

Financial Ombudsman Service

Evolving our funding model

Consultation paper

Launch date: 13 August 2025

Respond by: 8 October 2025

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About us

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

Cases are referred by individuals, professional representatives, small businesses, small charities and trusts, beneficiaries of trusts or insurance policies, people being chased for debt under a regulated credit agreement.

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

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

Interim Chief Executive's foreword

Over the 25 years since the Financial Ombudsman Service was established, we have seen dramatic changes in financial services, consumer expectations and behaviours, and in technology. These changes mean that the casework we receive now is more diverse and open to volatility, both in terms of the volume and the type of complaints.

Over the years we have incrementally developed our funding model to adapt to these changes and to ensure alignment with our core funding principles – which include that we are free for consumers, small businesses, charities and trusts who use our service, and that our funding model should be simple to administer and ensure that the businesses which generate the most work, pay the most for our service. With recent developments and more on the horizon, we believe we need to make further changes to our funding model to ensure continued alignment with these long-standing principles.

Our recent joint consultation with the Financial Conduct Authority (FCA) on [Modernising the Redress System](#) and the [HM Treasury Review of our service and subsequent consultation](#) both propose that, in the future, mass redress events are identified earlier – with the FCA deciding on whether to take regulatory action or if a complaint-led approach is the most appropriate redress pathway. This will help us improve forecasting of demand for our service. There are also other proposals in both consultations that are likely to change how we work, providing us with the framework and mechanisms to focus on our original core purpose: resolving cases fairly, quickly and with minimal formality.

We, therefore, need a funding model which is fit for the future and supports the organisation we will become. A funding model which is more flexible but still easy to administer, and which ensures the cost to firms reflects more fairly the work we do on cases.

On 1 April 2025, we introduced some differentiation in case fees with the implementation of charging for professional representatives. We have received regular feedback from stakeholders that we should differentiate our case fee further, as the current flat case fee does not fully support a 'polluter pays' model, nor is it fully reflective of the work we carry out on individual cases. This consultation builds on that feedback, as well as the feedback received in the previous discussion paper, [Creating a funding model for the future](#), and Plans and Budget consultations on this topic. It sets out two options for differentiation:

- i. By stage: using our current casework process by way of example, which could easily be adapted to new processes, such as a registration stage being implemented.
- ii. By outcome: for non-represented cases, whether a complaint is upheld or not.

To ensure we are able to effectively implement differentiated charging, we need to also simplify and modernise some of our current billing processes and technology. Options to achieve this are also proposed in this consultation. This includes a suggestion to move to quarterly billing in advance for 95% of firms and professional representatives that use our service. A big change but one which, we believe, will simplify administration (and therefore reduce administration costs); provide greater clarity of cashflow for those paying case fees and for our service; enable easier implementation of differentiated case fees; and provide greater flexibility to accommodate any future changes.

As a not-for-profit organisation, funded by the financial services industry through levies and case fees, it is vital that we remain efficient and provide value for money. In recent years we have focused on improving efficiency as well as developing our digital capabilities to improve the customer journey to keep costs down. We were able to lower our costs to firms in 2024/25, by lowering our levies and case fees, and keep them at this level for 2025/26.

By ensuring we have a funding model that is fair, transparent and simple to administer for us and for firms and professional representatives, alongside our focus on providing value for money, we can ensure that the Financial Ombudsman Service helps underpin confidence in financial services.

All feedback received will be considered alongside feedback from the joint FCA-Financial Ombudsman Service consultation and HMT consultation.

Thank you in advance for your feedback and insight.

Jenny Simmonds

Interim Chief Executive Officer

How the Financial Ombudsman Service is funded

The Financial Ombudsman Service is a not-for-profit organisation, funded by the financial services industry through a combination of levy and case fees.

Our long-standing funding principles are:

- We are free for consumers, small businesses, charities and trusts who use our service
- Any funding model should be fair and transparent
- Our funding model should:
 - be broadly cost proportionate, with the businesses which generate the most work paying the most for our service
 - be easy to understand
 - be simple to administer for us and for firms
 - be sensitive to our operating environment
 - be sustainable over time
 - create no incentive for our service to reach a particular outcome on a case
 - enable recovery of our total costs so we are not running a deficit
 - reflect our costs in handling different types of complaints
 - encourage firms to adopt positive behaviour with consumers, follow our published guidance, and resolve complaints quickly and fairly, and
 - be supported by data and evidence.

The levy

All businesses covered by our service pay an annual levy to contribute to our overhead costs.

There are different levies for our compulsory jurisdiction and [our voluntary jurisdiction](#). Our compulsory jurisdiction covers firms that are authorised by the Financial Conduct Authority (FCA). [The FCA collects the levy for our compulsory jurisdiction](#). Firms not covered by our compulsory jurisdiction can request to join our voluntary jurisdiction. We collect the levy from firms in our voluntary jurisdiction.

