Financial Ombudsman Service

Our 2024/25 Plans and Budget

Financial Ombudsman Service
for small businesses

Claims Management Ombudsman
a Financial Ombudsman service

Contents

A note on our proposals around charging professional representatives

In our Plans and Budget consultation (published in December 2023) we asked for views on the introduction of a fee for professional representatives bringing a case to our service on behalf of a consumer. We will be publishing a further consultation which will outline the feedback we received on this topic and discuss next steps during the first quarter of 2024/25. So, this paper does not discuss the feedback received or our response.

The Financial Ombudsman Service

About us

We were set up by Parliament under the Financial Services and Markets Act 2000 (FSMA) to resolve individual complaints between financial businesses and their customers fairly and reasonably, quickly, and with minimal formality.

Information about the types of cases we can consider, who we can help and the awards we can make, is available on our website.

To improve outcomes for all customers of financial services products, we also share the insights we gain from resolving thousands of disputes each year.

Chairman and Chief Executive and Chief Ombudsman's introduction

We are pleased to introduce our Plans and Budget for the financial year 2024/25 and would like to thank everyone who responded to our consultation.

We made significant improvements to our performance last year, which were driven by the change and innovation we implemented throughout the year. But we have ambitions to go further.

As we continue to embed our new team structure and ways of working, capitalise on technological opportunities and harness the insight in our data, we remain committed to putting our customers at the heart of our service and improve their experience.

We are building an organisation that can flex to meet the needs of our customers. We're conscious that next year we may experience greater demand as higher volumes of complaints are referred to our service. However, we still have ambitious plans to reduce the number of complaints that are waiting for a resolution, while delivering value for money and making our organisation a great place to work.

Our team is deeply committed and our plans to build our capacity are clear. With this in mind, we know we can deliver against the stretching and ambitious targets we've set ourselves for the year.

We look forward to engaging and working with all our stakeholders over the coming year.

The Baroness Zahida Manzoor CBE
Chairman

Z. Manzoor

Abby Thomas
Chief Executive and Chief Ombudsman

Our 2024/25 Plans and Budget: overview

Our Plans

We anticipate receiving approximately	We anticipate resolving approximately
210,000 complaints	**225,000 complaints**

We will

carry forward a stock of around 80,000 complaints from 2023/24, and will exit 2024/25 with a stock of around 65,000 complaints	continue to reduce the time it takes to give customers answers on cases
continue to improve our digital journey for those customers that choose to engage with us through digital channels	build our data capability and share more high-quality insight
continue to expand our presence across the UK through our regional hubs	build resilience into our workforce plan to enable us to effectively respond to sharp increases in demand
continue to build a culture of continuous improvement to deliver a great customer and employee experience	

Our Budget

Our Compulsory Jurisdiction (CJ) levy will reduce to **£70m** (2023/24: £109.8m)	Our Voluntary Jurisdiction (VJ) levy will reduce to **£0.5m** (2023/24: £0.9m)	Our individual case fee will reduce to **£650** (2023/24: £750)
Businesses will continue to receive **3 free cases** except for our group-account fee arrangement businesses who will not receive any free cases	Firms that are part of the group fee arrangement will have a tolerance/margin of **5%**	Our expected operating expenditure, will be **£251.9m** (2023/24: £220.3m) including £9m of contingency

Our purpose, priorities and values

Our purpose and priorities shape and focus our work. Our values are the foundation of our strategy and guide how we work.

Our purpose

Our purpose is clear. We were set up by Parliament to resolve complaints between financial businesses and their customers. We do this efficiently and informally and on a fair and reasonable basis.

Our strategy

We believe that every customer who engages with us – both consumers and financial businesses – should have a better outcome or feel better informed following our involvement. We want all our customers to feel that their case has been fairly considered and to understand how the decision has been reached.

As well as resolving cases for our customers, our role is to:

- help consumers have a better understanding about the issue that caused their complaint
- share data and insight with financial businesses about what happened to cause a complaint, to help them provide better products and services

Our people

Our people are at the core of our ability to deliver exceptional customer experiences and fair, timely outcomes.

We want to recruit and retain the best talent. We are committed to creating a continual learning culture for our people, building expertise and ensuring that we're keeping on top of trends and innovation.

And we recognise that, to help us provide the best possible service to our customers, our workforce must reflect the people we are here to serve.

Our digital journey

Our continued digital transformation will optimise the way we work, increase efficiency and deliver an improved experience for our customers.

Our digital initiatives will not only provide greater convenience and accessibility for our customers, they'll also enhance our internal processes – enabling our people to better serve our customers.

Our data

Data plays a crucial role in improving customer experience. We are shifting our focus towards a more data-driven approach.

We're also exploring how we can better share our data to help financial businesses learn from complaints and so improve their service and their products.

Our priorities

To deliver our purpose and provide exceptional customer service, our strategy sees us focus on three areas that we believe underpin the overall service we provide: our people, our digital journey and our data.

Our values

Our values underpin our strategy. They help define our culture and influence our operational decisions. They set out how we all play our PART, through purpose, ambition, respect and trust.

