

Minutes – Trade Body Industry Steering Group

Meeting held Hybrid via Microsoft Teams and at Exchange Tower

10 May 2022

Financial Ombudsman Service attendees	Industry attendees
<p>Nausicaa Delfas, Interim Chief Executive & Chief Ombudsman</p> <p>Colin Douglas, Interim Executive Director of Communications</p> <p>Chandra Hirani, Head of Strategic Finance</p> <p>John Wightman, Ombudsman Leader</p> <p>Lauren Long, Ombudsman Leader</p> <p>David Bainbridge, Head of External Relations</p> <p>Sean Orrick, Policy and Communications Manager</p>	<p>Pat Bennett, Investment and Life Assurance Group (ILAG)</p> <p>Eric Leenders, UK Finance</p> <p>Stephen Haddrill, Finance and Leasing Association (FLA)</p> <p>Robert Sinclair, Association of Mortgage Intermediaries (AMI)</p> <p>Jason Wassell, Consumer Credit Trade Association (CCTA)</p> <p>Charlotte Clark, Association of British Insurers (ABI)</p> <p>Tim Fassam, Personal Investment Management and Finance Association (PIMFA)</p> <p>Robert Kelly, Association of British Credit Unions (ABCUL)</p> <p>Daniel Spenceley, Credit Services Association (CSA)</p> <p>Elaine Morton, Building Societies Association (BSA)</p>
Apologies	Martin Shaw, Association of Financial Mutuals (AFM)

Item	Agenda
1.	Welcome and introductions
2.	Key priorities and updates from the Financial Ombudsman Service – including: <ul style="list-style-type: none"> – Progress on reducing waiting times; and – On implementing our change programme
3.	Open discussion – on Financial Ombudsman Service 2023/24 Funding Model
4.	Looking forward – the impact of the current economic environment and rising living costs, particularly for vulnerable consumers
5.	Closing remarks and AOB

1. Welcome

1.1 The chair welcomed attendees to the meeting

2. Key priorities and updates from the Financial Ombudsman Service

Change programme

2.1 The Financial Ombudsman Service gave an update on its change programme. This included some of the work already underway to change and improve, such as:

- Cutting the unallocated backlog of cases from around 90,000 to just over 37,000
- Reducing the total stock of cases from 164,529 to 112,000, the best performance in three years;
- Improving productivity (an increase of 12% this year); and
- Continuing the roll-out of technology improvements and putting IT contracts in place to transform customer interface.

2.2 The Financial Ombudsman Service explained the ‘tactical changes’ it had been making ahead of the wider change programme. This included the answering of initial telephone enquiries by dedicated staff to free up time for Investigators to focus on the investigation of complaints and the recent outcome codes initiative - which had also helped to drive productivity improvements.

2.3 A discussion took place around how to measure productivity with attendees. The Financial Ombudsman Service reiterated its commitment to update stakeholders on its progress. It explained it wanted to harness new technology and the capabilities of its people to be more productive and efficient in the way it managed complaints.

2.4 The Financial Ombudsman Service also confirmed the minutes and action log of the first meeting of the relaunched wider implication process is now live on the website.

Plans and budget for 2022/23

2.5 The Financial Ombudsman Service had received a range of feedback on its Plan and Budget consultation for 2022/23. It thanked the group for their contributions.

2.6 The budget for 2022/2023 is about investing to make a step change in the performance of the Financial Ombudsman Service, implementing its change programme, and continuing to

shorten its queues.

Consumer Duty (NCD)

- 2.7 The Financial Ombudsman Service acknowledged that the Consumer Duty is regarded as an important issue across all sectors of financial services and it heard about concerns around the implementation.
- 2.8 The Financial Ombudsman Service explained it would continue to engage proactively with industry on the NCD, that it is working closely with the FCA ahead of its implementation and that it would not apply the duty retrospectively.

3. Discussion - Financial Ombudsman Service 2023/2024 Funding Model

- 3.1 The Financial Ombudsman Service underlined the need for it to have a funding model that is fit for purpose, sustainable and incentivises constructive behaviour, where possible with the “polluter” paying.
- 3.2 The Financial Ombudsman Service talked the group through some of the options under consideration for possible changes to the funding model and that may be included in the Discussion Paper. These include options to incentivise good behaviour, more transparency in the Financial Ombudsman’s funding, or differential pricing for either the stage of closure or the complexity of the case.
- 3.3 The group welcomed that the Financial Ombudsman Service is exploring a number of options. The group made a number of points, including:
 - The logic of considering whether the fixed costs should be covered by the levy;
 - Some discussion around charging a different level of case fee at different stages of closure - the group acknowledged the difficulties and risks where cases were complex but were supportive of this being explored further;
 - A desire for the discussion paper to model any changes assuming further improvements in productivity in subsequent years (The Financial Ombudsman Service acknowledged the feedback but noted that as they are towards the start of their change programme, the impact of the changes and structure and costs associated will not be available until after the publication of the Discussion Paper, but they will aim to provide further detail in the 23/24 budget consultation);
 - The pressures of wider regulatory costs on mid-range and smaller firms should be taken into account in any future discussions around free cases;
 - The importance of balancing the benefits of options around differential case fees with the need to maintain simplicity;
 - Support for the polluter pays principle from the group, and a desire for continuing to have measures that discourage vexatious complaints; and
 - The risk of some of the proposed changes leading to unintended consequences, including an increase in case fee disputes.
- 3.4 The group were also interested in seeing more information to help prevent complaints escalating to the Financial Ombudsman, particularly for smaller firms who might have less experience to draw on from previous decisions about their firm.
- 3.5 The Financial Ombudsman shared details of its existing work to share its insight and prevent complaints escalating and invited further thoughts. Similarly, the Financial Ombudsman encouraged the group to share further comments in relation to the funding model ahead of the publication of the Discussion Paper over the summer.

4. Looking forward - the impact of the current economic environment and rising living costs, particularly for vulnerable consumers

- 4.1 The group discussed the cost of living crisis and how this will impact customers. The Financial Ombudsman Service confirmed that the issue was also discussed by the Chairs and CEOs of the regulatory family at their recent meeting.
- 4.2 The group made a number of observations about the cost of living crisis:
- This creates a considerable amount of uncertainty, including future complaint volumes, so the Financial Ombudsman Service needs to build flexibility into its resourcing to account for this;
 - A number of consumers have not yet felt the cost of living pressures, which should be viewed alongside the fact that budgeting for the future was also likely to be challenging for many;
 - Some of the lead indicators used to help build a picture of the financial health and possible debt issues for consumers in the future included current account depletion, patterns of expenditure on credit/debit cards, BNPL products, and gambling;
 - Problem with debt and its handling can often arise as a result of other sources of “priority” debt such as utility and council tax bills that then have a knock on effect;
 - Customers will tend to prioritise mortgage payments over other financial commitments so more pressure will be felt in the near prime unsecured sector later;
 - The group agreed that supporting vulnerable customers will be a key issue for the industry over the next few years and that this was an important area for everyone to work collaboratively on.
- 4.3 The Financial Ombudsman Service informed the group it continues to discuss this issue with the wider regulatory family, debt charities and consumer groups in addition to its engagement with industry. It said it would welcome some of data the group referred to about lead indicators to help inform its planning work.

5. Closing remarks and AOB

- 5.1 The chair thanked the group for a useful discussion and closed the meeting.