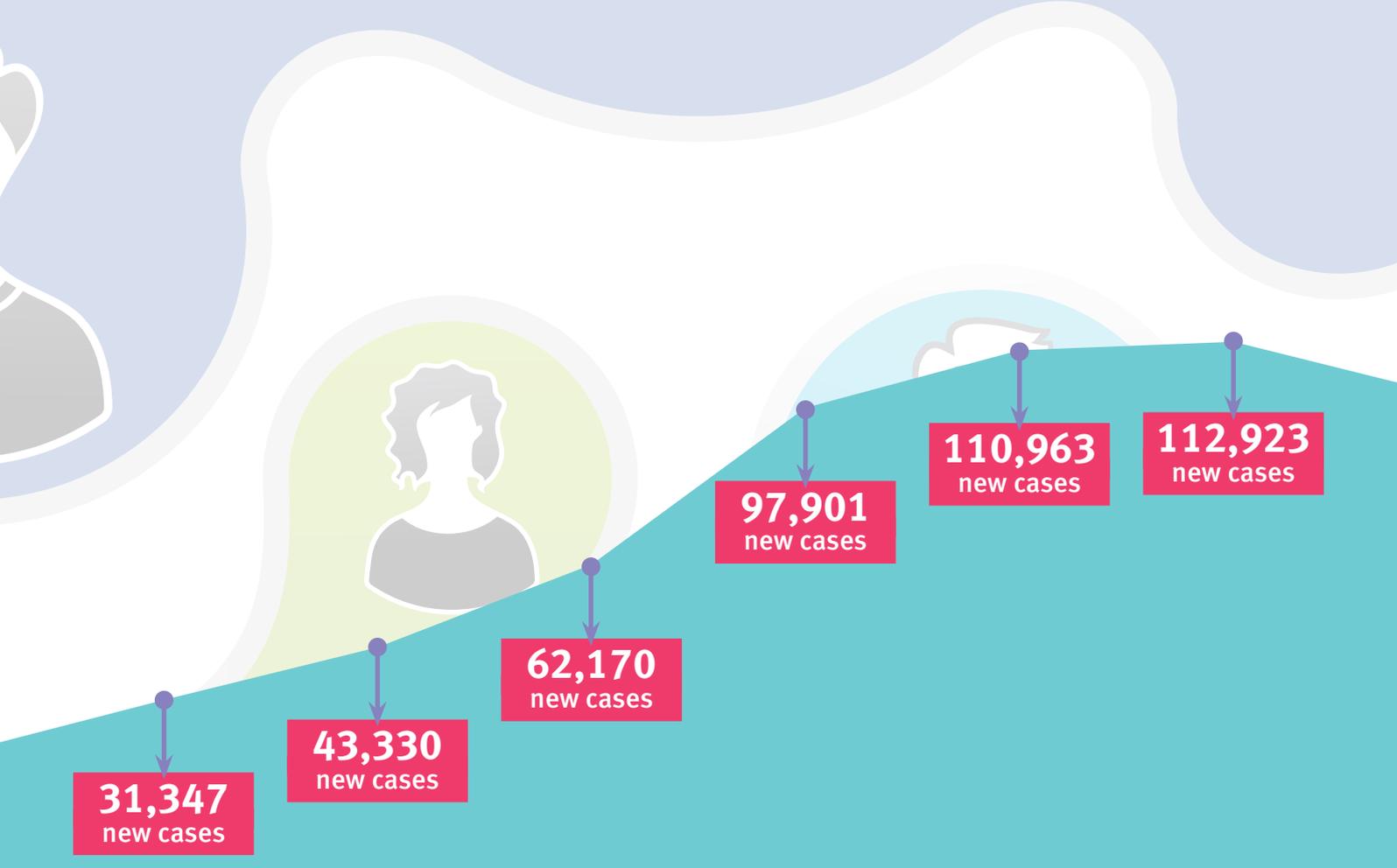
	2011/2012	2012/2013		2013/2014
	actual	budget	forecast	budget
income (£m)				
compulsory jurisdiction levy	45.2*	17.7	18.4	23.0
consumer credit jurisdiction and voluntary jurisdiction	3.4	2.0	1.7	1.8
group fees	–	–	–	177.1
case fees	102.8	119.6	95.2	62.8
supplementary case fees	–	52.4	119.7	21.1
other income	0.5	0.2	0.3	0.1
total operating income	151.9	191.9	235.3	285.9
deferred income			(90.6)	(60.6)
deferred income release				58.3
total	151.9	191.9	144.7	283.6
expenditure (£m)				
staff and staff-related costs	83.1	153.9	121.3	200.5
professional fees	3.3	6.8	8.2	14.4
IT costs	3.7	8.4	9.1	12.8
premises and facilities	12.9	17.4	15.7	28.9
other costs	1.1	5.6	2.5	5.2
depreciation	2.2	5.4	3.9	4.0
bad debt write-off	0.8	0.8	1.1	1.1
total operating costs	107.1	198.3	161.8	266.9
surplus/deficit (£m)	44.8	(6.4)	(17.1)	16.7
estimated number of new cases	264,375	285,000	511,000	385,000
estimated number of resolved cases	222,333	260,000	212,000	385,000
unit cost (£)	478	760	768	690
case fee (£)	500	500	500	550
number of free cases	3	3**	3**	25
PPI supplementary case fee (£)	–	350	350	350

