

Charging claims management companies and other professional representatives

Policy statement

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The Financial Ombudsman Service

The Financial Ombudsman Service was set up by Parliament under the Financial Services and Markets Act 2000 (FSMA 2000) as an independent body to resolve cases between financial businesses and eligible complainants ‘quickly and with minimum formality’, on a fair and reasonable basis. We deal with around 200,000 disputes every year involving a wide range of financial services providers.

Cases are referred by a range of people, including consumers, small businesses, small charities and trusts, beneficiaries of trusts or insurance policies, people being chased for debt under a regulated credit agreement – and many more who fall within the eligibility requirements in [Dispute Resolution \(DISP\) rules 2.7](#) in the Handbook of the Financial Conduct Authority (‘FCA’).

We share the insight we gain from resolving thousands of disputes a year to improve outcomes for everyone affected by financial services products. Information about the types of cases we can consider, who we can help, and the awards we can make, can be found on [our website](#). Our final decisions are legally binding if accepted by the complainant. If not accepted, a complainant remains free to pursue the dispute through court action.

Our independent and impartial service is free for complainants to use.

Introduction

This policy statement explains that our organisation has made new fees rules regarding complaints that are referred to us by certain claims management companies (CMCs) and other professional representatives acting on behalf of complainants (hereafter referred to as ‘CMCs’ for ease of reference).

We have consulted a number of times at different stages of the development of this policy, including most recently in December 2023 and May 2024. This policy statement sets out our final decisions following careful consideration of the feedback received on our proposals. We thank those who have engaged with our consultation and given their views.

We have carefully considered all of the evidence presented by respondents, together with our own research and analysis. This has included working closely with key stakeholders such as HM Treasury, the Financial Conduct Authority (FCA) and the Solicitors Regulation Authority (SRA).

This policy statement sets out a summary of our decisions and explains the key factors that have influenced our conclusions.

Background

By way of amendments made by the Financial Services and Markets Act (FSMA) 2023 to paragraph 15 of Schedule 17 to FSMA 2000, the Financial Ombudsman Service has the power to make rules requiring such persons as [specified by HM Treasury](#) to pay fees to our scheme.

On 2 December 2024, HM Treasury made the Financial Services and Markets Act 2000 (Ombudsman Scheme) (Fees) Regulations 2024 (SI 2024/1264) (the “Regulations”), which came into force on 3 December 2024.

In broad terms, the Regulations specify FCA-authorized CMCs and certain legal professionals (as defined in Regulations 2 and 3) as the persons to whom our service may now charge a fee.

Consent of the FCA

As required under paragraph 14(7) of Schedule 17 to FSMA 2000, the FCA consented to the making by the Financial Ombudsman Service of the rules set out in Annex 2 on 20 January 2025. Following the FCA's consent, our Board made the rules set out in Annex 2 on 28 January 2025.

In our 2025/26 Plans and Budget consultation (which launched on 11 December 2024 and closed on 29 January 2025), we proposed a number of other changes to our fees rules. As those proposed rule changes are not directly related to the charging of CMCs, they continue to fall under our 2025/26 Plans and Budget consultation process. Any further rule changes we decide to make as a result of that consultation will therefore be covered under a separate rules instrument.

Our consultations

We published a [consultation paper](#) in May 2024 which set out our detailed proposals to introduce a charging regime for CMCs. This followed our [consultation](#), in our 2024/25 Plans and Budget consultation paper in December 2023, on options we were considering and earlier consultation about our fee regime in previous years.

The second consultation was open for six weeks between 23 May 2024 and 4 July 2024. We asked eight questions regarding the details of a new power given to us in anticipation of HM Treasury making the Regulations, along with proposing an annual free case provision limit. The consultation sought views on the proposed fee level and mechanism for a charging model, which we detailed in the consultation paper, along with evidence to support our proposals.

Our service also asked stakeholders for representations and evidence regarding the broader impact of our proposals on both consumers and CMCs. We encouraged all respondents to include representations beyond that of the eight questions as they saw appropriate – and provide any factual data and evidence in support.

Our feedback statement

We received 137 responses to our consultation paper, which we summarised in a [feedback statement](#) published in November 2024, along with a list of organisations that sent a formal response.

The feedback statement gave a high-level summary of our response to the feedback received. We said we would detail our final decisions in an instrument and policy statement in due course, once necessary parliamentary and regulatory approvals had been given.

Our decision and next steps

We believe that this consultation process has allowed us to assess our proposals with an understanding of the concerns, insights and recommendations raised by stakeholders. Our aim throughout has been to keep an open mind and balance the feedback with the objectives of our approach.

Taking account of feedback to our consultations, and the work undertaken overall as part of our consultation process, the Board of the Financial Ombudsman Service has taken the decision to make the rules set out in Annex 2.

These rules will, amongst other things, amend the FEES manual of the FCA's Handbook to make regulated CMCs (as defined in Regulation 3 of the Regulations) subject to a fee that's set out in FEES 5.5C. As this will have a consequential impact on the fees to be paid by respondent firms in some cases, we have also made some amendments to FEES 5.5B.

These rules will come into force on **1 April 2025** and will apply in relation to complaints referred to the Financial Ombudsman Service on behalf of complainants on, or after, this date.

What we are changing

We designed proposals with a view to changing how we are funded, to make our charging model fairer (so that both respondent firms and CMCs contribute to our costs) and to encourage CMCs to consider the merits of complaints more diligently before referring them to us. Presently, our funding is made up of a combination of a levy charged to all relevant financial services firms and case fees, which are (except for those within our group-fee arrangements) payable by respondent firms for each complaint we resolve. This case fee is currently set at £650 per complaint.

Unlike respondent firms, when referring complaints to our scheme on behalf of complainants, CMCs do not contribute towards our cost base in the form of case fees. In our secondary consultation paper, we explained why we do not believe this is the fairest way for our organisation to be funded.

So, we have decided we will charge CMCs in these circumstances:

- Where the complaint was referred to us on or after 1 April 2025.
- Where the complaint is referred by a person specified under [Regulation 3](#) (defined as a 'complainant representative' in our FEES Instrument, see Annex 2).
- Where the complaint exceeds the CMC's annual free case provision (see page 7 of this policy statement and Annex 2).

Remaining free to complainants, friends and family supporters and charitable organisations

We are committed to remaining a free and easy-to-use service. HM Treasury is clear in the [Explanatory Memorandum](#) accompanying its Regulations, that all consumers should be able to continue to access our service directly and free of charge, and that this should also be without the need of any CMC support.

Notwithstanding our newly made rules, it will remain the case that complainants can refer complaints to our service directly without any charge for doing so. Additionally, individuals who act as a representative for a complainant (such as friends and family) are outside the scope of the charge, as are those providing their services pro bono (i.e. without any fees or charges becoming payable).

Charitable organisations are also exempt from the charging requirements.

Public Sector Equality Duty (PSED) under the Equality Act 2010

In developing our policy and rules, we are required to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity, and foster good relations between people with different protected characteristics.

As explained throughout our consultation process, we have undertaken an Equality Impact Assessment (EIA) to evaluate the impact of our proposals on consumers. Our EIA can be found in Annex 1. In carrying out the EIA, we carefully considered how our policy might impact individuals with different protected characteristics, and how to mitigate and address any impacts identified. Accordingly, we reference our EIA throughout relevant parts of this policy statement.

Our objectives

We believe that every customer who engages with us – whether a respondent firm or complainant – should have a better outcome and/or feel better informed following our involvement. Our approach that we have detailed in this policy statement is guided by two primary objectives:

1. **A fairer funding model.** We find that sharing our costs across those who use our scheme commercially represents a fairer funding arrangement.
2. **Effective and efficient dispute resolution.** We believe that this fairer funding model will in turn encourage CMCs to submit better-evidenced complaints and to consider the merits of complaints more diligently before referring them to us. By doing so, this will assist the efficient operation of our scheme.

Measuring success

The Financial Ombudsman Service is committed to continually reviewing how successful we are in achieving our objectives, and we recognise that relevant decisions about our funding model need to be responsive to evolving trends over time.

It is important to us that we continue to provide stakeholders with the opportunity to engage and feedback on our funding model and we will review the working of the arrangement each year.

Our strategic plans and budget consultation

We consult annually on our proposed plans and budget for the financial year ahead. This annual consultation provides opportunity to feedback on how we deliver and fund our service overall. It is part of our wider engagement with our stakeholders around our plans, priorities and ways of working.

We publish our final plans and budget at the start of the financial year they relate to, including a summary of the feedback we received. Our budget is subject for approval by the FCA and the FCA publishes details of our fees on [its website](#).

Through this process, we will review our funding arrangements to ensure they are fit for purpose and propose changes where necessary. The charging of CMCs will be part of that annual review.

Legislative review

In addition to our yearly consultation process, HM Treasury is required under the Regulations to carry out a review of the Regulations from time to time (in intervals not exceeding five years) and publish a report setting out its conclusions. We will co-operate with such reports that HM Treasury publishes and consider any recommendations as part of developing our scheme going forward.

Our response to feedback received

As set out earlier, our feedback statement summarises what we were told in response to each of the proposals made within our second consultation paper. The following sections of this policy statement explain the rationale behind the decisions we have taken and summarises the evidence that has helped us shape and refine our approach.

Annual free case provision

Our proposal

In our consultation, we proposed that CMCs would have three 'free' cases per financial year, meaning that no case fee would be charged for the first three cases referred to our service on behalf of a complainant in each financial year.

Our rationale was to capture only the commercial entities working at scale, with our analysis showing that the majority of CMCs refer fewer than three cases per financial year to our service and that this has consistently been the case for some time. So, this proposal would primarily impact those operating at higher case volumes.

This provision was also intended to continue to provide CMCs opportunity, in some cases, to test our approach to novel complaint issues that may arise from time to time, without incurring a fee. By understanding our approach, this learning can be applied to future complaints, pursuant to the role of CMCs in the industry and their relevant regulatory obligations to learn from our decisions and provide good advice to their clients. For example, this could be 'testing' our policy approach to complaints issues that were novel or complex.

Our decision and rationale

We believe that the free case provision plays an important role in meeting our objectives as detailed in this policy statement. In a change to our proposals, we have listened to feedback and decided to increase the free case provision from **three** to **ten** cases per financial year.

This significant increase in the free case limit means that the vast majority of CMCs will not incur a fee. Based on our analysis, 81% of CMCs refer fewer than ten cases per financial year, meaning that these organisations will not incur a fee.

For example, when compared to our previously proposed free case provision level, according to our analysis ten free cases per financial year would mean that:

- 11% of legal professionals regulated by the SRA and/or other legal regulators would incur a fee. Based on our previous proposed free case limit of three per financial year, this reflects a substantive decrease from the 20% that would have incurred a fee.
- 31% of CMCs regulated by the FCA would pay a fee. Based on our previous proposed free case limit of three per financial year, this reflects a substantive decrease from the 45% that would have incurred a fee.

As set out in our May 2024 consultation paper, we find it fair and proportionate for those CMCs that refer cases to our service at scale to contribute to our costs through a case fee regime. This decision therefore guarantees that only those CMCs that refer cases to our service at a larger scale will be liable for a fee.

A maximum £250 case fee

Our proposal

Our proposal to charge a maximum £250 case fee for each complaint a CMC refers to us was aimed at supporting our objective of creating a fairer funding arrangement by sharing the costs of our complaint handling process. It is also our aim to do so while supporting more effective due diligence by CMCs of the cases they refer – especially in the context of concerns that some CMCs only achieve a relatively minor portion of outcomes that favour complainants, and also have higher than expected levels of withdrawn and/or abandoned cases.

It has been increasingly the case that respondent firms have flagged that they alone bear our costs in the form of case fees to resolve these cases – cases that can be sent to us in volumes of many thousands over a short space of time and require us to flex our resources to deal with them (as set out in our consultation).

