Annual Report and Accounts

for the year ended 31 March 2025

Financial Ombudsman Service Limited

Annual Report and Accounts for the year ended 31 March 2025

Presented to Parliament pursuant to paragraph 7A (3) of Schedule 17 of the Financial Services and Markets Act 2000, as amended by the Financial Services Act 2012.

Ordered by the House of Commons to be printed 2 July 2025.

HC 961

This publication is available at www.gov.uk/official-documents

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ISBN 978-1-5286-5567-5
E03316242

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd on behalf of the Controller of His Majesty's Stationery Office.

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About the Financial Ombudsman Service

We were set up by Parliament under the Financial Services and Markets Act 2000 to resolve complaints between financial businesses and their customers. Taking into account the law, regulations and best practice at the time, our role is to make an independent and fair decision based on the facts.

Our service is free for consumers, and every year well over one million people contact us. We can look at complaints from individuals, small businesses and charities.

If we find a business has not treated a customer fairly, we have the power to put things right. Where we award compensation, the maximum amount we can require financial firms to pay depends on when the event happened and when the complaint was brought to us. The Financial Conduct Authority (FCA) sets our award limit and reviews it every year.

As we resolve complaints, we see the impact on people from every part of society. We regularly publish data on the complaints we handle, as well as our final decisions, and we share insights into trends to prevent further complaints arising and issues escalating.

By providing fair and timely resolutions to disputes, the Financial Ombudsman Service plays an essential role for complainants and businesses, and – as part of the wider 'regulatory ecosystem' – helps underpin confidence in financial services.

Chairman's foreword

2025 is a significant milestone for the Financial Ombudsman Service, as it marks its 25th anniversary. This is also my last Annual Report, as my second and final term of office comes to an end on 1 August 2025. It is an opportunity to reflect on the successes and challenges of the past quarter of a century but also to look towards the future – ensuring the Financial Ombudsman Service remains fit for purpose, trusted, and capable of adapting to evolving financial services and external events.

Since I first took office six years ago, the Financial Ombudsman Service has undergone considerable transformation in its service standards, financial sustainability, digital services, culture and ethos. The 2024/25 financial year saw many key achievements reach fruition – albeit alongside significant internal and external challenges.

In 2024/25, the Financial Ombudsman Service continued to modernise its structure, strengthened its core operations, and made strides in improving efficiency, responsiveness, and the overall standard of service provided to complainants, firms and other stakeholders. Some of the key achievements during 2024/25 include:

- further streamlining the organisational structure (still aligned to industry verticals but with enough flexibility to respond to varying demand scenarios)
- further improving the quality framework
- a stronger focus on resolving older cases that are not caught behind external factors (such as litigation or regulatory action), and
- maintaining the £60m worth of annual reduction, pre-inflation, in case fees and annual levies into 2025/26, frozen for a second year to keep costs lower for the industry (which indirectly benefits everyone) – but also introducing proportionate case fees from 1 April 2025 for professional representatives to encourage good conduct and to ensure costs are fairly distributed amongst all those who benefit commercially from the service provided.

> “The Financial Ombudsman Service is committed to remaining easy to use and accessible for complainants.

These improvements have enabled the Financial Ombudsman Service to provide a more agile and cost-effective service despite a significant rise in incoming demand and an increased willingness – from both sides of a complaint – to contest the issues hotly and take a case as far possible even if there is no new evidence or arguments.

It is against a backdrop of fast-changing technology and social/cultural changes that the Financial Ombudsman Service, the Financial Conduct Authority (FCA) and HM Treasury, have decided to review whether the Financial Ombudsman's existing rules and powers (or, indeed, the culture and ethos of the Financial Ombudsman itself) remain fit for purpose or require modernisation.

As highlighted above, the Financial Ombudsman Service has already introduced key initiatives, such as rule changes to allow the charging of case fees to claims management companies (CMCs) and other professional representatives, whilst preserving crucial consumer protections. As a not-for-profit public authority, the Financial Ombudsman Service is committed to remaining easy to use and accessible for complainants, so has worked closely with key stakeholders to ensure a smooth transition to CMC charging and provide support to all professional representatives during this process. The case-fee level, structure and reach will be reviewed as part of the annual consultation on the Plans and Budget. If, as is hoped, the introduction of CMC fees leads to better conduct and helps filter out poor-quality cases with low prospects of success, the Financial Ombudsman Service may need to consult on whether there is a 'polluter pays' argument for extending the principle of differentiated case fees further – for example, to different stages of all complaints the Financial Ombudsman Service receives.

The Financial Ombudsman Service has also continued its ambitious digital transformation portfolio to modernise operations and make effective use of emerging technologies, including automation and artificial intelligence. This is an area with challenges though, both practical and ethical. So the Financial Ombudsman Service is proceeding with appropriate caution given the innate nature of alternative dispute resolution, which will always require human empathy, fairness, and the independent exercise of unbiased logic and judgment.

Despite all the changes and improvements, there is still a lot more for the Financial Ombudsman Service to do.

> “I'm pleased to be able to report that we made great improvements in the quality of our service, consistently exceeding and improving our target quality score for investigations throughout the reporting period. However, we recognise that we can do more.

2024/25 brought challenges that tested the strength and resilience of the organisation and its people. These included further delays in the digital transformation portfolio, and a sharp rise in volumes – particularly in cases about motor finance commission, unaffordable lending, and banking fraud and scams.

As the Chancellor of the Exchequer set out in her Mansion House Speech in November 2024, the Financial Ombudsman Service plays a vital and independent role in the financial redress system. However, it needs to review and refresh the Dispute Resolution Rules and refocus on the original core statutory mission to resolve disputes “quickly and with minimum formality”. I am very supportive of the joint Call for Input with the FCA, and of the linked Review of the Financial Ombudsman Service that is being undertaken at the time of writing by the Economic Secretary to the Treasury. This provides an important opportunity to review and implement both short-and long-term regulatory reforms to create a better service for all those who rely on it as a cost-effective and accessible alternative to the courts and tribunals, and the Board remain committed in striving to achieve this aim.

The Financial Ombudsman Service is already considering a number of innovative proposals – including a sharper focus on individual complaints (rather than mass claims), gaining early insight on potential issues from firms, launching a ‘complaint sandbox’ for early case assessment, and a cultural reset around how complaints are presented and how assertively they are managed and progressed to resolution by the Financial Ombudsman Service’s investigator teams. The Service is also reviewing longstanding casework policies, such as the 8% interest rate traditionally added to compensation awards, to ensure they remain fair and relevant. Proposals for reform will be launched jointly with HM Treasury and the FCA and will be subject to public consultation.

The Financial Ombudsman Service believes that prevention is better than cure, so will continue its work to identify unfair and harmful practices that can potentially be resolved via strong regulatory action by the FCA before they escalate into costly and time-consuming mass complaints. It will be essential to work closely with the FCA and other regulatory bodies on the Wider Implications Framework to ensure that all key stakeholders have their say and can be heard, so that complaints-led solutions to systemic problems can be avoided through clearly defined rules or redress schemes, giving greater certainty to firms, complainants and the UK economy.

To take forward the next stage of the Financial Ombudsman Service’s evolution, the Board and I have appointed James Dipple-Johnstone as Interim Chief Ombudsman and Jenny Simmonds as Interim Chief Executive, and I wish them all the success for the future. They are supported by a new Chief Operating Officer and an experienced Executive and Senior Leadership Team, bringing together significant skills and expertise to drive forward the new vision and culture to prepare the Financial Ombudsman Service for modernisation and reform.

It has been a huge privilege and honour to serve as Chairman of the Financial Ombudsman Service at this inflection point in its history. As I look to the future, I am confident that the leadership team, supported by a very committed Board and talented staff, will continue to drive necessary reform whilst remaining focused on the core mission of helping firms and complainants resolve their differences fairly and impartially, thereby contributing to public confidence in the financial services industry and UK economy.

Finally, I would like to thank my fellow non-executive directors and all the staff at the Financial Ombudsman Service for their hard work, loyalty and dedication in delivering this vital public service. I end with warmest best wishes for my successor as they lead the organisation towards its next 25 years.

Z. Manzoor

The Baroness Zahida Manzoor CBE
Chairman

1 July 2025

Interim Chief Executive and Interim Chief Ombudsman foreword

Over the past year, we have made progress towards enhancing our service and delivering our strategic objectives, against a challenging backdrop. By focusing on our change agenda and continuous improvement, we have become more flexible and efficient. However, we recognise that this focus needs to continue and evolve, so that we can play our vital role in the financial services ecosystem in the most effective manner.

We received a high volume of complaints about motor finance commission, which we are not currently able to progress, despite a regulatory extension for financial businesses to consider these complaints. We also saw a larger than expected number of cases brought by professional representatives relating to unaffordable lending. Not only did this present operational challenges, but it also led to a substantially increased caseload and unpredictability for customers. This is why we are currently reviewing the overall financial services redress system with HM Treasury (HMT) and the Financial Conduct Authority (FCA) through our Call for Input to ensure we can deliver against our remit effectively. We are also working with HMT on the Economic Secretary to the Treasury's (EST) review of our service.

We are proud of the level of commitment our people have shown to delivering for our customers over the past year.

For our customers, we continued to make it easier for people to make a complaint and understand the information they need to provide. We resolved 227,400 complaints in total, 18% more than in 2023/24. We reduced the number of our oldest cases, those over 12 months old, in stock at the end of the year by 11% – from 5,813 at the end of 2023/24 to 5,173. (This is excluding cases about motor finance commission, which are not currently able to be progressed.) We maintained the high quality of our casework and we reduced the percentage of cases which resulted in a service complaint. We also launched our respondent business self-serve portal in December 2024, with a managed roll-out expected to conclude in 2025/26.

> "We are proud of the level of commitment our people have shown to delivering for our customers over the past year.

For our people, we evolved our learning and development offer at all stages of the employee journey, built clearer career pathways and introduced new benefits. We also created more capacity, with flexibility at the core, in our customer-facing workforce. This included building our presence across the UK. We have listened to staff feedback through formal surveys and other engagement sessions, and by responding to this we achieved an improvement in our engagement score by six percentage points, to 76% compared to 2023/24. We were delighted to launch our inaugural Inspire Awards event, celebrating our people playing their part in successfully supporting their customers.

For our focus on value for money, our cost per case reduced by almost 8% (to £1,029 per case). To reflect this anticipated improvement in operational and therefore cost efficiency, we charged the financial services industry significantly less. In 2024/25 we reduced the case fee to £650 per case (from £750 per case) and reduced the annual levy by over £38m.

Despite operational improvements and an increase in productivity, 2024/25 proved to be a challenging year for meeting our timeliness service standards. This was due to a combination of rising case volumes alongside transformation projects which, in hindsight, proved to be overly ambitious, particularly as resource had to pivot to other time-sensitive projects. Transforming the customer journey will remain a priority in the years ahead.

This year posed some very specific and unforeseen challenges for the financial services sector and, consequently, for our organisation. We received 54% more complaints, with a significant proportion of these (305,000) unable to be progressed due to ongoing legal and regulatory action or impacted by operational delays in businesses as they struggled to keep pace with demand and provide us with casefiles and information.

We executed several interventions to support processing this high volume of complaints. These included building flexibility into our workforce; recruiting additional case handlers; introducing new roles to allow our experienced case handlers to focus on the resolution of cases; and enhancing the tooling available to our people to help them with their work. Despite this, we could not fully mitigate the impact of this high volume of complaints on our service. As a result, many of our customers had to wait longer than expected for an answer on their case. We take the challenge to improve timeliness for our customers forward into 2025/26.

> “We are ready to embrace the many opportunities for change and ensure that all of our customers achieve better outcomes or are better informed.

In the effort to keep pace with new developments, some process and oversight assurance gaps occurred during the year, as identified by our risk and internal audit teams. We are committed to closing these gaps and many are well progressed already.

We successfully delivered many initiatives, including changes to our billing system to be able to execute the charging of professional representatives; developing our strategic security operations to underpin the launch of the respondent business portal; replacing laptops for all our people to reduce lost time from device inefficiency; and significant enhancements to our recruitment Academy. Nevertheless, many initiatives remained in progress rather than complete as at the end of 2024/25. Whilst we are a little behind original plans, we still believe our transformation ambition is the right one and continue this focus into 2025/26. We will of course flex prioritisation and adjust initiatives as required, for example, to accommodate changes required from the Call for Input and HMT reviews.

We are honoured to be leading the organisation, following the announcement of Abby Thomas stepping down as Chief Executive and Chief Ombudsman in February 2025. We look forward to the opportunities 2025/26 will bring to further improve the service. Working together and collaboratively across our organisation and with all our stakeholders, we are ready to embrace the many opportunities for change and ensure that all of our customers achieve better outcomes or are better informed.

Jenny Simmonds
Interim Chief Executive
1 July 2025

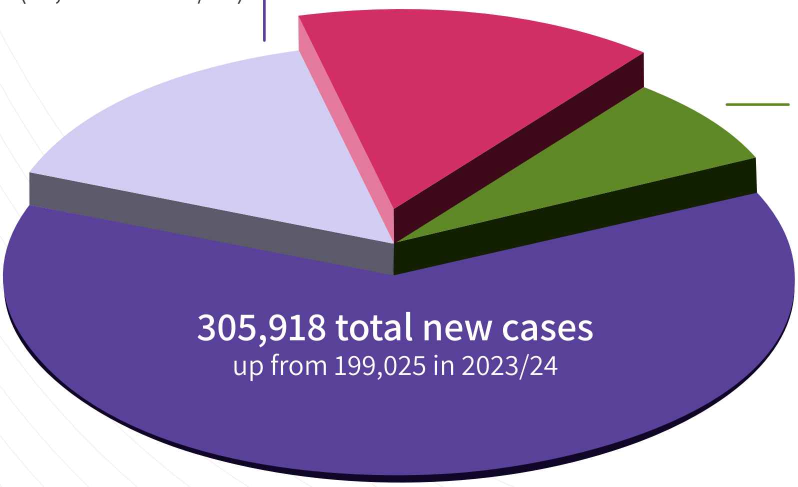
James Dipple-Johnstone
Interim Chief Ombudsman
1 July 2025

The year at a glance

73,328 complaints about motor finance commission (12,604 in 2023/24)

71,682 complaints about irresponsible and unaffordable lending (33,221 in 2023/24)

35,416 complaints about fraud and scams (27,675 in 2023/24)



58% of customers who came to us directly said they had confidence in our end-to-end service (up from 57% in 2023/24)

50% of cases were brought by CMCs and other professional representatives (25% in 2023/24)

We received complaints about **3,344** financial businesses (4,530 in 2023/24)

Reduced cost per case to **£1,029** (£1,116 in 2023/24)

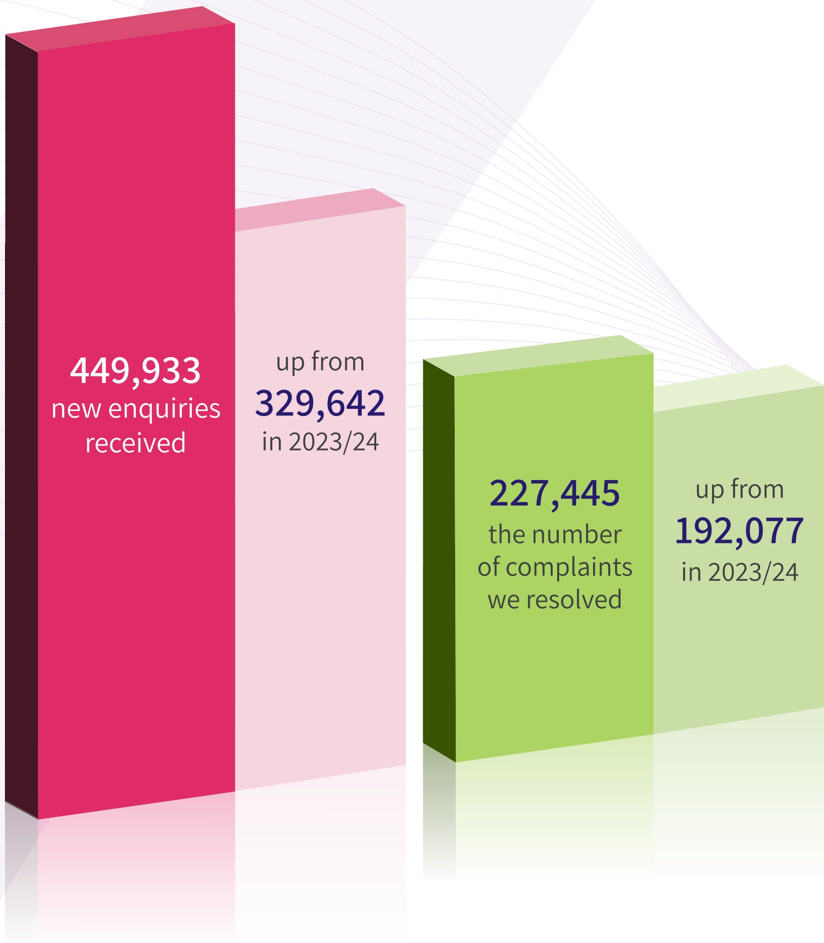
We resolved **72%** of cases within six months (81% in 2023/24)

We had an average of **2,344** FTE employees during the year and **544** in our flexible contractor workforce

Greater presence across the UK, with **24%** colleagues working outside London

76% overall people engagement score (up from 70% in 2023/24)

171 responses to our consultations



Jenny Simmonds
Interim Chief Executive Officer

Strategic report

Our strategy

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

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

- help consumers better understand the issue that caused their complaint
- share data and insight with financial businesses about what happened to cause a complaint, to help them provide better customer outcomes.

We have made progress across all areas of our strategy.

Strategic pillars

We focus on three areas that we believe underpin the overall customer experience we provide – our people, our digital journey and our data.

Our people

Our people are essential to delivering a strong customer experience and fair outcomes. We look to recruit and retain a high level of talent and foster a continuous learning culture. We aim to ensure we have the right capacity, skills and experience, and that our workforce reflects the people we serve.

Read about how we have enhanced our people processes and policies this year to support this aim, in the Our people section on page 28.

Our digital journey

As a free and quick alternative to the courts, it is important we are as accessible as possible, for all customers. We know many customers want to engage with us digitally, which is why we continue to invest in the digital journey for all users of our service.

Read more about our work to enhance our overall customer and digital journey in the Being accessible and easy to use section on page 15.

Our data

The data we gather by resolving thousands of cases each year provides unique insight into what is happening in financial services. We want to further use this data and develop enhanced insight for both ourselves and for our many stakeholders – sharing through different routes including publishing on our website, engaging directly with financial services firms (including through the new respondent business self-serve portal where firms can see data on their own cases) and socialising through the media. The aim is to both enhance the efficiency of our service and to support confidence in financial services.

Over the last year we have invested in the design and build of a new data warehouse. We have now moved 98% of the data we hold into this new warehouse and have started to build new analytics and improve our reporting platforms.

The nature of our role means we hold sensitive customer data. The safety of that data is of paramount importance. We continued to improve our cyber security maturity and data storage capabilities in 2024/25, including through the growth of relevant skills in this area.

We have improved data tools, training, management, and security across the organisation. This has led to better privacy protections for our customers, with clearer data retention rules fit for the current environment; data training being added to our learning Academy; and the adoption of refined data protection policies. We have also embedded advanced tools for data management and automation, to support our organisation to be more efficient.

Additionally, our investment in data has provided the core foundations for the development and strengthening of our artificial intelligence and reporting strategies. Both strategies will continue to evolve and be delivered through 2025/26. This includes setting clear parameters for our use of artificial intelligence.

Strategic outcomes

Our work across these strategic pillars enables us to deliver against four key outcomes:

1. Being accessible and easy to use
2. Delivering value for money
3. Providing professional expertise
4. Improving financial services.

1. Being accessible and easy to use

To ensure we are efficient and accessible for all, we focus on all stages of our customer journey. The key stages of our customer journey are summarised in the diagram below.

Discover	Engage	Investigate	Answer	Feedback
A customer becomes aware of the Financial Ombudsman Service, establishes whether we can help them, and finds out what to expect	The customer submits their complaint, the business is informed, and evidence is gathered	The complaint and evidence is considered in line with relevant law, codes and good industry practice	The result of our investigation is communicated to both customers. If requested, the case can be referred to an Ombudsman for a final decision	Feedback is gathered from all parties and insight is analysed

Discover

- During 2024/25 we enhanced our website and online presence, making it easier for customers to find us and the information they need when faced with a financial problem. Over 470,000 people (unique users) visited our website to review our online guidance in 2024/25 (466,000 in 2023/24). We also improved our online complaint checker, which helps customers understand where we can help and manages their expectations. This was used by over 430,000 people last year (up from 325,000 in 2023/24).
- 52% of people surveyed by YouGov said they were aware of the Financial Ombudsman Service (53% in 2023/24). In 2024/25 we trialled social and digital campaigns to reach customers we know are less likely to be aware of our service. We work with the media to highlight our role, explaining how we can help consumers, small businesses, charities and trusts.

Engage

- Online complaint forms guide users through the process of making a complaint and increase the likelihood of us getting the information we need about a complaint from the start. This cuts down the time we would otherwise spend chasing information. In 2024/25 we improved our consumer online complaint form and introduced a new online form for professional representatives.
- We successfully launched our new respondent business portal with a managed group of respondent businesses. We are in the process of onboarding respondent businesses in a phased manner, and we hope that most respondent businesses will take advantage of being able to use the portal by the end of 2025/26. This portal allows businesses to easily review and manage their cases with our service; gain access to data on their cases; and send business files and information securely. We faced some technical and delivery challenges with our consumer portal, so launch of this has been rephased to later in 2025/26.
- We know that some of our customers require extra support with the complaints process. We refreshed our approach to vulnerability, with all our case handlers receiving training during 2024/25 from the Money Advice Trust on how to best support vulnerable customers and those with additional requirements.

Investigate and answer

- Throughout 2024/25 we have provided our people with better tooling and insight to enable them to focus on the activities which best serve our customers, and handle cases more efficiently.
- An auto-allocation tool ensures that cases are allocated to people who have the relevant skills and experience for the type of case, while our activity-based management (ABM) tooling ensures our caseworkers allocate their time optimally, focusing on resolving cases and developing their skills.
- We focus on providing knowledge to support our people in reaching consistent and fair outcomes. This year we developed several decision frameworks which set out our approach to common cases in a way that is more accessible for our people. The applied use of these frameworks is being trialled. We expect to build further frameworks in 2025/26. How these support confidence in the financial services ecosystem is one of the considerations in the Call for Input and HMT reviews.
- However, the 'investigate and answer' stages of the customer journey remain those that take the longest time, so our transformation programme and the Call for Input focus on initiatives to improve the operational efficiency of these activities.

