Financial Ombudsman Service

Our 2020/21 plans and budget and future strategy

Consultation

December 2019

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 and reasonably, quickly, and with minimal formality. On 1 April 2019, our remit was extended to complaints made by more small businesses about financial services, and to complaints made by customers of claims management companies.

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. For complaints about events that happened after 1 April 2019, we can tell a business to pay up to £350,000.

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.

About this consultation

Our 2020/21 plans and budget at a glance

We expect to...

Receive
245,000
complaints

Receive
100,000
complaints about PPI

Receive
145,000
complaints about other products and services

Receive
1,300
complaints from small and medium-sized enterprises

Receive
1,300
complaints about claims management companies

Resolve
290,000
complaints

Resolve
125,000
complaints about PPI

Resolve
165,000
complaints about other products and services

Resolve
1,300
complaints from small and medium-sized enterprises

Resolve
1,450
complaints about claims management companies

Collect
60%
of our income through case fees and
40%
through our levy

Raise
£106m
through our levy

Keep a minimum of
6
months' operating expenditure as reserves

Set the "free" case threshold at
10
for firms outside the group account fee arrangement

Set the "free" case threshold at
50
for the 8 members of our group account fee arrangement

Set our individual case fee at
£650
Around 8 in 10 businesses whose customers complain to us won't pay any case fees

Operate on a cost base of
£297m

What we're asking

Current outlook for 2019/20

1. What do you think about our projections for the volumes of complaints we'll receive and resolve in 2019/20?
2. What's your perspective on the trends we've identified in 2019/20?
3. Are there other trends you're seeing, or any insights you have, that you think we should take into account for the rest of 2019/20?
4. Do you have any views about how our new CMC and SME jurisdictions have been operating?
5. Do you have any other feedback about our year so far?

Our plans for 2020/21

6. What do you think about our projections for the volumes of complaints we'll receive and resolve in 2020/21?
7. What are your views on the challenges we're facing in PPI – including your expectations around the timing and volumes of referrals to us?
8. What are your views on the potential for complaints volatility in short-term lending?
9. Are there other trends, themes or complexities you're aware of, or any insights you have, that you think we should take into account as we plan for 2020/21?
10. What are your views on our plans to resource and develop our service in 2020/21?

Our budget for 2020/21

11. What are your views on our proposed budget and funding arrangements for 2020/21?

Our future strategy

12. Is there anything else you think we need to take into account as we develop our future strategy?
13. Do you agree with our proposed strategic priorities?

How to respond

This consultation is open until 31 January 2020.

The easiest way to respond is online at https://ombudsman2021.questionpro.eu, where you'll be able to answer all the questions we've asked.

Alternatively, you can email your response to consultations@financial-ombudsman.org.uk, or send it to:

Stakeholder team – consultation responses
PO Box 69989
Financial Ombudsman Service
London
E14 1PR

We'll publish a list of respondents and an anonymised summary of responses as part of our consultation process. If you think there's a reason your name shouldn't be published, please let us know. We won't automatically take a standard email disclaimer as an indication that your name shouldn't be included.

The next steps

Consultation opens	16 December 2019
Deadline for responses	31 January 2020
Final plans and budget published	by 31 March 2020

Chief ombudsman & chief executive's introduction

When we consulted on our 2019/20 plans this time last year, the FCA's deadline for complaints about mis-sold payment protection insurance (PPI) was eight months away. Now, with the deadline behind us, we've got a sense of the scale of the public response – at the latest estimate, enquiries running into the millions. We don't yet know how many complaints this will translate into. But while we expect to be busy for some time yet, the end of this mis-selling scandal is now firmly in sight.

That's significant for our service. For the best part of a decade, we've been dealing with PPI complaints in mass volumes – 30,000 in 2009/10, peaking at just short of 400,000 in 2013/14 – with the total we've resolved standing at more than two million. PPI required new ways of working, new ways of engaging and new ways of funding our work. And with its conclusion on the horizon, we've again been thinking differently – and thinking big – about what we do and how we do it.

Looking first at the short term, this consultation is a chance to build a clearer picture of the challenges immediately ahead. As we explain, the as-yet unclear final stretch in resolving PPI, together with the turbulent year we've seen in the short-term lending sector, generate significant uncertainty for us, which will be carried forward into 2020/21.

So too will the broad trend we've seen toward complexity in complaints – whether this is rooted in individual customers' circumstances, the entrenchment of one or both parties or an evolving regulatory and legal landscape. As always, we welcome feedback about the trends and forecasts we've highlighted, to help us anticipate the shape of the year to come – which, based on our current outlook, could see just short of a quarter of a million new complaints referred to us.

It's increasingly clear that these types of challenges and ambiguities aren't just a passing phase. At the beginning of a new decade, technology has fundamentally changed people's lives and the financial services that support them. And in turn, it's changed the type of things that can go wrong, and the speed with which that can happen.

We know we've got to work hard to keep up. That includes doing all we can to reduce the time people are waiting to hear from us – while recognising that, in some cases, the complexities involved mean giving an immediate answer isn't possible, or isn't the right thing to do.

"Our 2020/21 plans are a further step forward. The final chapter of this consultation sets out our direction of travel, as we shape the strategy that will get us to where we need to be."

And at the same time, looking further ahead, we've got to continue to think differently about the service we want and need to be. One that doesn't just resolve people's problems once they've arisen, but proactively shares its insight to stop unfairness at source. One that doesn't just react to changing demand, but embraces, and is fit for, a complex and changing landscape. One that's never content with just doing what's always been done, but wants to lead the way in modern dispute resolution.

These ambitions underpin the investments we've made in transforming our structure and our technology – as well as the funding proposals we set out earlier in 2019, following extensive dialogue with our stakeholders over the last few years.

Our 2020/21 plans are a further step forward. The final chapter of this consultation sets out our direction of travel, as we shape the strategy that will get us to where we need to be.

And getting there really matters. Everyday lives and livelihoods depend on the sectors we cover – and on an ombudsman that's both ready for anything, and active in driving fairer outcomes.

I'm looking forward to hearing your views.

Caroline Wayman
Chief ombudsman & chief executive
16 December 2019

1

Current outlook for 2019/20

In this chapter we set out how the current financial year, 2019/20, has developed since we set out our plans following last year's consultation. We explain that we've continued to manage uncertainty about our future PPI caseload, and volatility in complaints about short-term lending. We also give an update on our new jurisdictions – complaints from more small business customers of financial services and about claims management companies (CMCs) – as well as our wider performance.

Overall picture

The current financial year has been characterised by uncertainty and volatility. This is reflected in our current forecasts, which suggest that we'll receive fewer complaints than we set out in our 2019/20 plans – although it's not yet clear how the rest of the year will play out. We've also resolved fewer complaints than we anticipated – in part because we've received lower volumes, but also because of the nature of some of this caseload, some of which is the subject of ongoing challenges over our approach to resolving complaints.

We've continued to see a trend towards complexity, with many complaints about issues that require significant time and resources to resolve – including disputes centred on fraud and scams, insurance pricing and self-invested personal pensions (SIPPS), and those about the affordability of lending and involving people in vulnerable circumstances more generally.

New complaints

Financial product or service	2018/19 actual	2019/20 budget	2019/20 latest forecast	2019/20 forecast against 2018/19 actual
PPI	180,507	250,000	150,000	(17%)
General casework*	207,885	210,000	165,000	(21%)
including				
Banking and credit (including packaged bank accounts and short-term lending)	149,933	149,900	114,900	(23%)
Insurance (except PPI)	42,346	43,000	35,800	(15%)
Investments and pensions	15,606	15,500	13,000	(17%)
Complaints about CMCs**		1,600	1,300	
Total	**388,392**	**460,000**	**315,000**	**(19%)**

* Complaints from SMEs (additional to our existing micro-enterprise casework) are included within the general casework figures for banking and credit, insurance, and investments and pensions. We expect to receive 1,300 complaints from SMEs in 2019/20, against 1,300 in our budget.

** Our SME and CMC jurisdictions began on 1 April 2019.

Resolved complaints

Financial product or service	2018/19 actual	2019/20 budget	2019/20 latest forecast	2019/20 forecast against 2018/19 actual
PPI	217,082	270,000	120,000	(45%)
General casework*	159,270	240,000	190,000	19%
including				
Banking and credit (including packaged bank accounts and short-term lending)	109,871	175,600	134,200	22%
Insurance (except PPI)	36,706	45,200	39,900	9%
Investments and pensions	12,693	17,600	14,450	14%
Complaints about CMCs**		1,600	1,450	
Total	**376,352**	**510,000**	**310,000**	**(18%)**

* Complaints from SMEs (additional to our existing micro-enterprise casework) are included within the general casework figures for banking and credit, insurance, and investments and pensions. We expect to resolve 1,300 complaints from SMEs in 2019/20, against 1,300 in our budget.

** Our SME and CMC jurisdictions began on 1 April 2019.

Key complaints trends and issues

This section highlights some of the new and ongoing trends and issues we've seen in our casework during 2019/20. It isn't a comprehensive list, and we'd be grateful for stakeholders' views on any other recent or future developments that they think could result in demand for our service – as well as perspectives on those we've identified. Given the uncertainty we're currently facing around future complaints volumes, our ultimate year-end position will depend on how the picture develops between now and the end of March 2020.

PPI

The FCA's deadline for complaining about PPI was 29 August 2019. In response to our 2019/20 plans and budget consultation, some stakeholders suggested that people might leave it right up to the deadline to complain. This seems to have been borne out; following a steady build-up in the months immediately before the deadline, businesses have now reported that they're working through millions of customer enquiries and complaints.

Mirroring this, we saw relatively low volumes of PPI complaints in the months before the deadline – followed by a marked increase in enquiries. This activity has significantly increased in the last month – with much of our involvement centred on helping people understand the next steps in complaining about their PPI. Though we haven't yet seen queries relating to people missing the deadline, we've refreshed our online resources to highlight the types of exceptional circumstances under which complaints should still be considered.

Our latest forecast (Q2 2019/20) suggested we should expect to receive 150,000 complaints in total in 2019/20 against 250,000 in our plans – with most of these arriving in the final quarter. However, the high level of activity on our part and businesses' hasn't yet translated into significant volumes of cases to investigate. Some businesses have flagged that it's likely they'll take much longer than usual to provide customers with their final response – and that in some cases this might not happen until the summer of 2020. Because customers will then have up to six months to refer their complaints to us, this could mean we don't see a spike in complaints until the second half of 2020/21. We're continuing to plan for a range of scenarios, and engaging regularly with the FCA, businesses and CMCs.

In 2019/20, our progress in resolving some PPI complaints has been affected by challenges to our approach by some CMCs. Following recent developments we hope to see all parties cooperating with and learning from our approach, so we can work together to see PPI through to its conclusion.

Banking and borrowing

Based on our current forecasts, we think we'll end 2019/20 having received fewer complaints about banking and borrowing issues than we'd budgeted for. In the area of short-term lending, we've continued to see volatility relating to the financial vulnerability of lenders themselves.

