Our 2021/22 plans and budget
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. This includes complaints made by small and medium-sized enterprises (SMEs), and complaints about claims management companies (CMCs).

If a business and their customer can’t resolve a problem themselves, we can step in. Independent and unbiased, we’ll get to the heart of what’s happened and reach an answer that helps both sides move forward. And if someone’s been treated unfairly, we’ll use our powers to put things right – telling the business to apologise, to take action or to pay compensation.

As an ombudsman service, we have a unique perspective on the causes of complaints, how they arise, and their impact on lives and livelihoods. We’re committed to sharing this insight and experience to prevent complaints and unfairness arising – a key part of our strategy to 2025.

Read more about who we are, what we do and how we make decisions at www.financial-ombudsman.org.uk/who-we-are
Contents

Chairman’s foreword 4
Chief ombudsman & chief executive’s introduction 6
Our 2021/22 plans and budget: overview 9
1 Our plans for 2021/22 10
   Complaint volumes and trends 11
   Our strategic priorities 14
2 Our budget for 2021/22 21
   Our focus on efficiency and value 22
   Our 2021/22 funding arrangements 23
   Our 2021/22 budget 25
3 Consultation feedback and our response 26
   Our plans for 2021/22 27
   Our budget for 2021/22 31
Organisations responding to our consultation 33
As I introduced our plans and budget a year ago, the world found itself in the grip of Covid-19. Today, the picture for consumers and businesses has moved on, but is no less acute. And it is no less vital that our service delivers for the consumers and businesses who rely on us; perhaps more so.

The scale of our challenge is significant: the pandemic has resulted in a substantial increase in demand. Although we do not yet know the extent to which this trend will continue, we are preparing to receive 170,000 new disputes in the year ahead.

Demand at this level, and over recent years, has meant we have undertaken a substantial amount of recruitment – and invested significant time and resources in ensuring new colleagues have the knowledge and skills they need to deliver fair answers.

Our priority now is to ensure we continue to support our people as they grow and develop in their role and as they reach their full potential. In organisational performance terms, we’re confident we’ll see greater productivity and improved turnaround times.

We will, of course, need to continue to balance quicker answers with ensuring fair outcomes, but it is paramount we deliver it when it matters in our determination not to add to the difficult circumstances many consumers and businesses are facing.

We are mindful of the ongoing pressures facing firms. As our mass payment protection insurance (PPI) casework concludes and the service becomes smaller, cost reduction and efficiency are paramount. These plans and budget set out the steps we will take toward this end in the coming year.

The board’s emphasis remains on reducing the time a consumer or business waits for an outcome, delivering good service standards and improving operational efficiency.

As the service begins its next chapter, my board and the executive team will continue to test and challenge ourselves to ensure our plans and performance meet customers’ expectations and provide value for money. The board’s emphasis remains on reducing the time a consumer or business waits for an outcome, delivering good service standards and improving operational efficiency.

A number of board colleagues have reached the end of their terms over the course of the last year, and I am enormously grateful for their contribution and commitment to the service’s aims. As we begin the 2021/22 financial year, I will have an entirely refreshed board, who together bring a rich seam of experience from across a range of different industries and backgrounds, on which we will be able to draw as we look to the challenges that lie ahead.
Our board oversight will be further strengthened as we take forward the recommendations from an independent review I commissioned of our board sub-committee structure, identifying enhancements we can make and key areas of focus, which include ensuring we have a clear line of sight on quality.

History tells us that complaints prevention is an ambition that can only be fully realised through cooperation.

We have also agreed the focus of our next periodic independent review, which will look at our reorganisation to date and ahead to the future environment in which the service will be operating. It will take account of industry and technological developments, changes in workplace practices and growing expectations from, and scrutiny by, stakeholders. The findings will inform how we can remain fit for purpose, provide a first-rate service to our customers, support our people and evolve our operating model.

As we prepare for the future, our strategy to 2025 sees a renewed emphasis on preventing complaints. History tells us that complaints prevention is an ambition that can only be fully realised through cooperation. Regulatory attention must be directed at key areas of risk, businesses need to play their part and the service must be accessible and quick to share the insight from the complaints we see. We are currently upholding an average of three in ten complaints referred to us, representing many tens of thousands of consumers who have not received the fair outcomes they deserve, nor as quickly as they would have, had businesses provided appropriate remedy sooner.

I welcome the support we have received from the regulator, the Financial Conduct Authority, and from businesses for the ambition we have set out under our strategic priority on prevention. We all have a shared aim to prevent harm and detriment in the first place and to address it swiftly and fairly when it arises.

As we look ahead, cautiously, to a more optimistic outlook, I am confident that our sector will emerge with a renewed focus on fairness and a collective commitment to making a positive difference to people’s lives and livelihoods.

These are interesting and exciting times. As ever, I am incredibly grateful to our people for their dedication to what they do. And I look forward to working together with all our stakeholders as we move forward.

On a final note of thanks, I would like to close my foreword with a few words of farewell. After 22 years at the service, seven as chief executive and chief ombudsman, Caroline Wayman is stepping down from the role on 16 April 2021. Caroline’s departure comes at the end of a long career at the service, during which time she’s played a key role in significant milestones in its history.

I am confident that our sector will emerge with a renewed focus on fairness and a collective commitment to making a positive difference to people’s lives and livelihoods.

Most recently, Caroline has, of course, been steering the service through its response to Covid-19, ensuring operational resilience and balancing the dual responsibilities of serving customers and supporting staff, during these most challenging of times.

On behalf of the board, the executive and all the staff at the service, I would like to record our thanks and wish Caroline every success in her future endeavours.

I, Manzoor

The Baroness Zahida Manzoor CBE
Chairman
March 2021
Chief ombudsman & chief executive’s introduction

In the two decades it’s been operating, the Financial Ombudsman Service has needed to respond to many changes in its landscape – but Covid-19 has impacted everyday life like no other.

At such a challenging time, the service’s ability to deliver fair answers, as quickly as possible, is as vital as it’s ever been for lives and livelihoods.
These plans and budget set out our ambitions for the year ahead – not only to respond effectively to demand for our help, but to prevent complaints and unfairness arising in the first place.

And not only to resolve more complaints than we receive, but to do so within a budget that reflects our commitment to providing value for the businesses that fund us.

The year ahead

I’m extremely proud of what we’ve achieved despite the disruption of the pandemic.

In the year to the end of March 2021, we expect to have resolved in excess of 95% of the volume of cases we’d originally planned to in our general casework. That speaks to our people’s commitment to getting fair answers to people relying on us, even while Covid-19 has continued to affect their own lives.

Anticipating the challenges presented by this ongoing high demand, we’ve put action to bring down waiting times front and centre of our casework plans.

However, the substantial increase we’ve seen in new complaints means we’ll begin the new year with more people waiting for our answer. While the forecasts informing our final plans put the increase in new complaints at 45%, the very latest trends suggest it will be higher still.

As we look ahead, we’re projecting that a further 170,000 new disputes could be referred to us in 2021/22.

Anticipating the challenges presented by this ongoing high demand, we’ve put action to bring down waiting times front and centre of our casework plans.

We’re aiming to resolve 220,000 complaints over the year as a whole – 50,000 more than we receive.

...we’ll need to continue to respond to vulnerability and complexity in the complaints we see – providing additional support to those who need it...

It’s clear from what our stakeholders have told us, as well as from our own insight, that we’ll continue to see disputes rooted in the pressures of the pandemic on consumers and small businesses across the UK.

And we’re also likely to see thousands more complaints from people who can’t afford to repay money they’ve borrowed – some of which, based on our experience, it’s likely shouldn’t have been lent at all.

Across these areas, there’s clear potential for consumer detriment. The Financial Conduct Authority’s most recent research suggests the proportion of adults with characteristics of vulnerability rose to 53% in the six months to October 2020.

As understanding of these issues continues to broaden and deepen, it’s essential firms engage with the regulator’s recently-published guidance to ensure they do the right thing by customers who may be particularly susceptible to harm.

And we’ll need to continue to respond to vulnerability and complexity in the complaints we see – providing additional support to those who need it, and prioritising cases where our help is most urgently needed.

The year ahead will also see us substantively resolve our casework relating to mass PPI mis-selling – having given our answer to more than two million individual complaints.