Feedback

- We reviewed our case handling quality framework, as part of a regular cadence of reviews, to ensure our people know what good looks like and can deliver consistent and high-quality outcomes. The changes introduced ensure our quality checks reflect our ambition to keep improving our customer journey, while also ensuring the checks are proportionate and fair.
- We aim to provide every customer with an effective and efficient service but, in case we fall short, it is important to have an effective internal service complaints process. During 2024/25 we reviewed this process, and we put in place several changes to help us better address customers' concerns and put things right quickly. This includes greater mediation at the first sign of a concern and improved support for colleagues to ensure we can respond to customers more quickly.

2. Delivering value for money

It is critical that we deliver the service required of us by our customers while offering value for money and that we are financially sustainable at an appropriate level of cost to the financial services industry.

Reducing our case fee and levy

- We executed the reduction of our case fee (from £750 to £650) and levy (from £110.9m to £72.2m) in line with our 2024/25 Plans and Budget – mitigating costs for financial services firms.
- We are committed to creating a fair funding model which also ensures the sustainability of our service. Following consultation in 2024, we implemented a new charging model for professional representatives on 1 April 2025 to ensure that the cost of our services is fairly distributed among users of our service, while protecting fundamental free access for consumers. This reduces the case fee that respondent businesses pay to £475, when a complaint against them is not upheld.

Reducing cost per case

- In addition to the operational improvements, referenced in the Being accessible and easy to use section on page 15, several other focus areas have helped us to reduce our total cost per case, which includes our overheads, as well as costs that vary with case volume more directly. For example, we continued to work proactively with businesses and professional representatives to resolve cases at the earliest stage. This year, that included the resolution of thousands of unaffordable lending cases, following the provision of feedback on our approach to similar cases. This way of working has not only improved our efficiency and reduced the overall cost per case, but it also ensures customers get an answer on their case more quickly.
- We work to optimise supplier costs through strategic renewals and negotiations, undertaking internal reviews for contracts that are being renewed to ensure we are getting the most use and benefit from our third-party contracts.
- You can find out more about our income and costs in the Financial report section on page 40.

3. Providing professional expertise

- Given the demand-led nature of our service, a key focus for 2024/25 was to build flexibility into our workforce and to ensure that we have the right amount and type of expertise to deliver for our customers.
- While we increased case handler capacity during 2024/25, it was not sufficient to keep pace with the volume of cases received. Nevertheless, the improvements made to recruitment, learning and development, and engagement, position us well for 2025/26.
- You can find out more about our work in these areas in the Our people section on page 28.

4. Improving financial services

- Resolving thousands of financial cases each year gives us a unique insight into the issues that occur with financial services. We share this insight with the FCA, financial businesses and other stakeholders, so lessons can be learnt to help improve financial services for all.
- We launched a Call for Input alongside the FCA in November 2024, which sought views from a wide range of stakeholders on how to modernise the financial services redress system. The Call for Input focused on opportunities to enhance stability for consumers and businesses as well as how to better tackle mass complaint issues, for example, complaints about motor finance commission.
- The Call for Input closed at the end of January 2025. Work is ongoing with the FCA and HMT to review the responses to the Call for Input and develop options for changes that require consultation.
- In addition, we welcomed the EST review into our organisation. Work to support this review has been a key focus for us in early 2025.
- You can find more about the role we play in financial services in the Engagement with our customers and stakeholders section on page 25.

Our Board and Executive support the Call for Input, and the linked review by the Economic Secretary to the Treasury. These initiatives present a significant opportunity to implement both short- and long-term reforms and enhance the service for those who rely on it. The goals of these reviews align with our vision: for the Financial Ombudsman Service to be a vital part of the finance redress system, as a cost-effective and accessible alternative to the courts that delivers for all our customers.

As part of the Call for Input follow up, we are exploring a number of innovative proposals to help us deliver this shared goal, including returning to a primary focus of resolving individual complaints (rather than mass claims), gaining early insight on potential issues from firms and providing more certainty for customers and alignment with regulators. Additionally, we are reviewing and, where appropriate consulting on, established and longstanding casework policies, such as the 8% interest rate traditionally added to compensation awards, to ensure they remain fair and relevant.

Any further proposals for reform will be reviewed in collaboration with HMT and the FCA and are likely to be subject to public consultation.

Mark Sceeny
Company secretary
1 July 2025

Directors' report

Demand for our service in 2024/25

As a demand-led service, the volume and mix of complaints we receive and resolve fluctuates in response to customer needs and wider events that impact financial services.

In 2024/25 we received 46% more cases than we expected (305,918 compared to 210,000 in budget) and 54% more than in 2023/24. This was due to an exceptional increase in complaints about irresponsible lending, fraud and scams and motor finance commission.

We resolved 2,445 more cases than we set out in our 2024/25 Plans and Budget.

New cases received

	2023/24 Actual	2024/25 Budget	2024/25 Actual
All cases	199,025	210,000	305,918
Banking and consumer credit	132,093	149,200	247,374
Of which relate to motor finance commission	12,604	13,900	73,328
Insurance	47,217	47,400	45,606
Investment and pensions	11,333	12,800	12,431
Other	8,382	600	507
Total	**199,025**	**210,000**	**305,918**
Of which were brought by CMCs and professional representatives	49,379	52,500	152,772

Cases resolved

	2023/24 Actual	2024/25 Budget	2024/25 Actual
All cases	192,007	225,000	227,445

Areas that impacted demand for our service in 2024/25

Motor finance commission

We saw a 482% increase in cases about motor finance commission (73,328 compared to 12,604 in 2023/24). Most of our motor finance commission cases can be categorised as either discretionary commission arrangements (DCA) or non-DCA, that is, they do not involve a discretionary commission arrangement.

On 19 December 2024, the FCA extended the time firms have to respond to complaints about non-DCA motor finance agreements. This was in line with the existing extension for firms on DCA cases and followed Court of Appeal consideration of three claims brought by customers about non-DCA sales.

On 11 March 2025 the FCA announced that they are likely to consult on the introduction of a redress scheme, once the Supreme Court's decision has been handed down.

Despite the FCA's pauses for DCA and non-DCA cases, and the recent announcement on a possible redress scheme, we are continuing to receive and accept cases which:

- either pre-date the pause, or
- where firms have not responded within eight weeks or have responded with a final response letter granting referral rights.

These cases are pending the court cases and the regulator's decision and cannot be resolved at this time. However, it is not yet clear what a redress scheme may look like, what types of cases it would apply to or whether the court may amend the approach we need to take. With that in mind, we continue to work these cases as far as we can, while balancing other resource needs across our casework, so that we can progress them as quickly as possible at the appropriate time.

We will continue to assess the best way to manage motor finance commission cases, taking into account new information (such as the outcome of litigation and any redress scheme the regulator may design) as it becomes available.

Irresponsible and unaffordable lending

We saw a 116% rise in cases about unaffordable and irresponsible lending across our banking and consumer credit directorates in 2024/25 (71,682 new cases compared to 33,214 in 2023/24).

Of these, 87% were brought by professional representatives appointed by consumers. In cases brought by professional representatives, 21% result in a different outcome for the complainant to the one they have already been offered by the responding firm. Customers who bring their case without representation achieve greater success, with 40% achieving a different outcome.

As reported in 2023/24, most of these cases are against a small number of financial services firms, resulting in operational challenges for those firms – particularly in being able to provide us with the information we need to investigate in a timely manner. Consequently, this has created a delay in customers receiving their outcome. Throughout the year we have continued to work with the FCA and financial services firms, and have strengthened relationships with professional representatives, in order to communicate our case-handling expectations and help anticipate future demand.

Fraud and scams

We saw 28% more cases about fraud and scams in 2024/25 than in the previous year (35,416 up from 27,675). Over a quarter of all banking cases, and 23% of complaints from small to medium businesses (SMEs), were fraud or scam related.

Complaints about fraud and scams continue to be complex, due to the evolving and ever more sophisticated tactics used by scammers. We have increased our operational capacity in this area and continue to ensure our fraud and scams colleagues are supported with the latest insight and guidance to ensure consistency in how cases should be considered. We continue to work with firms and CMCs to share our approach to cases and help resolve issues as early as possible.

We have seen an increase in cases where there is an ongoing civil dispute about the suspected underlying fraud or scam or investment. This adds further complexity to the resolution of these cases, as there is often an ongoing investigation being led by other agencies which we need to get relevant evidence from, without harming their own work. We are committed to working with these organisations to ensure the cases are being dealt with by the most appropriate body, but this is rarely a straightforward process, and customers can wait a long time for an outcome in these circumstances. We are considering through the Call for Input whether in these complex, often multinational or multi-agency situations, the Financial Ombudsman Service, with its quick and informal remit, is the best agency to resolve disputes.

In October 2024, the Payment Systems Regulator (PSR) launched its authorised push payment mandatory reimbursement scheme. We worked with consumer groups, industry and the regulator on the introduction of the new rules and what they meant for complaints. As a result, complaints relating to this have been low to date. We continue to monitor its impact on the complaints we receive and share timely feedback with the sector as soon as we can.

Timeshares

Following the High Court Judicial Review on fractional timeshares in 2023/24, which largely endorsed our approach to these cases, we have continued our work to resolve these complaints for customers as best we can.

While the number of new cases has dropped to 1,282 (from 1,304 in 2023/24), fractional timeshare cases are affected by a range of complexities and most complaints about the sale of fractional timeshares are strongly contested by both parties. In 78% of the cases we see, there is a request for an ombudsman's final decision, compared to 16% across all our casework, despite this not changing the outcome in the majority of cases.

The high referral rate for a final decision, and the previous pause on deciding cases awaiting the finalisation of the judicial review, has inevitably led to customers waiting longer for their cases to reach a conclusion. This means that fractional timeshares are some of our oldest cases and 46% of them were over 12 months old at the end of 2024/25.

To help address this, we have increased our ombudsman resource in this area to ensure we can issue more decisions, and we continue working with businesses, CMCs and professional representatives, to ensure they are reflecting our established approach in their own decisions and referring to regulators where they fail to learn from the decisions we have issued. Our aim is to have concluded the majority of these cases by the end of the coming financial year.

Insurance

Insurance cases fell by almost 3% in 2024/25, compared to the previous year. We received 45,606 new cases overall. Nearly a third (31%) of all insurance cases were about a declined claim (up from 24% in 2023/24). Car and motorcycle insurance were the most complained about insurance products, making up 31% of all insurance cases.

The reduction in insurance cases reflects a restabilising in volumes following the impact of Covid, where we saw significant increases in insurance complaints. The impact of lockdown led to a higher number of complaints about travel insurance, and the challenges in obtaining materials and parts for vehicles meant we saw more cases about home and car insurance. We expect the downward trend to continue into this coming year.

Pensions and investments

While the number of new cases in pensions and investments remained relatively stable last year, we carried forward some particularly complex and challenging cases, and these were a focus for us in 2024/25.

For example, we started the year with 589 pensions cases older than 12 months old, primarily relating to self-invested personal pensions (SIPPs) due diligence and pension freedoms issues. Working closely with the FCA, businesses and the CMCs involved, we have resolved 95% of these older cases, which had been with our organisation (and subject to litigation) for some time.

SIPP due diligence cases were specifically about the checks a SIPP operator should have made when accepting new business and making investments. They often involved consumers with modest pension provisions, who had lost much of their pension. These were highly contested and complex cases and were predominantly raised by representatives or CMCs. We are pleased to have been able to complete this important work and resolve these matters for customers.

Similarly, working with respondent businesses, we have been able to resolve most of the cases we received relating to pension freedoms, which are similar in nature to SIPP due diligence complaints.

Mortgages

We received 6,895 cases about mortgages in 2024/25, down from 7,802 in 2023/24. A significant proportion of these were from borrowers in financial difficulty who did not think their lender was treating them fairly, often in relation to an increase in interest rates. In many of these cases we found lenders had worked proactively with customers in financial difficulties.

Small to medium enterprises (SME)

During 2024/25 we saw cases from SMEs drop by 6% (1,155 down from 1,227 in 2023/24). This continues a trend of complaint numbers coming down post-Covid.

Our operational performance in 2024/25

We set ourselves stretching customer service standard targets at the start of each year to ensure we remain focused on improving the customer experience. The measures are designed to provide a comprehensive view of our performance across different factors. We publish our service standards on our website.

Our service standards focus on:

- the quality of our work
- our timeliness in resolving cases
- how customers experience using our service
- our cost efficiency.

The level of achievement of some of our service standard targets in 2024/25 was significantly and adversely impacted by the volume and type of complaints received. These, and the cases resolved, are outlined in the Directors' report on page 18. As a result, the volume of cases we had in stock at the end of 2024/25 was much higher than planned or desired. A key focus of our 2025/26 Plans and Budget is to significantly reduce the number of cases in stock that we can progress.

Our complaints stock

In our Plans and Budget for 2024/25, we planned to exit the year with a stock of 65,903 cases. We ended 2024/25 with 163,393 cases awaiting resolution – 97,490 cases more than planned – though 85% of these cases are about motor finance commission and so are subject to ongoing legal and regulatory interventions and cannot be progressed at this time. The table below summarises the movement in our stock.

Movement in stock	2023/24 Actual	2024/25 Budget	2024/25 Actual
Opening stock	**70,951**	**80,903**	**80,903**
Incoming demand	199,025	210,000	305,918
Resolved cases	(192,077)	(225,000)	(227,445)
Other movements*	3,004	-	4,017
Closing stock	**80,903**	**65,903**	**163,393**
Cases that can be progressed	64,105	57,803	77,759
Cases that cannot be progressed	16,798	8,100	85,634

* Other movements reflect operational changes to case stage or categorisation post-period end

We made several interventions during the year to improve the time it takes us to resolve cases for our customers, considering the significantly increased demand. For example, we increased the number of caseworkers and recruited operational people managers to free up our experienced senior caseworkers to focus on resolving cases. You can read more about the interventions we made in the Our people section on page 28 and Being accessible and easy to use section on page 15.

We were disappointed not to be able to mitigate the full adverse impact of the high volume of demand. However, the benefits of these interventions continue into 2025/26 and will support us in reducing the cases we have in stock and improving our timeliness for new cases received.

Our service standards

In the 2024/25 Plans and Budget we had neither anticipated receiving a high volume of motor finance commission complaints nor being unable to progress so many of them, so our service standard targets for 2024/25 were set on this basis. The tables below show our performance against our service standards targets and a comparison to performance in 2023/24. To most transparently show the level of achievement of our service standards in 2024/25, the tables include the outturn for all cases (i.e. no exclusions) and for cases excluding motor finance commission cases (MFC). The tables below set out our performance against our service standards targets and a comparison to performance in 2023/24.

Quality

Service standard measure	2023/24 Actual	2024/25 Target	2024/25 Actual all cases	2024/25 Actual excluding MFC
Overall quality score	94%	90%	94%	94%
% of resolutions resulting in a complaint about our service	1.8%	1.5%	1.5%	1.5%

The quality of our overall case handling remained high in 2024/25.

We saw a reduction in cases which resulted in a complaint about our service. This was in part due to changes in how we handle service complaints. We now provide greater mediation of issues early on. This reduction also reflects the higher proportion of complaints brought by professional representatives, who are less likely to raise a service complaint than individual customers.

Timeliness

Service standard measure	2023/24 Actual	2024/25 Target	2024/25 Actual all cases	2024/25 Actual excluding MFC
% of enquiries processed within 5 working days	85%	95%	70%	88%
% of complaints resolved within 3 months of conversion*	54%	70%	36%	42%
% of complaints resolved within 6 months of conversion*	81%	90%	72%	83%
% of complaints within stock over 12 months old at year end	16%	1%	12%	6%
% of service complaints resolved within 10 working days	77%	95%	84%	84%

* Based on the percentage of resolutions resolved within three or six months of when the case was converted to a formal complaint

While we improved our timeliness compared to 2023/24 across all measures, except for the three-month measure (when excluding motor finance commission), we did not meet any of the timeliness targets we set ourselves for 2024/25. On reflection, and in recognition of the many resultant competing priorities and unexpected events in 2024/25, the targets set were overly ambitious.

We were pleased to be able to reduce the number of our very oldest cases, those over 12 months old, since the previous year – though as outlined in the Directors' report on page 18 there remain some areas of challenge we are working hard to resolve.

Our ability to resolve cases in a timely manner was significantly impacted by the 54% increase in demand we received this year when compared to 2023/24. Even when motor finance commission complaints are excluded – the impact of which was not fully possible to isolate from our wider operations – we still saw a 25% increase in complaints received. Our response to scale up to meet this increased demand was not fast enough to sufficiently mitigate the operational impact of this level of demand. However, we exited 2024/25 in an operationally stronger position to be able to resolve cases in the timely manner that both we, and our customers, require.

Customer experience

Service standard measure	2023/24 Actual	2024/25 Target	2024/25 Actual all cases	2024/25 Actual excluding MFC
Consumer Net Easy score on our end-to-end process*	48	50	43	43
Consumer confidence on our end-to-end process*	57%	60%	58%	58%
Public awareness of our service	53%	55%	52%	52%

* Based on survey results from customers who raise a complaint directly with us only (i.e. it excludes professionally represented customers)

Whilst we saw a slight increase in consumers' confidence in our service compared to 2023/24, we missed our 2024/25 target of 60%. We also had a five-point drop in our consumer Net Easy score compared to the prior year.

Both measures were adversely influenced by the time it took us to resolve cases. As we improve our timeliness and continue to enhance our customer journey, we expect to see improvements in the scores on these measures. The introduction of our consumer portal, for example, will allow customers to easily see what stage their complaint is at and will speed up correspondence. Nevertheless, because we are a dispute resolution service, a consumer's view of their experience is often influenced by the outcome of their case. So, it is even more important to have a strong focus on our strategic customer experience objective that customers should have a better outcome or feel better informed.

Public awareness of our organisation remained steady. It dropped by one percentage point, although this increased again in the first quarter of 2025/26. We continue to focus on approaches to ensure there is an appropriate level of awareness across all potential customer demographics.

Cost efficiency

Service standard measure	2023/24 Actual	2024/25 Target	2024/25 Actual all cases	2024/25 Actual excluding MFC
Cost per case	£1,116	£1,080	£1,040	Not available

Our cost per case is calculated by taking our total operating expenditure (including overheads but excluding significant one-off costs such as technology investment within our transformation programme) and dividing it by the total number of cases resolved in the year. This definition excludes any bonus adjustments, so differs from the final cost per case reported elsewhere in this report.

Costs incurred to support motor finance commission case activity cannot be fully isolated (for example, colleagues and systems may spend time on both motor finance commission cases and more business-as-usual activity). So, we do not think it appropriate to publish an estimated 2024/25 cost per case excluding motor finance commission, though of course we do monitor this to a reasonable level internally.

Our cost per case was £1,040, £40 lower than our target of £1,080. This was achieved through lower costs incurred and a slightly higher volume of resolved cases.

Engagement with our customers and stakeholders

A key part of our strategy of 'better outcome or better informed' is sharing what we see to help improve financial services for all.

We share knowledge and experience with stakeholders to improve our service and the handling of customers' complaints and to help inform the regulation of financial services. Open and collaborative engagement with stakeholders also informs our work and helps us improve the service we offer.

How we work with our key stakeholders

Consumers

What we do

- Customer surveys
- YouGov surveys
- Focus groups

We want to hear all our customers' views and experiences of using our service so we can continue to improve.

Financial services firms and trade bodies

What we do

- Our industry steering groups
- Regular meetings with individual businesses at working, senior and executive level
- Attending industry, trade body and regulatory events

We share our knowledge and improve our understanding of trends in the industry and issues that affect financial businesses.

Consumer groups, charities and advocates – for consumers and smaller businesses

What we do

- Direct engagement
- Regional outreach work
- Our Consumer Liaison Group
- FCA consumer panel
- Our Small to Medium Enterprise (SME) Advisory Group

We want to gain valuable feedback on the issues consumers are facing.

Professional representatives, claims management companies and their trade bodies

What we do

- Meeting trade bodies
- Regular operational meetings with professional representatives to discuss key issues in cases referred to us
- Roundtable discussions, including as part of our consultation on proposals to charge professional representatives and subsequent implementation from 1 April 2025

We share our knowledge and approach to cases, engaging on key issues to understand trends and so improve our efficiency and customer service.

Government and elected representatives

What we do

- Regular dialogue to help explain our service to constituency MPs helping consumers on individual cases
- Proactive engagement and insight sharing with HM Treasury and parliamentarians on key areas of public interest
- Giving evidence and responding to committees as part of our role as a public body

We work with HM Treasury, sharing insights about the complaints we see and the customers and businesses we help, and attend parliamentary sessions, including the Treasury Select Committee, as part of our public accountability. We engage with MPs and other elected representatives to answer questions about our work or specific queries on behalf of their constituents.

This year we have also engaged with HMT on our Call for Input and the EST review into our service.

Regulatory partners

What we do

- Sharing data, insight and expertise, including through regular engagement
- Joint consumer and industry events, for example, our work with the FCA on the Consumer Duty
- Regular dialogue and work on key areas of policy
- Making formal referrals to regulators where we see systemic issues
- Over 2024/25, we made 46 formal referrals to regulators: 36 to FCA, six to SRA, one each to PSR, ICO, Trading Standards and BSB
- We also shared information with the Financial Services Compensation Scheme's (FSCS's) Emerging Issues Pre-Default Investigation (EIPDI)

We work closely with regulatory partners, including the FCA and Solicitors Regulation Authority (SRA) and collectively through the Wider implications Framework to respond to regulation and share insight, trends or data that could inform future regulation. We share intelligence with regulators, including the FCA and the SRA, to help inform their supervisory and wider redress and enforcement work.

Other ombudsman and dispute resolution services

What we do

- Events, webinars, bulletins and working groups to share insight, expertise and learning, including casework practices and advancements in technology, processes and skills

We regularly engage with others in the ombudsman and alternative dispute resolution sector to learn from others and share best practice.

Working closely with our regulatory partners

The Financial Ombudsman has an important part to play in helping to identify and resolve issues which could have a wider impact across the financial service industry. Exchanging our data, insight and expertise with others in the financial services regulatory eco-system helps inform wider decision-making.

In 2024/25, we engaged with our external stakeholders on issues, including:

- motor finance commission with ongoing cross-regulatory engagement, interpreting the rules, laws and regulatory framework
- the Consumer Duty through joint appearances and engagement with FCA to reassure stakeholders about consistency in approach
- fraud and scams involving authorised push payments (APP) by monitoring trends and the impact of outcomes, sharing data and insight with the regulatory family
- the British Steel Pensions Scheme (BSPS) including through a joint action report with FCA, published in July 2024
- self-invested personal pensions (SIPPs) to ensure understanding of our approach
- the Advice Guidance Boundary Review (AGBR) by working closely with the FCA to develop proposals which provide clear guidance for industry and increase consumer confidence.

