



# Our 2026/27 Plans and Budget



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# About us

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

We can also look at complaints made by small and medium-sized enterprises (SMEs) about financial businesses and complaints made by customers of claims management companies (CMCs). More information about our jurisdiction, including limits on the awards we can make, can be found in the [how we make decisions](#) section of our website.

In addition to resolving disputes, we share our insights to improve outcomes for all customers of financial services products.

## Chief Executive Officer and Chief Ombudsman's foreword

As interim Chief Executive Officer and interim Chief Ombudsman, we are pleased to introduce our Plans and Budget for the financial year 2026/27 and would like to thank everyone who responded to our consultation.

### Delivering for our customers

We start this financial year with a renewed commitment to our strategy which is focused on ensuring our service is accessible and easy to use, delivering value for money, improving confidence in financial services and empowering our people to make faster high-quality resolutions.

Following a period of significant demand, our case volumes are stabilising, and we expect to receive 199,000 new complaints in 2026/27, down from 210,000 in 2025/26. This is due to us receiving fewer motor finance commission (MFC) cases and fewer complaints from professional representatives since the implementation of the charging regime changes with better evidenced cases coming through.

New products coming into our jurisdiction – including deferred payment credit or 'Buy Now Pay Later' from July 2026 – remind us that financial services continuously evolve and we must remain agile and responsive to the needs of our customers. Our investment in transformation and technology changes in recent years has contributed to a significant increase in productivity in our casework operations since 2021/22 – and built foundational capability which we will continue to harness to improve our overall service.

Legal developments – particularly in relation to MFC, s140A unfair relationships and timeshare cases – have impacted our ability to resolve some cases, resulting in us accruing some older stock. The Financial Conduct Authority (FCA) published next steps on their [MFC redress scheme](#) on 30 March 2026. While this sets out clarity for industry, we have based our plans in this document on the proposals as set out in the FCA's consultation, due to timing of the announcement. We will update plans as

needed in light of the announcement and will continue to monitor any potential impact on our service throughout the year. We plan to resolve 60,000 MFC cases this year. With clarity available from the regulator on how to resolve MFC complaints going forward we expect firms to provide redress to consumers without need for further Ombudsman intervention. Overall, we are planning to resolve 266,500 cases in 2026/27 – a 23% increase on 2025/26.

## Providing value for money

Our funding model needs to strike the right balance between being able to recover our costs sustainably and ensuring we offer value for money, while not holding reserves in excess of the policy range of three to five months.

We had held our case fees and levies flat for two years at the significantly reduced 2024/25 levels. However, this was no longer sustainable as we respond to inflationary challenges, reduced reserves and the cost of implementing the biggest reforms to our service since we were created.

We are therefore growing our income through an increase to the case fee and levy. Our compulsory jurisdiction levy will be £86m and respondent firms will be charged £680 per case. Where a case is brought by a professional representative and the case is found in favour of the consumer, the professional representative will be charged £80. Where the case is found in favour of the firm, the professional representative will be charged £260 a case and the firm's case fee will reduce to £500. We are continuing to prioritise operational efficiencies and the costs for respondent firms still represent a significant saving on 2023/24 levels, with our case fee still 9% lower and our levy £24m less.

We are implementing a number of billing simplification changes, which will also provide the mechanism to allow us to introduce differentiated case fees in the future. This includes changing the free case allowance to a monetary value of £2,000 for both respondent firms and professional representatives and expanding quarterly billing in advance to more firms.

Continuous improvement and change investment remain key priorities, as does having the ability to efficiently scale up or down our casework resources to enable us to resolve complaints in a timely manner. We will embed new performance measurement and frameworks for our colleagues, standardise processes and systems and reduce constraints that slow decision-making to improve our overall casework operational performance and improve our service to consumers and businesses.

## Laying the foundations for our future

Recent years have shown how high volumes of cases can significantly challenge the dispute resolution system and cause lengthy delays, prolonging uncertainty for businesses and leaving consumers waiting for the redress they may be due.

Financial services have changed significantly since we were set up 25 years ago, so the time is right for the redress system and the way in which we operate within it to be updated to reflect a modern economy and ensure greater predictability, alignment with the FCA and consistency. That is why we are working with the FCA and the government to drive forward an ambitious programme of changes to allow us to better to focus on our core purpose as a quick informal and impartial alternative to the courts.

Responding to feedback from stakeholders, we recently launched a new consultation on measures to update our processes and improve transparency for our customers. Proposals include changes to the 'fair and reasonable' test, a new registration stage for complaints to ensure we focus on cases ready for us to resolve and powers to dismiss cases that are best resolved through other routes. These changes will help ensure the service remains fit for purpose and fair to all parties in today's evolving financial landscape and will help drive operational efficiencies.

Through our Modernising Redress Programme, we are translating consultation outcomes into practical, deliverable solutions so changes are implemented smoothly and without disruption to our existing customers. This financial year will

be a crucial one for our organisation which will help shape the service for years to come. We look forward to continuing to work with government, regulators and stakeholders to deliver a strong, impartial service which supports public confidence in financial services.



**Jenny Simmonds**

Interim Chief  
Executive Officer

A stylized, handwritten signature in black ink, appearing to read 'J Simmonds'.



**James Dipple-Johnstone**

Interim Chief Ombudsman

A stylized, handwritten signature in black ink, appearing to read 'J Dipple-Johnstone'.

# Our strategy

The Financial Ombudsman Service continues to play a vital role in the UK's financial service ecosystem, listening to requests from stakeholders and instilling confidence for consumers and businesses.

Our core mission is to resolve financial disputes quickly and fairly, providing a fair and independent way for consumers and small businesses to resolve disputes with financial firms when they cannot sort things out directly.

Our vision is to be a modern dispute resolution service that underpins confidence in the UK's financial services for industry and consumers. To achieve our vision, we have defined four strategic aims to:

- Make our service accessible and easy to use by becoming a simpler, more effective organisation that is future-focused, agile and easier to use.
- Deliver value for money by delivering a digital-first, quick, informal, transparent and consistent service where people can easily manage their complaints, supported by fair fees and where firms can manage risk with confidence.
- Improve confidence in financial services by using our data to improve our own performance and share insights that help firms deliver better financial products and services. We will also work effectively with regulators so there is clarity on our distinct independent roles and how they fit together to underpin confidence.
- Empower our people to make faster, high-quality resolutions by creating an environment where our people feel proud, perform at their best and deliver quality at pace while building trust in our service. We will combine insight and empathy with smart use of technology, including AI, to empower faster, high quality resolutions.