We consult annually in our Plans and Budget on the amount to be raised by the compulsory jurisdiction levy, which must also be approved by the FCA. The FCA then consults on how this is allocated to different industry blocks. The FCA bases the allocation of the compulsory jurisdiction levy on the volume of cases we expect to receive that are attributable to different industry blocks. These are themselves based on categories of activities the firms undertake. The volume of cases is a proxy for the work we expect each industry block to generate. The levy ranges from around

£45 a year for a small financial advice business to over £1 million for a high-street bank. Businesses can use the FCA's [fee calculator](#) to see how much the levy will be.

The voluntary jurisdiction levy is calculated broadly in the same way as compulsory jurisdiction levy.

Case fees

In addition to the levy, and in line with our principle that the businesses which generate the most work should pay the most for our service, financial businesses we receive complaints about may also have to pay an individual case fee.

Most financial businesses get three free cases a year, after which we charge a maximum case fee of £650. This means that many financial businesses do not pay a case fee, as they receive fewer than three cases in a year. In 2024/25, seven in ten businesses, whose customers referred complaints to us, did not pay any case fees at all.

For financial businesses that do pay our case fees, the cost involved is likely to be much less than the legal costs of defending the case in court.

Eight business groups, across banking and insurance, are part of our group fee arrangement, where case fees are paid quarterly, in advance, based on a forecast of their share of the overall complaints we expect to resolve. Where the number of complaints resolved is more than 5% lower or higher than forecast, we make end-of-year adjustments through either a refund or additional charges respectively. Billing quarterly in advance lowers administrative costs, increases efficiency, and creates a steadier cashflow for both us and the eight businesses.

Differentiated case fees for cases brought by professional representatives

In December 2024, regulations made by the Treasury gave us the power to charge professional representatives a case fee. From 1 April 2025, following public consultation and consideration of feedback from stakeholders, we implemented a charging regime for certain professional representatives who bring complaints to our service.

Professional representatives do not pay a case fee for the first ten complaints they bring to us in a financial year. From the 11th complaint onwards, we charge a maximum case fee of £250 on referral of a case. Our free case provision for professional representatives means that the majority will not incur any fees. Only those that refer cases to our service at a larger scale will be liable for a fee.

Professional representatives may receive a credit note of £175, on case closure, if the complaint is closed as a change in outcome in favour of the complainant. A fee of £75 is therefore the minimum that would be paid by a professional representative for a complaint.

If the complaint is closed as a change in outcome in favour of the complainant, then the respondent business pays a case fee of £650. However, if a case is in favour of the respondent business, then the respondent business pays a reduced case fee of £475. Rules to achieve the same effect apply in relation to respondent businesses that are subject to our group fee arrangement.

For cases where a professional representative is involved in a complaint, we recover £725 in total from the representative and the respondent business, regardless of the outcome of the complaint.

Not-for-profit advice services, charities and others who represent consumers informally – such as friends and family – are not charged a case fee.

Why we are consulting

We believe there is an opportunity to better align our current funding model with our funding principles, in particular to ensure our model is simple to administer for us and firms and better encourages firms to adopt positive behaviour with consumers, follow our published guidance and resolve complaints quickly and fairly. We are, therefore, consulting on two areas: further differentiation on our case fees, and the simplification of some of our billing processes.

1. Further differentiating our case fees

We introduced differentiated case fees when we brought in case fees for professional representatives using our service. Further differentiation could help ensure we encourage firms to adopt positive behaviour with consumers, follow our published guidance, and resolve complaints quickly and fairly. In addition, we know from previous consultations and engagement, many financial businesses would like to see further differentiation of our case fees, in particular to ensure that the businesses which generate the most work are paying the most for our service. However, there is no consensus on how differentiation would best work. This consultation asks for feedback on two specific options for case fee differentiation.

In deciding the options to include in this paper, we have reflected on previous feedback, analysed our own data and processes, and reviewed the approach taken by similar organisations and ombudsman schemes – both in the UK and internationally.

Should proposals to further differentiate our case fees be taken forward, the next steps would be to carry out further analysis on potential price points, based on feedback received, and to implement the proposed billing simplification changes. The proposed differentiated price points for 2027/28 would be set out in the 2027/28 Plans and Budget consultation, which will be launched in November 2026.

2. Improving our billing processes to support case fee differentiation

In addition, this consultation sets out the changes we would like to make to elements of our billing process to help reduce the administrative burden on firms, simplify our internal processes, and better support the ease of implementation of further differentiation in cases fees.

This year we moved from a flat case fee for all cases, to a differentiated fee when a professional representative has been involved. This change highlighted challenges with elements of our current billing processes and technology. We would like to address these before we bring in any further differentiation in case fees and to ensure we have a billing process that is fit for our future needs.

To illustrate the current complexity, in 2024/25, our case fee model consisted of a group fee arrangement for eight firms and, for the remaining firms, a single case fee, after using their three free cases. With this model, there were around 50 permutations of our billing logic to determine the fee payable on a case. With the introduction of professional representative charging and their free cases, as expected, this increased to over 5,000 permutations and will increase further with greater differentiation. The proposals set out in this paper seek to simplify some elements of our billing

process to ensure it is as simple as possible and so can efficiently support increased differentiation.