In our second consultation paper, we emphasised the importance of maintaining the effectiveness and efficiency of our service, focusing on the following key cost considerations:

- Our estimate for the 2024/25 financial year was that the ‘front-end’ costs, such as taking initial calls and enquiries in our Customer Connect division, were around £75 per case.
- The additional cost of scaling up to deal with the high volatility in demand was approximately £175 per case.
- Our marginal cost per case for 2023/24 was £710. Therefore, recovering a maximum of £250 (i.e. £75 + £175) represents a contribution towards this.

Based on these cost factors, the fee level was designed to reflect a proportion of the costs incurred by us and a fairer apportionment of financial responsibility between those that use our scheme commercially, while also supporting effective due diligence of cases referred to us.

Our decision and rationale

We have decided to proceed with the maximum £250 fee level as proposed. We feel that this maximum fee level for CMCs is a proportionate contribution to our costs, based on the key cost considerations that we set out during our consultation.

It will help ensure that adequate resources continue to be available to meet our statutory purpose of resolving disputes quickly and with minimum formality. We also believe that distributing our casework costs in this way will establish a more equitable funding model that supports us in undertaking that purpose.

We note that there is a clear difference in opinion between financial services industry respondents and claims management industry respondents regarding a fair case fee level. For example, many respondent firms expressed that CMCs should pay the same £650 fee that they are currently required to pay. Whereas most CMCs made it clear that there should be no fee at all, or at least one that is far less than £250.

We feel that the £250 as proposed will provide a fair apportionment of financial responsibility between CMCs and respondent firms. Secondly, in turn we believe it will encourage CMCs to submit better-evidenced complaints, and to consider the merits of those cases more diligently, before referring them to us.

We recognise the feedback raised mainly by claims management industry respondents, who have voiced concerns about potential detriment to consumers – and the overall complaints market – should our service introduce a £250 maximum fee level.

Based on the responses received from these respondents, together with the proactive engagement we have undertaken alongside formal responses to our consultation, we find these concerns can be fairly summarised as follows:

1. The £250 fee level would impact the business model of CMCs, who would (because it is a new cost they will have to bear) lead to them restricting or withdrawing their claims management services.
2. The impact of that restriction would be that complainants who would otherwise use a CMC to make a complaint would not do so, meaning that there will be a reduction in the number of complaints made about financial services.

Therefore, the overall concern is that the economic viability of the claims management activity market will be disrupted or significantly impacted by our service charging this fee, thereby leading to a withdrawal of claims management services and negatively affecting those complainants who would otherwise use a CMC to make a complaint.

Throughout our consultation, we actively sought evidence to help quantify and substantiate these concerns, presenting our proposals so respondents could comment helpfully on our consultation and what we are seeking to achieve through our objectives. We also asked for data and supporting information about complaint volumes and costs to evidence the concerns flagged.

The Financial Ombudsman Service does not have the power to compel firms or individuals to provide information or evidence in response to our consultations. We therefore rely on the co-operation and engagement of consultees to provide representations voluntarily. While we appreciate the feedback we received, we found that the evidence provided to support the two concerns highlighted above – although insightful in some respects – was overall inconclusive.

The evidence we were given by respondents was helpful to ascertain impact in some product areas and policy issues. However, we believe it is incumbent on our organisation to consider the broader picture, given the range of complaints that we deal with. Similarly, where we act to resolve complaints at the end of the complaint-handling process, we also found it important to consider what impact a case fee would likely have at the earlier stages of the complaint's procedure, i.e. when a consumer and/or their CMC first raises the matter with a respondent firm to the complaint.

So, in order to fairly consider arguments regarding whether CMCs will withdraw from the market and therefore reduce or remove the availability for consumers to use them, we found it prudent to consider the proportionality of the effect of a case fee level, as proposed at £250, based not just on the evidence received in response to our consultation, but also on our own proactive research and analysis of the complaints market in which they operate.

We used the evidence received in response to both consultation papers, together with objective and factual data such as the FCA's research¹ of the complaints system. This extensive data set provides a prevalent evidence base that reflects the majority (if not all) of the product areas that our service resolves complaints about.

¹ <https://www.fca.org.uk/data/complaints-data>

It also focuses on the overall market, from the point at which a complaint is first raised with a respondent firm, until a case is resolved by our scheme.

We combined this evidence, focusing on key areas of the data² in conjunction with our own. As a result, we believe we have an informed and objective high-level understanding of how our scheme might impact consumer complaints in the overall financial services claims market.

By doing so, we have made the following key observations:

- There were 3.74 million complaints resolved overall in 2023. In the same period, the number of new complaints brought to our service was only **5%** (or 1 in 20) of this total.
- Of the c.2.2 million complaints upheld in favour of the consumer out of this total, we estimate **97%** were determined before the engagement or involvement of our service.
- Approximately **3%** of all closed complaints in 2023 were cases not upheld by our scheme.
- The overall uphold rate of the financial services complaints market as a whole was approximately **60%** in this period, which is significantly greater than our average of **c.30%** as a service (which factors in the approach we set out on page 13 of this policy statement regarding all case outcomes that we reach for complainants).

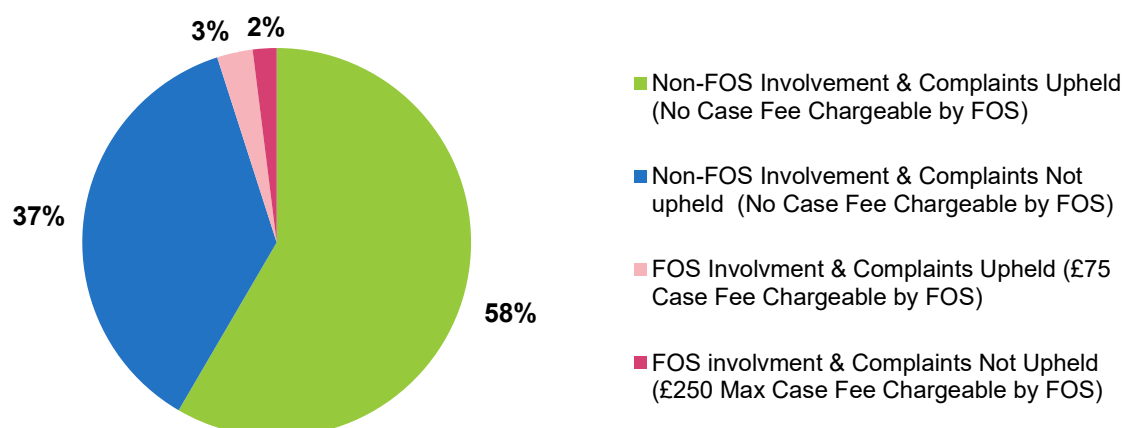
We find this important when considering the question of proportionality of our decision to enact a charging regime at our stage of the complaint process and any impact on access to complaint resolution because:

- Firstly, our fee would not be chargeable on complaints that are not referred to our service. According to the data set described above, this would mean that **95%** of the overall complaints raised in 2023 (or **3.58 million**) would not have come within scope of our fee arrangement at all as they were resolved without our involvement.
- Turning to those cases that come to us (which, as referenced above, make up only 5% of the total resolved), typically, approximately **80%** of complaints referred to our service are not done so with the professional representation of a CMC, meaning that they would not be subject to a case fee.
- **99%** of all complainants accessing resolution through the complaints process would be outside the scope of any fee chargeable by our service.
- This 99% figure may be an underestimate, as a small percentage of CMC-represented complaints were brought by a CMC that referred ten or fewer complaints that financial year, meaning they would also not have incurred any case fee. Similarly, others would not have incurred a fee, by virtue of being within the first ten cases of CMCs that do bring more than ten in total.
- Taken together, this suggests that a small percent (potentially below **1%**) of those who seek resolution through the complaints process would be impacted by our new charging arrangement by having to pay our new case fee. Furthermore, of those cases incurring fees, **35%** would have incurred the minimum fee level of £75 as per our charging mechanism.

² <https://www.fca.org.uk/data/complaints-data/closed-complaints>

The visual below further demonstrates proportionality in respect of our involvement and respective case fee, when compared to the overall complaints raised in the financial services industry.

Distribution of total financial service industry complaints 2023
based on Financial Ombudsman involvement and Financial Ombudsman fee level applicability



These figures do not take into account: 1) approximately **20%** of the cases referred to the Financial Ombudsman Service are professionally represented (by CMCs and legal professionals); 2) the Financial Ombudsman Service free case provision for CMCs further reduces the eligibility of a case fee being chargeable.

Our research and analysis, in conjunction with FCA data, highlights that the economic viability concerns raised are not conclusive. Given the vast majority of complaints are resolved without our service's involvement (therein attracting no case fee), and that only a relatively minor portion would incur a fee (even more so when factoring in our free case provision limit as described), the evidence does not suggest that our new rules could seriously threaten the financial viability of the claims management organisations in scope, or deter genuine complaints for consumers.

We have carefully considered feedback, mainly from CMCs, about how our case fee may discourage complainants from referring their complaints to our service with professional representation. The most prominent theme of what we have been told is that these organisations would wish to pursue the complaint by making a referral to our scheme on behalf of the complainant, because the case has prospects of receiving a more favourable outcome for their client than the one given by the respondent firm (typically, at what is known as the 'final response' stage).

However, we are being advised that this would no longer always be feasible because the £250 fee makes certain cases economically unviable. This is on the basis that CMCs almost exclusively act on a no-win-no-fee basis. Meaning that, unless the complaint yields a certain level of monetary settlement, it will not be within their commercial interests.

We acknowledge the potential that we will see fewer professionally represented complaints being referred to our service as a result of our new rules. The evidence, set out in the earlier sections of this policy statement, highlights that cases referred by CMCs historically make up a relatively small portion of the complaints we see, and that they also represent an even smaller proportion of complaints resolved overall in financial services. As we have demonstrated, the vast majority of complaints do not use professional representation.

A key consideration when designing our case fee charging mechanism (see next section) was permitting CMCs to mitigate their exposure to our £250 maximum case fee level by using their professional insight to advise their client as to the prospects of their case. We have chosen a charging model that gives these organisations a degree of control over the amounts payable, by reducing the case fee level to a much lower case fee of £75 in certain case outcomes.

Ultimately, we believe our case fee charging mechanism represents a fair and proportionate means to achieve our objective for CMCs that operate at scale to contribute to a fairer funding arrangement and to consider the merits of complaints more diligently before referring them to us.

A further concern was that our case fee may be passed onto complainants. In considering the impact of our proposals we were mindful that a long-established principle of professional representation is that, before entering into a contractual agreement with a CMC, consumers must first be provided with clear, pre-contractual disclosures. The FCA and SRA have rules in place which require consumers to be made aware of key things, such as:

- The right to access our service free of charge. Consumers must confirm that they have opted for professional representation, even after being informed that they can pursue their claims directly to schemes such as ours at no cost.
- How much a CMC will charge for their services and in what circumstances this will become payable.
- The contractual right to terminate their agreement with the CMC once the contract has been enacted, and any associated cost.

So, for a consumer to make an informed decision about whether to employ a CMC, they must have an understanding of what this will mean for their complaint – including the role that our service plays and that they come to us directly, for free. This will remain the case with the introduction of our charging rules as set out in Annex 2.

As commercial entities operating for profit, it is for CMCs to decide how to operate. Including, which claims to pursue, whether that be in financial services or otherwise. Should these organisations make a commercial decision to alter their contractual terms because of the introduction of our case fee, under the applicable rules this should be disclosed to a consumer before they decide whether to enter into a contract so they can make an informed choice; including whether to access our service directly.