# Our priorities for 2026/27

Against these four strategic aims, we have set out priorities for the year ahead. These are designed to both deliver our in-year budget and service standards and help us to progress towards delivering on our longer-term vision by strengthening accessibility, value for money, trust in financial services and our internal capability. Our priorities for 2026/27 are as follows:

## 1. Make our service accessible and easy to use

We will:

- enhance the customer experience by improving our end-to-end service – strengthening our organisation-wide approach to how we manage customer journeys; consulting on the introduction of a registration stage which refers to the initial phase when a complaint is first received, logged and checked to confirm it meets the basic criteria for the Financial Ombudsman Service to consider it; consulting on clarifying dismissal rules which is where the service decides not to consider or investigate a complaint because it falls outside the rules that govern what the Financial Ombudsman Service is allowed to cover; and expanding self-service options; and,
- modernise our internal quality framework, shifting from traditional quality assurance to insight-driven quality intelligence assurance which will be supported by new automation capability, providing us with real-time performance feedback and trends.

## 2. Deliver value for money

We will:

- deliver efficiencies across our enabling functions to better support our case-handling work, implementing system and role improvements that support a more productive operating model,
- seek to optimise the capability of existing tools and technology and maximise the benefits we can get out of ‘off-the-shelf’ rather than bespoke internally developed solutions, to allow us to deliver change and value at greater pace; and,
- progress differential case fees for 2027/28, subject to consultation and FCA approval, which will allow the service to move to a variable fee structure, where the amount a business pays depends on how far the complaint progresses.

## 3. Improve confidence in financial services

We will:

- deliver our commitments to modernising redress reforms – subject to consultation – including through dispute resolution rules and dismissal reform, while enhancements to our decision-making framework and insight reporting are also planned to support higher-quality outcomes; and,
- work to strengthen our relationships with all of our key stakeholders including better alignment with the FCA, enhancing consumer and industry engagement and working with broader stakeholder groups.

## 4. Empower our people to make faster, high-quality resolutions

We will:

- embed new measurement and performance frameworks, standardise processes and systems and reduce constraints that slow decision-making to improve our overall casework operational performance; and,
- leverage the use of AI to improve speed, consistency and governance whilst strengthening oversight.

Our refreshed workforce strategy will further strengthen our capability through our updated leadership framework, our new culture programme and the development of an organisation design aligned to future needs.

# Demand: new complaints we expect to receive in 2026/27

We expect to receive 199,000 new complaints in 2026/27. This is down slightly on the 210,000 we are forecasted to receive by the end of 2025/26 and from the 305,900 new cases received in 2024/25. The reduction in complaints is driven by both the introduction of a case fee for representatives, to encourage representatives to more diligently evidence and consider the readiness and merits of cases before they come to us and the announcement of the FCA redress scheme for motor finance commission (MFC) cases.

We expect this clarity will help firms to provide high quality redress quickly to their customers without the need for significant referrals to the Ombudsman. This is in keeping with the wider reforms to the redress framework; seeking to ensure the service is used less for mass redress events and allowing firms and the regulator to resolve these for consumers directly and quickly.

The table below sets out the anticipated demand by product type.

**Figure 1: We anticipate receiving 199,000 complaints in 2026/27**

| Complaint type                           | 2025/26 latest forecast | 2026/27 consultation budget | 2026/27 final budget | Trends we are monitoring and expecting to see in 2026/27                                                                                                                                                                                                                                                                     |
|------------------------------------------|-------------------------|-----------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Motor finance commission                 | 24,500                  | 5,000                       | 7,000                | <ul style="list-style-type: none"> <li>Reflects complaints from individual consumers with concerns about how firms have followed/applied the redress scheme rules. We expect high quality responses by firms with clear explanations of scheme rules will resolve most complaints about this issue.</li> </ul>               |
| Credit cards                             | 21,100                  | 17,500                      | 22,800               | <ul style="list-style-type: none"> <li>We expect an increase in 2026/27, with cost-of-living pressures meaning affordability issues continuing to be a feature of complaints.</li> </ul>                                                                                                                                     |
| Fraud and scams                          | 29,200                  | 30,400                      | 30,800               | <ul style="list-style-type: none"> <li>Disputed transaction cases expected to remain high, given the increasing volume and sophistication of fraud and scams.</li> <li>Complaints in relation to authorised push payment (APP) mandatory reimbursement remain around 10% of the total fraud and scams complaints.</li> </ul> |
| Other banking and consumer credit        | 81,400                  | 79,900                      | 85,500               | <ul style="list-style-type: none"> <li>We expect an increase in 2026/27, with cost-of-living pressures continuing to be a feature of complaints.</li> <li>We anticipate circa 2,000 deferred payment credit complaints in 2026/27.</li> </ul>                                                                                |
| <b>Total banking and consumer credit</b> | <b>156,200</b>          | <b>132,800</b>              | <b>146,100</b>       |                                                                                                                                                                                                                                                                                                                              |



| Complaint type                                            | 2025/26 latest forecast | 2026/27 consultation budget | 2026/27 final budget | Trends we are monitoring and expecting to see in 2026/27                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------|-------------------------|-----------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Insurance                                                 | 41,800                  | 41,800                      | 41,100               | <ul style="list-style-type: none"> <li>We expect slightly lower levels of insurance complaints, reflecting the work we have done with firms sharing insight on our approach to complaints about motor valuations.</li> <li>We will monitor closely travel insurance cases in the light of recent disruption to travel in the middle east.</li> </ul> |
| Investment and pensions                                   | 11,600                  | 13,000                      | 11,400               | <ul style="list-style-type: none"> <li>We expect complaints to be broadly stable, with some new targeted support complaints following this coming into our jurisdiction which will be largely offset by reduced cases from Ongoing Advice Charge</li> </ul>                                                                                          |
| Other                                                     | 400                     | 400                         | 400                  | <ul style="list-style-type: none"> <li>We expect 'other' cases – which includes complaints about Claims Management Companies and funeral plans – to remain flat.</li> </ul>                                                                                                                                                                          |
| <b>Total non-MFC</b>                                      | <b>185,500</b>          | <b>183,000</b>              | <b>192,000</b>       |                                                                                                                                                                                                                                                                                                                                                      |
| <b>Total</b>                                              | <b>210,000</b>          | <b>188,000</b>              | <b>199,000</b>       |                                                                                                                                                                                                                                                                                                                                                      |
| <b>Of these totals:</b>                                   |                         |                             |                      |                                                                                                                                                                                                                                                                                                                                                      |
| Complaints from SMEs                                      | 1,100                   | 1,200                       | 1,200                | <ul style="list-style-type: none"> <li>Complaints from SMEs are expected to be broadly stable.</li> </ul>                                                                                                                                                                                                                                            |
| Complaints about voluntary jurisdiction (VJ) participants | 12,000                  | 11,000                      | 11,000               | <ul style="list-style-type: none"> <li>Complaints about our VJ participants are expected to remain stable.</li> </ul>                                                                                                                                                                                                                                |
| Professionally represented cases received                 | 38,200                  | 12,900                      | 13,500               | <ul style="list-style-type: none"> <li>A stabilisation of professionally represented cases at their new levels.</li> </ul>                                                                                                                                                                                                                           |

## External regulatory factors which may impact demand

As part of the wider regulatory ecosystem, we work with the FCA and other organisations on issues of shared interest, including through the Wider Implications Framework (WIF).

