



# Our strategic plans for 2019/2020



Financial  
Ombudsman  
Service

# About us

**We were set up by Parliament under the *Financial Services and Markets Act 2000* to resolve individual complaints between financial businesses and their customers – fairly, reasonably and as informally as possible. On 1 April 2019, our remit extends to handling more complaints made by small and medium-sized enterprises (SMEs) about financial businesses, and to complaints made by customers of claims management companies (CMCs).**

If a business and their customer can't resolve a problem themselves, we can step in to sort things out. Independent and unbiased, we'll get to the heart of what's happened and reach an answer that helps both sides move on. And if someone's been treated unfairly, we'll use our powers to make sure things are put right. This could mean telling the business to apologise, to take action or to pay compensation – in a way that reflects the particular circumstances.

In resolving hundreds of thousands of complaints every year, we see the impact on people from all sorts of backgrounds and livelihoods. We're committed to sharing our insight and experience to encourage fairness and confidence in the different sectors we cover.

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# Chief ombudsman & chief executive's foreword

**In December 2018, we set out our strategic plans around a framework of three time horizons. We asked for people's perspectives about the future – first, about the rest of the financial year 2018/2019, and the upcoming financial year, 2019/2020. We then looked ahead to a time when we won't be dealing with payment protection insurance (PPI) complaints on a mass scale – and even further, to April 2025 and beyond. How will things be changing between now and then – and what type of ombudsman will people need?**

It's clear from the feedback we received that people really care about the answers to these questions. Most immediately, our stakeholders agreed we'll be very busy in the next 12 months: as these plans explain, we anticipate we'll receive 460,000 complaints. This includes, in the year of the FCA's deadline, 250,000 about PPI – as well as 50,000 about short-term lending. Overall, we're planning to resolve more than half a million complaints. We'll also be taking on two new areas of work – as more business customers of financial services providers get access to our service, and we take on responsibility for complaints about CMCs.

So it's a year of big ambitions. It's really encouraging to hear stakeholders' support for the investments we're continuing to make – whether it's in our people and their knowledge, our casework processes and our complaints insight, or the technology that underpins them. In the coming months, we'll be putting in place the improvements we've identified to strengthen our investigation teams, making better use of data to identify trends, and launching a new website and online portal. We've listened to the parties involved in our new areas of work, and put in place robust plans to handle these complaints with the confidence and expertise people are relying on.



## All these things will help us be the best service we can be right now, as we continue to prepare for what's next.

All these things will help us be the best service we can be right now, as we continue to prepare for what's next.

There are inevitably challenges we need to work through. Over recent months, we haven't been able to give people our answer as quickly as we would have liked to. We'll need to continue to challenge ourselves to work smarter and find efficiencies. And as we do so, we'll need to focus on prioritising people who urgently need our help – as well as areas of complaint where our answer to particular issues will have a significant wider impact.

It's essential too that we do all we can to help stop problems arising in the first place. This means maintaining constructive relationships with businesses, regulators and others – who are key partners of ours in sharing insight to prevent complaints at source, and in establishing new thinking about fairness as the world changes.

While acknowledging the scale of the work we've got to do, it's important to remember the foundations we are building on. Twenty years after we were set up, our model of dispute resolution – accessible and free for customers, independent and

accountable, with powers that boost customer confidence in the sectors we cover – is held up as an example for other sectors. I know our stakeholders are as committed as we are to building on those great foundations, and I'm looking forward to more conversations and making further progress.

**Caroline Wayman**  
Chief ombudsman &  
chief executive  
29 March 2019



# 1

## Our plans for 2019/2020

**This chapter summarises the feedback we received about our projections for horizons one and two of our strategic plans – a time period that included the end of the financial year 2018/2019, and the whole of the upcoming financial year, 2019/2020.**

**We then set out our final plans for the next 12 months, including our strategic commitments and details of how we'll operate our new small and medium-sized enterprise (SME) and claims management company (CMC) jurisdictions.**

## Our 2019/2020 plans at a glance

### We expect to:

receive  
**460,000**  
complaints

**250,000**

about PPI

**50,000**

about short-term lending

**10,000**

about packaged bank  
accounts

**150,000**

about other financial  
services

**1,300**

from small businesses  
now able to use our  
service

**1,600**

about CMCs

resolve  
**510,000**  
complaints

**270,000**

about PPI

**60,000**

about short-term lending

**10,000**

about packaged bank  
accounts

**170,000**

about other financial  
services

**1,300**

from small businesses  
now able to use our  
service

**1,600**

about CMCs

operate on a  
cost base of

**£332**  
million

freeze our case fee at

**£550**

for the 26<sup>th</sup> and  
each subsequent  
complaint, with  
each business's  
first 25 complaints  
“free”

continue to  
draw on our  
**reserves**  
in line with  
our long-term  
strategy

raise  
**£45 million**

through our compulsory  
jurisdiction levy

## What we said in our consultation

**In our consultation we began by setting out our forecasts for 2018/2019. In what had been a challenging year, we said that we'd seen a continued upward trend in demand for our service, and expected to receive more than double the number of complaints about short-term lending than we'd budgeted for.**

We said we'd continued to invest in our case handling capacity to help us deal with the ongoing volatility and uncertainty we expect in the future. This includes a potential significant spike in PPI complaints as the Financial Conduct Authority's (FCA) deadline approaches, a spike we haven't seen so far.

In view of these projections, we then detailed our plans and budget for the financial year 2019/2020, and looked ahead to the months immediately beyond the PPI complaint deadline. As well as ensuring we can respond flexibly to as-yet uncertain demand, we've been investing in our people, developing our digital services, and preparing for an extension to our remit to complaints from more small businesses and customers of CMCs. So we can resource and develop our service in the way we need to, we proposed to raise an additional £20m through our levy.



You can read the full discussion about [our plans for 2019/2020](#) from page 18 of our consultation.

## The feedback we received

The summary in this chapter incorporates the responses we received to our public consultation, together with the formal meetings we held with consumer and business stakeholders during the consultation period.

For clarity and coherence, we've organised our summaries around common themes and issues people raised. Where it's appropriate, we will discuss specific points and questions with the individual organisations that raised them.



Overall, 25 organisations responded to our consultation. A full list is on page 34.