For example, if a CMC decides that a minimum level of redress or settlement value becomes a requirement for them to act on behalf of a client when referring the case to our service, this should be disclosed to potential clients at pre-contract stage so they can make an informed choice as to whether to enter into an agreement.

Similarly, in order to act in the best interests of their client, CMCs should share their insight and technical expertise to advise on the merits of the dispute and whether it has a good arguable basis or chance of success. If they think the complaint is worth referring to our service, they should advise their client of this accordingly.

So, if a CMC should choose to no longer professionally represent a complainant in a live agreement because that client wishes to refer their complaint to our service but there is an issue of economic viability (and not insufficient prospects or a lack of arguable basis for the complaint itself), the rules require that this reasoning should be advised to the consumer accordant to the principles of being clear, fair and not misleading (amongst other regulatory and lawful obligations). Therein, helping to ensure the complainant can make an informed choice, including considering whether to approach our service directly.

Differential case fee charging mechanism

Our proposal

Our proposal was to maintain our existing approach that our service would remain free for complainants bringing their case directly or through not-for-profit advice services, charities and informal representatives (such as friends and family).

In a change to our current funding model, we proposed a differential case fee arrangement based on the outcome of the complaint, so that there was no perceived financial incentive for us to determine a complaint either way. Under our proposals, CMCs would be charged a £250 case fee for each complaint referred to the Financial Ombudsman Service exceeding the annual free case provision of ten per financial year.

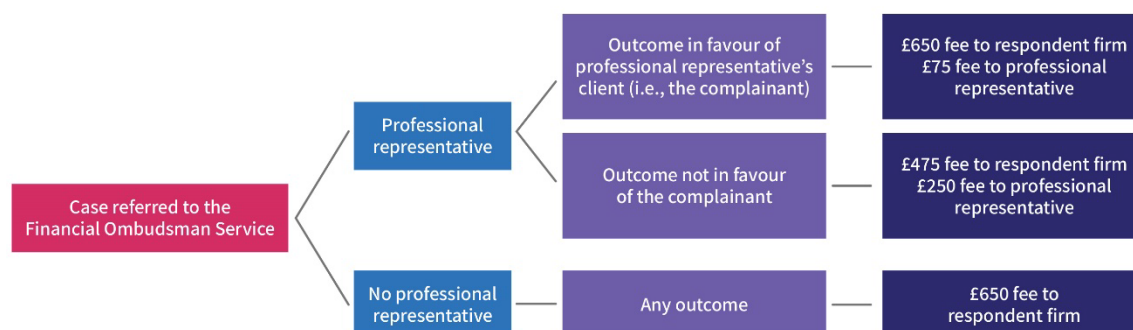
If the complaint is then closed as a 'change in outcome' in favour of the complainant (sometimes termed as 'upheld'), the CMC would receive a £175 credit for each such case. At the end of the financial year, if the amounts standing in credit exceed the amounts outstanding on unpaid invoices, a refund would be made.

If the complaint is not closed as a change in outcome in favour of the complainant, there would be no £175 credit for the CMC. However, the respondent firm's case fee would be reduced to £475 (from £650 for the current financial year). For respondent firms that are part of our group-charging arrangement, we made proposals to incorporate an alternative invoice/credit process (see page 21).

To determine whether a case is closed as 'a change in outcome in favour of the complainant', we proposed adopting the interpretation we use when deciding if there has been a change in outcome for data publication purposes – given it is an established approach that the industry has been aware of for some time – and we found the logic to be coherent with our proposals.

To determine whether a change in outcome has occurred, we would compare the final outcome for the consumer when the case was resolved, against the outcome for the consumer according to the last response from the respondent firm before case 'conversion' (which is when we notify the parties that our service has begun its investigation into the complaint).

Below is a visual showing our proposed mechanism to reach the final net charge for (non-group charging) respondent firms and CMCs once the free case allowance is utilised:



Our decision and rationale

Although there were mixed responses to the fee levels involved, the feedback to our consultation shows there is broad support for introducing a fee level that is contingent on the outcome attained by the CMC.

It is evident that this support is mainly based on the principle that how much is charged should depend on whether a successful outcome has been achieved through professional representation. We note that this principle was consistent with the alternative options which we are grateful that some organisations suggested.

Our service has decided to proceed with the case fee charging mechanism as proposed in our second consultation paper. We feel that this differential case fee arrangement establishes a fairer allocation of our costs between respondent firms and CMCs, and implements a charging arrangement that more accurately reflects our cost drivers.

We will therefore proceed on the basis that the fee level payable by CMCs will only reduce when the case closes as a change in outcome in favour of the complainant.

In cases that are not closed as a change in outcome in favour of the complainant, we will reduce the case fee payable by the respondent firm by £175. So that, overall, we will in aggregate charge £725 (from both parties) whatever the outcome of the case. In all professionally represented cases in scope, we will retain £75 regardless of the outcome reached (see next section).

We believe this will help us achieve our objective of having a fairer funding model by apportioning our costs more fairly across those parties who operate commercially in the complaints system, and by providing a clearer incentive for due diligence in advancing complaints to our scheme. This includes that CMCs should pursue claims that have a good basis for escalation to our service, alongside evidencing and substantiating the complaint accordingly.

In our second consultation paper, we proposed to adopt the interpretation we use for data publication purposes when deciding if there has been a 'change in outcome'. This approach has been established for some time, meaning that industry is aware of how it works.

Although there are cases that are not included in the outcome data we publish (e.g., where a complaint is closed as not within our jurisdiction or is closed as dismissed without consideration of its merits), we still consider that the concept of a 'change in outcome' can adequately cover these scenarios as well. We go on to give some illustrative examples of how the concept of a 'change in outcome' will apply to some different scenarios below.

The data we included in our second consultation paper set out how many complaints involving CMCs had a 'change in outcome' in favour of the complainant recorded on them, as a percentage of the total number of complaints brought by these organisations overall.

Our decision remains to only credit £175 to CMCs in situations where we close the complaint as a change in outcome in favour of the complainant compared to when the complaint was referred to us. We believe this is conducive to what a CMC should seek to achieve for their consumer when referring a complaint to the Financial Ombudsman Service, while representing a fairer contribution of our costs by these organisations.

Our approach will include instances where the respondent firm has [proactively settled](#) the complaint shortly after it was referred to our service. Although these proactively settled complaints are not recorded as having a 'change' or 'no change' in the business specific outcome data we publish, where a business proactively settles a complaint after it is referred to the Financial Ombudsman Service, the complainant is put in a more favourable position than they were before the complaint was referred.

Therefore, we consider it is appropriate (for case fee purposes) to treat that as a change in outcome in favour of the complainant. For these reasons, our final rules now refer to whether or not the complaint is closed as a change in outcome in favour of the complainant, in place of the original wording we consulted on which referred to whether or not a complaint was 'determined in favour of'.

Below is a summary of the net charge for a case in practice, payable in line with the process we have set out:

Complaint scenario	Charge to respondent firm	Charge to CMC
Change in outcome in favour of complainant	£650	£75
Complaint has been proactively settled	£650	£75
No change in outcome in favour of complainant	£475	£250
Complaint is outside our jurisdiction ³	£475	£250
Complaint is dismissed ⁴	£475	£250
Complaint has been withdrawn*	£475	£250
Complaints with no professional representative involved	£650	n/a

* Includes complaints referred to another complaints scheme with the complainant's consent. Excludes complaints withdrawn due to the respondent business making an acceptable offer or withdrawn after we've issued a provisional assessment.

We have decided to set the fee level based on the most up-to-date position on the complaint, based on the latest response that the respondent firm has given on the case. We will identify this at the date of 'conversion'. 'Conversion' is when the case is first moved to the investigation stage of our casework process and is an understood stage of our process by those regularly engaging with it. At this point, we notify the parties that we are beginning to investigate and the case is allocated to our caseworker to review what happened.

Once we have converted a complaint, we will consider the respondent firm's most up-to-date position on the case and use this to decide whether there has been a change, or no change, in outcome in favour of the complainant, by comparing this to the outcome reached on the case at the point of which it is closed. Therefore, upon closure of the case, the outcome will determine whether the maximum £250 case fee for the CMC should remain, or, if a credit note of £175 is to be issued.

We find this approach to be fair to the parties of a case, as it allows us to see the most up-to-date position prior to our service formally investigating the complaint, by carrying out our investigation to then reach the appropriate outcome. During our investigation, we will work with the parties to ascertain what happened, requesting further evidence where needed.

For CMCs, this also gives them the opportunity to submit properly evidenced complaints, and further substantiate why they believe the case should have a particular outcome. The respondent firm will also have the same opportunity to explain why there should be no change in outcome.

^{3&4} Under our current case fee rules, a respondent is not charged a case fee where a complaint is dismissed: (i) as being frivolous or vexatious, or (ii) where it was apparent that the complaint, when received, was out of jurisdiction or should be dismissed for any of other dismissal grounds.

Case study examples

Below we present two case study examples to illustrate potential outcome scenarios and the corresponding case fee levels that would apply under our approach. These examples are intended to demonstrate how our case fee charging mechanism operates in practice, highlighting how the case fee level for a CMC and a non-charging group respondent firm will be determined, based on the specifics of each individual case and the outcome we reach.

By doing so, we aim to provide clarity on the practical application of our fee structure and the considerations that underpin our approach.

Case study 1

Ms C asks CMC D to bring a complaint on her behalf against Insurer E. She believes she's been mis-sold a home emergency insurance policy. In its final response, Insurer E accepts it has done something wrong and offers to refund the premiums Ms C paid, with interest, and £200 for the inconvenience it caused.

Ms C doesn't think this offer goes far enough and asks CMC D to refer the complaint to us.

Scenario A

Our investigator agrees the policy was mis-sold, and with the remedy Insurer E proposed. The investigator asks Insurer E to update the offer to reflect the premiums Ms C has paid since bringing the complaint (with interest).

This is recorded as **no change in outcome in favour of the complainant**. Although Ms C has been awarded more since referring the complaint to us, we ultimately reached the same conclusion on the remedial action to put things right that Insurer E did in its final response.

Scenario B

Our investigator agrees the steps Insurer E offered to take are appropriate, but notes the specific impact on Ms C should warrant a £300 payment for the inconvenience caused as this is more appropriate (an increase from the offer of £200 Insurer E put forward).

This is recorded as a **change in outcome in favour of the complainant**. Although Insurer E had largely recognised how to remedy the situation, we didn't agree that it had gone far enough in recognition of the impact on its customer, which is why we increased the compensation amount.

Case study 2

Mr W complains through Solicitor V that Bank Z unfairly registered a fraud marker against him when he was the victim of fraud – not the perpetrator. Mr W discovers the error after trying to set up several savings accounts and seeing these declined or swiftly closed.

In its final response, Bank Z acknowledges that it registered the marker in error, and that it failed to remove it even after telling Mr W that it would do so. It offers to correct Mr W's credit file by removing all history of the marker, along with paying him £300 for the distress and inconvenience it caused.

Mr W doesn't think this offer goes far enough – and asks Solicitor V to refer the complaint to us.

Scenario A

Our investigator agrees with everything Bank Z has said it will do but finds that Mr W is also due an interest payment in recognition of the period in which he couldn't open a savings account. The investigator says Bank Z should calculate and pay this, on top of the remedy it proposed, to effectively put Mr W back in the position he would have been in but for the bank's error.

This is recorded as a **change in outcome in favour of the complainant**. Although we agreed that Bank Z's offer had addressed the crux of the complaint, and it had produced an appropriate remedy by correcting Mr W's credit file, there was an additional loss it hadn't factored in which we felt it fair to pay.

Scenario B

Before our investigator completes their review, Solicitor V contacts us to say Mr W has decided to accept the offer Bank Z made in its final response. We let Bank Z know, and the complaint is withdrawn.

