

Financial Ombudsman Service response to the joint consultation by Bank of England and HM Treasury: The digital pound: a new form of money for households and businesses?

29 June 2023

About us

We were 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.

Our service has a wide remit that extends to all kinds of regulated financial services. It is free to access for eligible complainants which include consumers and some businesses.

We share the insight we gain from resolving thousands of disputes a year to improve outcomes for all customers of financial services products.

Read more about [how we make decisions](#), including the types of cases we can consider, who we can help and the awards we can make.

Introduction

The Financial Ombudsman Service welcomes the opportunity to respond to the Bank of England and HM Treasury consultation on the digital pound.

While many questions in the consultation are understandably about technical design issues, we think it will be important to also ensure early thought in the design is given to what an effective dispute resolution framework for the digital pound system would look like. Effective, timely, resolution of disputes will be key in ensuring public confidence in the system overall.

Given our experience resolving retail banking and payments systems complaints for consumers and small businesses, we would welcome being part of future discussions on this. We feel our insight is particularly relevant in disputes, directly or indirectly, about instances of disputed transactions, account access problems or fraud in the digital pound system. It will also be critical to consider in the design what jurisdiction challenges are posed by cross border use, when thinking about how effective redress mechanisms might work for UK based users of the digital pound.

We have provided answers to relevant questions in more detail below.

Our response

We support the proposal for a CBDC, and more generally welcome digital innovation that will help provide more choice and efficiency for consumers and businesses when it comes to managing household and small business finances.

As with any financial transaction, service or product, there is a chance that things will sometimes go wrong, and consumers and small businesses might need help to put things right.

We agree that building consumer confidence is key to the success of CBDC and believe that part of this is having an effective redress mechanism in place should things go wrong for consumers. An effective dispute resolution service as part of the design will support consumer confidence in the new framework from the start.

The Financial Ombudsman Service would be keen to engage with the Treasury, Bank of England and regulators on the framework proposed in the consultation to help ensure these issues can be fully considered.

Question 1

The Financial Ombudsman Service has a wealth of experience resolving disputes on a variety of banking and payment issues including issues around fraud and scams, electronic money services and disputed transactions. We know that fraud and scams are keeping pace with digital innovation and becoming increasingly complex. Also, we have heard from industry stakeholders that these types of dispute are likely to remain a significant proportion of the overall complaints we see in the next financial year – and possibly beyond that.

It is possible, as with any form of digital payment system, that fraudsters may seek to exploit the use of the digital pound and associated transactions. We would welcome in depth consideration and engagement with relevant industry and consumer group stakeholders to help mitigate this and ensure that where complaints arise involving the digital pound system they are quickly and effectively resolved.

Questions 4 and 5

We think that having tiered access to accounts and considering privacy enhancing techniques to give users more control over the data they choose to share is sensible, but the design should also consider how complaints about failures to meet privacy expectations by payment system providers should be dealt with. We also think it will be important to have clear accountability for issues arising as a result of any security breaches.

Question 9

We recognise the opportunity in creating a CBDC to help improve cross border payments and help with the current international frictions that exist. As the introduction section highlights, this may present some issues around jurisdiction for payment service providers should there be any dispute or complaint about the operation of the framework – particularly if it is to be utilised overseas. We would strongly encourage that early thought is given to this in the design phase.

Questions 11 and 12

When considering the design choices to support financial inclusion we would suggest thinking about the importance of having an effective and accessible complaints mechanism for when things go wrong. It would also be useful to engage with advice charities such as Refuge and Surviving Economic Abuse to consider the needs of those vulnerable to economic abuse who may have additional needs if they are to engage with the system with confidence and certainty.