## Complaint volumes and trends

**The majority of respondents broadly agreed with our projections about the types of complaints we're likely to see in 2019/2020 – and echoed our assessment of the ongoing uncertainties we face. Some offered insights into additional areas where they thought complaints might arise.**

These included payment services, data protection, and issues arising out of the potential financial repercussions of Brexit. However, some financial businesses suggested our projections for PPI complaints were higher than their own, or told us that the largest volumes might come later in the financial year. Some questioned whether we would be able to resolve as many complaints as we'd proposed.

Businesses also expressed frustration about the activities of CMCs and the implications for our workload. For example, some businesses said they'd received baseless PPI claims from CMCs, as well as where CMCs didn't have the right authority to bring complaints. Others expressed concern about the role of CMCs in generating complaints about short-term lending in particular, with representatives of consumers suggesting we might see more complaints in this area than we'd forecasted. Respondents also told us to make sure changes in the CMC landscape were factored into our projections – as FCA regulation, together with the likelihood that some firms will leave the market, might mean fewer complaints are brought both by and about CMCs in the future.



## Developing our service

### **Respondents generally supported our plans for our existing areas of work, as well as for our new jurisdictions.**

Many businesses commented that they agreed in principle that more business customers should have access to our service, and that our specific operational plans looked robust. Some respondents, including a trade body representing small businesses, emphasised the need for specialist knowledge to handle potentially more complex issues involved in complaints relating to SMEs.

Respondents representing consumers expressed strong support for the extension of our remit to complaints about CMCs. Though we received less feedback about our CMC plans from businesses, it was broadly supportive. Respondents agreed it was sensible to run our CMC operations separately, and we were asked for more information about how we'd mitigate

conflicts of interest. Businesses asked us to ensure we hold CMCs to the same standard as financial firms, flagging poor practice where appropriate.

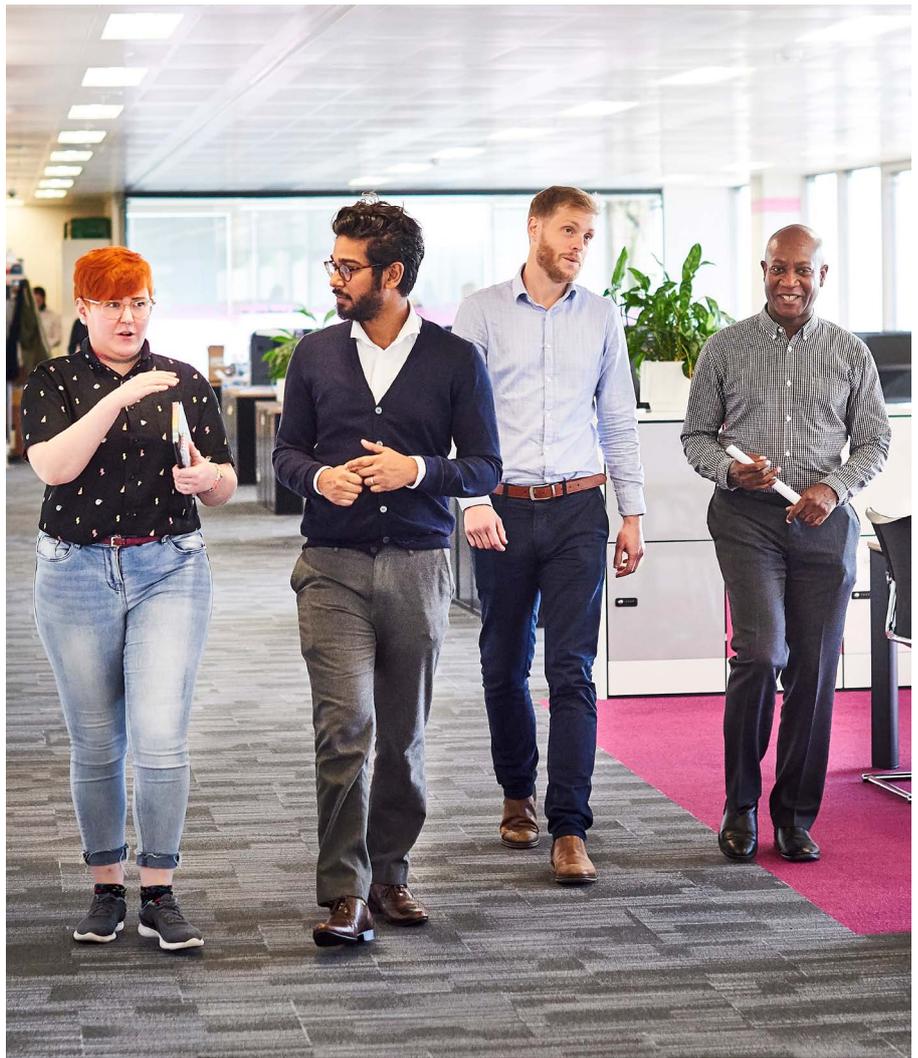
More generally, respondents said they agreed with the direction of our proposals to develop our service. Businesses told us they recognised the challenges we were facing, and welcomed the way we had embedded Richard Lloyd's recommendations into our plans. Respondents also commented on the importance from a customer service perspective of the investments we were making in our technology. We were encouraged to continue to focus on strengthening our investigation teams, building our case handlers' knowledge and our quality assurance processes. Businesses were keen to engage with us further, asking for more detail about our future plans so they were able to do that.

## Funding and resourcing our service

**Businesses generally supported our suggestion that we'd freeze our case fee and number of "free" complaints in 2019/2020.**

However, they expressed mixed views about the proposed increase in our levy. Some said they understood and supported our plans, given the increased demands on our service. Some asked for more explanation about how the funds would be allocated across different areas of our work, and questioned whether this would fairly reflect the proportion of our work generated by different types of financial business.

In addition, while some respondents said they recognised the need for flexibility in our case handling capacity, we were asked about our decision to make greater use of contractors. Some respondents commented on our funding arrangements more generally, rather than just for 2019/2020 – telling us, for example, that complaints resolved early on should involve lower case fees. Chapter four summarises feedback we received in response to specific questions about our future funding beyond the next financial year.



## Our response and next steps

**As we continue to deal with high and volatile demand for our service, we're very grateful for the insights and views people have shared with us about trends and issues in complaints. In view of feedback, and how trends have developed since our consultation opened, we've slightly revised our projections.**



There's more detail about these changes on page 22.