Regulatory, political and social factors affect demand for our service. There are several factors which may impact demand for our service over the coming year, including:

### Motor finance commission

In January 2024, the FCA paused the handling of some complaints for motor finance commission cases, introducing temporary complaint handling rules for certain motor finance complaints and, subsequently, considering the implementation of a motor finance consumer redress scheme. This pause, and litigation of the issues involved, prevented the resolution of cases already with us and we expect to end 2025/26 with around 92,900 cases awaiting resolution.

The FCA published the final scope of its redress scheme on 30 March 2026. Given the timing, the projections set out for 2026/27 in this Plans and Budget document are based on the timescales, processes and rules that the FCA consulted on rather than the final scope.

In most cases firms should be able to apply the scheme and provide high quality responses to their customers explaining how they have applied the scheme rules to their case.

We expect to only receive cases in the second half of the year about the way firms handle the redress scheme, but not in significant volumes, and therefore c.7,000 cases of this type have been included for 2026/27.

If there are material changes to the scheme timings, processes and rules from that consulted, that could affect the volume and timing of cases we might receive.

We also received feedback during our consultation about the potential impact of firms not following the redress scheme or failing to communicate their decisions on scheme eligibility effectively with their customers. Should this be the case, we may see significantly higher numbers of complaints than anticipated, which would have a material impact on our operational capacity and efficiency.

We will work with FCA and industry to ensure our role and decision making is understood and encourage scheme compliance. We will also provide support to representatives and consumers to ensure that cases are not prematurely brought to our service. It is important we continue to review the impact of the redress scheme on our service and we will monitor closely throughout the year.

### Deferred payment credit

The introduction of deferred payment credit (DPC) into our jurisdiction will commence from July 2026. We therefore do not expect to see cases until the second half of 2026/27. Based on insight from some of the largest lenders in this market, and our experience of new products coming into our jurisdiction and feedback from other jurisdictions where financial ombudsmen have taken on such complaints, we expect to receive around 2,000 cases in 2026/27. We anticipate we could receive complaints about a range of issues, including general administration, s75, credit file information and irresponsible/unaffordable lending.

As set out in FCA's policy statement on the Regulation of Deferred Payment Credit (unregulated Buy Now Pay Later ([PS 26/1](#))), we will not be expanding Voluntary Jurisdiction (VJ) to cover new jurisdictions such as DPC. We consider that the VJ should only be made available where there are clear benefits to consumers and industry.

We are also mindful that, were the VJ to be made available, it is highly unlikely that it would be used in practice. This is because there are likely to be very few firms operating from an European Economic Area (EEA) or Gibraltar establishment who would be providing DPC products. Rather, any firm that offers DPC is highly likely to be within the Compulsory Jurisdiction (CJ) and in many cases be providing other regulated activities that are within its CJ.

Given this very limited expected benefit, we do not believe it is consistent with our priorities to offer VJ for DPC.

## **Advice Guidance Boundary review**

The government and the FCA have carried out a review of the regulatory boundary between financial guidance and advice – the Advice Guidance Boundary Review (AGBR). They set out that this work was undertaken in response to growing concerns that many people do not access the support they need to make informed financial decisions and may be at risk of poorer outcomes as a result – for example, by holding excessive savings in cash or not saving enough to fund retirement.

As an outcome of the Review, the government and the FCA are introducing a new targeted support regime. This will enable FCA-authorised firms to provide support on pensions and investments, including making recommendations designed for groups of consumers with similar characteristics and circumstances. The FCA opened the authorisation gateway for firms to apply to provide targeted support on 2 March 2026, and the regime will go live on 6 April 2026. We will be able to look at complaints about this service from early 2026/27, however we do not expect to start seeing a significant number of complaints in relation to this type of advice straight away due to the nature of investment advice.

## **S140A judicial review**

The operation of the Financial Ombudsman Service's time barring rules in certain irresponsible lending complaints is currently the subject of judicial review proceedings which are yet to be determined. The judicial review proceedings relate to the operation of the six-year time limit for bringing complaints when a debtor has alleged that an unfair credit relationship exists. The judgment may have an impact on whether or not certain complaints fall within our jurisdiction, but the situation remains uncertain until the judicial review proceedings are resolved. We do not expect this to materially impact demand in 2026/27, but the outcome of the judicial review may impact the timescales in which we are able to resolve the impacted cases already with us.

## **Cryptoassets**

The government has legislated to establish a financial services regulatory regime for cryptoassets requiring firms to be authorised to do certain new regulated activities, which will come into force in October 2027. The FCA is at an advanced stage of an extensive consultation process on its proposed rules and guidance for the new regulatory regime, including on customers access to the Financial Ombudsman Service.

Whilst not yet confirmed, the FCA have proposed that complaints about regulated crypto activities will fall within the jurisdiction of the Financial Ombudsman Service when the new regulatory regime comes into force. However, we have not included complaints about cryptoassets in our expected demand given the stage of regulatory development.

## **Global political unrest**

We often see the impact of global political unrest across various parts of our casework. We will monitor the impact of recent global conflict on the cases we receive.

# Our performance: what we expect to achieve

## Cases we expect to resolve and our stock levels

We plan to resolve 266,500 cases in 2026/27, which is 23% more than in 2025/26.

The most significant risk to achieving the resolutions planned is in respect of MFC. Our plans and budget have been prepared on the basis that the announcement on the FCA redress scheme for MFC cases published on 30 March 2026 is not materially different to the scope of the scheme consulted on and that the scheme is effectively implemented by firms for their customers.

Based on this, we expect to be able to resolve 60,000 of the MFC cases in 2026/27 already with us (which do not form part of the scheme), which is 23% of the total forecasted resolutions for 2026/27. Any delays to the commencement of the scheme (such as by judicial review of the scheme rules) will likely impact our ability to deliver the resolutions set out and we will continue to monitor this closely throughout the year.