Banking

As we explained above, complaints about fraud and scams can be particularly challenging – and have been subject to ongoing regulatory and industry developments during 2019/20. In the whole of 2018/19, we saw a 40% increase in complaints about fraud and scams, dealing with just over 12,000 cases – and in the first half of 2019/20 the rate of new complaints was broadly similar. The mix of cases we see include problems involving cash machines, credit card transactions that aren't recognised, as well as complaints where people have inadvertently transferred money to scammers. During our engagement with financial businesses, they've agreed with our assessment about the complexity of these cases – part of a broader trend we're seeing across our casework. During the year we provided focused training for our case handlers dealing with these complaints, in light of the emotive, hard fought and often complex nature of complaints arising from fraud and scams, and the potential for vulnerability in the circumstances of the people involved.

We've been encouraged by banks' engagement with us about fairness in cases where customers haven't authorised transactions, but there's still work to do to ensure firms' complaints handling keeps pace with what's fair and reasonable in this area. A major focus for the financial services sector this year has been authorised push-payment, or "APP" fraud – in which customers are tricked into authorising transactions themselves. Our conversations with banks have focused on ensuring that the right questions are asked to determine whether a transaction is fraudulent, and ensuring fair redress when fraud isn't picked up by banks' security systems.

From May 2019, a number of banks have been signed up to a voluntary "contingent reimbursement model" code, which offers new protections for victims of APP fraud by setting out conditions in which victims can get a refund from payment service providers such as banks. From March 2020, "confirmation of payee" – checking an account-holder's name as part of transferring money – will come into force, with the aim of adding new levels of security into making online payments.

We'd be interested in any insight about how these developments might influence our work – as well as any other banking issues that we should take account of in our planning.

Consumer credit, including short-term lending

When PPI is excluded, complaints about consumer credit accounted for one in every three complaints we received in 2018/19 – and at this stage in the year, we've seen a similar proportion. Although this area of our work is wide-ranging – from payday and guarantor loans, through to car finance and catalogue shopping – affordability and persistent debt cut across as consistent themes.

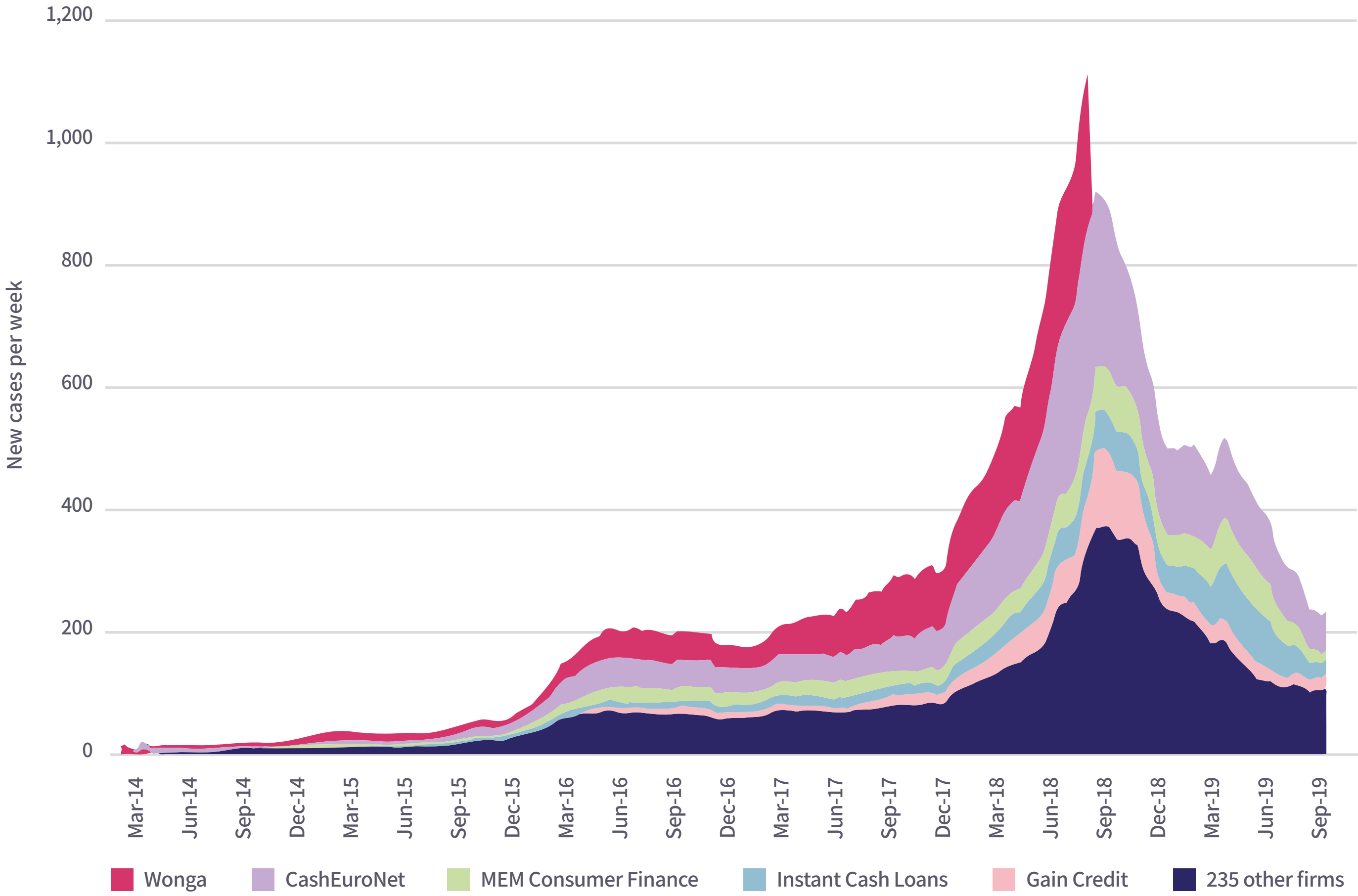
We've continued to use our conversations with lenders and their trade bodies to clarify our fair and reasonable approach to these complaints – and the expectations on them around customer debt. The FCA has continued to flag its concerns and take action – for example, in a "Dear CEO" letter to lenders, its high-cost credit review, and pricing reforms in the rent-to-own and overdraft markets.

Despite persistently high uphold rates in some areas – notably in complaints about high-cost lending – we're seeing positive signs that some lenders are engaging with our approach and embedding it on their own front lines. However, volumes of complaints about short-term lending – payday and instalment loans – continue to be subject to volatility.

During 2018 and 2019, the collapse of several lenders – including Wonga, Instant Cash Loans (The Money Shop), CashEuroNet (WageDay Advance) and Quick Quid – meant that tens of thousands of complaints that had been referred to our service had to instead be pursued through the administrators. People with successful claims are likely to receive only a fraction of the money they're owed. Our own financial position has also been affected, as we've been unable to recover significant volumes of case fees for work we'd done to progress these complaints before the firms involved failed.

In addition, the activity of third-party consumer representatives has an impact on the volume of complaints referred to us – and we've also seen poorly-administered and evidenced complaints from these representatives, which can cause operational difficulties and increase waiting times. Overall, our view is that we think we should be prepared for further volatility in this area over the coming year.

Volatility in complaints about short-term lending



Insurance

At this stage in the year, it's looking like we'll receive fewer complaints about insurance than we and stakeholders expected.

We've continued to hear from people who are unhappy about year-on-year increases in the cost of their insurance – especially when it appears they could get a much lower quote as a new customer. We've been clear with insurers that they need to ensure customers are engaging with their policies at the point of renewal – though we recognise that these judgements, involving weighing up customers' ability to engage, potential vulnerability and other individual circumstances, can be challenging and complex. The FCA's view is that competition isn't working for all consumers in this area, and it's currently considering how to address this.

Looking at specific types of insurance, motor and buildings insurance remain the most complained-about types of policies. Encouragingly, we've seen improvements in how travel insurers are handling claims – something that's reflected in the fact we're upholding fewer complaints in this area, following relatively high uphold rates over recent years.

Investments and pensions

Our forecasts currently suggest we'll see fewer complaints in 2019/20 than our plans and budget consultation suggested. However, we've seen a rise in complaints about SIPPs (self-invested personal pensions), including disputes over due diligence. Reflecting the broad trend toward complexity that we're seeing across our casework, many of these complaints are hard-fought, subject to ongoing legal action, and in some cases involving firms that have gone into liquidation – factors which create challenges around reaching a quick resolution. We're currently upholding around six in ten complaints involving SIPPs: far higher than the average across our casework.

This year we've also continued to work closely with the FCA to address concerns raised by and on behalf of members of British Steel's pension fund, with our ombudsmen taking part in several local events in Port Talbot to speak to those affected, as well as to local financial advisers.

And following a number of high-profile examples of trouble with investment platforms, we've continued to hear from people who've had problems accessing and managing their investments – in some cases affecting their income payments or pension withdrawals.

Our new jurisdictions from 1 April 2019

Complaints from more small business customers of financial services

Previously, we were able to look at complaints brought by micro-enterprises – businesses with a turnover or annual balance sheet of less than €2 million and fewer than 10 employees.

From 1 April 2019, we've been able to help businesses with an annual turnover of less than £6.5 million, and either a balance sheet total of less than £5 million, or fewer than 50 employees. We're also now able to look into complaints by charities with an annual income of less than £6.5m, and trusts with a net asset value of less than £5m; and individuals who act as personal guarantors for loans to businesses they're involved in.

For this new jurisdiction, we're able to look into complaints about events occurring on or after 1 April 2019, but not before this date.

On 1 April 2019, our jurisdiction expanded so that around 210,000 more small and medium-sized enterprises (SMEs) could complain to us about financial providers.

We've now successfully delivered the plans we set out in March 2019 – establishing dedicated SME casework teams, a new dedicated microsite with a distinct identity, and a dedicated helpline for SME customers.

Since our jurisdiction began, our teams have received additional training from subject specialists, and they also have dedicated legal support. The teams are able to help resolve complaints about micro-enterprises – which have referred approaching 3,000 complaints to us so far this year – with the ability to flex up when we receive higher volumes of complaints from businesses newly able to access our service.

As planned, in 2019/20 we've held meetings of our SME advisory group – a new forum established to help us build our insight into the SME sector, including the concerns and challenges faced by SMEs as they interact with financial services. In turn, we'll share insights and trends in the cases brought by SMEs that we see. We're also continuing to work with relevant business representative groups, such as the Federation of Small Businesses. We're recruiting for members of our expert panel, which will be available to provide additional technical support on a case-by-case basis – and we'll continue to review the complaints we're receiving to inform our recruitment.

Trends in our SME casework

In our plans and budget for 2019/20 we said we would be prepared to receive up to 1,300 complaints from small businesses now able to use our service. Reflecting the fact that our jurisdiction isn't retrospective, we anticipated that volumes could be lower, with a gradual increase over 2019/20 and 2020/21.

From April 2019 to October 2019, we received complaints from 113 businesses that were potentially eligible under our new jurisdiction. Of these complaints, 49 referred to events after 1 April 2019, so we were able to investigate. Where we weren't able to get involved, we gave guidance on our jurisdiction and businesses' other options.