We're encouraged too by the support we've received for our proposals for handling complaints from SMEs and about CMCs. Some respondents expressed concerns about our capability to handle the potentially complex nature of complaints brought by SMEs. Our preparations for this jurisdiction have included recruitment for independent expertise to ensure we have access to any additional specialist knowledge and insights we need – not only to support the resolution of individual disputes, but to inform our wider policy approach. For our CMC jurisdiction, the transfer of a number of Legal Ombudsman case handlers will help make sure we've got the right capabilities.



We've continued our preparations since we published our consultation, and have included an updated overview of our operating plans on pages 19 and 20.

More generally, we're pleased that our stakeholders have continued to endorse the developments we've been making in our people and our technology, to support our aim of providing a service that will continue to meet people's expectations into the future.



Our strategic commitments from pages 13-18 give more detail about our specific plans for 2019/2020.

As we explained in our consultation, our funding proposals for the coming year need to ensure stability while we're managing PPI to its conclusion, and taking on two new areas of work. They also need to recognise the need for us to build our capacity to deal with the high and not always predictable demand we expect to see. Outside the increase to fund our new jurisdictions, the increase in our levy is proportionate to the increase in demand we expect to see in our general casework. The ongoing uncertainty we're experiencing about future volumes of complaints means we need flexibility in our operating model, and is a key reason behind making greater use of a contractor workforce in 2019/2020.

Before consulting, we carefully considered the impact of raising our levy across the different

businesses we cover. And we still think our proposal – which would mean well over half of businesses see no change in the cost of the ombudsman in 2019/2020 – is the fairest option in the circumstances, meaning that the cost of our service will be distributed according to how much work we expect each industry block to generate for us.



There's more about our final budget and financial plans from page 21.

## Our strategic commitments for 2019/2020

Our commitments are our service's strategic priorities. As well as being a key internal measure of how we're performing, we report publicly on our progress against them each year in our *annual report and accounts*.

### Our service:

we're flexible, resilient and well run, providing better and quicker answers

### Our customers:

we're trusted and respected by our customers, keeping fairness at our heart and delivering what they expect

### Our reach:

we're here for everyone who needs us, making it easy for people to find us and use us

### Our impact:

we share insight on what we see, preventing detriment and complaints arising

### Our people:

we're a great place to work, attracting and developing committed and professional people, who are motivated by our values

## Our service

- In our general casework, we'll resource our service to receive 150,000 new complaints, and to resolve 170,000.
- For payment protection insurance (PPI), we'll resource our service to receive 250,000 new complaints, and to resolve 270,000 – getting further toward bringing PPI to its conclusion.
- For packaged bank accounts, we'll receive and resolve 10,000 complaints.
- For short-term lending, we'll resource our service to receive 50,000 new complaints, and to resolve 60,000.
- We'll receive and resolve 1,300 complaints brought to us by SMEs, as 210,000 more of these businesses get access to free, informal dispute resolution through our service.



There's more about our SME plans on page 19.

- We'll receive and resolve 1,600 complaints brought to us by customers of CMCs.



There's more about our CMC plans on page 20.

- We will resolve more cases within 45 days by the end of 2019/2020, and we'll continue to use an additional contractor workforce to help us manage volatility in demand for our service in a flexible way.
- We will aim to resolve 95% of complaints where people have been waiting more than 12 months for our answer.
- Building on work to review our casework processes, we'll put in place the findings to optimise our investigation model. This will include continually reviewing best practice and our quality assurance processes.
- We'll launch a new website, with greater functionality and more accessible content – improving the information people get upfront about our service, and helping businesses find the guidance they need from us to resolve and prevent complaints. We'll also launch specific microsites for people involved in our two new jurisdictions – SMEs and financial providers, and CMCs and their customers.



and to resolve

**510,000**

we expect to receive  
**250,000**

complaints about PPI and to resolve

**270,000**

**210,000**

more SMEs will have access to our service



- We'll continue to develop and roll out our new case-management tool, Phoenix, reviewing and testing how things are working to ensure it's enabling us to give people the best possible customer service.
- We'll roll out our new business information tool, which will help us better identify, understand and address trends in casework issues and performance.
- We'll continue our preparations for a time when we're not receiving PPI complaints in mass volumes – including how we'll transition to our new operating model, and the support functions we need around it. And looking further ahead, we'll publish a strategic proposal setting out how we plan to adapt to meet the challenges presented by trends in our environment, customer needs, the workforce and technology in the coming years.
- We'll keep our focus on running our service responsibly and sustainably, in line with the budget we've consulted on. This includes putting in place a new five-year plan with the Carbon Trust.

## Our customers

- We'll at least maintain customer satisfaction levels of 65% among people who refer complaints to us, including those who didn't get the answer they were initially hoping for. And we'll see continued high confidence among businesses whose customers complain to us.
- We'll continue to prioritise cases where people need our help most quickly. For example, this may be because they're in serious financial hardship, have been the victim of fraud, or urgently need clarity about their financial position, whether the dispute involves their health, their livelihood or their retirement. We'll also look to prioritise areas where our stance on the particular issues involved may have a significant wider impact.
- We'll put the findings of our recent review of casework processes towards our work to continually improve people's experience of contacting us – for example, giving even more upfront information about what people can expect, and ensuring we get people we can't help to get to the right place more quickly, where possible.
- In addition to our new, more accessible website, we'll launch a portal for people bringing complaints to us – which will mean they can review their case and share information with us at a time that suits them. And we'll continue to review our communications channels to ensure we're meeting the needs of people who might need to use our service.
- We'll continue to draw on the insight of our specialist practice group focused on supporting customers – so we remain effective in helping people who are in vulnerable circumstances, or who are experiencing challenges that mean we need to do things differently.
- We'll continue to engage with the widest range of stakeholders – representing businesses, customers, regulators, policymakers and others – so we have a comprehensive understanding of the landscape we're operating in, how people feel about the work we do, and how we can build greater confidence.