New complaints we expect to receive in 2024/25

Complaint type	2023/24 latest forecast	2024/25 consultation budget	2024/25 final budget	Trends we are monitoring and expecting to see in 2024/25
Banking and consumer credit	139,300	122,600	149,200	• A continued rise in **disputed transaction** cases given the increasing volume and sophistication of fraud and scams. • A rise in **irresponsible and unaffordable lending** complaints as cost-of-living pressures continue. • A rise in **account closure complaints** driven by increased scrutiny by banks and media interest. • The impact of **motor finance commission** non-discretionary commission arrangement cases, that aren't subject to the Financial Conduct Authority's (FCA's) pause. • The impact of PSR APP legislation from October 2024. • A slight increase in complaints about **mortgages**, predominately led by interest rate rises as fixed-term deals come to an end.
Insurance	44,950	44,300	47,400	• Complaints about **travel insurance** to remain high into 2024/25, given the impact of flight cancellations in 2023/24. • Complaints about **motor insurance** to remain high due to the increased costs and supply challenges around parts and labour. • Complaints relating to consumers **reducing the cost of their insurance premiums** to help with overall costs, perhaps without realising the potential impact on the type or level of cover provided. • A fall in complaints about **claim delays** as a result of us highlighting our approach on these cases.
Investment and pensions	14,150	13,900	12,800	• A drop in complaints about investments and pensions. • Fewer complaints than expected about the British Steel Pensions Scheme (BSPS) consumer redress scheme this year, and we expect to see very few next year.
Other (including complaints originating from CMCs and funeral plan providers)	600	500	600	• Complaints about funeral plan providers expected to continue to increase, but remain low overall.
Total	**199,000**	**181,300**	**210,000**	

Complaint type	2023/24 latest forecast	2024/25 consultation budget	2024/25 final budget	Trends we are monitoring and expecting to see in 2024/25
Of these totals:				
Complaints from SMEs	1,100	1,000	1,000	• A slight reduction in volumes as the impact of Covid becomes less of a factor.
Complaints about Voluntary Jurisdiction (VJ) participants	13,000	13,000	13,000	• Complaints about **motor insurance** to remain high due to the increased costs and supply challenges around parts and labour.
Complaints about motor finance commission (included in Banking and Consumer Credit)	14,500	6,200	13,900	• 2024/25 excludes any discretionary commission arrangement (DCA) complaints that may arise after the FCA's pause.

On the whole, stakeholders agreed with the trends set out in our consultation. However, they noted several additional risks or issues that couldn't be quantified but were expected to have an impact, as follows.

Motor finance complaints

In January, the FCA introduced temporary complaint-handling rule changes about certain motor finance complaints. Several stakeholders have suggested that the consequent increased awareness of this issue may have an impact on our complaint volumes.

The FCA's announcement relates to complaints about motor finance where discretionary commission arrangements were in place (DCA cases). We are also seeing complaints about motor finance where there were other types of commission arrangements (non-DCA cases).

FCA Consumer Duty

Several stakeholders said they expect to see more complaints involving the Consumer Duty. This could be contributing to the rise in banking, consumer credit and insurance cases that we're seeing. We'll continue to monitor this.

The new PSR Mandatory Reimbursement Scheme

Respondents to our consultation told us to expect more fraud and scam complaints with the new Mandatory Reimbursement Scheme for authorised push payment (APP) frauds. The scheme is due to be introduced by the Payments Systems Regulator in October 2024.

Cost of Living

Stakeholders flagged that people are still facing challenges around the cost of living, suggesting we may see further complaints about unaffordable lending and forbearance.

Some stakeholders also suggested we should expect to see complaints from consumers who want to switch to an interest-only mortgage but can't.

Rising cost of insurance premiums

With the cost of insurance premiums increasing, stakeholders highlighted that the number of complaints about insurance pricing and levels of cover is likely to rise.

Given the feedback from our consultation as well as recent data on actual demand, we have increased our estimation of how many new complaints we expect in 2024/25 by 28,700. This takes the total to 210,000 complaints.

However, we still don't know how many complaints we might receive following expiry of the FCA's pause on complaints about motor finance discretionary commission arrangements. This pause is currently due to come to an end in September 2024.
We haven't included any new complaints of this type in our 2024/25 budget, because we're waiting for the outcome of the FCA's review.

Complaints we expect to resolve in 2024/25

Complaint type	2023/24 latest forecast	2024/25 consultation budget	2024/25 final budget
Banking and consumer credit	128,700	139,800	161,300
Insurance	46,100	47,500	46,000
Investment and pensions	17,200	16,000	17,050
Other (including complaints originating from CMCs and funeral plans)	500	500	650
Total	**192,500**	**203,800**	**225,000**
SMEs	1,300	1,200	1,200
VJ participants	13,000	13,000	13,000
Complaints about Motor Finance Commission	2,600	10,400	19,700

We're planning to resolve 15,000 more cases than we anticipate receiving, to end the year with approximately 65,000 complaints still in progress. This means we're **planning to resolve 32,500 more complaints than in 2023/24 – a 17% increase year-on-year**. We are able to deliver this due to a combination of improved efficiency and additional resources.

Responding to uncertain demand

Responding to the anticipated additional demand, while bringing down our stock levels and improving our timeliness, will be challenging.

We recognise there may be a limit to how much we can grow our resource capacity in one year, with recruitment and training being key challenges. But we have included sufficient funds in our financial budget for funding to not be a limiting factor.

Our resourcing plan is focused on ensuring we have an appropriate mix of flexible and permanent resources. We will utilise various resourcing routes, including growing and leveraging our regional hubs further, to ensure we are recruiting to the required levels and bringing in the appropriate skills. We are looking to recruit at least 400 additional complaints handling staff in 2024/25. This resource, coupled with initiatives to up-skill and cross-skill our permanent employees, will allow us to build a flexible, agile workforce.