Figure 2: Complaints we expect to resolve

| Complaint type                   | 2025/26<br>latest forecast | 2026/27<br>consultation budget | 2026/27<br>final budget |
|----------------------------------|----------------------------|--------------------------------|-------------------------|
| Banking and consumer credit      | 144,700                    | 125,900                        | 144,200                 |
| Insurance                        | 43,500                     | 43,300                         | 47,200                  |
| Investment and pensions          | 12,600                     | 15,300                         | 14,600                  |
| Other                            | 500                        | 500                            | 500                     |
| <b>Non-MFC total</b>             | <b>201,300</b>             | <b>185,000</b>                 | <b>206,500</b>          |
| <b>MFC total</b>                 | <b>15,000</b>              | <b>60,000</b>                  | <b>60,000</b>           |
| <b>Overall total</b>             | <b>216,300</b>             | <b>245,000</b>                 | <b>266,500</b>          |
| <b>Of which:</b>                 |                            |                                |                         |
| SMEs                             | 1,500                      | 1,200                          | 1,200                   |
| VJ participants                  | 12,000                     | 12,000                         | 12,000                  |
| Professionally represented cases | 67,000                     | 72,000                         | 72,000                  |

Figure 3: Stock movement: total non-MFC and MFC

| Complaint type       | 2025/26<br>latest outlook | 2026/27<br>consultation budget | 2026/27<br>final budget |
|----------------------|---------------------------|--------------------------------|-------------------------|
| <b>Total</b>         |                           |                                |                         |
| <b>Opening stock</b> | <b>163,393</b>            | <b>136,900</b>                 | <b>160,700</b>          |
| Incoming demand      | 210,000                   | 188,000                        | 199,000                 |
| Resolved cases       | 216,300                   | 245,000                        | 266,500                 |
| Other movements      | 3,607                     | -                              | -                       |
| <b>Closing stock</b> | <b>160,700</b>            | <b>79,900</b>                  | <b>93,200</b>           |
| <b>MFC</b>           |                           |                                |                         |
| <b>Opening stock</b> | <b>83,261</b>             | <b>94,300</b>                  | <b>92,900</b>           |
| Incoming demand      | 24,500                    | 5,000                          | 7,000                   |
| Resolved cases       | 15,000                    | 60,000                         | 60,000                  |
| Other movements      | 139                       | -                              | -                       |
| <b>Closing stock</b> | <b>92,900</b>             | <b>39,300</b>                  | <b>39,900</b>           |
| <b>Non-MFC</b>       |                           |                                |                         |
| <b>Opening stock</b> | <b>80,132</b>             | <b>42,600</b>                  | <b>67,800</b>           |
| Incoming demand      | 185,500                   | 183,000                        | 192,000                 |
| Resolved cases       | 201,300                   | 185,000                        | 206,500                 |
| Other movements      | 3,468                     | -                              | -                       |
| <b>Closing stock</b> | <b>67,800</b>             | <b>40,600</b>                  | <b>53,300</b>           |

## Service standards: improving the customer experience

Our service standards are the measures we put in place 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 are making some changes to the definitions and parameters of the service standards for 2026/27. This is to allow for the consistent measurement of targets across the end-to-end customer journey, rather than just selected segments of it and to drive better alignment and reflect completeness of the customer experience. The key definition changes are:

- Changing the start date from which we measure 12+ months cases to an earlier conversion date (consistent with the three and six month measures) and changing the target to a number rather than percentage (as a percentage perversely benefits from a higher overall stock figure).
- Move to a weighted quality score across all stages of the casework process, rather than just the investigation stage.

The table on the next page sets out the service standards for 2026/27.

Since consultation, our forecast for 2025/26 end of year stock has increased due to higher decision referrals and lower volumes of early resolutions. This means we will start 2026/27 with more cases to resolve which will impact our timeliness and as a consequence also our Net Easy score. The targets have been adjusted to reflect this latest position but remain an improving position year-on-year.

Figure 4: Service standards measures and targets (non-MFC)

| Key service standard measures:<br>all cases excluding MFC cases              | FY 24/25<br>actual | FY 25/26<br>latest<br>forecast | FY 26/27<br>consultation<br>budget | FY 26/27<br>budget |
|------------------------------------------------------------------------------|--------------------|--------------------------------|------------------------------------|--------------------|
| % Complaints resolved within 3 months of conversion                          | 42%                | 46%                            | 58%                                | 50%                |
| % Complaints resolved within 6 months of conversion                          | 83%                | 77%                            | 81%                                | 80%                |
| Complaints within stock which are able to<br>be progressed > 12 months old   | 5,422              | 1,890                          | N/A                                | 1,300              |
| % quality overall score                                                      | 94%                | 95%                            | N/A                                | 95%                |
| Consumer Net Easy score                                                      | 43                 | 43                             | 48                                 | 45                 |
| Consumer confidence scores                                                   | 58%                | 57%                            | 60%                                | 60%                |
| <b>Service standards based on 2025/26 definition</b>                         |                    |                                |                                    |                    |
| % Complaints within stock which are able to be<br>progressed > 12 months old | 6%                 | 3%                             | 3%                                 | 2%                 |
| % Investigation quality overall score                                        | 94%                | 93%                            | 90%                                | 90%                |

Complaints about MFC are excluded from the service standard targets, due to the uncertainty in being able to progress these cases to specific service standards targets while the redress scheme is being finalised and then being in the early stages of operation.

## Sharing insight

Our work gives us a unique insight into how complaints arise and how they might be avoided in the future. We share the insight we gain from resolving cases with financial businesses and other stakeholders to help them resolve complaints earlier and to prevent issues arising in the first place.

We already do this in the following ways:

- We publish our approach to cases, including case studies, on our website.
- We publish data and analysis on complaint types and volumes, as well as about individual firms, to help stakeholders and customers make informed decisions and learn from what we are seeing.
- Our business support hub is on hand to provide informal, non-binding advice on case issues to firms and consumer groups.
- Our newsletter, Ombudsman News, highlights topical or new information.
- We carry out regular direct engagement with stakeholders, including:
  - Our casework teams engage with stakeholders within their sectors, through meetings, roundtables and industry events.
  - Our senior leaders and casework teams, including our interim Chair and interim Chief Ombudsman, engage with counterparts at firms, consumer groups and regulatory bodies to share learning.
  - We host Industry and Consumer Steering Groups meetings during the year, where we share our insight and hear from stakeholders directly on their areas of interest.

The government has set out in its [consultation response](#) to its review of our service, on 16 March 2026, that it will legislate for us to produce regular thematic reports jointly with the FCA. We intend to move forward with this ahead of any legislation. We see publishing thematic reports as a key source of learning and a way of demonstrating clear alignment with the regulator on application of its rules to our cases, alongside enhanced insight reports on casework and sector trends.