In addition to their work on chargeable SME complaints, our SME teams also handled 484 new contacts through our helpline – providing support such as information about how to make a complaint, how our service works and what the new eligibility criteria are.

So far around three quarters of complaints from SMEs have been about banking, and the rest about insurance. Some of the themes to have emerged from SMEs' complaints – bearing in mind the relatively small number of complaints we've received so far – include fraud and scams, commercial insurance, and account closures.

Complaints about claims management companies

On 1 April 2019 our remit extended to complaints from customers of CMCs. These complaints were previously handled by the Legal Ombudsman (LeO), and the extension of our remit also involved the transfer of around 200 existing complaints. By working closely with LeO, we ensured that this transition has happened without disruption to these cases, which have now all been resolved. The transfer of a number of LeO case handlers to our service also means we've inherited valuable experience in this area.

We've made good progress with the CMC plans we set out in March 2019. Mindful of the potential for a perceived conflict of interest, we located our CMC operation in Coventry, away from case handlers who deal with CMCs as representatives. We've also launched a distinct Claims Management Ombudsman brand and microsite, and begun to publish data about CMC complaints in the same way as we do for financial services.

We've continued to engage with the FCA in its role as CMCs' new regulator. Our discussions so far have covered activity by scam firms, CMCs' compliance with our decisions, and the future shape of the CMC market. We've also engaged with more than 30 individual CMCs, of the approximately 100 represented in our casework.

Trends in our CMC casework

Between April and October 2019, we received more than 500 complaints about CMCs – excluding those that transferred from LeO – and handled more than 3,200 calls to our helpline. Over half our CMC caseload involves PPI claims, with a further third relating to accident management claims. Most (94%) involve complaints about the quality of CMCs' customer service, how they've handled claims, or complaints about fees.

At this stage, only 6% of complaints are about delays. However, we're now seeing the impact of the pre-deadline rush to submit claims about mis-sold PPI, and some CMCs have told us they're handling extremely high volumes of PPI enquiries. This is an issue we'll continue to monitor – though we know that a number of CMCs have taken steps to ensure they can cope, such as deciding not to accept new PPI customers before the deadline to ensure they had enough time to serve their existing customers. Given that financial businesses are also reporting they're taking longer than usual to consider customers' complaints, it's possible we'll begin to see more complaints from people unhappy about delays, but who won't necessarily know where responsibility lies.

Our performance

Enhancing our service and building capacity

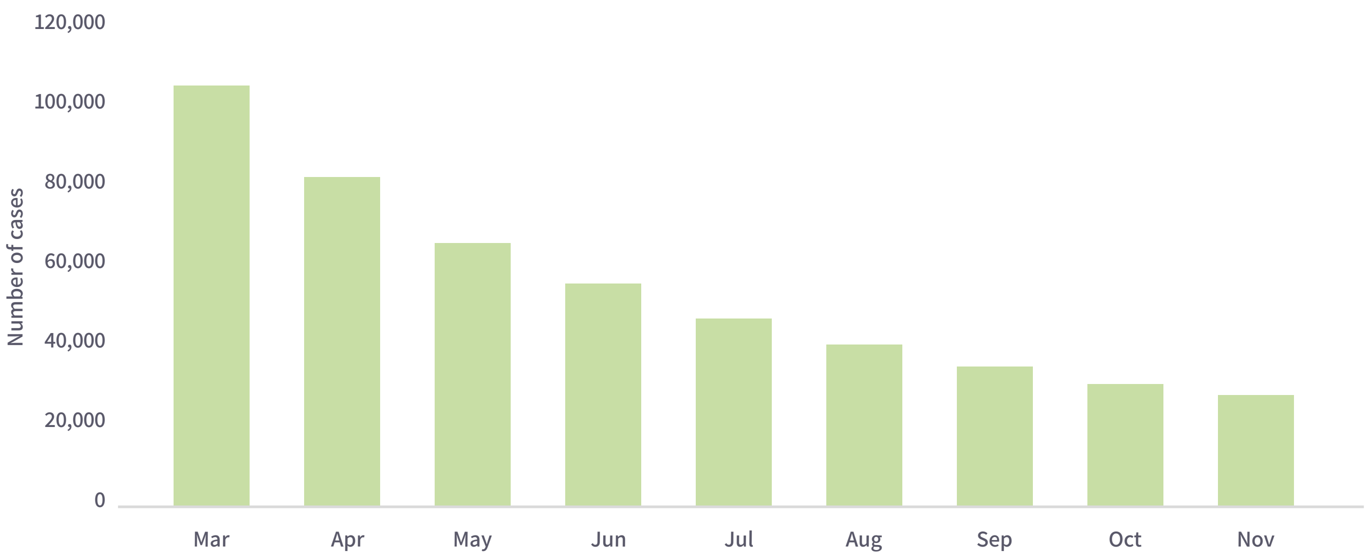
When we began to consider the shape of our service post-PPI, we anticipated that we might see around 100,000 complaints a year. Given the general upward trend in demand we've seen in recent years, we've needed to rethink these expectations – to reflect the likelihood that our casework will be at consistently higher levels, as well as increasingly complex and potentially volatile.

Following the high demand we experienced in 2018/19 – including complaints arising from a high-profile IT failure, and an upward trend in complaints about fraud and scams – we began the current financial year with a significant number of complaints we'd taken on to investigate, but hadn't yet resolved.

Throughout 2019/20, we've continued to put our energy into ensuring that people get the answer they need from us, prioritising those who've been waiting the longest and those in vulnerable circumstances.

At this stage in the year, we've made good progress, having already resolved around three quarters of our oldest complaints that aren't impacted by longstanding litigation. Our own consumer research (see chapter four) highlights the importance people place on the outcome of complaints, rather than just how quickly they get an answer. We're pleased that levels of customer satisfaction across our service are broadly in line with our aims.

Our progress resolving complaints more than 12 months old in 2019/20



A combination of factors have contributed to higher waiting times than we'd hoped to see this year. As we explained earlier in this chapter, we've continued to deal with challenges and complexities in our casework – and in some instances, our ability to put right unfairness has been made more challenging by businesses' and CMCs' level of cooperation with us. These issues tend to have an impact across our service, as we necessarily divert resources into managing them.

Although we always stand ready to help put right unfairness, it's better for all parties that it doesn't arise at all. So we've continued to share our insight with businesses and CMCs to help prevent complaints at source – and to ensure those that do happen get resolved fairly at the first opportunity, rather than needing to be referred to us.

In view of the significant and challenging workload we expect to see into the future, in 2019/20 we've continued to recruit skilled complaint handlers. In a very competitive market, we'll be carrying out further recruitment to build our capacity – mindful of the need to maintain a high bar, and to ensure flexibility in response to changing demand.

At the same time, in line with the plans we set out at the beginning of the year, we've been taking steps to ensure we're working as efficiently as we can and further improving the quality of our customer service. For example, we've introduced new tools to help our investigation teams manage and prioritise their caseload, redesigned our planning cycle to improve our responsiveness to changes in demand, and established a best practice area to trial innovations in our ways of working.

These changes have been supported by improvements to our IT infrastructure. In June 2019 our new case handling system was launched across our service, and will continue to be enhanced. We've also begun to trial our consumer portal, which will bring greater convenience and flexibility for people who want to engage with us online. Our new chief information officer, Nicola Wadham, joined us in November 2019 to lead our technology and information strategies.

We'll report fully on our performance against our 2019/20 commitments in our annual report in summer 2020.

Our finances

The table below sets out the position in which we expect to end the year, compared with our budget expectations.

Financial summary

	2018/19 (£m)	2019/20 budget (£m)	2019/20 latest forecast (£m)	2019/20 forecast against 2018/19 actual
Operating income	227.5	297.0	249.6	10%
Operating expenditure	270.5	331.8	288.7	(7%)
Operating deficit	(43.0)	(34.7)	(39.0)	9%

The difference between our budget and currently-forecast operating income is due to our resolving fewer complaints than we'd originally anticipated following our 2019/20 consultation – reflecting the volatile and complex complaints landscape, including the developing picture in PPI. We've continued to update our operational plans, reducing our forecast casehandler costs to mitigate the reduction in income.

We've also continued to take a commercial approach to procuring services and negotiating contracts, releasing buildings and floor space, and investing in technology to facilitate working smarter and more flexibly. There's more detail about this in chapters two and three.

Questions

1. What do you think about our projections for the volumes of complaints we'll receive and resolve in 2019/20?
2. What's your perspective on the trends we've identified in 2019/20?
3. Are there other trends you're seeing, or any insights you have, that you think we should take into account for the rest of 2019/20?
4. Do you have any views about how our new CMC and SME jurisdictions have been operating?
5. Do you have any other feedback about our year so far?

2

Our plans for 2020/21

In this chapter we set out our plans for 2020/21, including the volumes of complaints we expect to receive and resolve. We highlight the uncertainty and potential for volatility that we're continuing to respond to at the same time as helping bring PPI to its conclusion. We also outline our wider plans for our service, including developing our technology and continuing to strengthen our quality and customer service.

Overall picture

In the previous chapter, we set out some of the themes and trends we're currently seeing in complaints. Given our current assumptions about how these might develop, we're expecting to receive around 22% fewer complaints in 2020/21 than we did in 2019/20 – and to resolve around 40,000 more complaints than we receive.

New complaints

Financial product or service	2018/19 actual	2019/20 latest forecast	2020/21 consultation forecast	2020/21 comparison with 2019/20 forecast
PPI	180,507	150,000	100,000	(33%)
General casework*	207,885	165,000	145,000	(12%)
including				
Banking and credit (including packaged bank accounts and short-term lending)	149,933	114,900	97,800	(15%)
Insurance (except PPI)	42,346	35,800	33,400	(7%)
Investments and pensions	15,606	13,000	12,500	(4%)
Complaints about CMCs**		1,300	1,300	0%
Total	**388,392**	**315,000**	**245,000**	**(22%)**

* Complaints from SMEs (additional to our existing micro-enterprise casework) are included within the general casework figures for banking and credit, insurance, and investments and pensions. We expect to receive 1,300 complaints from SMEs in 2020/21, against 1,300 in 2019/20.

** Our SME and CMC jurisdictions began on 1 April 2019.

Resolved complaints

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PPI	217,082	120,000	125,000	4%
General casework*	159,270	190,000	165,000	(13%)
including				
Banking and credit (including packaged bank accounts and short-term lending)	109,871	134,200	112,400	(16%)
Insurance (except PPI)	36,706	39,900	37,250	(7%)
Investments and pensions	12,693	14,450	13,900	(4%)
Complaints about CMCs**		1,450	1,450	0%
Total	**376,352**	**310,000**	**290,000**	**(8%)**

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Key trends and developments in 2020/21

Managing uncertainty in PPI

As the tables above show, actual volumes of complaints can differ considerably from the forecasts we set in consultation with our stakeholders at the beginning of every year. In PPI in particular, over the best part of a decade, a range of factors has been at play, impacting the volumes of new complaints referred to us, as well as how far we can progress and resolve those we've already received.