This additional resource will focus on resolving the increased demand, while we also continue to improve our timeliness and reduce cases waiting for a resolution. In-year forecasting will allow us to concentrate resource on the right work at the right time. Should we find that the volumes of complaints received are lower than our current forecast, we can scale back our resourcing so that we don't have more team members than necessary.

Despite closing 17% more cases than we did in 2023/24, the expected increase in demand for our service will impact our stock. We have, therefore revised the figure given in our consultation for stock in hand from 32,000 to 65,000. This is to reflect the impact of increased volumes of cases on our operations. Even so, we're aiming to end the year with fewer outstanding complaints, and cases older than 12 months, than we hold at the start of the year.

Our service standards

Our service standards are the measures we put in place to provide assurance and accountability for the service we offer.

As well as continuing to bring down stock levels brought forward from 2023/24, we will deliver against these service standards for all new complaints received from 1 April 2024.

Key service standard measures and targets	2023/24 latest forecast end of year	2024/25 consultation average full year	2024/25 targets average full year*
Enquiries responded to within 5 days	86%	-	**95%**
Complaints resolved within 6 months of conversion	82%	90% in five months	**90%**
Investigation overall quality score	94%	90%	**90%**
Consumer 'Net Easy' score	49	50	**50**
Consumer confidence scores	56%	60%	**60%**

* In 2023/24 we set our targets to be achieved by the end of the year. In 2024/25 we're pushing ourselves to deliver the targets as an average across the full year.

Since launching our consultation, we have received higher volumes and a more varied mix of cases than forecast. As we expect these volumes to continue throughout 2024/25, our target is to resolve 90% of cases from conversion within six months, rather than the original target of five months. We're still committed to improving our timeliness. We have also added a measure around timeliness in responding to initial enquiries from customers.

We also continue to work towards reducing the volume of complaints over six months old. We need to develop and execute resourcing plans to support both the achievement of our target service standards and a reduction in (and prevention of increase to) the volume of older complaints. To achieve this, we need more people.

Sharing data and insight

Our strategy of 'better outcome or better informed' highlights how, by sharing what we see, we play a vital role in helping improve financial services for all.

Our data is an important source of information which helps:

- firms to better understand why complaints occur so they can resolve complaints earlier, or stop them occurring in the future by improving their products and services
- consumers make informed decisions about products and services, and understand what to expect from a business that's resolving their financial complaint
- our stakeholders make well-considered decisions and focus their attention on key issues
- us better understand our customers and make data-led decisions on service improvements

In response to our consultation, stakeholders noted that they value access to this data and insight. They were also clear they would like us to share more detailed data, more regularly.

Making the most of our data

We want to share more insights from our data in a way that works for our stakeholders. To do this, we need to improve the foundations of our data collection, storage and sharing capabilities. We started this work in 2023/24 and this will continue to be a key focus for us in 2024/25.

In early 2024/25 we plan to pilot a new dashboard for financial businesses. The insight in the dashboard will allow businesses to make quick, informed decisions on individual cases, as well as provide data to help businesses spot trends. This will prompt early intervention on wider issues.

We are also committed to sharing timely, more frequent insight on our website during the year.

We're continuing to harness technology to give greater transparency to consumers and businesses around expectations – particularly around the time it will take to resolve cases. In doing so we're conscious of the responsibility of holding our customers' data and committed to using it in a responsible and transparent manner for the purpose of improving the service we offer.

Effective engagement

A key part of the changes we made to our operational model last year was to bring our regular engagement with businesses and other key stakeholders closer to those resolving cases. Financial businesses now have direct contact with a senior leader in our casework teams. This allows more focused engagement, better insight sharing and quicker responses to issues identified in the cases we're seeing.

This new way of working is still being embedded, but we're confident it will provide financial businesses with access to greater information and insight. We've already found we can be clearer about our expectations of financial businesses in several areas of our casework, including fraud and scams. This is helping us resolve cases more quickly for consumers.

We're also keen to increase the ways we receive feedback from our customers. Building on our existing programme of surveys, we have set up a programme of regular focus groups with our customers.

Improving our service

In our Plans and Budget consultation we set out our plans for continuing to improve the Financial Ombudsman Service in 2024/25. This includes building a customer journey for the future and enabling everyone who comes to us to leave feeling they have a better outcome or are better informed.

Our transformation programme is built around three key strategic pillars: our people, our data and our digital journey.

To achieve our transformation ambitions, we'll draw down £13m of surplus reserves in 2024/25. We anticipate that the capability delivery from transformation investments will both reduce our future annual costs and support us to achieve our service standards.

Our people	Our data	Our digital journey
• Building a culture of continual learning. • Building a national workforce, through our regional hubs. • Continuing our review of our reward offering. • Improving internal processes, removing frustrations and allowing our people to focus on work that matters.	• Continuing to improve the foundations of our data collection, storage and sharing. • Sharing more timely data and insights in a way that works for our customers and stakeholders.	• Safely harnessing the benefits of intelligent automation to improve efficiency. • Continuing to redesign our internal processes to drive a customer-centric complaints journey. • Delivering an end-to-end digital journey for our customers.

Stakeholders told us in their feedback that our transformation priorities are the right ones to drive a strong customer experience and offer value for money.

We expect to launch our improved end-to-end digital journey for customers in 2024/25. This includes starting live beta testing of our portal for financial businesses early in the financial year. We will shortly start engaging with participating businesses. We anticipate rolling out the option for consumers to self-serve, including getting an update on their case status, towards the end of 2024/25. We will continue to make improvements to our existing digital channels, like our online complaint form, to improve the experience for our customers.