Engagement around our joint Call for Input

Every year we engage stakeholders to seek views on our service and the cases we expect through our Plans and Budget. In addition, this year we engaged bilaterally and through roundtables with stakeholders, including financial businesses, trade bodies, consumer groups and other professional organisations, to support obtaining feedback for our joint Call for Input with the FCA. We promoted the Call for Input through newsletters, media and direct communications and achieved over 140 responses from a wide range of stakeholders.

We will continue to engage closely with the FCA and HM Treasury, as well as others, on the Call for Input and the Government's review of our organisation.

Raising awareness and understanding of what we do

We have made raising awareness and understanding of our service a priority, so consumers know when and how to use our service at point of need. In addition to the work set out on page 15, we have focused on engaging with frontline organisations that directly support consumers and advise them.

We have delivered presentations about the Financial Ombudsman to various frontline organisations and forums in the UK such as Victim Support, Money Advice Plus, the Royal National Institute for Deaf People (RNID), the Money and Pensions (MaPS) Financial Wellbeing Forum, and the UK Regulators Network.

This enabled us to reach hundreds of frontline professionals and share content, including our webpage, Customer advisers – what you need to know, which we launched to assist advisers when referring client complaints to our service.

More about how we work with other organisations.

Our people

Our people at a glance

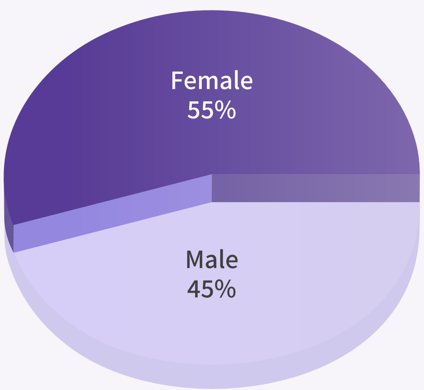
2,344
FTE employees on average
Up from 2,239 in 2023/24

544
contingent workers in our flexible workforce
Up from 456 in 2023/24

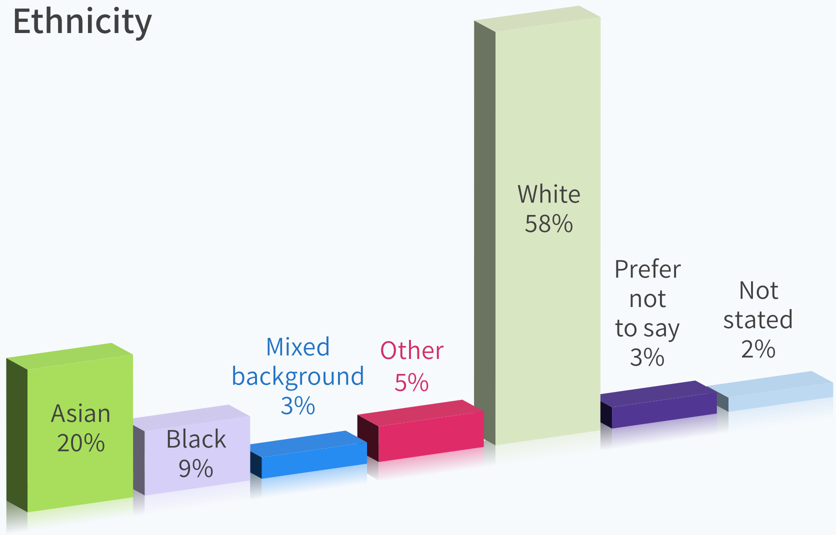
24%
of colleagues work in locations outside of London
Up from 16% in 2023/24

76%
Engagement score
Up from 70% in 2023/24

Gender



Ethnicity



Our organisation has a strong and specific purpose, with fairness at its heart, and a set of values that guide how we work and communicate.

Playing our PART

Purpose **Ambition** **Respect** **Trust**

Our people are essential to delivering a strong customer experience and fair outcomes. We aim to recruit and retain the best talent, foster a continuous learning culture, and ensure our workforce reflects the people we serve. To support this, this year we:

- built a more flexible workforce, both in terms of contractual structures and locations across the UK, to support us in delivering for our customers across the whole UK
- reshaped our learning and development offer at all stages of the employee journey, to ensure we best support our people to develop the skills and experience they need
- implemented our new reward strategy, to support the attraction and retention of colleagues with fair compensation and benefits
- continued to deliver against our Diversity, Inclusion and Wellbeing strategy, to best ensure our workforce is representative of the customers we serve.

Building a flexible workforce

Recruitment

We recruited an additional 181 case handlers to respond to the significant increase in demand. We also introduced an interim Operational People Manager role in the areas facing the most significant operational challenges. These roles provide targeted support for investigators, while freeing up ombudsmen to focus on wider policy issues and make final decisions on cases.

To reach a wide pool of candidates, we have leveraged LinkedIn to create communities focused on leadership, investigator, and IT roles, and held open days for Customer Call Hub roles.

We introduced gamified assessments and bespoke situational judgment tests, through our new assessment platform, to evaluate candidates' skills while enhancing their experience.

The implementation of these new assessment methods has driven measurable improvements, including increased conversion rates from interview, increased candidate satisfaction and early evidence of greater diversity in candidates. In addition, the introduction of these assessments has reduced the recruitment burden on casework leaders, freeing them up to focus on the resolution of complaints for our customers.

Despite these interventions, we were not able to sufficiently scale up our workforce to meet incoming demand. This is, in part, due to the timing of incoming demand peaking at the end of the year, but also due to the changes we needed to make to our end-to-end recruitment journey to support this increase in demand. The changes we made in 2024/25 to our recruitment, training and structures, mean we now have capacity to recruit and on-board new starters in greater numbers.

Expanded contingent workforce

At the end of 2024/25, 33% of our case handlers were on contingent contracts. Having a strong contract in place for the provision of contingent case handlers provides us with the flexibility to increase and decrease our capacity to respond to fluctuations in demand more easily.

Building our presence across the UK

We have expanded our presence across the UK through our hubs, providing access to a wider talent pool and ensuring that we can attract and retain the best talent. At the end of 2024/25 we have a presence in London, Coventry, Edinburgh, Manchester and Cardiff, with a further trial hub in Belfast and 24% of our employees based outside of London.

Retention

- Voluntary turnover fell month on month throughout 2024/25, ending the year at 10.8%, against a budget of 15% (12.6% in 2023/24).
- Overall staff turnover was 12.7% (down from 23.4% in 2023/24) following embedding our Target Operating Model.
- Time lost to employee sickness was 3.1%, equivalent to 7.7 days for each full-time (FTE) employee (2.8% in 2023/24).

A culture of continuous learning and development

Our learning and development programme has been improved for all colleagues, in line with our reward strategy and with a focus on developing key skills.

Supporting people from the start

Our learning and development Academy ensures our people have the core skills they need to effectively review and resolve cases fairly and consistently, providing targeted retraining when we need our people to focus on different product areas.

Over the past year, we have significantly enhanced the content and the processes in our Academy to meet rising demand while maintaining quality and flexibility, plus delivering on strategic impact. Through changes to our structured learning, we have reduced our time to competence for new investigators by 30%.

Clear career pathways

In 2024/25, we built on the introduction of professions frameworks in 2023/24 to develop targeted learning programmes that provide structured career development opportunities for all colleagues. For example, in our Customer Call Hub we are piloting an initiative which offers meaningful opportunities and the development of key skills to support progression to investigator roles.

Leading success

We introduced a new Leadership Framework which sets clear expectations of our leaders and helps support the creation of targeted development plans. The framework focuses on skills across three areas: leading yourself, leading others and leading the organisation.

Our Leadership Framework

Leading the organisation

Thinking strategically

Creates a compelling vision that inspires teams to challenge and innovate to meet future priorities.

Evidence-based decision-making

Leverages data and business intelligence to make smart, efficient decisions.

Customer-centric approach

Puts customer needs first, ensuring a high-quality service with fairness at its heart.

Key skills

Strategic planning
Change management
Critical thinking
Commercial awareness
Data literacy
Financial acumen

Leading others

Inspiring excellence

Sets ambitious goals, drives high performance, and holds teams accountable to deliver exceptional results.

Inclusive leadership

Creates a culture of trust and belonging, valuing diverse perspectives and empowering colleagues to reach their potential.

Collaboration and influence

Leads across team boundaries to achieve organisational goals.

Key skills

Performance coaching
Accountability and ownership
Empathetic leadership
Conflict management
Collaborative working
Influencing and negotiation

Leading yourself

Adaptability and agility

Embraces change, learns fast and champions continuous improvement.

Resilience and wellbeing

Maintains effective leadership in times of professional and personal change.

Integrity and self-awareness

Leads with authenticity and constantly seeks to grow and develop.

Key skills

Emotional intelligence
Resilience
Growth mindset
Decisive action
Time mastery
Ethical leadership

Reviewing our reward strategy

We completed our reward strategy review this year, with a focus on the benefits we provide our people to ensure we continue to attract and retain the people we need.

We enhanced our wellbeing benefit offering by including a neurodiversity plan, menopause and men's health support, and by introducing a gym scheme for employees outside London (where our provision is an on-site gym).

In January 2024, we announced a refreshed pay and grading structure for all colleagues, which was implemented from April 2024.

Diversity, inclusion and wellbeing

To give customers the best service, we need to reflect the communities we serve. So, we have been working towards ambitious targets for diversity, inclusion and wellbeing (DIW) since 2016 and reporting pay gap and representation data since 2017.

You can see our latest data about gender and ethnicity pay gaps on our website.

In 2024/25 we continued to deliver against our DIW strategy: Together we thrive. It has four action-orientated pillars based on feedback from colleagues and our knowledge and understanding of the diversity, equity and inclusion landscape. These are:

- conscious inclusion
- diverse perspectives
- equity by design
- proactive wellbeing.

The strategy works alongside our values and highlights how everyone should play their part by taking responsibility for diversity, inclusion and wellbeing.

Following a trial in 2023/24, this year we rolled out equality and equity training to managers. This is focused on helping colleagues reduce bias and expand equity in their own work and decision-making. This training has helped us already as we go through the regular review of key policies and proposals submitted for executive governance.

Workplace adjustments

We are proud to be a Disability Confident Leader, the highest accreditation in the scheme. We are committed to supporting applicants with a disability or long-term condition throughout the recruitment process and their time with us.

We list the minimum criteria for job roles clearly on our website and provide key application information when we advertise roles. Our Talent Acquisition team is available to all candidates for confidential discussions and to arrange reasonable adjustments to the recruitment process. They follow up with applicants to ensure the process was managed effectively and to identify ways to improve.

For existing employees, we have a workplace adjustment policy that allows colleagues to request reviews of their working arrangements.

This includes physical adjustments like ergonomic equipment and assistive technology, as well as flexible working patterns. Information is shared only as needed and in the most appropriate way. Our workplace adjustment partner provides assessments to ensure proper adjustments and training are in place. We work closely with the Business Development Forum and our employee networks to provide tailored support for colleagues with disabilities. We keep our policies under review and incorporate feedback to create an inclusive approach.

During the reporting period, we added neurodiversity diagnostic assessments to our private medical insurance. This helps colleagues get timely support while awaiting a diagnosis, allowing us to make necessary adjustments to help them in their roles.

Supporting our people

Communication and engagement

Internal communications

We have a variety of channels to keep our people informed and engaged with our work and progress towards our organisational goals. Digital channels, such as our intranet and email newsletters, work in combination with information cascades. Colleagues can also meet with the Executive Team during monthly huddles and quarterly all-colleague Town Halls to ask questions and hear updates. As well as these regular engagement sessions, which are well attended throughout the year, internal communications and engagement activity support any new initiatives which are introduced.

Our senior leaders meet quarterly, and we host an annual leadership conference for all people managers to share information and skills that will help them to lead their teams with confidence. The conference includes discussion about strategic direction and provides the chance for leadership development sessions, focusing our leaders on: the role they play to help deliver shared objectives; updates on our financial position; people initiatives; and policy and process changes.

Inspire Awards

In October 2024, we launched our inaugural Inspire Awards to recognise and celebrate outstanding achievements from colleagues.

Nominations were open to all staff over nine categories.

We received over 273 nominations, which were reviewed by panels. The winners and runners-up were invited to a celebration event, hosted by our CEO and Chair, in January 2025.

Juliana Francis Inclusion and Wellbeing Award	Playing our PART Award	Customer Service Champion Award
Inspiring Leader Award	Team of the Year Award	Rising Star Award
Driving Innovation Award	Unsung Hero Award	Outstanding Achievement Award

Annual engagement survey

Our annual survey lets colleagues share their views anonymously and helps shape our people strategy and plans. This year the response rate was 66%, which is slightly lower than the 69% of people who responded in 2023/24. Despite changes in the organisation, and a significant increase in demand for our service, our engagement score increased from 70% to 76%.

We saw a rise in the number of people feeling supported in their development at the organisation (57% up from 40% in 2023/24), reflecting the work to enhance our learning and development programme. We also saw a ten-percentage point increase in how well people felt we had communicated matters affecting them (53% up from 43%). The strongest scores were around how people felt supported by their managers. A high number (94%) of people feel that their manager treats them with respect, and 86% of people feel supported by their manager to do their best in their role.

Areas for improvement identified were focused on the ability of our leaders to share the vision and provide clarity for people at a time of change and uncertainty, in particular helping set out clear prioritisation in such times.

Senior leaders worked with their teams and our Information and Consultation Council (ICC) to review the survey results and create targeted action plans, building on successes and opportunities for improvement.

Networks

Our 15 employee networks are voluntary groups that come together through shared identity or life experiences. They create supportive environments and find ways to bring people together through events and knowledge sharing. Our networks play an important role in keeping the Financial Ombudsman Service a diverse and inclusive workplace.

Our employee networks

- Cancer support group
- Carers' network
- Embrace
- Christian fellowship
- Enable Be you Neurodiversity
- Enable Be you
- Hindu network
- Jewish network
- Women's network
- Muslim network
- OutRight
- Parents' network
- Sikh network
- Sports & social committee
- Mental wellbeing network

Speaking up

We encourage colleagues to speak up if they are concerned about wrongdoing at work. They can do this anonymously and at any time through our partnership with an external whistleblowing service. All reports are recorded and reviewed, while safeguarding the anonymity of colleagues.

During the reporting period, we received seven reports raising concerns. Each report is reviewed and forwarded to the Audit, Risk and Compliance Committee. The results of any required investigations are also reported to the Audit, Risk and Compliance Committee. All reports made in 2024/25 were resolved during the year and no systemic issues were identified.

Colleague involvement and consultation

The Information and Consultation Council (ICC) is a group of staff elected to represent colleagues across the Financial Ombudsman Service. They regularly meet with senior leaders to share employee feedback and influence key decisions. This year, the ICC continued to play a crucial role in implementing our reward strategy. They provided valuable input during the annual pay review on the overall approach, and helped develop our new pay and grading structure, explaining its impact on colleagues.

Our operational impact

Corporate and social responsibility

We recognise that we have an impact on the world, from our people and community, to how we procure goods and services and how we recycle and reuse. Our Corporate Social Responsibility (CSR) steering group meets regularly to ensure our CSR strategy is on track.

Environmental, social and governance

Consumed **1,828,508**kWh of electricity across all our buildings, an increase of 14% compared to last year (1,610,047kWh in 2023/24). This was due to higher desk occupancy within our buildings.

30,000ft² reduction of our property portfolio during 2024/25.

We sub-let a further **30,000**ft², ensuring we only heat and light the space we need. With fewer floors, we have seen a busier working environment which is more vibrant and collaborative for everyone, with desk utilisation improving to around 70% on core days.

VACATED

Recycled **1,548kg** of paper (6,432kg in 2023/24) and saved the equivalent of **26** trees.

Although the volume of paper recycled has decreased, this reflects a positive shift as our overall paper consumption has significantly reduced because of improved digital practices.

Continued to proactively collaborate with our office landlords to enhance and optimise recycling practices, often by reducing consumption to reduce the need to recycle.

Donated redundant office furniture to local charities following our property exits and in line with our sustainability commitments, diverting from landfill.

Business travel by road is down 34%, compared to 2023/24. However, spend on air and train travel has increased alongside the introduction of our hub locations across the UK. We have robust travel and expenses policies in place but to support our new hub model we are looking to engage a travel provider in 2025/26, through which we can book cost-effective travel and obtain greater data and insight into our travel expenditure and associated emissions.

Continued to keep our people informed about environmental initiatives, campaigns and raising awareness throughout the year.

Carbon management

Since 2012, we have been analysing and reducing our carbon usage. Our Scope 2 carbon emissions increased by 11.8% in 2024/25, which follows a 5% reduction in 2023/24. This is largely due to the increased office occupancy across our sites. We remain focused on reducing our Scope 2 carbon emissions where possible.

We are proud that our Scope 2 emissions have reduced by 58.3% since 2018/19. This is predominantly due to our property consolidation but is also partially due to the decarbonisation of the electricity grid in the UK. In addition, we upgraded our lighting in Exchange Tower to LED in 2024/25 at an investment cost of £1m, which is supporting the management of both Scope 2 emissions and electricity costs relative to the level of office occupancy.

As well as investing in our buildings we continue to develop our first net zero transition plan. We are following the Transition Plan Taskforce Disclosure Framework, working with key departments from across the organisation and focusing on contractual activity and digital strategies which will support a reduction in Scope 3 emissions. While we are not as well progressed with this plan as we had hoped to be at the start of 2025/26, we remain committed to effective carbon management.

Workspace management

In 2025/26 we will focus on reducing our energy utilisation and consumption, relative to the level of office occupancy by our people, through:

- the LED lighting and control systems now available to us, which will allow us to actively understand electricity usage within our estate and identify opportunities for reduction
- desk utilisation and advance recruitment insight across our offices (London, Coventry and any other locations contracted through the year), helping us make the most of our workspaces
- developing a plan for Scope 3 carbon emission reductions, working towards becoming a net zero organisation.

Responsible procurement

By integrating CSR considerations into our procurement strategy, we ensure that our suppliers align with our values and contribute positively to society. This approach not only enhances our reputation but also fosters long-term sustainability and ethical practices within our supply chain.

When undertaking procurement activity, we:

- use ‘environmental, social, and governance’ (ESG) selection criteria to evaluate supplier bids
- discuss sustainability, environmental, economic, and social policies, and performance thereof, with our key suppliers as part of our ongoing contract management processes
- support small to medium enterprises (SMEs) by providing them with fair opportunities to compete for contracts. We recognise the vital role SMEs play in driving innovation and economic growth, and we actively seek to include them in our supply chain.

We require our suppliers to:

- pay their staff at least the Living Wage Foundation’s living wage
- comply with the Modern Slavery Act (MSA) by annually publishing their MSA statement, signed by their CEO, in a prominent place on their website.

Operational impact performance

Performance		2020/21	2021/22	2022/23	2023/24	2024/25
Electricity*	Kilowatt hours	2,083,881	1,620,564	1,813,991	1,610,047	1,891,873
	CO_2e kg using government CHG emission factors	485,836	344,094	350,790	333,399	391,712
Travel**	Travel mileage amounts	2,802	8,858	24,139	22,761	14,929
	CO_2e kg using government CHG emission factors	786	2,485	6,781	6,273	4,117
Per employee	CO_2e kg using average headcount	167	128	144	144	161
Paper consumption	Sheets of paper	1m	1.1m	0.3m	0.5m	0.5m
	Scanned correspondence – number of pages	0.8m	0.6m	0.7m	0.7m	0.7m

* Based on energy consumption data provided by our landlords in Coventry and London. Average figures calculated due to bulk data being processed and shared from our landlord at Exchange Tower

** Mileage amounts include taxi bookings with third parties for business travel and business mileage claimed through expenses. Emissions factors are based on a medium car, unknown fuel.

Social responsibility

Following a company-wide vote in 2024, we chose to support Sands, the UK's leading pregnancy and baby loss charity, for a two-year period.

In the first year of our partnership, we are proud to have raised over £32,000 for the vital work Sands does, through a range of fundraising activities including a sponsored sky dive, staff raffles and a charity football match.

Our staff dedicated more than 300 hours to volunteering, including as part of our partnership with East London Business Alliance (ELBA), lending their time and skills at food banks, local farms and supporting local schools.
This community engagement not only provides essential support but helps strengthen our bonds with the communities we serve. Our community outreach initiatives have extended to career insight days and work experience programmes with local schools, colleges, and care-experienced young people – providing insight into the work of the Financial Ombudsman and potential future opportunities, including our apprenticeships.

Health and safety

Over the past year we have remained committed to our responsibilities, ensuring adequate time is invested in looking after the health, safety and wellbeing of all staff and visitors to our buildings.

In 2024/25 we:

- refreshed our health and safety statement and policy, and shared these with our people
- reviewed our e-learning modules, which included manager safety and wellbeing guidance, manual handling and working at height courses
- reviewed our fire safety plans for our offices, including the completion of risk assessments and emergency plans
- conducted water tests, and water risk assessments and sampling, to ensure the quality of our potable water
- provided training for new and existing first aiders to ensure support across all our offices
- completed in-house inspections of our offices to ensure they are in optimal condition
- modified the information and support we provide for our people with allergies
- reviewed our risk assessments for display screen equipment, expectant mothers, working at height, manual handling, control of substances hazardous to health (COSHH), young persons and front of house

We delivered:

52 assessments to ensure our people were working safely in the office

121 virtual assessments for people working at home

20 enhanced assessments

656 health and safety inductions for new colleagues joining us

42 new and reviewed personal emergency evacuation plans

26 workplace adjustment requests providing equipment, specialist assessments and support and guidance

In 2024/25 there were **no reportable injuries** under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) made to the Health and Safety Executive. We had two minor accidents reported in this period.

Handling personal data and freedom of information (FOI) requests

The Financial Ombudsman Service is covered by the Data Protection Act 2018 and the General Data Protection Regulation (GDPR). This places legal obligations on us, as a data controller, when we hold and process personal information about individuals.

The amount and type of personal information we process varies, depending on the individual circumstances of a complaint and why we are processing personal information. You can find out more about our handling of personal data on our website.

	2023/24	2024/25
New UK GDPR requests	658	667
Compliance	86%	95%
New FOI requests	422	453
Compliance	78%	95%

Personal information

In 2024/25, we received 667 GDPR requests. We achieved a compliance rate of 95% against the Information Commissioner's Office (ICO) target of responding to requests within one calendar month.

The table sets out the requests we received over the last two years. As a result of work to identify efficiencies in our internal processes, we have been able to improve our compliance rate.

Freedom of information requests

The Financial Ombudsman Service has been subject to the Freedom of Information Act (FOIA) since November 2011. Our publication scheme provides a guide to the information that is available without a specific written request. We also publish statistical information about the requests we handle and how we respond.

Following the issuing of the ICO's Practice Recommendation regarding our FOIA compliance in January 2024, we made multiple improvements to the way we process FOIA requests. This included increasing the amount of resource in the relevant team as well as reviewing our processes to improve timeliness in responding to requests.

