

# Management Response to the Independent Assessor's Annual Report

2021/22

## Executive summary

We would like to thank the Independent Assessor (**IA**) for her report and for the valuable insight she has provided throughout the year. We very much welcome the independent scrutiny provided by the IA and the feedback that helps us to improve and develop our service. This year we have accepted all of Dame Gillian's recommendations. This document is our formal response to the IA's 2021/22 annual report, and it highlights what we are doing to act on the insight and feedback received.

The Financial Ombudsman Service is at a pivotal point. We are changing and improving our organisation to ensure it remains fit for the future, delivering on our [Action Plan](#) that we published in December 2021, together with our independent [Periodic Review](#).

As a demand-led service, the volume of complaints we receive will always fluctuate over time; but that does not alter our core purpose and mission. We will always seek to resolve disputes on a fair and reasonable basis, and to do so in a timely way. To achieve this, we must improve our ability to be quicker in our handling of complaints, providing more complainants and firms with fair and high-quality outcomes. People and expertise are our core assets, and we will improve our processes so that we work in more efficient ways.

Our challenge is how we adapt and change to resolve different types of complaint at different points in time against the backdrop of a constantly evolving financial services market. We need to be agile, building and enhancing digital capability that better serves and supports our customers. By blending this with the skills and expertise of our people, the public can have confidence in a Financial Ombudsman Service that continues to deliver timely justice in a changing and unpredictable world.

The challenges arising from the pandemic continue to contribute to an acceleration of the pace and intensity of these changes. And with higher-than-expected numbers of cases received during the pandemic, we know some of our customers have been waiting longer than we would like.

We have already started to adapt to the changing environment, more than halving the backlog of cases which increased throughout the pandemic, bringing our unallocated case volumes down to just under 30,000 cases in July 2022 from around 90,000 in April 2021; and made a step change in resolving many of our oldest cases, which are the most difficult and hard-fought. Within this context, the Financial Ombudsman Service received 165,263 new complaints in 2021/22; and we resolved 218,740 in total. Such casework volumes bring with them significant operational challenges, which our Action Plan is designed to address.

Our target operating model aims to bring these case volumes down so that we end up with no backlogs by the end of 2023/24. This will ensure that more firms and complainants get their disputes resolved more quickly – and have greater confidence that, when they come to us, they can get a fair answer in a timely way. 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, making it more effective and efficient.

It is really encouraging that the IA recognises our staff continue to do their best to help customers. In a small proportion of cases, however, we regrettably failed to live up to our own high standards. It is important we learn from our mistakes and the reasons behind why customers have told us they are unhappy with our service. Complaints about us are an opportunity to make improvements to the service we provide and improving how we communicate with our customers will remain a priority in the coming year. Over the 2021/22

financial year, we received **4,131** service complaints. This equates to **1.89%** of our overall resolutions. The IA went on to review **568** of those service complaints, which is **0.26%** of our total resolutions.

There is a person sitting behind every service complaint – so we take them all very seriously.

### Complaints about the Financial Ombudsman Service in 2021/22

The table below provides a breakdown of the cases resolved by the Financial Ombudsman Service, along with the number of service complaints to which we have responded over the last three financial years.

Year	2019/20	2020/21	2021/22
Cases resolved	296,976	247,916	218,740
<b>Service complaints</b>			
Total	4,872	4,186	4,131
As a % of cases resolved	1.64%	1.68%	1.89%
<b>Independent Assessor</b>			
Service complaints reviewed	602	516	568
As a % of cases resolved	0.20%	0.20%	0.26%
% of complaints that escalated to the Independent Assessor	12%	12.3%	13.7%
Designated satisfactory or adequate	202 (34%)	169 (33%)	196 (35%)
Designated unsatisfactory	400 (66%)	347 (67%)	372 (65%)
<i>of which</i> designated unsatisfactory with recommendations and/or learning points	138 (23% of total)	128 (25% of total)	258 (45% of total)

Service complaints designated as *unsatisfactory with recommendations or learning points* are those where the IA found that the Financial Ombudsman Service had not already done everything needed to correct service failures before the complaints reached her.

We saw an improvement in the percentage of cases designated as satisfactory (35%) compared with the previous year (33%). The IA made recommendations and/or issued learning points in 258 cases this year. This amounts to 45% of the overall number of service complaints she reviewed.