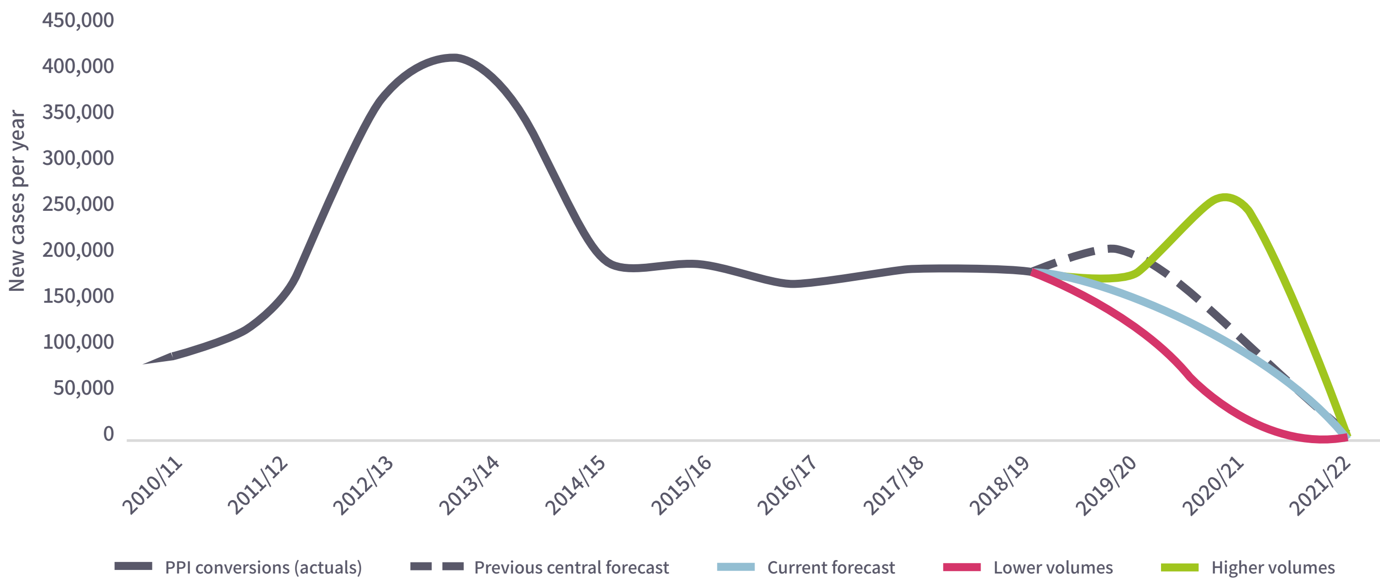
These factors include the behaviour of businesses responding to complaints – such as how far they work constructively with us in line with their obligations, as well as how far they learn from our experience and embed what they've learned on their own front line. The activity of CMCs – in particular, the scale of their activities, and their willingness to engage with us and act pragmatically when it's likely complaints won't succeed – can also have a considerable impact. Over the lifetime of PPI, we've needed to manage uncertainties related to legal and regulatory action from both sides of complaints. There's been a significant response to the FCA's PPI awareness campaign. Our current central view is that we could receive a further 100,000 new PPI complaints in 2020/21 – but from our conversations with financial businesses, we know they're still working to understand the scale of their own challenge. The shape of our workload will depend on how many PPI enquiries businesses will take on as complaints, how many of those complaints will be referred to us, and when this will happen. Previous rates of referral and timings aren't necessarily an indication of what's to come, because over the years businesses have increasingly embedded our approach, and the profile of more recent complaints might not be the same as during previous spikes.

The FCA has acknowledged that many businesses won't meet normal complaint handling timescales, and it's likely that some customers will have to wait until the summer of 2020 to get the business's final response. It's not yet clear how many of these complaints will then be referred to us within the six-month window. However, our current thinking is that we're likely to see far higher volumes of cases over the next 12 to 18 months than had been suggested by the relatively low demand we saw in the first quarter of 2019/20, in the months before the August 2019 deadline – leaving us with a volatile immediate picture. Although we'd previously planned to start to wind down our PPI operation from early 2020/21, we now think we'll need to retain it throughout the whole of 2020/21.

The FCA has continued to engage with CMCs to ensure they're taking a pragmatic approach to the complaints they're involved in, including giving businesses a reasonable chance to resolve complaints, even if this means waiting longer than usual. In our own conversations with CMCs, we've also been establishing how we can best identify customers whose circumstances mean they need help more quickly.

As well as relying on a constructive response from businesses and CMCs, our progress in moving PPI toward a conclusion will depend on how far the profile of our casework allows us to use established tools and economies of scale.

Potential future volumes of PPI complaints



Volatility in short-term lending

As we set out in the first chapter, we've seen significant volatility in the volumes of new complaints about short-term lending over the last couple of years – with volumes increasing markedly, but then falling sharply, in large part due to lenders going into administration. In these circumstances, both customers who've already complained to us and those making new complaints have to pursue their claims through the administrators instead.

As we plan for 2020/21, we're mindful that other firms in this sector may be, or could quickly become, financially vulnerable. As we explained in the previous chapter, the failure of firms can have a bearing on our own finances, as we're not able to recover case fees for work we've carried out. A further factor in the volume of complaints we'll receive – as well as in lenders' financial vulnerability – is CMCs' appetite to pursue claims against short-term lenders. We've already been working to improve the quality of complaints brought to us by third-party consumer representatives in this area, and will continue to monitor the developing picture over the course of the year – flagging any concerns to the regulator.

Bearing in mind the potential for volatility, we think we'll receive around 10,000 complaints about short-term lending in 2020/21 – less than half this year's levels – and resolve 15,000, against an expected 40,000 this year.

Other themes, trends and complexities

In the previous chapter, we highlighted some of the themes and trends we expected to develop during the rest of 2019/20 – and to continue to influence our caseload into 2020/21. We'd be grateful for stakeholders' insights into other areas of complaint that might result in demand for our service over the course of the year – whether these are known complaints issues that could grow and change, or new areas of potential unfairness that might generate complaints and referrals to us.

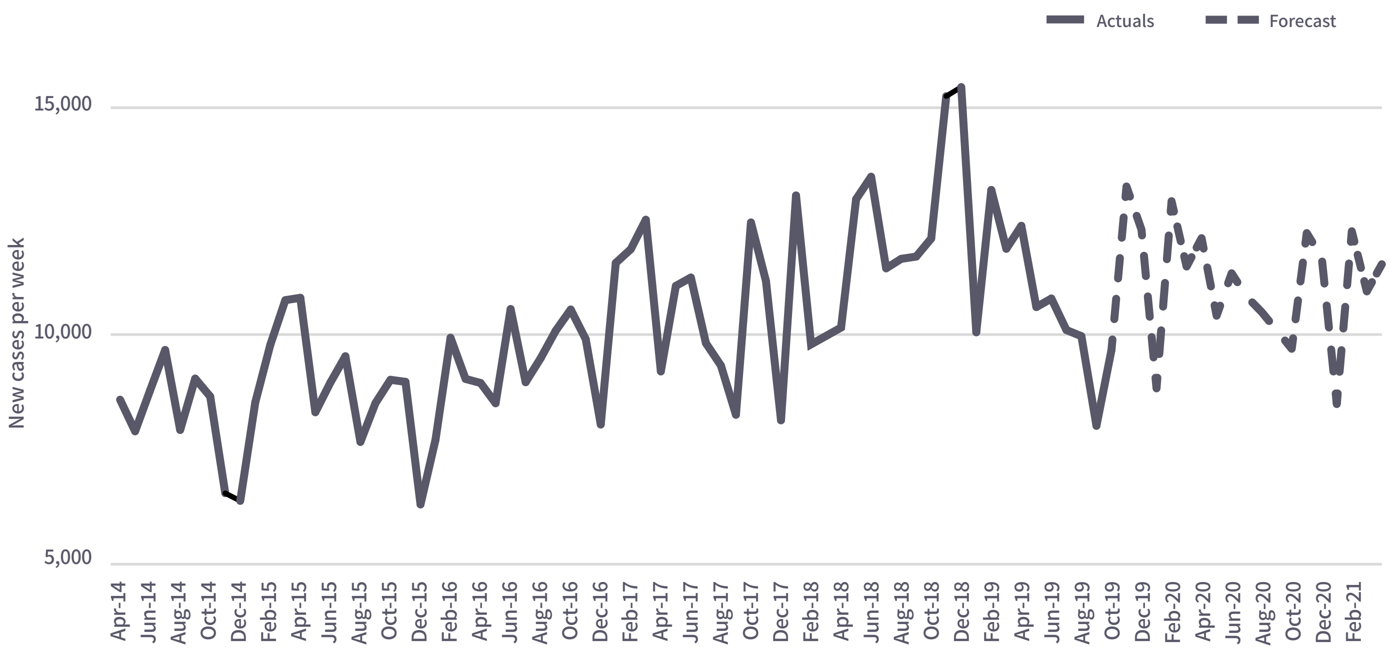
When we consulted earlier in the year on our future funding, we explained that, in years to come, we expect there to be fewer opportunities for the economies of scale and efficiencies associated with areas of mass complaint. And we also expect to see a broad trend toward complexity in our casework as we look ahead to the end of PPI.

A case's complexity isn't always to do with the particular product or service involved. Often, it tends to be more about the circumstances of the customer or firms involved. And a range of individual circumstances, including vulnerability, may increase the potential for detriment when something goes wrong – even if the problem, such as a failed payment, might superficially look fairly straightforward to put right. Other external factors, such as evolving legal action and regulatory changes that haven't yet been finalised, can add extra complications to certain tranches of our casework. And it's likely that complaints brought by small businesses will involve complexities specific to the operations of commercial enterprises and the financial products they use.

The types of financial businesses involved in complaints can also increase the complexity of certain areas of our casework. In particular, the increase we've seen in consumer credit complaints – particularly those centring on the affordability of borrowing – has meant we've been dealing with a diverse range of financial businesses. Compared with larger firms in other sectors, many of these firms have little or no experience of dealing with the ombudsman service, what we expect from them and how we approach resolving complaints. The impact this can have on their engagement with us has the potential to make resolving complaints against them more challenging.

As well as in short-term lending, we think we should also be prepared for volatility elsewhere. Factors such as people's growing reliance on technology, the immediacy of transactions, and connections between financial products and other types of services can combine to increase the speed and scale at which things can go wrong. As we've seen in the case of banks and investment platforms over recent months, the fallout of IT failure can be significant.

Future general casework volume forecast (excluding packaged bank accounts and short-term lending)



We also know from experience that problems in other sectors can cause spikes in demand for our help – generally because of the way customers have paid for goods or services, or because they have relevant insurance policies. For example, when holiday providers collapse, people may try to claim back the cost of their holidays via their card providers or travel insurance. These types of situations highlight the work that can be necessary to establish multiple parties' responsibilities – complexity that isn't apparent from the simplicity of customers' experience when buying goods and services online.

Given these potential challenges, we think it's important we continue to invest in sharing a wide range of our insight – so that firms can understand what's gone wrong in the past, and make changes to prevent complaints in the future. In response to our future funding consultation, the majority of stakeholders told us they supported this work to promote fairness, and would like to see us do more of it. We'd welcome suggestions for themes and areas about which stakeholders would like to hear from us in the future.