## Our people

- We'll continue to invest in our people's professional skills and expertise – including internal and external training and learning, apprenticeships, and supporting our ombudsmen and leaders to coach and develop their teams.
- To support our work to strengthen our investigation teams, we'll work with our people to develop new balanced performance measures that reflect the full range and nature of the service they provide.
- We'll continue to make equality, diversity and inclusion the foundation of all our HR policies and practices, including recruitment. There is more about our progress and plans in our [equality, diversity and inclusion report](#).
- We'll continue to explore how we can facilitate flexible working – which has potential to improve performance and wellbeing, and help us build a diverse workforce whose life experience and circumstances reflect those of people who use us.
- We'll continue to involve our people in shaping our future strategy, regularly checking levels of engagement to ensure people really feel involved in our plans.
- As we develop our service and prepare for a time when we're not receiving PPI complaints in mass volumes, we'll continue to support employees affected by organisational changes.



## Our reach and our impact

- We'll maintain and build new relationships with people representing financial businesses, claims management companies, their customers and the wider public interest – including trade associations and industry forums, consumer organisations, charities and the media – with the aim of reaching everyone who might need us.
- We'll maintain our free technical helpdesk for people handling complaints – which each year helps resolve tens of thousands of problems without our service's formal involvement – so complaints aren't referred to us unnecessarily.
- We'll continue to publish our ombudsmen's decisions – adding to the more than 191,000 already on our online database – helping people learn from past experience to prevent future problems.
- We'll share focused insight into areas where we've identified potential unfairness, or where we know our stakeholders want to hear our perspective.
- We'll maintain our close relationship with the FCA – so that our independent functions come together to encourage the markets we cover to work as well as they can. And we'll also keep working with other regulators and the Government, sharing our experience where it can help promote fairness.
- We'll keep in close contact with the FCA, HM Treasury and the Government as we take on responsibility for complaints from SMEs, and about CMCs. We'll share our insight into these areas of work as the year progresses, and we've been able to analyse the trends we're seeing.
- We'll continue to measure public awareness of our service to identify and remove barriers to using us. As we take on new jurisdictions, this will include ensuring that each area of our work has a distinct brand that's appropriate for and recognised by the different parties involved.
- We'll use analytics to monitor our online resources to check that they are working for the people who are relying on them, helping provide easy channels into our service, or giving people the information they need to take forward the problems they're having themselves.

our technical advice desk handled

**19,500** queries from

**2,020** individual businesses

## Our plans for handling complaints from small and medium-sized enterprises

Complaints brought by SMEs under our new jurisdiction will be dealt with by **dedicated specialist teams**. We'll begin on 1 April 2019 with four teams – which will be led by a specialist ombudsman leader and made up of specialist ombudsman managers and investigators. We've continued to recruit for these positions, ensuring we have the expertise and experience required to resolve the widest range of disputes that SME customers may bring to us, including those involving more complex circumstances than we typically see in our current microenterprise casework.

Our **specialist professional practice group** – a network of subject experts – will develop our service's approach to complaints involving SMEs. This will help us ensure fairness and consistency in our answers, as well as identifying trends and insight to feed back to financial providers and other stakeholders.

Our teams will also have access to additional **legal support**, which they will be able to draw on in the event of particularly complex complaints and circumstances. **An external expert panel** will provide specialist support, on a case-by-case basis – for example, actuarial support.

An SME **advisory group**, made up of a range of stakeholders representing both small business customers and financial providers, will provide insight and experience of the SME market. This group won't get involved in individual complaints, but will be a forum for discussion about strategy, trends and policy issues, to help inform our work.

We will have in place a robust **quality assurance framework** for SME complaints – comprising front, second and third line assurance involving our specialist ombudsmen and practice group, independent quality specialists and executive and non-executive directors.

We will use **enhanced business information tools** to monitor customer service trends, to help us ensure consistency across both our casework approach and our level of service.

We have **developed our technologies** to enable efficient handling of SME complaints – using our customer-centric case handling system to provide a flexible and personal service, and developing decision-making tools to ensure jurisdiction thresholds are applied correctly.

We have **commissioned research** to understand SMEs' expectations of our service, and how we can ensure we continue to provide the type of dispute resolution service they expect from us.

We have a **distinct identity for our SME work**, including a separate microsite, online resources and dedicated phone line for SME customers – providing clear distinction between this area of our jurisdiction and our existing consumer jurisdiction.

## Our plans for handling complaints about CMCs

We have **consulted jointly with the FCA** on proposals for funding our CMC work. There's more detail about our funding arrangements on page 31 and on the [FCA's website](#).

Our **CMC teams will be based in Coventry**, with separation from other areas of our work in which CMCs may be involved as representatives.

We have transferred **case handling knowledge from the Legal Ombudsman**, including case handlers and ombudsmen, so we can benefit from existing expertise relating to the issues involved in these complaints.

We have worked with the Legal Ombudsman to ensure that people involved in complaints that are transferring to us from the Legal Ombudsman won't experience any disruption or unnecessary delays as a result of the changes.

We have recently reviewed our conflicts of interest policy, introducing additional recording and reporting procedures to support the annual obligation on our ombudsmen and senior staff – and have updated the policy to reflect the introduction of complaints about CMCs, to mitigate the risk of real, or perceived, conflicts of interests arising in this work.

There is a **specific customer journey** for people complaining to us about CMCs, from their first contact with us through to an ombudsman's final decision – mirroring, but separate to, our existing casework process.

We have been **engaging with CMCs in conjunction with the Legal Ombudsman**, helping clarify future arrangements and expectations to ensure a smooth handover of complaints.

We have **developed our technologies** to enable efficient handling of CMC complaints within our complaint-handling tool.

We have a **distinct identity for our CMC work**, including a separate microsite and online resources, providing clear distinction between this area of our jurisdiction and others.



## 2

# Our budget for 2019/2020

Since our consultation opened in mid-December 2018, we've slightly adjusted our forecasts for the volumes of complaints we think we'll receive and resolve – in view of updates to our own projections, as well as our stakeholders' insight.

## Complaints we expect to receive and resolve

Our overall number of new and resolved complaints remains the same. However, we now expect to receive slightly more complaints relating to insurance (excluding PPI) and investments, and fewer about banking and

credit (excluding short-term lending). We plan to resolve 10,000 additional short-term lending complaints by diverting resources from our general casework area – reflecting the nature of these debt and borrowing-related complaints, and our commitment to prioritising cases where the people involved need our help most urgently. As we explained

in our consultation, this area has the potential for volatility. In October 2018, the FCA wrote to short-term lenders telling them to review their practices and address any issues they identified – and to inform the regulator if doing so would leave them unable to meet their financial commitments.