We believe the proposals set out align with our funding principles, in particular that our model should be simple to administer for us and for firms, sensitive to our operating environment, and sustainable over time.

Should the proposals to simplify our billing processes be taken forward, we would aim to consult in November 2025 on the changes to FEES rules for implementation in 2026/27, to prepare for any new differentiation to case fees in 2027/28.

Charging professional representatives

We started charging professional representatives in April 2025, following consultation. This consultation paper is not reconsulting on the principle of charging professional representatives but does look at the application of our overall billing processes.

Changes to these processes are intended to be applied across all billing and will impact both respondent businesses and professional representatives.

1. Case fee differentiation

Taking account of the feedback received to date, and the ongoing consultations which will continue to shape our service, we are consulting on two options for differentiation: by case stage and by case outcome. We have previously consulted on other ways to differentiate our case fees, including by product type. However the two options set out in this paper are those considered to be the most feasible to introduce and maintain, as well as to achieve the key objectives for differentiating.

- a) Our recommended option for differentiation of case fees is by case stage. In our 2022 discussion paper, over half of respondents felt that charging case fees based on the stage a case reaches in our process was a good idea. However, there were concerns raised that our fees could be “weaponised” if we charged a higher fee for a final determination. Our proposal below explains how we plan to address this potential risk.
- b) For completeness, we are also consulting on differentiated case fees based on outcome, regardless of whether or not the case has been brought by a professional representative. We continue to hear a preference from some stakeholders for differentiation by case outcome. Therefore, with the introduction of differentiated case fees by outcome where a case is represented, we felt it was appropriate to re-consult on this option as part of this paper.

We believe that it is possible to either implement both options or just one of them. The proposed timeline is implementation for the 2027/28 financial year as we first need to modernise and simplify our billing system (as set out in section 2 below).

1a. Differentiated case fee based on case stage

Complaints that are closed later in our resolution journey require more effort and therefore cost more than those complaints that are resolved earlier in our resolution journey. This approach reflects the effort, and therefore the cost, we have incurred in bringing the case to resolution.

Differentiation by stage could support the early resolution of complaints, encouraging firms to use our published guidance to resolve complaints, with less involvement from our service. This would mean quicker outcomes for consumers, as well as lower costs for firms who proactively engage in the early resolution of complaints. Differentiation of case fees based on stage is also consistent with the proposal for a registration stage set out in our joint consultation with the FCA on Modernising the Redress System.

No changes to legislation or regulations are needed to bring in differentiated charging by stage, as FSMA schedule 17, para 15(2) already provides for this option, other than amending our FEES rules.

Charging by stage can accommodate any additional or alternative stages in our process, should the resolution journey change in the future. In line with our funding principles, we believe different case fees could be charged for complaints resolved at the following three stages that are currently part of our process:

- 1) **Proactive settlement:** Under our proactive settlement scheme, respondent businesses can make an offer to resolve the complaint within 14 calendar days from when a case moves to investigation. We review the offer and, if we have enough information, we let the consumer know if the firm’s offer is in line with what we would expect on a similar case or not. If the consumer accepts and the case is closed, the outcome is noted in our data as ‘proactively settled’ (rather than a change in outcome) noting that the case is still

'chargeable'. With differentiated charging, a lower case fee could be charged at this stage. This would better reflect the reduced level of work we have been required to do to support this resolution and the early steps taken by the firm to resolve the case quickly.

- 2) **Before a caseworker issues a provisional assessment, or 'view':** Once a case is allocated to a caseworker, they will start to work the case. Sometimes, during the caseworkers' investigation the case is withdrawn or abandoned, or the firm makes an offer that the complainant accepts. Although the case may not have been fully worked, a reasonable level of effort has been expended in most cases before the case is closed. An appropriate fee, reflecting the work we have carried out, should be charged for cases that are closed at this stage.
- 3) The final stage for differentiation that we propose is to be **once a caseworker has completed their full review and issued a provisional assessment.** We do not intend to have a different case fee for cases resolved at provisional decision and those resolved by a final determination (a 'decision'), given that both the complainant and the respondent business has the right to request a final determination. Therefore, the case fee at this stage would need to represent the fact that a proportion of these cases will require additional work to reach a final determination.

We propose setting case fees at a level that, on our best available forecast during the process of finalising the Plans and Budget for the upcoming year, would be revenue-neutral to the Financial Ombudsman Service. That is, fees would be set at a level to generate the same overall income as if we retained a single flat case fee. This means that whilst some complaints would attract a lower-case fee, other complaints would attract a higher fee. See an illustrative view of differentiated case fees by case stage in Annex A.

There are risks to differentiating by stage that require monitoring:

- It is important that the level at which our fees are set doesn't affect firm behaviour in a way that could lead to an unfair outcome for consumers. Where offers are made on cases which are already with our service, we review those offers and let the consumer know if we think they are broadly in line with what we would expect, to help ensure they are fair to the consumer.
- Our income could be lower than planned if more cases are closed at an earlier stage than forecast. If this occurs, and leaves a deficit in covering our operating costs, we could either fund from surplus reserves (if available) or recover through an increase in case fee price points in the following year, subject to consultation (alongside continuing to drive further operational cost efficiencies).