A key part of our work in 2024/25 is harnessing the power of intelligent automation (IA) to drive efficiencies and allow our people to focus on resolving cases. We recognise the significant benefits IA can bring to an organisation like ours, which handles thousands of contacts every week. We have built the careful and safe use of IA into our transformation principles. We expect to harness the power of IA to support our processes and people, however, as an organisation that makes decisions based on fairness, we believe it's important that the decisions made on cases continue to be made by humans.

A guiding principle of our plans is to provide a service that's easy to access. We will increasingly use digital channels when interacting with financial services and professional representatives. We will continue to support consumers through a variety of channels.

In our consultation, we set out our plan to build on what we have learnt through our regional hub trials so that we can continue to leverage skills from across the country. We received positive feedback on this approach and will continue to expand our presence across the UK through our regional hubs in 2024/25.

Our budget for 2024/25

Our funding

We are taking forward the proposals set out in our consultation around levies and our case fees in full. The feedback we received was overwhelmingly positive about these changes (and is set out in a later section of this document).

Although we expect to receive higher complaint volumes, a reduction in funding remains financially feasible.

This is due to a combination of:

- additional case fee income that will be received from resolving more complaints
- operational cost efficiencies being delivered
- using surplus reserves to cover the net deficit (from costs being higher than income in 2024/25)

Funding type	2023/24 latest forecast	2024/25 budget	Funding reduction
CJ levy	£109.8m	£70m	£39.8m lower
VJ levy	£900,000	£500,000	£0.4m lower
Case fees	£750 Non-Group firms – 3 free cases Group firms – zero free cases and 5% tolerance	£650 No change No change	£100 per case lower

FEES instrument: amendments

Feedback from consultation on the proposed amendments to our FEES instrument were positive. As a result, we have implemented the following in the final FEES instrument for 2024/25.

- Reduced the overall VJ levy collected, implementing a reduction in tariff rates.
- Confirmed that the only permitted payment method for the VJ levy is by credit transfer.
- Deleted guidance at FEES 5.5B.15G (as it only summarises how many free cases respondents were entitled to claim at various points in the past).
- Making clarificatory amendments to DISP 4.2.6R in response to certain changes being made by the FCA to rules and guidance in FEES 5 which apply to VJ participants through DISP 4.2.6R. As consulted upon, these changes are largely clarificatory in nature and ensure the continued operability of the applied FEES 5 rules in relation to the VJ.
- Adopted the FCA's proposal to widen the definition of 'relevant business' for VJ levy to cover business conducted with all eligible complainants to the Financial Ombudsman Service, not just consumers (as it is currently defined). The revised definition will come into force on 1 April 2025 for reporting purposes and the reported data will be used to calculate the levy for the 2026/27 fee year onwards.

Our costs

For 2024/25, due to the 21,200 additional resolved complaints now included, our operating expenditure has increased since consultation from £218.0m to £251.9m.

This is also a £31.7m increase versus the £220.3m operating expenditure in the 2023/24 latest forecast, largely reflecting the additional 32,500 resolved complaints now anticipated year on year.

Casework costs

We expect casework marginal costs of £159.7m and casework overhead costs of £14.7m, totalling £174.4m (69% of total operating expenditure). This is a year-on-year increase of £27.1m.

To resolve the additional complaints, we will need to uplift the level of casework full-time equivalent (FTE). Otherwise, the extra incoming demand could impact service standards or create a large backlog. However, there is a very real constraint on how quickly we can scale up with appropriately skilled resources. We are confident that we can recruit around 400 FTE case handlers and have included this in the budget (note, with attrition replacement this totals around 500 casework FTE staff to be recruited and therefore included in budget). Should we find that we receive lower volumes of complaints than we currently forecast, we can scale back our resourcing so that we don't have more team members than necessary.

We're including a contingency of £9m operating expenditure in the £159.7m, that we can draw down to fund additional casework capacity. This cost doesn't have an associated FTE count or resolutions included within the budget. This cost would apply if we sought to reduce the volume of older complaints and/or to scale up for additional demand beyond what we've budgeted for. We'd make adjustments to operational metrics or service standards, as appropriate, and update forecasts throughout the year to reflect any use of this contingency.

