



**Action plan
for changing and improving the
Financial Ombudsman Service**

**Prepared by the
Financial Ombudsman Service**

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Introduction

This action plan sets out the key strategic and operational changes that the Financial Ombudsman is undertaking, to ensure it provides the best service in a rapidly changing environment. Our customers deserve it, whether they are an individual making a claim or a financial business awaiting our decision – they rely on us to deal with cases swiftly, professionally and impartially. And our employees deserve it too – they should be empowered to do their jobs and supported by efficient processes and systems that work well.

In the summer of 2021, we appointed advisers to look at what we do and how we do it, and then make recommendations for how we could improve. No area was off limits to them.

Working closely with us, including taking the views of hundreds of staff and stakeholders who provided a broad range of perspectives, our advisers, Oaklin Consulting (Oaklin), have developed a number of recommendations. We would like to thank Oaklin for their clear and comprehensive work.

We are fully supportive of their findings. They align with how our strategy has been evolving in recent months, and will continue to evolve. Their review enables us to build on the changes we have already started to put into place, and to support a programme of work which will transform us over the next few years.

This action plan sets out in broad terms what our future looks like, describing how we will change and improve and delivering a better service for all our customers.

Background – the Review

The Financial Ombudsman Service is at a pivotal point. Complaints relating to payment protection insurance (PPI) are finally drawing to a close and our casework is becoming increasingly more diverse.

The retail financial services market has been undergoing an unprecedented period of change, with radical shifts in the range of products offered to customers and the number and variety of providers offering them. The challenges arising from the pandemic are contributing to an acceleration of the pace and intensity of this change.

The expansion of financial services onto the internet continues to be accompanied by an increase in cyber-crime. There are increasingly sophisticated scams, leading to an increase in the number of cases being brought to us.

And with higher than expected numbers of cases received during the pandemic, our customers are experiencing longer waiting times.

As we reach 20 years of the Financial Ombudsman Service successfully helping financial businesses and their customers resolve complaints, we need to make a step change to be a modern and agile service for the future – one that is able to adapt to changing demand and new and emerging issues.

Now is the time to take stock and reset our course for the future.

To help us to do this, we asked Oaklin to split their review into two parts:

1. The first phase looked at the current operational effectiveness of our service, evaluating our performance and efficiency against our objectives.
2. The second phase built on the first and considered key changes in the external landscape and how we must adapt to meet our current and future challenges.

The review highlights our strengths: the fairness and impartiality of our decisions; our impressive pool of committed and diverse talent; our open and inclusive approach; and our robust response to the significant additional casework we received as a direct result of the pandemic.

But it also supports our view that, even with the changes and innovations we are now making to clear our backlog of cases, we need to go further and faster.

Taking action – our commitment to changing and improving

We will take a number of actions to change and improve the Financial Ombudsman Service, once they have been evaluated and costed. We set out more detail on the significant changes we propose – which we will consider, develop and refine – under five key themes:

I. A new model for a new context

We will change our operating model to be more efficient and effective. Our current operating model, introduced in 2015, was predicated on the number of complaints reducing, but this has not materialised. Our investigators and ombudsmen have generally been expected to deal with all types of complaints, which have become increasingly varied and often more complex. This, together with increased management and administrative responsibilities, has contributed to our not being able to realise our productivity ambitions.

We have already started to adapt to the changing environment, reducing the backlog of cases which increased throughout the pandemic.

For example, we have created dedicated teams focusing on cases from specific industry areas. We moved to a more focussed and streamlined approach to the allocation and resolution of cases. We are trialling a high-volume capability to tackle more efficiently the resolution of similar cases. We have changed our approach to training and recruitment to focus on areas of most need. We have started to move some phone enquiries to our Customer Help team to allow our Investigators to focus on resolving cases. And we are working with industry to settle cases in the backlog proactively and pragmatically, delivering faster answers to customers, as a result of our Outcome Code consultation.

We will now build on those initiatives in order to bring about the significant, well-planned and structural change we need.

We will move to a **simpler, more empowered and accountable casework operating model**, improving the way in which we handle complaints from entry point to case resolution. In particular, we will consider how we can:

1. **Consolidate the existing teams into a simpler and clearer structure aligned to industry-specific areas.** We have already started to adapt to the changing market environment, for example, by moving to specialist teams for certain products. We will embrace this natural evolution and consider how we can formalise and optimise the direction of travel. It will create the home for specialist knowledge and experience that many people in our organisation are looking for and would substantially simplify and improve the working processes in the organisation.
2. **Empower our casework leaders.** Empowerment would include setting targets, managing budgets and aligning their teams to current priorities – driving accountability at every level. They would be positioned as visible figures, accountable for the end-to-end performance of their division. Of central importance will be direct engagement with industry.
3. **Improve triaging processes and case-routing** to ensure maximum efficiency. It will have rigorous governance to ensure users have the right level of experience at all stages in line with the proposed new operating model.
4. **Free up time and capacity in casework teams, at all levels,** to focus on casework, by building on the pilots we have already put in place to reduce their administrative burden, including by considering how we can remove significant volumes of phone calls from them.
5. **Reshape the management of performance in our casework operations and agree a single set of metrics that can be reported on to further drive performance.** To empower casework leaders to manage their teams and create clear accountability for the attainment of targets, we will establish capability within casework which builds on the current end-to-end planning in the Finance and Performance team. We will also agree to a single set of metrics that can be reported on to drive performance across the organisation.
6. Establish a **clear workforce model** to ensure we can tackle the inevitable fluctuations in demand for our service.