1b. Differentiated case fees based on case outcome

We have already introduced differentiated case fees based on outcome with the introduction of charging representatives. When a represented case is found in favour of the firm, a fee of £475 applies to the firm (and £250 to the professional representative), when we find in favour of the consumer a fee of £650 is charged to the firm (and £75 to the professional representative). The total amount we receive per case under this model is unchanged by the outcome.

We could expand differentiating our case fee to cases that are not brought by a professional representative, based on whether we find in the complainant's or in firm's favour. That is, based on case outcome. A higher case fee would be payable by the respondent business when we find in favour of the complainant, and a lower fee would be payable when we find in favour of the firm.

One of the purposes of introducing professional representative charging was to encourage them to consider the merits of complaints more diligently before referring them to us. The purpose for expanding this to cases that are brought by complainants would be to reflect feedback from previous case fee consultations. Stakeholders have requested that we differentiate case fees based on the ‘polluter pays’ principle, articulating that it is unfair they are charged case fees when they are found to have done nothing wrong.

The same pricing principle would apply here as in differentiation by case stage, in that we propose setting case fees at a level that would be revenue-neutral to the Financial Ombudsman Service. So, on our best available forecast during the process of finalising the Plans and Budget for the upcoming year, fees would be set at a level that would give us the same overall income as if we retained a single flat case fee. This means that whilst many complaints would attract a lower-case fee, the upheld complaints would attract a higher fee. See an illustrative view of differentiated case fees by case outcome in Annex B.

Feedback from the consultation to charge professional representatives raised concerns that there could be a risk of, or a perception of, bias (whether consciously or subconsciously) to find in favour of the complainant and so generate higher income when differentiating on outcome. This would be at odds with our funding principle to “create no incentive for our service to reach a particular outcome on a case”. While we recognise this concern, we believe there are several factors which mitigate this risk of perception bias:

- The level of an individual case fee would be set so that the difference is not sufficiently high that bias would be financially worthwhile to our service on an individual case. In the illustrative example in Annex B, the difference in case fee is £120 for cases that are not professionally represented. Bias would therefore only be an issue if executed at a systemic level, but there would be appropriate governance checks and balances in place to ensure this does not happen. For example, the changes in delegated authority, as set out in the proposals to modernise the redress framework and in HMT’s consultation, would support wider oversight of systemic issues.
- Our caseworkers are not rewarded now, nor do we plan for them to be in the future, based on the outcome of the complaint or the income they generate.
- We have an existing clear oversight and reporting mechanism in place through our quality assurance framework and FCA oversight governance. Any changes in case outcome trends would be scrutinised appropriately through this oversight process.
- We are a not-for-profit organisation, so we aim to set case fee pricing to cover our operating costs rather than make a financial surplus or create a financial deficit. If the mix of case outcomes ends up being different to that anticipated in our plans, then appropriate adjustments to case fee price points would be proposed in the following year’s Plans and Budget to ensure we either avoid building surplus reserves or we remain financially sustainable by covering our costs. Our reserves policy, of holding three to five months of operating costs in reserves, remains suitable to manage the unavoidable uncertainty of the exact mix of case outcomes in any one year.

1c. Differentiation on both case stage and case outcome

It is possible to differentiate by case stage or by case outcome – or both combined. Annex C sets out an illustrative example of case fees if we introduced differential cases fees for both stage and outcome.

In addition to the benefits and risks set out above for differentiation by case stage and case outcome, a combined approach could go further towards achieving the funding principles of being

“broadly cost proportionate, with the businesses which generate the most work paying the most for our service” and “encouraging firms to adopt positive behaviour with consumers and resolve complaints quickly and fairly”. However, a combined approach would be more complex, less easy to understand and could lead to more case fee queries from firms and professional representatives.

It is for these reasons that our recommended approach, should the differentiation of case fees be introduced, is that differentiation should be by case stage.

Questions

Question 1: What do you think of the proposal to differentiate case fees based on case stage, where cases closed earlier in our complaint journey would attract lower fees than those closed later in our complaint journey?

Question 2: What risks do you foresee with the introduction of differentiated case fees based on case stage? Do you feel these risks can be sufficiently mitigated?

Question 3: What do you think of the proposal to differentiate case fees based on case outcome where cases that are not upheld would attract lower fees than those cases which are upheld?

Question 4: What risks do you foresee with the introduction of differentiated case fees based on case outcome? Do you feel these risks can be sufficiently mitigated?

Question 5: If in favour of differentiation, do you think we should differentiate by case stage, case outcome or both?