As the service moves on from the issue that’s shaped it for more than a decade – where the challenge of resolving mass complaints efficiently led us to innovate as never before – I’m incredibly grateful to all the ombudsman service colleagues who’ve worked to get us this far.
Their hard work is the springboard for our aspiration to find further opportunities to achieve fair outcomes at scale, supporting our commitment to bring down waiting times.

**Our funding: value and certainty**

We need funding arrangements that equip us to respond to the scale and nature of these challenges.

And we also need to show the firms that fund us that we remain absolutely focused on providing value for money.

As the service looks beyond PPI, we’ve heard strong support from stakeholders for our objective of stability in our funding.

In light of Covid-19, in 2020/21 we delayed making the shift we’d anticipated toward generating more income from our levy, instead drawing on our reserves to absorb more of our costs.

Our final 2021/22 budget involves a smaller levy increase than our consultation base case – balancing the need to fund our service appropriately and protect against the risk of in-year funding requests, with our recognition of the pressures facing firms and the need to provide certainty around their contribution.

The solution we’ve reached also retains an increase in our case fee – reflecting the strong support respondents expressed for this facet of our funding.

We anticipate that a levy set at £96m, together with a case fee of £750, will enable us to maintain price stability for the next three years, with no further increases to our levy or case fee.

Although we’ll consult on each year’s budget based on our assumptions at that time, we expect to transition to a break-even position and reduce our reserves to three months’ operating costs by 2024/25.

Reflecting our focus on efficiency and cost reduction, our final budget also includes a further £5m in savings compared with the proposal we set out in our consultation.

In maintaining our 25 free case allowance, we’ve ensured nine in ten firms whose customers complain to us won’t pay any case fees – and the minimum levy will again be frozen.

20 years after it started its work, the need for an effective, proactive ombudsman service has never been clearer.

**What’s next**

While it’s essential we give people fair answers more quickly, a better outcome is that fewer disputes happen in the first place.

Stakeholders have welcomed our strategic emphasis on preventing complaints and unfairness – and we’re excited about what we can achieve together.

As the year develops, we’ll keep sharing our insight into the problems we’re asked to resolve. And we’ll work with stakeholders to step this up, helping to ensure this insight has the biggest possible impact.

So I introduce these plans and budget with optimism – and also on a note of personal reflection. After seven years as chief ombudsman & chief executive, and having had the privilege of being at the service since its inception, I’ll be leaving in April.

I can’t overstate how proud I’ve been, and I am, of all our people and what they’ve achieved over my time here – not least the commitment and professionalism they’ve shown in this most exceptional and demanding of years. It’s been an honour to lead the service, and as I bid my colleagues and my many friends here farewell, I wish the board, the executive team and my successor the very best.

20 years after it started its work, the need for an effective, proactive ombudsman service has never been clearer. And I know it’s ready to play its part in navigating the challenges ahead.

\[Signature\]

**Caroline Wayman**

Chief ombudsman & chief executive

March 2021
## Our plans

<table>
<thead>
<tr>
<th>We expect to receive</th>
<th>We expect to resolve</th>
<th>We’ll resolve more complaints than we receive, and invest in capacity to resolve complaints at scale in our general casework area – helping to reduce the number of people waiting for our answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>170,000 complaints</td>
<td>220,000 complaints</td>
<td></td>
</tr>
<tr>
<td>160,000 in our general casework, including 1,000 about CMCs and 1,300 from SMEs</td>
<td>200,000 in our general casework, including 1,300 about CMCs and 1,300 from SMEs</td>
<td>We’ll work together with businesses, the regulator and other stakeholders, sharing our insight to help prevent complaints and unfairness arising</td>
</tr>
<tr>
<td>10,000 about PPI</td>
<td>20,000 about PPI</td>
<td>We’ll work to better understand and improve people’s experience of using our service, and continue to develop our technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We’ll continue to invest in our people’s knowledge, skills and wellbeing, making the most of opportunities for smarter working</td>
</tr>
</tbody>
</table>

We’ll ensure we’re equipped to respond to increasing complexity and vulnerability in complaints, including those arising from Covid-19 and its impact.

## Our budget

<table>
<thead>
<tr>
<th>Our cost base will be £260m (£246m excluding one-off costs)</th>
<th>Our compulsory jurisdiction levy will be £96m</th>
<th>Businesses outside our group-account fee arrangement will get 25 free cases</th>
<th>We’ll maintain our focus on reducing costs and improving efficiency, ensuring we’re providing value for those contributing to our funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our individual case fee will be £750</td>
<td>Our voluntary jurisdiction levy will raise £1m</td>
<td>Business groups that are members of our group-account fee arrangement will get 50 free cases</td>
<td></td>
</tr>
</tbody>
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Our plans for 2021/22

In this chapter we set out our plans for 2021/22. In light of feedback we received to our consultation and wider engagement with stakeholders – together with the volumes of complaints we’ve seen since we consulted – we share the volumes of complaints we expect to receive and resolve, highlighting some of the key trends and challenges we anticipate. We then outline our plans for the year ahead within the framework of our three strategic priorities.
Our plans for 2021/22

Complaint volumes and trends

Since we published our consultation forecasts, we’ve continued to revise our projections for complaint volumes to the end of 2020/21 and for the new financial year 2021/22.

The initial, unprecedented challenge of responding to the immediate impact of the pandemic, including our shift to remote working – as well as operational challenges on the part of the businesses involved in complaints – had an impact on our ability to progress and resolve complaints in the first part of the year. However, by the end of the year we expect to have resolved in excess of 95% of the volume of complaints we’d originally planned to in our general casework – reflecting the way we adapted to running our day-to-day operations, recruitment and training online, and invested in recovering our level of output.

At the same time, however, we expect to end the year having received substantially more new complaints in our general casework than we’d budgeted for. Our Q3 forecast, used to inform our final plans and budget, show an increase of 45% – while the very latest trends suggest volumes will be higher still. This significant increase in incoming complaints means that we haven’t made the headway we’d anticipated in reducing waiting times, and that we’ll begin 2021/22 with more people waiting for our answer.

In response to our consultation, many stakeholders broadly agreed that the volumes we’d projected for 2021/22 were reasonable – although some signalled that we should be prepared to see more new complaints in the coming year than we’d forecast, in light of the upward trend we’d seen during 2020/21 and the ongoing impact of the Covid-19 pandemic. We’ve now increased our 2021/22 forecasts for non-PPI areas.

In last year’s plans and budget, we pointed to the ongoing possibility of firm failure in the credit sector. The main impact of this would be seen in our complaint resolution volumes, and our plans and budget for 2021/22 take this into account.

New complaints

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General casework including</td>
<td>210,000</td>
<td>45%</td>
<td>140,000</td>
<td>160,000</td>
<td>14%</td>
<td>-24%</td>
</tr>
<tr>
<td>Banking and credit 1</td>
<td>150,500</td>
<td>54%</td>
<td>93,300</td>
<td>106,800</td>
<td>14%</td>
<td>-29%</td>
</tr>
<tr>
<td>Insurance (excluding PPI)</td>
<td>41,200</td>
<td>23%</td>
<td>33,400</td>
<td>39,000</td>
<td>17%</td>
<td>-5%</td>
</tr>
<tr>
<td>Investments and pensions</td>
<td>16,900</td>
<td>35%</td>
<td>12,500</td>
<td>13,200</td>
<td>6%</td>
<td>-22%</td>
</tr>
<tr>
<td>Complaints about CMCs</td>
<td>1,400</td>
<td>8%</td>
<td>800</td>
<td>1,000</td>
<td>25%</td>
<td>-29%</td>
</tr>
<tr>
<td>Complaints from SMEs 2</td>
<td>1,300</td>
<td>0%</td>
<td>1,300</td>
<td>1,300</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>PPI</td>
<td>45,000</td>
<td>-55%</td>
<td>20,000</td>
<td>10,000</td>
<td>-50%</td>
<td>-78%</td>
</tr>
<tr>
<td>Total</td>
<td>255,000</td>
<td>4%</td>
<td>160,000</td>
<td>170,000</td>
<td>6%</td>
<td>-33%</td>
</tr>
</tbody>
</table>