This is recorded as no **change in outcome in favour of the complainant**. We do not know what outcome we would have reached or whether Bank Z's offer was sufficient. But Mr W no longer wants to pursue the complaint, and the steps Bank Z has to take are no different to those it offered in its final response.

A £75 minimum case fee for all cases

Our proposal

We proposed that we would charge a minimum £75 case fee for all cases referred by CMCs in scope (that exceeds the annual free case threshold), regardless of the outcome of the complaint.

The purpose of this minimum fee was broadly to cover the costs of setting up cases at our front end, along with the costs of administering our fee collection process.

Additionally, we proposed using this fee to improve our outreach work, having listened to feedback that we should improve our efforts to raise awareness of our role. We found this to be an important part of our strategic plan to improve our service, helping everyone that needs us to feel empowered to engage with us confidently.

This proposal aligned with the regulatory obligations that consumers should choose to use a CMC on an informed basis, knowing their right to use schemes such as ours free of charge and without the need for professional representation.

Our decision and rationale

We have decided to implement our proposal to charge a minimum £75 case fee to CMCs in all cases referred by them over the ten free case annual limit, regardless of the case outcome. This means we will, in aggregate, receive a total of £725 in case fees for complaints referred by CMCs within scope (from both the representative and the respondent firm).

We remain of the view that it is proportionate and fairer to fund our cost base by adopting this element of our case fee mechanism, so that CMCs contribute a minimum of £75 for each eligible case. As we are not-for-profit, any amounts recovered in excess of our costs will be reflected in reduced fees in later years. We will keep the £75 element of our case fee under review and consult on an annual basis, as part of our yearly strategic Plans and Budget consultations.

A key principle underpinning our funding model is to ensure we get the right balance between being able to recover our costs sustainably, while ensuring we are cost effective. As we explained in our second consultation paper, our estimate for 2024/25 financial year was that the ‘front end’ costs, such as taking initial calls and enquiries in our Customer Connect division, were around £75 per case.

As we go on to explain in the later sections of this policy statement, we have seen a significant increase in the number of complaints brought by CMCs on behalf of consumers – up from 19% this time last year and 10% in 2022/23. Across the same time period, the uphold rate for cases has reduced and the withdrawn/abandoned rate has increased. We are therefore seeing that professionally represented cases are having an increased impact on the key cost considerations we set out during our consultation.

As a not-for-profit service, it is critical that we provide value for money, and we plan to deliver further cost efficiencies through our transformation programme (see page 24). We know that behind every complaint is a complainant that needs a resolution to their problem, so we need to continue building an organisation that can easily adapt to the changing nature of complaints and to peaks and troughs in demand.

By introducing the £75 minimum case fee and receiving a total of £725 for cases within scope, we can ensure we have the necessary resources to continue to fulfil our statutory purpose of resolving disputes fairly and reasonably, quickly, and with minimal formality.

We feel that the substantive rise in cases referred to us by CMCs, together with the evidence we have that the vast majority of these complaints are not resulting in favourable outcomes for complainants, highlights the impact these organisations are having on our cost drivers. This reinforces the fairness and proportionality of the £75 minimum case fee, which we will use to contribute to the resource required to set up a complaint at the beginning of our casework process.

We will proceed with our proposal to raise awareness and understanding of our service, emphasising that we are accessible and free for complainants who come to us directly. We aim to reach those that might need to seek our help, such as those who are vulnerable.

In line with feedback consistently received as part of our consultation process, this will focus on reaching more complainants who might not know about the role we play, and seeking to increase understanding that consumers are entitled to use our service free of charge.

Our plan is to enhance public understanding of the integral role we play as part of the redress system within the UK, so complainants know that they can come to us easily, with confidence, and without the need to employ a CMC – unless this is an informed choice by them.

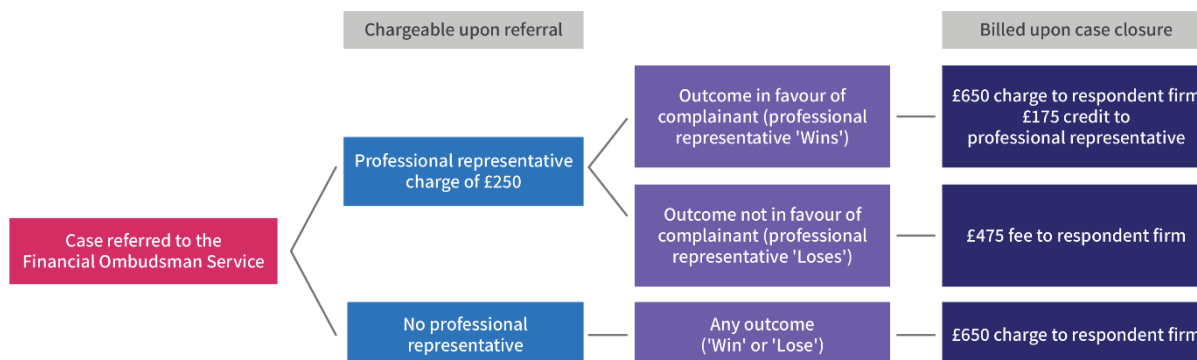
Charging upon referral to our service

Our proposal

We proposed to introduce a process whereby CMCs would be charged the £250 maximum fee at the point a case is referred to us.

Our proposal took into consideration the increasing number of complaints brought by these organisations, often in large volumes and with limited notice, which significantly impacts our ability to accurately forecast, and ensure, sufficient resources are in place in relevant parts of our case-handling function.

Our proposed charging process



Our decision and rationale

We note the strong views expressed by claims management industry respondents. We acknowledge what we are being told by CMCs that a charge on referral of a complaint to our service could have an economic impact on their business models, which, for the most part, rely on remuneration for their services at the conclusion of the complaint.

However, as this policy statement sets out, recently we have seen a [significant rise in complaints](#) brought to us by these claims management organisations. The vast majority of these cases are not resulting in a more favourable outcome for the complainant than was given by the respondent firm to the case, and many are being withdrawn, abandoned or dismissed.

With CMCs bringing such high volumes of cases to us, we have to ramp up our services quickly, without warning and at greater cost. Under the present model, and as a not-for-profit organisation, this means we have to divert resources from other consumers. All complainants that need us should receive our help in a timely manner, but ensuring we have sufficient resources to respond to varying demand becomes increasingly challenging when case referrals are brought unexpectedly or at little notice.

Ensuring accurate forecasting, and that sufficient resources are in place to help consumers, is fundamental to our purpose and maintaining our service standards for all. Accordingly, this has remained a key focus in our consideration of how a fee could be fairly charged.

In addition to the evidence we set out during our consultation, when looking at the professionally represented cases referred to us during Q1 of 2024/25, it is evident that in a substantial proportion of these cases the complaint is being withdrawn or abandoned by the complainant and/or their professional representative after we make initial enquiries of them. Or, out of the cases we have resolved, the case has not closed as a change in outcome in favour of the complainant. For cases resolved in 2023 for the top 15 professional representatives (by volume), only two achieved a higher uphold rate than complainants who came to us directly.

This picture is consistent with the data we highlighted in our second consultation paper, which set out the growing challenge we have seen over the past three financial years. Over this time, there has been an invariable trend: the overwhelming majority of cases referred to us by CMCs have not been upheld or closed as a change in outcome in favour of the complainant, compared to what the respondent firm had already said at the final response stage.

As we have explained, CMCs should take reasonable steps to investigate the existence and merits of a complaint before advising the complainant to pursue the case by referring it to our service.

This includes providing evidence to us to substantiate that the case has a good arguable basis. Not doing so, especially across a high volume of cases that are not determined in favour of the complainant or that we cannot consider, negatively impacts our service standards, our ability to help other consumers and our operational efficiency.

With this in mind, we stand by our proposal to charge CMCs on referral of a complaint. We find this to be the right thing to implement at this point in time. Where our costs are incurred from the point at which the complaint is referred to our service, we feel it is proportionate and fair for the fee to be chargeable at the same point.

Although we are grateful for the suggestions we received from some respondents, we have therefore decided not to levy the professional representative fee at another stage of the case-handling process. For example, at the conclusion of the case. We feel that this would be less effective to reach our objectives as set out in this policy statement.

We also believe that it could introduce challenges in apportioning the necessary resource to ensure we can react to unexpected increases in case volumes referred by CMCs. Still, our charging mechanism will permit these organisations to reduce the fee amount that is payable, should the case close as a change in outcome in favour of the complainant.

For over 20 years, our funding model has relied on the principle that respondent firms bear fixed liability for our case fees. Currently, respondent firms remain liable for their full case fee of £650 – regardless of the complaint's outcome or whether their relationship with the consumer ends before we conclude our casework process. This ensures we can plan our resources effectively to deliver our statutory purpose and support consumers when they need us.

In contrast, CMCs almost exclusively operate under no-win-no-fee models and, subject to certain conditions, can terminate agreements with consumers if a complaint appears unlikely to succeed. This aligns with regulations such as the [Claims Management: Conduct of Business Sourcebook](#) and the [SRA Code of Conduct for Firms](#). This means that, in certain circumstances, these organisations are able to withdraw from the complaints process before it reaches a resolution, including when we are actively reaching an outcome on a case by investigating what happened during our casework process.

So, by requiring the full fee at the referral of the complaint, we help ensure that the costs of our investigations are appropriately covered, regardless of the case outcome. This approach also helps avoid disputes over unpaid balances and helps mitigate against any obscurity about payment terms.

Currently, all respondent firms become liable for a case fee upon referral of the complaint, the same as the model we will establish for CMCs. Still, there is a difference in the payment terms, as for most respondent firms we invoice once the case has been resolved at the end of our complaint handling process.

As set out in our [feedback statement](#), we see that there could be a reasonable argument for enhancing the consistency in our approach between CMCs and respondent firms. Our service therefore commits to considering an alteration to our charging method for respondent firms to one that means we would ask for repayment on more similar terms, i.e., on referral of the complaint to our service.

In accordance with the statutory process for such a change to our rules, we would consult in a future strategic Plans and Budget consultation on bringing payment terms into closer alignment, and provide further detail on any proposals in due course.

Group charging of respondent firms and any late payment

Our proposals

Group charging of respondent firms

With the proposed introduction of charges for CMCs, certain respondent firms under our group fee arrangement (referred to as 'group firms') would be affected. Currently, our service forecasts resolved cases for each group firm and makes a year-end adjustment based on a 5% tolerance between actual and forecasted volumes.

Rather than adding complexity with new variables, such as the volume of professionally represented cases and their respective outcomes, we proposed to retain the existing quarterly charge methodology. So, at the end of the year, it was our proposal to apply a 'true-up' calculation based on the actual distribution of cases under the new differential fee structure (i.e. £650 and £475 fees for respondent firms).

We found this approach would be easier to administer and maintain, and the year-end true-up would take account of the volume of cases brought by CMCs which were, or were not, closed as a change in outcome in favour of the complainant. This proposal affects the eight group firms currently under our group charging arrangement, so we made it clear that we would coordinate with them directly to provide further details following our consultation process.

Any late payment of case fees

Our current fees rules impose a fixed administrative fee of £250 plus interest for late payments by respondent firms. We proposed to adopt similar rules for late payments by CMCs.

However, in both instances, we considered in our consultation that a flat £250 fee could be excessive for smaller debts. We therefore proposed replacing this with a variable charge of up to 25% of the outstanding debt, based on the cost and effort required to recover it.

Our decision and rationale

Given the broad support from those that responded to these two questions, we have decided to proceed with both proposals as set out in our second consultation paper. We acknowledge the feedback from the respondent firms that are within our group charging arrangement, and we will work collaboratively with these eight businesses to ensure parity. As we proceed with these new rules, we will provide further detail to these businesses through direct liaison. For now, the relevant information is contained within our amended rules (see Annex 2) and we also have our [information page](#).