To support our new model, we will consider:

7. **Building the capability within the organisation to support business change** – in particular, the capability to link change to overall ownership of the business value and any end-to-end business processes change will deliver. This is critical to ensure that planned change delivers the outcomes needed.
8. **Recasting the training Academy output to align to specific areas.** We will continue our current trend in this area, in order to better prepare colleagues for the specific types of work they are likely to be asked to focus on. As graduates pass their probation and build their experience, they can then either undertake rotations or apply for substantive positions in other industry areas. This would help to streamline the output of the Academy and create clearer career progression and may also allow the training and probationary period to be shorter.

9. Building on the success of **our regional office in Coventry** (“Friargate”) and **exploring alternative models for the future of work**. The experience in Friargate has shown positive responses to recruitment and improved retention of staff. We will explore opportunities to maximise the return on this investment – and whether there are similar opportunities elsewhere.

II. Enhanced technology and digital capabilities

The review has endorsed the priorities in our existing digital and technology strategy – moving at pace to modernise, and to drive value.

As we move forward, we will:

10. **Develop a digital portal** to make it easier and more efficient for our customers to interact with us – and to offer more choice. The need for a digital portal is clear, and the benefits are significant. A business case has been prepared and the process is underway.
11. **Develop existing intelligent automation (IA) solutions, before exploring new opportunities**. Expanding the use of IA is part of our existing digital strategy. We are building up gradually, including projects such as using IA to convert digitally submitted complaints directly into case files. There are direct productivity benefits to be won from making that solution as effective as possible, before exploring the many new possibilities offered by IA in the future.
12. **Continue to improve our case management tool, Phoenix**, enabling processes to work more smoothly and drive productivity, boosting staff morale and wellbeing.

III. A renewed emphasis on communications, policy and engagement

The review has found that many stakeholders – including industry and consumer groups – would welcome more engagement with us and improved public awareness of our service. The Financial Ombudsman Service is critical to consumer confidence, and we believe that we should do more to promote the function and work of the organisation.

13. **We are building on our existing engagement and dialogue with the regulatory family – Financial Conduct Authority, Financial Services Compensation Scheme, The Pensions Regulator, and Money and Pensions Service – and industry and consumer groups** to collaborate further in solving problems together as efficiently as possible.
14. Our intention is to take a more **robust and proactive approach to preventing complaints and unfairness arising**, working closely with industry, consumer groups, regulators and other stakeholders. The volume and variety of work that the Financial Ombudsman Service is having to deal with is a product of financial service companies facing record numbers of complaints and not resolving them to the satisfaction of their customers.
15. To support all of this, we will look to **make the most of our policy expertise from across the organisation**.

IV. A clearer, actionable and measurable strategy

16. We are developing a clear and actionable strategy. Our existing strategy is to continuously improve what we do: enhancing our service; using our insight to prevent complaints and unfairness arising; and building an organisation with the capabilities needed for the future.

Building on this, we will develop a joined up, actionable strategy, on which all functions and casework teams can anchor their thinking. It will drive cohesion and boost overall performance. Key themes for the strategy to address will include how to:

- Drive prevention with industry – using our insights from timely case handling to prevent further harm to consumers
- Measure and improve productivity and reduce the cost per case
- Continue to build expertise across the organisation
- Achieve and sustain steady state operation
- Attract and retain the best talent

V. A financially sustainable future

17. We will consider revisions to the funding model to incentivise constructive behaviour in industry. Although case fees and levy contributions have increased in recent years, the underlying funding model has not changed. We will be considering this position for budgets in 2022/23 and 2023/24 – and will consult as appropriate.

18. We have adjusted our reserve expenditure by freeing up funding from a six-month to three-month reserve as a step towards a financially sustainable future. We will look again at the planned trajectory for the expenditure of funds realised from the rundown of the reserve holding. We will consider the best path to achieve both maximum case clearance and productivity improvements.

Next steps – our change programme

The Periodic Review has brought new focus to how we can realise our ambitions. We have set up a **change programme** to consider and refine the recommendations, working at pace to deliver the necessary change. We are currently recruiting a Director of Transformation to support the development and delivery of this change programme. There is a significant amount of work to do.

We will be able to go more quickly in some areas, with other areas taking more time and thought. Revisions to the funding model, for instance, require public consultation, including with the FCA for approval.

A priority for us will be on driving improvements in our casework areas, to unlock capacity and increase efficiencies, supported by effective processes and technology. But this also requires careful design and planning, which we will prioritise. And, of course, alongside this we need to continue with our considerable existing work programme of resolving complaints, and reducing our backlog – which is of vital importance to so many.

Those that complain to us, and financial businesses alike, can have confidence that we are committed to delivering the quick, impartial and cost-effective service they need, with the right expertise. And our people can be confident that we will continue to build a service they can be proud of – and that we will engage with them about any changes we make.

As we move forward, we do so as part of the wider regulatory ecosystem – alongside organisations which are all committed to supporting the innovative, customer-focused financial services sector that UK consumers and businesses rely on.

By April 2022, we will have:

- Published our refreshed strategy with key milestones
- Designed a target operating model and be moving towards it
- Significantly exceeded our original plans to reduce the backlog
- Designed our digital portal

This is just the beginning. We should not – and do not – underestimate the scale of the challenges ahead. But we have an opportunity to reset and move forward, and we are determined to seize it.

About us

The Financial Ombudsman Service was 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).

We resolve hundreds of thousands of complaints each year, across all financial services sectors, with our workload determined by the number of unresolved disputes between financial services businesses and their customers.