

# Wider Implications Framework

Annual Report 2022

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# Executive foreword

## Executive foreword

The Wider Implications Framework (“the framework”) was re-launched in early 2022 as a means for members of the financial services regulatory family (Financial Ombudsman Service, Financial Conduct Authority (FCA), Financial Services Compensation Scheme (FSCS), The Pensions Regulator (TPR), and Money and Pensions Service (MaPS)), to work with each other on issues that could have a wider impact across industry. While framework members have always worked together and shared information subject to applicable statutory provisions, the framework creates an opportunity for structured collaboration on key issues. The purpose of the framework is to ultimately achieve better outcomes for consumers, firms and the industry as a whole, through building on the existing collaborative work that takes place.

When we re-launched the framework, we committed to publishing an Annual Report assessing whether the framework is achieving its purpose. This report reflects on the first year of the refreshed framework, highlights key achievements and notes changes that may be made going forwards.

## Group members

While each member organisation has distinct and independent roles and responsibilities, it is through the separate remits and unique perspectives that we can better understand issues and collaborate to ensure better outcomes for consumers and firms. For example, using information sharing powers, the Financial Ombudsman Service and the FSCS may be able to share complaints and claim data and insight, which may provide an evidence base to illustrate the types of harm that could be suffered by consumers. The FCA and TPR, as regulators, can implement rules (for TPR, the rules are set by the Department for Work and Pensions (DWP)) and issue guidance for firms, making interventions where appropriate. MaPS plays a key role issuing consumer communications, including on cost of living work, and all organisations have collaborated to amplify these.

Whilst not all issues considered under the framework will impact all members, the framework ensures that all members can be involved, where relevant, maximising collaboration without compromising independence.

## The issues

Across the course of the last year, we identified seven issues which have benefited from this structured collaboration, and we are proud of the work that has been done on these. Key achievements include:

- working together to engage former members of the British Steel Pension Scheme (BSPS) so that they are aware of their rights and to make the complaints or claim journey as accessible as possible;
- sharing information, with regard to applicable statutory provisions, on complaints about mortgage Standard Variable Rates which ensured fair and consistent complaint outcomes with redress paid if appropriate; and
- joint work to ensure that the Financial Ombudsman Service is prepared for the introduction of the FCA's Consumer Duty, including internal training sessions and engagement with external stakeholders to understand their concerns.

We continue to work on the issues above as well as the other topics under the framework. There are areas that continue to evolve and develop, and so we are satisfied that all the issues currently within the scope of the framework should remain so at this point in time. But we will continue to review whether the framework is capturing the right issues, whether there are new focus areas with potential wider implications identified, or whether our focused collaborative work on a key issue has become 'business as usual'.

The Financial Ombudsman Service was Chair for the first year of the framework, the FCA has taken over the Chairing for 2023. As the FCA takes over the Chair the members are all confident that the positive work done so far will be built on, that we will adapt to external changes effectively and will continue to work together to ensure better outcomes for consumers and for industry.