We noted some organisations suggested alternative methods for the late payment of case fees. Whilst we are grateful for the options that were put forward, we are mindful of the need to have a practical arrangement that can be operated, and one that is comparable with the steps we take for respondent firms that delay payment of their case fee. We feel, therefore, that applying a percentage that is dependent on the amount of cost/effort that we have undertaken in chasing the debt provides a proportionate, fair and effective means of responding to late payment.

Mitigating and remedying potential negative impact

Our proposal

This proposal invited representations directed at understanding any possible unintended consequences of our service introducing a charging regime. Where possible, we encouraged consultees to produce evidence of any potential negative impact if we decided to introduce a case fee arrangement as proposed.

We also set out a number of mitigating factors that we found towards reducing the risks we have identified, or that remedy these risks altogether.

Our decision and rationale

After careful consideration of the consultation feedback and thorough analysis of the potential impacts, we have decided to proceed with the implementation of the measures we proposed.

The rules as set out in Annex 2 have been designed in alignment with regulations introduced by the FCA and the SRA, as these regulators account for the vast majority of CMCs referring cases to our service.

As mentioned in prior sections of this policy statement, CMCs almost exclusively act on a no-win-no-fee basis. This form of professional representation is by far the most popular within the claims management industry. Indeed, the marketing and advertising techniques are heavily reliant on this kind of success-based fee arrangement where the amount of the fee payable by the consumer, or any part of it, is determined by reference to the amount recovered for the consumer in monetary settlement of their complaint.

As explained in our second consultation paper, in 2021 the FCA established rules for [Restricting CMC charges for financial products and services claims](#), to protect consumers against excessive charges. Similarly, the SRA have since brought into force analogous rules for legal professionals under its jurisdiction under the [Claims Management Fees Rules 2024](#). These rules and principles form a robust framework of consumer protections that our approach aligns with.

We are assured that the risk that any case fee we charge will be passed on to consumers by professional representatives is strongly mitigated or remedied for the following reasons.

- Both the FCA and SRA have confirmed that the rules regarding the maximum that can be charged by a regulated CMC or relevant legal professional for claims that yield monetary redress will include the case fee charged to these professional representatives by our service. Therefore:
 - the maximum amount a consumer can be charged by a regulated CMC or relevant legal professional has not changed because of the introduction of our case fee rules as set out in Annex 2.
 - any amount in breach of the fee caps in place by both regulators will be unenforceable and/or have to be reimbursed to the consumer. Again, with the introduction of our new rules set out in Annex 2, the maximum amount that consumers could have to pay for professional representation when using our service remains the same.
- Through our work with the FCA and SRA, we understand that many (if not most) of the professional representatives they regulate currently charge the maximum amount to consumers under the fee cap rules in place.

- If a regulated CMC or relevant legal professional representative is already operating at the maximum fee level, both sets of rules prevent that fee being passed on to the consumer in any circumstance where the complaint yields monetary redress.

Because the relevant rules in place currently permit a range of different charging structures for professional representation, it is possible that a complainant could have a complaint whereby no redress is awarded but their CMC chooses to charge them a fee. We have received feedback that under these circumstances CMCs could decide to pass on our case fee (or a portion of it) to the complainant if their contractual terms permit them to, which could mean that consumers face increased costs.

As set out on page 12, it remains an established principle of the relevant rules that CMCs must explain to their clients the basis on which they calculate their fees so the complainant can make an informed decision about professional representation. This should ensure complainants are duly informed, not just of their right to come to schemes like ours directly and free of charge, but also what their CMC will ask them to pay for their services. Additionally, it is an obligation of CMCs that they cannot impose charges that exceed an amount that is reasonable in the circumstances in light of the services provided. We are therefore assured that complainants are protected by the relevant rules in this sense.

When considering the potential impact to complainants, we considered it fair at this point to do so based on the current market dominance of no-win-no-fee contracts. Besides the protection in place under the relevant SRA and FCA rules, we did so because we understand that the vast majority of complainants that currently employ professional representation do not have to pay any fees or charges to their CMC even if their complaint does not yield monetary redress. As mentioned, the marketing of claims management organisations is predominantly predicated on no charges or fees being payable unless the complainant receives monetary settlement, so their contract terms reflect that.

Moreover, complainants that are professionally represented on alternative agreements to no-win-no-fee contracts make up a significantly small portion of complainants that come to our service with professional representation. By increasing our limit for free cases per financial year, this also works to significantly reduce further the number of those complainants still (that is, those that will incur any case fee).

Nonetheless, we will continue to monitor the impact of our new rules carefully, working with regulatory bodies to share insight accordingly. Should alternative charging arrangements from CMCs emerge, for example if there is a shift away from the current prominence of strict no-win-no-fee contractual arrangements, we have the opportunity to review our rules and will consider amending them where appropriate.

We have listened to the feedback that some complainants believe they need professional representation, and that this is a personal choice. We also understand that some rely on professional representation because of their individual circumstances.

So, throughout our consultation process, we have invited questions directed at understanding what impact, if any, a case fee charged by our organisation would have on professional representation and we encouraged the provision of supporting evidence where possible. We have carefully considered all feedback received, taking on board all concerns raised.

One in particular, that has been highlighted by mainly claims management industry respondents, is the potential that some consumers may not otherwise complain to our service but for the actions and help of a CMC being available to them.

In conjunction with our other policy work and research, as set out in earlier sections of this policy statement, and the representations and evidence received to our consultation, we commissioned an independent study to better understand the possible impacts of such a charge on consumer behaviour. We appointed YouGov to carry out a survey to understand the use of CMCs in complaints to our service. See the [summary of the findings from YouGov's report](#).

Overall, we find that these findings support the conclusion that our new rules are unlikely to materially disrupt consumer access to our free and easy to use service.

We pride ourselves on providing support and assistance to all those who need it. Interacting with financial services is an integral part of people's lives, and we understand the importance of providing an accessible, inclusive and timely service that leaves complainants better informed even if, on the facts and evidence, we do not give them the outcome for which they were hoping.

We recognise that each consumer has unique needs, and we strive to offer different channels of communication to accommodate their preferences. Whether it is through phone, email, post, or our online form, we aim to make it easy for consumers to reach us, and they can do so without the assistance of a CMC. Additionally, for consumers with disabilities or who require additional support, we tailor our service to meet their specific needs so far as we reasonably can, by making practical adjustments to our communication and accessibility.

Our dedicated Accessibility team provides guidance and support to our staff to implement these adjustments. Furthermore, we have a network of caseworkers, known as the Additional Support Network, who work together to assist some of our most vulnerable consumers. Agnostic to the merits of a case or legitimate judgments on case outcomes, supporting vulnerable consumers in practical ways and promoting accessibility are at the core of our strategy and values. Our data also highlights evidence that the majority of vulnerable customers come to us directly without professional representation, and we have dedicated teams in place to support them.

Our customer experience strategy is centered on ensuring that everyone who uses our service feels that they have a better outcome on their case or are better informed – and we are going further to ensure we are easy to use for all that need us. Our transformation initiatives are aligned to delivering this strategy, with the impact of these changes flowing through to improvements in our service standards and operational efficiency.

We are committed to delivering improvements for complainants, CMCs and respondent firms by reducing friction in our casework processes. By the end of the 2024/25 financial year, we will have delivered:

- A new online form for CMCs to use when bringing cases to us, that was introduced in September 2024. This structured form helps representatives know what information we need to progress the case, reducing the time spent getting this right. It will also help them identify whether the case is one that is ready for us to consider.
- An online portal for respondent firms, which will allow them to self-serve on individual cases with us and access tailored data and insight across their whole caseload.
- A refreshed online journey for complainants, making it easier for them to provide the information we need to consider their case and to help manage expectations upfront. This tooling is designed to support consumers when making a complaint, by letting them know which documents we need and automatically keeping them informed of our progress.

We have noted feedback from stakeholders about sharing insight and data points related to CMCs who refer cases to us on behalf of complainants. For example, publishing information about how these organisations fare in attaining successful or favourable outcomes for consumers.

As outlined in our 2025/26 Plans and Budget consultation, our evolving data strategy focuses on using our data and insight to support the financial services sector to improve outcomes for consumers, which is why we invited feedback on how we can effectively share information beyond what we already publish. We see that sharing information about CMCs when using our service may be of benefit to industry, so we are now reviewing what insights could be most valuable and will provide an update on this in due course.

As consulted on, our rules provide that if it appears to us in the exceptional circumstances of a particular case that the payment of a fee would be inequitable, we may reduce or remit all or part of the fee in question. This applies to the case fees payable both by professional representatives and respondents.

Exceptional circumstances will be carefully considered on a case-by-case basis under a strict governance framework. While specific situations may vary, challenges typical of running a commercial enterprise, such as operational or financial difficulties, will not generally qualify as exceptional.

Our approach aims to balance fairness with accountability. We have included this provision to support CMCs and respondent firms without undermining the principles of our fee structure or casework operations. Should a case fee dispute be raised, we will liaise with that organisation accordingly and on a case-by-case basis. Details of this process can be found on our [information page](#).

Summary

Our analysis of the evidence submitted in response to our consultation, together with our internal data and policy work and independent survey results, have given us assurance that there should not be a significant disincentive to the bringing of complaints or to the support provided to consumers, with, or without, professional representation.

In keeping with the information and evidence we have presented within our second consultation paper and this policy statement, we consider it reasonable to conclude that consumers will continue to have access to our scheme, and the enhancements we are making to our service will further improve our service for them. Our EIA also provides data and evaluation on this point.

We want all consumers to feel assured that they will not be disproportionately impacted by our new rules. We believe the key concerns raised in response to our consultation are mitigated or remedied by the steps we have taken.

That said, our work does not stop there. We will actively monitor the impact of our changes as part of our annual consultation on our strategic Plans and Budget and through our engagement with industry. Our close liaison with HM Government, regulatory powers, consumer groups, charities and trade bodies will also ensure we stay well informed about the impact of our fee on respondent firms, CMCs and complainants alike.

Implementation pathway

Our proposal

As a service, we acknowledge the short-term operational impact that our proposed fee charging regime could have on CMCs as our new charging arrangement beds in. So, while our proposals were built on introducing a fee arrangement, we nonetheless were keen to gather feedback on how best to approach its implementation to ensure the process was fair and transparent.

In response to our initial consultation paper, we received varied opinions regarding an appropriate timeframe for bringing a charging regime into effect. While some stakeholders indicated that a shorter implementation period would be the right thing to do, there was a clear divide between these organisations and the claims management activity respondents. In summary, there was strong disparity between a relatively short notice period and one that was extended in comparison.

Overall, our original proposal to implement a charging effective date of 1 October 2024 (subject to the prerequisites we explained) was based on striking a commensurate balance in light of these considerations. With our [feedback statement](#) signalling the indicative direction of travel, in light our engagement in the meantime and now this policy statement, we feel we have given sufficient time for prudent preparation to be made.

Our decision and rationale

We note the disparity between what the two main groups that responded to this question have told us and feel that a proportionate decision needs to be made in response. We recognise the concerns to have sufficient time to prepare, and we appreciate the strong representations that the complaint's system will see a surge of complaints before the start of a fee regime introduced by our service.

The recent significant increase in case referrals to our service by CMCs is consistent with what we are being told to expect by financial services industry respondents. Since the release of our initial consultation paper, we have seen a considerable [increase in cases](#) brought to us by claims management organisations compared to earlier years.

Overall, we received 220,000 new complaints about financial products and services between April and December 2024, compared to 140,000 reported in the same period the previous year. CMC represented complaints now account for around 47% of complaints received, compared to just 21% reported in the first nine months of 2023/24 (and the three-year average of approximately 20% as described throughout our consultation process).