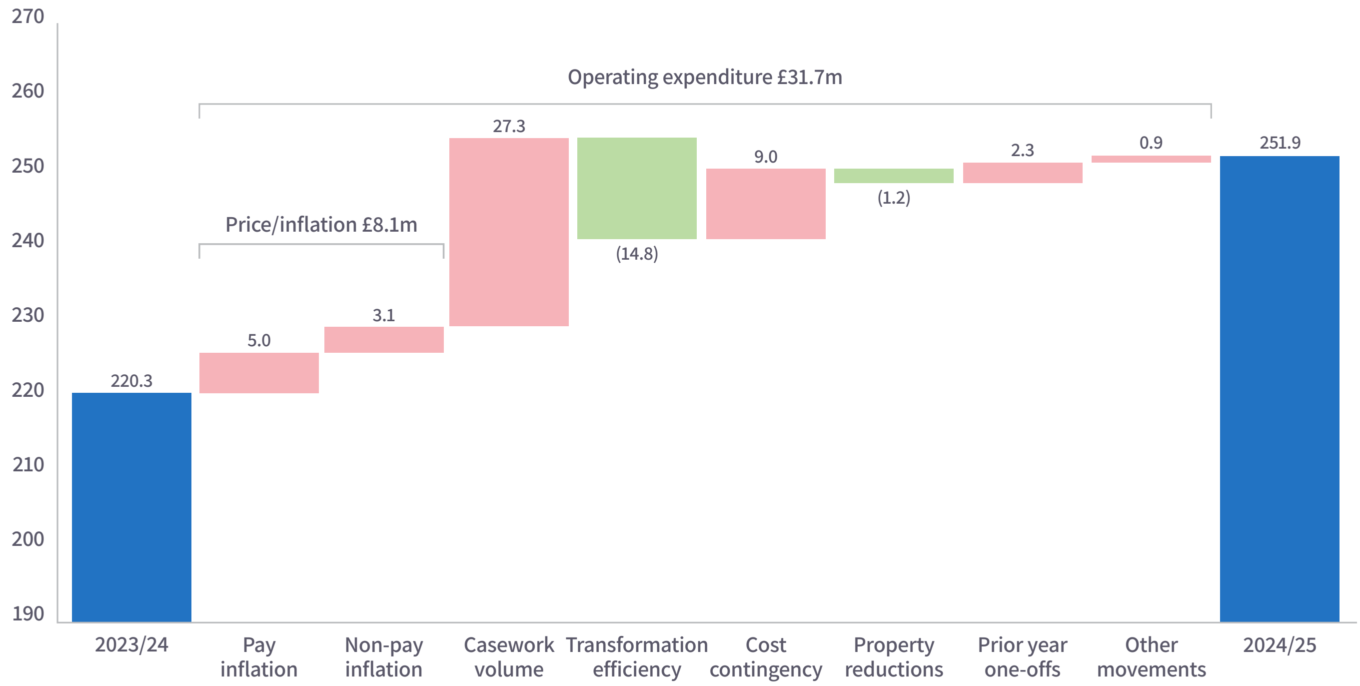
Costs are c.£15m lower in the 2024/25 budget than they otherwise would be because of the efficiencies we delivered through our transformation initiatives. These cost-efficiencies partially offset the impact of pay inflation and the volume-driven additional FTE that we've included.

Overhead costs

Overhead costs are £77.5m (made up from IT costs £34.4m, property costs £13.3m and other functions such as legal, finance, HR and communications, totalling £29.8m). This is a year-on-year increase of £4.5m, including:

- around £2.3m one-off benefits in 2023/24 not repeated
- around £2.7m of cost inflation, year on year
- other enabling costs have been held largely flat despite supporting a higher level of complaint management activity

Figure 1: Key movements in operating expenditure from 2023/24 to 2024/25



Our unit cost

There is a reduction in our total cost per case to £1,120, down 2% from the 2023/24 latest forecast of £1,144. Whilst this is an increase from the 2024/25 consultation total cost per case of £1,070, **if the £9m contingency (with zero resolved cases attached) is excluded, the total cost per case is £1,080 in the 2024/25 budget** (so in line with consultation and 6% lower than 2023/24 latest forecast).

Our reserves

In our consultation we set out a revised policy for our reserves to be in the range of three to five months of operating expenditure to remain financially sustainable. As many of our stakeholders acknowledged in their consultation responses, increased uncertainties could significantly impact our projected volumes, so there was strong support for our reserves policy.

For 2024/25, we propose using a total of £55.5m reserves:

- £39.7m to support funding reduction
- £13.0m for transformation investment
- £9.0m held as contingency for managing potential additional complaint demand, and
- £6.2m net finance income in year adding to the reserves

This leaves reserves to cover 4.7 months by the end of 2024/25. Following consultation feedback, we have amended our reserves policy to target reserves of three to five months. Having reserves at this level means we have the financial resilience to handle reasonable levels of increase in future demand.

Figure 2: Reserves movement budget 2024/25

	Operational contingency £m	Marginal (casework) £m	Overheads (all) £m	Total £m
Operating income	-	132.6	70.6	203.2
Operating expenditure	(9.0)	(150.7)	(92.2)	(251.9)
Net operating deficit	**(9.0)**	**(18.1)**	**(21.6)**	**(48.7)**
Transformation investment				(13.0)
Net financing income				6.2
Total net deficit to reserves				**(55.5)**

Financial summary

Financial summary	2022/23 actual £m	2023/24 budget £m	2023/24 latest forecast £m	2024/25 consultation £m	2024/25 budget £m
Case fee	79.9	87.7	88.5	76.1	87.7
Group fee	58.6	50.3	49.6	44.1	44.9
Levy/Other	107.8	106.6	110.8	70.6	70.6
Total net income	**246.3**	**244.5**	**248.9**	**190.8**	**203.2**
Expenditure					
Casework marginal costs	(140.1)	(126.3)	(133.9)	(126.8)	(159.7)
Casework overhead costs	(12.8)	(13.3)	(13.4)	(13.7)	(14.7)
IT costs	(26.3)	(39.4)	(31.2)	(34.6)	(34.4)
Premises and facilities	(16.0)	(15.3)	(13.9)	(12.4)	(13.3)
Other overheads	(27.6)	(28.5)	(27.9)	(30.6)	(29.8)
Total operating expenditure	**(222.8)**	**(222.8)**	**(220.3)**	**(218.0)**	**(251.9)**
Operating surplus/deficit	**23.5**	**21.7**	**28.6**	**(27.32)**	**(48.7)**
Finance income	5.0	5.7	9.7	6.9	8.7
Finance costs	(1.6)	(0.4)	(0.5)	(0.4)	(0.3)
Corporation tax	(0.7)	(0.6)	(2.4)	(1.4)	(2.2)
Transformation projects	(8.0)	(11.0)	(7.7)	(13.7)	(13.0)
Financial surplus/deficit	**18.2**	**15.4**	**27.7**	**(35.9)**	**(55.5)**
Reserves	**125.5**	**140.8**	**153.2**	**100.1**	**97.7**
Reserves – months of cost excluding restructuring	6.7	7.6	8.3	5.5	4.7
Capex	2.9	2.2	1.1	3.0	4.0
Operational data					
Closing FTE	2,738	2,344	2,731	2,438	2,850
Total new cases (k)	165.5	184.0	199.0	181.3	210.0
Total case resolutions (k)	209.5	204.0	192.5	203.8	225.0
Closing stock (k)	71.0	51.0	80.3	31.9	65.3
Income per case	1,176	1,199	1,293	936	903
Operating expenditure per case	1,063	1,092	1,144	1,070	1,120