1 Banking and credit includes packaged bank accounts, short-term lending and high-cost credit.
2 Complaints from SMEs (additional to our micro-enterprise casework) are included within the general casework totals above.
Resolved complaints

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>General casework including</td>
<td>155,000</td>
<td>-6%</td>
<td>180,000</td>
<td>200,000</td>
<td>11%</td>
<td>29%</td>
</tr>
<tr>
<td>Banking and credit ¹</td>
<td>105,200</td>
<td>-6%</td>
<td>119,900</td>
<td>142,000</td>
<td>18%</td>
<td>35%</td>
</tr>
<tr>
<td>Insurance (excluding PPI)</td>
<td>35,700</td>
<td>-4%</td>
<td>41,100</td>
<td>39,000</td>
<td>-5%</td>
<td>9%</td>
</tr>
<tr>
<td>Investments and pensions</td>
<td>13,200</td>
<td>-5%</td>
<td>17,900</td>
<td>17,700</td>
<td>-1%</td>
<td>34%</td>
</tr>
<tr>
<td>Complaints about CMCs</td>
<td>900</td>
<td>-38%</td>
<td>1,100</td>
<td>1,300</td>
<td>18%</td>
<td>44%</td>
</tr>
<tr>
<td>Complaints from SMEs ²</td>
<td>700</td>
<td>-46%</td>
<td>1,300</td>
<td>1,300</td>
<td>0%</td>
<td>86%</td>
</tr>
<tr>
<td>PPI</td>
<td>85,000</td>
<td>-39%</td>
<td>30,000</td>
<td>20,000</td>
<td>-33%</td>
<td>-76%</td>
</tr>
<tr>
<td>Total</td>
<td>240,000</td>
<td>-21%</td>
<td>210,000</td>
<td>220,000</td>
<td>5%</td>
<td>-8%</td>
</tr>
</tbody>
</table>

1 Banking and credit includes packaged bank accounts, short-term lending and high-cost credit.
2 Complaints from SMEs (additional to our micro-enterprise casework) are included within the general casework totals above.

Our non-PPI casework over time
In the responses we received to our consultation, there was also widespread support for the complaint themes and trends we’d identified as challenges for 2021/22, with respondents noting in particular:

- Their agreement with our assessment of growing complexity in complaints.
- The heightened risk of vulnerability among consumers, and the likelihood we’d continue to see high volumes of complaints linked to changes in Covid-19-related support for consumers, and firms’ treatment of customers in financial difficulties. This includes complaints from SME customers relating to business lending.
- The likelihood that we’ll continue to see complaints relating to Covid-19 more generally, as the pandemic and restrictions on daily life unfold over the coming months – for example, complaints from consumers unable to travel, and from SME customers relating to the interruption of their business.
- The ongoing evolution of fraud and scams – especially authorised push-payment fraud – and the hard-fought nature of these complaints.
- The continued decline of PPI complaints, as firms resolve their remaining complaints and our service receives and resolves any remaining disputes. There’s more about our plans for the final stage of our PPI casework below.

As we explained in our consultation, we're committed to doing all we can to prioritise cases where our help is needed most urgently, while recognising that people whose situations aren't as urgent may need to wait longer for our answer. Our ability to bring down waiting times will require cooperation on the part of all those able to influence that outcome. This applies both to ensuring complaints already with us are resolved efficiently, and to preventing new complaints arising or being referred to us unnecessarily.

There’s more information from page 14 about how our work under our strategic priorities will help us manage these challenges.

Concluding PPI mis-selling complaints

The mass mis-selling of PPI has shaped the wider landscape of complaints for more than a decade. The unprecedented scale of the challenge necessarily shaped our service too: requiring us to triple in size, and to establish both new ways of working and of funding our work. In total, we’ve received and resolved more than two million PPI complaints.

Following the FCA’s PPI complaint deadline in August 2019, there was initially significant uncertainty around how many people would ultimately choose to complain, and the timing of those complaints. As we highlight above, in 2020/21 we saw only 45% of the volumes we’d forecast, and based on this trend and our stakeholders’ feedback, we’ve revised our forecasts for 2021/22 down to 10,000 new complaints. This means we expect to substantially resolve our PPI casework by the first half of 2021/22, and will need to put into action the plans we’ve made to wind down this area of our operations.

One part of these plans is ensuring we’re funded in a sustainable way now we’re no longer able to achieve the same level of economies of scale that were possible with PPI. There’s more about our funding plans in the next chapter.

The second part of our plans is getting our organisation to the right shape and size to handle the challenges we’re seeing now. Throughout the last couple of years, we’ve kept in close communication with the people whose roles are likely to be affected by future changes, and supported them to gain the skills they need for roles within our service or elsewhere. In February 2021 we started a formal collective consultation for the majority of roles in our mass claims teams, where we think we may now have to make redundancies. Our proposals include a number of opportunities for our people in other areas of our casework.

While we’ve been preparing for the end of our mass PPI casework for some time, we didn’t expect it to take place in the context of the Covid-19 pandemic. We’re very aware of the extra uncertainty this creates for our people, and are extremely grateful for the professionalism and commitment they’ve shown throughout the final stages of PPI. We’ll continue to do all we can to support them as they consider their next steps.
Our strategic priorities

In June 2020 we published our five-year strategy to 2025 – which expands on our previous strategic commitments to provide a new framework for delivering our annual plans. Our strategy sets our ambition to be an accessible, effective and proactive service, underpinning fairness and confidence in the sectors we cover.

Since consulting on our 2021/22 plans and budget, we’ve continued to refine our plans to support our strategic priorities. The rest of this chapter sets out our key plans for the year ahead. We’ll publish information about how we’ll measure our progress against our plans on our website in April 2021.

Enhancing our service

We’ll set the standard for modern, efficient and accessible alternative dispute resolution.

We’ll recognise and respond to the needs and expectations of the people and organisations that rely on us.

We always need to be ready to respond to the number and nature of complaints people ask us to resolve. As we’ve highlighted earlier in these plans, in the coming year we expect to continue to see complaints relating to the ongoing impact of the Covid-19 pandemic on individual consumers and small businesses.

In this context, and as we heard strongly in responses to our consultation, there’s significant potential for customers to be vulnerable to financial harm or to experience other detriment as a result of what’s happened to them. This means it’s vital we effectively identify those complaints that need a resolution most urgently, while continuing to do all we can to bring down waiting times for everyone, so people get the fair answer they need from us as quickly as possible.
Under our strategic priority of enhancing our service, in 2021/22 we will:

• **Bring down waiting times for our answers.**
  2020/21 saw unprecedented volumes of new complaints in our general casework, which meant we couldn't make the headway we'd hoped to in bringing down waiting times. In 2021/22, we aim to halve the average time it takes for complaints to be allocated to an investigator – and to maintain our focus on resolving complaints that have been with us the longest, driving down the overall age profile of our casework. Our plans see us realising the benefits of our previous investment in capacity, with newer colleagues building their knowledge and becoming fully productive, enabling established case handlers to further enhance their expertise through our network of professional practice groups. We’ll recruit and train new investigators to maintain our existing capacity. As we explained earlier in this chapter, many external factors can influence our ability to progress and resolve complaints – but by taking this action, and working together effectively with businesses and the regulator, we expect to begin 2022/23 in a stronger position.

• **Find opportunities to resolve complaints at scale.** This will support our aim to resolve more complaints and reduce waiting times. By drawing on our experience of resolving millions of complaints about PPI and other areas of mass claim, we'll look to realise efficiencies by identifying other areas where there's potential to resolve larger cohorts of disputes. This type of work includes working together with firms to identify cases where a similar approach is appropriate – while being mindful of the need to resolve each one based on its own individual circumstances – working with CMCs to manage and mitigate the need for high-volume referrals to our service, and developing new tools and processes to reach fair outcomes quickly and at scale.

• **Ensure we’re providing a high-quality service.** As we work to improve people’s experience of using us, we'll draw on the findings of our internal review of quality assurance, and continue to act on recommendations from our independent assessor, Dame Gillian Guy, to improve our level of service.