Developing and resourcing our service

Our PPI operations

The challenge of responding to mass PPI mis-selling has influenced our service for the last decade, including our approach to resourcing and funding. Following the complaints deadline, the key strategic questions for us are when and how we finally wind down our PPI operation. The continuing uncertainty surrounding the conclusion of PPI means we've needed to remain flexible and responsive – and to try to strike the right balance between ensuring we're able to respond to complaints within reasonable timeframes, and gearing up to handle high levels of demand that we might not ultimately see. We've kept in regular touch with our people about our plans, and recently confirmed that – although we know that our PPI casework will fall at some point – we won't yet be making any compulsory redundancies in our mass claims teams, as we very much need people to help us meet our commitments to customers who want an answer from us about PPI. We'll keep our people and our stakeholders updated as the picture develops.

In response to our consultation on our future funding, some stakeholders asked about our plans for our contractor workforce as PPI comes to an end. At the moment, we're keeping an open mind about growing our contractor workforce if PPI complaint volumes turn out to be higher than we expect. However, we're mindful of the trade-off involved in diverting experienced people to support that expansion, at a time when we may be seeing increasing complexity in the 'tail' of our PPI caseload.

Building knowledge, skills and capacity

Alongside last year's plans and budget consultation, we published an update on our progress against Richard Lloyd's recommendations, as well as the conclusions from the early work undertaken by our investigation teams. We welcomed the opportunity for this independent scrutiny – which, while constructively suggesting improvements we might make, drew positive conclusions about the robustness of our casework approach and our people's professionalism.

As we've explained, we've already been seeing increasing complexity in our non-PPI casework. This shift will continue to influence the types of knowledge, skills and approaches we'll need to invest in, both during 2020/21 and further ahead. In chapter two, we outlined the investment we've made in the capabilities of our SME teams, and in establishing an advisory group and recruiting an expert panel to help inform our approach to the issues faced by smaller businesses. In 2020/21, our wider plans include:

- Continuing to invest in the knowledge and skills of our complaints handlers, including our training academy for new investigators.
- Building capacity in both our London and Coventry-based casehandling teams.
- Continuing to review and adjust our use of a contractor workforce, helping us ensure we've got the right people at the right time and can scale up and down flexibly in response to demand.
- Increasing our pool of associate ombudsmen, adding further flexible capacity at this final stage of our process.
- Developing casework tools to improve both efficiency and quality.
- Continuing our operational engagement with the businesses and consumer representatives involved in complaints, to help address emerging issues and prevent complaints being escalated to us unnecessarily.
- Building on our work to prevent complaints and encourage fairness more generally.

Digital and IT

As we set out in chapter four, we think that developing our technology and digital services should form a core part of our future strategy. They offer opportunities to extend and improve our engagement with current and potential customers and stakeholders, to enhance the customer service we provide, and to work smarter, more collaboratively and more efficiently.

During 2020/21, our plans include:

- Continuing to build on and develop our new technology platform, including enhancing and improving our core case handling system.
- Building on the results of our trial of our consumer portal.
- Using our new business information tool to support our analysis of complaints trends, improving our ability to identify where we could be sharing our insight.
- Unlocking the value of our data to help our people manage their caseload and assess the quality of our customer service.
- Enhancing our new website, launched in summer 2019 – including using analytics to ensure we're meeting users' needs, and making more of our insight and experience accessible.
- Introducing improved collaboration tools for our people so we can share knowledge more effectively.

As we develop these channels, we're mindful that many people value the ability to talk to someone in person when something's gone wrong – which has been confirmed in our recent consumer research (see chapter four). So we'll continue to invest in our people's customer service skills and capacity to deal with people who may be in vulnerable situations, sharing knowledge through our dedicated practice group.

Being flexible and sustainable

A key part of our current and future strategy is understanding how we can work smarter and more flexibly – which has benefits for our service, our people and the businesses that fund us. By better facilitating and supporting ways of working that promote a good work-life balance, we can ensure we continue to attract and retain people from a diverse range of backgrounds – and see the benefits in productivity and wellbeing. In 2020/21 we'll continue to make the necessary investments in technology to support this evolution.

In 2018/19, we realised savings of £2.5m relating to our property, with ongoing savings of £5m a year in future years. By April 2020, we will have withdrawn completely from two buildings in London. In 2020/21, we'll continue to manage our property portfolio in a cost-effective way, and to take a commercial approach to producing and negotiating contracts.

We'll also build on work begun in 2019/20 to formalise our sustainable, socially responsible approach to running our service. Reducing our office space will help reduce both our costs and our environmental impact. We've recently put in place a new five-year carbon-reduction strategy with the Carbon Trust, and will continue to report on our progress.

Questions

6. What do you think about our projections for the volumes of complaints we'll receive and resolve in 2020/21?
7. What are your views on the challenges we're facing in PPI – including your expectations around the timing and volumes of referrals to us?
8. What are your views on the potential for complaints volatility in short-term lending?
9. Are there other trends, themes or complexities you're aware of, or any insights you have, that you think we should take into account as we plan for 2020/21?
10. What are your views on our plans to resource and develop our service in 2020/21?

3

Our budget for 2020/21

In this chapter we set out our proposed budget and funding arrangements for 2020/21. We explain how we're moving forward with the proposals we set out in our consultation on our future funding in July 2019 – including our plan to transition toward a broadly 50:50 split between case fee and levy income, with a split of around 60:40 in 2020/21. We propose changes to our case fee arrangements that will help improve the sustainability of our funding, while recognising the impact on businesses which generate very few cases for us. We also outline the ways we'll continue to make effective use of our funding.

Our 2019/20 budget forecast and 2020/21 consultation budget

	2018/19 actual (£m)	2019/20 latest forecast (£m)	2020/21 draft budget (£m)	Budget vs latest forecast (£m)
Income				
Case fees	77.9	71.5	74.3	2.8
Group fees	123.5	130.7	87.3	(43.4)
Levies and other income	26.1	47.4	108.0	60.6
Total operating income	**227.5**	**249.6**	**269.6**	**20.0**
Net movement in deferred income	2.0	0.2	0.0	(0.2)
Total income	**229.5**	**249.7**	**269.6**	**19.9**
Expenditure				
Staff and staff-related costs	163.3	160.1	172.9	(12.8)
Contractor staff	62.2	70.6	70.9	(0.3)
Consultancy support	7.5	9.9	5.6	4.3
Professional fees	1.5	2.1	2.1	0.0
IT costs	9.4	9.5	9.7	(0.2)
Premises and facilities	20.0	21.0	19.7	1.3
Other costs	1.5	1.7	1.3	0.4
Depreciation	3.4	4.4	4.0	0.4
Bad-debt write-off	1.6	4.4	0.4	4.0
Contingencies	0.0	5.0	10.0	(5.0)
Total expenditure	**270.5**	**288.7**	**296.7**	**(8.0)**
Operating surplus/(deficit)	**(43.0)**	**(39.1)**	**(27.0)**	**12.1**
Financial surplus/(deficit)	**(41.0)**	**(39.0)**	**(27.0)**	**12.0**
Reserves and deferred income	**189**	**150**	**123**	**(27.0)**
Closing FTE (full time equivalent)	**3,750**	**3,670**	**3,459**	**(211.0)**
Total new cases	**388,392**	**315,000**	**245,000**	**(70,000)**
Total case resolutions	**376,352**	**310,000**	**290,000**	**(20,000)**
Underlying cost per case resolution	£714	£917	£947*	(£30)

* This figure excludes one-off costs associated with bringing PPI to a conclusion. Including these one-off costs, our 2020/21 unit cost would be approximately £1,022.

Our future funding

Over the last few years, we've had extensive dialogue with our stakeholders – and in particular, businesses who contribute to our funding – about our longer-term strategy for funding our service through the conclusion of PPI and beyond. This dialogue has included discussions in previous plans and budget consultations, conversations with individual stakeholders as part of our regular engagement, and discussions at roundtable events and industry steering group meetings.

In our 2019/20 plans and budget consultation, we illustrated some different features that a future model might have, describing the likely impact if these were put into place. Having reviewed our options further in light of the feedback we received, in July 2019 we consulted specifically on proposals to:

- Rebalance the proportion of income we get from our levy compared with case fees – moving from a position of 85% case fee income to 15% levy income in 2019/20, to a broadly 50:50 split in future years.
- Change the number of "free" cases to 10 per firm, and to 50 for each group within our group account fee arrangement.
- Change our reserves policy so we maintain a minimum of six months' operating expenditure – having held higher levels than our current three-month policy for a number of years.

We explained that these changes were intended to ensure we're able to operate effectively in light of the considerable uncertainty and volatility we expect to continue to experience – against a backdrop of a smaller, but more complex future caseload. We also suggested that our funding arrangements should better reflect the wider value our service brings to the financial services sector, in terms of preventing complaints and encouraging fairness.

In November 2019, we **published** a summary of the feedback we received to these proposals. In general:

- We received a mixed response to our proposal to take more of our income from our levy. Some respondents recognised the benefits in terms of stability, and of our ability to respond to demand. Others were concerned that their businesses might pay more under the new arrangement, and would end up subsidising businesses that they felt were less diligent. These responses also included concerns about the current distribution of costs under the FCA fee blocks.
- Respondents also had mixed views about decreasing the volume of "free" complaints. Some suggested there shouldn't be any allowance at all, while the firms who were likely to be affected wanted to keep the current arrangement.
- Most respondents supported our keeping a higher level of reserves.
- The majority of respondents supported our wider complaints-prevention work, with some saying they wanted to see more of it.

In our response to this feedback, we acknowledged the strength of respondents' concerns about the impact of rebalancing our levy and case fee income in the way we'd suggested. To help firms adjust to the change, we said we expected to consult on increasing the proportion of income we get from our levy to 40% in 2020/21, with an aspiration to reach a 50:50 split in future years. We also said we expected to consult on reducing the number of "free" cases and formally changing our reserves policy as proposed.

At the moment, we're planning to take these proposals forward – and would now welcome stakeholders' feedback on our specific arrangements for 2020/21.

Our 2020/21 funding arrangements

In summary, from April 2020 we are proposing that:

- 60% of our income should come from case fees and 40% from our levy.
- The individual case fee will be £650. This will apply to all cases closed after 1 April 2020, regardless of when the case was referred to us.
- Businesses outside the group account fee arrangement won't be charged for the first ten complaints we receive from their customers.
- Groups in the group account fee arrangement won't be charged for the first 50 complaints we receive from their customers.
- We'll maintain a minimum of six months' operating expenditure as reserves, in line with our updated policy.

The rest of this section gives more details about these individual elements of our funding arrangements. The draft FEES instrument for 2020/21 is attached to this consultation as appendix A.

Compulsory jurisdiction levy

The FCA consults separately on the levies it collects from all the businesses it regulates – including levies for our service, the Financial Services Compensation Scheme, the Money and Pensions Service and the FCA itself. Broadly, allocating the levy relating to our service involves dividing the total levy among industry blocks, and then dividing the levy for each industry block among businesses in that block according to a tariff rate.