**Abby Thomas**  
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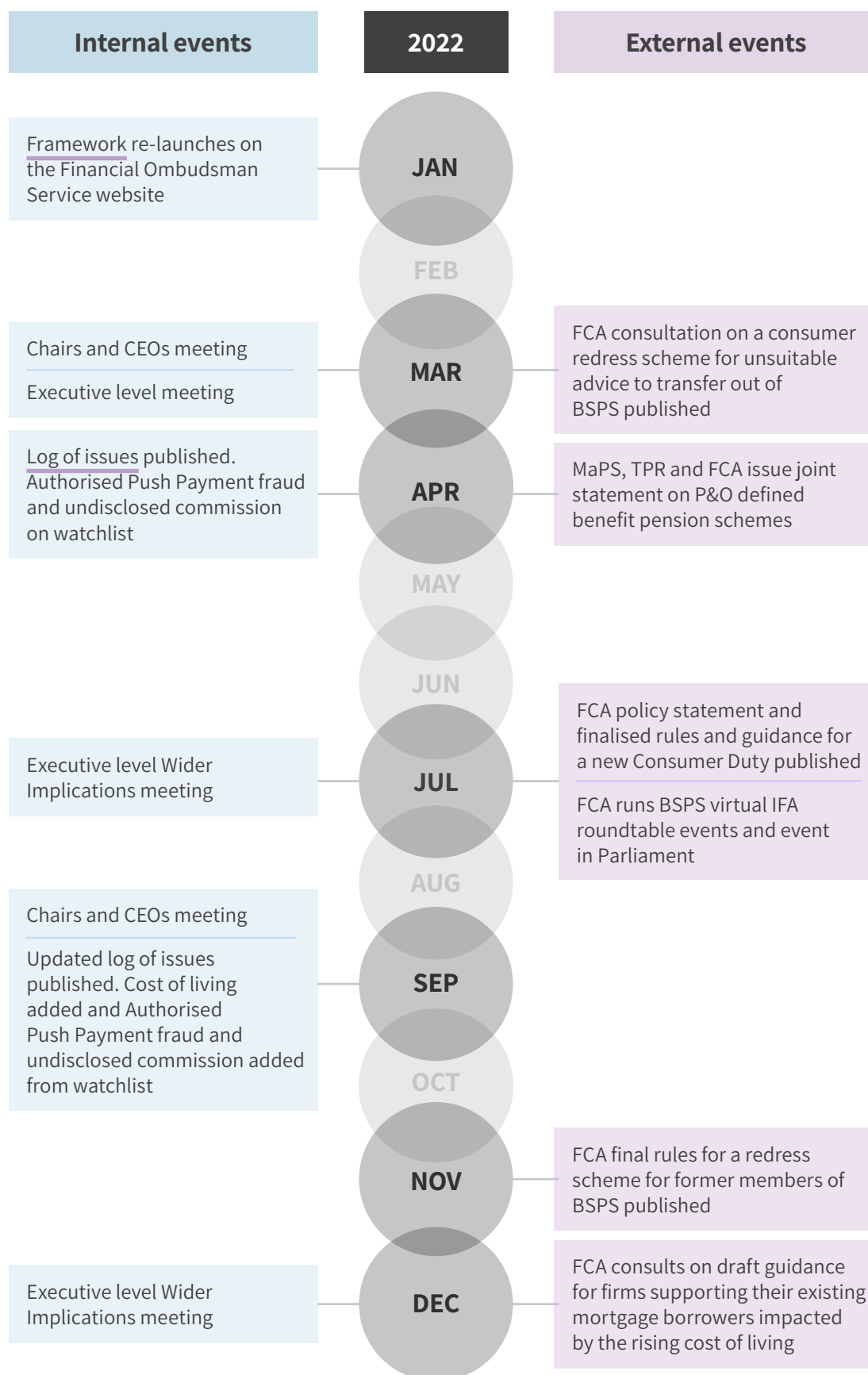


**Nausicaa Delfas**  
The Pensions Regulator



**Caroline Siarkiewicz**  
Money and Pensions Service

## The timeline



Regular and routine working level engagement with framework members, and industry stakeholders throughout the year.

# Overview of framework and objectives

The framework provides a process for structured collaboration between the organisations involved. While members have different statutory roles and objectives, it ensures our approaches to similar or related issues are consistent and complementary. While the framework is intended for engagement between the members, routine engagement with external stakeholders, including the financial services industry and consumer bodies happens outside of this. The framework provides transparency for stakeholders through the publication of minutes of meetings, an Annual Report, and a central [log of the issues identified](#).

Members of the financial services regulatory family and other organisations also meet regularly and work closely together in other ways, to share information about trends or common problems that could inform future work. This includes work on issues not included on the log, such as information sharing on Funeral Plan providers.

An issue with potential wider implications is one that could have a wider impact across the financial services industry, and there is a need to work together to determine the optimal way to deal with the issue. For example, it could be because a large number of consumers are potentially affected, or the amount of redress at stake, because there is a risk of business failure, or implementation of new rules and guidance which would affect business practices. The issue might be identified, for example, through the Financial Ombudsman Service's casework, through the FCA or TPR supervision or the FSCS customer insights.