• **Invest in our people's knowledge and skills.** Our case handlers, including those resolving complaints from SMEs and about CMCs, will continue to be supported by professional practice groups. This will help ensure we’re ready to respond to new and evolving areas of complaint, and ensure consistency in our approach to resolving them. Our investigators have the skills and flexibility to respond to changes in the mix of cases being referred to us, while maintaining the knowledge and expertise we need to fairly resolve cases involving issues of different levels of complexity.

We know this type of learning is particularly important in light of the growing potential for vulnerability among people who complain to us – and it’s part of our wider focus on effectively supporting people in challenging circumstances.

• **Continue to provide support for customers in vulnerable and challenging circumstances.**
  A growing number of people who contact us are in financial hardship, or are experiencing other challenges such as mental ill health that have a bearing on their finances and their complaint with us. As many respondents to our consultation underlined, Covid-19 has heightened these challenges. Following a pilot in 2019, we’ve made permanent and expanded the number of casework teams providing additional support to people affected by these issues. Our teams will continue to be supported by a dedicated professional practice group specialising in vulnerability, as well as by relevant training. This includes support around suicide and safeguarding, as well as a focus on diversity and inclusion to help ensure we respond sensitively and effectively whatever the backgrounds and experiences of people using our service.

• **Better understand and improve people’s experience of using our service.** As an organisation that by definition deals with disputes, there’s an inherent challenge for us in creating a positive experience for people who use our service, especially where we ultimately decide not to uphold a complaint. It’s also the case that people have different motivations and expectations for using our service, ranging from financial compensation to reassurance and recognition about what’s happened to them.
In the coming year we’ll be developing the way we get feedback from both consumers and businesses involved in complaints, including doing so at more stages in our process. Our plans also include exploring how we can simplify our customer journey, reviewing our communication throughout our process, and reviewing the training and support we provide our people to help them provide excellent customer service.

- **Continue to develop our technology.** Over recent years we’ve explored and trialled online channels through which consumers and businesses can share information with us, helping us to free up capacity that would otherwise be spent handling this contact. In 2021/22 we’ll build on our existing digital channels, and carry out the design and development work that will enable us to offer a portal for consumers and businesses – supporting our wider aim to improve people’s experience of using our service. We’ll also continue to explore technologies that will help us better understand our casework, helping to support both our operational planning and our complaints prevention strategic priority.

- **Support our people to work smarter.** Before the Covid-19 pandemic, we’d already begun the rollout of smarter working across our service – involving new technologies and workspaces that extended options for working differently and collaborating both face-to-face and remotely. We’ll continue to provide and improve tools and technologies that support efficiency and productivity, wherever our people are working.

- **Resource our service flexibly.** We have a well-established strategy of using flexible contractor case handlers to help us respond to fluctuations in demand for our service. To help us manage the high volume of complaints we’re currently seeing, and so we can effectively respond to volatility in demand, we’ll maintain our contingent investigator capacity in our general casework, and continue to release our PPI-focused contractors as this casework concludes.

**Preventing complaints and unfairness arising**

Working collaboratively with others, we’ll find new and better ways of harnessing and using our insight to achieve fairer outcomes.

Sharing our insight from the work we do, we’ll help underpin trust and confidence.

We already carry out a significant amount of engagement with stakeholders – including consumers and their representatives, businesses and their trade bodies, the FCA and other regulatory organisations, HM Treasury and other government departments and policymakers, charities and consumer-facing organisations, the media, other dispute resolution schemes, and other organisations active in the sectors we cover. This helps us and our stakeholders address existing issues in our casework, anticipate potential new themes and trends, and influence fairness more widely.

As the Covid-19 pandemic and its impact continue to unfold – and in the context of significant potential vulnerability among consumers and firms alike – it’s vital that we work effectively with businesses, the regulator and other stakeholders to prevent complaints and unfairness arising in the first place.

Stakeholders’ support for this strategic priority was strongly reflected in the feedback we received to our consultation. Over the coming year, there are three primary areas where we’ll look to develop our thinking and approach:

- **How we surface, understand and use insight.** In the coming year we’ll explore how we can get more value out of our casework insight and data, as well as how tools and technology can support this.

- **How we engage with stakeholders around our insight.** We know stakeholders value our in-depth insight into different areas of our work, and the ongoing engagement we have with them to share our insight and experience. In the coming year we’ll review the way we engage around our insight, to ensure it’s having the biggest possible impact.

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Read our ambitions for 2025 and how we’ll measure success at [www.financial-ombudsman.org.uk/who-we-are/future-strategy](http://www.financial-ombudsman.org.uk/who-we-are/future-strategy)
• **How we can work differently to prevent and resolve complaints.** For example, are there alternatives to securing redress that might not involve a complaints-led approach? And how can we work even more closely with other regulatory bodies – both to prevent complaints and to address barriers to getting the best outcome for businesses and their customers?

As we develop our work under this strategic priority, we’ll also be building our understanding of how, and how successfully, it’s achieving our aim of preventing complaints and unfairness arising. As responses to our consultation highlighted, there are significant challenges in this type of evaluation – including how we can identify and measure detriment that hasn’t happened. We’ll welcome ongoing engagement with our stakeholders to help us gauge the impact we’re having.

Read our ambitions for 2025 on our website at www.financial-ombudsman.org.uk/who-we-are/future-strategy

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**Sharing insight and experience: our stakeholder engagement**

**With businesses covered by our service**

- Our case handlers’ daily interactions with firms about individual complaints help promote understanding of how we investigate and resolve complaints, including what fairness looks like in individual circumstances.

- Our operational contact team’s regular contact with financial firms handling complaints helps manage trends and issues in our casework and resolve problems at the earliest possible opportunity – including those that do or could affect significant numbers of customers.

- Our technical desk provides free, informal support for firms handling complaints that haven’t yet been referred to us – helping to promote fair outcomes without our formal involvement.

- Our ombudsmen and stakeholder team attend and speak at industry events and forums, sharing our thinking on questions of fairness and how complaints can be prevented.

- Our ombudsmen and senior leaders, including our chief ombudsman and chairman, as well as our stakeholder team, talk regularly with their counterparts at firms and their trade bodies – helping to address operational and strategic issues and ensure fair outcomes for customers.

**With organisations representing or reaching consumers**

- Our twice-yearly industry steering group meetings with firms in different sectors, as well as with trade bodies, are an opportunity to discuss themes and trends in complaints, as well as our service’s plans, budget and performance.

- Our twice-yearly consumer liaison group meetings help us get an early insight into issues affecting consumers, helping us understand how these might impact our service and feed this insight into our planning.

- Our operational contact teams and technical desk also engage with and support consumer representatives, including CMCs.

- Our chief ombudsman and senior leaders meet their counterparts at consumer advice bodies, helping to discuss strategic issues around complaints and our service’s work.
Sharing insight and experience: our stakeholder engagement

- Our SME advisory group – made up of experts from the small business sector community – promotes discussion around issues affecting SME customers in particular, provides a forum for sharing our insight, and helps shape our thinking about fairness in complaints.

- We share insight and experience with other ombudsman and dispute resolution schemes in the UK and internationally, including as part of our membership of the Ombudsman Association and European dispute resolution network FIN-NET.

- Our regular engagement with the media, responding to requests for our insight and sharing that insight, helps raise consumer awareness about how to prevent financial problems arising – and that our service is available if things do go wrong.

With government, regulators and policymakers

- Our regular engagement with the FCA, including engagement relating to the discharge of our statutory functions, helps us carry out our roles in a joined-up way, while maintaining our independence. This helps ensure issues and detriment we identify contribute to the FCA’s supervisory and enforcement work, and that the impact of our insight extends beyond those firms we interact with about individual complaints.

- Through our regular engagement with HM Treasury, policymakers and parliamentarians, we share our insight and experience to inform wider policy.

- We respond to enquiries from MPs and policymakers, answering questions on topics ranging from the current status of constituents’ cases with us to our wider approach to particular areas of complaint.

- We contribute to other statutory and regulatory organisations’ consultations and programmes of work where our unique perspective can help influence fairer outcomes.

Publishing regular data and insight

- We publish quarterly complaints data about the products and services people are complaining to us about, as well as annual data showing trends across a whole year.

- We publish twice-yearly complaints data about the businesses we receive complaints about, helping to drive better outcomes by showing firms’ complaint volumes and uphold rates.

- We share in-depth insight, blogs and hundreds of case studies – highlighting our insight into specific areas of complaint.