Without the impact of Amigo Loans in 2022/23, our cost per case would be £1,151.

Without the impact of the £9m contingency in 2024/25, our cost per case would be £1,080.

Consultation feedback

Detailed consultation feedback and our response

We consulted on our 2024/25 plan and budget for seven weeks from 13 December 2023 to 30 January 2024. We received 76 responses. A list of organisations that responded is listed on page 24.

We have not included all the individual points made by respondents and stakeholders, but instead have summarised the common or contrasting themes and issues. The responses build on feedback we had heard from stakeholders as part of our ongoing engagement and industry steering group meetings during Autumn 2023.

Complaint volumes and types

What we asked

1. What volumes and trends should we expect to see in 2024/25 in the following areas?
   a) Banking and consumer credit
   b) Insurance
   c) Investments and pensions
   d) SME volumes, CMC volumes and funeral plans
2. Which novel issues or trends might we see in 2024/25? And what impact do you think they will have on complaints volumes?
3. Should regulation of 'buy now, pay later' (BNPL) come into force, what types of complaints might we receive about these products?

Feedback received

- Respondents generally agreed with our assessment of the volume of complaints we should expect to receive, and the key drivers for this highlighted in the consultation.
- However, respondents also noted areas where we may potentially see an increase in the volume of complaints that were not possible to quantify:
  - Motor finance commission, following the FCA announcement that it was carrying out diagnostic work in this market. Respondents also noted that we may see greater CMC/ representative activity for this complaint type.
  - Consumer Duty, as some respondents outlined an expected rise in complaints in the short– to medium term, though had not seen trends sufficiently clear to share as yet.
  - Cost of living – a number of respondents mentioned this as an increasing challenge for consumers.
  - Payments Systems Regulator regulation, where the Authorised Push Payments (APP) mandatory reimbursement regime to be introduced in October 2024 may drive up complaint volumes.
  - Insurance, where the rising cost of premiums to consumers is expected to drive higher complaint volumes.
  - Mortgage Charter, where customers think they can switch to interest only but are unable to do so.
- All of the 28 responses received were in favour of BNPL regulation and agreed the issues we might expect to see are similar to those already in the consumer credit space, including irresponsible and unaffordable lending, administration, fraud and repayment demands.
  - Respondents also said there could be increased involvement from authorised representatives.
  - A few respondents noted that, due to the small sums of money involved in BNPL transactions, the current case fee could be used to force firms to settle regardless of the legitimacy of the claim. Respondents therefore asked that we continue to look at differentiated case fees.

Our response and next steps

- We have adjusted the volumes – for both our projected incoming complaint volumes and the number of complaints we expect to resolve – to reflect the risks identified in the consultation feedback and the trends we have been seeing during the period post-consultation.

- Timing of regulation of BNPL products remains uncertain. As a result, we have not made provisions for BNPL complaints in the budget for this financial year.

Service standards and Insight

What we asked

4. **Do you agree that the service standards we have set out will help our customers? Are there areas where you think we should be more ambitious?**

5. **What more can we do to share insight to prevent complaints and unfairness from arising?**

Feedback received

On service standards

- Overall respondents felt that the service standards proposed were the right ones.

- Some stakeholders would like further granularity in the timeliness measures. For example, more underlying detail of the "resolved within six months metric" such as, the volume resolved within one month, two months, three months etc.

- A few respondents felt that consumer confidence and net easy targets could be more ambitious.

- A few respondents mentioned that they felt that the consistency of handling complaints between investigators and ombudsmen should be a focus and that business satisfaction should also be a measure.

- Another noted that our average time to resolve had reduced to 3.2 months in the first half of 2023/24 and therefore our timeliness measure should be between 3-4 months.

- A couple of respondents asked if we should be targeting vulnerability identification to provide feedback to firms.

- One respondent asked if we could provide key service standards broken down by complaint type to understand how quickly different kinds of complaints are addressed.

On data sharing

- All respondents felt that we should be sharing more data and in a timely manner.

- Some requested that we not only provide examples of resolved complaints by ombudsman but also by investigators, as over 80% of our cases are resolved without ombudsman involvement.

- Others felt that our data publication needed greater insight into the trends and granular complaint types received by the Financial Ombudsman within each sector, and root cause of issues, to help firms understand cross-cutting themes and improve outcomes for customers.

- Some suggested we host webinars/seminars on our approach to complaints – sharing insights into complaint handling, early engagement on the approach to new or emerging themes, and how to prevent complaints arising in the first place – and create more educational resources for both businesses and consumers.

- A few respondents suggested re-energising the Wider Implications framework (WIF) to include firm representation so that this could become a forum for regulators, consumers, and firms to share insight, rather than being limited to just the regulatory family.