Issues with potential wider implications that are identified by the members can be discussed through working-level, Executive or Chairs' meetings, depending on their likely impact. The framework ultimately aims to achieve better outcomes for consumers, small businesses and the financial services industry, by building on the existing successful engagement that already takes place.

The [terms of reference](#) set out in more detail how members work together.

## The next 12 months

This year has focused on re-launching the framework, building on the work we already do together in a structured and visible way. We've shared intelligence, expertise and ensured oversight at a senior level. This has provided transparency to consumers and industry stakeholders about the way we work together to manage risks on issues with wider implications, and ensured we are as aligned as possible while respecting each other's differing statutory roles and objectives. We are satisfied the framework has achieved its purpose.

At the start of 2023, responsibility for chairing the framework for the next 12 months passed from the Financial Ombudsman Service to the FCA. Changes to the way of working through the framework are expected over the coming year. The Financial Services and Markets Bill that is going through Parliament will introduce a duty on the Financial Ombudsman Service, FCA and FSCS to cooperate with each other on matters with significant implications for one or more of those organisations, and to consult others, such as TPR and MaPS, on those matters where appropriate\*. We welcome this, and we envisage that our close working relationships will stand us in good stead for the introduction of the statutory duty, which is expected later this year.

During the next 12 months, members will continue to develop and embed effective ways of working across our respective organisations. This will help ensure we achieve the outcomes and objectives agreed within the current portfolio of Wider Implications issues, remove issues from the framework once we've achieved the intended outcomes, and are well placed to identify and add new issues to the framework as and when they arise.

\* The requirement is to cooperate on matters with significant implications in relation to the exercise of one or more of these organisations functions under the FSMA or the functioning of relevant markets generally within the meaning of s.1F FSMA.

# Reflections on the first year

In this section we’ve reviewed the work we’ve done under the framework in its first year. We have organised this annual review under the following themes:

- 1. Sharing data, insight and expertise to inform decision making
- 2. Joint engagement activities
- 3. Ensuring a fair landscape
- 4. Agenda setting

## Sharing data, insight and expertise to inform decision making

The framework has enhanced information and data sharing amongst members which has helped inform decision making. For example, complaints data from the Financial Ombudsman Service and the FCA can provide an evidence base on the potential scale of issues. Due to the nature of complaints arising ‘after the event’ there is a lag in these trends showing up in data.

The regular engagement between members, and the different sources of insight and intelligence (including but not limited to complaints data) we share helps to build a picture of what is going on in markets.

We have enhanced the channels and gateways for data sharing in recent years and will work together

to look for further opportunities, where relevant and necessary.

As part of the framework we’ll continue to horizon scan and share our expertise to help expose poor industry practice and ensure we are informed about potential harm and where we might need to take issues forward under the framework.

Focused discussion at working level has taken place on the whole range of issues under the framework. For example with complaints about Standard Variable Rates and undisclosed commission – it has helped members take action where needed in targeting specific firms with requests for information to make assessments on fair outcomes.

Issue	Action	Outcome
<p>The Financial Ombudsman Service received a large number of complaints alleging that Standard Variable Rates of interest on residential mortgages have not been fairly set.</p> <p>Due to the historic nature of the issues being raised, the Financial Ombudsman Service was keen to obtain information on historic rate variations to assist in its determination of complaints.</p>	<p>Regular engagement between the Financial Ombudsman Service and the FCA on mortgage issues was already in place, but a new Wider Implications meeting provided the opportunity for focused discussion on this issue.</p> <p>As a result of these meetings we have started to use a data tool on historic rates that has been a helpful resource in assisting the Financial Ombudsman Service to progress complaints. The Financial Ombudsman Service continues to provide regular data which sets out the progress of complaints it has received.</p>	<p>Focused engagement on this issue has provided assurance that there is awareness between relevant framework members of how these issues are progressing. The FCA has helped to ensure that firms respond to information requests from the Financial Ombudsman Service in a timely manner. This information and data sharing has ensured industry stakeholders and consumers can have confidence of fair and consistent complaint outcomes, with redress paid if appropriate.</p>