- We provide online resources on how to deal with complaints, and regularly review and update them in response to user feedback.

- We maintain a publicly-available database of ombudsmen’s decisions, showing the decisions we’ve made since 2013 across the breadth of our work.
Building an organisation with the capabilities it needs for the future

Using our strength as a diverse, values-based organisation – a place where people want to work – we’ll develop the capabilities we’ll need in the future.

As well as ensuring we’re able to respond effectively to the challenges we face now, we’ve also got to anticipate and prepare for emerging changes. These include developments in the sectors and wider landscape in which we operate, and also in the needs and expectations of parties using our service, as well as of current and prospective employees.

In 2021/22 we’ll continue to focus on key cross-cutting areas where we’ll grow our capabilities.

Our future capability

We will:

- **Improve the efficiency of our support teams** by implementing a new shared HR and finance system – which will positively impact the speed, cost and complexity of our processes.
- **Adopt cloud services where possible**, so we can benefit from continuous improvements and best-in-class practice.
- **Develop better digital platforms** and journeys for both consumers and businesses – which we know from our consultation feedback that stakeholders support.
- **Explore how we can make standard processes even more efficient**. While this will have benefits across our service, in our casework it will help us direct more resources toward improving our customer service, including our waiting times.
- **Working to further improve the data we hold** and the technology we use to analyse it, so that we can generate even better insights about the service we’re providing and the complaints we’re seeing.

Our people capability

We will:

- **Being a diverse, inclusive and engaged organisation.** We’re committed to ensuring that our people feel engaged with our work and our values, included in our future, and have the learning and development opportunities and support they need to perform at their best. As we look to ensure our service is the right shape and size for the future, we’ll continue to take action to promote diversity, inclusion and wellbeing, guided by our action plan and supported by our employee-led networks. Our latest diversity, inclusion and wellbeing report highlights our recent progress.

- **Realising the benefits of flexibility.** The backdrop of uncertainty and complexity in our work has a bearing on what we offer as an employer, including options for the working hours and patterns and types of contracts we use. As well as ensuring we’re cost-effective, this is also about ensuring we make the most of the positive impact flexibility can have on both wellbeing and productivity. This flexibility will also support our ongoing ability to attract and retain people with the capabilities and experience we need.

- **Increasing our reach and talent pool.** The Covid-19 pandemic has accelerated our existing plans to work in a smarter way, aligning with our flexible property strategy. As we look ahead, we’re continuing to review our requirements in terms of the workspaces, technologies and ways of working we’ll need. As respondents to our plans and budget consultation underlined, we’ll be considering opportunities to access talent pools away from our existing office locations, as well as reviewing our presence across the UK with a view to being closer to more of the communities our service exists to help.
Our sustainability

We will:

• **Maintaining our focus on our sustainability and social impact.** The value we place as a service on doing the right thing extends to our sustainability and social impact. In the year ahead we’ll build on the work we’ve done to embed this approach in the decisions and actions we take in respect of our people, organisation, environment, community and customers. We highlighted some of this work in our 2019/20 annual report and accounts.

• **Cutting our carbon footprint by 45% by March 2022.** The impact of Covid-19 on the way we’ve needed to work, together with our smarter working programme, will also have benefits for our sustainability. Our current action plan with the Carbon Trust means we’re on track to significantly reduce our per-person carbon emissions by 45% from our 2017 baseline by 2022, as we continue to consider our future physical property needs and make changes to our remaining office space.

Read our ambitions for 2025 on our website at [www.financial-ombudsman.org.uk/who-we-are/future-strategy](http://www.financial-ombudsman.org.uk/who-we-are/future-strategy)

Our action to cut our carbon emissions includes:

• Further reducing our property portfolio – we’ll have released nearly 60,000 sq. ft. across 2020/21 and 2021/22.

• Continuing to realise other carbon reductions relating to smarter working, building on the reduction we’ve already made in using fewer screens and phones, and replacing existing lighting with more energy-efficient options.

• Continuing to reduce the carbon output associated with the printing and delivery of mail as we increasingly shift toward online communication – while remaining accessible to those who can’t contact us this way.

• Carrying out an energy audit across our properties in 2021/22.
In this chapter we set out our final budget for 2021/22 and the arrangements we'll put in place to generate the funding we'll need.

Read more about our funding and governance on our website at [www.financial-ombudsman.org.uk/who-we-are/governance-funding](http://www.financial-ombudsman.org.uk/who-we-are/governance-funding)

Read more about the feedback we received to our consultation budget from [pages 27 to 32](#).
Our budget for 2021/22

Our focus on efficiency and value

As businesses and consumers across the UK continue to deal with the impact of Covid-19, it’s more important than ever that we get the most value we can out of our resources. In being both efficient and effective, we can improve waiting times for our answers and ensure we’re providing a standard of service that meets the expectations of those who use and fund it.

We explain in the previous chapter that 2021/22 will see us substantially concluding complaints relating to mass PPI mis-selling. For the last few years, we’ve been planning for a future without this part of our casework, which not only affected the shape and size of our service, but also its funding. As we look ahead, we need to ensure that our funding arrangements are sustainable, enable us to handle an increasingly diverse and complex mix of complaints, and promote price stability and predictability. These broad objectives have been consistently supported by stakeholders, including firms, in their engagement with us.

We know the cost of our service represents just one element of the wider costs for regulated businesses, and sits within the context of an extremely challenging economic environment. Taking into account the higher number of case resolutions we expect, we will be maintaining some of our mass claims capacity as an investment in reducing waiting times in non-PPI areas. This will result in a £10m increase in our non-PPI cost base. Excluding this, our “business as usual” costs will remain flat in 2021/22 – and we’ll see an almost 20% fall in our non-PPI cost-per-case. Since consulting we’ve sought to achieve further reductions in our cost base, reflected in a £5m reduction in our final expenditure.

We set out below how we expect the steps we’re taking will translate into price stability in the next three years. Based on our assumptions today, we’re aiming for no further levy or case fee increases up to and including 2024/25 – when we will expect to reach break-even and a position of holding three months’ operating costs as reserves. We will consult formally on our budget before the start of each new financial year based on our assumptions at that time.

During the coming year, we’ll also realise efficiencies and savings through:

- **Greater efficiency and productivity in our casework.** Our budget for the coming year assumes increasing productivity within our investigation teams, as we focus on realising greater capability and output in our casework as described on page 15. We expect this to generate savings of approximately £6.6m, which we’re reinvesting in queue reduction.

- **Our flexible property strategy,** as highlighted on page 20. We’ll be able to take advantage of two lease breaks in Exchange Tower during 2021/22, with our property budget falling by 24% to £11.2m.

- **Smarter and more flexible ways of working,** as we set out on page 16. We’ll work to maintain savings associated with working remotely, such as the cost of stationery and postage, as we return to the office.

- **Using our flexible contractor workforce.** Taken as a whole, our contractor budget is £34m for 2021/22: a 30% reduction on 2020/21. We’ve already reviewed and adjusted the payment rate of our contractors across our casework, reflecting our current plans and our need to retain experience in this workforce.

- **Reducing our support costs and rationalising our systems.** We’re aiming to make annualised savings within our support teams of £5m by the end of 2022/23, representing a more than 20% reduction in annual costs against our 2019/20 baseline. Our new finance and HR system will generate efficiencies across the service once fully implemented.

Our focus on efficiency is supported by our strategic priority of preventing complaints and unfairness – which, in combination with wider action across the sectors we cover, will support our ambition that fewer disputes arise, so we’re a smaller and leaner service.
Our 2021/22 funding arrangements

As we’ve explained in previous consultations, and for the reasons outlined above, as we move on from PPI our aim is to move toward a position where our case fee and levy income is broadly balanced. This shift will also mean we can better deliver our work under our strategic priority to prevent complaints – for which we don’t receive case fees, but which is in the interests of all firms in the way it helps to reduce the cost burden of complaints and promote consumer confidence.

In March 2020, in view of the emerging Covid‑19 pandemic, we delayed taking some of the action we’d planned to shift our funding model further in this direction. This was the right and fair thing to do in such a challenging environment – but equally, the repercussions of Covid‑19 make certainty and stability increasingly important for the firms that fund us and our service alike. For this reason, in our consultation we set out different approaches to postponing increases in our levy and case fee for a further year – asking for stakeholders’ feedback about which types of arrangement, they felt, on balance, would be fair and sustainable.