We shared details of our progress with the ICO in August 2024. They were satisfied with the improvements to our compliance and no further action was required.

In 2024/25 we received 453 Freedom of Information requests. We achieved a compliance rate of 95% against the ICO target of responding to requests within 20 days.

Mark Sceeny
Company secretary
1 July 2025

Financial report

Chandra Hirani

Interim Finance Director

The Financial Ombudsman Service is funded through a combination of case fees and levies paid by the financial services firms we receive complaints about. You can find out more about how we are funded on our website.

Each year we consult publicly on our proposed Plans and Budget. We publish our final Plans and Budget following approval from the Financial Conduct Authority (FCA).

Our budget is managed by our Executive Team, with oversight from our Board. Our Executive Investment Sub-Committee provides oversight and approval of key expenditure, within the delegated levels of approval authority agreed by the Board.

Overview

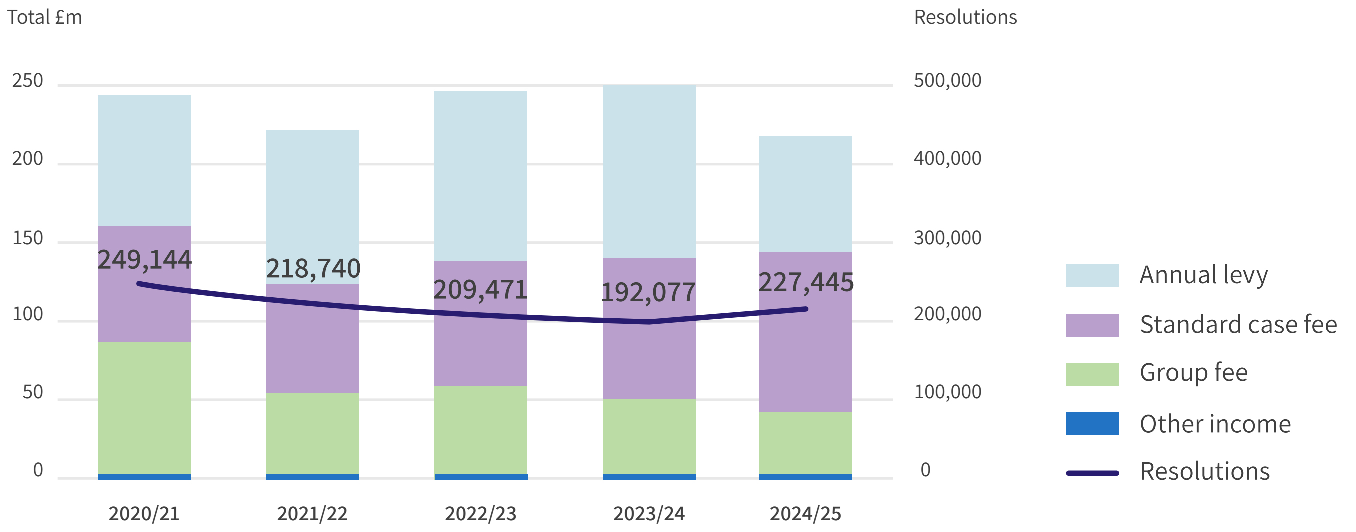
We set out our plans and priorities in our 2024/25 Plans and Budget.

This chapter explains our financial performance. A summary of our key financial metrics is set out in the table.

	2023/24 Actual £m	2024/25 Budget £m	2024/25 Actual £m	2024/25 vs Budget £m	2024/25 vs 2023/24 £m
Operating revenue	250.9	203.2	217.1	13.9	(33.8)
Operating expenditure (excluding transformation)	(214.4)	(251.9)	(234.0)	17.9	(19.6)
Transformation costs	(7.7)	(13.0)	(11.1)	1.9	(3.4)
Total operating expenditure	(222.1)	(264.9)	(245.1)	19.8	(23.0)
Surplus/(deficit)	35.6	(55.5)	(21.3)	34.2	(56.9)
Reserves	158.3	102.8	137.8	35	(20.5)
Reserves – months of operating expenditure	8.9	4.9	7.1	2.2	(1.8)
Unit cost per case (£)	1,116	1,080	1,029	51	87

Income

Our funding structure in 2024/25 remained consistent with that for 2023/24, just at a much-reduced unit cost per case. The core components of funding from financial services firms remained an annual levy, group-account case fees and standard case fees.



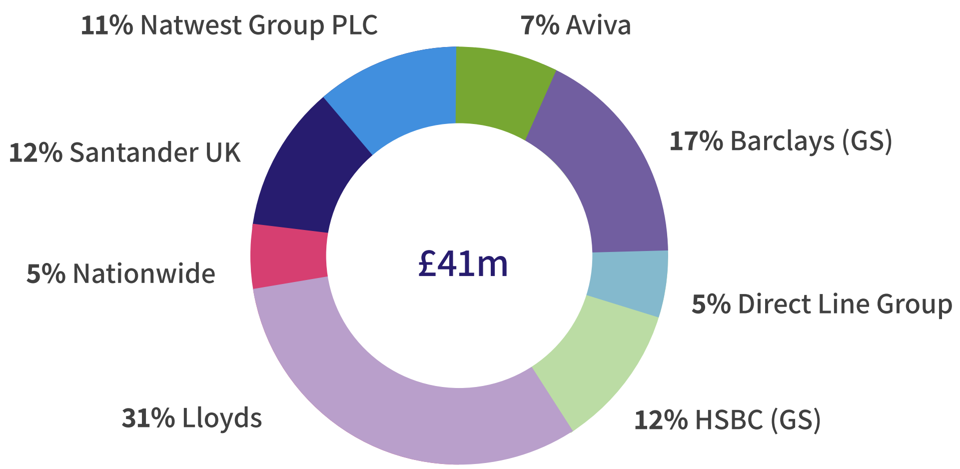
Group-account fee arrangement

Our group-account fee arrangement covers eight financial services groups: Lloyds, Barclays, HSBC, NatWest, Nationwide, Santander, Aviva, and Direct Line Group. This remains the same as for 2023/24. This arrangement helps us to predict, and therefore plan, our funding and gives us some stability.

Group-account fees are calculated in advance, based on their share of the overall cases we expect to resolve. This takes into account our existing stock of cases and cases we have budgeted to deal with. At the end of the year, we calculate an adjustment for a firm if the actual volume of resolved cases is more than 5% higher or lower than budgeted.

This group-account fee funding arrangement accounted for 26% of our total volume of resolved cases this year (2023/24: 33%) and represented 28% of our total case fee income (2023/24: 35%).

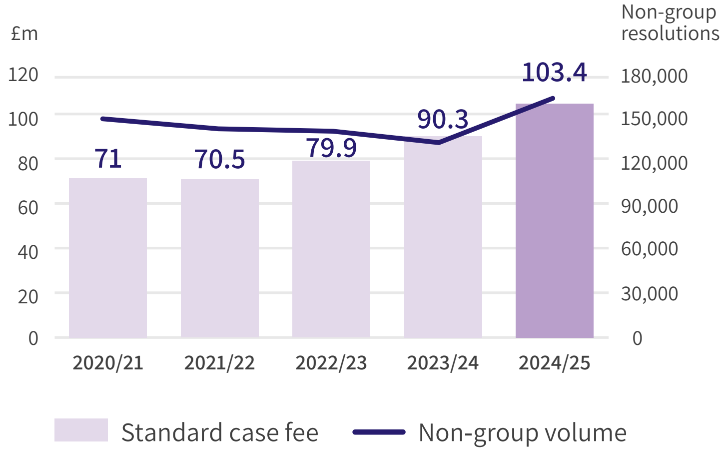
Income from group-account fee firms totalled £41.0m. This was £3.9m lower than budget due to the year-end true-up for seven firms that were outside the 5% tolerance, and £8.6m lower than 2023/24 due to the lower volume of resolved cases from group-account fee firms and the reduction in case fee from £750 in 2023/24 to £650 in 2024/25.



Standard case fees (non-group firms)

Our fee was £650 a case. Each financial services firm receives three free cases a year. This meant we charged firms outside the group-account fee arrangement for the fourth and each subsequent complaint. Seven in ten businesses, whose customers referred complaints to us, did not pay any case fees at all in 2024/25.

Case fee income of £103.4m was £15.7m higher than budget due to 11,371 more cases being resolved for firms outside the group-account arrangement which meant a higher percentage of cases were chargeable than was anticipated. Income is £13.1m higher than 2023/24 due to resolved cases being 38,737 higher, partially offset by a reduction in case fee from £750 in 2023/24 to £650 in 2024/25.

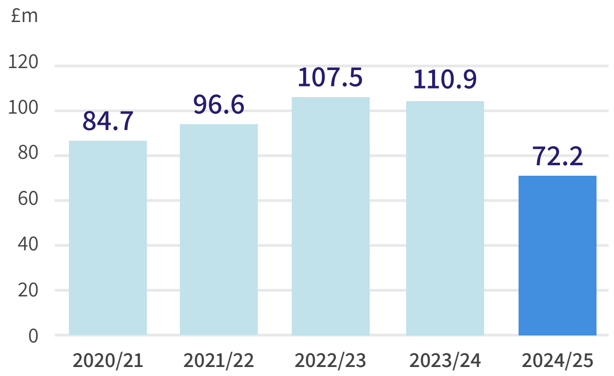


Annual levy

The FCA collects the compulsory jurisdiction levy according to the amount of work we expect from each industry sector. We bill the voluntary jurisdiction levy based on a minimum levy and tariff rates.

In 2024/25 the total levy income was £72.2m, of which our compulsory jurisdiction levy was £71.6m against a budget of £70m (2023/24: £110.0m). The increase against budget was primarily from insurers, who reported higher gross written premiums to the FCA to which the tariff applied. The planned reduction in the compulsory jurisdiction levy, £38.4m lower compared to 2023/24, was funded by surplus reserves in anticipation that cost efficiency savings will be made in future years to ensure that we remain financially sustainable.

Our voluntary jurisdiction income was £0.6m, which is £0.1m higher than budget but £0.3m lower than last year.



Bad debt

In our 2024/25 budget we made allowances for a specific provision of £1m for de-recognised income. Our case fees are shown net of this provision.

The total impact on the financial statements for 2024/25 of de-recognised income was £0.1m and bad debt cost was £0.1m.

Overall, this is £0.8m lower than budget and £1.4m higher than 2023/24, which included £2m accrued dividend in de-recognised income for Amigo Loans, which has now been received.

Operating expenditure

Our total operating expenditure (including restructuring and one-off transformation costs) for the year was £245.1m, which is £19.8m higher than 2023/24 and £23m lower than budget.

Operating expenditure, excluding restructuring and one-off transformation costs

Our total operating expenditure (excluding restructuring and one-off transformation costs) for 2024/25 was 234.0m, which is £19.6m higher than 2023/24 and £17.9m lower than budget.

	2023/24 Actual £m	2024/25 Budget £m	2024/25 Actual £m	2024/25 vs Budget £m	2024/25 vs 2023/24 £m
People costs	179.0	215.2	198.2	17.0	(19.2)
Systems and technology costs	17.3	20.0	17.6	2.4	(0.3)
Property costs	8.1	7.8	7.5	0.3	0.6
Depreciation	6.4	6.3	5.6	0.7	0.8
Other costs	3.6	2.6	5.1	(2.5)	(1.5)
Total operating expenditure (excluding transformation)	**214.4**	**251.9**	**234.0**	**17.9**	**(19.6)**

Against 2024/25 budget, costs were £17.9m lower primarily due to lower people costs, such as:

- £5.6m from lower casework FTE costs from a higher cost resource mix that did not transpire
- £9m contingency in budget which was not utilised
- £3.0m from a lower annual organisation bonus earned – a 33% bonus was earned in relation to performance against the service standard targets approved to be bonus metrics for 2024/25. In addition, a further 28% award was made at the Board's discretion to reflect the achievement of metrics and activities not included on the bonus scorecard and to reflect the detrimental impact of the 95,918 additional cases received in 2024/25 that could not be fully mitigated.

Against 2023/24 , operating expenditure was £19.6m higher, primarily due to people costs, such as:

- £12.5m from employing 168 more casework FTE on average to process and resolve 35,438 more cases – this is net of £16m reduction in cost from operational efficiencies achieved
- £3.2m of inflationary cost increases across payroll
- £3.6m of other cost increases from HR investment in developing our casework Academy (to enable increased recruitment throughput and a shorter time to competency for our new caseworkers), lower bonus cost and one-off credits in 2023/24 not repeated in 2024/25.

People costs

As in previous years, expenditure on people was our highest cost at 85% of the total operating expenditure, excluding restructuring costs (2023/24: 83%).

We continued to use contracted case handlers, as well as permanent employees, to allow us to scale up and down in response to changes in demand. However, to scale up more efficiently and effectively, we needed to improve the pace and quality of our Academy recruitment process. This was achieved during the year, but not sufficiently quickly to fully respond to the complaint volume received.

We retained the level of permanent case handlers in line with 2023/24. The average total number of permanent and contract investigators FTE at 1,509 for 2024/25 was in line with budget of 1,516.

Systems and technology costs

Our IT investments provide the core infrastructure and services required to both run our day-to-day operations securely, and to provide the foundations from which we continuously improve operational efficiency for our customers. Our key systems being:

- casework management, the foundation system being Microsoft 365
- workforce management, with Workday in place to do this.

Cloud hosting of our core systems can scale with demand, which also helps us to be more responsive. The IT infrastructure and equipment we have enables us to offer fully remote, in-office or hybrid working arrangements, which gives flexibility in working arrangements to our staff.

We incurred systems and technology costs of £17.6m (2023/24: £17.3m) across IT projects, cloud, managed services, licences and maintenance.

Several key projects, managed within our technology programme rather than our transformation programme, were delivered in 2024/25 including:

- a £3.3m laptop refresh programme, replacing leased assets with owned assets to all permanent staff (£3.1m of this cost has been accounted for in capital expenditure in 2024/25)
- £1.5m, primarily spent on people resources, to update our billing system and processes to accommodate charging professional representatives from 1 April 2025 – these costs have been incurred as operating expenditure in the relevant functional department
- £0.6m implementing the first phase of a new Security Operations Centre to ensure appropriate mitigation of additional threats from the launch of the respondent business portal (this is in addition to the £0.7m spent in the previous year, making a project cost total of £1.3m).

Property costs

We have had a reduction of £0.6m in our property-related costs compared to 2023/24, driven by exiting one floor in Exchange Tower, London, in September 2024, while subletting a second floor (the sublet income will fully cover the operating costs).

Unit cost

The unit cost of resolving a case is:

- our total operating expenditure – excluding significant one-off costs, such as those relating to organisation restructuring or technology capability developed as part of our transformation programme

divided by:

- the total number of cases we resolve in the year.

Our cost per case has now started to reduce as we drive operational efficiencies and cost savings through both formal transformation projects and continuous improvement initiatives.

In 2024/25, our cost per case was £1,029 – 5% lower than budget and 8% lower than our reported unit cost per case of £1,116 in 2023/24.

Note that the cost per case for 2024/25 reported in our service standards, in the Operational performance section on page 24, is at £1,040. This is because we exclude from that calculation the reduced cost that resulted from the employee bonus being less than 100%.

Restructuring and one-off transformation costs

In 2024/25, restructuring and one-off transformation expensed costs totalled £11.1m (2023/24: £7.7m):

- £3.5m to deliver our data strategy, including designing and building new data warehouses and providing core foundations for the development and strengthening of our artificial intelligence and reporting strategies. Capability was partially delivered as at the end of 2024/25, with work to complete the projects continuing into 2025/26
- £2.1m on the ongoing build and roll out of the online portals for both businesses and consumers (£1.1m of which was capitalised and impaired in year)
- £1.8m delivering tools for caseworkers to support them with more efficient case progression, including activity-based management tools and capability to auto-allocate cases to colleagues
- £1.2m on exploring and progressing tools to deliver further efficiencies in case progression, particularly at the ‘engage’ stage of the customer journey which includes self-serve capability for our customers. This remained work in progress at the end of 2024/25.
- £3.5m impairment associated with transformation developments; £2.6m impairment due to delays in the online portals and the deployment of other technologies resulting in erosion of benefits associated with the portal, and a further £0.9m impairment of our document identification AI solution due to a change in the technical solution.

While we successfully deployed some new capabilities during and prior to 2024/25, which have supported delivering £16m of operational efficiencies, other projects are behind their original development and implementation schedule. This is for a variety of reasons, including additional complexity of delivery and the prioritisation of resources onto the critical, time-sensitive work of delivering the new billing process for charging professional representatives. This means the completion of some projects was re-phased.

Reserves

Our closing reserves for the year finished at £137.8m (2023/24: £158.3m) against a budget of £102.8m because of a lower deficit from continuing operations in the year.

Our policy is to have reserves cover of between three to five months of operating expenditure. We have reserves cover of 7.1 months of operating expenditure at the end of 2024/25. To reduce reserves to a level within our stated policy, from 1 April 2024 we reduced our case fee to £650 and our compulsory jurisdiction levy income to £71.6m. We are retaining this reduced funding pricing for 2025/26 to continue the managed reduction of our reserves, to bring the level in line with our policy whilst monitoring any required use for unforeseen events.

We believe this to be a sustainable position as we expect to deliver cost efficiencies, from our transformation investments and other operational improvements, to ensure that in future years our income and costs are matched at reduced effective levels.

Cash management

We review our cash balances daily and update our forecasts quarterly. Our closing cash balance on 31 March 2025 was £173.6m – £48.0m lower than at the end of the previous financial year. The decrease was driven primarily by the deficit for the year and the return of on-account compulsory jurisdiction levy payments made in the financial year 2023/24 in relation to 2024/25. The on-account charges were calculated using our provisional levy budget of £106m, which was amended to £70m in our final budget.

In accordance with the investment strategy approved by the Audit Risk and Compliance Committee, on 31 March 2025 we had £148m invested:

- between six institutions
- for periods of up to four months
- at rates between 4.52% and 4.85%.

In addition, we had £10m on overnight deposit with one of the six institutions at a rate of 4.45%.

Total interest received over the year amounted to £9.4m – a small reduction from £9.6m in 2023/24.

Creditors' payment terms

We have a policy to pay creditors within agreed terms. The average credit period taken for trade payables is 21 days (2023/24: 20 days)

Our 2025/26 budget

Our strategic plans include complaint trends and how we are planning to develop and resource our service. Our budget is subject to approval by the Financial Conduct Authority, which publishes details of our fees on its website. Our 2025/26 plan and budget was approved by the FCA Board on 27 March 2025.

Find out more about our Strategic Plans and Budget for 2025/26 on our website.

By order of the Board

Chandra Hirani
Interim Finance Director

1 July 2025

Governance

2024/25 Board membership

How Board members are appointed

We are a statutory dispute resolution scheme set up under Part XVI and Schedule 17 of the Financial Services and Markets Act 2000 (as amended). We work on a not-for-profit basis.

The FCA appoints our Board of Directors and, with the approval of HM Treasury, our Chairman on terms including those laid out in our Articles of Association.

The recruitment process for non-executive positions is open and transparent. This includes running advertisements in the national media.

We make appointments as an equal opportunities employer, in accordance with principles of fairness and impartiality and our commitment to diversity and inclusion.

Under our Articles of Association, the Board must consist of a minimum of three directors. On 31 March 2025, the Board consisted of seven non-executive directors.

See more about how we are governed on our website.

The Baroness Manzoor CBE

Chairman

Appointed 2 August 2019

Current term due to end 1 August 2025

Nigel Fretwell

Non-Executive Director and Senior Independent Director

Appointed 30 September 2021

Current term due to end 29 September 2025

Shrinivas Honap

Non-Executive Director

Appointed 30 September 2021

Current term due to end 29 September 2027

Sarah Lee

Non-Executive Director

Appointed 4 January 2021

Current term due to end 3 January 2026

Bill Castell

Non-Executive Director

Appointed 12 October 2020

Current term due to end 11 October 2026

Warren Buckley

Non-Executive Director

Appointed 23 September 2024

Current term due to end 22 September 2027

Jacob Abboud

Non-Executive Director

Appointed 1 April 2021

Current term due to end 31 March 2027

Tenure policy

Under our Articles of Association, non-executive directors may serve a maximum of ten years. In the case of the Chairman, this ten-year period would include any time served as a non-executive director, if relevant.

Non-executive directors are appointed for an initial period of no more than three years, or no more than five years in the case of the Chairman. If a non-executive director wants to resign before their term of office ends, they must give at least three months' notice in writing, both to the Chairman and to the FCA.

Conflicts of interest

We maintain, and regularly review, a register of conflicts of interest. Before a new non-executive director is appointed, and during their tenure, they must seek the Chairman's authorisation for any other roles they wish to undertake to ensure there are no conflicts of interest. Non-executive directors must also flag any potential conflicts as they arise during their tenure.

Under the Companies Act 2006, if a conflict of interest arises, which the Board considers manageable, they can approve an appointment subject to whatever limits and conditions the Board considers appropriate.

The role of the Board

The Companies Act 2006 requires directors to act in a way that they consider is most likely to promote the success of their company. Directors are also expected to exercise reasonable care, skill and diligence.

The role of the Board of the Financial Ombudsman Service is to:

- ensure that the Financial Ombudsman is properly resourced and able to carry out its work effectively and independently
- agree the strategic direction of the Financial Ombudsman and its key commitments
- oversee and monitor the Financial Ombudsman's operational and financial performance
- appoint the Chief Ombudsman and the panel of ombudsmen under paragraphs 4 and 5 of Schedule 17 of the Financial Services and Markets Act 2000 (which the Board has delegated to the Chairman, apart from in the case of appointing the Chief Ombudsman)
- appoint the Independent Assessor – who deals with complaints about the level of customer service we provide when resolving complaints about financial businesses
- approve the draft budget each year for recommendation to the FCA
- approve (with the FCA) appropriate rules in 'Dispute resolution: complaints' (DISP) and Fees Manual (FEES) sections of the FCA's Handbook
- prepare and approve an annual plan that sets out how resources will be used
- approve the Annual Report and financial statements
- be an ambassador for the Financial Ombudsman Service and a role model for our culture, values and commitment to diversity and inclusion.

Board meetings

The Chairman is responsible for leading the Board. The Chief Executive Officer and the Chief Ombudsman are responsible for providing leadership across the Financial Ombudsman Service with the Executive Team.

The Chief Executive and Chief Ombudsman, and other members of the Executive Team, attend Board meetings at the Chairman's invitation. This enables the Board to benefit from non-executive and executive insight.

The Chairman, the Chief Executive, and the Chief Ombudsman ensure an appropriate balance of discussion between strategic matters and operational and assurance business. The Schedule of Matters Reserved for the Board sets out the key areas where the Board and committees receive assurance over the year, including issues relating to performance, management of corporate risks, and the effectiveness of internal systems and controls.

Minutes of all our Board meetings are published on our website.