Issue	Action	Outcome
<p>The Financial Ombudsman Service has been receiving more complaints about the payment of commission arising from the sale of motor finance products. In many of the complaints customers say they did not receive adequate information about the commission paid to their credit broker (often the car dealer) by their lender.</p> <p>Complaints in this area often reference the FCA's Final Findings on Motor Finance and its subsequent decision to ban certain commission models which commenced in January 2021, as well as the judgment in the Court of Appeal case for Wood and Pengelley in March 2021.</p>	<p>The Financial Ombudsman Service and the FCA have engaged with each other on this issue, and also participated in discussions with industry stakeholders to understand the range of commission models in this market and the potential impact of rising complaints.</p> <p>Complaints data and casework insights from the Financial Ombudsman Service have been shared with the FCA and in Consumer Credit Trade Body Forums. The Financial Ombudsman Service has also communicated its expectations about the type of information required from firms and key concerns when looking at these complaints.</p>	<p>Our joined up work on the issue continues, through engagement consistent with the independent statutory roles and functions of the framework's members.</p>

Each of the members has its own role and remit, resulting in unique insight and expertise to share. The framework is another platform we've utilised to share knowledge to help inform decision making by other bodies, with the purpose of achieving fairer outcomes and protections

for consumers. The collaboration of members alongside other bodies, where relevant, highlights that working together has helped to prevent complaints from arising in the first place.

Issue	Action	Outcome
<p>Complaints about Authorised Push Payment (APP) fraud and scams have increased significantly. UK Finance reported approximately 196,000 incidents of APP fraud in 2021, and the Financial Ombudsman Service had also seen increased complaint volumes, alongside high uphold rates. Because of the number of consumers falling victim to fraud, who then were not correctly being reimbursed where appropriate, the issue was added to the framework.</p>	<p>The Financial Ombudsman Service has met regularly with the Payment Systems Regulator (PSR) to share information about the complaints they have been seeing – including what typical APP fraud looks like, firm and consumer behaviour, and any changes in the way fraudsters are operating. Given the ever-evolving landscape, providing regular and up to date insight ensures all members are sighted on any failings across financial services.</p> <p>This sharing of information and expertise has helped shape proposed mandatory reimbursement for customers who fall victim to APP scams, with the FCA and the Financial Ombudsman Service participating in the PSR's workshop on its consultation around mandatory reimbursement.</p>	<p>The Financial Ombudsman Service uphold rates have reduced over the last 12 months from around 75% to 50%. This supports progress industry has made learning from complaint outcomes and guidance issued by relevant bodies, by reimbursing customers who have fallen victim to fraud, where appropriate. So more consumers are receiving a fair outcome to their complaint at a much earlier stage, without needing to complain to the Financial Ombudsman Service. We've also seen firms have made improvements in their fraud intervention following our feedback – helping to prevent customers falling victim to fraud in the first place.</p> <p>The issue will remain within the framework as we continue to share insight and information to prevent complaints arising in the first place. This includes ensuring that businesses are adhering to the Contingent Reimbursement Model (CRM) Code where it applies, and working together to understand the implications of the PSR's consultation around mandatory reimbursement for victims of fraud.</p>



# Joint engagement activites

A key element of the Wider Implications Framework has been joint engagement and communications activities. Over the last year, members have collaborated on joint communications work, amplified messages from each other and undertaken engagement exercises to help inform consumers about their rights. An example of this is the FCA’s and TPR’s ScamSmart campaign, making sure savers are more alert to the potential of scams and fraud in Investments and Pensions.

The Financial Ombudsman Service and MaPS have also collaborated regarding a ‘pension loss signposting framework’ to ensure customers were directed to the right place at the right time when seeking recourse to any loss of funds and to effectively identify when a customer may have fallen victim to an APP scam.