We remain of the view that the professional status of the CMCs engaged by our consultation should mean that complaints brought to us by these organisations should be expected to have a considerably higher success rate, compared to those of consumers who use our service without professional representation.

However, our experience continues to demonstrate that complaints we have resolved that were CMC represented did not achieve outcomes favouring the complainant in higher percentages, when compared to complaints referred directly to us by complainants without CMC representation.

For example, only 25% of cases brought to us by CMCs were found in favour of consumers, compared to 40% of cases referred to us directly by consumers for free. Also, when we factor in other outcomes that are not in the consumer's favour (such as dismissals and complaint withdrawals as per our approach set out in page 14), this picture gets worse.

We are seeing that a large proportion of these cases are either being withdrawn when we seek further details or are being found to be lacking merit, which is not in the best interests of consumers. We therefore believe it is fair to take this into consideration when deciding the extent of a notice/implementation period – especially given the impact sudden surges in demand have on our finite resources and strategic planning, as explained.

We acknowledge the strong feedback given by claims management activity respondents about the notice period we might give to implement a charging regime. We recognise the particular context in which CMCs operate, namely that the vast majority (if not all) work on a no-win-no-fee basis, meaning they generally receive remuneration only on conclusion of the case.

Our service understands that charging at the start of our case-handling process represents a shift from this current model, and we have taken this into account to be balanced with our considerations. We consider that providing approximately two months' notice prior to implementing the proposed charging regime (i.e. for the announcement of this policy statement to 1 April 2025) strikes an appropriate balance between the interests of both CMCs, as well as the financial services industry more broadly.

We have sought to develop a fair approach that provides a reasonable period for adaptation while remaining consistent with the objectives of our new fee structure. This notice period has been designed to allow for adequate preparation and planning, recognising the need for CMCs to align their business models and operational processes accordingly, as respondent firms need to as well, in light of our decision to enact a differential case fee charging mechanism. We have also provided clearer support around expectations and referral processes to support CMCs in making higher quality referrals (and so to avoid unnecessary case fees).

This timeframe will allow us to complete necessary operational adjustments, engage with stakeholders impacted by the changes, and ensure sufficient notice so those to whom the new rules apply can prepare operationally too.

We are committed to ensuring a fair and balanced approach in the implementation of our new case fee arrangement. We fully recognise that changes of this nature may require time and adjustments, and we are dedicated to supporting their practical implementation. To facilitate this, we will continue to engage with CMCs, ensuring they have the information and support they need throughout the transition, and address any concerns that may arise as they adapt to the changes. We have also set up a dedicated [information page](#) alongside our direct liaison.

This policy statement follows a comprehensive consultation that began in December 2023, providing over a year for stakeholders to review, comment on, and contribute to the proposed changes. Additionally, in November 2024, we published a [feedback statement](#) to update stakeholders on our implementation proposals – further ensuring that the process has been transparent about the indicative direction of travel and our plans in this space. This 14-month consultation period reflects our commitment to giving all parties involved ample time to understand and prepare for the changes.

ANNEX 1

Initial equality impact assessment: charging claims management companies and other professional representatives

Background

This equality impact assessment is for the new policy under consideration titled: 'Charging Claims Management Companies (CMCs) and other Professional Representatives.'

What are the aims and objectives of the policy or change?

The Financial Ombudsman Service was set up by Parliament under the Financial Services and Markets Act 2000, as an independent body to resolve complaints cases between financial businesses and eligible complainants 'quickly and with minimum formality' on a fair and reasonable basis. Our independent and impartial service is free for complainants to use.

We believe that our funding model should be fair and proportionate. At present, only respondent firms pay a case fee when complaints are referred to us. This was the arrangement established when we were first set up, reflecting that then it was mainly only complainants and respondent firms involved in the cases process.

Times have changed, however, with a significant commercial claims management industry having developed which at present does not contribute to our costs through a case fee, despite referring a significant volume of cases. This can have a significant impact on our ability to help others who have come directly to us and drives up our costs.

The policy statement which accompanied HM Treasury's draft regulations sets out that the Government has heard concerns that CMCs are able to 'weaponise' case fees charged by us. It described that these organisations can pressure respondent firms into settling cases regardless of their merits, on the basis that these cases attract a case fee (alongside internal case-handling costs for a firm) regardless of the outcome reached.

Government has said it views the outcomes described as being contrary to our statutory purpose, which is to provide for the fair, proportionate, prompt and informal resolution of disputes between consumers and financial services firms, as an alternative to the courts.

In the first fiscal quarter of FY24/25, 49% of all complaints brought to the Financial Ombudsman Service were brought by professional representatives. However, CMCs do not pay a case fee for using our service in this way, despite claiming a portion of any redress we may direct the respondent to pay. While we recognise people may choose to use a professional representative, doing so can reduce the redress received by the consumers by up to 30%.

Anyone who wants to bring a complaint to the Financial Ombudsman Service should feel confident that they can do so directly, without charge, and keep 100% of any award. The Financial Ombudsman Service will remain a free-to-use service for complainants, and we remain committed to making the service easy to use, accessible and responsive to customers.

Who is affected by the policy?

By way of amendments made in 2023 to Paragraph 15 of Schedule 17 to FSMA, the Financial Ombudsman Service now has the power to make rules requiring such persons as specified by HM Treasury in regulations to pay fees to its service.

This gives us the power to charge the organisations in scope a case fee, which our service has decided to exercise. Specifically, case fees would be chargeable in these circumstances:

- Where the complaint was referred to us on or after 1 April 2025
- Where the complaint is referred by a person specified under regulation 3 of The Financial Services and Markets Act 2000 (Ombudsman Scheme) (Fees) Regulations 2024 (SI 2024/1264)- defined as a ‘complainant representative’ in our FEES Instrument, see Annex 2.
- Where the complaint exceeds the CMC’s annual free case provision.

As is the case now, our service remains free for complainants that refer complaints to us directly without professional representation. Friends, family, charities and those working pro bono are excluded from any charging requirements.

Therefore, subject to the above conditions, our policy has the potential to indirectly impact complainants who use those professional representatives as defined.

What research has been gathered in developing the conclusions in this assessment?

Internal

As part of the complainant journey through the Financial Ombudsman Service we do not routinely capture all protected characteristics. Consequently, our internal MI does not currently allow us to compare volumes and outcomes based around most protected characteristics – for those with or without professional representation.

We do, however, capture the consumer date of birth and, in most cases, we also capture the title and/or preferred pronoun. We therefore conducted an internal analysis focusing on (a) age-related data concerning the use of professional representatives and (b) title and pronoun data (although this doesn’t relate directly to a protected characteristic, it could be informative to this assessment). This analysis aimed to identify any potential patterns across age groups and sex (in so far as use of pronoun and title allows).

Where it is possible to do so we also record whether a complainant is deemed ‘vulnerable’ - although this is not the same as protected characteristics, we refer to it here for transparency. The FOS follows the FCA definition, defining a vulnerable customer as

“... someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care.”

Based on data we hold, professional representative cases contain a lower percentage of complaints from vulnerable customers, compared to those customers without a professional representative.

We also commissioned a survey to understand the use of Claims Management Companies (CMCs) and professional representatives in complaints to the Financial Ombudsman Service (FOS). This was conducted online by YouGov between 1st and 6th November 2024.

A total of 2,072 respondents participated and the data were weighted to ensure representativeness of all UK adults, providing robust insights into the behaviours and preferences of different demographic segments regarding the use of CMCs.

The survey initially split participants into those that previously made a complaint and those that had not with the aim of understanding which demographic groups are more likely to use CMCs and professional representatives. The survey aimed to assess the impact of restricted access to CMCs and professional representatives (as a potential negative externality based on the imposition of case fees on CMCs and professional representatives) on the likelihood of lodging complaints with FOS. Results found that of those who have previously made a complaint about a financial service provider to FOS, the vast majority (81%) submitted this themselves. A minority (16%) said that someone else submitted this claim on their behalf, which includes via a CMC and professional representative, family members or friends, charity or other non-profit body, or other means. Due to small sample sizes, it was not possible to conduct a full analysis of CMC or professional representative usage.

However, the survey also asked respondents who hadn't previously submitted a complaint what their likely action would be if they had a need to complain in the future. The survey found that those from ethnic minorities, younger people (18–29-year-olds) and men stated that they would be more likely to ask someone else to submit their complaint for them, and this includes using a charity/non-profit body, asking a friend or family member, or using CMC/professional representative.

The survey highlighted that the potential use of CMCs/professional representatives is primarily driven by the perception that this could increase the chances of a successful outcome rather than difficulties in submitting complaints independently:

- Of those who said they would be likely to use a CMC or professional representative, the most common reason for use was to improve chances of a successful outcome, selected by 71%.
- 38% said they felt the process would be too complex to handle on their own, and 18% stated that they do not have the time to manage the complaint themselves.

The survey also found that individuals who are more likely to complain (versus the national average) are also more likely to complain regardless of whether there is a possibility of using a CMC or professional representative; research showed that, if professional representation was not available as an option, 1% of respondents would be much less likely to complain.

The final source of internal data used were independent reports produced by YouGov as part a contract we currently have with them, to estimate public awareness of the Financial Ombudsman Service, although to date, this does not reference use of representatives for complaint submission. This awareness research commissioned during FY24/25 Q2 shows that, when given a list of financial companies, 53% of all UK adults reported that they had heard of the Financial Ombudsman Service (August 2024, base= 2,161). When looking at this group; 74% know that we are a free to use service and 73% know they can bring a complaint to us directly (August 2024, base=1,159).

External

Publicly available data from the FCA's most recent Financial Lives Survey (2022) on CMC usage of UK adults was used to understand the prevalence of professional representative use.

However, it is worth noting that this data is for all complaints about financial services and products, and only a proportion of these will be escalated to the Financial Ombudsman Service for investigation; the survey doesn't explicitly reference whether the complaint was dealt with by our service.

During our second consultation paper (May 2024), we requested additional data sources to support our analysis, with specific reference to data on protected characteristics. We received comments from claims management companies that their clients are from more vulnerable and/or low-income populations and are reluctant or unable to complain to financial institutions.

They suggest that their customers could lose higher portions of their redress to cover this fee, and a no-win-no-fee approach will likely not continue as the professional representatives themselves would not cover this fee.

As referenced earlier in this section, vulnerability, low-income and protected characteristics are defined differently.

Comments we received from law firms stated their concern that vulnerable clients and those with protected characteristics, who rely on guidance from law firms, may not have access. The responses received were predominantly unsubstantiated, with no quantitative data or numerical evidence provided about protected characteristics. However, we do include considerations of the feedback in this assessment and address these concerns later in this document.

What are the arrangements for monitoring and reviewing the actual impact of the policy?

We consult annually on our fee regime and will continue to monitor other information that becomes available in this space. Additionally, we have the potential to commission further research via external surveys, for example through our ongoing awareness panel survey, and potential to include questions around professional representative use within it.

Analysis

Protected characteristics

Age

- Data from the Financial Conduct Authority's Financial Lives Survey^{5*} (2022) states that 60% or more of adults aged 25 and over who used CMCs would not have been confident enough to make a claim, without using a CMC. This rises to 77% for 65–74-year-olds who used a CMC. If financial services CMCs exit the market due to this proposal, it is possible that more older customers would not make a complaint directly due to lack of confidence, compared to other age groups.
- This may also happen with young adults (18-24) who were much less likely (33%) to know they could make a compensation claim for mis-selling of financial products or services directly, without using a claims management company, compared to other age groups (Financial Lives Survey, 2022).
- Additionally, 65–74-year-olds who made a claim using a CMC, are more likely (72%) to agree that they wouldn't have thought about making a claim in they hadn't come across the CMC.
- This analysis also reveals that individuals aged 45-74 are more likely to use a CMC compared to the national average. Although the difference in CMC use is only 1% for each age group segment, its statistical significance underscores the relevance of these findings.