We intend to publish the first of these reports in the Autumn, jointly with the FCA, which will highlight specific themes in our casework, outline our approaches and how these align with the relevant rules to enable our customers to understand and learn from our approach.



# Our costs

Our total costs for 2026/27, including transformation costs, are projected to be £268m. This is in line with our latest forecast for 2025/26 of £270m. However, the mix of spend is different with lower casework marginal costs, primarily from a lower number of more expensive contingent resources, offset by increased overheads, as we invest in our programme to modernise redress and continue our work on reducing technical debt.

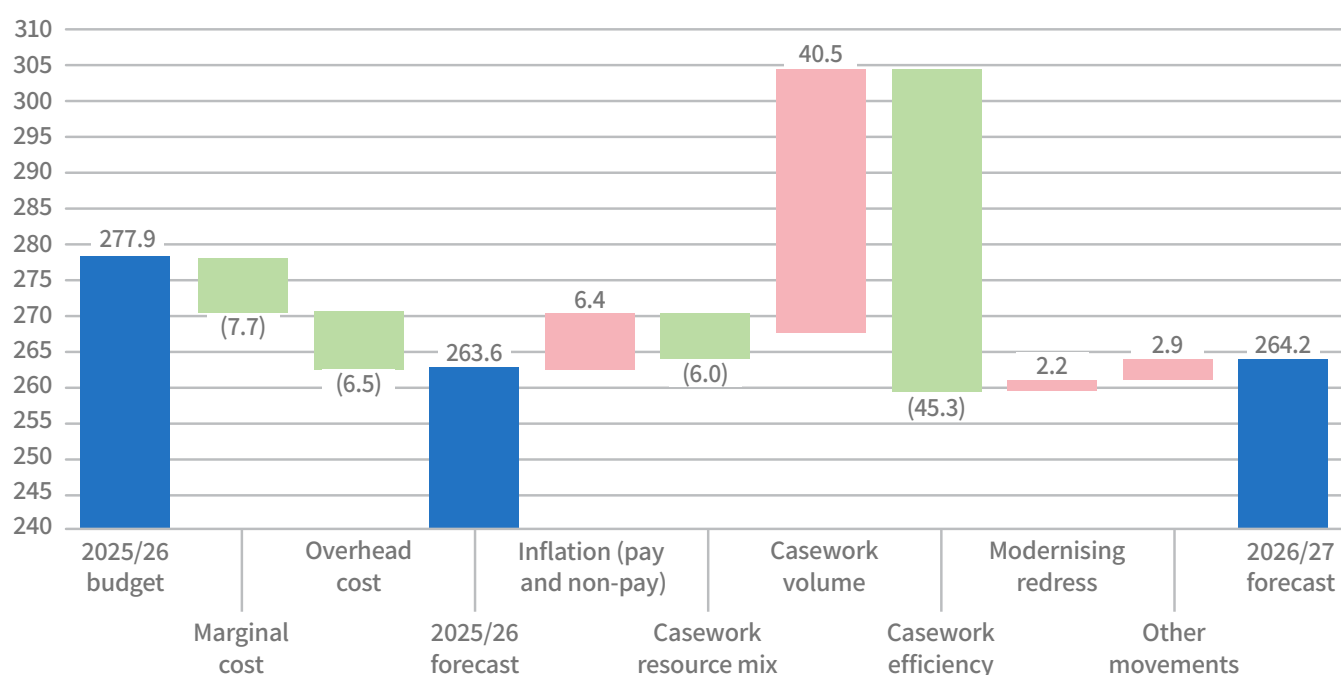
During 2026/27 we will continue to pivot away from large technology programmes to focus on investing in key enabling infrastructure to support our programme to modernise redress and building continuous improvement across the service.

Figure 5 summarises our key categories of costs and Chart 1 shows the key reasons for the operating expenditure change between the budget and latest forecast for 2025/26 and 2026/27 budget.

Figure 5: Summary of our key categories of costs

| Cost summary                                                           | 2024/25<br>actual<br>£m | 2025/26<br>budget<br>£m | 2025/26<br>latest forecast<br>£m | 2026/27<br>budget<br>£m |
|------------------------------------------------------------------------|-------------------------|-------------------------|----------------------------------|-------------------------|
| Casework marginal cost: direct cost of casework, primarily people cost | 149                     | 175                     | 167                              | 159                     |
| Casework overhead cost: casework management and direct support         | 9                       | 11                      | 10                               | 10                      |
| Other overhead costs: IT, Property, HR, Finance, Legal, Communications | 76                      | 92                      | 87                               | 95                      |
| <b>Total operating expenditure</b>                                     | <b>234</b>              | <b>278</b>              | <b>264</b>                       | <b>264</b>              |
| Transformation: costs of step-changing the service                     | 11                      | 7                       | 6                                | 4                       |
| <b>Total cost</b>                                                      | <b>245</b>              | <b>285</b>              | <b>270</b>                       | <b>268</b>              |

Chart 1: Changes in operating expenditure 2025/26 to 2026/27



## Casework costs

Our casework marginal costs are budgeted at £159m and casework overhead costs at £10m, totalling £169m – 64% of our total operating expenditure. The year-on-year reduction of £8m, whilst increasing the volume of resolutions from 216,300 in 2025/26 to 266,500 in 2026/27, will be achieved by:

- £6m reduction from change in resource mix (reduction in percentage of contingent resources from 34% of investigators to 31%). Our overall investigator FTE is planned to reduce by 3% to 1,523, though with a modest increase to our average permanent FTE but contingent attrition not being backfilled. This will bring better balance to our resource mix.
- £1m net reduction in non-MFC costs as a result of operational efficiencies (£2m increased casework resources to deliver the additional 5,000 resolved non-MFC complaints offset by £3m of operational efficiencies).
- £4m net reduction in MFC costs, whilst delivering 45,000 more MFC resolutions than in 2026/27. This is due to the work done in earlier years to ensure cases are ready to work as soon as the scheme is operational (£38m increase in resources that would ordinarily be required to deliver the resolutions, offset by £42m of in-year efficiencies as a result of the 2024/25 and 2025/26 investment in determining casework policy, gathering appropriate information and creating factual summaries for cases).
- These savings are partially offset by £3.5m pay inflation for casework colleagues.