2. Billing simplification

We are consulting on two proposals designed to help simplify our billing processes and, therefore, better support any implementation of further differentiation in cases fees. These are:

- a. Moving from free cases to a monetary allowance
- b. Expanding ‘billing quarterly in advance’ to a larger group of respondent businesses, including professional representatives

2a. Moving from free cases to a monetary allowance

With the introduction of charging professional representatives, the value of free cases to a respondent business can differ, as set out follows:

- A case brought by a professional representative, and not found in favour of the complainant, costs the firm £475. If a firm has three of these cases as their first three cases, they start to be charged after £1,425.
- A case which is not brought by a professional representative costs the firm £650. If a firm has three of these cases as their first three cases, they start to be charged after £1,950.

A similar issue arises for professional representatives and with differential case fees. This difference in the value of free cases would be magnified.

We therefore propose to change the free case approach to ensure that the free case allowance has the same value to each respondent business and professional representative. To achieve this,

we propose to change to a system where a monetary allowance is allocated to each respondent business or professional representative at the start of each of financial year. Any case fees would first be deducted from this allowance until it was exhausted. The monetary allowance level would be formally set and reviewed during the annual Plans and Budget consultation process.

An illustrative proposal for 2026/27 would be to set the monetary allowance at £2,000 for both respondent businesses and professional representatives. Currently, this would equate to:

- approximately three free full-value cases at £650 per case for respondent businesses that are not represented or that are represented but cases have been found in favour of the complainant, or
- four free cases at £475 per case for respondent business for cases that are represented and found in favour of the firm.

In our [Charging CMCs and other professional representatives policy statement](#), we set out that professional representatives would receive ten free cases a year. For fairness and simplicity, we propose to also move to a monetary allowance for professional representatives. A £2,000 monetary allowance would equate to eight free full value cases at £250 if the case found in favour of the respondent business, or twenty-six cases if cases found in favour of the complainant. This has a similar impact to the £2,000 allowance for firms. Therefore we propose the same allowance for both firms and professional representatives initially.

If charges do not exceed the £2,000 threshold for a respondent business or professional representative, the total invoicing for the year will be £nil. The allowance will reset at the start of the new financial year. Credit for any unused allowance from a previous financial year will not roll over into the new financial year.

If differential charging is introduced, firms that have cases at the higher fee levels would get fewer free cases, as the £2,000 threshold would be used more quickly. Conversely, those with cases at the lower fee levels would get more free cases.

In addition to this being a fairer model, it will simplify our internal processes as we will not need to track whether an individual case is chargeable or free as part of the billing process – simplifying our billing logic. We would consult each year on the value of the annual monetary allowance to ensure that the value remains appropriate relative to the case fee levels.

2b. Expanding ‘billing quarterly in advance’

Currently we have three different ways of billing:

1. Most firms are invoiced monthly for the cases **closed in the previous month**.
2. Professional representatives are billed monthly for the cases **referred in the previous month**, with a potential credit note (if the case is found in favour of the complainant) applied on case closure.
3. The eight firms in the group fee arrangement are billed **quarterly in advance** based on an annual forecast, with a year-end adjustment if outside a 5% tolerance.

We propose to simplify this by moving to bill all firms and professional representatives, with a forecast of resolving 25 or more cases in a financial year, quarterly in advance. This would work in a similar way to how energy companies pre-charge users for the expected use of energy and provide monthly statements.

In practice this means:

- Towards the end of a financial year, we will forecast the volume of cases we expect to close in the following financial year by firm and by professional representative. This forecast process is proposed to work in the same way as the current group fee arrangement (FEES 5 Annex 3R, part 4), but excluding the 5% tolerance component. In summary:
 - We will identify the volume of cases in stock at a particular date, plus use the recent trend of cases received for a respondent business (either directly or through a professional representative), to forecast the number of cases we expect to close in the following financial year relating to each organisation. Any one-off events would be adjusted for to inform this forecast.
 - Using the case volume forecast for the upcoming financial year and a pricing table (illustrative examples in Annexes A-C) we would calculate the total annual case fees expected from each firm and professional representative, reduced by the amount of the free case allowance.
- We will contact any business or professional representative where we expect to resolve 25 cases or more in the upcoming financial year with their case volume forecast and the expected quarterly bills.
- We will provide all businesses and professional representatives paying quarterly in advance with a monthly statement to aid their tracking against forecast.
- We will conduct a half-year check-in against the case volume forecast and make adjustments to Q3 and Q4 billing as required.
- A final end-of-year invoice will address any variance from forecast not adjusted for at the half-year, through either a credit note applied to the following year's fees or an additional charge.

To ensure this is a successful simplification and change, we also propose:

- Removing the 5% tolerance currently applied to the group fee businesses and replacing it with the monetary allowance (outlined in 2a above).

All businesses will then benefit from this 'free' allowance. This standardises our billing processes and ensures fairness across all businesses. Indeed, it reflects feedback received in previous Plans and Budget consultations which asked for the removal of this tolerance.

- Reducing the timeline for disputing a case fee from 12 months to six months from the end-of-year invoice.