### New complaints

financial product or service	2018/2019 latest forecast (February 2019)	2019/2020 consultation budget	2019/2020 final budget	comparison with 2018/2019 forecast
<b>PPI</b>	180,000	250,000	250,000	▲
<b>general casework including banking and credit (except packaged bank accounts and short-term lending)</b>	150,000	150,000	150,000	-
	92,300	94,500	91,500	▼
insurance (except PPI)	42,200	41,000	43,000	▲
investments and pensions	15,500	14,500	15,500	-
complaints about CMCs*	-	1,600	1,600	-
complaints from SMEs*	-	1,300	1,300	-
<b>packaged bank accounts</b>	12,000	10,000	10,000	▼
<b>short-term lending (payday and instalment loans)</b>	50,000	50,000	50,000	-
<b>total</b>	392,000	460,000	460,000	▲

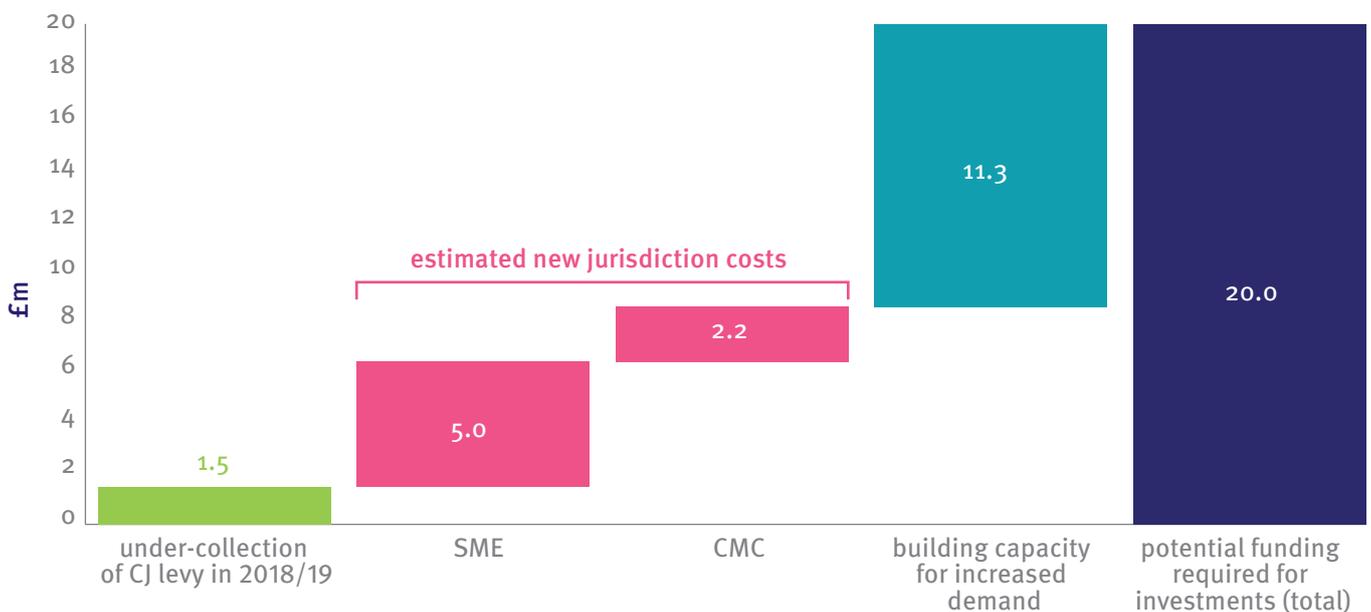
\*NOTE: complaints from SMEs (additional to our existing microenterprise casework) and about CMCs are included within the general casework figures

## Resolved complaints

financial product or service	2018/2019 latest forecast (February 2019)	2019/2020 consultation budget	2019/2020 final budget	comparison with 2018/2019 forecast
<b>PPI</b>	210,000	270,000	270,000	▲
<b>general casework including banking and credit (except packaged bank accounts and short-term lending)</b>	120,000	180,000	170,000	▲
	76,200	113,600	107,200	▲
insurance (except PPI)	33,500	47,800	45,200	▲
investments and pensions	10,300	18,600	17,600	▲
complaints about CMCs*	-	1,600	1,600	-
complaints from SMEs*	-	1,300	1,300	-
<b>packaged bank accounts</b>	12,000	10,000	10,000	▼
<b>short-term lending (payday and instalment loans)</b>	24,000	50,000	60,000	▲
<b>total</b>	366,000	510,000	510,000	▲

\*NOTE: complaints from SMEs (additional to our existing microenterprise casework) and about CMCs are included within the general casework figures

## Using our levy to invest in our service



## Our income and expenditure plans

In the light of the shift in casework volumes outlined on page 14, we've slightly adjusted our income and expenditure plans for 2019/2020. As we explained in our response to our consultation feedback on page 8, we're going ahead with the levy arrangements we proposed. This will mean we can build the capacity we need to respond to the growing demand we expect, while establishing and running our new SME and CMC jurisdictions, and continuing to invest in our service's future capability.

We'll continue to use our reserves to help manage the costs of managing the conclusion of PPI complaints in the run-up to, and after, the August 2019 deadline. This strategy will also help provide stability in the context of increasing and volatile demand for our services. By the end of 2019/2020, we expect to have drawn down our reserves significantly – in line with our long-term strategy.

Our consultation budget showed that we were expecting to increase our total headcount substantially towards the end of 2019/2020. We are now planning for a smaller increase, reflecting the investments we've made in embedding and optimising our investigation teams, and further developing our casework tools.

To reflect the caseload we anticipate under our compulsory and voluntary jurisdictions, we expect that 99.8% of our total budget expenditure

will relate to our compulsory jurisdiction (which includes businesses regulated by the FCA). Our voluntary jurisdiction (which includes a number of businesses that have chosen to be covered by our service, but wouldn't otherwise come under our compulsory jurisdiction), would account for 0.2%.

The FCA has now concluded its consultation on establishing a Temporary Permissions Regime (TPR) for inbound EEA firms. If the UK leaves the European Union without reaching an agreement on the terms of withdrawal, businesses that are members of the voluntary jurisdiction and join the TPR will continue to be in the voluntary jurisdiction for relevant business carried out prior to joining the TPR, unless they follow the process for leaving. In view of feedback from firms, the FCA has decided that those businesses joining the TPR will only pay minimum fees. Businesses which are also in the voluntary jurisdiction will continue to pay the relevant levy.