## Overhead costs

Our overhead costs are expected to increase by £8m in 2026/27 compared to the latest forecast for 2025/26. This is due to:

- £2.9m for annual pay inflation (for enabling function and management colleagues) and non-pay inflation.
- £2.2m incremental costs for the Modernising Redress programme. A total cost of £3.4m has been included in the 2026/27 draft budget, the remaining £1.2m is being funded through efficiencies (£1.2m was included in 2025/26).
- £1.5m for IT projects to remove technical debt.

To note that overhead costs are forecast to be £87m for 2025/26 which is an £11m increase on 2024/25. The reasons for the increase are:

- £4m incremental IT costs, which include cloud data costs to support our new digital self-service platforms and costs for our new security operations centre, to improve our cyber security and resilience.
- £4m incremental costs to support a higher level of activity and output across a range of functions, including for our casework academy to train new and cross-train existing employees, for continuous improvement resource and for enhanced assurance work such as internal audit and data protection.
- £2m higher cost of the employee reward scheme as 2024/25 did not achieve 100% performance (100% performance included for 2025/26).
- £2m pay inflation.
- £1m cost increase for new office space for Edinburgh and Cardiff locations.

## Our unit cost

Our unit cost, or cost per case, is the average cost of resolving a complaint. It is equal to the operating expenditure (total cost excluding financing costs and transformation) divided by the number of case resolutions. This gives us a measure that best reflects our ongoing total operational cost.

Based on this measure, our reported unit cost has increased year on year from £1,029 in 2024/25 to £1,219 in our latest forecast for 2025/26.

Key reasons for this are:

- £76 increase due to the £11m higher overhead costs but 11,200 lower resolutions year on year over which to apportion this higher cost.
- £114 increase due to increased casework costs, for the additional ombudsman to work the higher level of referrals and investment in MFC preparation to get cases ready for closure in 2026/27.

In the 2026/27 budget the total cost per case is £991 – £228 lower than our 2025/26 latest forecast. This reduction is primarily due to the efficiencies expected as a result of the work undertaken on MFC cases prior to 2026/27.

## Transformation of our service

We are undergoing substantial transformation to strengthen the UK's financial redress framework and improve the effectiveness, speed and consistency of our service. This includes a dedicated Modernising Redress programme, regulatory changes driven by government and a shift in how we invest in technology and service improvement.

# Modernising Redress programme

## What is changing

On 16 March 2026 we, jointly with the FCA, published our consultation on a package of measures we are proposing to modernise the redress system. On the same day the government published the response to their consultation on a review of our service which set out its intention to make a series of legislative changes. Taken together, this represents a package of reforms which will ensure that our service is able to deliver on its core purpose of being a quick, informal and impartial dispute resolution service whilst increasing confidence in the UK's financial services industry.

The government set out its intention to legislate for measures which includes:

- Making the Chief Ombudsman the central point of responsibility for determinations
- Adapting the fair and reasonable test so that where a business has met its obligations under the relevant FCA rules, as intended by those rules, we will be required to find the firm has acted fairly and reasonably
- A formal referral mechanism requiring us to seek the FCA's view where we consider there is ambiguity in rule interpretation or wider implications of our decisions
- Introducing an absolute time limit of 10 years for complaints to be brought to our service, with the FCA given responsibility for defining limited exceptions to that 10 year limit in its rules
- Giving the FCA the tools it needs to respond to Mass Redress Events quickly and effectively, in the small number of cases where such an intervention is appropriate
- HM Treasury appointing the Financial Ombudsman Service Chair and approving the appointment of the Chief Ombudsman by the Financial Ombudsman Service Board

Whilst it will take time for the legislative process to run, we are consulting on the following measures to continue momentum on modernising the redress system:

- Introducing a formal registration stage to ensure that only cases ready for investigation will be allocated to our case handlers, to support the delivery of a better customer journey.
- Changing our dismissal rules to ensure we only resolve cases that are right for our service to investigate – ensuring we can focus our resources on resolving cases quicker for our customers. The Government will revoke the Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015 and replace them with a new regime. Under the Digital Markets, Competition and Consumers Act 2024, the Financial Ombudsman Service will be an 'exempt ADR provider' for the purposes of this new ADR regime. These legislative changes are expected to come into effect from Spring 2026, and it is these changes that have enabled us to consult on the changes to our dismissal rules as part of our overall package of reforms.
- Adapting our current fair and reasonable test to make it clear that we do not act retrospectively and to remove the consideration of "good industry practice" – showing our alignment with regulation and reinforcing the consistency of our decision-making for our customers in line with the direction of travel set out by the government.

Subject to the outcome of the consultation, we would look to deliver these three changes in Autumn 2026.

These measures, together with our intention to publish joint thematic reports with the FCA and working on developing the use of decision frameworks, will support consistency and efficiency in our case outcomes, ensuring that our customers get high-quality, quick, informal and impartial answers.

We have also worked with the FCA to enhance and streamline the process for referrals to the FCA under our updated Memorandum of Understanding for matters of wider implications that require clarity in rule interpretation.

We believe the measures we are consulting on continue to build on the work we have already done to create a service that is fit for the future – one that works better for everyone and builds confidence and trust in UK financial services. All timelines and plans are subject to the outcome of our joint consultation.

## Setting ourselves up for success

To deliver on this, we have established a Modernising Redress Programme overseen by the Executive team with the Board also providing strategic oversight and direction.

Delivery is organised around a set of core workstreams aligned to key elements of the reforms, including FCA referrals, adaptations to the fair and reasonable test and the design of a new customer journey, supported by other functional expertise to ensure operational and cultural readiness and alignment with wider organisational change. The programme is designed to:

- translate consultation outcomes into implementable solutions that directly address feedback from customers, firms and stakeholders;
- redesign future-state processes, governance and operating models to improve efficiency, accessibility and trust in our service; and
- ensure organisational readiness and cross-functional alignment, enabling smooth, consistent and timely implementation of changes with minimal disruption to users.

The implementation approach is deliberately phased, distinguishing between changes that can be delivered within existing powers and those that will require legislative or regulatory change.

The total cost of the resources for the programme is expected to be circa £7m to the end of 2027/28, with spend on resources of £1.2m in 2025/26, £3.4m in 2026/27 and £1.8m in 2027/28, along with £1m in 2026/27 for any technical delivery requirements. There is the risk that, as the programmes progress, additional costs may be required to implement the changes needed. Any such requirement would be made transparent through the usual processes.

## Investment priorities for 2026/27

In recent years, we have prioritised investment in our technology and digital services. This has seen significant improvements in our digital customer journey and our case handling and contributed to a reduction in the time it takes for us to resolve cases as well as delivering a lower operational cost base than would otherwise be the case.