Currently businesses and professional representatives have 12 months from the date a case fee is invoiced to dispute the charge. With quarterly billing in advance, a final invoice will be sent at the end of the year. This means a case which closed in April could be disputed up to two years after it closes unless this change is made. Reducing the time limit to six months provides clarity as early as possible for us and the business disputing a charge. The introduction of monthly statements means businesses will also be able to dispute any case fees prior to the end-of-year invoice.

- That businesses and representatives forecast to receive fewer than 25 cases in a financial year would move from monthly billing to being billed half-yearly, reducing the volatility in invoicing they currently experience (as we invoice on case closure), reducing cash flow risk for businesses, and aiding simplification in our billing process.

Based on current data and the 25 cases threshold, around 95% of the businesses that we receive complaints about and professional representatives would move to quarterly billing in advance. There are several benefits for those paying our case fees and to our service in making these changes to the billing process:

- A significant reduction of the administration burden on firms and professional representatives, plus more predictable cashflow. It is an established approach as to how other organisations charge for their services. However, we appreciate that this change may not be attractive to smaller businesses, hence setting the threshold for being billed quarterly in advance at 25 or more forecast cases.
- By having half-yearly check-ins (rather than just an end of year “5% tolerance review” or “true up”), we are more easily able to adapt to any significant changes in case volumes. For example, in the event of lower demand from a firm or professional representative we can reduce the future quarterly payments.
- In our ‘Charging claims management companies and other professional representatives’ policy statement we committed to aligning respondent business charging to that of professional representatives, which this simplification proposal does.
- By charging in advance, we reduce our risk of not recovering costs that we will have expended working on cases should firms or professional representatives cease trading.
- The simplification means we can operate with greater efficiency and accuracy. As well as reducing the risk of errors and lowering operating costs, it provides capacity for us to introduce differentiated charging, subject to feedback from this consultation.

Questions

Monetary allowance

Question 6: Do you agree with the change from a free case count allowance to a monetary allowance? If you prefer an alternative approach, why do you consider that proposed alternative approach to be simpler and fairer than the current or proposed approach?

Question 7: Do you think the indicative monetary allowance level of £2,000 for both respondent businesses and professional representatives is a reasonable equivalent to the current free case count?

Expanding ‘billing quarterly in advance’

Question 8: Are you in favour of moving to quarterly billing in advance for respondent businesses and professional representatives with higher volumes of complaints?

Question 9: Do you agree that a forecast of 25 cases to be closed per year is the right threshold to trigger quarterly billing in advance?

Question 10: Do you agree with the proposal to remove the 5% tolerance for firms currently in the group fee arrangement and substituting with the free case monetary allowance?

Question 11: What do you think of our proposal to reduce the time limit for disputing case fees to six months if we introduced billing quarterly in advance for more firms?

Impact on parties who pay case fees

We have assessed the impact of implementing the consultation proposals on respondent businesses and professional representatives in the table below.

For complainants, small businesses, charities and trusts who use our service and who do not pay our case fees, we expect the proposed changes to be minimal but believe that overall, they will help improve the service they receive from us and firms. Firms will be encouraged to resolve cases as early as possible in the circumstances, with appropriate checks and balances in place for any proactively settled cases.

	Impact to respondent businesses	Impact to professional representatives
Case fee differentiation 1a. Differentiated case fee based on case stage	<p>Differentiating case fees by case stage, while keeping overall case fee revenue in line with a flat fee approach, means that fees for some types of case will be higher than they are today, while others will be lower than they are today.</p> <p>This means that firms would pay less than they would under the existing regime if most cases are resolved at the earliest stage, but would pay more if cases are resolved later in the process.</p> <p>There is a risk that firms may feel they have to settle early in the process to avoid paying a larger fee. However, the intention is that the differentiation in fees will not be material enough to be a driver for such behaviour, but will instead reflect the difference in the work undertaken by our service. In addition, the light-touch review of offers received as part of our proactive settlement scheme will continue, to ensure firms continue to resolve cases appropriately.</p>	<p>There is limited impact as this will not impact the case fee a professional representative will pay.</p>
Case fee differentiation	<p>Differentiating case fees by case outcome, while keeping overall case fee revenue flat, means that</p>	<p>Cases brought by professional representatives are already subject to differentiation based on</p>