On average, the Chairman spends two to three days each week on Financial Ombudsman business. The time commitment of other Board members amounts to around two to three days each month.

The table below shows each Board member's meeting attendance. The figures below include Board meetings and any sessions where the Board discussed long-term strategic plans and short-term strategic objectives.

Board member	Meetings attended
Baroness Zahida Manzoor	13/13
Jacob Abboud	12/13
Bill Castell	13/13
Nigel Fretwell	13/13
Shrinivas Honap	13/13
Sarah Lee	13/13
Warren Buckley (appointed September 2024)	7/13 (100% since appointment)

Board sub-committee meetings

In addition to the Board meetings, there are four Board sub-committees. The Board is satisfied that the combined knowledge and experience of all committee members enable each committee to fulfil its responsibilities effectively.

The Chair of each committee updates the Board on its activities.

The table below shows the role and responsibility of each sub-committee and each Board member's meeting attendance at sub-committee meetings.

Audit, Risk and Compliance (ARAC)

Areas of responsibility

- Financial reporting
- Internal audit
- Internal controls and risk management
- External audit
- Compliance, whistleblowing and fraud

Total meetings: 4

Members and meetings attended:

Shrinivas Honap (Chairman)	4/4
Jacob Abboud	4/4
Bill Castell	3/4

Main business in 2024/25

- Overseeing preparation of the annual accounts
- Approving the risk-based internal audit plan, the results of audits, and monitoring progress of delivering remedial actions against an agreed terms of reference
- Reviewing mitigation plans and controls to address strategic risks
- Reviewing reporting and dashboards on key areas of risk, including cyber security and data protection
- Monitoring the progress of external audit, and addressing any recommendations arising from the audit process
- Monitoring anti-fraud control activity and receiving reports arising from whistleblowing

Remuneration and people

Areas of responsibility

- Remuneration strategy
- People strategy
- Employee proposition
- Talent management

Total meetings: 4

Members and meetings attended:

Nigel Fretwell (Chairman)	4/4
Baroness Zahida Manzoor	4/4
Sarah Lee	3/4

Main business in 2024/25

- Agreeing the overall remuneration, including annual pay review and any bonus payment for all staff apart from the Executive
- Reviewing the evolving People Strategy and considering the revised framework
- Consider any major changes to employee reward and benefit structure
- Oversight of our location strategy
- Provide input into Executive succession planning and decisions on enacting succession plans
- Annual review of staff engagement and action plans to address areas of concern
- Reviewing progress of the implementation of the Diversity, Inclusion and Wellbeing strategy

Transformation

Areas of responsibility

- Strategic oversight of significant transformation investment
- Project and programme delivery monitoring
- Benefits monitoring
- Providing challenge and guidance regarding transformation opportunities and external best practice

Total meetings: 9

Members and meetings attended:

Jacob Abboud (Chairman)	9/9
Shrinivas Honap	6/9
Warren Buckley (100% since appointment)	4/9

Main business in 2024/25

- Agreeing the transformation programme scope, phasing and budget, both for the current year and future years
- Ensuring outcomes delivered align to the Financial Ombudsman Service's strategy and are in proportion to the level of investment made
- Monitoring the progress of work, costs, quality and outcomes of on significant technology and change programmes
- Reviewing the transformation programme key risks, mitigating actions and benefits realisation

Nomination

Areas of responsibility	Main business in 2024/25
• Board composition • Board sub committees • Organisational design and leadership structure • Chief Executive and Chief Ombudsman appointment • Executive and other relevant appointments	• Agreeing appointments to the Ombudsman Panel • Agreeing the appointments of the Chief Executive and Chief Ombudsman, Chief Operating Officer, Deputy Chief Ombudsman, Chief Finance and Risk Officer and Chief People Officer • Agreeing the pay and pay reviews of the senior Executive Team. • Agreeing changes to the Board sub committee framework and to the Committee • Agreeing the appointment of the Senior Independent Director

Total meetings: 15

Members and meetings attended:

Baroness Zahida Manzoor (Chairman)	15/15
Jacob Abboud	15/15
Bill Castell	14/15
Nigel Fretwell	15/15
Shrinivas Honap	15/15
Warren Buckley (100% since appointment)	10/15
Sarah Lee	15/15

You will find more information about our Board and committee meetings on our website.

Statement of corporate governance arrangements

The Financial Ombudsman Service is committed to maintaining robust levels of governance assurance commensurate to the size, scale and complexity of business operations. The Financial Ombudsman Service has developed its governance framework over time, driven by legislation and direction from the FCA. We are not required to follow the UK Corporate Governance code, though we do draw on it where relevant to help inform best practice in certain areas.

Our governance structure is broadly aligned to the Wates Corporate Governance Principles 2018 for large private companies. We have summarised below how the Financial Ombudsman Service's governance framework aligns to the Wates Principles.

Wates principle	Definition	How we meet it
Purpose and leadership	An effective Board develops and promotes the purpose of a company and ensures that its values, strategy and culture, align with that purpose.	The Board's role is to provide leadership and direction that sets our strategy, discusses our operational approach and performance, and holds the Executives and the organisation to account. The Board is led by the Chairman, and its non-executive directors come from diverse backgrounds to provide cross-cutting skills and expertise. Our statutory purpose is clear. We endeavour to carry out our duties in line with our published values and overriding strategy. That is to ensure all our customers and stakeholders receive a better outcome or are better informed because of our work and their interactions with us. The Board understands our statutory purpose and receives regular updates so that they can give a steer and feedback on key policy matters. In 2024/25, the Board approved the implementation of a new statutory fee-charging model for professional representatives and oversaw changes in the senior leadership of the Financial Ombudsman.

Wates principle	Definition	How we meet it
Board composition	Effective Board composition requires an effective Chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the company.	The Board membership is diverse in professional backgrounds and balanced in terms of gender. The size of the Board is guided by the scale and complexity of the organisation. The Chairman brings a range of experience and has been in post for six years. She refreshed the composition of the Board in 2020/21 and recruited a new Board member in 2024/25. The Chairman's second term of office concludes in August 2025. A national and open recruitment process for her successor began in February 2025. The Board comprises both longer-serving and newer members. They have, among other things, expertise in dispute resolution, change management, strategy and public policy. All non-executive appointments and reappointments are subject to FCA approval. Our tenure policy specifies that non-executives are appointed for an initial period of three years, and reappointments are staggered. We share our succession plans with the FCA's Oversight Committee. The Board's composition and its sub-committees are periodically reviewed by our Nominations Committee.
Director responsibilities	The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.	The Board and executive directors have a clear understanding of accountability and responsibilities with their roles at Board and sub-committee level. Nigel Fretwell serves as Senior Independent Director to the Board. Terms of reference, policies and procedures for the Board and its sub-committees are reviewed on a periodic basis to ensure that they continue to support effective decision-making. Members of the Board also serve as Chairs and members of the relevant sub-committees. Sub-committee terms of reference are subjected to annual review and can be set up on a time-limited basis and closed when no longer valuable. The Chairs of the committees update the Board on the committees' activities, and the minutes are also noted at full Board meetings. More about the Board of Directors and our sub-committees
Opportunities and risk	A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, establishing oversight for the identification and mitigation of risks.	The Board is supported by the ARAC and the Transformation Committee to ensure that opportunities and risks are identified, regularly reviewed, and appropriate mitigations and improvements are made. The internal audit function is run in-house with a programme of work, agreed by ARAC and the Board, that focuses on areas of higher risks and identifies areas of control that could be improved. The Board receives regular communications from the Internal Audit team and receives an interim report every six months. The Board undertakes regular strategic work, for example: • attending several strategy days each year • regularly reviewing and refreshing the strategic three-year (and beyond) plan • identifying value-for-money cost efficiencies • reviewing our external funding models which are consulted on annually • reviewing our statutory role within the financial services regulatory ecosystem to ensure we remain relevant and fit for purpose – for example, the joint Call for Input (about reforming and modernising the redress system) with the FCA and the external review by the Economic Secretary to the Treasury.

Wates principle	Definition	How we meet it
Remuneration	A Board should promote Executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	In line with our commitments to equality, diversity and inclusion, the Board has delegated the remuneration strategy for our people to the Remuneration and People Committee. Additional oversight for Board and Executive terms and conditions is provided by the Nominations Committee, which is attended by the whole Board. Appropriate and fair levels of remuneration are applied throughout the organisation to reinforce the shared purpose and values of all colleagues, using benchmarking against appropriate external reference points as guidance. The external benchmarking report commissioned by HR in 2023/24 concluded that our non-executive directors were paid fairly, and broadly in line with most comparable public-sector organisations. That report was refreshed in Q4 of 2024/25 and is scheduled to go to the Nomination Committee in May 2025.
Stakeholder relationships and engagement	The Board Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	The Board has meaningful engagement with a range of stakeholders and has regard to their views in decision-making. Our organisation meets with HM Treasury once or twice a month and with the wider regulatory family at least quarterly. The Chairman and other non-executive directors attend the FCA Oversight Committee three times a year for routine oversight, alongside members of the Executive. From May 2025, there will be Oversight Committee meetings more regularly for assurance about how the interim leadership arrangements are working. The Chairman also attends Parliamentary Committees when invited, which is about twice a year on average. The Board acts on feedback and actively seeks opportunities to engage with all stakeholders. The Chairman and Executive have dedicated teams that support effective internal and external stakeholder engagement at all levels. We encourage feedback from, and regularly engage with, the authorised firms within our jurisdiction, industry steering groups, wider members of the regulatory family (such as the FCA and FSCS), and with politicians (through correspondence and attendance at Treasury Select Committee and House of Lords Financial Services Regulation Committee) and with HM Government. You can find out more about the organisation's engagement with external stakeholders in the Engagement with our stakeholders and customers section on page 25. We take a proactive approach to helping to educate, support and empower our colleagues to thrive. The executive and Board engage closely with staff by: • reading feedback from the monthly employee Information and Consultation Council meetings • visiting location hubs • analysing the annual staff engagement survey • taking part in huddles, floor-walks, video blogs, senior leaders' meetings and engagement days, and • sending out intranet and email updates. Read more about our engagement with our people in the Our people section on page 28.

Performance evaluation

We follow good governance practice and periodically commission external Board effectiveness evaluations.

The last external Board Effectiveness review was carried out by Liz Cross, Founder and Managing Director of The Connectives, and reported its findings in July 2023. Her evaluation was informed by a desktop review of relevant papers and documents, individual meetings with members of the Executive Management team and non-executive directors, and attendance at the Board and Board sub-committee meetings to observe proceedings.

Overall, the review found a wide range of evidence to support the judgement of good Board effectiveness at the Financial Ombudsman. The review suggested triennial independent reviews as undertaken in most public service sectors, to be complemented by annual in-house reviews and appraisals.

Section 172(1) statement

The Financial Ombudsman Service is committed to working transparently and taking account of the needs of those who use, fund and work for us, as well as having regard to a wider set of stakeholders who have an interest in what we do and how we do it.

When making strategic decisions about how we can operate effectively and successfully, the Board considers the views of all its stakeholders to inform its thinking and understand the impact of any decisions it makes. Our Board has a duty to do so under Section 172 of the Companies Act 2006.

The Board is satisfied that it has acted in a way that is most likely to promote the success of the Financial Ombudsman in performing its statutory role. In doing so, they have had regard, amongst other things, to the following.

Sub-section of s.172 a-f	Intro and example detail	Where you can read more about this
The likely consequences of any decision in the long term	Through regular strategic work, such as strategy days and strategic plan reviews, as detailed in our statement of corporate governance arrangements, the Board takes account of how long-term decisions impact the organisation, its customers and its stakeholders. We prioritise sustainable transformation and improvements, financial resilience, and stability – ensuring the organisation is equipped to deal with future challenges, such as changes in complaint volumes (to within reasonable tolerance levels) or external shifts in the political, legal or regulatory landscapes that may have an impact on the organisation.	Information about how we have set and progressed our strategic priorities can be found on page 15 of this report. Financial information and details of our reserves can be found on page 40.
The interests of the company's employees	Our people play a key role in our ability to deliver a high-quality service successfully. It is important therefore that they are updated regularly on matters affecting them, our work and the organisation, so that they share the strategic vision, our values and culture – as well as understand how we anticipate and deal with demand for our service. Through the communication and consultation methods outlined in our statement of corporate governance arrangements, we actively engage with our people, running initiatives to support them through change, as well as with their work-life balance and wellbeing, learning and professional development.	Our People section on page 28 outlines our internal communication, staff engagement and consultation activity for the year, as well as how we supported our people though change in 2024/25.
The need to foster the company's business relationships with suppliers, customers and others	The Board believes in maintaining strong, open and transparent relationships with all our suppliers, customers, and stakeholders through the methods and channels we outline in our statement of corporate governance. We aim for high and ethical standards of business conduct and work hard to retain our reputation as a trusted and reliable organisation, with fairness and equity at the heart of everything we do.	We share details of the way we engage and work with our: • customers and stakeholders on page 25 • colleagues in the Our People section on page 28 • suppliers on page 35

Sub-section of s.172 a-f	Intro and example detail	Where you can read more about this
The impact of the company's operations on the community and the environment	We publish information, in this report and on our website, outlining what social responsibility and sustainability means to us and how we will meet our commitments on four key principles.	We share information about our operational impact on page 35.
The desirability of the company maintaining a reputation for high standards of business conduct	Upholding high standards of business conduct is central to our operations. We strictly adhere to our policies on ethics, compliance, modern slavery, and corporate governance, to ensure integrity in all our dealings. Training and monitoring help maintain these standards across the organisation.	We share information about our operational impact, including relevant corporate policies, on page 35.
The need to act fairly, as between members of the company	We do not have shareholders because we are a non-profit private company limited by guarantee that is carrying out a statutory public function. Nevertheless, we ensure that our stakeholders and customers' best interests are at the forefront of all decision-making.	We set out how we consult and engage with stakeholders on page 25.

Throughout 2024/25, the Board has engaged with the above principles in a meaningful way through its monthly Board and sub-committee meetings, ensuring that all decisions are made with a balanced consideration of the interests of all stakeholders.

This approach is critical for promoting the long-term success of the Financial Ombudsman Service as an efficient and cost-effective forum for alternative dispute resolution.

Risk and assurance

Good risk management helps us meet our strategic objectives and deliver a better service. Our corporate risks are linked to our strategic objectives. Our risk management framework helps us to identify risks and put adequate controls in place to mitigate them. We use several approaches to identify, assess and manage risks.

1. **Risk identification:** the risk and assurance team work with the Executive Team and the Board on a regular basis to identify risks that might prevent us achieving our strategic objectives.
2. **Risk analysis:** we explore what might cause each risk to occur, how likely it is to occur, and what its impact might be. We assess the level of inherent risk (before our controls are factored in) and current risk (with our controls in place), using a defined approach to scoring the level of risk. In 2024/25 we augmented our approach by regularly using 'bow tie' analysis to ensure risk owners could break down risks into cause, prevention, impact and response, and by introducing key risk indicators for seven of our 11 strategic risks to allow for more objective measurement of risk exposure.
3. **Risk response:** we identify how to make a risk less likely, or reduce its likely impact, should it occur. If we are already doing something that is making a difference, this will be reflected in the assessment of the current risk level.
4. **Review and resolution:** we decide our tolerable risk level in line with the Executive Team and the Board's risk appetite. Risk owners should set out any further action they, or others, will take to ensure a risk is reduced to meet this level or keep it there.

Our Risk and Assurance team works with colleagues across the organisation to identify risks, understand their potential causes and consequences, and agree actions to address them. Risks are assessed in reference to our organisational risk appetite, which:

- sets out the level of risk in different areas that the Board and Executive find acceptable, and
- highlights where we may have to make trade-off decisions.

Our continuing risk appetite position for 2024/25 is set out in the table below.

Key risk appetite levels for 2024/25

Level	Appetite level	Description
Core service	**Cautious**	**Reaching fair answers and providing a high quality of service** Our risk appetite is cautious, reflecting the need to balance resolving complaints fairly and reasonably, as well as quickly and informally
Workforce	**Open**	**Maintaining full capacity to deliver on our objectives** We have an open risk appetite reflecting the need to be flexible and adaptable, taking opportunities to recruit and develop a wide range of talent and flex our resource to where it is most needed
Resilience	**Averse**	**Maintaining a safe and stable operation** We are risk averse to a loss of service, aiming to act quickly to address any outages caused by third parties and maintain suitable and tested recovery plans for when needed
Change	**Open**	**Making changes to the way we work to improve our timeliness and value for money** We have an open risk appetite, reflecting the need to improve the way we operate our service to meet customer needs

Appetite descriptions and colour key:

Eager	Open	Cautious	Averse	Avoid
Opportunities outweigh the threats and we aim to realise them. Transformative benefits are required to justify risk	We are open to increasing this risk if the benefits are significant. A high benefit to cost ratio is expected	Our preference is to reduce the risk. Where there are trade-offs, the cost versus benefit must be reasonable	Risk should be reduced to the lowest reasonable level. This is a higher priority for investment	Risk reduction and elimination is paramount. Prioritise resources to achieve this

Our strategic risks

During 2024/25 we tracked 11 strategic risks, making some changes to these during the year as we made progress in addressing them. These risks were grouped into three main risk areas:

1. **Our ability to meet our service standards**
2. **Our role supporting fairness in financial services**
3. **Our reputation as a trusted service**

The table below sets out the position at 2024/25 year end in relation to our strategic risks.

Risk area and associated strategic risks	Key mitigating actions delivered in 2024/25	Position at 2024/25 year end and 2025/26 improvement priorities
Our ability to meet our service standards • Recruitment and retention • Matching resources to demand • Improving individual performance • Design and build of changes • Delivering and embedding improvements	• Successful recruitment in our location hubs and enhancements to our recruitment practices, to have access to wider talent markets and speed up recruitment. Improved career planning and a clearer rewards package aided a lower voluntary turnover than budget • To create capacity, we recruited operational people managers in areas of casework where demand for more senior casework staff to review and decide on cases was at its highest. Alongside this we leveraged our presence across the UK and our contingent casework contracts to increase casework capacity • We embedded activity-based management and case auto-allocation for our investigators, ensuring increased time availability for casework activity, which helped improve overall operational efficiency and deliver a higher volume than budgeted of resolved complaints for customers	We mitigated our recruitment and retention risk to target level. Other risks were partially mitigated at year end, with less progress than desirable on the design and build of changes and delivering and embedding improvements. Key areas of improvement for 2025/26, in progress and planned, are: • greater maturity of our technical design authority and associated governance processes, underpinned by a more cohesive technology strategy • clearer prioritisation and a more realistic portfolio size is critical for the successful execution of our transformation programme – we need to do fewer things in parallel to achieve more focus and achieve outcomes delivered in line with plan • changing ways of working so that the resources and skills that are critical to the success of the project are identified, and time commitment is secured, before the project gets into delivery. This is to prevent key resources from having their time over-subscribed and, as a result, not always being available to contribute fully or being only able to react to issues arising • appropriate sequencing of capability delivery with other operational activity and pressures, to ensure the organisation can efficiently adopt changes • more refined benefits realisation, quantification and tracking, to ensure we focus on where investment in change will make the most difference to meeting our service standards • more refined casework directorate performance plans, with clearer linkages to both corporate and team objectives and metrics, to achieve more consistency of high-level performance

Risk area and associated strategic risks	Key mitigating actions delivered in 2024/25	Position at 2024/25 year end and 2025/26 improvement priorities
Our role supporting fairness in financial services • Easy to find and easy to use • Highlighting unfairness • Implementing new charging	• We enhanced and launched online complaint forms for consumers and professional representatives respectively. We launched the respondent business self-serve portal towards the end of the 2024/25, but with a limited number of users • We improved our approach to identifying the need for, and making, regulatory referrals where we identified unacceptable behaviour or practices in regulated firms or representatives • We successfully delivered a policy statement and the technical solution to support our new charging model for professional representatives	We mitigated our highlighting unfairness risk to target level during the year and the risk to implementing new charging met target level when we ran our first successful billing run in May 2025. • The risk relating to being easy to find and easy to use was only partially mitigated at year end, as we did not progress our transformation initiatives delivery as far as originally planned. The design, build, delivery and embedding improvements, as noted in the section above, will progress risk level reduction here also
Our reputation as a trusted service • Effective governance • Value for money • Maintaining cyber security	• We redesigned our governance framework, introducing a new executive sub-committee governance structure to improve clarity, efficiency and decision-making • We delivered budgeted operational efficiencies, resulting in cost avoidance or reduction, and more focused third-party supplier and contract management • Significant progress was made in enhancing controls that help us maintain cyber security, with the establishment of a new cross-functional oversight group to take forward a structured programme of work in support of improving our maturity under an industry standard framework (NIST has been used)	We partially mitigated the risks by year end, but there is more to do. • For governance, we will continue to strengthen governance frameworks and oversight, supported by clearer accountabilities and responsibilities, audit trails and process documentation. Furthermore, management will continue to focus on reducing the incidence of outstanding internal audit actions • For value for money, further efficiencies will need to be delivered to meet our 2025/26 budget, and we will need to continue to improve the value we obtain from our third-party arrangements • For cyber security, we have a range of planned deliverables to enhance our controls maturity (assessed against the NIST framework), and plan to increase the coverage provided by our new Security Operations Centre (which currently supports our respondent business portal) • We will be ensuring that our disaster recovery and business continuity processes are robustly planned, documented and exercised so we can be confident of our ability to respond to, and recover from, any significant business disruption

Strategic risks and mitigation focus for 2025/26

The Executive team undertook its annual risk refresh in March 2025 to identify the top strategic risks for 2025/26, which are reviewed with both ARAC and the Board. This process also had regard to the Head of Internal Audit’s ‘limited’ annual opinion and the risk areas not sufficiently mitigated during 2024/25. There was a high level of overlap.

Whilst significant improvements to mitigate risks were made, it was identified through the cycle of internal audit reviews that further strengthening is still required in areas such as cyber security (including resilience), improving individual performance, and effective governance (particularly for new or emerging processes or projects). These improvement priorities have been set out in the table above.

The Independent Assessor

Our Independent Assessor considers complaints from consumers and businesses about the level of customer service we have provided, such as complaints about delays or whether the tone in correspondence issued was appropriate. The Independent Assessor cannot comment on whether it was right for us to uphold or reject a consumer's complaint about a business.

The Independent Assessor is appointed directly by the Board, and the role is governed by formal terms of reference. The current Independent Assessor, Dame Gillian Guy CBE, was appointed in October 2020 and her term renewed in October 2023 for a further two years.

The Independent Assessor regularly meets:

- the Chairman of the Board, the Chief Ombudsman and other members of the Executive Team and senior managers responsible for customer service, and
- any other relevant staff from the Financial Ombudsman.

This allows her to discuss the themes and insights from cases she sees, lessons to be learned and actions to help improve our customer service.