As we complete the delivery of these major changes, enabling businesses to manage their cases directly for the first time and creating an improved consumer experience, we will turn our focus to continuous improvement in the year ahead.

We will seek to drive adoption of our digital self-service options, strengthen the data foundations that support timely and accurate decisions and continue to refine our casework processes and internal operations so that our service is quicker, clearer and easier for the people who rely on us. And we will explore the practical application of AI, integrating off-the-shelf solutions, to enhance our core systems and enable a faster and more efficient operation.

We have included £3m of external spend in our 2026/27 budget (plus £1m specifically for modernising redress) to fund this pivot from larger technology initiatives to continuous improvement. This is a significant reduction on recent years (£6m in 2025/26 and £11m in 2024/25).

## Billing system changes

During 2025/26 we invested in a new billing platform which will go live at the start of 2026/27. The new platform simplifies our billing processes and provides the building blocks which we will need to deliver differential case fees targeted for the start of 2027/28. This will be subject to deciding to move to this case fee model following consultation. Differential case fees are designed to ensure fairer, more proportionate charging with a focus on incentivising early resolution of cases.

# Our funding

Our reserves policy remains to retain reserves of three to five months' worth of operating expenditure, so that we ensure we have reasonable financial resilience to different types of events. Our funding model needs to ensure we get the right balance between being able to recover our costs sustainably and ensuring we offer value for money, while not holding reserves in excess of our reserves policy.

Our continued priority is to drive operational efficiencies from continuous improvement and change investment while maintaining the quality of our service and to efficiently scale up or down our casework resources to enable us to resolve complaints in a timely manner.

We are therefore taking forward the proposals set out in our consultation as set out below:

**Figure 6: Funding for 2026/27**

| Funding type                             | 2025/26 latest forecast                                                                                                                               | 2026/27 budget                                                                                                                                           |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| CJ levy                                  | £71m                                                                                                                                                  | £86m                                                                                                                                                     |
| VJ levy                                  | £600,000                                                                                                                                              | £600,000                                                                                                                                                 |
| Case fees – respondent firm              | £650, reducing to £475 if the complaint is professionally represented and is closed as no change in outcome                                           | £680, reducing to £500 if the complaint is professionally represented and is closed as no change in outcome                                              |
| Case fees – professional representative  | £250, which reduces to £75 if the case is closed as a change in outcome in favour of the complainant                                                  | £260, which reduces to £80 if the case is closed as a change in outcome in favour of the complainant                                                     |
| Group firm                               | Zero free cases and 5% tolerance                                                                                                                      | Removed and group firms treated same as respondent firms                                                                                                 |
| Free cases – respondent firm             | 3 free cases                                                                                                                                          | £2,000 case fee allowance                                                                                                                                |
| Free cases – professional representative | 10 free cases                                                                                                                                         | £2,000 case fee allowance                                                                                                                                |
| Billing                                  | Respondent firms – on case closure<br>Professional representatives – on referral with credit note on case closure if outcome in favour of complainant | Respondent firms and professional representatives that we expect to bring more than 300 cases – quarterly billing in advance<br>Others – on case closure |

These price increases represent a 4%-5% increase in case fees and £15m increase in levy, with the latter primarily for our modernising redress programme and to help manage higher levels of uncertainty over demand for our service. However, our case fee is still 9% lower than in 2023/24 and our levy is £24m less than in

2023/24 – despite operational and inflationary pressures. Our total income per case for 2026/27 is £980, which is 25% lower than our income per case in 2023/24. Chart 2 provides a summary of the history of both case fee and levy pricing.



Chart 2: History chart of pricing

|            |                        |         |         |         |         |         |         |         |
|------------|------------------------|---------|---------|---------|---------|---------|---------|---------|
| Case fee   | £550                   |         |         | £650    | £750    |         | £650    | £680    |
| Free cases | 25                     |         |         |         |         | 3       |         | £2,000  |
| CJ levy    | £20m to £25m each year |         |         | £44m    | £84m    | 96m     | £106m   | £70m    |
| VJ levy    | <£1m                   |         |         |         |         |         |         |         |
|            | 2015/16                | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|            |                        |         |         |         |         |         |         | 2023/24 |
|            |                        |         |         |         |         |         |         | 2024/25 |
|            |                        |         |         |         |         |         |         | 2025/26 |
|            |                        |         |         |         |         |         |         | 2026/27 |

Note: From 2026/27, free case allowance changes from 3 free cases to a monetary value of £2,000.

## Billing simplification proposed to be implemented for 2026/27

Following our consultation on proposed changes to our billing processes, we will be implementing a number of billing simplification changes from April 2026 to reduce current complexities. This will also allow ease of delivery of potential differentiation of cases fees in 2027/28. This includes changes to the free case allowance, expanding quarterly billing in advance and reducing the time limit for case fee queries.

### Free cases

Currently respondent financial businesses receive three free cases each financial year, and professional representatives receive 10 free cases a year. From April 2026, this will change to a monetary value, set at £2,000 for 2026/27 for both respondents and representatives.

### Quarterly billing in advance

To simplify our billing processes and provide greater clarity over cash flow for ourselves and those paying our fees, we are expanding quarterly billing in advance for all financial firms who are forecasted to generate more than 300 case closures per year from April 2026. This will result in approximately 100 businesses being part of the quarterly billing in advance process but would cover over 80% of our caseload.

The method used for calculating the quarterly-in-advance bill is based on the method currently used for the group fee arrangement but with the following changes:

- Calculations take account of exceptional circumstances, for example any regulatory pause or one-off influx of cases, to ensure that calculations are not distorted by one-off items.
- Only 80% of the calculated case fee charged quarterly in advance, to reduce the risk of firms being 'overcharged', with a half year true-up included in the second half quarterly bills to reflect first-half actuals and latest forecast for the second half of the year.

We will conduct an assessment during 2026/27 to review the benefits of quarterly billing in advance and determine whether we wish to roll it out further. We would consult on this in our 2027/28 Plans and Budget consultation.

### Time limit for raising case fee disputes

To support quarterly billing in advance, from April 2026, we are reducing the time limit for raising case fee disputes from 12 months from date of invoice to six months from date of invoice.

### FEES rules instrument

Feedback received from our consultation on the proposed amendments to our FEES instrument supported our recommendations.



# Our reserves

Our reserves policy is to retain reserves of three to five months' worth of operating expenditure, to ensure we have reasonable financial resilience to different types of events. The strategy remains that, if we have any surplus reserves, to avoid or reduce price rises to industry; fund transformation to improve the customer experience and operational efficiency; and underpin flexibility in casework resourcing needs.