Work has been carried out on several Wider Implications issues, including on BSPS complaints and on the rising cost of living.

Issue	Action	Outcome
Following the <u>Rookes review</u> and learning lessons from events around the BSPS, TPR, FCA, MaPS and the Pension Protection Fund established new ways of collaborating to mitigate risks to the security of defined benefit (DB) pension savings.	A joint protocol was established in order to share information and intelligence. Predominantly this was in relation to the risk of savers receiving unsuitable advice on DB transfers and/or associated risks of mis-selling or scams, and to assess identified risks and agree and progress mitigating interventions. This is achieved through ongoing working-level engagement, intelligence-sharing, quarterly Pension Savers Steering Group meetings and coordinating joint actions where issues are identified.	Outputs from this work include requesting that trustees issue correspondence to savers believed to be at risk and publishing joint communications on specific issues. For example, when the heightened risk of pension transfers in light of redundancies at P&O Ferries came to light, TPR, FCA and MaPS issued a joint statement warning savers of potential risks, signposting resources to help them take good decisions. There was also further engagement with the trustees of the P&O scheme and monitoring associated schemes’ activity, with the group ready to address any issues that come to light.

## Issue

Many former BSPS members received unsuitable advice to transfer their pension and could be due redress. Joint engagement work has been necessary to ensure consumers who were unsuitably advised to transfer out of the BSPS and suffered losses as a result receive fair redress, particularly considering the reluctance of former scheme members to complain.

## Action

The Financial Ombudsman Service, FCA, FSCS and MaPS have worked together to engage steelworkers in the most accessible way possible and help them understand whether and how to complain, including through periodically holding joint in-person events in South Wales, Scunthorpe and Middlesbrough.

Framework members have been looking at existing processes to make sure the customer complaint journey is made as easy and understandable as possible.

The Financial Ombudsman Service, FCA, FSCS and TPR have also worked with The Pensions Ombudsman (TPO) on the handling of British Steel complaints, including attending a roundtable discussion for steelworkers. After publishing final rules for a s404 consumer redress scheme, the FCA held events for steelworkers, members of the Senedd and MPs offices to answer questions on the scheme and to discuss next steps. These were attended by the Financial Ombudsman Service and the FSCS to hear feedback and answer questions.

## Outcome

The members acknowledge that BSPS is ongoing and work is in progress, and are constantly sharing insight and adapting to new developments. Many steelworkers who were unsuitably advised to transfer lost life changing amounts of money and have been reluctant to complain.

The consumer redress scheme will help to ensure that steelworkers who received unsuitable advice but who are reluctant to complain can access redress and members have worked together to ensure the process is as streamlined and accessible as possible.

# Ensuring a fair landscape

Members have been working together with regular lines of communication to collectively promote better protections for consumers, and to create a fair landscape to make it clear to consumers where they can go to get help. A key example of this relates to our work in pensions – specifically self-invested personal pensions (SIPPs). Due to the large number

of consumers owed redress, amount of redress due, and complex nature of these claims – with many consumers needing to access both the Financial Ombudsman Service and the FSCS – this area was identified as a Wider Implications issue, with the aim of ensuring consumers receive appropriate redress as quickly as possible.

Issue	Action	Outcome
Many consumers lost money invested through their SIPPs due to a failure in the due diligence undertaken by SIPP operators.	<p>The Financial Ombudsman Service, FCA and FSCS have worked together to provide updates and share information on firm developments and complaint related matters. This has ensured each of the members are sighted on the industry landscape, the complexity of these complaints, and how this might impact individual consumers.</p> <p>Monthly data sharing between the FCA, Financial Ombudsman Service and FSCS on outstanding complaints and FSCS claim volumes, has enabled members to explore prioritisation of casework to give the best possible chance of redress being received in a timely way, and ensured relevant supervisory intervention where necessary. Data sharing relating to case volumes and thematic issues has helped ensure the FSCS is sighted on when a firm might enter administration, and ensured the processes are in place to make FSCS referrals in a structured and timely manner.</p>	We recognise there is more to do and continue to work with industry, and within the framework, to collectively ensure consumers are going to the right place to receive redress where it's due, and as promptly as possible. The cooperation and coordination between the FCA, the Financial Ombudsman Service and the FSCS across the SIPP operator portfolio has enabled respective decision making and planning – with the aim to make the consumer journey as smooth as possible and promote fair outcomes for consumers.