The Financial Ombudsman received 3,436 service complaints in 2024/25, which represents 1.5% of the 227,445 cases that we resolved. The Independent Assessor reviewed 481 of the cases referred to her, down from 522 in 2023/24. Dame Gillian made recommendations on 39% of the complaints she reviewed, which was 1 percentage point higher than the previous year. The largest area of complaint by customers was around service standards, which made up 54% of all cases received by the Independent Assessor.

The Independent Assessor's annual report for 2024/25, and the Financial Ombudsman Service's management response, will be available on our website during Summer 2025.

Internal audit

Internal audit provides assurance on the Financial Ombudsman Service's governance, risk management and internal controls. The internal audit service comprises the Head of Internal Audit and in-house team, supported by an outsourced internal audit provider.

The Head of Internal Audit has direct rights of access to the Chair of the Board, the Audit, Risk and Compliance Committee Chair and the Chief Executive. The Head of Internal Audit participates in every Audit, Risk and Compliance (ARAC) Committee meeting to update on the plan and report on key audit findings, and briefs the Board twice a year on key trends and themes arising from the audit work.

Internal audit completed a risk-based internal audit programme for 2024/25 in compliance with the Internal Audit Charter and applicable audit standards. The scope of the programme included assurance on financial, operational and programme controls, including early engagement in new and developing activities across the Financial Ombudsman Service.

Audit work is supplemented with regular checks and reporting on the implementation of internal audit recommendations. The Head of Internal Audit's 2024/25 annual internal audit opinion provided a 'limited' assurance on governance, risk management and internal controls, drawing attention to significant improvements required in areas such as cyber security and resilience, improving individual performance, and effective governance. Management has developed improvement plans to address the issues identified and these are now being implemented.

External audit

The Comptroller and Auditor General, Head of the National Audit Office (NAO), was appointed as our external auditor by the Financial Services and Markets Act 2000. The NAO liaises directly with internal audit as appropriate. The NAO attends the ARAC meetings and has direct access to the Chair of the ARAC to discuss financial reporting matters.

Remuneration report

Board members' fees

The Board consists entirely of non-executive directors who do not participate in the reward, pension or benefit schemes that we run for our employees. The fees paid to directors are not specifically related to individual or collective performance, and directors are not entitled to compensation for loss of office.

Non-executive directors' fees are set annually by the FCA and adopted by the Board. The Nominations Committee considers and approves executive remuneration.

The Chairman received an annual fee of £75,000. A fee of £24,500 was paid to each of the other non-executive directors and an additional fee of £5,000 was paid to the Chair of the Audit, Risk and Compliance Committee, the Chair of the Remuneration Committee, the Chair of the Transformation Committee and the Senior Independent Director. Fees paid to non-executive directors will remain unchanged in 2025/26. Apart from the small increase for the new Chair in 2020/21, fees have been unchanged since April 2012.

In this report, the disclosures on Board fees, remuneration, expenses, benefits for the Executive Team, pay multiples and exit packages have been audited. Other disclosures have not been audited.

Fees and expenses for the Board* (fees are audited)

Board member	Note	Total fees for period ended 31/03/25	Expenses* for period ended 31/03/25	Total fees for year ended 31/03/24	Expenses* for year ended 31/03/24
Baroness Zahida Manzoor		£75,000	£3,180	£75,000	£1,073
Bill Castell		£24,500	£491	£24,500	£450
Sarah Lee		£24,500	£0	£24,500	£157
Jacob Abboud	1	£29,500	£0	£29,500	£200
Nigel Fretwell	2	£29,500	£1,195	£29,500	£1,116
Shrinivas Honap	3	£29,500	£2,337	£29,500	£1,708
Warren Buckley	4	£12,794	£111	£0	£0
Ruth Leak	5	£0	£0	£24,500	£3,928
Total		**£225,294**	**£7,314**	**£237,000**	**£8,632**

* In line with the Articles of Association, the directors are entitled to be paid travel, hotel and other expenses which are reasonable (not all directors live local to London) and have been properly incurred. Expenses reflect amounts actually incurred. Additional associated income tax and National Insurance liabilities are paid in line with HM Revenue and Customs guidelines.

Notes

1. Jacob Abboud's fee includes an additional fee for chairing the Transformation Committee.
2. Nigel Fretwell's fee includes an additional fee as Senior Independent Director and for chairing the Remuneration Committee.
3. Shrinivas Honap's fee includes an additional fee for chairing the Audit, Risk and Compliance Committee.
4. Warren Buckley joined on 23 September 2024. His full year equivalent fee for 2024/25 was £24,500.
5. Ruth Leak left the Board when her term expired on the 31 March 2024.

Our Independent Assessor, Dame Gillian Guy, was paid at a rate of £106,500 for four days a week (2023/24: £106,500). During the period, she received pension contributions of £12,780 (2023/24: £12,780) and other benefits amounting to £2,217 (2023/24: £2,359).

Executive remuneration

The remuneration packages for members of the Executive Team comprise base salary, an executive bonus (up to 5% of salary), pension scheme, flex benefit allowance and an enhanced benefits package.

Salaries

Salaries for members of the Executive Team are reviewed annually by the Remuneration Committee. Any increases reflect changes in responsibility, inflation, market movements and individual performance.

Pensions

Members of the Executive Team are eligible to join the non-contributory defined-contribution FCA pension scheme, which is open to all employees except non-executive directors. The employer makes a core contribution to the scheme, calculated as a percentage of salary linked to age, at the rates in the table below. In addition, employees can make extra contributions from their flexible cash benefit allowance and salary up to a maximum of 40% of their pensionable salary. For employees who choose to do this, the employer makes a matched contribution to the scheme of up to 3% of the employee's pensionable salary.

There are further details about the cost of the pension scheme in note 23 to the financial statements.

Age	Contribution rate
16 to 29	8% of pensionable salary
30 to 34	10% of pensionable salary
35 and over	12% of pensionable salary

Other benefits

Members of the Executive Team are eligible to take part in the flexible benefit arrangements, which are open to all employees except non-executive directors. These arrangements include life assurance, income protection cover, critical illness cover, personal accident insurance, health screening, virtual GP and a private medical insurance plan, including family cover.

All employees, including the Executive Team, receive an £800 cash benefit allowance each year, which they can spend on other salary sacrifice benefits available under the flexible benefit plan.

Remuneration and benefits for the Executive Team (audited)

Executive Team member	Notes	FTE salary at 31/03/25	Salary	Bonus*	Pension**	Taxable benefits***	Total for period ended 31/03/25	Total for year ended 31/03/24
Jenny Simmonds	1	£225,000	£191,344	£5,719	£24,895	£3,007	£224,965	£216,027
James Dipple-Johnstone	2	£225,000	£192,016	£5,719	£22,420	£3,154	£223,309	£216,784
Jane Cosgrove		£180,000	£184,655	£5,490	£27,000	£2,978	£220,123	£221,427
Owen Brace	3	£136,500	£138,478	£1,525	£20,231	£1,684	£161,918	£115,493
Yvette Bannister	4	£163,826	£131,901	£1,220	£18,930	£2,898	£154,949	£150,903
Marc Harris	5	£180,000	£43,640	£0	£6,010	£670	£50,320	£0
Abby Thomas	6	-	£476,384	£0	£39,561	£1,256	£517,201	£340,762
Karl Khan	7	-	£157,539	£0	£22,500	£2,690	£182,729	£222,185
Nicola Wadham	8	-	£0	£0	£0	£0	£0	£195,033
Total			**£1,515,957**	**£19,673**	**£181,547**	**£18,337**	**£1,735,514**	**£1,678,614**

* Bonus comprises amounts accrued at 31 March 2025 in respect of both the executive and staff bonus schemes. Owen Brace and Yvette Bannister are in the staff bonus scheme, not the executive bonus scheme.

** Pension cost comprises employer pension contributions paid to the pension scheme on behalf of the individual.

*** Taxable benefits represent the gross (pre-tax) value of benefits, whether cash or non-cash, that UK income tax is charged on. The figures in this column include certain employee benefits taken up by executive directors, as explained in the Other benefits section above this table.

Notes

1. Jenny Simmonds took up the position of Chief Finance and Risk Officer on 5 January 2023 and the position of interim Chief Executive Officer on 6 February 2025.
2. James Dipple-Johnstone took up the position of Deputy Chief Ombudsman on 3 October 2022 and the position of interim Chief Ombudsman on 6 February 2025.
3. Owen Brace took up the position of Director of Communications on 3 July 2023. His full year equivalent salary for 2023/24 was £130,000.
4. Yvette Bannister is contracted to work for a four-day week. Her annual FTE salary is £163,826.
5. Marc Harris took up the position of Chief Operating Officer on 6 January 2025.
6. Abby Thomas left the Financial Ombudsman on 4 March 2025. Her salary for 2024/25 included leaving payments totalling £229,869 which comprised £100,000 loss of office, £107,692 pay in lieu of notice and £22,177 for a period of gardening leave which commenced on 6 February 2025.
7. Karl Khan left the Financial Ombudsman on 31 January 2025.
8. Nicola Wadham left the Financial Ombudsman on 18 August 2023. Her salary for 2023/24 included leaving payments totalling £111,808 which comprised £39,231 redundancy and £72,577 pay in lieu of notice.

Executive Team interim appointments (audited)

Chandra Hirani took up the position of interim Finance Director from 3 March 2025 and was paid an additional allowance at a rate of £9,987 per annum. Total paid in the year to 31 March 2025 was £779.

Rachel Lam took up the position of interim Ombudsman Managing Director from 3 March 2025 and was paid an additional allowance at a rate of £13,905 per annum. Total paid in the year to 31 March 2025 was £1,084.

Sam Russell joined the executive team on an interim basis in his position as Director of Customer Service on 3 March 2025.

Phillipa Cook took up the position of interim Director of Communications on 23 January 2023 until 2 July 2023 and was paid an acting-up allowance at a rate of £20,000 per annum. Total paid in the year to 31 March 2024 was £6,668.

Executive Team contractors (audited)

Rick Farrow joined the Executive Team as interim IT Delivery Director on 2 October 2023, initially as a third-party contractor until 5 April 2024, and was then employed on a fixed-term contract from 6 April 2024 to 11 October 2024 at a salary of £150,000 per annum. Costs as a contractor for 2024/25 amounted to £5,412, including agency fees and VAT (2023/24: £156,948).

Executive Team expenses

Expenses incurred by, or on behalf of, members of the Executive Team

Executive Team member	Travel	Accommodation and subsistence	Professional subscriptions	Total for period ended 31/3/25
Abby Thomas	£723	£193	-	£916
James Dipple-Johnstone	£2,743	£2,906	-	£5,649
Jane Cosgrove	-	-	£242	£242
Jenny Simmonds	-	£340	£460	£800
Karl Khan	£174	£159	-	£333
Owen Brace	-	-	-	-
Yvette Bannister	-	-	£397	£397
Marc Harris	£74	-	-	£74
Total	**£3,714**	**£3,598**	**£1,099**	**£8,411**

Pay multiples (audited)

This section shows the relationship between the remuneration of the highest-paid director and the remuneration of employees at the 25th, 50th and 75th percentile of pay and benefits of our total workforce. The 50th percentile is also known as the median – the midpoint of our range of salaries.

For these purposes, total remuneration includes basic salary, bonuses and taxable benefits. It does not include pension contributions or cash in lieu of pension contributions. To keep comparisons consistent, it does not include compensation for loss of office either.

The remuneration of the highest-paid director in the financial year 2024/25 was an annual rate of £287,039 (2023/24: actual £287,842). In 2024/25, zero (2023/24: zero) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £22,718 to £287,039 (2023/24: £22,153 to £287,842).

Total workforce means all permanent and contingent members of staff.

Ratio of the remuneration of the highest-paid director* to the remuneration of the total workforce (excluding highest-paid director)

Year	25th percentile pay ratio	Median (50th percentile) pay ratio	75th percentile pay ratio
2024/25	7.89	6.16	4.35
2023/24	7.76	6.50	4.39

* For the purpose of this note and the two below, 'director' refers to both non-executive directors and members of the Executive Team.

Pay and benefits of the total workforce at the 25th, 50th and 75th percentile of pay and benefits of the total workforce (excluding highest-paid director*)

	25th percentile		Median – 50th percentile		75th percentile*	
Year	Total pay and benefits	Salary component of pay and benefits	Total pay and benefits	Salary component of pay and benefits	Total pay and benefits	Salary component of pay and benefits
2024/25	£36,374	£32,800	£46,581	£43,007	£66,040	£66,040
2023/24	£37,097	£33,115	£44,313	£44,000	£65,250	£65,250

* For 2024/25 and 2023/24 the figures shown for the 75th percentile relate to contingent workers who do not receive any employment benefits. The decrease in total pay is primarily due to a reduction in bonus being paid for 2024/25.

Average percentage change in the remuneration of the total workforce from 2023/24 to 2024/25 (excluding highest-paid director*)		Percentage change in the remuneration of the highest-paid director* from 2023/24 to 2024/25	
Salary and allowances	**Performance pay and bonuses**	**Salary and allowances**	**Performance pay and bonuses**
2.34%	(14.62%)	(0.28%)	N/A – nil in 2024/25

* The CEO and Chief Ombudsman was the highest-paid director during the year in 2024/25 and 2023/24. The basic pay for the The CEO and Chief Ombudsman did not increase from 2023/24 to 2024/25.

The changes in the pay ratios compared to the previous year are consistent with our expectations and reflect the application of our Recognition and Reward Policy.

The increase in salary and allowances is due to the pay increase in 2024/25. The decrease in performance pay and bonuses is due to a lower bonus paid in 2024/25 compared to 2023/24.

Exit packages (audited)

Exit packages by cost band	2024/25 number (redundancy – compulsory*)	2024/25 number (other**)	2023/24 number (redundancy – compulsory*)	2023/24 number (other**)
Less than £2,000	-	10	1	15
£2,001 to £5,000	-	17	5	10
£5,001 to £10,000	-	4	25	6
£10,001 to £25,000	1	1	125	11
£25,001 to £50,000	4	1	29	4
£50,001 to £100,000		-	1	2
£100,001 to £125,000	-	-	2	1
£125,001 to £230,000	-	1	-	-
Total	5	34	188	49
Total payments	**£152,498**	**£376,170**	**£3,609,933**	**£664,944**

* Compulsory redundancy payments include any associated payments, for example, pay in lieu of notice.

** Other exit packages comprise payments in respect of voluntary redundancy, non-redundancy severance payments and pay in lieu of notice.

The table above comprises the exit packages for leavers in 2024/25. Amounts totalling £Nil have been provided for at 31 March 2025 for leavers in 2025/26 (31 March 2024 £61,747 for leavers in 2024/25 and an accrual of £33,250 for payments in lieu of notice).

The highest payment made during the period was £229,869 (2023/24: £112,654). The total charged within the financial statements for 2024/25 relating to exit packages is £434,571 (2023/24: £748,602).

Statement of responsibilities and disclosure of information to auditors

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. They have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company, and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial accounts
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that:

- are sufficient to show and explain the company's transactions
- disclose with reasonable accuracy, at any time, the financial position of the company
- enable them to ensure that the financial statements comply with the Companies Act 2006 and are in accordance with the accounts direction given by HM Treasury under paragraph 7(5) of Schedule 17 to the Financial Services and Markets Act 2000.

The directors have general responsibility for taking whatever steps are reasonably open to them to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

Going concern

The Financial Ombudsman Service has statutory powers granted under the Financial Services and Markets act 2000 to raise fees on an annual basis to finance its operations, subject to approval by the FCA.

The directors are satisfied that the Financial Ombudsman Service is in a position to meet its obligations as they fall due and is therefore a going concern. We have prepared budgets and cash flows for 2025/26 which show year-end reserves of £97m and £121m in the bank at 31 March 2026. These surplus reserves, along with the statutory powers to raise further funding if required, mean that the financial statements have accordingly been prepared under the going concern accounting convention.

Indemnity of directors

Directors' and officers' liability insurance cover is in place for non-executive directors.

Subject to the provisions of UK legislation, the company's Articles of Association provide an indemnity for non-executive directors for any costs that they may incur in defending any proceedings brought against them that arise from their positions as non-executive directors. This applies whether the court rules in their favour or not.

Statement of disclosure of information to auditor

Each director confirms that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware
- they have taken all steps a director might reasonably be expected to have taken, to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board,

The Baroness Manzoor CBE
Chairman of the Board

1 July 2025

The Certificate and Report of the Comptroller and Auditor General to the members of the Financial Ombudsman Service Limited and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of the Financial Ombudsman Service for the year ended 31 March 2025 under the Financial Services and Markets Act 2000.

The financial statement comprise the Financial Ombudsman Service's:

- Statement of Financial Position as at 31 March 2025;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the Financial Ombudsman Service's affairs as at 31 March 2025 and its deficit for the year then ended; and
- have been properly prepared in accordance with the UK adopted International Accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2024. I am independent of the Financial Ombudsman Service in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Financial Ombudsman Service's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included consideration of the Financial Ombudsman Service's funding arrangements and assessment of whether any conditions exist which may cast significant doubt on its ability to continue to operate.

My key observations were that funding is secured by statutory fees and levies raised by the Financial Ombudsman Service, or via the Financial Conduct Authority, and that no events or conditions exist which may cast significant doubts on its ability to continue operations. This includes HM Government's announcement after the reporting date, but before the issue of these financial statements, on the future role of the Financial Ombudsman Service and the schemes it operates.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Financial Ombudsman Service's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this certificate.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury Directions issued under the Financial Services and Markets Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic and Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Financial Ombudsman Service and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report and the Directors' Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit;

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Financial Ombudsman Service from whom the auditor determines it necessary to obtain audit evidence.
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006 and are in accordance with the accounts direction given by HM Treasury under the Financial Services and Markets Act 2000;
- preparing the Annual Report, which includes the Remuneration Report, in accordance with the Companies Act 2006 and in accordance with the accounts direction given by HM Treasury under the Financial Services and Markets Act 2000; and
- assessing the Financial Ombudsman Service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Financial Services and Markets Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Financial Ombudsman Service's accounting policies, key performance indicators and performance incentives.
- inquired of management, the Financial Ombudsman Service's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Financial Ombudsman Service's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and

  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Financial Ombudsman Service's controls relating to the Financial Ombudsman Service's compliance with the Companies Act 2006, Financial Services and Markets Act 2000.
- inquired of management, the Financial Ombudsman Service's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud
- discussed with the engagement team and the relevant external specialists, including actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Financial Ombudsman Service for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Financial Ombudsman Service's framework of authority and other legal and regulatory frameworks in which the Financial Ombudsman Service operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Financial Ombudsman Service. The key laws and regulations I considered in this context included Companies Act 2006, Financial Services and Markets Act 2000, employment law, pensions legislation and tax Legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit, Risk and Compliance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
1 July 2025

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statements

Statement of comprehensive income for the 12 months ended 31 March 2025

	Notes	31/03/25 £000	31/03/24 £000
Continuing operations			
Revenue	4	**217,109**	250,872
Administrative expenses	5	**(245,088)**	(222,055)
Operating (deficit)/surplus		**(27,979)**	28,817
Finance income	6	**10,740**	10,925
Finance costs	6	**(1,714)**	(1,729)
(Deficit)/surplus before income tax		**(18,953)**	38,013
Corporation tax expense		**(2,333)**	(2,377)
(Deficit)/surplus for the year from continuing operations		**(21,286)**	35,636

Statement of other comprehensive income for the 12 months ended 31 March 2025

	Notes	31/03/25 £000	31/03/24 £000
(Deficit)/surplus for the year		**(21,286)**	35,636
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	23	**1,419**	(2,785)
Effect of the net pension asset ceiling	23	**(686)**	-
Total other comprehensive income/(expense)		**733**	(2,785)
Total comprehensive (expense)/income for the year		**(20,553)**	32,851

All operations are continuing.

Statement of changes in equity

	Notes	31/03/25 £000	31/03/24 £000
Accumulated surplus brought forward		**158,339**	125,488
(Deficit)/surplus for the year		**(21,286)**	35,636
Total other comprehensive (expense) for the year		**733**	(2,785)
Accumulated surplus carried forward		**137,786**	158,339

Statement of financial position as at 31 March 2025

	Notes	31/03/25 £000	31/03/24 £000
Non-current assets			
Property, plant and equipment and right of use assets	9	**17,082**	20,967
Intangible assets	10	**1,180**	4,287
Investment in sub-lease	11	**3,334**	-
Trade and other receivables	12	**280**	1,280
		21,876	26,534
Current assets			
Trade and other receivables	12	**35,990**	37,778
Short-term deposits	13	**35,000**	68,000
Cash and cash equivalents	14	**138,629**	153,607
		209,619	259,385
Total assets		**231,495**	285,919
Current liabilities			
Trade and other payables	15	**74,231**	101,467
Lease liabilities	16	**4,090**	4,708
Provisions for other liabilities and charges	18	**107**	932
Current corporation tax liability		**1,257**	1,300
		79,685	108,407
Non-current liabilities			
Trade and other payables	15	**202**	261
Lease liabilities	16	**10,197**	13,508
Provisions for other liabilities and charges	18	**3,625**	3,663
Net pension liability	23	**-**	1,741
		14,024	19,173
Total liabilities		**93,709**	127,580
Total equity			
Accumulated surplus		**137,786**	158,339
Total equity and liabilities		**231,495**	285,919

The notes on pages 76 to 99 are an integral part of these financial statements.

The company is exempt from the requirement of part 16 of the Companies Act 2006 as stipulated in schedule 17, s.7A of the Financial Services and Markets Act 2000.

The financial statements on pages 73 to 99 were approved by the Board of Directors on 30 June 2025, and are signed on behalf of the Board of Directors by:

Z. Manzoor

The Baroness Zahida Manzoor CBE
Chairman
1 July 2025

Company number: 03725015

Statement of cash flows for the 12 months ended 31 March 2025

	Notes	31/03/25 £000	31/03/24 £000
Cash flows from operating activities			
Cash (outflow)/inflow from operations		**(45,534)**	18,028
Corporation tax paid		**(2,376)**	(1,546)
Net cash (outflow)/inflow from operating activities		**(47,910)**	16,482
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(4,200)**	(14)
Purchase of intangible assets	10	**(1,412)**	(1,111)
Decrease/(increase) in short-term deposits	13	**33,000**	(11,000)
Interest received		**9,972**	9,051
Sub lease income received	11	**504**	-
Net cash from/(used in) investing activities		**37,864**	(3,074)
Cash flows from financing activities			
Lease liability payments – principal	16	**(4,932)**	(5,493)
Movement in long-term borrowings		**-**	-
Net cash (used in) financing activities		**(4,932)**	(5,493)
Net (decrease)/increase in cash and cash equivalents	14	**(14,978)**	7,915
Cash and cash equivalents at beginning of the year	14	**153,607**	145,692
Cash and cash equivalents at end of the year	14	**138,629**	153,607

Notes to the statement of cash flows for the 12 months ended 31 March 2025

	Notes	31/03/25 £000	31/03/24 £000
(Deficit)/surplus for the year from operations before financing and corporation tax		**(27,979)**	28,817
Adjustment for:			
Depreciation – property, plant and equipment and right of use assets	9	**4,933**	5,890
Amortisation – intangible assets	10	**426**	444
Impairment – intangible assets	10	**3,459**	960
Reclassification – intangible assets	10	**634**	-
Loss on disposal of tangible assets	9	**246**	8
Loss on disposal of intangible assets	10	**-**	9
(Decrease)/increase in provisions		**(935)**	(4,009)
Defined benefit pension costs	23	**(1,066)**	(1,600)
Changes in working capital			
Decrease/(increase) in receivables		**2,207**	(691)
(Decrease) in payables		**(27,459)**	(11,800)
Cash (outflow)/inflow from operations		**(45,534)**	18,028

Notes to the financial statements for the 12 months ended 31 March 2025

1. Status of the company

Financial Ombudsman Service Limited (the "Financial Ombudsman") is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is a company limited by guarantee with no share capital (company registration no: 03725015). The members of the company consist of our non-executive directors and have agreed to contribute £1 each to the assets of the company in the event of it being wound up, as detailed in the Company's Articles of Association.