## Learning from service complaints

In 2021/22, we took a fresh approach to learning from service complaints. Our teams responsible for their delivery now sit within our new *Customer and Service Excellence* team, alongside our teams responsible for quality and customer feedback. This improved opportunity for collaboration means we can better understand what really matters to our customers and make appropriate interventions to improve our service at pace.

The IA's work helpfully draws our attention to the experiences of customers who say we have let them down the most. In addition to presenting her Annual Report to the Board, the IA meets Board members and senior leaders each quarter to share feedback on the cases she has reviewed. This year, Dame Gillian has also been sharing complaint themes with us quarterly, which we have fed into our service-wide operational action log.

The Board's Quality Committee oversees the initiatives to address the IA's feedback as well as all other customer service insights and feedback. In addition, we also share performance updates across our senior leadership teams through monthly *Cross Service Quality Review* meetings. Our newly launched insight pack will update all managers on key customer concerns every quarter.

During 2021/22, to understand the root cause of the increase in recommendations made for the Financial Ombudsman Service, and to help us improve overall, we completed 'deep dive' activities into cases reviewed by the IA. Following these, we have:

- updated our internal processes;
- identified opportunities to improve our training and internal guidance for managers when responding to service complaints;
- enabled better consistency when putting things right for our customers; and
- found opportunities to work more collaboratively with the IA's office – without compromising her independence and impartiality – so that we can learn from her feedback throughout the year.

We will continue to review cases regularly through our new Quality Assurance Framework – to identify learning points for the Financial Ombudsman Service, and to drive improvements.

We hope our work detailed in this Management Response will not only help reduce the number of service complaints referred to the IA but will also reduce the number where she makes recommendations or issues learning points.

## Comparing themes

The table below shows the top themes the IA outlined in her report, reflecting the concerns people raised when they contacted her – and how they compare with last year:

Top complaint themes	2020/21		2021/22	
	Number of cases	Percentage of the total reviewed	Number of cases	Percentage of the total reviewed
Adequacy of investigation	68	13%	199	35%
Timeliness	161	31%	143	25%
Adherence to FOS process	37	7%	91	16%
Communication	173	34%	39	7%
Fairness and impartiality	65	13%	71	13%

As outlined in her report, the IA has expanded how she reviews and reports on complaints. Here is a table showing the complaint themes in cases the IA found to be unsatisfactory.

Complaint themes	2020/21		2021/22	
	Number of cases	Percentage of all cases found to be unsatisfactory *	Number of cases	Percentage of all cases found to be unsatisfactory *
Communication	150	43%	184	46%
Timeliness	111	31%	77	19%
Adequacy of investigation	42	12%	42	11%
Adherence to FOS process	20	6%	38	10%
Fairness and impartiality	15	4%	6	2%

\* In 2021/22, the IA reported on primary *findings* whereas the figure in 2020/21 is based on the principal *complaint issue* raised by the complainant, so this is not a direct comparison.

## Theme one – Communication

It is disappointing that complaints about communication remain high and that we are not putting things right when we have the opportunity. We are feeding this into training for managers, while also continuing our work to improve communication across the board.

Some key interventions this year have been the introduction of automated updates for cases awaiting allocation; our online complaint-checker tool (introduced in September 2021); and the implementation of interactive voice response messaging for callers to our helpline. This means we are providing clear information about when we can and cannot help with disputes – and we have seen customers finding an answer to their enquiries in these pre-recorded messages.

We have also published our communication standards on our website as recommended by the IA in her last Annual Report, so that complainants have a better idea of the contact they can expect from their case-handler. And while it is disappointing that the IA found instances where we had not adhered to these standards, we can report from our own quality assurance data that adherence improved as the year progressed.

Moving forwards, enhanced upfront communication is a key part of our future strategy. We will be clearer than ever about what customers can expect from us as their case moves through our processes; and in turn what we expect from them. Customers will have a better understanding of the pro-active role the Financial Ombudsman Service plays in managing case progression and – taking on board the IA’s feedback – we will provide them with clearer, more authoritative and balanced answers.

As part of our commitment to continual improvement of our technology and digital services, we have partnered with Tata Consultancy Services who will help us design and implement our digital customer portals. This will empower complainants and firms to get updates on their cases when they want.