Reflecting previous years’ consultations, we received wide-ranging feedback to our proposals – with support for each of our scenarios spread across the different types of business and sectors covered by our service. Some stakeholders expressed no specific preference but instead noted principles they felt our funding should reflect. This feedback is highlighted on page 31.

In reconciling these views, we aim to reach a “best fit” that aligns with our funding principles, and which recognises the pressures that firms of all sizes – but smaller ones in particular – are facing. Across responses to our consultation and our wider stakeholder engagement around our 2021/22 budget, the feedback we heard indicated some areas of broad consensus about our proposals:

- Our funding must allow us to deal effectively with the current challenges in our casework, including the ongoing impact of Covid-19 and the potential for heightened complexity and vulnerability.
- Certainty around the cost of our service is important, and we should minimise the risk of needing to ask for more funding during the year.
- Our case fee represents an important incentive to prevent complaints. The concept that firms’ contribution to our funding should be linked to the volume of customers who complain to us – which some stakeholders refer to as “polluter pays” – should remain a key part of our funding arrangements.
- The stability and resilience our reserves bring is important, though must be balanced against the economic pressures the pandemic continues to present for the firms we cover.
- There’s strong support for our focus on efficiency, with an appetite from firms both for more detail about our plans and for working with us to achieve efficiencies.

We recognise that, given the continued impact of the pandemic, it would be appropriate to continue to run a larger deficit than previously anticipated. Following approval of our budget by the FCA, our final arrangements for 2021/22 involve for firms:

- **A compulsory jurisdiction levy of £96m.** This is a smaller increase than we’d have seen in our consultation base case scenario, while maintaining some increase to ensure we’re able to deliver the service people need from us, and our wider strategic objectives. Based on our current forecasts, we expect that, taken together with our case fee increase, this level of levy will allow us to hold the levy and case fee flat for the next three years. Over the same time period, we’ll gradually reduce our reserves until we reach a break-even position, while making further efficiencies and cost savings.
- **An increase of £100 in our case fee to £750** for cases resolved after 1 April 2021, in line with our consultation base case scenario – helping us achieve the level of funding we need and recognising the important complaints-prevention incentive the fee provides.
Maintaining our free case allowance for individual firms, meaning we expect nine in ten firms whose customers complain to us to pay no case fees at all.

No change to our group-account fee arrangement, which will again be made up of eight large business groups – each with a free case allowance of 50.

Freezing the minimum levy paid by the smallest firms we cover.

A voluntary jurisdiction (VJ) levy of £1m. We explained in our consultation what the end of the UK’s transition period for leaving the EU would mean for VJ participants going forward. 0.4% of our budget expenditure will relate to our voluntary jurisdiction.

Our final 2021/22 funding arrangements

Increase the CJ levy by £12m to £96m – less than our consultation base case of £106m – and increase the case fee by £100 to £750.

Possible 2022/23 scenario: no change in levy or case fee.

<table>
<thead>
<tr>
<th>Case fee</th>
<th>Levy</th>
<th>Other income</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>117</td>
<td>89</td>
<td>187</td>
</tr>
<tr>
<td>215</td>
<td>197</td>
<td>238</td>
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</table>

Total income (£m)

<table>
<thead>
<tr>
<th>2021/22</th>
<th>2022/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>215</td>
<td>197</td>
</tr>
<tr>
<td>96</td>
<td>89</td>
</tr>
<tr>
<td>117</td>
<td>187</td>
</tr>
<tr>
<td>250</td>
<td>200</td>
</tr>
</tbody>
</table>

For illustrative purposes, we’ve included indicative figures for 2022/23 – but these should not be taken as a definite statement of our funding arrangements for that year. We’ll consult on our 2022/23 funding arrangements later in 2021 in light of our assumptions and projections at that time as part of our annual planning and budget cycle. Total income figures include other income additional to our levy and case fees.

For our budget, this means:

- Year-on-year “business as usual” costs staying flat – with a cost base of £246m, excluding one-off restructuring costs associated with the conclusion of our mass PPI casework, which have shifted from 2020/21 into 2021/22. Including these costs, our cost base is £260m.

- An investment of £10m in maintaining capacity to resolve complaints in high volumes – which will support our aim to resolve 45,000 more complaints than we did in 2020/21 and 40,000 more than we receive in non-PPI areas.

- A reduction of £5m in our cost base from our consultation budget.

- An appropriate revenue provision in relation to case closures in the high cost credit sector.

- A unit cost of £1,095, against £1,350 in 2020/21 (excluding PPI, investment and one-off costs).

- Drawing further on our reserves, reflecting the need once again to absorb some of our cost to firms. Post-PPI, we’d originally planned to hold reserves at around six months of operating costs, helping to avoid the need to request additional funding outside future budget cycles. By the end of 2021/22 we expect to have approximately four months’ operating costs held as reserves – and as we formally review our reserves policy during the year, we expect to manage our reserves down over the next three years to a level of three months’ operating costs.
## Our 2021/22 budget

<table>
<thead>
<tr>
<th></th>
<th>2020/21 budget £m</th>
<th>2020/21 Q3 forecast £m</th>
<th>2021/22 consultation budget £m</th>
<th>2021/22 final budget £m</th>
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<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case fees¹</td>
<td>81.1</td>
<td>67.6</td>
<td>69.1</td>
<td>64.5</td>
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<tr>
<td>Group fees</td>
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<td><strong>Total income</strong></td>
<td>261.3</td>
<td>242.8</td>
<td>238.4</td>
<td>214.8</td>
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<tr>
<td><strong>Expenditure</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Staff and staff-related costs</td>
<td>163.1</td>
<td>162.8</td>
<td>154.2</td>
<td>158.1</td>
</tr>
<tr>
<td>Contractor staff</td>
<td>62.0</td>
<td>49.1</td>
<td>40.0</td>
<td>34.1</td>
</tr>
<tr>
<td>IT costs</td>
<td>9.2</td>
<td>11.1</td>
<td>14.3</td>
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<td>20.3</td>
<td>14.6</td>
<td>12.8</td>
<td>11.2</td>
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<tr>
<td>Depreciation</td>
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<td>11.8</td>
<td>10.7</td>
<td>10.0</td>
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<tr>
<td>Other costs</td>
<td>14.1</td>
<td>12.5</td>
<td>9.2</td>
<td>10.6</td>
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<tr>
<td>Bad debt write-off</td>
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<td>3.4</td>
<td>5.0</td>
<td>3.0</td>
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<tr>
<td>Contingencies</td>
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<td>3.4</td>
<td>5.0</td>
<td>4.0</td>
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<tr>
<td><strong>Total expenditure</strong></td>
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<td>268.7</td>
<td>251.2</td>
<td>246.2</td>
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<tr>
<td>Restructuring costs</td>
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<td>4.0</td>
<td>1.0</td>
<td>14.0</td>
</tr>
<tr>
<td><strong>Financial surplus/(deficit)</strong></td>
<td>(53.2)</td>
<td>(29.9)</td>
<td>(13.8)</td>
<td>(45.4)</td>
</tr>
<tr>
<td>Reserves and deferred income</td>
<td>106.2</td>
<td>129.5</td>
<td>102.7</td>
<td>84.1</td>
</tr>
</tbody>
</table>

|                                |                   |                        |                                |                        |
| Closing FTE                    | 3,668             | 3,511                  | 2,904                          | 2,927                  |
| Total new cases                | 245,000           | 255,000                | 160,000                        | 170,000                |
| Total case resolutions         | 305,000           | 240,000                | 210,000                        | 220,000                |
| Underlying cost per case resolution² | £926 | £1,106 | £1,172 | £1,105 |

1 Case fees are net of income provisions.
2 Cost per case figure excludes bad debt provision and the one-off costs associated with bringing PPI to a conclusion. The 2021/22 budget for non-PPI cost per case is £1,095.
We consulted on our 2021/22 plans and budget for six weeks from 16 December 2020 to 31 January 2021. We received 38 responses to our consultation, and a list of organisations that responded is on page 33. Some respondents asked not to be listed.