The nature of the Financial Ombudsman's operations is set out in the Strategic report.

The address of its registered office is Exchange Tower, London, E14 9SR.

2. Material accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are also prepared in accordance with provisions of any applicable HM Treasury Accounts Direction under paragraph 7(5) of Schedule 17 to the Financial Services and Markets Act 2000.

The financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Financial Ombudsman operates. A summary of the principal accounting policies is set out below.

Revenue recognition

The intent of the Financial Ombudsman's funding model is to charge on a basis that is transparent and fair, where firms pay broadly in proportion to their share of the Financial Ombudsman's workload. Group fees and case fees are designed to achieve that aim. Case fees are charged on a fixed basis irrespective of the time and costs incurred relating to the specific case. Costs directly incurred in dealing with cases are expensed as incurred.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered.
Under IFRS 15, there are five criteria that need to be met in order for revenue to be recognised:

- identify the contract and customer
- identify the performance obligations
- determine the transaction price
- allocate the transaction price to the performance obligations, and
- recognise revenue when the performance obligations are satisfied

Sources of revenue

Annual levy

Each business that comes within the jurisdiction of the Financial Ombudsman is required to pay an annual levy based on the permissions given to that firm by one of:

- the Financial Conduct Authority (for the compulsory jurisdiction), or
- the Financial Ombudsman (for the voluntary jurisdiction).

The Financial Ombudsman considers the performance obligation for the annual levy to be the provision of a dispute resolution service to firms within its jurisdiction. For both jurisdictions, performance obligations are satisfied over the course of the year during which the regulated activity takes place. Levy income is recognised over the same year. The Financial Conduct Authority collects the compulsory jurisdiction levy on behalf of the Financial Ombudsman. Levies due from large firms are invoiced on account, in advance of the financial year to which they relate, typically in February. The remainder of the firms, along with any on account true-ups are invoiced between July and October. Payment terms are 30 days.

Group fees

Group fees are calculated as an annual charge for each group (see page 41) on the basis of their estimated proportion of the total work carried out by the Financial Ombudsman, with reference to recent usage volume patterns. The performance obligation for each group fee arrangement is therefore the resolution of a specified volume of dispute cases. The group fee mechanism makes provision for a year-end adjustment if a group's casework resolutions are 5% higher or lower than the original estimate for any individual group. The impact on revenue of this adjustment is recognised in the year over which the related services are provided. Group fees are invoiced quarterly in advance, payment terms are 30 days. When required, the refund or additional amount due following the year-end adjustment is invoiced or credited in the following year.

Standard case fees

For the year 1 April 2024 to 31 March 2025 businesses that fall outside the group fee arrangement were required to pay a standard case fee of £650 upon closure of the fourth chargeable complaint referred for investigation to the Financial Ombudsman and each subsequent complaint in any one financial year (2023-24 £750).

Case fees become chargeable when we convert a case. We recognise the revenue when we have met our performance obligation of issuing a view and then bill the case at the end of the month in which the case is closed. Payment terms are 30 days.

IFRS 15 dictates that revenue should be recognised once performance obligations have been satisfied. As such, a year-end adjustment is made to revenue to reflect fees for cases where our performance obligations have been met, but we have not billed.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated so as to write off the cost less estimated residual value on a straight-line basis over the expected useful economic lives. The principal lives used for this purpose are:

Leasehold improvements and premises fees	Over the remaining period of the lease
Computer equipment	Over three to four years
Furniture and equipment	Over three to five years
Fixtures and fittings	Over the remaining period of the lease

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific assets to which it relates, and the cost of the item can be measured reliably. The carrying amount of the replaced part is written off. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals or retirements of an asset are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised within the surplus or deficit for the year.

Right of use assets

IFRS 16 (Leases) deals with accounting for leases and requires companies to take account of future lease commitments by recognising the asset and the liability on their balance sheets.

The current property leases relate to two buildings partly occupied by the Financial Ombudsman, Exchange Tower in London and Friargate in Coventry. Various floors were exited in the year (see note 20 for more detail). The Financial Ombudsman also leases items of equipment, all with terms of under five years.

The following table shows the various disclosures required under the standard with a cross-reference to the relevant note to the financial statements on pages 76 to 99.

Disclosure	Notes
The nature of our leasing activities	2, 20
Calculation of discounted cash flows	3
Movement in right of use assets	9
Movement in lease liabilities	16
Maturity analysis of contracted undiscounted lease liabilities	16
Dilapidation provisions	18
Lease commitments	20

Investment in sub-lease

In previous years, the property leases for the 13th floors of Exchange Tower had been accounted for as right of use assets in line with IFRS 16. Although the Financial Ombudsman remains liable for the lease and dilapidations liabilities arising from the 13th floor leases, the Financial Ombudsman has vacated these floors and entered into a sub-lease with a sub-tenant from 4 December 2025. Accordingly, the cost and accumulated depreciation at that date has been shown as a reclassification (see note 9) and a new investment in sub-lease asset created (see note 11). The end date of both the head lease and the sub-lease is August 2029.

Intangible assets

In accordance with IAS 38 (Intangible assets), costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design, developing and testing of identifiable and unique software products controlled by the Financial Ombudsman, are recognised as intangible assets when the criteria are met.

Only costs that are directly attributable to bringing the asset to working condition for its intended use are included in the measurement of the intangible asset. These costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management.

The assets are valued at their historic cost less amortisation and, where applicable, impairment. The assets are amortised on a straight-line basis over their expected useful lives, with the expense reported as an administration expense in the income statement. The expected useful lives for intangible assets are:

Computer software and licences	Over 5 years
Internally generated software	Over 3 to 5 years

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. When software is not an integral part of the related hardware, it is treated as an intangible asset.

Other development expenditure that does not meet the above criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Financial instruments

Trade receivables

Trade receivables are recognised initially at amortised cost. The Financial Ombudsman has applied the simplified approach to impairment of financial assets by providing for expected credit losses on trade receivables as described by IFRS 9. This requires the use of lifetime expected credit loss provisions for all trade receivables.

These provisions are based on an assessment of risk of default and expected timing of collection, estimated by reference to past default experience, adjusted as appropriate for current observable data. Trade receivables are reviewed periodically, and specific allowances are made where evidence indicates that an outstanding debt has become uncollectable. Allowance losses are recorded within administrative costs in the statement of comprehensive income.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Leasing

IFRS 16 (Leases) requires companies to take account of future lease commitments by recognising the asset and the liability on their balance sheets. The majority of the Financial Ombudsman's leases are covered by this standard. However, there are some short-term and low-value leases that are being treated as operating leases and payments made will be charged to the income statement on a straight-line basis over the period of the lease.

Provisions

The company exercises judgement in measuring and recognising provisions for dilapidations and restructuring (see note 18). The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

The Financial Ombudsman is part of the FCA's HMRC-approved pension plan which is open to permanent employees (the 'plan'). The plan was established on 1 April 1998 and has both a defined benefit (final salary) and defined contribution (money purchase) section. The final salary section was closed with effect from 1 April 2010 to future accruals.

Money purchase scheme (defined contribution)

The money purchase section of the plan is a defined contribution plan where the Financial Ombudsman pays contributions at defined rates to a separate entity.

Payments to the money purchase section of the plan are recognised as an expense in the income statement, as they fall due. Prepaid contributions are recognised as an asset to the extent that a cost refund or reduction in future payments is available.

Final salary section (defined benefit)

The final salary section of the plan is a defined benefit plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on rate of accrual, age, years of service in the plan and compensation.

The net liabilities of the final salary section of the plan are calculated by comparing the fair value of the assets and the present value of its obligations and the net amount is disclosed as a non-current liability on the balance sheet.

The obligation of the final salary section of the plan represents the present value of future benefits owed to employees in respect of their service in prior periods. The discount rate used to calculate the present value of those liabilities is the market rate at the balance sheet date of high-quality corporate bonds having maturity dates approximating to the terms of those liabilities. The calculation is performed by a qualified actuary using the projected unit credit method at each reporting date.

Actuarial gains and losses arising in the final salary section of the plan (for example, the difference between actual and expected returns on assets, effects of changes in assumptions and experience losses arising on scheme liabilities) are recognised in full in the statement of other comprehensive income in the period they are incurred. Past service cost (including unvested past service cost) is recognised immediately in the income statement.

Changes in accounting policy and errors

No new standards, amendments or interpretations were adopted in the year.

3. Significant accounting judgements, estimates and assumptions

Accounting judgements

In the process of applying the Financial Ombudsman's significant accounting policies as described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimates, which are explained below):

- **Revenue** – in accordance with IFRS 15, income can only be recognised once performance obligations have been satisfied. We have determined that only one performance obligation exists in relation to standard case fees, that being the resolution of a case.
- **Intangible assets** – under IAS 38, internal software development costs of £Nil (2024: £Nil) (see note 10) have been capitalised as additions during the year. Internally generated software is designed to support the Financial Ombudsman carry out its statutory functions. These functions are particular to the Financial Ombudsman, so this internally generated software has no market value. Management have made judgements over the service potential and expected benefits of the assets. These expected benefits relate to the fact that such software allows the Financial Ombudsman to carry out its functions more efficiently than before by using alternative approaches.
- **Leases** – as outlined in IFRS 16, we are required to account for future lease commitments by recognising a right of use asset and the corresponding liability arising over the term of the lease.

The standard requires one to assume that if a lease contains a break clause, the break will be exercised unless it is reasonably certain that the break clause will not be exercised. There are no further break options in the remaining leases.

Management conducted an assessment of each lease considering the prevailing conditions, i.e. future demand for our services, our goal of maximising utilisation of our office space and the financial implications of breaking each lease. This included the impact of a review of dilapidation liabilities carried out in 2023/24. Management will conduct a similar lease assessment exercise to look at our position each year with the next dilapidations review due in early 2027.

The majority of the property leases contain provisions for rent reviews. The lease liabilities include the impact of all rent increases agreed as part of rent reviews which took place in the current and prior years. The final rent review effective from 31 August 2024 confirmed the current rent would remain unchanged for the remaining period of the leases.

The Financial Ombudsman uses the Public Works Loan Board (PWLB) Standard rates to calculate the discounted cash flows on the remaining lease terms. Rates are set using the prevailing rate at commencement of a lease and only reassessed if required to by IFRS16.

The Financial Ombudsman believes PWLB is the most appropriate proxy for the incremental borrowing rate. Our funding is based on statute (the Financial Services and Markets Act 2000) and it is reasonable to assume that the Financial Ombudsman would be able to meet its loan repayments over the period of any loan.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below:

- **Defined benefit pension obligations** – the quantification of the pension net liability position is determined on an actuarial basis based upon a number of assumptions made by the directors (as listed in note 23) relating to the discount rate, inflation and retail price index (RPI), future pension increases and life expectancy. Any changes in these assumptions will impact the carrying amount of the pension obligation.

  IFRIC 14 is an interpretation of IAS 19 which relates to the recognition of surpluses. There are two potential effects of IFRIC 14.

  - It can limit the amount of surplus that can be recognised on the balance sheet; and
  - It can result in an additional obligation reflecting the extent to which payment of currently agreed deficit contributions would recognise in an unrecognised surplus.

  In line with IAS 19 and IFRIC 14, the Financial Ombudsman has reduced the £686k net asset value arrived at by the actuaries down to £Nil.

4. Revenue

	Notes	31/03/25 £000	31/03/24 £000
Annual levy		**72,203**	110,884
Standard case fees			
Gross fees		**102,549**	89,219
Movement in credit note provision		**287**	(69)
Movement in general casework stock		**589**	1,138
Group fees			
Gross fees		**41,038**	49,568
Other income		**443**	132
		217,109	250,872

5. Administrative expenses

5.1. Expenses by nature	Notes	31/03/25 £000	31/03/24 £000
Staff payroll costs	7	**148,291**	138,880
Contractor and temporary staff costs*		**47,674**	41,587
Other staff costs		**3,251**	1,777
Consultancy and other professional costs		**3,612**	2,139
Lease rentals		**1,048**	1,073
Other premises and facilities costs		**6,618**	6,983
IT managed services		**2,548**	2,928
Project costs		**7,428**	5,148
Software licences, maintenance, and other IT costs		**14,449**	13,119
Depreciation and amortisation	9, 10	**5,359**	6,334
Loss on disposal of fixed assets	9, 10	**246**	17
Impairment of fixed assets	10	**3,459**	960
Bad debts		**75**	184
Other costs		**895**	811
		244,953	221,940

* Contractor and temporary staff costs are shown net of £0k costs capitalised as internally generated software costs (2024: £1,261k). Transformation/restructuring costs of £11,096k (2024: £7,728k) are included within this table but are excluded from our cost per case calculation. More detail can be found on page 45.

5.2. Auditors' remuneration	Notes	31/03/25 £000	31/03/24 £000
External audit fee			
National Audit Office		**135**	115
Total of notes 5.1 and 5.2		**245,088**	222,055

The National Audit Office has not provided any other services to the Financial Ombudsman other than external audit.

6. Finance income and costs

	Notes	31/03/25 £000	31/03/24 £000
Finance income			
Bank interest		**9,391**	9,624
Interest on net defined benefit asset	23	**1,301**	1,301
Interest from sub-lease		**48**	-
Total finance income		**10,740**	10,925
Finance costs			
Interest on lease liabilities		**(355)**	(438)
Interest on net defined benefit liability	23	**(1,359)**	(1,291)
Other interest payable		**-**	-
Total finance costs		**(1,714)**	(1,729)
Net finance income		**9,026**	9,196

7. Employees

7.1. Employee benefit expense	Notes	31/03/25 £000	31/03/24 £000
Payroll costs			
Wages and salaries		**107,439**	100,318
Overtime and queue reduction schemes		**3,474**	2,446
Staff Bonus Scheme		**3,042**	3,854
Leaving payments		**412**	706
Social security costs		**12,644**	11,752
Apprenticeship levy		**553**	526
Other employer's pension costs – money purchase scheme	23	**14,006**	12,969
Flexible benefit costs		**6,721**	6,396
Staff costs capitalised as internally generated software costs		**-**	(87)
		148,291	138,880
Other employer's pension costs – defined benefit scheme			
Included in interest payable	23	**1,359**	1,291
Total employment costs		**149,650**	140,171

7.2. Monthly average number of people employed	Notes	31/03/25 £000	31/03/24 £000
Ombudsmen		**382**	357
Case handlers		**1,145**	1,207
Other		**928**	799
		2,455	2,363

8. Board remuneration

The Board consists entirely of non-executive directors. Board remuneration payable to directors during the period to 31 March 2025 amounted to £225,294 (2024: £237,000). The Chairman, who is also the highest paid director, was paid at a rate of £75,000 per annum (2024: £75,000). The Senior Independent Director, the Audit, Risk and Compliance Committee Chair, the Remuneration Committee Chair and the Transformation Committee Chair were paid at a rate of £29,500 per annum (2024: £29,500) and the other directors were paid at a rate of £24,500 per annum (2024: £24,500). Further details are provided in the remuneration report on page 61.

No payments were made on behalf of any of the above directors in respect of pension plan contributions and no directors are accruing any benefits within the pension plan.

9. Property, plant and equipment

	Right of use assets £000	Leasehold improvements and premises fees £000	Computer equipment £000	Furniture and equipment £000	Total £000
Cost					
At 1 April 2023	**43,598**	**2,707**	**1,021**	**2,035**	**49,361**
Additions	1,231	-	14	-	1,245
Transfers	-	-	-	-	-
Reclassifications	-	-	-	-	-
Disposals	(12)	-	(7)	(325)	(344)
At 31 March 2024	**44,817**	**2,707**	**1,028**	**1,710**	**50,262**
Additions	884	-	3,181	1,019	5,084
Transfers	-	-	-	-	-
Reclassifications (see note 11)	(8,626)	-	-	-	(8,626)
Disposals	(8,460)	(188)	(15)	(198)	(8,861)
At 31 March 2025	**28,615**	**2,519**	**4,194**	**2,531**	**37,859**
Accumulated depreciation					
At 1 April 2023	**20,233**	**1,627**	**755**	**1,126**	**23,741**
Charge for the year	5,345	183	95	267	5,890
Disposals	(12)		(6)	(318)	(336)
At 31 March 2024	**25,566**	**1,810**	**844**	**1,075**	**29,295**
Charge for the year	4,178	172	289	294	4,933
Reclassifications (see note 11)	(4,836)	-	-	-	(4,836)
Disposals	(8,215)	(188)	(15)	(197)	(8,615)
At 31 March 2025	**16,693**	**1,794**	**1,118**	**1,172**	**20,777**
Net book value at 31 March 2025	**11,922**	**725**	**3,076**	**1,359**	**17,082**
Net book value At 31 March 2024	19,251	897	184	635	20,967

10. Intangible assets

	Computer software and licences £000	Internally generated software £000	Work in progress* £000	Total £000
Cost				
At April 2023	**185**	**2,670**	**2,223**	**5,078**
Additions	-	-	1,495	1,495
Transfers	-	-	-	-
Disposals	(108)	-	-	(108)
Impairments	-	-	(960)	(960)
At 31 March 2024	**77**	**2,670**	**2,758**	**5,505**
Additions	77	-	1,335	1,412
Transfers	-	-	-	-
Disposals	-	-	-	-
Reclassification to expenditure	-	-	(634)	(634)
Impairments	-	-	(3,459)	(3,459)
At 31 March 2025	**154**	**2,670**	**-**	**2,824**
Accumulated amortisation				
At April 2023	**155**	**718**	-	**873**
Charge for the year	21	423	-	444
Disposals	(99)	-	-	(99)
At 31 March 2024	**77**	**1,141**	-	**1,218**
Charge for the year	4	422	**-**	426
Disposals	-	-	-	-
At 31 March 2025	**81**	**1,563**	**-**	**1,644**
Net book value at 31 March 2025	**73**	**1,107**	**-**	**1,180**
Net book value at 31 March 2024	**-**	1,529	2,758	4,287

* In 2024/25 following a review of the work in progress account, £3,459k was impaired (2023/24 £960k). The 2024/25 impairment comprised £2,124k in respect of the balance brought forward at 31 March 2024 and a further £1,335k in respect of 2024/25 additions. A further £634k was reclassified as operating costs.

11. Investment in sub-lease

	31/03/25 £000	31/03/24 £000
Initial recognition of investment (see note 9)	3,790	-
Less: rental income	(504)	-
Add: interest income	48	-
Balance c/f 31 March 2025	**3,334**	-

The Financial Ombudsman Service holds a sub-lease for two floors of Exchange Tower with a lease start date of 4 December 2024 and a lease expiry date of 28 August 2029. The head lease ends on 31 August 2029.

A maturity analysis of lease receivables showing the undiscounted lease payments to be received after the reporting date is shown in the table below. Amounts exclude VAT.

Maturity analysis – undiscounted lease payments receivable	**Sub-lease 31/03/25 £000**	**Sub-lease 31/03/24 £000**
Payments due		
Not later than 1 year	903	-
Later than 1 year and not later than 5 years	2,872	-
Later than 5 years	-	-
Total undiscounted lease payments receivable	**3,775**	**-**
Unearned finance income	**(441)**	**-**
Net investment in sub-lease	**3,334**	**-**

12. Trade and other receivables

	31/03/25 £000	31/03/24 £000
Trade and other receivables due within one year		
Trade receivables	**17,771**	5,049
Less: provision for bad debts	**(745)**	(996)
Less: provision for credit notes	**(527)**	(814)
Trade receivables – net	**16,499**	3,239
Prepayments	**8,081**	5,942
Other receivables	**3,480**	3,029
Due from the Financial Conduct Authority	**1,652**	8.066
Accrued income	**6,278**	17,502
Trade and other payables due within one year	**35,990**	37,778
Trade and other receivables due after more than one year		
Prepayments – after more than one year	**280**	1,280
Trade and other receivables due after more than one year	**280**	1,280

13. Short-term deposits

	31/03/25 £000	31/03/24 £000
Short-term Treasury deposits	**35,000**	68,000
Short-term deposits	**35,000**	68,000

As at 31 March 2025, the Financial Ombudsman held Treasury deposits with a maturity of between three and four months with three institutions (31 March 2024: six).

14. Cash and cash equivalents

	31/03/25 £000	31/03/24 £000
Cash at bank and in hand	**15,629**	3,607
Short-term Treasury deposits (deposits with a maturity of less than three months)	**123,000**	150,000
Cash and cash equivalents	**138,629**	153,607

As at 31 March 2025, the Financial Ombudsman held Treasury deposits with a maturity of less than three months with six different institutions (31 March 2024: seven).

15. Trade and other payables

	31/03/25 £000	31/03/24 £000
Trade and other payables due within one year		
Trade payables	**6,143**	9,009
Other taxes and social security	**3,334**	2,975
Deferred income		
Compulsory Jurisdiction levy billed in advance	**48,101**	76,110
Sub lease income billed in advance	**196**	-
Other creditors	**556**	699
Accruals		
Employee related	**8,293**	8,463
Casework and temporary staff	**566**	413
Other	**7,042**	3,798
Trade and other payables due within one year	**74,231**	101,467
Trade and other payables due after more than one year		
Accruals	**202**	261
Trade and other payables due after more than one year	**202**	261

16. Lease liabilities

	31/03/25 £000	31/03/234 £000
Lease liabilities – due within one year		
Property	**4,072**	4,608
Equipment	**18**	100
Lease liabilities due within one year	**4,090**	4,708
Lease liabilities – due after more than one year		
Property	**10,197**	13,471
Equipment	**-**	37
Lease liabilities due after more than one year	**10,197**	13,508

Movement in lease liabilities in the year	Property £000	Equipment £000	Total £000
Total discounted liabilities at 1 April 2024	18,079	137	18,216
Discounted additions in the year	876	7	883
Rent reviews and changes in lease terms	-	-	-
Interest in the year	279	5	284
Disposals in the year	(109)	-	(109)
Adjustments in the year	(48)	(7)	(55)
Repayments in the year	(4,808)	(124)	(4,932)
Total discounted liabilities at 31 March 2025	**14,269**	**18**	**14,287**

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table below. Amounts exclude VAT.