1b. Differentiated case fees based on case outcome for non-represented cases	<p>fees for cases that are found in favour of the complainant will be higher than they are today.</p> <p>There is a risk of perceived, or real, bias that a decision would be reached on outcome based on the possible income that could be received. However, the mitigations previously outlined apply.</p>	<p>outcome. This would build on that. There is limited impact as it is proposed we maintain the current case fee mechanic, with price points to be reviewed annually in line with usual Plans and Budget practice.</p>
<p>Case fee differentiation</p> <p>1c. Differentiated case fees based on both case stage and case outcome</p>	<p>In addition to the impacts set out in 1a and 1b above, differentiation on both case stage and case outcome could be considered more complex and less easy to understand.</p>	<p>Limited impact, as already noted in 1a and 1b above.</p>
<p>Billing simplification</p> <p>2a. Moving from free cases to a monetary allowance</p>	<p>This is fairer to firms as it ensures that all firms receive the same free case value. At present case fees may vary depending on representation and outcome. This means that free cases are worth different amounts, and if any further case fee differentiation were supported this would be further amplified. Our plan to offer a monetary allowance will ensure all firms receive the same benefit. We believe this proposal will also reduce administration for firms.</p>	<p>This is fairer to professional representatives as it ensures that all representatives receive the same free case value. At present, case fees vary depending on the outcome of the case. This means that the ten free cases may be worth different amounts to different representatives. Our plan to offer a monetary allowance will ensure all representatives receive the same benefit, regardless of the outcome of the case.</p>
<p>Billing simplification</p> <p>2b. Expanding 'billing quarterly in advance'</p>	<p>While this is a big change and mean firms move from paying on case closure to paying in advance based on a forecast, this should result in less administration for firms as quarterly estimated bills will require less effort to validate and pay. This process will smooth cashflow throughout the year. Firms will have the ability to review cases closed during the year through the introduction of monthly statements.</p>	<p>This should result in less administration for professional representatives, as quarterly estimated bills will require less effort to validate and pay, and so will smooth cashflow throughout the year. Representatives will have the ability to review cases closed during the year through the introduction of monthly statements.</p> <p>Representatives may be impacted if our estimated fees for the forthcoming year are materially incorrect. This may lead to us</p>

	<p>Firms may be impacted if our forecast for the forthcoming year is materially different to actual cases closed, potentially resulting in higher or lower cash outflows in the early part of our financial year than under our current model of invoicing on case closure. This may lead to us materially over-recovering or under-recovering case fees during the year. However, this risk is partially mitigated by having a half-yearly review of actual charges to that point and raising appropriate credit notes, invoices and rebate for any material variations at year end.</p> <p>Firms that are currently part of the group fee arrangement would be charged on actual charges due rather than with a 5% tolerance. Based on the last two financial years, that would mean a saving of c£2m per annum across all eight firms, the split varying by firm for each year.</p> <p>Firms will have less time to query a case fee – from 12 months to six. However, most disputes are raised within six months of invoice (95% on average over the last three years) and firms will have the ability to review cases closed during the year through the introduction of monthly statements.</p>	<p>materially over-recovering or under-recovering case fees. However, this risk is partially mitigated by having a half-yearly review of actual charges to that point and raising appropriate credit notes, invoices and rebate for any material variations at year end.</p> <p>Professional representatives will have less time to query a case fee – from 12 months to six. However, firms will have the ability to review cases closed during the year through the introduction of monthly statements.</p>
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Summary of questions in this consultation

1. Differentiated charging

Question 1: What do you think of the proposal to differentiate case fees based on case stage, where cases closed earlier in our complaint journey would attract lower fees than those closed later in our complaint journey?

Question 2: What risks do you foresee with the introduction of differentiated case fees based on case stage? Do you feel these risks can be sufficiently mitigated?

Question 3: What do you think of the proposal to differentiate case fees based on case outcome, where cases that are not upheld would attract lower fees than those cases which are upheld?

Question 4: What risks do you foresee with the introduction of differentiated case fees based on case outcome? Do you feel these risks can be sufficiently mitigated?

Question 5: If in favour of differentiation, do you think we should differentiate by case stage, case outcome or both?

2. Billing simplification

Monetary allowance

Question 6: Do you agree with the change from a free case count allowance to a monetary allowance? If you prefer an alternative approach, why do you consider that proposed alternative approach to be simpler and fairer than the current or proposed approach?

Question 7: Do you think the indicative monetary allowance level of £2,000 for both respondent businesses and professional representatives is a reasonable equivalent to the current free case count?

Expanding 'billing quarterly in advance'

Question 8: Are you in favour of moving to quarterly billing in advance for respondent businesses and professional representatives with higher volumes of complaints?

Question 9: Do you agree that a forecast of 25 cases to be closed per year is the right threshold to trigger quarterly billing in advance?

Question 10: Do you agree with the proposal to remove the 5% tolerance for firms currently in the group fee arrangement and substituting with the free case monetary allowance?

Question 11: What do you think of our proposal to reduce the time limit for disputing case fees to six months if we introduced billing quarterly in advance for more firms?

How to respond

We invite our stakeholders to provide feedback on our proposals before the consultation window closes on 8 October 2025. All comments will be taken into consideration to help shape our decision making. We will communicate the decisions made on our proposals in a feedback statement.

Please email your response and any questions about this consultation to consultations@financial-ombudsman.org.uk.

We will publish a list of respondents and a summary of responses. If there is a reason why your name should not be published, please let us know. We will not automatically accept a standard email disclaimer. Our legal responsibilities around freedom of information mean we cannot guarantee responses can be kept confidential. You can find our privacy notice at <https://www.financial-ombudsman.org.uk/privacy-policy>.

Next steps

We welcome feedback on these proposals by **8 October 2025**.

We will consider feedback and aim to consult on draft rules in our 2026/27 Plans and Budget consultation in November 2025, for proposals that:

- we decide to proceed with, having taken account of the feedback received
- can be implemented by 1 April 2026 for new cases referred to us from 1 April 2026, subject to balancing the demand on our technology portfolio.