We will also soon be launching best practice guidance that will be followed when issues outside our immediate control – e.g. litigation, regulatory action, insolvency proceedings, etc – mean cases need to be placed on hold. This will enable our customers to be kept fully updated with what is happening with their complaint and why.

## Theme two – Timeliness

It is encouraging that our work to reduce backlogs has resulted in fewer IA complaints about timeliness compared with the previous year – and we are confident this trend will continue.

This year, we have continued to explore ways to reduce customer waiting times – and we saw real success through our temporary Outcome Code Initiative. This encouraged firms proactively to settle the complaints of customers whose cases were waiting in our backlog. Our engagement with 90 firms resulted in **6,877 offers** being made to complainants and secured up to **£22 million in redress** within 5 months. This included more than £10 million of redress in “authorised” scam complaints, with over 2,000 victims being refunded the money they had lost.

Between December 2021 and March 2022, we also ran our ‘Investigation Outcome’ pilot in two casework areas, which tested a shorter and more efficient way of communicating initial answers to customers. The ‘Investigation Outcome’ is a one-page document providing both parties with a clear and concise outcome – along with the key reasons for reaching it.

The pilot concluded with over 1,000 answers having been issued; and we saw fundamental measures such as timeliness, quality and productivity all improve as a result. The case-handlers involved all recommended it as a better way of working, so we are now in the process of rolling it out across the rest of our casework areas. The IA was consulted as part of the pilot – and we were encouraged by her feedback, which helped shape the final look and feel of the product.

Further to this, we have been implementing efficiencies set out in our Action Plan and recommended in the Periodic Review – and we will soon be launching our new Customer Call Hub (to be called *Customer Connect*), which will take phone-shift work away from investigators and allow them to focus solely on resolving complaints. This should also help address the IA's observations on the importance of dealing with jurisdiction issues at the earliest opportunity, not months after the case was first referred to us.

There are rare occasions when we only discover relevant information later in the process, resulting in our having to make further enquiries or reconsidering jurisdiction. We know this is upsetting for customers, so try hard to avoid it. The courts have supported our iterative investigatory role, and have confirmed it is legitimate for us to review issues late in the process if additional evidence comes to light and makes a difference. We could be judicially criticised if we ignored such evidence in order to avoid a service complaint.

We have also created dedicated teams focusing on cases from specific industry areas and moved to a more focused and streamlined approach to the allocation and resolution of cases, which allows for better development of knowledge for our case-handlers. This will enable us to:

- get each case to the right case-handler without delay;
- plan and organise more effectively; and
- contribute to our prevention agenda by gathering reliable insight.

### Theme three – Adequacy of investigation

Our vision is to be a world-class ombudsman service, resolving financial disputes on an impartial, fair and reasonable basis. We are quick, informal and accessible to all 'eligible complainants'. We enhance consumer confidence and improve financial services by sharing our insight.

Owing to the very nature of what we do, it is likely that one party to a case will be unhappy with the outcome we reach. However, it is important that both parties have a fair chance to provide their side of the story and know what to expect from us even if the decision in the end is not in their favour.

To help investigate the root causes of this shift in customer concern and IA findings, we completed a review of all 42 cases where the IA found a service failing in this area, to help address the issue directly. Upon review of the 37 cases with recommendations, it is disappointing that on some occasions we did not get things right the first time. However, in most of the cases, the issue related to our communication rather than the substantive outcome.

Whilst it is up to the individual case-handler to decide on the crux of the complaint and interpret evidence as they see fit, there have been instances where the complaint issue has been misunderstood. Fortunately, these complaints formed a minority and we were able to put this right when the complaint was reviewed afresh by an ombudsman at the decision stage, as part of our normal two-stage process. However, we understand the importance of

getting things right the first time and have put processes in place to prevent this from happening.

In addition to specialised knowledge in teams, we have also set up a “high-volume” capability to tackle more efficiently the resolution of similar cases; and have changed our approach to training and recruitment to focus on areas of most need.

Through more active case management, and with the help of our published communication standards, we set clear expectations for our case-handlers and customers alike. This allows for:

- expectations to be better managed upfront;
- confirmation of what we have understood as the crux of the complaint; and
- the setting of clear deadlines and the consequences of not complying/co-operating.