Based on our current budget assumptions, we propose that in the financial year 2020/21 our levy will be £106 million. This will represent approximately 40% of our funding, with the other 60% coming from case fees.

We'll continue to review the position, with an aspiration to reach a 50:50 split between case fee and levy income in the longer term. We're still of the view that a 50:50 split will strike a good balance between the need to ensure our service is resilient and sustainable, and the need to link businesses' contributions to the casework they generate for us.

Case fees

For both our compulsory and voluntary jurisdictions, the level of the case fee is set by us and approved by the FCA. For the past seven years, despite inflationary pressures, we've frozen the individual case fee at £550. Given the income we expect to need in 2020/21, we plan to set the case fee at £650. This will apply to all cases closed after 1 April 2020, regardless of when the case was referred to us.

Currently, businesses outside the group account fee arrangement aren't charged a fee for the first 25 cases each year, but every complaint we receive about a business counts towards their allowance. In 2020/21, we're proposing that the first ten complaints shouldn't attract a case fee.

We recognise that some businesses will pay more in case fees than they currently do. However, there will still be a significant level of protection for firms that generate only a very small part of our workload.

Based on our current assumptions, we estimate that eight in ten firms whose customers use our service still won't pay any case fees.

These changes will help us to avoid the need for far greater increases in case fees in the future. As we said in our funding consultation feedback, much larger increases than we're proposing might have increased the likelihood of the case fee being used as a 'bargaining' tool in complaints – which businesses told us they were concerned about. The changes will also help promote stability in our funding, and reduce the risk of our needing to raise more funds via special levies, as we did in 2011/12 to help us deal with an influx of PPI complaints. As our service becomes smaller, the additional funds we'll receive from changing the number of free cases will become increasingly significant as a proportion of our income.

Group account fee arrangement

Since April 2013, we've run a group account fee arrangement for the largest business groups – under which they pay quarterly in advance based on expected volumes of complaints. If the numbers turn out to be significantly different, there may be some adjustment at the end of the year.

Because large volumes of complaints are involved, this arrangement results in lower administrative costs, increased efficiency and a steadier cash flow. We don't propose to extend the group account fee arrangement to more business groups in 2020/21.

However, in line with the overall reduction in the number of "free" cases we are proposing, we propose to reduce threshold for each group from 125 to 50 "free" cases.

Voluntary jurisdiction levy and case fees

Our voluntary jurisdiction (VJ) covers businesses that volunteer to join it for activities specified in rules made by our service with the FCA's approval, and for services directed at the UK from the European Economic Area (EEA). The levy is set by us and approved by the FCA – and, as with our compulsory jurisdiction, the income we receive is ringfenced for this jurisdiction only.

Based on our current budget assumptions, we propose that in the financial year 2020/21 our VJ levy will be £950,000. In line with our compulsory jurisdiction, we propose to set the case fee for our voluntary jurisdiction at £650 and reduce the number of "free" cases to 10. As with the case fee for the compulsory jurisdiction, this will apply to all cases closed on or after 1 April 2020, regardless of when the case was referred to us.

Voluntary jurisdiction participants should be aware that the draft tariff rates in appendix A are calculated using anticipated participant numbers for each industry block and estimated tariff data. This means that the final tariff rates for 2020/21 – which will be made by our board in March 2020 – could vary from those in this consultation.

If the UK leaves the European Union without reaching an agreement on the terms of withdrawal, the FCA has proposed that it will look to maintain the same level of consumer protection and confidence by ensuring that firms that join the Temporary Permission Regime (TPR) for inbound EEA firms are in the compulsory jurisdiction for business carried out under the TPR. 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.

Our reserves

To date, our formal policy has been to hold three months' operating expenditure in reserves. However, we've been running with a higher level of reserves for a number of years – and using them to fund our transition through the conclusion of PPI, in line with our long term strategy. In our consultation on our future funding in July 2019, we proposed changing our reserves policy so that we'll look to hold a minimum of six months' operating expenditure from 2020/21. We're now proposing to take forward this change, which most respondents agreed was sensible in light of the potential for sudden increases in demand for our help.

As planned, and in line with our multi-year approach, we will continue to draw upon reserves in 2020/21. We anticipate finishing 2019/20 and 2020/21 with reserves of approximately £150m and £123m respectively.

Our unit cost

We calculate the unit cost of resolving a complaint by dividing our total running costs (less financing costs and bad debts) by the total number of complaints we resolve in the year. We estimate that our unit cost will be £947 in 2020/21. This figure excludes the one-off costs associated with bringing PPI to a conclusion. Including these one-off costs, our 2020/21 unit cost would be approximately £1,022. As we've explained previously, in itself the unit cost isn't a sufficient measure of efficiency in resolving complaints. This is because it's impacted by all costs within our service, and disguises differences in the cost of handling different types of complaints, together with the variability in costs of dealing with different cases as a result of the consumer and business's circumstances and behaviour.

Being efficient and sustainable

For the last few years, we've been looking ahead to a time when we're a smaller service following the conclusion of PPI, and considering what this means for our shape and size. As we explained in chapter two, in addition to working smarter and more flexibly, our 2020/21 plans include a continuing focus on efficiency and sustainability – taking both a commercial and socially responsible approach to running our operations.

The way we share our thinking about fairness can also help reduce the cost of complaints to the financial services sector and our service. In addition to sharing insight with businesses as part of our regular engagement, we've also published lead decisions from our ombudsmen in particular areas – such as fraud and scams. This approach means that all businesses, and not just those whose customers have complained to us, can learn from what's gone wrong in the past and apply this learning to stop unfairness arising in the first place.

Question

11. What are your views on our proposed budget and funding arrangements for 2020/21?

4

Our future strategy

In this chapter we explain the progress we've made in understanding the key challenges and opportunities we expect to face as we look ahead to 2025 and beyond – spanning the types of complaints we might see, the services we offer, our wider role in the sectors we cover, and workforce trends that might affect us an employer. We set out the proposed key pillars of our future strategy and ask for feedback about our direction of travel.

Introduction

Since we were established nearly 20 years ago, we've needed to respond and adapt to changes not just in financial services, but in society, technology, and the wider economy – which have shaped the mix, nature and volume of complaints we see. These changes have also continued to shape the needs and expectations of people who use, fund and take an interest in our work, as well as our current and prospective workforce.

In our 2019/20 strategic plans and budget consultation, we set out the next steps in developing our future strategy. This work complements our ongoing focus on ensuring we're meeting people's current expectations of our service. However, it takes a longer view – asking what emerging trends mean for the service we provide, how we deliver it, and how we build on its wider value to the sectors we cover. This builds on previous reviews commissioned by our board to ensure we remain effective in light of the evolving landscape we're working in.

Over the course of 2019/20, we've been taking forward our plans to engage with our people and our stakeholders about the future of our service. We've also been building an evidence base, so that we're confident we're focusing on the right areas and outcomes as we look ahead – through reviewing published research and commissioning our own.

The rest of this chapter summarises the key findings from our research, and explains how this has informed our direction of travel.

Our evidence base

In thinking about the future, it's essential we're aware of key trends and likely developments in our operating environment. To better understand these factors, we carried out research covering six key areas.

We'll continue to face new challenges as our landscape evolves...			...and the needs and priorities of our people and customers change		
The economy	**Financial services**	**Services like ours**	**Technology**	**The workforce**	**Consumers**
Globalisation, driven by faster transport and communication links, has fundamentally changed lives and livelihoods. And a rapidly changing and uncertain political and economic environment could be seen as the new normal. In the UK, concerns about inequality – including between generations – have risen alongside levels of personal borrowing.	Fintech (financial technology) is redefining the customer relationship – and the "value chain" of products and services is increasingly unbundled. Customers can be empowered by having more information when making decisions – while businesses are increasingly making use of algorithms and 'big data'. The transfer of wealth through generations and growing demand for socially responsible business could shape new products and services.	There's a growing emphasis in the dispute-resolution space on earlier resolution and preventing consumer detriment – and the sector will continue to be shaped by enhanced data analytics and machine learning technologies. Providers are looking to simplify the customer experience through streamlining and redesigning the customer 'journey' and digitising services.	Digital connectivity continues to change how people look for information and communicate – with anyone, anywhere and anytime. Chatbots and virtual assistants have the potential to replace human interaction. Advances in big data, analytics and automation are accelerating the processing of insight and complex decisions – but can also make it more difficult for people to understand the reasons behind those decisions.	With an ageing population, the diverse needs and preferences of a multigenerational workforce – with different economic and social perspectives – are coming to the fore. There's also growing recognition of the importance of wellness at work, and employees are looking for greater flexibility at all stages of life. Technology could contribute to improved productivity, but may require employees to quickly adapt and take on new skills.	Better access to information and opinion – through both formal and informal channels – has helped empower many consumers when making financial decisions. Consumer priorities continue to change, with quick access to credit, the trend toward a cashless society, and real or perceived pressures on time are contributing to a mindset that favours immediacy. At the same time, some consumers are increasingly conscious of privacy concerns – as well as their own social responsibility and that of the organisations they engage with.

Our research identified a number of key issues and challenges that raise questions as we look ahead:

- There's increasing pressure on personal finances and investments. At the same time, consumers have better awareness of and access to information encouraging and facilitating complaints. **Demand for our service could change.**
- The growth and proliferation of new and bundled products and services is accelerating. And financial services are increasingly reliant on technology and automation. **The volume, value and volatility of detriment could be greater than in the past.**
- Employees are increasingly looking for flexibility, development and a focus on wellness. And increasingly, simple and repetitive tasks are automated, challenging and changing the value of people in the workplace. **We'll need to ensure we attract and retain the right skills and experience at the right time.**
- The consumer protection landscape will continue to evolve. As the digitisation of financial products, services and support increases, there's the potential for reduced decision transparency – for example, due to data-driven algorithms. **More people could be excluded, or unaware they've experienced detriment.**
- Along with increased product and value chain complexity, customer expectations around speed, accessibility and availability are growing. And in a globalised world, consumers also have access to non-UK regulated financial services. **We'll need different or enhanced capabilities to effectively support customers.**

Our customer research

As part of building an evidence base for our future strategy, we carried out research with businesses and consumers – to ensure our thinking is grounded in a robust understanding of what people need and expect from our service.

Our research with businesses

We cover a diverse range of businesses – not only in terms of the sectors they operate in, but their size, activities and operations. Our regular engagement provides ongoing opportunities to highlight and discuss our immediate priorities, as well as our longer-term objectives. To help inform our future strategy we supplemented these conversations by carrying out qualitative research with a representative sample of businesses, generating a more in-depth understanding of what they want and need from us.

Our questions focused on the current complaints handling process; data, insights and continuous improvements; future services; and consumer trends. The conclusions we drew included that:

- The larger the business – and the more established our engagement with them – the broader their expectations were. Larger businesses expected support with preventing complaints – or even assurance from us that new products and services would reduce the risk of consumers complaining from the outset. In contrast, smaller businesses' expectations tended to concentrate on how we adjudicate.