* It is important to note that this FCA data is for all complaints about financial services and products, some of which may not be escalated, or eligible, for investigation by the Financial Ombudsman Service ([link](#)).

- Our internal analysis of historical professional representative use within our service, by age group found (for ease of reference, at certain points we have termed CMCs and legal professional representatives as 'professional representatives'):
 - 74% of total complaints from 18–29-year-olds are brought to our service directly, while 14% are brought by professional representatives.
 - 64% of total complaints from 30–44-year-olds are brought to our service directly, while 24% are brought by professional representatives.
 - 61% of total complaints from 45–59-year-olds are brought to our service directly, while 23% are brought by professional representatives.
 - 67% of total complaints from 60+ year olds are brought to our service directly, while 14% are brought by professional representatives.
- The remaining cases not included in the bullets above come from other personal representatives or charities/trusts (which are out of scope of fee charging). Taken together, this data shows that older individuals' (60+ years old) use of professional representatives is lower than expected - with personal representative use being higher among this age group. This shows that complainants 60+ years old are bringing more complaints directly or through a family member or friend compared to a professional representative.

Sex

While Financial Conduct Authority's Financial Lives Survey (2022) shows that there is no difference in percentage of CMC use among males, females, and the national average*, if financial services CMCs exit the market due to this proposal, some consumers might not initiate financial services claims, as they may not become aware of their options through other channels. This may happen with women, who are less likely (56%) to know that they could make a compensation claim for mis-selling of financial products or services directly, without using a claims management company, compared to men (65%) (Financial Lives Survey, 2022).

Sexual orientation

- While Financial Conduct Authority's Financial Lives Survey (2022) shows that LGBT+ respondents are not more likely to use CMCs than average*, if financial services CMCs exit the market due to this proposal, some consumers might not initiate financial services claims, as they may not become aware of their options through other channels.
- This may impact customers who identify as LGBT+, who are less likely (52%) to know they could make a compensation claim for mis-selling of financial products or services directly, without using a claims management company compared to those who did not identify as LGBT+ (61%) (Financial Lives Survey, 2022).

* Relative to the standard alpha level of .05.

Disability

- The Financial Conduct Authority's Financial Lives Survey (2022) shows that, overall, individuals with a disability are not more likely to use a CMC compared to the general population.
- If financial services CMCs exit the market due to this proposal, some consumers might not initiate financial services claims, as they may not become aware of their options through other channels. This may impact customers who have a disability, who are less likely (57%) to know they could make a compensation claim for mis-selling of financial products or services directly, without using a claims management company compared to everyone else (61%) (Financial Lives Survey, 2022).

Race

- While Financial Conduct Authority's Financial Lives Survey (2022) shows that no race group was more likely to use CMCs compared to the national average, if financial services CMCs exit the market due to this proposal, some consumers might not initiate financial services claims, as they may not become aware of their options through other channels. This may impact black and minority ethnic groups, who are less likely to know they could make a compensation claim for mis-selling of financial products or services directly, without using a claims management company (Financial Lives Survey, 2022).

Gender reassignment

- Data for this group is very limited so we cannot draw any meaningful conclusions.

Married or civil partnership

- Data for this group is very limited so we cannot draw any meaningful conclusions.

Pregnant or maternity

- Data for this group is very limited so we cannot draw any meaningful conclusions.

Religion or belief

- Data for this group is very limited so we cannot draw any meaningful conclusions.

Other considerations

- Financial Lives Survey 2022 found that individuals with low financial resilience who used a CMC are less likely (50%) than those without this vulnerability (59%) to be contacted by a claims management company in the first instance.
- Additionally, respondents with low financial resilience who used a CMC were more likely to have approached the CMC (50%) in the first instance compared to those without this vulnerability (41%).
- Adults with any characteristic of vulnerability were less likely (52%) to know they could make a claim directly, without using a CMC, compared to everyone else. This drops to 47% for those with low financial resilience and 43% for those with low capability.
- Adults with low financial resilience are more likely (59%) to be contacted by a CMC in the first instance, compared to their counterparts (50%).

- While we do not have internal data on the protected characteristic of sex, we do capture complainant gender identity through pronouns. This data reveals that women are slightly less likely to bring a case to us via a professional representative, compared to men:
 - 64% of men bring a complaint to our service directly, while 20% of men bring a complaint to our service using a professional representative.
 - 67% of women bring a complaint to our service directly, while 18% of women bring a complaint to our service using a professional representative.
 - The remaining cases are brought through personal representatives or charities and trusts (which are out of scope of fee charging).

Evaluation

We outline any potential impacts that we have identified and how we aim to mitigate them ([See Table 1](#)) and our decision based on this equality impact assessment ([See Table 2](#)), below.

Using FCA's published aggregate data on the number of closed complaints in 2023, alongside our internal operational MI on the volume of complaints we opened in the same period, complaints opened by the Financial Ombudsman Service are in the region of 5% of all complaints closed by firms in 2023 – and during this time we saw around 20% of complaints to our service being brought by professional representatives.

Although it is worth noting the FCA figures do not provide a split by represented and directly raised complaints, this high-level volume information suggests that, at the aggregate level, the vast majority of complaints are resolved with the respondent business, and do not come to the Financial Ombudsman Service. In this context a closed complaint is a complaint to a business that has a final response, or the complainant has indicated acceptance of a firm's earlier response.

The FCA PS21/18 policy restricts excessive fee charging for CMC for financial products and services claims, while the Solicitors Regulation Authority (SRA) Claims Management Fees Rules published in July 2024 restricts excessive fee charging for firms regulated by the SRA. Both policies will continue to cap professional representatives from taking no more than 30% redress. The regulators have also made it clear to our service that the current market works almost exclusively on a no-win-no-fee basis.

It is worth noting that the Financial Ombudsman Service will remain a free-to-use service for complainants, and we remain committed to making the service easy to use, accessible and responsive to customers. Our awareness research commissioned during FY24/25 Q2 shows that, when given a list of financial companies, 53% of all UK adults reported that they had heard of the Financial Ombudsman Service (August 2024, base= 2,161).

When looking at this group; 74% know that we are a free to use service and 73% know they can bring a complaint to us directly (August 2024, base=1,159). Furthermore, the external research conducted by YouGov on reasons for potential use of professional representatives identified the main driver for using a representative was perception that it would improve chances of a successful outcome (71%).

It is essential to note that respondent businesses must set out in their final response letter the right of the complainant to escalate their complaint to the Financial Ombudsman Service, and consumers using CMCs and must confirm they are aware they do not need to use the services of the professional representative and can present the claim themselves. This includes referring their complaint to free schemes such as our service directly, without professional representation.

Table 1

Potential impact and mitigations

Protected characteristic	Potential impact identified?	Notes and evidence	Mitigations or adjustments
Age	Yes	<p>If financial services CMCs exit the market due to this proposal, it is possible that users of CMCs, specifically those in older age groups (65+) would not make a complaint directly to our service due to lack of confidence or not thinking to have brought a claim without a CMC.</p> <p>There may be an impact on case volumes brought by young adults (18-24), who were less likely to know they could make a complaint without a CMC.</p>	<ul style="list-style-type: none"> • The Financial Ombudsman Service will remain a free-to-use service for complainants, and we remain committed to making the service easy to use, accessible and responsive to customers. • Quarterly internal reviews of public awareness of the Financial Ombudsman Service.
Sex	Yes	<p>If financial services CMCs exit the market due to this proposal, some consumers might not initiate financial services claims, as they may not become aware of their options through other channels. This may happen with women, who are less likely (56%) to know that they could make a compensation claim for mis-selling of financial products or services directly, without using a claims management company, compared to men (65%) (Financial Lives Survey, 2022).</p>	<ul style="list-style-type: none"> • Further develop our approach to outreach and awareness raising of the Financial Ombudsman Service and continue publishing data on outcomes. • Accessibility services: when a consumer contacts us or uses our service, we can provide a complaint form and other information in different formats or languages and adapt the way we communicate depending on needs.
Sexual orientation	Yes	<p>If financial services CMCs exit the market due to this proposal, some consumers might not initiate financial services claims, as they may not become aware of their options through other channels. This may impact customers who identify as LGBT+, who are less likely (52%) to know they could make a compensation claim for mis-selling of financial products or services directly, without using a claims management company compared to those who did not identify as LGBT+ (61%) (Financial Lives Survey, 2022).</p>	<ul style="list-style-type: none"> • Professional representatives will have 10 free cases per financial year. • Respondent businesses must set out in their final

Disability	Yes	If financial services CMCs exit the market due to this proposal, some consumers might not initiate financial services claims, as they may not become aware of their options through other channels. This may impact customers who have a disability, who are less likely (57%) to know they could make a compensation claim for mis-selling of financial products or services directly, without using a claims management company compared to everyone else (61%) (Financial Lives Survey, 2022). Consumers with disabilities, such as learning difficulties or visual impairments, might feel they need to rely more on CMCs to file a claim with our service.	response letter the right of the complainant to escalate their complaint to the Financial Ombudsman Service, and consumers using CMCs must sign a standalone statement confirming they are aware they do not need to use the services of the firm and can present the claim themselves.
Race	Yes	If financial services CMCs exit the market due to this proposal, some consumers might not initiate financial services claims, as they may not become aware of their options through other channels. This may impact black and minority ethnic groups, who are less likely to know they could make a compensation claim for mis-selling of financial products or services directly, without using a claims management company (Financial Lives Survey, 2022).	
Gender reassignment	–	Data for this group is very limited so we cannot draw any meaningful conclusions.	–
Married or civil partnership	–	Data for this group is very limited so we cannot draw any meaningful conclusions.	–
Pregnant or maternity	–	Data for this group is very limited so we cannot draw any meaningful conclusions.	–
Religion or belief	–	Data for this group is very limited so we cannot draw any meaningful conclusions.	–

Table 2

Decision and notes

Decision		Notes
1. No change required – proceed as planned		
2. Adjust the policy to remove identified barriers and advance equality		
3. Continue despite the potential for adverse impact, with mitigation in place	X	
4. Stop as there are significant adverse impacts which cannot be mitigated		
Sign-off: Graham Taylor, Head of Business Analysis and Insight Date completed: 21 January 2025 Review date: Any relevant new information will be assessed 12 months after implementation.		

ANNEX 2

FEES MANUAL (FINANCIAL OMBUDSMAN SERVICE REPRESENTATIVE CASE FEES) INSTRUMENT 2025

Powers exercised by the Financial Ombudsman Service Limited

A. The Financial Ombudsman Service Limited:

- (1) makes and amends the scheme rules and guidance relating to the payment of fees under the Compulsory Jurisdiction;
- (2) makes and amends the rules and guidance for the Voluntary Jurisdiction; and
- (3) fixes and varies the standard terms for Voluntary Jurisdiction participants,

as set out in the Annexes to this instrument, in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000:

- (a) section 227 (Voluntary jurisdiction);
- (b) paragraph 8 (Information, advice and guidance) of Schedule 17 (The Ombudsman Scheme);
- (c) paragraph 14 (The scheme operator's rules) of Schedule 17;
- (d) paragraph 15 (Fees) of Schedule 17;
- (e) paragraph 18 (Terms of reference to the scheme) of Schedule 17; and
- (f) paragraph 20 (Voluntary jurisdiction rules: procedure) of Schedule 17.

B. The making and amendment of the rules and the fixing and varying of the standard terms by the Financial Ombudsman Service Limited, as set out in paragraph A above, is subject to the consent and approval of the Financial Conduct Authority.