We are confident that more active case management is in the interest of all parties – but we accept there is a risk that some customers might not welcome this; and that we may therefore receive more service complaints, e.g. about clearer timetables; or proceeding to the next stage just with the evidence we already have; or moving to final decision in the absence of responses, etc. It is a question of getting the balance right and being fair to both sides (and being fair to other customers who also need their cases to be resolved).

#### Theme four – Adherence to FOS process

The IA found that adherence to process was the main service failing in 38 of the cases she reviewed this year and she made recommendations or learning points in 22 of them.

This category has not featured in the top four issues in the last few years. Having reviewed the recommendations from the IA, it is clear where our focus needs to be. We have already begun to improve our processes through our transformative Action Plan.

By moving to industry-led teams, and by moving some phone enquiries to our Customer Help area, we have freed-up our case-handlers 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.

We have also changed our priority case process to ensure that it is applied fairly and that we are able to give earlier answers to complainants who are most in need (or to firms that are facing financial difficulty).

### Themes and trends overall

Throughout the year, we have used service-complaint insight, feedback from the IA, quality-assurance data, and the output of our deep-dive reviews to:

- help us address the main areas of concern;
- drive improvements; and
- help us deliver better customer service and experience.

As mentioned above, the IA reviewed 0.26% of our overall resolutions and we have welcomed her general observations throughout the year during quarterly discussions. This has allowed us to complete further reviews into whether the issues highlighted are isolated to specific cases that escalated to the IA or whether they are more widespread in our casework. This also enables us to cross-reference feedback with our quality-assurance data and customer insights. Throughout the year, we have been able to provide assurances and

updates on our operational plans and the service-wide initiatives we have taken to improve our overall case-handling.

Examples include the assurance activities we have undertaken to ensure we are fairly applying our published [unreasonable behaviour policy](#) when faced with conduct that impacts our staff wellbeing or hinders the way we progress cases to the detriment of other customers. Further updates have included:

- changes to guidance and training;
- how we are continuing to embed our service; and
- communication standards through our quality-assurance framework to ensure case-handlers are introducing themselves and regularly updating customers on their cases.

### Vulnerable customers

Vulnerability is an area of high priority for all members of the regulatory family, and we are encouraged that the IA finds our staff keen to help those most in need. But we accept the point about not extending this too far.

This year we have continued to develop our Additional Support Area, which handles complaints from complainants in the most complex and sensitive situations. It is vital we are resolving their complaints in the most appropriate and efficient way, so we take on board the IA's view that our keenness to help has sometimes slowed things down. We are working with our case-handlers to address this, helping them to balance the specialist tailored support they provide against the need for a focused and swift investigation into the financial dispute.

We continue to promote awareness of vulnerability across the service and we will soon be launching our internal '*Think Vulnerability!*' Campaign. This will further educate our case-handlers on how they can identify and support consumers in vulnerable situations – but in a balanced way appropriate to our remit as an independent and impartial dispute-resolution service.

### Stepping in early

The IA typically reviews the handling of a case once our work has concluded and only gets involved earlier where she believes there are exceptional reasons for doing so. In the last financial year, there were only five cases where the IA reviewed customer concerns before case closure.

We aim to offer a service which is accessible to all eligible complainants without barriers. (There are, of course, some complaints that are simply outside our jurisdiction or more suited to the courts or other ombudsman schemes). Most of these cases involved dissatisfaction from complainants alleging that the Financial Ombudsman Service was not taking their need for reasonable adjustments into account. Whilst it is disappointing to hear that people did not think we listened to them, it is reassuring to see that we had in fact followed the correct process and made adjustments in each of these cases. Unfortunately, these did not always meet the expectations of complainants.

The IA made recommendations in two of these cases where she felt our communication could have been better. We have taken this feedback on board; and we are aware that better communication is one of the key areas of improvement and focus for us in 2022/23.