- Businesses want to learn from our insight, and for us to be an authority about fairness. While they expect us to adjudicate quickly and fairly, they'd like to prevent complaints reaching us altogether. Some told us they use our decisions to review how our reasoning differed from theirs, to help inform employee training, and to discover new complaint issues. Larger businesses especially told us they use our complaints data to assess their performance. Smaller financial businesses – including insurance brokers and wealth managers – told us they regularly look at our website and use our technical desk because they want to avoid complaints reaching us and incurring a case fee.

- Considering the relatively larger impact our decisions could have on smaller businesses, they're more likely to feel complaints in a personal way. In this respect, there are similarities with individual consumers – and when we're handling complaints, we need to bear in mind their need for reassurance and advice about the process.

- Overall, businesses recognised that there would be situations when complaints couldn't be progressed quickly – for example, when complex or new issues of fairness affecting a number of complaints needed to be considered and addressed. But it's important they're clear about the implications of this, so they can manage their time and resources effectively.

Consumer research

We asked 2,000 people – a diverse and representative sample of the UK population – about their motivations and preferences around making a complaint. We also carried out in-depth interviews with 100 consumers.

Questions we asked in our consumer research:

- Why do people complain?
- How do people feel about complaining?
- How do people prefer to complain?
- What do people want out of their complaint?
- What do people know about our service?

We heard that:

- People were most likely to complain because they'd experienced financial loss – but the perceived benefits of complaining had to outweigh the perceived effort involved.
- People's primary motivations for complaining were getting the final outcome they wanted, and getting a quick resolution – but these weren't the only objectives (see the following section below). For many, an apology, or reassurance that the problem wouldn't arise again – including for other people – were important outcomes.
- More than eight in ten people told us they felt confident in making a complaint. But around two thirds said they found the process stressful, and half said they generally don't like to complain. In general, the less trust people told us they had in financial services providers to resolve their complaint, the more likely they were to complain.
- In general, people told us they found phone and email contact most effective.
- Most people had some awareness of our service – but older age groups tended to be more likely to know about us and our work.

Focus: what do people want and need from our service?

In analysing the answers people gave us, we identified three overarching outcomes that drive people's engagement with us. Although people's views tended to align with one of these perspectives, there was overlap between the groups.

- Some people are looking for **redress**. People who feel this way tend to be clear about what they want from us and are primarily looking for financial compensation to put right what they think has gone wrong.
- Some people want **recognition** of what's happened. For them, acknowledgement they've been treated unfairly, and having a platform to express their frustration and dissatisfaction, are important outcomes.
- Some people want **reassurance**. Though they might feel something isn't right, they're not always clear about what they want – and look to our service for certainty and clarity. For people who feel like this, reassurance that the same problem won't happen to other people also tends to be important.
- We also identified potential **latent demand** for our service. This was among people who'd had problems with financial providers – but hadn't raised them as they didn't want to make a fuss, or felt complaining was too stressful.

What matters the most?

Our research confirms there are a number of key elements to our service that the majority of consumers value:

- That we're **free** – and that any cost would deter people from using us.
- That we're **simple to access** – and offer both flexibility in communication channels and self-service options.
- That we offer a high standard of **customer service** – providing clarity about waiting times, and making people feel like they're valued.
- That we give **timely answers** – while bearing in mind that this isn't always the most important thing.

Consumers' responses also suggested some additional factors – in particular:

- That **our authority** is important – especially for people who want recognition, and confirmation that they were right.
- That **our wider role** matters – in particular, how our work to prevent complaints is an important part of providing reassurance that the same unfairness won't arise again.

Our proposed strategic priorities

We've given careful thought to what the evidence base suggests we should focus on in the future. As a result, we're proposing that our future strategy be based on three key priorities.

Enhancing our core service	Preventing complaints and unfairness arising	Preparing for the future
We'll work to achieve the best possible performance in the face of today's challenges. And looking forward, we'll ensure we understand how our customers' expectations are changing and evolve our service to meet them.	Using our unique insight, we'll work in partnership with stakeholders to enable system-wide improvements: preventing problems arising in the first place, enabling their earlier resolution, and identifying and addressing hidden detriment.	We'll be ready to handle new types of complaints as they emerge. By continuing to develop our skills and capabilities, we'll be better able to monitor and evaluate market trends, and to identify the opportunities offered by technology.

Next steps

We've already engaged with a range of stakeholders around our thinking and would welcome further and additional perspectives on our direction of travel.

We'll use the responses we receive, together with feedback from further engagement with our people and our stakeholders, to inform our final strategy, which we'll publish in March 2020.

We'll then develop the detailed plans that will enable us to deliver the strategy, and the performance measures that will show the progress we're making.

Questions

12. Is there anything else you think we need to take into account as we develop our future strategy?
13. Do you agree with our proposed strategic priorities?

Appendix A – Draft FEES instrument

FOS 2020/X

FEES MANUAL (FINANCIAL OMBUDSMAN SERVICE CASE FEES 2020/2021) INSTRUMENT 2020

Powers exercised by the Financial Ombudsman Service

A. The Financial Ombudsman Service Limited:

(1) makes and amends the scheme rules relating to the payment of fees under the Compulsory Jurisdiction;
(2) fixes and varies the standard terms for Voluntary Jurisdiction participants relating to the payment of fees under the Voluntary Jurisdiction, and
(3) fixes and varies the standard terms for the Voluntary Jurisdiction,

as set out in the Annex to this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000:

(a) section 225 (the scheme and the scheme operator)
(b) section 227 (Voluntary jurisdiction);
(c) paragraph 14 (The scheme operator's rules) of Schedule 17;
(d) paragraph 15 (Fees) of Schedule 17; and
(e) paragraph 18 (Terms of reference to the scheme) of Schedule 17.

B. The making and amendment of these scheme rules and fixing and variation of these standard terms by the Financial Ombudsman Service Limited is subject to the consent and approval of the Financial Conduct Authority.

Approval by the Financial Conduct Authority

C. The Financial Conduct Authority consents to the making and amendment of the scheme rules and approves the fixing and variation of the standard terms by the Financial Ombudsman Service Limited.

Commencement

D. This instrument comes into force on 1 April 2020.

Amendments to the Handbook

E. The Fees manual (FEES) is amended by the Board of the Financial Ombudsman Service in accordance with the Annex to this instrument.

Citation

F. This instrument may be cited as the Fees Manual (Financial Ombudsman Service Case Fees 2020/2021) Instrument 2020.

By order of the Board of the Financial Ombudsman Service Limited
[date]
By order of the Board of the Financial Conduct Authority
[date]

Annex

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

5	**Financial Ombudsman Service Funding**	
…		
5.5B	**Case fees**	
…		
	Standard case fee	
5.5B.12	R	A *respondent* must pay to the *FOS Ltd* the standard case fee specified in *FEES* 5 ANNEX 3R Part 1 in respect of each *chargeable case* relating to that *respondent* which is closed by the *Financial Ombudsman Service* during a *financial year* (regardless of when the *chargeable case* was referred to the *Financial Ombudsman Service*), unless the respondent is identified as part of a *charging group* as defined in *FEES* 5 Annex 3R Part 3.
…		
5.5B.14	R	But a *respondent* will only be liable for, and the *FOS Ltd* will only invoice for, the standard case fee in respect of the ~~26th~~ 11th and subsequent *chargeable cases* *which are closed by the Financial Ombudsman Service* in any *financial year*.
5.5B.15	G	Until 31 March 2004 a standard case fee was payable for every *chargeable case*. From 1 April 2004 to 31 March 2005 the standard case fee was payable for the third and subsequent *chargeable cases*. From 1 April 2005 to 31 March 2013 the standard case fee was payable for the fourth and subsequent *chargeable cases*. From 1 April 2013 to 31 March 2019 the standard case fee was payable for the twenty-sixth and subsequent *chargeable cases*. *FEES* 5.5B.12 R does not apply retrospectively to *financial years* before 1 April 2013.
…		
		Supplementary Case fee
…		
5.5B.19	R	Notwithstanding the above, a *respondent* will only be liable for, and the *FOS Ltd* will only invoice for the supplementary case fee in respect of the ~~26th~~ 11th and subsequent cases relating to that *respondent* that fall within *FEES* 5.5B.17 R in any *financial year.*

5 Annex 2R **Annual Levy Payable in Relation to the Voluntary Jurisdiction ~~2019/20~~ 2020/21**

Voluntary jurisdiction – annual levy for VJ participants				
Industry block and business activity		Tariff basis	Tariff rate	Minimum levy
1V	Deposit acceptors, mortgage lenders and mortgage administrators and debit/ credit/charge card issuers and merchant acquirers	number of accounts relevant to the activities in *DISP* 2.5.1R	£0.0278	£100
2V	*VJ participants* undertaking general insurance activities	per £1,000 of gross written premium	£0.103	£100
3V	*VJ participants* undertaking life insurance activities	per £1,000 of gross written premium	£0.025	£100
6V	Intermediaries	n/a	n/a	£75
7V	Freight-forwarding companies	n/a	n/a	£75
8V	National Savings & Investments	n/a	n/a	£10,000
9V	Post Office Limited	n/a	n/a	£2,000
10V	Persons not covered by 1V to 9V undertaking activities which are: (a) regulated activities; or (b) payment services; would be if they were carried on from an establishment in the *United Kingdom*	n/a	n/a	£75

12V	Persons undertaking the activity which is the issuance of electronic money or would be if carried on from an establishment in the *United Kingdom*	average outstanding electronic money as described in *FEES* 4 Annex 11 Part 3	~~£0.10~~ £0.0781 per £1000	£75
13V	Persons not covered by 1V to 9V undertaking activities which are CBTL activities or would be if they were carried on from an establishment in the *United Kingdom*	n/a	n/a	£75
14V	Persons not covered by 1V to 9V providing credit information, under the Small and Medium Sized Business (Credit Information) Regulations or providing specified information under the Small and Medium Business (Finance Platforms) Regulations or would be if it was carried on from an establishment in the *United Kingdom*	n/a	n/a	£75
15V	*VJ participants* undertaking activities relating to claims management services	annual income	£50 plus £3 per £1,000 of annual income	£75

5 Annex 3R **Case Fees Payable for ~~2019/20~~ 2020/21**

Part 1 – Standard case fees			
		Standard case fee	
In the: Compulsory jurisdiction and Voluntary jurisdiction		~~[£550]~~£650 unless it is a *not-for-profit debt advice body* with *limited permission* in which case the amount payable is £0	
Notes			
1	The definition of standard case fee is in *FEES* 5.5B (Case fees). The definition of *chargeable case* is in the Glossary to the *Handbook*.		
2	The standard case fee will be invoiced by the *FOS Ltd* on or after the date the case is closed.		
3	A *respondent* will only be invoiced a case fee for the ~~26th~~ 11th and subsequent *chargeable case* in each *financial year.*		
4	The definition of *not-for-profit debt advice body* is in the Glossary to the *Handbook*.		
5	The definition of *limited permission* is in the Glossary to the *Handbook*.		