* including £25m in relation to the “reserve levy”

** except for PPI supplementary case fee, where 25 free cases applied

our plans for the year ahead

our caseload over the last decade



events over the last decade

2001

May: Halifax plc and Bank of Scotland agree a merger to form HBOS plc

Jun: we publish our approach to mortgage endowment complaints, which form a third of our caseload

Jun 2001: failure of the firm, Independent Insurance

Jun: Walter Merricks, chief ombudsman, asks in his first *annual report* whether poor sales practices and opaque products mean “*more skeletons lurking in the cupboard*”

Dec: “N2” – we get our official new powers under the new *Financial Services and Markets Act 2000*

2002

Jan: ombudsman’s decision upholds the lead case of “Mr & Mrs A” against Halifax plc on dual (standard variable) base rates

Jan: euro notes and coins are issued across Europe

Nov: Norwich & Peterborough Building Society’s judicial review of the ombudsman’s approach to superseded accounts (TESSAs replaced by ISAs)

Dec: we announce plans to open our “voluntary jurisdiction” – for some complaints that would not otherwise be covered by our remit

2003

Jan: FTSE 100 falls to 3567

Feb: first identified case of the respiratory disease, SARS

Mar: Iraq War begins with the invasion of Iraq by the US and Allied forces

Jun: UK decides against adopting the euro

Jul: we publish a guide to our work on “splits” complaints – as cases peak at a rate of 50 a week

Dec: we have 700 employees –with over 150 working just on mortgage endowment cases

2004

Jan: our board commissions Bristol University’s Personal Finance Research Centre to review our quality, consistency, process and value

Feb: social network service *Facebook* launched by Mark Zuckerberg

Mar: incoming complaints about “precipice bonds” peak at a rate of 150 a week

Jul: we consult jointly with the FSA on handling cases with “wider implications”

Oct: mortgage brokers come under our remit

Nov: Abbey National plc becomes part of Grupo Santander

2005

Jan: insurance brokers come under our remit

Mar: incoming mortgage endowment complaints peak at a rate of 1,300 a week (two-thirds of our workload)

Mar: Walter Merricks, chief ombudsman, upholds the lead case of “Ms E” against Equitable Life

May: IFG Financial Services Ltd’s judicial review of the ombudsman’s “fair and reasonable” approach

Jul: co-ordinated terrorist attacks on London kill 56 people

Sep: National Savings & Investments (NS&I) come under our remit

Oct: bird flu reaches Europe

2006

Jan: we have 1,000 employees – including 30 ombudsmen

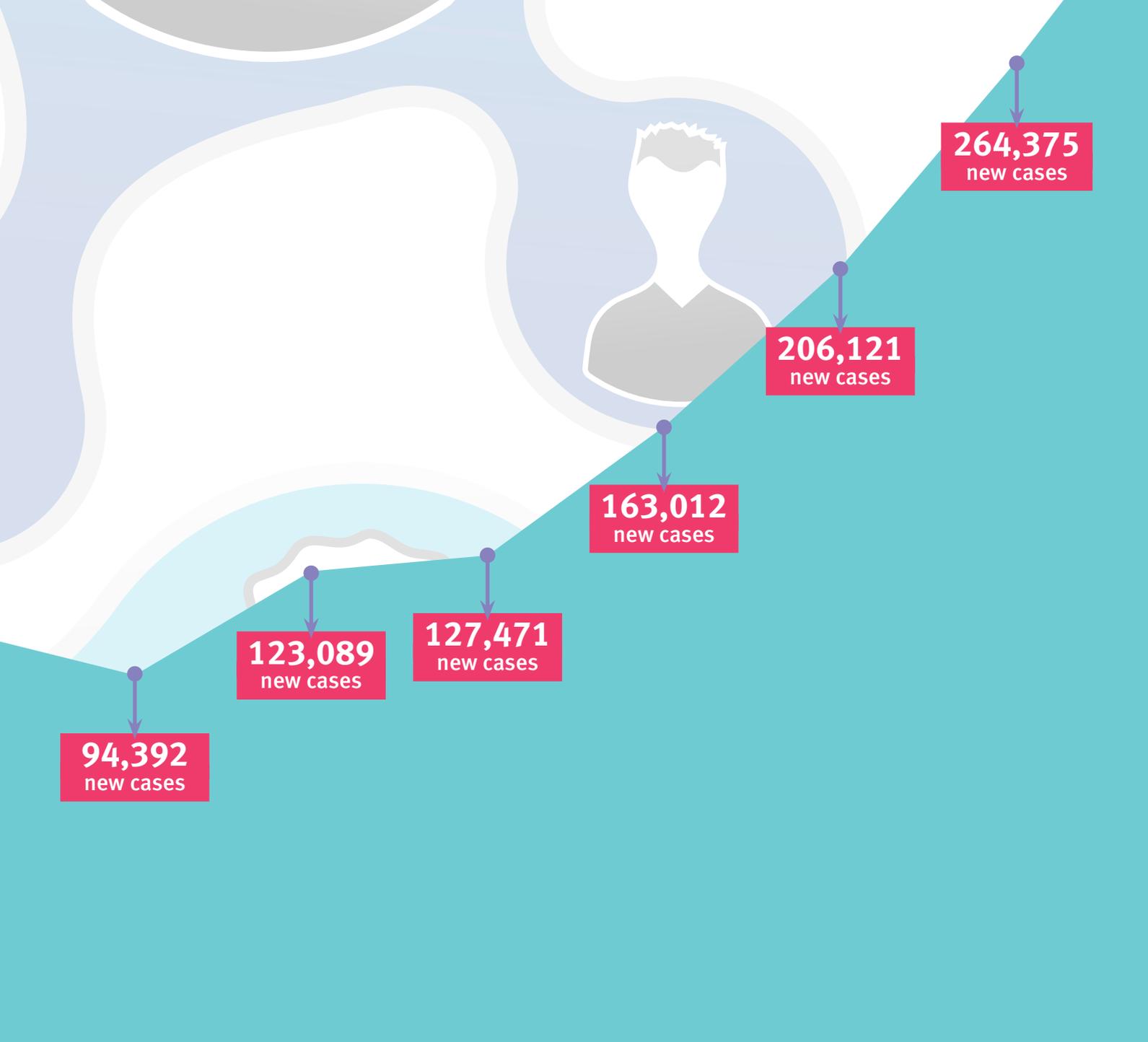
Mar: English-language *Wikipedia* reaches its one millionth article