In times of financial uncertainty, such as the current cost of living pressures, we are mindful of the potential for increased harm to consumers and therefore increased complaints. Members have been working together to understand what the extent of this harm may look like, including hearing from expert voices such as Citizens Advice. This is ensuring that members are best prepared to help customers, and is informing the most effective way to reach people so they are aware of where they can get help when they need it.

The introduction of the FCA's Consumer Duty is also an area where members have been working together, in particular the FCA and the Financial Ombudsman Service. Following concerns raised by industry stakeholders that there may be an inconsistency in how the Consumer Duty will be interpreted in complaints, the focus of engagement is to ensure members and industry stakeholders and consumer bodies understand the impact. The Consumer Duty was highlighted as an important issue under the framework from the start, and the collaboration already underway between members has continued under this umbrella.

## Issue

The FCA's Consumer Duty introduces a new Consumer Principle that requires firms to act to deliver good outcomes for retail customers and accompanying rules, guidance and non-handbook guidance. The Consumer Duty aims to tackle practices by firms that cause harm, including presenting information in a way that exploits consumers' behavioural biases, selling products or services that are not fit for purpose, or providing poor customer support.

## Action

The Financial Ombudsman Service and the FSCS have worked together with the FCA to review drafts of the FCA's consultation, policy statement, instruments and non-handbook guidance. The FCA held a workshop for the Financial Ombudsman Service on the Duty. The FCA and the Financial Ombudsman Service have worked together to meet with external stakeholders across the industry, to ensure there is a consistent understanding of the Duty. This has included industry events in 2022 where both the FCA and the Financial Ombudsman Service were represented on a panel of speakers.

## Outcome

Members have worked together to ensure we have a shared understanding of the Consumer Duty and that we identify examples that can help businesses understand and embed the Duty as expected by the FCA. The Financial Ombudsman Service has developed its understanding of the FCA's intentions for the Duty. This will be useful as the Financial Ombudsman Service begins to see the Duty impacting areas of its casework. Previous and continued work has also helped to provide reassurance to the industry that the FCA and the Financial Ombudsman Service are broadly aligned, whilst recognising that they are separate organisations with different roles and functions. This way of working will ensure readiness and improve consistency across the members.

## Agenda setting

The framework has enabled members to position the identified issues as important at a senior level through holding quarterly calls, engaging in purposeful discussion on the issue. In 2022 there were three

CEO-level calls and two Chair-level calls, the minutes of which are published. This engagement has allowed CEOs to have sight of progress on issues as well as agree shared priorities.

Issue	Action	Outcome
CEOs considered potential issues and impacts of the rising cost of living for financial services firms and consumers.	The rising cost of living was discussed at the CEOs Wider Implications call in July 2022. CEOs agreed strategic priorities for the group, including keeping consumers' money secure, enabling good decision-making and ensuring the availability of value for money products. At the Chair-level meeting in September 2022, Chairs were sighted on the consolidated communications messages pointing consumers towards <u>Money Helper</u> guidance, the consumer-facing service provided by MaPS. Members agreed to continue sharing intelligence and analysis to ensure that appropriate support is given to consumers at this time and to consider how to receive assurance that the messages provided were reaching the target audiences. Members also agreed to signpost to material on MaPS website that provides help and support to consumers on the cost of living crisis.	The issue was formally taken forward as a Wider Implications issue following CEO agreement. Members have started to share data with each other on what they are seeing, and organisations are sighted at senior level on work going on in this area and are better prepared for impacts on our respective work.