Consent and approval by the Financial Conduct Authority

C. The Financial Conduct Authority consents to the making and amendment of the scheme rules and approves the making and amendment of the Voluntary Jurisdiction rules and the fixing and varying of the standard terms by the Financial Ombudsman Service Limited, as set out in the Annexes to this instrument.

Commencement

D. This instrument comes into force on 1 April 2025.

Amendments to the Handbook

E. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended by the Board of the Financial Ombudsman Service Limited in accordance with the Annexes to this instrument listed in column (2):

(1)	(2)
Glossary of definitions	Annex A
Fees manual (FEES)	Annex B
Dispute Resolution: Complaints sourcebook (DISP)	Annex C

Citation

- F. This instrument may be cited as the Fees Manual (Financial Ombudsman Service Representative Case Fees) Instrument 2025.

By order of the Board of the Financial Ombudsman Service Limited
28 January 2025

By order of the Board of the Financial Conduct Authority
20 January 2025

Annex A**Amendments to the Glossary of definitions**

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

complainant representative a person specified under regulation 3 of the Financial Services and Markets Act 2000 (Ombudsman Scheme) (Fees) Regulations 2024 (SI 2024/1264).

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise specified.

5 Financial Ombudsman Service Funding

...

5.5B Case fees

...

Standard case fee

5.5B.12 R ~~A~~ Subject to *FEES 5.5B.12AR*, a *respondent* must pay to the *FOS Ltd* the standard case fee specified in *FEES 5 Annex 3R Part 1* in respect of each *chargeable case* relating to that *respondent* which is closed by the *Financial Ombudsman Service* during a *financial year* (regardless of when the *chargeable case* was referred to the *Financial Ombudsman Service*), unless the *respondent* is identified as part of a *charging group* as defined in *FEES 5 Annex 3R Part 3*.

5.5B.12 R Where a *chargeable case* is closed by the *Financial Ombudsman Service* during a *financial year* in circumstances:

A

- (1) where the *complaint* was referred to the *Financial Ombudsman Service* on or after 1 April 2025;
- (2) where a *complainant representative* was representing the complainant in relation to that *complaint*; and
- (3) other than having been closed as a change in outcome in favour of the complainant,

the *respondent* to which that *chargeable case* relates must instead pay to the *FOS Ltd* the reduced standard case fee specified in *FEES 5 Annex 3R Part 1* in respect of each such *chargeable case*, unless the *respondent* is identified as part of a *charging group* as defined in *FEES 5 Annex 3R Part 3*.

5.5B.12 G *FEES 5.5B.12AR* applies, for example, where the *complaint* is closed by the *Financial Ombudsman Service* with an outcome that is not more favourable for the complainant compared to when the *complaint* was referred to the *Financial Ombudsman Service*, including where the *complaint* is closed as out of jurisdiction, dismissed or withdrawn.

B

...

Late payment of case fees

- 5.5B.25 R If a *respondent* does not pay a case fee payable under *FEES 5.5B* in full to the *FOS Ltd* before the end of the date on which it is due, that *respondent* must pay to the *FOS Ltd* in addition:
- (1) ~~an administrative fee of £250; plus [deleted]~~
 - (2) interest on any unpaid amount at the rate of 5% per annum above the Official Bank Rate from time to time, accruing on a daily basis from the date on which the amount concerned became due; and
 - (3) an administrative fee of up to 25% of the amount outstanding at that time, in the event the *FOS Ltd* needs to take steps to recover any amounts payable to it under *FEES 5.5B*.

...

Time limit for making a claim for the remission or repayment of case fees

...

5.5B.29 R ...

5.5B.30 R If it appears to the *FOS Ltd* that in the exceptional circumstances of a particular case the payment of any case fee under *FEES 5.5B* would be inequitable, the *FOS Ltd* may reduce or remit all or part of the case fee in question which would otherwise be payable.

Insert the following new section, FEES 5.5C, immediately after FEES 5.5B (Case fees). The text is all new and is not underlined.

5.5C Representative case fees

Application

5.5C.1 R *FEES 5.5C* applies to a *complainant representative* in relation to a *complaint* referred to the *Financial Ombudsman Service*.

5.5C.2 G *FEES 5.5C* does not apply to the *Voluntary Jurisdiction*.

Purpose

5.5C.3 G *FEES 5.5C* sets out when a *complainant representative* that is representing a complainant must pay fees in respect of *complaints* referred to the *Financial Ombudsman Service*.

5.5C.4 G The amount of the representative case fee will be subject to consultation each year.

Representative case fee

- 5.5C.5 R (1) Subject to *FEES* 5.5C.6R, a *complainant representative* must pay to the *FOS Ltd* a representative case fee of £250 in respect of a *complaint* which is referred to the *Financial Ombudsman Service* on or after 1 April 2025.
- (2) A representative case fee payable pursuant to paragraph (1) must be paid:
- (a) at the time a *complaint* is referred to the *Financial Ombudsman Service* if the *complainant representative* is representing the complainant at the time the *complaint* is referred; or
- (b) subject to paragraph (3) below, at the time a *complainant representative* begins to represent the complainant in respect of a *complaint* that has already been referred to the *Financial Ombudsman Service*.
- (3) A *complainant representative* will not be liable for the representative case fee under paragraph (1) above if:
- (a) the representative case fee in relation to the *complaint* has been paid by a *complainant representative* who was previously representing the complainant in respect of the same *complaint*; or
- (b) the *complainant representative* is acting entirely pro bono in relation to the *complaint*.
- 5.5C.6 R A *complainant representative* will, in any *financial year*, only be liable for, and the *FOS Ltd* will only invoice for, the representative case fee under *FEES* 5.5C.5R in respect of the 11th and subsequent *complaints* that are referred to the *Financial Ombudsman Service*.
- 5.5C.7 G *FEES* 5.5C.5R(3)(b) applies where a *complainant representative* is representing the complainant without any fees, charges or other form of remuneration becoming payable by the complainant in any circumstance.
- 5.5C.8 R In relation to any *complaint* which is closed by the *Financial Ombudsman Service* as a change in outcome in favour of the *complainant*, the *FOS Ltd* will credit the amount of £175 to the *complainant representative*.
- 5.5C.9 G *FEES* 5.5C.8R applies, for example, where the *complaint* is closed by the *Financial Ombudsman Service* with an outcome that is more favourable for the complainant compared to when the *complaint* was referred to the *Financial Ombudsman Service*.
- 5.5C.10 R A *complainant representative* must pay to the *FOS Ltd* any representative case fee which it is liable to pay under *FEES* 5.5C and which is invoiced by the *FOS Ltd* within 30 calendar *days* of the date when the invoice is issued by the *FOS Ltd*.

- 5.5C.11 R If, at the end of the *financial year*, the amount standing in credit to the *complainant representative* under *FEES 5.5C.8R* exceeds the amounts invoiced under *FEES 5.5C.10R* which remain unpaid (including any interest or administrative fee due under *FEES 5.5C.12R*), the *FOS Ltd* will repay the difference between the 2 amounts to the *complainant representative* by credit transfer within 30 calendar *days* of the *complainant representative* notifying the *FOS Ltd* of its account details.

Late payment of representative case fee

- 5.5C.12 R If a *complainant representative* does not pay a representative case fee payable under *FEES 5.5C* in full to the *FOS Ltd* before the end of the date on which it is due, that *complainant representative* must pay to the *FOS Ltd* in addition:
- (1) interest on any unpaid amount at the rate of 5% per annum above the Official Bank Rate from time to time, accruing on a daily basis from the date on which the amount concerned became due; and
 - (2) an administrative fee of up to 25% of the amount outstanding at that time, in the event the *FOS Ltd* needs to take steps to recover any amounts payable to it under *FEES 5.5C*.

- 5.5C.13 G The *FOS Ltd* may take steps to recover any amount owed to it (including interest).

Time limit for making a claim for the remission or repayment of representative case fees

- 5.5C.14 R No claim for the remission or repayment of all or part of the representative case fee payable under *FEES 5.5C* (or any interest or administrative fee due under *FEES 5.5C.12R* in relation to it) may be made to *FOS Ltd* more than 1 year after the date on which the *complaint* was closed (irrespective of when or whether the amounts in question were paid to *FOS Ltd*).
- 5.5C.15 R The *FOS Ltd* may allow a claim to be made outside the time limits prescribed in *FEES 5.5C.14R* if it is satisfied that the failure to make a claim within the time limits prescribed was as a result of exceptional circumstances.
- 5.5C.16 R If it appears to the *FOS Ltd* that in the exceptional circumstances of a particular case the payment of any representative case fee under *FEES 5.5C* would be inequitable, the *FOS Ltd* may reduce or remit all or part of the representative case fee in question which would otherwise be payable.

Amend the following as shown.

**5 Annex Case Fees Payable for 2024/25
3R**

Part 1 – Standard case fees

	Standard case fee
In the: Compulsory jurisdiction and Voluntary jurisdiction	£650 unless it is a <i>not-for-profit debt advice body</i> with <i>limited permission</i> in which case the amount payable is £0
	<u>Reduced standard case fee</u>
<u>In the:</u> <u>Compulsory jurisdiction</u> <u>(where FEES 5.5B.12AR</u> <u>applies)</u>	<u>£475</u> unless it is a <i>not-for-profit debt advice body</i> with <i>limited permission</i> in which case the amount payable is £0

...

Part 4 – Special case fees	
The special case fee shall be calculated and paid as follows:	
...	
3	The special case fee for each <i>charging group</i> is a total amount calculated as follows:
	{£650 x 225,000 x the ‘Proportion Z’ }
4	The <i>FOS Ltd</i> will invoice each <i>charging group</i> for the special case fee (calculated as above) in four equal instalments, payable in advance on the following dates during the <i>financial year</i> : (1) 1 April (or, if later, when <i>FOS Ltd</i> has sent the invoice); (2) 1 July; (3) 1 October; and (4) 1 January.
5	Year-end adjustment:
	...
	(2) If, had they been liable to standard case fees as provided under <i>FEES 5.5B.12R</i> and <i>FEES 5.5B.12AR</i> , the actual number of standard case fees that <i>group respondents</i> would have been charged in respect of chargeable cases closed by the <i>Financial Ombudsman Service</i> in respect of <i>group respondents</i>

	<p>during the <i>financial year</i> is <u>of an amount that is more than 105% of {£650 x 225,000 x the ‘Proportion Z’}</u>:</p> <p>(a) the <i>FOS Ltd</i> will invoice the <i>relevant charging group</i> <u>for</u>; and</p> <p>(b) the <i>relevant charging group</i> will pay to <i>FOS Ltd</i>; an additional £65,000 for each block of 100 (or part thereof) closed chargeable cases <u>the amount that is over the 105%.</u></p>
	<p>(3) If, <u>had they been liable to standard case fees as provided under FEES 5.5B.12R and FEES 5.5B.12AR,</u> the actual number of standard case fees that <u>group respondents would have been charged in respect of chargeable cases</u> closed by the <i>Financial Ombudsman Service</i> in respect of group respondents during the <i>financial year</i> is <u>of an amount that is less than 95% of {£650 x 225,000 x the ‘Proportion Z’}</u>, the <i>FOS Ltd</i> will promptly repay to the <i>relevant charging group</i> £65,000 for each block of 100 (or part thereof) closed chargeable cases <u>the amount that is under the 95%.</u></p>

Annex C

Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 **Standard terms**

...

4.2 **Standard terms**

...

Determinations and awards

...

- 4.2.6 R The following provisions and *rules* in *FEES* apply to *VJ participants* as part of the *standard terms*, but substituting ‘*VJ participant*’ for ‘*firm*’ and ‘annual levy specified in *FEES* 5 Annex 2R’ for ‘*general levy*’:

...

- (7) ~~*FEES* 5.5B (case fees);~~ except *FEES* 5.5B.12AR and *FEES* 5.5B.12BG;

...

...