### In summary, for 2019/2020, we are:

- Freezing our case fee at £550 for the seventh year and keeping our supplementary case fee at £0.
- Maintaining our 25 “free” case allowance – which means that nine in ten businesses whose customers complain to us won't actually pay any case fees.
- Raising our total levy to £44.5 million – so we can invest in our service and build

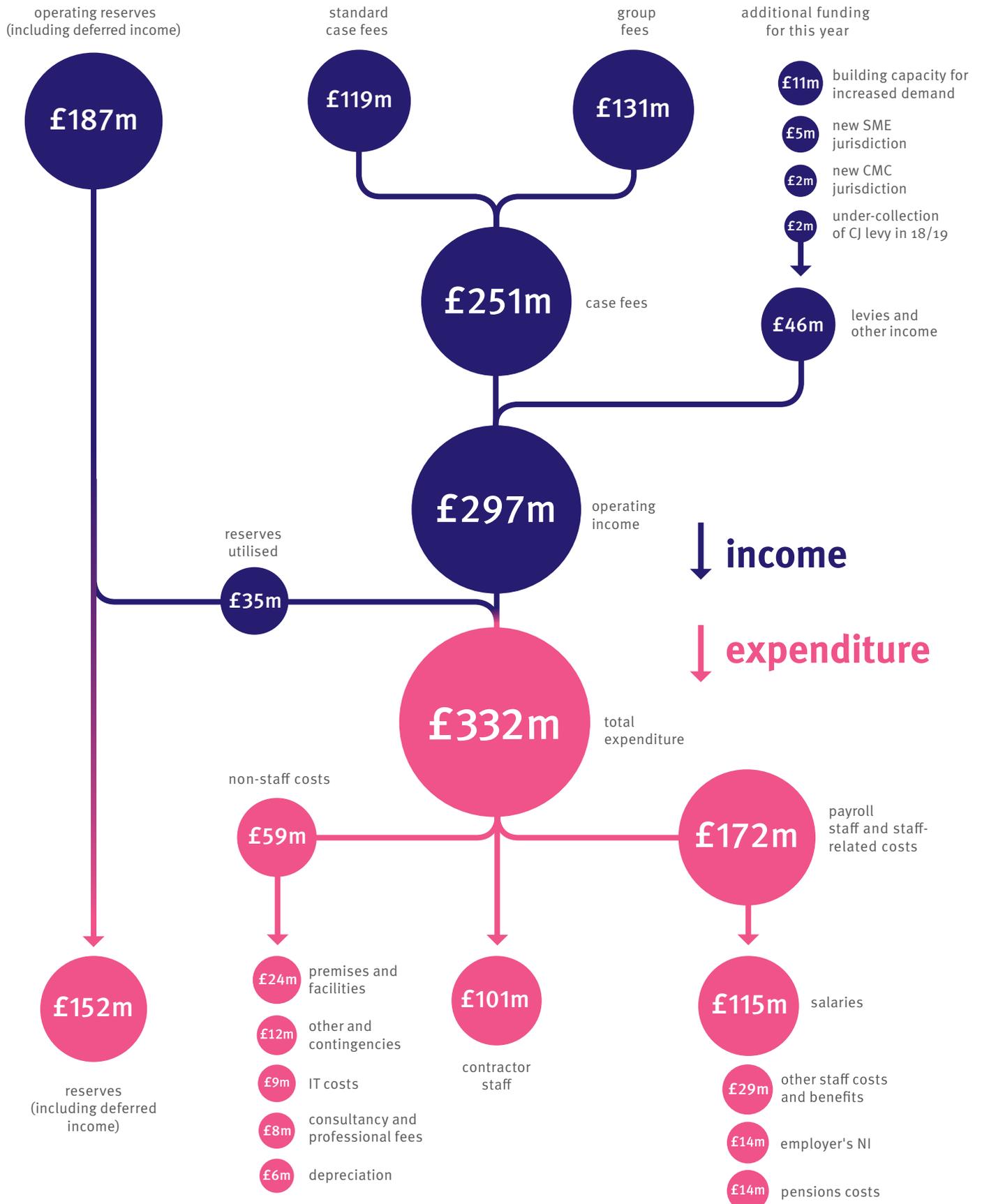
capacity, including the new SME and CMC jurisdictions.

- Maintaining our current group account fee arrangement – through which large businesses, whose customers account for most of the complaints we deal with, fund around 45% of our work.
- Expecting a total operating income of £297 million.
- Expecting a total expenditure of £332 million.
- Expecting our cost per case to be £650.
- Continuing our approach to managing our reserves, as we've explained in previous yearly plans and budgets.

Our case fee will be frozen at **£550**

Our cost base will be **£332 million**

# The financial flow of our resources in 2019/2020



## Our income and expenditure

	previous year 2017/2018 £m	budget 2018/2019 £m	Q3F 2018/2019 £m	consultation budget 2019/2020 £m	budget 2019/2020 £m
<b>income</b>					
case fees	72	79.3	80.2	104	119.3
group fees	143.6	124.5	122.6	147.4	131.4
levies and other income	27.3	26.6	25.6	44.8	46.4
<b>operating income</b>	<b>243</b>	<b>230.4</b>	<b>228.4</b>	<b>296.2</b>	<b>297</b>
deferred income release	5.9	1.9	2.2	-	-
<b>total income</b>	<b>248.8</b>	<b>232.3</b>	<b>230.6</b>	<b>296.2</b>	<b>297</b>
<b>expenditure</b>					
staff and staff-related costs	156	160.3	165.2	175.7	171.6
contractor staff	41.6	74.6	61.8	101.1	101.3
consultancy support	4.9	5	8	5.6	6.9
professional fees	1.3	1.4	1.4	1.6	1.6
IT costs	8.6	8.9	9.3	8.8	8.8
premises and facilities	24.6	22	22.3	22.6	23.8
other costs	1.5	1.3	1.3	1.3	1.4
depreciation	5.4	5.8	3.6	5.1	5.9
bad-debt write-off	-	0.4	4.4	0.4	0.4
contingencies*	-	10	-	10	10
<b>total expenditure</b>	<b>243.8</b>	<b>289.8</b>	<b>277.2</b>	<b>332.2</b>	<b>331.8</b>
<b>operating surplus / deficit</b>	<b>0.9</b>	<b>59.3</b>	<b>48.8</b>	<b>36.0</b>	<b>34.7</b>
<b>financial surplus / deficit</b>	<b>5</b>	<b>57.4</b>	<b>46.5</b>	<b>36.0</b>	<b>34.7</b>
<b>reserves and deferred income (£m)</b>	<b>233</b>	<b>175.6</b>	<b>186.5</b>	<b>141</b>	<b>151.7</b>
<b>closing FTE</b>	<b>3,638</b>	<b>3,978</b>	<b>3,928</b>	<b>4,575</b>	<b>4,104</b>
<b>total new cases</b>	<b>339,967</b>	<b>380,000</b>	<b>392,000</b>	<b>460,000</b>	<b>460,000</b>
<b>total case resolutions</b>	<b>400,658</b>	<b>410,000</b>	<b>366,000</b>	<b>510,000</b>	<b>510,000</b>
<b>cost per case resolution</b>	<b>£612</b>	<b>£706</b>	<b>£745</b>	<b>£651</b>	<b>£650</b>