- A few respondents suggested sharing of examples of upheld and non-upheld complaints with complainants to aid them with understanding the likelihood of their complaint being upheld.

- A few respondents felt that the regular communication they used to have with the Financial Ombudsman has stopped – for example, feedback emails after a resolution or engagement generally – and it would be useful to reconvene these.

- One respondent suggested using tools to show real-time data on our website.

Our response and next steps

- We're pleased most stakeholders agreed with our proposed service standards and appreciate the feedback provided. We are therefore confident the measures as set out provide us with ambitious goals for 2024/25 and we will continue to provide additional insight throughout the year where appropriate.
- To manage the consistency issue raised by respondents, we have moved to specialist directorates with a focus on specific casework areas which will ensure that the service provided is consistent and of high quality.
- With this new structure, we can monitor performance for each directorate and address any lower performing areas.
- Our directorates will ensure regular communication with firms and share insights, which will be enhanced during the course of 2024/25 and beyond, as we deliver our data strategy.
- The topic of firm representation and engagement, along with sharing guidance and insight with firms, has been discussed by the WIF members.

Our transformation programme

What we asked

6. **Have we captured the right priority areas in our transformation programme to drive both an improved customer experience and value for money?**
7. **What other areas should we consider in our transformation programme?**

Feedback received

- Most respondents felt that our transformation programme priorities are the right ones to drive customer experience and value for money.
- One area of uncertainty was the mention of an 'outcome predictor', as this may lose the nuances of a complaint's individual merits and thus discourage complainants from raising a valid complaint.
- There should be an emphasis on improving the prevention agenda.
- The digital portal is viewed as a very good step forward and needs to be a priority to deliver. It was noted that there has been a lack of information on the progress of this initiative and so firms are unaware of the expectations on them to be ready.
- It was proposed that there should be early engagement with businesses and consumers to allow them to understand, communicate and possibly adapt to any new developments or initiatives.
- One area mentioned previously is the consistency in complaint handling, and therefore training staff to ensure consistency should also be a priority.
- Respondents welcomed our pursuit of intelligent automation (IA) and artificial intelligence (AI) with the caveat that no inherent bias is built into any solutions.
- There was some concern about the focus on digitisation and the potential impact on vulnerable customers being digitally excluded.
- More generally, there was a question about our plans to ensure vulnerable customers feel confident in using the service directly rather than through representatives, and how we ensure accessibility, for example, documents in Braille.
- It was proposed that we invest in automatic rejection of out-of-jurisdiction cases to ensure these types of cases are identified at the outset.
- There was positive feedback on our regional hubs approach.

Our response and next steps

- We welcome the feedback and ideas from stakeholders. We are glad to see that our plans for use of portals and other technology, and expansion to regional hubs, as further set out in our transformation section of this paper, are in line with stakeholders' expectations.
- We will continue to engage with stakeholders as we progress our transformation, listening to ideas for how we can ensure we're providing the best service possible.

Changes to funding and FEES

What we asked

8. Do you agree with the level and the rationale behind our proposed funding changes for 2024/25, both in relation to the compulsory jurisdiction (CJ) and voluntary jurisdiction (VJ)?

9. Do you agree with our proposal to adopt the Financial Conduct Authority's (FCA's) widened definition of 'relevant business' when reporting data and calculating the VJ levy? If not, why not?

10. Do you agree with our other proposed changes to the FCA Handbook in relation to FEES 5.5B and DISP 4.2.6R, which sets out which parts of FEES apply to VJ participants? If not, why not?

Feedback received

- There was broad agreement to the reduction in case fees and levies proposed.
- The 'polluter pays' principle was mentioned and the need to recover more of our costs from case fees rather than the levy.
- There was disappointment that we're not progressing differential case fees at this stage as respondents felt that the proactive settlement outcome code work over the last year has had a positive impact on timeliness and reduced work for the Financial Ombudsman. Therefore, those cases should be charged a lower case fee, and that this would not be too complex to implement.
- In addition, when BNPL comes into our jurisdiction, the current fee is too high compared to the value of the redress being claimed which could result in the current fee being 'weaponised'. Therefore, a number of respondents asked that we continue to keep differential case fees under review.
- One recommendation was to reduce the case fee further but to add a premium for upheld complaints.
- One respondent did not agree with reducing fees but instead proposed paying staff a higher wage, arguing that the reduced fees will not result in cutting costs for consumers because firms will not pass on the reduction.
- A few respondents want an increase in the number of free cases. It was felt that three was too low as small firms are now being asked to pay a high fee, increasing the cost to their business even when cases are not always upheld.
- One group firm proposed removing the 5% tolerance to bring consistency in firms paying for specific demand.
- A few questions were raised about the case fee and the potential introduction of fees for representatives, as to whether this might result in a further cut in the case fee if introduced.
- There was also a request to understand if such a reduction was sustainable, because it would require a significant cut to our future cost base. How were we planning to achieve this?
- On the 'relevant business' definition change, there was general agreement but also a request to understand the impact of this change.
- On the changes to handbook, all bar one respondent agreed with the proposed changes.

Our response and next steps

- The reduction in levies and case fees proposed have been included in 2024/25 budget (in full) and will be charged to respondent businesses on this basis.
- As a demand-led business, we constantly monitor the level of income (in the near and mid-term) we need to fund the costs required to provide the required customer experience. We hold an appropriate level of reserves to support effective financial planning.
- Efficiencies achieved and anticipated from the transformation programme, and zero-based budget reviews and actions, underpin future forecasts of cost reduction.
- Differential case fees do remain under review, with potential drivers for their introduction monitored. As and when appropriate, we will put the details out for consultation.