Part 2 – Supplementary case fees		
	Standard case fee	Supplementary case fee
In the: Compulsory jurisdiction and Voluntary jurisdiction	For the ~~26th~~ 11th and subsequent *chargeable cases (PPI)*	£0

Notes			
1	The definition of supplementary case fee is in *FEES* 5.5B (Case fees). The definition of *chargeable case (PPI)* is in the Glossary to the *Handbook*.		
2	The supplementary case fee when payable will be invoiced by the *FOS Ltd* on or after the date the case is referred to the *Financial Ombudsman Service*.		
3	The supplementary case fee when payable will be invoiced for the ~~26th~~ 11th and subsequent *chargeable cases (PPI)* against any *respondent* referred to the *Financial Ombudsman Service* in each *financial year*.		

Part 3 - Charging groups	
The charging groups, and their constituent group respondents, are listed below. They are based on the position at 31 December immediately preceding the financial year. For the purposes of calculating, charging, paying and collecting the special case fee, they are not affected by any subsequent change of ownership.	
1	Barclays Group, comprising the following *firms*: 3i BIFM Investments Limited Oak Pension Asset Management Limited Barclays Asset Management Limited Barclays Bank Plc Barclays Bank Trust Company Limited Barclays Capital Securities Limited Barclays Insurance (Dublin) Designated Activity Company Barclays Insurance (Dublin) Limited Barclays Insurance Services Company Limited Barclays Mercantile Business Finance Limited Barclays Private Clients International Limited Barclays Sharedealing Barclays Stockbrokers Limited Barclays Trust Company Limited Clydesdale Financial Services Limited Firstplus Financial Group Plc Gerrard Financial Planning Ltd Gerrard Investment Management Limited Solution Personal Finance Limited Standard Life Bank Plc Woolwich Plan Managers Limited
2	HSBC Group, comprising the following *firms*: CL Residential Limited HFC Bank Limited HSBC Alternative Investments Limited HSBC Bank Malta plc

	HSBC Bank plc HSBC France HSBC Global Asset Management FCP (France) HSBC Global Asset Management (France) HSBC Global Asset Management (UK) Limited HSBC Hervet HSBC International Financial Advisers (UK) Limited HSBC Investment Funds HSBC Life (Europe) Limited HSBC Life (UK) Limited HSBC Private Bank (Luxembourg) S.A. HSBC Private Bank (UK) Limited HSBC Securities (USA) Inc HSBC SPECIALIST INVESTMENT FUNDS HSBC Trinkaus & Burkhardt AG HSBC Trust Company (UK) Ltd HSBC UK Bank plc John Lewis Financial Services Limited Marks & Spencer Financial Services plc Marks & Spencer Savings and Investments Ltd Marks & Spencer Unit Trust Management Limited The Hongkong and Shanghai Banking Corporation Limited
3	Lloyds Banking Group, comprising the following *firms*: Aberdeen Investment Solutions Limited AMC Bank Ltd Bank of Scotland (Ireland) Limited Bank of Scotland Plc Black Horse Limited Cheltenham & Gloucester plc Clerical Medical Financial Services Limited Clerical Medical Investment Fund Managers Ltd

	Clerical Medical Investment Group Limited Clerical Medical Managed Funds Limited CLERICAL MEDICAL OPEN ENDED INVESTMENT COMPANY Halifax Assurance (Ireland) Limited Halifax Assurance Ireland Ltd Halifax Financial Brokers Limited Halifax General Insurance Services Limited Halifax Insurance (Ireland) Limited Halifax Insurance Ireland Ltd Halifax Investment Services Ltd Halifax Life Limited Halifax Share Dealing Limited HBOS Investment Fund Managers Limited Insight Investment Global Investment Funds Invista Real Estate Investment Management Ltd IWeb (UK) Limited LDC (Managers) Limited Legacy Renewal Company Limited Lex Autolease Ltd Lex Vehicle Leasing Ltd Lloyds Development Capital (Holdings) Limited Lloyds Bank Plc Lloyds TSB Financial Advisers Limited Lloyds Bank General Insurance Limited Lloyds Bank Insurance Services Limited Lloyds TSB Investments Limited Lloyds Bank Private Banking Limited Pensions Management (SWF) Limited Scottish Widows Administration Services Limited Scottish Widows Annuities Limited Scottish Widows Bank Plc Scottish Widows Fund Management Limited

	Scottish Widows Limited Scottish Widows plc Scottish Widows Unit Funds Limited Scottish Widows Unit Trust Managers Limited St Andrew's Insurance plc St Andrew's Life Assurance Plc SW Funding plc The Elms Financial Services Ltd The Mortgage Business Plc Uberior Fund Manager Ltd MBNA Limited
4	RBS/NatWest Group, comprising the following *firms*: Aberdeen Infrastructure Asset Managers Limited Adam & Company Investment Management Ltd Adam & Company Plc Coutts & Company Coutts Finance Company Lombard Finance Ltd Lombard North Central Plc National Westminster Bank Plc National Westminster Home Loans Limited RBOS (UK) Limited RBS Asset Management (ACD) Ltd RBS Asset Management Ltd RBS Collective Investment Funds Limited RBS Equities (UK) Limited RBS Investment Executive Limited The Royal Bank of Scotland Group Independent Financial Services Limited The Royal Bank of Scotland N.V. The Royal Bank of Scotland Plc Topaz Finance Limited

	Ulster Bank Ireland Designated Activity Company Ulster Bank Ireland Limited Ulster Bank Ltd
5	Aviva Group, comprising the following *firms*: Aviva (Peak No. 1) UK Limited Aviva Annuity UK Limited Aviva Equity Release UK Limited Aviva Health UK Limited Aviva Insurance Limited Aviva Insurance Services UK Limited Aviva Insurance UK Limited Aviva International Insurance Limited Aviva Investors Global Services Limited Aviva Investors London Limited Aviva Investors Pensions Limited Aviva Investors UK Fund Services Limited Aviva Investors UK Funds Limited Aviva Life & Pensions UK Limited Aviva Life Services UK Limited Aviva Pension Trustees UK Limited Aviva Wrap UK Limited CGU Bonus Limited CGU Underwriting Limited Commercial Union Life Assurance Company Limited Gresham Insurance Company Limited Hamilton Life Assurance Company Limited Hamilton Insurance Company Limited Norwich Union Life (RBS) Limited Orn Capital LLP Scottish Boiler and General Insurance Company Ltd The Ocean Marine Insurance Company Limited

	World Auxiliary Insurance Corporation Limited Friends Annuities Limited Friends Life and Pensions Limited Friends Life FPLMA Limited Friends Life Investment Solutions Limited Friends Life Limited Friends Life Marketing Limited Friends Life Services Limited Friends Provident International Limited Optimum Investment Management Limited Sesame Limited
6	Direct Line Group, comprising the following *firms*: Churchill Insurance Company Limited UK Insurance Limited UK Insurance Business Solutions Limited
7	Nationwide Building Society Group comprising the following *firms*: Cheshire Building Society Derbyshire Building Society Derbyshire Home Loans Ltd Dunfermline Building Society (in building society special administration) E-Mex Home Funding Limited Nationwide Building Society Nationwide Independent Financial Services Limited Portman Building Society The Mortgage Works (UK) Plc UCB Home Loans Corporation Ltd

8	Santander Group, comprising the following *firms*: Abbey National Treasury Services Plc Abbey Stockbrokers Limited Cater Allen Limited Santander Cards UK Limited Santander Consumer (UK) Plc Santander UK Plc Santander ISA Managers Limited Hyundai Capital UK Limited

Part 4 - Special case fees		
The special case fee shall be calculated and paid as follows:		
1	Proportions:	
	(1)	In the calculations that follow in (2), (3) and (4): new *chargeable cases (PPI)* for *group respondents* – A = twice the number of new *chargeable cases (PPI)* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. new *chargeable cases (PPI)* for all *firms* – B = twice the number of new *chargeable cases (PPI)* that were referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a charging group) from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. open *chargeable cases (PPI)* for *group respondents* – C = the number of *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* in respect of *group respondents* before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*. open *chargeable cases (PPI)* for all *firms* – D = the number of *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*.

	new *chargeable cases (general)* for *group respondents* – E = twice the number of new *chargeable cases (general)* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. new *chargeable cases (general)* for *all firms* – F = twice the number of *chargeable cases (general)* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. open *chargeable cases (general)* for *group respondents* – G = the number of *chargeable cases (general)* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*. open *chargeable cases (general)* for *all firms* – H = the number of *chargeable cases (general)* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a charging group) before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*.
	(2) ‘Proportion X’ for each *charging group* is a percentage calculated as follows – A / B x 100
	(3) ‘Proportion Y’ for each *charging group* is a percentage calculated as follows – {A + C} / {B + D} x 100
	(4) ‘Proportion Z’ for each *charging group* is a percentage calculated as follows – {E + G} / {F + H} x 100
2	The special case fee is intended to broadly reflect the budgeted workload capacity of the Financial Ombudsman Service and comprises elements in respect of:
	(1) new *chargeable cases (PPI)*;
	(2) closed *chargeable cases (PPI)*; and
	(3) closed *chargeable cases (general);*
	with a free-case allowance of:
	(4) ~~125~~ 50 new *chargeable cases (PPI)*; and
	(5) ~~125~~ 50 closed *chargeable cases (general).*

3	The special case fee for each charging group is a total amount calculated as follows:
	(1) in respect of new chargeable cases (PPI) – {£0 x [~~250,000~~ 100,000] x the ‘proportion X’} – {£0 x ~~125~~ 50}
	(2) in respect of closed chargeable cases (PPI) – ~~£550~~ 650 x [~~270,000~~ 125,000] x the ‘proportion Y’
	(3) in respect of closed chargeable cases (general)– {~~£550~~ 650 x [~~240,000~~ 165,000] x the ‘proportion Z’} – {~~£550~~ 650 x ~~125~~ 50}
4	The *FOS Ltd* will invoice each *charging group* for the special case fee (calculated as above) in four equal instalments, payable in advance on the following dates during the *financial year*: (1) 1 April (or, if later, when *FOS Ltd* has sent the invoice); (2) 1 July; (3) 1 October; and (4) 1 January.
5	Year-end adjustment:
	(1) If the actual number of new *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is more than 10,000 and is more than [115%] of {[~~250,000~~ 100,000] x the ‘proportion X’}: (a) the *FOS Ltd* will invoice the *relevant charging group*; and (b) the relevant *charging group* will pay to *FOS Ltd*; an additional £35,000 for each block of 100 (or part thereof) new *chargeable cases (PPI)* in excess of the [115%].
	(2) If the actual number of *chargeable cases (general)* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is more than [115%] of {[~~240,000~~ 165,000] x the ‘proportion Z’}: (a) the *FOS Ltd* will invoice the *relevant charging group*; and (b) the relevant *charging group* will pay to *FOS Ltd*; an additional ~~£55,000~~ 65,000 for each block of 100 (or part thereof) closed *chargeable cases (general)* over the [115%].
	(3) If the actual number of *chargeable cases (general)* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is less than [85%] of {[~~240,000~~ 165,000] x the ‘proportion Z’}, the *FOS Ltd* will promptly repay to the relevant *charging group* ~~£55,000~~ 65,000 for each block of 100 (or part thereof) closed *chargeable cases (general)* under the [85%].

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