For clarity and coherence, the summary doesn’t include all the individual points respondents and stakeholders have made, but focuses on common or contrasting themes and issues, grouping relevant views and insights together. This includes feedback we received during our wider engagement around our plans and budget between November 2020 and February 2021.
Our plans for 2021/22

Complaints volumes and trends: questions 1-5

We asked:

1. What’s your view on our forecast complaints volumes for:
   a) Our general casework?
   b) PPI?

2. What’s your perspective on complaint volumes and issues arising from Covid-19, including potential complaints about business lending?

3. Do you have any insight into potential areas of complaint in our SME casework in particular?

4. Do you have any insight into potential areas of complaint in our CMC casework in particular?

5. Are there any other issues or trends you think we should take into account as we plan for 2021/22?

Many respondents acknowledged the difficulty in forecasting future complaints volumes against the uncertain backdrop of the Covid-19 pandemic. There was broad agreement, however, that we’d continue to see complaints arising from the impact of Covid-19 on both individual consumers and small businesses. A number of respondents, representing both firms and consumers, believed our general casework forecasts for 2021/22 might be too low given the ongoing trends we were seeing and likelihood that these would continue into the new financial year. One respondent suggested this might reflect a broader shift in consumer behaviour, rather than just relating to the impact of the Covid-19 pandemic.

In contrast, a large firm told us it was now seeing fewer complaints itself, and that we might ultimately need to revise our forward-looking forecasts downward. This was echoed by a trade body representing smaller firms, which felt volumes would return to normal because much of the increase in complaints we’d seen would relate to the first lockdown.

Looking specifically at complaints about PPI, nearly all respondents who commented on our forecasts agreed with our assessment of when this part of our casework will substantially conclude. One large firm, while recognising it only knew about its own volumes, said its current ‘tail’ of complaints suggested we might see fewer referrals than forecast. Other firms involved in this type of complaint provided insight into the timescales within which they expected this ‘tail’ of complaints to conclude, with a couple noting that remaining complaints may include those centred on whether consumers’ complaints should be accepted following the FCA’s PPI deadline.

In the context of the ongoing impact of Covid-19, the growing potential for financial difficulties and debt was widely highlighted by respondents representing businesses and consumer bodies alike – with particular reference to the withdrawal of arrangements such as payment holidays. The potential for Covid-19-related fraud and scams was also mentioned, as well as the pandemic’s impact on the delivery of goods and services resulting in claims under Section 75 of the Consumer Credit Act and associated complaints. Similarly, it was suggested by an insurer that we might see the focus of complaints shift from disputes over claims to the value consumers are getting from products such as travel insurance, given the impact of ongoing restrictions on their ability to travel.

Among respondents that shared their perspective on the causes and nature of complaints in the next year, there was broad agreement with the areas we’d identified in our consultation. Many respondents, representing both firms and consumers, supported our analysis of the increasing complexity of complaints as PPI decreased as a proportion of our work – in keeping with feedback we’ve received to recent consultations and previous conversations with stakeholders. Some respondents suggested that
this related in part to the potential for **vulnerability** among consumers – with some offering insights into the nature of vulnerability, such as its potentially transient nature, how equipped they felt firms were to respond to it, and noting the FCA’s programme of work around vulnerability and a proposed duty of care. In addition to issues arising from Covid-19, among the drivers of complexity and vulnerability suggested by respondents were increasingly hard-fought complaints about fraud and scams, the ongoing evolution of fraud, as well as a changing digital landscape.

Looking specifically at complaints brought by SME customers, there was widespread recognition of the financial challenges Covid-19 will present to small businesses. Respondents representing both firms and consumers highlighted business lending under government-backed loan schemes as an area where more complaints might arise in the coming year – in particular, around financial difficulties and the collection of loan repayments. Some firms also raised business interruption insurance as an ongoing area of focus, following the conclusion of the FCA’s legal action.

A number of respondents representing firms answered our question about our **CMC casework** with concerns about CMCs’ behaviour, in the context of the decline of PPI mis-selling claims. As well as expressing concerns about CMCs’ use of data subject access requests to get customer information, firms, including those in the consumer credit space, highlighted what they saw as the “weaponisation” of our case fee, and that they believed some CMCs were acting without authority. Respondents representing firms suggested CMCs were, or might become, increasingly active in areas including historic investments, mortgages, consumer credit, pensions, packaged bank accounts and mortgage interest rates – and linked specifically to Covid-19, in claims relating to business interruption insurance, firms’ service standards, the end of forbearance measures, and employees who had contracted Covid-19 in their workplaces.

Among other trends and issues that respondents believed we should take into account, consumer bodies raised concerns around buy now, pay later services which aren’t currently within our remit. A consumer body pointed to the need for clear information for consumers about the impact of leaving the EU, especially around their access to redress.

A small number of respondents operating in the consumer credit market responded to this part of our consultation with concerns over the consistency of our answers and our approach to resolving complaints, including those about historic short-term lending.

**Our response**

We’re grateful for all the perspectives and insights respondents shared with us as we plan in what remains a very uncertain environment. Having considered the trends stakeholders highlighted, and continued to monitor the actual volumes of complaints we’re seeing, we’ve adjusted our forecasts for future complaint volumes – and set out our final projections on page 25. These include an increase in forecast volumes in our general casework, and a reduction in PPI. We’ll keep in touch with stakeholders as the year progresses about how complaint volumes are developing – and wherever possible, work together to prevent complaints being referred to us, reflecting our strategic priority. The likelihood that we’ll see case volumes in line with our forecasts, and are able to stop detriment from arising, depends on a concerted effort on the part of everyone with an influence on complaints.

We acknowledge the concerns some respondents have shared with us around CMCs’ behaviour. Where we see evidence of poor practice, we continue to share information with CMCs’ regulator, the FCA, about what we’re seeing, so it can take appropriate action. We’ll also continue our extensive engagement with lenders and their trade bodies about ensuring fair outcomes for their customers.
Resourcing and delivering our service: questions 6-9

We asked:

6. What are your views on our plans to resource and develop our service?
7. Do you have any feedback about our emerging plans under our strategy?
8. Are there areas where you’d like to work with us toward our ambition to prevent complaints and unfairness?
9. Do you have any other comments on our draft plans for 2021/22?

A large proportion of respondents told us they supported our plans to resource and deliver our service, and used this question to highlight particular areas of focus or potential challenges they saw. Among the frequent or notable perspectives stakeholders shared were the following:

- Many respondents, representing both firms and consumers, emphasised the importance of reducing waiting times for our answers, and asked for more detail about our plans to address this. A consumer body suggested this plan be over a number of years, and a trade body told us that while it agreed with prioritising reducing waiting times, this shouldn’t come at the expense of ensuring a fair outcome.

- A number of industry respondents were supportive of the possibility of resolving cohorts of complaints at scale, though some argued there could be limitations here due to the need to consider the individual circumstances of complaints.

- Many responses welcomed our plans connected to improving and extending our use of IT in the customer and business journey, including as a way of increasing efficiency, though some noted the risk of digital exclusion. Responses from firms indicated ongoing interest in our proposed portal, and the involvement of industry in its development.

- Some respondents commented on our use of contractor case handlers. Though some larger firms were supportive of this flexible workforce, others from the short-term lending sector in particular suggested reducing our contractor numbers as a way to reduce costs.

- In the context of our recent shift to remote working, some industry respondents, including short-term lenders, pointed to potential efficiencies in reducing our office footprint, as well as greater access to talent and being situated outside London. A large firm queried how efficiencies in office space reduction would translate to reduced case handling times, and whether the climate created by the pandemic would mean we couldn’t make the level of efficiencies we hoped to.

- A consumer body cited accessibility, in view of consumers’ differing circumstances, as a key challenge as we look to the future. Another told us it’s important our insight is considered as part of work happening around the shaping of the post-Brexit regulatory landscape.

Looking specifically at our strategic priority of preventing complaints and unfairness, the majority of respondents who commented were firmly supportive of our strengthened focus – and welcomed the opportunity to work closely with us to achieve this. Some individual consumers and small firms expressed an interest in collaborative initiatives, such as being involved in focus groups.