\* including uncertainty relating to demand, PPI and Brexit



# 3

## Looking ahead, shaping our strategy

As well as consulting on our strategic plans and budget for the upcoming financial year, we've also been asking questions about the longer term – to 2025 and beyond. This chapter summarises the feedback we received about our plans and ideas, and explains the next steps in shaping our strategy.

## What we said in our consultation

In our consultation, we set out how we will deliver on our future strategy. We said that, building on our focus on remaining relevant and sustainable, we'd need to consider how people's expectations will continue to change – and what that will mean for our guiding principles, how we deliver our service and how we gauge the wider value of what we do. We explained that our next steps would include listening to the perspectives of our people and our stakeholders, before we set out a strategic proposal.

## What we asked

- How far do you think our guiding principles remain relevant as we look ahead?
- What are your views on the questions we've set out?
- Are there any other questions you think we need to ask, or any other developments you think we should take into account?
- What do you think about the next steps we've identified in developing our strategy?
- Do you have any other feedback about our strategic approach?



You can read the full discussion from page 42 of our consultation.

## Our guiding principles

**Fairness**

**We're a public, not a commercial service**

**We're independent from political or commercial influence**

**Our role goes beyond resolving individual complaints**

**Our values underpin everything we do**

**We're active only in financial services markets**

## The feedback we received

All respondents agreed that the guiding principles we'd set out remained relevant, and would continue to do so into the future. They also offered their own perspectives on the questions we'd asked, and suggested how they themselves saw things developing.

A number of respondents commented on the bearing new technology would have on our strategy, and the strategies of organisations more generally. For example, businesses felt it would result in efficiencies, and that developments such as artificial intelligence would benefit customers in opening up new ways of engaging with businesses and services. Despite this, some respondents told us that a human voice would remain important, especially for certain groups of customers. We were also encouraged to retain our focus on our people as we looked ahead – including making sure we retain and build expertise. Stakeholders also endorsed our commitment to engaging with our employees around our strategy, and agreed we should ensure we attract people from a diverse range of backgrounds and experiences, as well as exploring smarter ways of working.

Many respondents commented on our questions about whether “upheld” versus “not upheld” was the right way of thinking about complaint outcomes. The broad direction of feedback was that this was too stark a way of classifying what had happened. For example, some businesses said there should be recognition of any mediation that had happened, or any compromise a business had put forward. However, some weren't convinced that a wider range of outcomes would have any benefits in terms of how they used the data internally – and we were encouraged instead to focus on the quality of our data, and the insight we give into how we reach our decisions.

We also received feedback about future extensions to our remit. Some representatives of businesses said they believed disputes from business customers involving significant sums of money were likely to be more complex, and we'd need to focus on legal principles rather than resolving complaints with reference to what's fair and reasonable. Respondents representing financial services customers felt that, if there was ever the potential for us to take on new responsibilities, these would need to have the same statutory underpinnings to ensure trust in us was maintained.

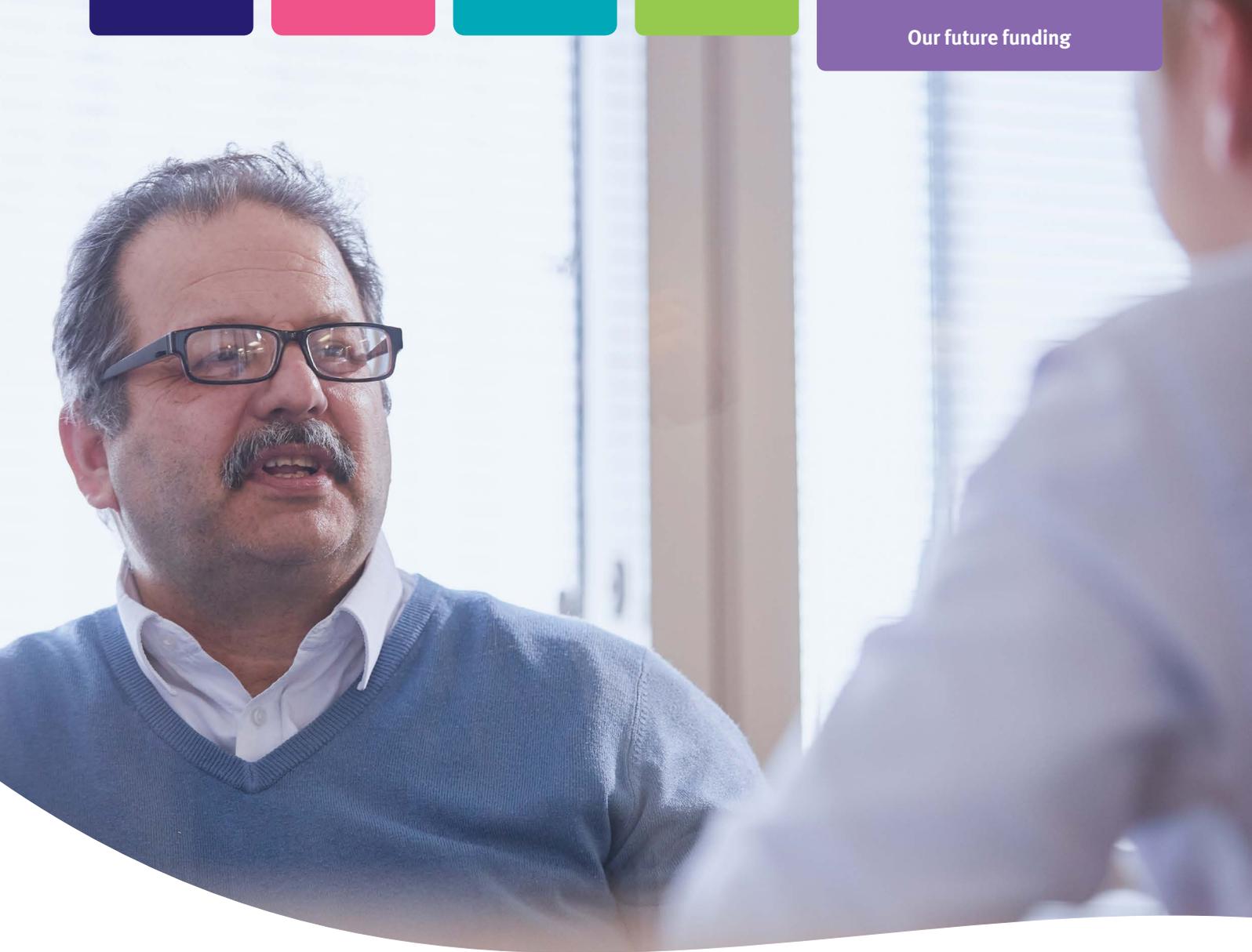
We also received broadly positive feedback about the next steps in shaping our strategy, especially our plans to look externally for innovations and ideas to learn from, and the need to put in place an evidence base and strategy for evaluating our success. Many respondents told us they looked forward to engaging with us further.