We have to take account of a recent court case<sup>1</sup> which confirmed that the Financial Ombudsman Service benefits from the judicial-function exemption for 'reasonable adjustments' in Schedule 3 of the Equality Act 2010. Accordingly, whilst we always make adjustments for accessibility and practical matters (e.g. font size, sign-language interpreters,

---

<sup>1</sup> *R (on the application of Shaw) v Financial Ombudsman Service Limited* [2022]



wheelchair access, etc), when it comes to *legitimate casework judgments* – such as setting fair timescales, giving impartial answers, or deciding questions of jurisdiction – we may not be able to accommodate a complainant’s requests if they are unreasonable or interfere with natural justice. An example might be a request to halt progression without good reason, which could adversely impact other parties, disrupt our process, and affect other complainants.

We welcome the IA’s clarity with complainants who ask her to intervene on matters that are outside her terms of reference, such as those relating to the substantive outcome of the case.

### Service complaint reviews

Ensuring a thorough investigation is completed and that we are following our service-complaint process is an important way for the Financial Ombudsman Service to review customer concerns and ensure we are getting cases back on track where appropriate. This is because service complaints – along with our customer insight and quality-assurance data – play a key role in helping us improve our offering to customers.

In 2021/22, we trialled ways to resolve customer concerns both informally and quickly, allowing customer trust and confidence to be restored through assurances or remedial action where appropriate. Through the successes of these trials and refresher training for managers, we have formalised and simplified our process for staff and customers alike. We are therefore able to provide answers more quickly and review the main concerns – thus helping customers move forward with their substantive complaint about the firm.

As the IA noted in her report, the Financial Ombudsman Service has been on a journey with our service-complaint process; and we welcome the IA’s view that these changes enable staff to focus on getting resolutions for our customers. We recognise that the one-stage service-review process potentially leaves less opportunity to put things right for customers prior to escalation to the IA. However, with a new Quality Assurance Framework for service complaints, this is an area we will continue to monitor alongside the IA.

We are currently trialling a new way of working which sees service complaints being reviewed and responded to by Senior Advisers, instead of Ombudsman Managers. This is a 12-week trial to allow Ombudsman Managers to focus on the core casework and manager role. If the trial is successful, and service complaints are moved to a smaller, dedicated team, this could result in:

- a more consistent approach to the way we handle service complaints;
- reviews that feel – and are – more independent; and
- more efficient responses for those complaining and people being complained about.

Finally, this year we will also explore how technology can be used to improve our process for service complaints, to benefit both our customers and our people.

## Appendix A

### Number of cases

These tables show a breakdown of the number of cases mentioned in the Independent Assessor's annual report.

#### Cases reviewed by the Independent Assessor where the primary finding for the Financial Ombudsman Service related to *communication* were as follows:

	2020/21	2021/22
Total cases reviewed where this was the primary concern raised by the customer	173	39
Cases designated unsatisfactory due to <i>communication</i> following IA review	150	184*
Cases with recommendations/ learning points	54 (36%)	129 (70%)

#### Cases reviewed by the Independent Assessor where the primary finding related to *timeliness* were as follows:

	2020/21	2021/22
Total cases reviewed where this was the primary concern raised by the customer	161	143
Cases designated unsatisfactory due to <i>timeliness</i> following IA review	110	77*
Cases with recommendations/ learning points	35 (32%)	52 (68%)

\* In 2021/22, the IA reported on primary *findings* whereas the figure in 2020/21 is based on the principal *complaint issue* raised by the complainant, so this is not a direct comparison.

**Cases reviewed by the Independent Assessor where the primary finding for the Service related to *adequacy of investigation* were as follows:**

	2020/21	2021/22
Total cases reviewed where this was the primary concern raised by the customer	68	199
Cases designated unsatisfactory due to <i>adequacy of investigation</i> following IA review	42	42*
Cases with recommendations/ learning points	13 (31%)	37 (88%)

**Cases reviewed by the Independent Assessor where the primary finding for the Service related to *adherence to FOS process* were as follows:**

	2020/21	2021/22
Total cases reviewed where this was the primary concern raised by the customer	37	91
Cases designated unsatisfactory due to <i>adherence to FOS process</i> following IA review	20	38*
Cases with recommendations/ learning points	20	27 (71%)

**Cases where the Independent Assessor stepped in early:**

	2020/21	2021/22
<b>Total cases reviewed</b>	6	5
Cases designated unsatisfactory	3	2
Cases with recommendations	1	2

\* In 2021/22, the IA reported on primary *findings* whereas the figure in 2020/21 is based on the principal *complaint issue* raised by the complainant, so this is not a direct comparison.