Mar: council workers strike over pension rights

May: we publish a discussion paper on options for the future funding of the service

May: “fathers 4 justice” campaigners invade the National Lottery TV studio

Oct: UK government publishes the *Stern Review* on the economics of climate change



2007

Mar: we see incoming complaints about unauthorised overdraft charges at a rate of 500 a week

Apr: consumer credit complaints come under our remit

Apr: the Ministry of Justice starts to regulate claims-management companies

Jun: severe flooding in Hull and South Yorkshire

Jul: Office of Fair Trading's test case in the High Court on unauthorised overdraft charges – with all cases put on hold

Sep: quarterly gross mortgage lending reaches a record high at £98.6 billion

Oct: FTSE 100 rises to 6,722

2008

Mar: incoming complaints about the sale of payment protection insurance (PPI) rise from an average of 35 a week to over 200 a week

Apr: publication of Lord Hunt of Wirral's review of our openness and accessibility

Sep: failure of Bradford & Bingley plc; and Lloyds TSB agree rescue takeover of HBOS

Oct: the government announces it will take a controlling stake in the Royal Bank of Scotland Group

Nov: freight-forwarders invited to join our "voluntary jurisdiction"

2009

Jan: travel insurance that is sold with holidays comes under our remit

Jul: "sale and rent-back" businesses come under our remit

Sep: we start publishing six-monthly complaints data on individual businesses

Nov: Supreme Court's ruling on the fairness of unauthorised overdraft charges

Nov: money transfer operators come under our remit

2010

Mar: we have 1,500 employees – including 55 ombudsmen

Apr: ash from an erupting Icelandic volcano grounds flights across Europe

Jun: we receive our millionth case

Oct: British Bankers' Association (BBA) announces judicial review of PPI-related matters

Dec: we are receiving PPI complaints at a rate of up to 2,000 a week

Dec: Natalie Ceeney, chief ombudsman, suggests in *ombudsman news* that "the way to generate positive 'word of mouth' is to make it easy for customers to complain – and to handle those complaints well"

2011

Mar: tsunami in Japan

Apr: Court ruling in favour of the ombudsman's and FSA's approach to handling PPI complaints – following the judicial review brought by the BBA

Aug: civil disturbances across UK cities

Aug: downgrading of US debt from its triple-A status

Sep: the Independent Commission on Banking recommends that banks' retail and investment operations are separated

Oct: FTSE 100 dips below 5,000

Nov: we receive up to 3,000 PPI complaints each week

2012

Jan: National Audit Office (NAO) publishes its review of our efficiency

Feb: UK unemployment rate reaches 17-year high of 8.4%

Mar: Encyclopaedia Britannica announces it will no longer publish in print

Jul: Olympic games open in London

Jul: we receive our 1.5 millionth case

Oct: we receive our 500,000th PPI case

Nov: Gangnam Style becomes the world's most viewed YouTube video with over 800 million views

Dec: UBS bank is fined \$1.5 billion for its role in manipulating LIBOR

how to contact us

- **write to us**

Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

- **phone us**

0300 123 9 123

0800 023 4 567

switchboard 020 7964 1000

from outside the UK +44 20 7964 1000

- **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 or large print) or in a different language. Just let us know.