Maturity analysis – contracted undiscounted cash flows	Premises 31/03/25 £000	Other 31/03/25 £000	Premises 31/03/24 £000	Other 31/03/24 £000
Payments due				
Not later than 1 year	**3,494**	**19**	4,963	79
Later than 1 year and not later than 5 years	**11,544**	**-**	13,510	37
Later than 5 years	**-**	**-**	532	-
Total contracted undiscounted cash flows	**15,038**	**19**	**19,005**	**116**

17. Financial instruments

Financial risk management

Financial risk management is carried out by the Financial Ombudsman's central finance department under policies approved by the Board to minimise potential adverse effects of risks on the Financial Ombudsman's financial performance. The Financial Ombudsman's investment policy provides written principles covering market, credit and liquidity risk.

a) Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

The Financial Ombudsman's financial instruments do not expose it to market risks. In line with the Financial Ombudsman's investment policy, investments are only made through sterling fixed-term deposits, which are not subject to price or foreign exchange risk. Furthermore, the Financial Ombudsman's operations are carried out in sterling and there is no exposure to foreign exchange from currency exposures. The Financial Ombudsman does not have borrowings and therefore is not exposed to cash flow and interest rate risk in respect of borrowings.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

The Financial Ombudsman is exposed to credit risk through its cash and short-term deposits with financial institutions and credit exposure to customers through outstanding receivables. The Financial Ombudsman monitors credit ratings daily to ensure the banks continue to meet our investment criteria. On an annual basis, the counterparty list is reviewed, revised and presented to the Financial Ombudsman's Audit, Risk and Compliance committee for approval. To further manage credit risk, the maximum total principal that can be invested in a single counterparty or multiple counterparties that are under common ownership is based on Standard & Poor's rating of the counterparty. The Financial Ombudsman monitors the collection of receivables from its customers, the ageing of debts and the industry sectors they operate in.

c) Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities.

The Financial Ombudsman monitors its cash balance on a daily basis. Cash flow forecasting is performed and monitored on a monthly basis to ensure the Financial Ombudsman has sufficient liquid cash to meet its operational needs. Surplus cash held above that needed for operating purposes is held on call or in short-term deposit accounts with financial institutions in line with the Financial Ombudsman's investment policy. Such cash is only invested in sterling investments with approved financial instruments.

At the reporting date, the Financial Ombudsman held money market funds of £35,000k (2024: £68,000k) and other liquid assets of £138,629k (2024: £153,607k) that are expected to readily generate cash inflows for managing liquidity risk.

d) Interest rate risk

Interest rate risk is the risk that a change in interest rates will reduce the value of an investment or asset or increase the cost of borrowing.

The Financial Ombudsman has a positive cash position so it is not exposed to the increased cost of borrowing. In line with our investment policy we place fixed term deposits via auction ensuring we maximise the amount of interest we receive whilst not introducing other risk.

17.1 Financial instruments by category

Trade receivables are recognised initially at amortised cost applying the simplified approach to impairment of financial assets by providing for expected credit losses on trade receivables as described by IFRS 9. This requires the use of lifetime expected credit loss provisions for all trade receivables.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

17.2 Credit quality of financial assets

The fair value of the trade and other receivables, cash at bank and short-term deposits and borrowings is equivalent to the amortised cost balances presented in the financial statements.

The total of past due receivables is £777k (2024: £1,151k).

The Financial Ombudsman makes provision for impairment as follows:

(a) Provision for credit notes – this is calculated with reference to the past 12 months' actual credit notes issued.

Movement in the Financial Ombudsman's provision for credit notes is as follows:

Movement in the Financial Ombudsman's provision for credit notes	31/03/25 £000	31/03/24 £000
Balance brought forward	**814**	745
Change in provision for the year	**(287)**	69
Balance carried forward	**527**	814

(b) Provision for bad debts – the ledger is reviewed for bad and doubtful debts using the expected loss model.

Movement in the Financial Ombudsman's provision for bad debts is as follows:

Movement in the Financial Ombudsman's provision for bad debts	31/03/25 £000	31/03/24 £000
Balance brought forward	**996**	1,122
Change in provision for the year	**(251)**	(126)
Balance carried forward	**745**	996

The carrying amount of the receivables is all denominated in pounds sterling.

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the income statement (note 5).

Amounts are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Financial Ombudsman does not hold any collateral as security.

18. Provision for liabilities

18.1 Provision for dilapidations

	31/03/25 £000	31/03/24 £000
Provision brought forward	**4,533**	3,953
Payments in the year	**(223)**	(15)
New provision in the year	**-**	895
Provision released in the year	**(650)**	(362)
Interest accrued during the year	**72**	62
Provision carried forward	**3,732**	4,533

The provision for dilapidations at 31 March 2025 and 31 March 2024 reflects the recommendations made following property reviews undertaken by external consultants in February 2024. Provisions exist for all the properties we currently occupy as set out below.

Due within one year	31/03/25 £000	31/03/24 £000
Exchange Tower	**107**	870
Friargate	**-**	-
	107	870

Due after one year	31/03/25 £000	31/03/24 £000
Exchange Tower	**3,500**	3,540
Friargate	**125**	123
	3,625	3,663

18.2. Provision for restructuring costs

Due within one year	31/03/25 £000	31/03/24 £000
Provision brought forward	**62**	3,696
Payments in the year	**(62)**	(3,634)
Provision carried forward	**-**	62

The provision for restructuring costs at 31 March 2023 was calculated with reference to a number of staff roles which were expected to face compulsory redundancy during 2023/24. The majority of payments were made in 2023/24 leaving two outstanding amounts at 31 March 2024. These were paid in April 2024.

18.3. Provisions summary

Due within one year	31/03/25 £000	31/03/24 £000
Dilapidations	**107**	870
Restructuring	**-**	62
	107	932

Due after one year	31/03/25 £000	31/03/24 £000
Dilapidations	**3,625**	3,663
	3,625	3,663

19. Financial commitments

As at 31 March 2025 there were no financial or other commitments contracted for but not provided (31 March 2024: £Nil).

20. Property and other lease commitments

The Financial Ombudsman leases its operating premises. The remaining length of these leases varies from under one year up to six years. These leases are renewable at the end of the lease period at a market rate.

Details of the terms of the leases of the premises as at 31 March 2025 were as follows:

Building	Floor	Start of current lease	End of lease	Future break clauses
Exchange Tower	Various	Various between March 2013 and April 2020	September 2024 (1 lease)*	None
			August 2029 (10 leases)	
Friargate	3	October 2017	October 2027	None

* This lease is in the final stages of renewal

The Financial Ombudsman also leases various items of equipment, plant and machinery under operating agreements which are excluded from the right of use asset calculation and will continue to be accounted for as lease rentals.

The expenditure classified as lease rentals is charged to the income statement during the year and is disclosed in note 5.

21. Related party transactions

a) The Financial Conduct Authority is required under various statutes to ensure the Financial Ombudsman can carry out its functions. The Financial Conduct Authority has to ensure that the terms of appointment of the directors secure their operational independence from the Financial Conduct Authority. Accordingly, the Financial Ombudsman is not controlled by the Financial Conduct Authority but considers it to be a related party.

b) The Financial Ombudsman entered into an agency agreement with the Financial Conduct Authority whereby, with effect from 1 April 2004, the Financial Conduct Authority collected tariff data, issued levy invoices and collected levy monies on behalf of the Financial Ombudsman, at a cost of £180k for the period ended 31 March 2025 (2024: £174k).

c) At 31 March 2025 the balance due from the Financial Conduct Authority is £1,652k (2024: £8,066k). This balance has been included in "trade and other receivables" (see note 12).

d) The Financial Conduct Authority bill the Financial Ombudsman administration charges in respect of the pension scheme. The charge for the period ended 31 March 2025 was £836k (2024: £720k).

e) The Financial Conduct Authority is a party to the lease agreements for Exchange Tower as guarantor of performance from 1 September 2014 for a lease term of 15 years.

f) The compensation and expenses paid to management are detailed in the Remuneration report (see pages 61 to 66).

Other than disclosed above, there were no related party transactions during the period (31 March 2024: Nil).

22. Losses and special payments

Due within one year	31/03/25 £000	31/03/24 £000
Losses	**3,935**	1,283
Recoveries relating to previous year losses	**(402)**	(2,054)
Special payments	**537**	485
Total	**4,070**	(286)

Losses in 2024/25 included a £3,459k impairment relating to the development of the Portal and Intelligent Automation intangible assets (see note 10 for further details) (2023/24 £960k).

In 2024/25 and 2023/24 the Financial Ombudsman received and recognised dividends from firms where write-offs had been included in losses in previous years. In 2023/24 we made an accrual to recognise the debtor for one firm where the recovery will be greater than £300k (Amigo Loans £2,047k). We received £1,552k in 2024/25 and a further £747k in 2025/26. The additional £252k recovery has been accounted for in 2024/25.

23. Pension costs

Introduction

The Financial Ombudsman is part of the Financial Conduct Authority's (FCA) HMRC-approved pension plan open to permanent employees. The pension plan was established on 1 April 1998 and has both a defined benefit (final salary) and defined contribution (money purchase) section. The plan is administered by a corporate board of trustees which is legally separate from the sponsoring employers. The Trustee is responsible for the investment policy with regard to the assets plus the day-to-day administration of the Plan. The trustee directors must always act in the best interest of the members and other beneficiaries.

Since 1 April 2000, all employees joining the Financial Ombudsman have been eligible only for the defined contribution section of the plan. On 1 April 2010 the defined benefit section of the plan closed and those members who were previously earning final salary benefits had the option to earn future benefits under the defined contribution section. Members with a defined benefit pension are entitled to annual pensions on retirement at age 60, the majority of which increases with RPI inflation, subject to a cap of 5% per annum. Benefits are also payable on death and following other events. No other post-retirement benefits are provided to these employees.

The FCA is the principal employer of the Plan and retains ultimate responsibility for payment of any debt due in event of a wind-up. The Financial Ombudsman is an associated employer and would be liable for payment of a debt should we cease to participate, calculated in line with section 75 debt provisions. Any surplus would, ultimately, be returned to the principal and associated employers on wind-up.

In the unlikely event that the FCA cease to participate in the scheme as the Principal Employer and the Financial Ombudsman continues to participate in the Plan, the FCA would be charged a debt on their obligations in the Plan. In this theoretical scenario there is then a risk that the Financial Ombudsman remains as the sole employer to the Plan and become responsible for the assets and liabilities. However, before this event there are many options that the Financial Ombudsman could take to avoid this happening, thus ensuring they are only responsible for paying for any debt related to their liabilities only.

Profile of the plan

Defined contribution scheme

The Financial Ombudsman's core contributions (ranging from 8% to 12% of the employee's pensionable salary) to the defined contribution section depend on the employee's age. The defined contribution section is part of a flexible benefits programme and members can, within limits, select the amount of their overall benefits allowance that is directed to the pension plan. The Financial Ombudsman will pay matching contributions up to a maximum of 3% of the employee's pensionable salary.

Defined benefit scheme

The defined benefit obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 58% of the liabilities are attributable to deferred pensioners and 42% to current pensioners. Independent actuarial advice has been obtained in order to calculate the share of the assets and liabilities of the FCA plan relating to those present and past employees of the Financial Ombudsman.

The defined benefit obligation includes benefits for deferred members of the plan and current pensioners. At 31 March 2025 there are 70 deferred members (31 March 2024: 76) and 58 pensioners (31 March 2024: 52).

The plan duration is an indicator of the weighted-average time until benefit payments are made. For the plan as a whole, the duration is around 14 years reflecting the approximate split of the defined benefit obligation between deferred members (duration of 16 years) and current pensioners (duration of 11 years).

The following table provides an analysis of the defined benefit obligation:

Analysis of defined benefit obligation by membership category	**31/03/25 £000**	**31/03/24 £000**
Deferred members benefits	**14,336**	18,438
Pensioner members benefits	**10,381**	10,372
Total defined benefit obligation	**24,717**	28,810

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was carried out by a qualified actuary as at 31 March 2022 and showed a deficit of £82,500k which includes both the Financial Ombudsman's and the Financial Conduct Authority's participation in the plan. The Financial Ombudsman paid deficit contributions of £1,067k over the year. The trustees and the Financial Conduct Authority agreed a revised recovery plan and schedule of contributions, dated 21 March 2024. This states that contributions in respect of the Financial Ombudsman's participation in the plan would be reduced to £1,067k in the year to 31 March 2025 and then increase back to the previous level of £1,600k from 1 April 2025, which is then expected to continue at this level until 31 March 2027. Along with investment returns from return-seeking assets, these contributions are expected to make good this shortfall by 31 March 2027. The next funding valuation will be carried out at 31 March 2025, at which progress towards full funding will be reviewed.

Risks associated with the plan

The plan exposes the Financial Ombudsman to a number of risks, the most significant of which are set out below:

Asset volatility	The defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The plan holds a proportion of its overall assets in growth assets (equities and property) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short-term.
Inflation risk	The majority of the plan's defined benefit obligation is linked to inflation, and higher inflation leads to a higher defined benefit obligation (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). Some of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the defined benefit obligation.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the plan's defined benefit obligation for accounting purposes, although this will be partially offset by an increase in the value of the plan's bond holdings. However, the liability matching assets of the plan look to match gilt yields rather than corporate bond yields and so a decrease in the spread between corporate bond yields and gilt yields will worsen the balance sheet.

Risk management

The Financial Ombudsman and the plan's trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes a significant proportion of growth assets (equities and property) which, though expected to out-perform corporate bonds in the long-term, create volatility and risk in the short-term. The trustees insure certain benefits which are payable on death before retirement.

Other risks

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. This only allowed the rules of contracted-out schemes in respect to benefits to be altered where certain requirements were met.

The decision was appealed and the original decision was upheld. On 5 June 2025 the Government announced that they would be introducing legislation to give impacted schemes the ability to retrospectively obtain actuarial confirmation that historic benefit changes met the necessary standards. The Trustee has informed us that they believe the relevant requirements were complied with.

Having consulted with its legal advisors, the Trustee believes that the relevant requirements were complied with and as such retrospective confirmation is not required. The Trustee will continue to monitor the situation and reconsider the matter if it becomes aware of any specific issue in relation to the Plan. As there are currently no known impacts to the Final Salary Section, no adjustment has been made to the Defined Benefit Obligation to allow for this ruling. The Financial Ombudsman, the Financial Conduct Authority and the Trustees will continue to monitor the situation.

Guaranteed minimum pension (GMP) equalisation

An estimate of the additional liabilities in respect of the October 2018 ruling on GMP Equalisation was first allowed for in the 31 March 2019 balance sheet Defined Benefit Obligation and was recognised in full as a past service cost.

There are no updates to this estimate and the Defined Benefit Obligation at 31 March 2025 continues to make allowance for these liabilities, consistent with last year.

We have determined that the impact of the second 2020 GMP Equalisation ruling on prior transfers has no material impact on the estimated liability and has been excluded from calculations.

Reporting at 31 March 2025 and at 31 March 2024

The calculations are based on an approximate valuation of the benefits payable in respect of the Financial Ombudsman's members of the final salary section of the plan at 31 March 2025, based on data and financial conditions at the same date.

These benefits include retirement pensions and non-lump sum benefits on members' death. The present value of the defined benefit obligation was measured using the projected unit credit method.

The principal assumptions agreed by the Board and used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

Main financial assumptions	31/03/25 % p.a.	31/03/24 % p.a.
Discount rate	**5.8**	4.8
Retail price index (RPI) inflation	**3.1**	3.2
Consumer price index (CPI) inflation	**2.6**	2.7
Excess pension increases	**2.9**	3.0
Post 88 GMP pension increases	**2.1**	2.1

The financial assumptions reflect the nature and term of the plan's liabilities.

The main demographic assumptions are set out below:

Main demographic assumptions		31/03/25 Years	31/03/24 Years
Life expectancy for member aged 60 at the balance sheet date	Males	**27.9**	28.2
	Females	**29.9**	30.1
Life expectancy at age 60 for member aged 40 at the balance sheet date	Males	**29.1**	29.6
	Females	**31.0**	31.5

Main demographic assumptions	2025	2024
Mortality base table adopted	SAPS S3 light tables for normal health retirees with a scaling factor 100%	SAPS S3 light tables for normal health retirees with a scaling factor 100%
Mortality future improvements adopted	Future improvements assumed to be in line with the CMI 2023 projections model with an addition to improvements of 0.5% p.a. and a long-term rate of improvement of 1.00%	Future improvements assumed to be in line with the CMI 2022 projections model with an addition to improvements of 0.5% p.a. and a long-term rate of improvement of 1.25%
Cash commutation	Members assumed to exchange 17.5% of their pension for a cash lump sum at retirement	Members assumed to exchange 17.5% of their pension for a cash lump sum at retirement

The plan assets are invested in the following asset classes. Equity and LDI funds are invested in quoted items. Property, bought-in annuity policies and infrastructure are not invested in quoted items. The LDI portfolio includes gilts and gilt-based derivatives to hedge some of the interest rate and inflation risk associated with the liabilities. The derivatives used to achieve this can be unquoted, and the plan's exposure will change over time. The value of the derivatives (and other unquoted assets) is not expected to be material in the overall context of the plan assets. 'Other' relates to cash deposits.

Asset allocation	Value at 31/03/2025 £000	Value at 31/03/2024 £000
Equity	**2,280**	3,025
Property	**211**	683
Liability driven investment funds (LDI)	**17,863**	18,378
Bought-in annuity policies	**1,163**	1,310
Infrastructure	**3,760**	3,502
Other	**126**	171
Total market value of assets	**25,403**	27,069

There are no deferred tax implications of the above deficit as corporation tax is only payable by the Financial Ombudsman on activities not directly related to its statutory activities.

The plan assets do not include any of the Financial Ombudsman's own financial instruments, nor any property occupied by, or other assets used by the Financial Ombudsman.

The amounts recognised in the statement of financial position are set out below.

Reconciliation of funded status to statement of financial position	Year ending 31/03/2025 £000	Year ending 31/03/2024 £000
Fair value of plan assets	**25,403**	27,069
Present value of defined benefit funded obligation	**(24,717)**	(28,810)
Effect of the net pension asset ceiling	**(686)**	-
Net pension (liability) recognised on the statement of financial position	**-**	(1,741)

The amounts recognised in comprehensive income are set out below:

Breakdown of amounts recognised in the statement of comprehensive income and the statement of other comprehensive income	Year ending 31/03/2025 £000	Year ending 31/03/2024 £000
Financing cost		
Interest on net defined benefit (liability)	**58**	(10)
Pension amount recognised in the statement of comprehensive ncome	**58**	(10)

Re-measurements in other comprehensive income	Year ending 31/03/2025 £000	Year ending 31/03/2024 £000
Returns on plan assets below that recognised in net interest	**3,005**	2,370
Actuarial (gains) due to changes in financial assumptions	**(3,994)**	(972)
Actuarial (gains) due to changes in demographic assumptions	**(342)**	(618)
Actuarial (gains)/losses due to liability experience	**(88)**	2,005
Total amount recognised in the statement of other comprehensive income	**(1,419)**	2,785
Total amount recognised in the statement of comprehensive income and other comprehensive income	**(1,361)**	2,775

Changes in the present value of the defined benefit obligation during the year are set out below:

	Year ending 31/03/2025 £000	Year ending 31/03/2024 £000
Opening defined benefit obligation	**28,810**	27,826
Interest cost on defined benefit obligation	**1,359**	1,291
Actuarial (gains) on plan liabilities arising from changes in demographic assumptions	**(3,994)**	(618)
Actuarial (gains) on plan liabilities arising from changes in financial assumptions	**(342)**	(972)
Actuarial (gains)/losses on plan liabilities arising from experience	**(88)**	2,005
Net benefits paid out	**(1,028)**	(722)
Closing defined benefit obligation	**24,717**	28,810

Changes to the fair value of plan assets during the year are set out below:

	Year ending 31/03/2025 £000	Year ending 31/03/2024 £000
Opening fair value of plan assets	**27,069**	27,260
Interest income on plan assets	**1,300**	1,301
Re-measurement (losses) on plan assets	**(3,005)**	(2,370)
Contributions by the employer	**1,067**	1,600
Net benefits paid out	**(1,028)**	(722)
Closing fair value of plan assets	**25,403**	27,069

Actual return on plan assets is set out below:

	Year ending 31/03/2025 £000	Year ending 31/03/2024 £000
Interest income on plan assets	**1,300**	1,301
Re-measurement (losses) on plan assets	**(3,005)**	(2,370)
Actual return on plan assets	**(1,705)**	(1,069)

Analysis of amounts recognised in statement of other comprehensive income:

	Year ending 31/03/2025 £000	Year ending 31/03/2024 £000
Total re-measurement gains/(losses)	**1,419**	(2,785)
Effect of the net pension asset ceiling*	**(686)**	-
Total gains (losses)	**733**	(2,785)

* The pension disclosures provided by our actuaries show a net pension asset of £686k. In line with IAS 19 and IFRIC 14, we reduced the asset to nil as the Financial Ombudsman does not have an unconditional right to the surplus.

Sensitivity to key assumptions

The key assumptions used for IAS 19, which outlines the accounting requirements for employee benefits, are discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The increase to the net pension liability as a result of the changes to the assumptions used is set out below.

	Current value £000	Change in asset £000	Change in defined benefit obligation £000	New value £000
Following a 0.1% decrease in the discount rate	-	11	(325)	(314)
Following a 0.1% increase in the inflation assumption	-	10	(326)	(316)
Following a 1% decrease in the discount rate	-	116	(3,591)	(3,475)
Following a 1% increase in the inflation assumption	-	78	(2,668)	(2,590)
Following a one-year increase in life expectancy	-	44	(609)	(565)

The sensitivity information shown has been prepared using the same method used to adjust the results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous years. The sensitivity showing the impact of a 0.1% decrease and a 1.0% in the discount rate reflects a change in assumptions, rather than a change in underlying bond yields, and therefore does not allow for the impact on plan assets, other than annuities held by the plan.

Money purchase section (defined contribution scheme)

The total expense recognised in the income statement £14,006k (2024: £12,969k) represents contributions payable to the plan by the Financial Ombudsman at rates specified in the rules of the defined contribution scheme.

24. Events after the reporting period

There are no material events after the reporting date to be disclosed in the financial statements.

The financial statements were authorised for issue on the date of the Comptroller and Auditor General’s signature.

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ISBN 978-1-5286-5567-5
E03316242

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