

## Minutes – Trade Body Industry Steering Group

Meeting held at Exchange Tower and via Microsoft Teams

1 December 2022

<b>Financial Ombudsman Service attendees</b>	<b>Industry attendees</b>
<p>Abby Thomas – Chief Executive and Chief Ombudsman</p> <p>James Dipple-Johnstone – Deputy Chief Ombudsman</p> <p>Karl Khan – Chief Operating Officer</p> <p>Chandra Hirani – Interim Chief Financial Officer</p> <p>Richard West – Director of Casework Policy</p> <p>John Wightman – Ombudsman Leader</p> <p>David Bainbridge – Head of Stakeholder Engagement</p> <p>Mark Dungworth – Policy and Communications Manager (taking the minutes)</p>	<p>Robert Kelly, <b>Association of British Credit Unions (ABCUL)</b></p> <p>Charlotte Wightwick, Sarah Brodie, <b>Association of British Insurers (ABI)</b></p> <p>Martin Shaw, <b>Association of Financial Mutuals (AFM)</b></p> <p>Robert Sinclair, <b>Association of Mortgage Intermediaries (AMI)</b></p> <p>David Sparkes, <b>British Insurance Brokers’ Association (BIBA)</b></p> <p>Jason Wassell, <b>Consumer Credit Trade Association (CCTA)</b></p> <p>Chris Leslie, <b>Credit Services Association (CSA)</b></p> <p>Stephen Hadrill, <b>Finance and Leasing Association (FLA)</b></p> <p>Jo Stickland, <b>Investment and Life Assurance Group (ILAG)</b></p> <p>Eric Leenders, <b>UK Finance</b></p>
<p><b>Apologies:</b> Elaine Morton, <b>Building Societies Association</b>; Liz Field, <b>Personal Investment Management and Finance Association (PIMFA)</b></p>	

<b>Item</b>	<b>Agenda</b>
1.	Welcome and introductions
2.	Key updates from the Financial Ombudsman Service
3.	Plan and budget 2023-24
4.	New Consumer Duty (NCD)
5.	Cost of living and vulnerability
6.	Any other business/Close

## Summary

December meeting of the Trade Bodies Industry Steering Group, which meets every six months to discuss strategic issues, such as our funding and future strategy, and trends and emerging issues that affect the Financial Ombudsman's work.

### 1. Welcome and introductions

1.1 Abby Thomas welcomed attendees to the meeting. She introduced herself and her new senior team, who were attending their first meeting of this Group.

### 2. Key updates from the Financial Ombudsman Service

2.1 Abby set out her initial priorities for the Financial Ombudsman Service, noting the progress made by the organisation but that more needed to be done to deliver shorter waiting times for customers and firms. She also outlined the importance of engagement with trade bodies, particularly in helping us to work with smaller firms, and welcomed the opportunity to discuss industry concerns through groups like this.

2.2 The group welcomed continuing improvement in dialogue between trade bodies and the Financial Ombudsman Service, which they were keen to see developed further to achieve effective progress on key issues. The group agreed that a focus on swift and high-quality resolution of complaints was appropriate.

2.3 The group were keen to see clear alignment and effective relationships between the Financial Ombudsman Service, the Financial Conduct Authority (FCA) and other members of the regulatory eco-system. The Financial Ombudsman Service set out how it works with the FCA - while it is not a regulator or a policy-maker, it works within the framework of rules set by the FCA and so must understand the FCA's policy objectives, as well as sharing learning points with regulators when it makes decisions.

### 3. Plan and budget 2023-24

3.1 The Financial Ombudsman Service gave an overview of the decisions made in its response to the consultation on its future funding and how this would play into the forthcoming consultation on plan and budget. It was noted that the case fee and levy would remain at current levels for 2023/24, which the group welcomed. It also explained its approach to forecasting complaint volumes for 2023-24, noting the high levels of uncertainty involved given the difficult economic circumstances.

3.2 The group discussed the decision not to move forward with the proposal to charge claims management companies (CMCs) to make complaints, noting that this had disappointed some member firms. Members set out a range of concerns about the behaviour of CMCs and in particular law firms regulated by the Solicitors Regulation Authority, referring to the negative effects this can have on their member firms, which ultimately affects customers. However, the group also accepted that much of the negative activity referred to happens outside of the Financial Ombudsman Service's area of responsibility, as it involves representatives' initial work with firms when making complaints.

3.3 The Financial Ombudsman Service said that it did not agree that changing its funding model to charge CMCs was appropriate. Such a change would not address many of the problems identified which were happening when complaints were made to firms – and it wanted to be careful not to discourage legitimate complaints, and also be mindful of the practical difficulties

involved. Poor behaviour by CMCs is in the first instance a matter for their regulators to address. However, the Financial Ombudsman Service also outlined the important and effective work that it already does to mitigate volumes of complaints from CMCs by working with them directly on complaints they refer and how they do this, and asked the group to help make member firms aware of this as issues arose.

3.4 The group discussed how industry could do more to raise concerns with CMCs with Government and regulators. The Financial Ombudsman Service agreed to discuss the issue further with the FCA and the Solicitors Regulation Authority.

## 4. New Consumer Duty (NCD)

4.1 The group discussed concerns about the implementation of the NCD and how this might affect firms, including:

- the need for the clearest possible understanding of the implications for firms of NCD concepts
- potential conflicts between NCD requirements and existing requirements on firms under e.g. the Consumer Credit Act, on issue like information provision
- how firms can make 'NCD-compliant' lending decisions when they don't have relevant information on e.g. customers' use of buy-now-pay-later products
- how firms can comply with NCD requirements when multiple firms work together to provide individual products.

4.2 Members were keen to have continued constructive dialogue with the FCA and the Financial Ombudsman Service as firms work through the implementation of the FCA's NCD. The Financial Ombudsman Service recognised the importance of this issue for firms and committed to continuing discussions, covering both what firms need to do and what evidential and case-handling processes should look like.

## 5. Cost of living/Vulnerability

5.1 The Financial Ombudsman Service noted the long-term nature of the economic difficulties facing consumers, and said that it was watching this issue closely to help plan for future complaint volumes.

5.2 Group members generally agreed that volumes of complaints were not increasing significantly yet – e.g. one member said that member firms had seen no increase whatsoever in forbearance requests, which were at 2019 levels. However, another group member said they had noted particular volatility affecting customers on lower incomes, with incomes rising but expenditure rising faster, and this was leading to more forbearance requests.

5.3 The group discussed issues that could affect complaint volumes in the future, including:

- mortgage rates – for example, consumers who had fixed their mortgage at a higher rate when expectations were that rates would go higher still, or those coming off lower fixed rates
- savings – one group member said that firms' strategic focus was shifting to this area as rates went up
- lenders' decreasing risk appetites – shifting the requirement for lending to interest-only or higher-cost products, when at the same time high-cost short-term lenders were taking a lower-risk approach
- consumers' focus on protecting credit ratings, which made it harder for lenders to spot difficulties and assist them

## **6. Any other business/Close**

6.1 Abby thanked the group for attending and for their contributions, and asked attendees to get in touch with any comments on future agendas and other issues for discussion. She then closed the meeting.