## Our response and next steps

A fundamental part of our horizons planning framework is ensuring we're ready for the longer-term future – guided by internal and external insight. We really value our stakeholders' early input on the areas we'll need to consider, the questions we need to ask and the broader approach we're taking.

We've already begun work on the research to support this. And we're committed to being as transparent as possible about how things are progressing – not least because we'll be relying on the perspectives of both our stakeholders and our employees to ensure we get things right. We'll continue to talk to a wide range of stakeholders in the coming months, and keep in touch about the timetable for setting out our strategic approach later in the year.





# 4

## Our future funding

**This chapter summarises the range of feedback we've received about the principles underpinning our funding and where our income should come from. We then explain how we'll be taking things forward.**

## What we said in our consultation

In our consultation we discussed how our funding arrangements will need to change to ensure we can deliver the service people need from us in the future – when we're no longer dealing with PPI complaints in such high volumes. Depending on how our income is split between levies and case fees, different potential options – such as those we illustrated – will have different advantages and disadvantages. We explained we wanted to hear as many perspectives as possible so we can find a fair and sustainable solution, and said we would be consulting further in 2019.



You can read the full discussion from page 42 of our consultation.

## What we asked

- What are your views on the principles that underpin our funding?
- What do you think about the funding options we've presented?
- When do you think we should change our funding model?
- Do you have any other views about our future funding?

## The feedback we received

The majority of respondents agreed with the principle that the cost of our service to the firms we cover should relate to the workload they generate for us, and that customers shouldn't have to pay to bring complaints to us. However some businesses felt that some of the options we'd presented would move us away from a "polluter pays" approach. These were option one, where we'd charge no case fees and derive 100% of our income from our compulsory jurisdiction levy, and option three, which would involve no case fee, and instead see all costs equally distributed through the compulsory jurisdiction levy and a new risk-based levy. Representatives of financial services customers cautioned against any model that didn't involve a case fee, saying it acted as a significant incentive to reduce complaints.

Our suggested option two – which involved reducing case fees to 45% of our income, maintaining the levy at 15% and introducing a risk-based levy to cover the remaining 40% of our income – seemed to be the most supported. Overall, however, there was agreement that further discussion and detailed information would be required before a final decision could be reached. For example, some respondents said there wasn't yet enough clarity on how risk would be calculated for a risk-based levy. Respondents who felt this way tended to support maintaining our current model – which we'd presented as a control option – in the short term.

Nearly all respondents agreed that the timing of any change in funding model needed careful consideration. A few thought adopting a new model by 2020/2021 would be achievable. Some suggested that any change should happen after the completion of our mass-scale PPI casework – beyond 2020/2021 – and after our new responsibilities for complaints involving SMEs and about CMCs had had the opportunity to settle in and their impact evaluated.

Some businesses' responses echoed the views we'd heard during our face-to-face engagement in autumn 2018. In particular, it was suggested we should apply a variable case fee, so complaints involving issues that were relatively straightforward wouldn't cost businesses as much. Some businesses also said complaints resolved at an early stage should have a lower fee.

## Our response and next steps

We know the costs involved in regulation and consumer protection are something businesses feel strongly about. The feedback we received in response to our consultation reflects the direction of conversations we've been having for some time – but as we get closer to the time when any changes will happen, we're grateful for the confirmation of our stakeholders' views.

As we said in our consultation, the options we presented were

only indicative at this stage – and people's broad support for the principles we outlined is encouraging, as these will be an essential foundation for any new model. We've explained in previous feedback statements that we don't think complaints resolved at an earlier stage necessarily involve less work; in fact, the opposite may be true. And any system that varied fees based on complaints' complexity would require a universally agreed understanding of where the thresholds for different levels of complexity lay. In practice, this might be very difficult to

achieve, and make an industry out of deciding fees, diverting resources from actually resolving complaints.

However, we agree that further conversations are needed to work through these issues and others. Now we've got a clearer understanding of our stakeholders' position, we'll begin separate engagement about our future funding. We plan to consult later in the year, building on the feedback we've received on the indicative options we presented.



## Respondents to our consultation

American Express

Financial Services Consumer Panel

Association of British Insurers

HSBC

Aviva

Lending Standards Board

AXA UK Group

Lloyds Banking Group

Barclays

LV=

Building Societies Association

Nationwide Building Society

Bupa

Personal Investment Management  
and Financial Advice Association

Consumer Finance Association

Royal London

Credit Services Association

RSA

Direct Line Group

Santander

Investment and Life Assurance Group

StepChange

Federation of Small Businesses

Which?

Finance and Leasing Association



Financial  
**Ombudsman**  
Service



[financial-ombudsman.org.uk](https://financial-ombudsman.org.uk)