Other feedback will be appropriately considered and, where appropriate, be included in future Plans and Budget consultations.

Annex A: Illustrative case fees – charging by case stage only

The following table sets out what a differentiated case fee structure **could** look like for respondent businesses if differentiating by case stage only – based on 2024/25 case closures adjusted for one-off items and achieving the same total case fee income. Note that this table is **illustrative only**, both in terms of the case stages shown and the price points suggested.

If responses to this consultation are positive, we would carry out a full evaluation of our costs and case fee price points and consult on these in future Plans and Budget.

For a respondent business, the illustrative price point logic shows:

- a fee of £690 for cases that reach ‘view’ and are not a represented case
- a 70% discount off this fee for ‘pro-active settlement’ closures to reflect the significantly lower level of work required
- a 20% discount off this fee for ‘Before View’ issued closures to reflect a modestly lower level of work required.

For professional representatives the case fee logic is the same as in place for 2025/26, with the illustrative example also showing unchanged price points.

Respondent businesses	Proactive settlement	Before view issued	After view issued
No representative: all cases	£210	£550	£690
With representation: case outcome in favour of complainant	£210	£550	£690
With representation: case outcome not in favour of complainant	N/A (invalid scenario)	£375	£515

Professional representative	Proactive settlement	Before view issued	After view issued
No representative: all cases	N/A	N/A	N/A
With representation: case outcome in favour of complainant	£75	£75	£75
With representation: case outcome not in favour of complainant	£75	£250	£250

Total case fee for the Financial Ombudsman Service	Proactive settlement	Before view issued	After view issued
No representative: all cases	£210	£550	£690
With representation: case outcome in favour of complainant	£285	£625	£765
With representation: case outcome not in favour of complainant	£75	£625	£765

Annex B: Illustrative case fees – charging by case outcome only

The following table sets out what a differentiated case fee structure **could** look like for respondent businesses if differentiating by case outcome only - based on 2024/25 case closures adjusted for one-off items, maintaining overall case fee income. Note that this table is **illustrative only**, both in terms of the case stages shown and the price points suggested.

If responses to this consultation are positive, we would carry out a full evaluation of our costs and case fee price points, and consult on these in future Plans and Budget.

Respondent businesses	Case fee
No representative: case outcome in favour of complainant	£740
With representation: case outcome in favour of complainant	£740
No representative: case outcome not in favour of complainant	£620
With representation: case outcome not in favour of complainant	£565

Professional representative	Case fee
No representative: case outcome in favour of complainant	N/A
With representation: case outcome in favour of complainant	£75
No representative: case outcome not in favour of complainant	N/A
With representation: case outcome not in favour of complainant	£250

Total case fee for the Financial Ombudsman Service	Case fee
No representative: case outcome in favour of complainant	£740
With representation: case outcome in favour of complainant	£815
No representative: case outcome not in favour of complainant	£620
With representation: case outcome not in favour of complainant	£815

Annex C: Illustrative case fees – charging by case stage and by case outcome combined

Using our existing £650 case fee as a starting point, the following table sets out what a differentiated case fee structure **could** look like for respondent businesses if differentiating **both** by case stage and by case outcome combined. Note that this table is **illustrative only**, both in terms of the case stages shown and the price points suggested.

If responses to this consultation are positive, we would carry out a full evaluation of our costs and case fee price points and consult on these in future Plans and Budget.

For a respondent business, the illustrative price point is a fee of £650 for cases without representation that reach a 'view' being issued but **not** in favour of the complainant (this is currently where most of our cases fall).

- 120% is applied to this fee for cases where a 'view' issued is in favour of the complainant.
- a 70% discount is applied to this fee for 'pro-active settlement' closures to reflect the significantly lower level of work required.
- a 20% discount is applied to this fee for 'Before view issued' closures to reflect a modestly lower level of work required.

Respondent businesses	Proactive settlement	Before view issued	After view issued
No representation: case outcome in favour of complainant	£200	£620	£780
With representative: case outcome in favour of complainant	£200	£620	£780
No representation: case outcome not in favour of complainant	N/A (invalid scenario)	£520	£650
With representative: case outcome not in favour of complainant	N/A (invalid scenario)	£445	£605

Professional representative	Proactive settlement	Before view issued	After view issued
No representation: case outcome in favour of complainant	N/A	N/A	N/A
With representative: case outcome in favour of complainant	£75	£75	£75
No representation: case outcome not in favour of complainant	N/A	N/A	N/A
With representative: case outcome not in favour of complainant	£75	£250	£250

Total case fee for the Financial Ombudsman Service	Proactive settlement	Before view issued	After view issued
No representation: case outcome in favour of complainant	£200	£620	£780

With representative: case outcome in favour of complainant	£275	£695	£855
No representative: case outcome not in favour of complainant	N/A (invalid scenario)	£520	£650
With representative: case outcome not in favour of complainant	£75	£695	£855