Reserves

What we asked

11. Do you agree that our proposed use of surplus reserves in 2024/25 is appropriate?

12. Do you support our proposed budget for 2024/25?

13. Do you feel we are offering value for money? If not, where do you think we could improve?

Feedback received

- Respondents agreed with the proposed use of surplus reserves and felt that a target of between three to five months was reasonable.
- Assurance was requested that the reduced case fees and levy will not result in additional levy from firms during the funding year if costs are higher than forecast. There was a request to provide updates on the transformation programme and assuring it's on track to enable the lower case fees and levies to continue.
- There was also a request to re-examine funding as, from a value-for-money perspective, it was not deemed to be good value if a firm gets charged the full fee even for cases where the Financial Ombudsman agrees with the firm's assessment and the case is not upheld.
- Similarly, for cases that are withdrawn or out of jurisdiction, a fee is still charged. A possible approach to this could be that, for cases where jurisdiction is unclear, the complainant has to suggest why they feel it is in jurisdiction.
- The Financial Ombudsman should relook at charging a lower fee for cases that are proactively settled as a full fee for these cases is not value for money. Similarly, cases in credit and lending are generally simple to resolve and so consideration should be given to a lower fee that represents value for the work undertaken.
- For small-sum lenders, the case fee is potentially significantly higher than any redress that may be due. A case's cost may not seem like value for money for such firms.
- The FCA industry fee blocks include somewhat of a 'risk-based element'. However, this does not go far enough. Both the Financial Ombudsman and FCA should work together to undertake a holistic review of the approach to levies and fee blocks.
- Some respondents felt that inconsistencies in decision making mean the Financial Ombudsman isn't value for money for everyone.
- One respondent said that the Financial Ombudsman is unwittingly driving inflated case volumes by splitting single consumer complaints into multiple cases to meet with its current operating model.

Our response and next steps

- We confirm our reserves policy to be three to five months of operating expenditure.
- The appropriateness of all funding charges, and the sustainability of them, is reviewed each year as part of the financial planning cycle and in regard to our statutory purpose and macroeconomic events.
- The appropriateness of our costs, including the levels of reward for all colleagues, is also reviewed each year to ensure we can deliver the service required of us.
- At this time we are not considering charging a different case fee for proactively settled complaints, but continue to encourage businesses to use the proactive settlement scheme as is.

Charging professional representatives

What we asked

14. Do you consider that the Financial Ombudsman Service should exercise the power given to charge professional representatives? If not, why not?

15. If this power is exercised, what is your view of the likely impact of a fee for professional representatives on overall complaint volumes and types submitted to the Financial Ombudsman Service?

16. If this power is exercised, to help shape our Equality Impact Assessment, do you think there are any potential impacts of charging professional representatives on different groups of complainants, for example vulnerable groups and those with protected characteristics? If so, how do you think these could be mitigated?

17. If this power is exercised, how do you think the regulatory system could address/avoid professional representatives passing on the fee to consumers?

18. If this power is exercised, what other factors should we consider when evaluating charging professional representatives?

19. If this power is exercised, do you agree with our initial thoughts to provide the same level of free cases (three) as for respondent firms?

20. If this power is exercised, what do you think of the potential pricing options, or the proposed fees, for charging professional representatives?

21. If this power is exercised, what preparations will professional representatives need to make? And what is the timescale that it will take to implement such preparations?

Feedback on these questions will be included in a separate publication during the first quarter of 2024/25.

Organisations who responded to the consultation

AFS Compliance Ltd
Allegiant
Allianz
AMK Legal
APFIN Ltd t/as cashasap.co.uk
APJ Solicitors
Association of Mortgage Intermediaries/ Association of Finance Brokers
Aviva
Barclays Bank
BMW Group Financial Services
Bott and Co Solicitors Ltd
BRC
British Vehicle Rental and Leasing Association (BVRLA)
Building Societies Association
Calibrate Compliance
Capital One (Europe) plc
CEL solicitors
Claims Protection Agency
Claims Review Team
Consumer Credit Association (UK) Ltd
Consumer Credit Trade Association (CCTA)
Co-operative Bank
Credit Services Association
Direct Line Group
Enra Specialist Finance Ltd
fair4allfinance
FCA Practitioner Panel
FCA Small Business Practitioner Panel
Finance & Leasing Association (FLA)
Financial Services Consumer Panel
Fountain Finances Ltd
Guarantor My Loan
HD Law Limited
HSBC
HT Legal Ltd
IJK Regulatory Consulting Ltd
Innovate Finance
It Is Your Money
ITC Compliance Limited
Johnson Law Group
Jurni Leasing
Legal & General
Lloyds
Lloyds Banking Group
Money Advice Trust
Money and Me Solicitors
N Brown Group plc
Nationwide
Next plc
NFU Mutual
Pension Works Limited
PIMFA
Pogust Goodhead
Richmond Wealth
Rightside Financial Services Limited
RSA Group
Santander
Sentinel Legal
Simplybiz
Step Change
Surviving Economic Abuse
The Association of Consumer Support Organisations
The Claims Guys Legal
The Law Society
The Law Society of Northern Ireland
The Law Society of Scotland
The Lloyd's Market Association (LMA)
The Money Platform
The National Franchised Dealers Association (NFDA)
TLW Solicitors
UK Finance
Vanquis Banking Group
Wise Payments Ltd
X-Claims

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Financial Ombudsman Service
for small businesses

Claims Management Ombudsman
a Financial Ombudsman service