Among respondents representing firms, there was a desire for more information about our plans, and how we planned to carry out this work. Several emphasised the importance of sharing insight into complaint themes and trends at the earliest possible stage, and suggested channels for doing so; some pointed to the practical difficulties that they felt this would mitigate, including their being unable to apply our thinking to complaints they were handling in the meantime.

Respondents made a number of further points about this strategic priority. For example, feedback from respondents representing firms included that our focus on prevention represented a change of emphasis, that we should carry out a pilot, and that it would be challenging to create metrics to measure the impact of this work. A consumer body
Consultation feedback and our response

made suggestions around how we might measure improvements in firms’ complaint handling by collecting data in conjunction with the FCA.

Some representatives of short-term lenders used this area of our consultation to raise again concerns they had over our approach to complaints in their sector, and to emphasise the importance of a consistent approach to complaints as a prerequisite for our prevention work. These respondents, and a small number of others, shared views about our case handlers’ understanding of products involved in their sectors and encouraged us to keep investing in knowledge and expertise.

Our response

We welcome the broad support for our plans to resource, deliver and develop our service, and look forward to working with stakeholders as we take these forward in the year ahead.

We acknowledge stakeholders’ feedback on a number of aspects of our plans – in particular, the importance of bringing down waiting times; our case handlers’ knowledge; the use of our contractor workforce; our improved digital offering for firms and consumers; and the potential to continue to realise efficiencies in resolving cohorts of complaints as our PPI casework draws to a close. Our plans for enhancing our service from pages 14 to 16 give more detail about our priorities for 2021/22, and we welcome further engagement with all our stakeholders as we take them forward.
Our budget for 2021/22

We asked:

10. What are your views on the illustrative funding scenarios we set out? For example, how far do you support our base case, other scenarios or features of them? How far do you agree that price stability is important in future years, and that we should look to reduce the likelihood of in-year requests for funding?

11. For voluntary jurisdiction participants, particularly those that are joining the FCA's Temporary Permissions Regime (TPR): what are your views on our proposal to raise funds through the voluntary jurisdiction levy and to leave the tariff rate for each industry block unchanged?

12. Do you have any suggestions about further improving our efficiency, including suggestions for how you could work with us to do this?

We received a diverse range of feedback from stakeholders about both the principles and practicalities of our funding arrangements. Several respondents didn’t state a firm preference for any of the particular scenarios set out in the consultation, referring instead to the features of our funding mechanisms that they did or didn’t support.

However, there was broad agreement around the importance of adequately funding our service. Overall, a strong majority of those who expressed a preference for one of our scenarios (or their features) broadly supported an option that would see an increase in our levy, our case fee, or both. These responses mentioned in particular the need for our funding to be sustainable, and many larger firms also told us it was important to avoid the risk of in-year requests for further funds. This echoed feedback we heard in our wider engagement with firms, where there was agreement around the challenges presented by the pandemic, and the importance of our funding arrangements helping us manage volatility.

Many respondents representing firms, as well as a consumer group, emphasised the ongoing importance of having a “polluter pays” aspect to our funding – and the incentive this represented to prevent complaints. Larger firms in support of increasing the case fee rather than the levy suggested this would avoid costs falling disproportionately on larger businesses even if they’re resolving complaints satisfactorily.

On the level of our case fee, a couple of respondents noted that this would be our second consecutive case fee increase. We heard suggestions that the increase should be staggered, and that the increase should be contingent on our making efficiencies or improving waiting times. Some respondents, and in particular short-term lending firms and their trade bodies, repeated views they’ve articulated in response to past consultations. These include concerns that the “weaponisation” of our case fee is exacerbated by an increase in its level, that we should charge CMCs for unsuccessful complaints, and that we shouldn’t charge the higher fee for complaints received in the previous year. A small number of responses repeated suggestions we’ve heard in response to previous consultations around the potential for cases to attract different fees depending on how resource-intensive they are to resolve.

A number of firm respondents supported scenarios that would see the levy increase – with some citing the perceived fairness of this applying across all businesses. Among consumer groups and individual consumers, one consumer body said it supported our base case and a more equal balance between levy-based and case fee funding, in support of our preventative work. Another told us that only increasing the case fee wouldn’t give the stability of funding we needed, and also increasing the levy would be sensible. Another supported a model that continued to involve both a case fee and levy, while emphasising the important role in complaints prevention of the case fee. A trade body, while supporting the stability brought by our reserves, said it didn’t agree with our generating more income from our levy without a change to FCA fee blocks.
(firms carrying out similar regulated activities that are grouped together by the FCA for the purposes of allocating its levy).

Some respondents representing firms told us they would prefer a scenario under which our costs wouldn’t increase at all. These respondents tended to highlight the current operating environment for firms as the basis for their views. For example, a trade body pointed to wider increases in regulatory costs, such as the Financial Services Compensation Scheme (FSCS) levy, suggesting that some firms would fail as a result. Another, representing lenders, said the position hadn’t changed since we decided to postpone funding increases at the beginning of 2020/21, and that the aspiration to maintain our reserves could be seen as a favourable position in the present climate. A further trade body echoed the view that now wasn’t the right time for any cost increases.

Some respondents that had concerns about funding increases still expressed support for our funding objectives. These included a trade body that was supportive in principle of our having stronger reserves but felt more clarity around the case for this was needed in the current environment. Likewise, a large firm agreed with our objective of maintaining stability, but felt both that the levy didn’t incentivise smaller firms to prevent complaints and that the case fee increase was too large.

We received no feedback from members of our voluntary jurisdiction about our funding arrangements for this area of our remit. However, a couple of compulsory jurisdiction members gave feedback to the effect that VJ and CJ participants should be on equal terms when it comes to our funding.

Respondents’ wider comments included a desire to see more detail around our plans and budget or aspects of it. Some respondents from firms highlighted improvements they felt we could make to our operational engagement with them. Other feedback included that we should get involved in complaints earlier to mediate, that we should ensure we deal with our oldest cases first, and that we could improve our communication with consumers.

Our response

We’re grateful for the way our stakeholders have engaged with our 2021/22 funding proposals, and note the wide-ranging views that we’ve heard. On pages 23 to 24, we set out how we’ve factored this feedback into our final funding arrangements.

We’re very mindful of the ongoing challenges in the environment in which firms are operating. So while we’re increasing our levy, our final budget involves a smaller increase than our consultation base case, balancing the need to fund our service appropriately and protect against the risk of in-year funding requests with recognition of the pressures facing firms. The solution we’ve reached also retains an increase in our case fee – reflecting the strong support respondents expressed for this mechanism. We currently expect this amount of levy, together with an increase in our case fee to £750, will enable us to maintain price stability up to and including 2024/25. This plans and budget document also provides further detail around our income and expenditure for the coming year.

Many other points respondents made about our funding have been addressed as part of previous consultations, and our position remains the same. For example, while we acknowledge some firms’ views about the application of our new case fee to all cases resolved after 1 April 2021, the administrative cost of applying varying fees to cases closed in different years would be significant, which is inconsistent with our agreed funding principles.

It would also be in conflict with our principles to have any funding arrangement that involved fees being charged, or that potentially created barriers, to consumers bringing complaints to our service. We encourage stakeholders to read our 2019 feedback statement to our funding consultation and our 2020/21 plans and budget for a detailed discussion of these and other suggestions we’ve previously received and addressed.

Where appropriate, we’ll talk to stakeholders about specific feedback they’ve raised.
Organisations responding to our consultation

APFIN LTD (trading as cashasap.co.uk)
Association of British Insurers (ABI)
Association of Consumer Support Organisations (ACSO)
Aviva
Barclays Bank
British Insurance Brokers’ Association (BIBA)
Building Societies Association (BSA)
Citizens Advice
Consumer Credit Trade Association (CCTA)
Credit Services Association (CSA)
Direct Line Group
Evergreen Finance London
Finance and Leasing Association (FLA)
Financial Services Consumer Panel (FSCP)
GAIN Credit
HSBC
Ideal Financial Management Ltd
Liverpool Victoria Financial Services (LV=)
Lloyds Banking Group
MoneySavingExpert
Nationwide Building Society
Personal Investment Management & Financial Advice Association (PIMFA)
Santander
Stagemount Limited
VCX Ltd
Wargrave & Henley Financial Services Ltd
Which?