Based on our demand and funding projections, plus our operating costs and transformation investments, we anticipate closing 2025/26 with a deficit of £59m and 2026/27 with a deficit of £5m. The in-year deficit for 2025/26 was by

deliberate design, a continuation of the 2024/25 strategy, for us to use our surplus reserves to improve the customer experience and offer value for money. By the end of 2025/26 our reserves cover is forecast to be 3.6 months (versus a budget for 2025/26 of 4.2 months). The summary of the reserves movement in 2026/27 is shown below in Figure 7.

By the end of 2026/27, the surplus reserves level will be at 3.6 months of operating expenditure, within our policy of between three to five months (noting that without the £23m of price increases, reserves cover would have been at 2.3 months).

**Figure 7: Reserves movement in 2026/27 draft budget**

|                                                | Marginal<br>£m | Overheads<br>£m | Total<br>£m |
|------------------------------------------------|----------------|-----------------|-------------|
| Income at 2025/26 prices                       | 165            | 73              | 238         |
| Price increase from 1 April 2026               | 8              | 15              | 23          |
| Income                                         | 173            | 88              | 261         |
| Operating expenditure excluding transformation | (159)          | (105)           | (264)       |
| <b>Net operating (deficit)</b>                 | <b>14</b>      | <b>(17)</b>     | <b>(3)</b>  |
| Transformation investment                      |                |                 | (4)         |
| Net financing                                  |                |                 | 2           |
| <b>Net deficit</b>                             |                |                 | <b>(5)</b>  |

The split of the net deficit between non-MFC and MFC cases, for each of 2025/26 and 2026/27, is shown below in Figure 8. Across the three years from 2024/25 to 2026/27, we anticipate MFC to

be deficit neutral – provided we can close the planned 15,000 cases in 2025/26 and 60,000 cases in 2026/27.

**Figure 8: Split of deficit between Non-MFC and MFC**

|                      | 2025/26<br>non-MFC<br>£m | 2025/26<br>MFC<br>£m | 2025/26<br>Total<br>£m | 2026/27<br>non-MFC<br>£m | 2026/27<br>MFC<br>£m | 2026/27<br>Total<br>£m |
|----------------------|--------------------------|----------------------|------------------------|--------------------------|----------------------|------------------------|
| Income               | 198                      | 9                    | 207                    | 222                      | 39                   | 261                    |
| Casework costs       | (160)                    | (17)                 | (177)                  | (155)                    | (14)                 | (169)                  |
| Other overhead costs | (83)                     | (4)                  | (87)                   | (90)                     | (5)                  | (95)                   |
| Transformation costs | (6)                      | -                    | (6)                    | (4)                      | -                    | (4)                    |
| Net financing        | 4                        | -                    | 4                      | 2                        | -                    | 2                      |
| <b>Net deficit</b>   | <b>(47)</b>              | <b>(12)</b>          | <b>(59)</b>            | <b>(25)</b>              | <b>20</b>            | <b>(5)</b>             |

Notes:

1. 2024/25 MFC loss was £(8)m, so across the three years MFC is break-even.
2. Enabling functions allocation to MFC is estimated at 5% of total spend.

The uncertainty around MFC case closures is the largest risk to us achieving the budget set out. There are two types of risks that may adversely impact our in-year deficit and therefore reserves.

### **1. The ability to resolve cases already with our service at the start of 2026/27**

We rely on prompt responses for information from firms to close cases we currently have in stock. However, there is a risk that firms will focus their resources on the FCA redress scheme, announced on 30 March 2026, which could impact our ability to resolve the 60,000 cases included in our 2026/27 plans and budget. A reduction to achieving this level of resolved MFC cases would adversely impact our income, deficit and reserves, and a significant reduction could take us below our stated reserves policy. In those circumstances, we may consider a mid-year request for additional funding, subject to approvals.

### **2. Higher volumes of complaints about the administration of the FCA MFC redress scheme**

In our consultation, stakeholders highlighted the risk of significantly more complaints about the execution of the FCA MFC redress scheme coming to our service than the 7,000 included in our 2026/27 plans and budget. We recognise that the number of complaints about the scheme we receive could vary widely depending on the final scheme rules, timings and factors such as whether firms communicate outcomes to consumers clearly.

We will share insight with firms and Professional Representatives as part of our strategy to help manage volumes. However, should we receive significantly higher volumes of complaints about FCA redress scheme, we are likely to need additional casework capacity. There would be a lead-in time required to scale up and train resources to work through these higher volumes. We will continue to work with firms and the FCA to monitor any potential impact for our service, through the launch and running of the FCA MFC redress scheme, to ensure our service can be made available if required.

# Financial summary

| Financial summary                         | 2024/25<br>actual<br>£m | 2025/26<br>budget<br>£m | 2025/26<br>latest<br>forecast<br>£m | 2026/27<br>consultation<br>budget<br>£m | 2026/27<br>budget<br>£m |
|-------------------------------------------|-------------------------|-------------------------|-------------------------------------|-----------------------------------------|-------------------------|
| <b>Income</b>                             |                         |                         |                                     |                                         |                         |
| Case fees                                 | 103.5                   | 124.8                   | 92.9                                | 115.5                                   | 124.9                   |
| Group fees                                | 41.0                    | 44.5                    | 40.9                                | 44.1                                    | 47.9                    |
| Levies and other income                   | 72.6                    | 71.6                    | 73.2                                | 87.7                                    | 88.3                    |
| <b>Total income</b>                       | <b>217.1</b>            | <b>240.9</b>            | <b>207.0</b>                        | <b>247.3</b>                            | <b>261.1</b>            |
| <b>Expenditure</b>                        |                         |                         |                                     |                                         |                         |
| Casework marginal costs                   | 148.7                   | 174.7                   | 167.0                               | 151.6                                   | 159.5                   |
| Casework overhead costs                   | 9.4                     | 11.1                    | 11.0                                | 11.0                                    | 14.3                    |
| IT costs including investments            | 29.2                    | 36.5                    | 33.6                                | 37.1                                    | 37.2                    |
| Premises and facilities                   | 12.8                    | 11.3                    | 12.5                                | 12.3                                    | 12.8                    |
| Other costs                               | 33.9                    | 44.3                    | 39.6                                | 43.9                                    | 40.4                    |
| <b>Total operating expenditure</b>        | <b>234.0</b>            | <b>277.9</b>            | <b>263.7</b>                        | <b>255.9</b>                            | <b>264.2</b>            |
| <b>Operating surplus/(deficit)</b>        | <b>(16.9)</b>           | <b>(37.0)</b>           | <b>(56.7)</b>                       | <b>(8.6)</b>                            | <b>(3.1)</b>            |
| Finance income                            | 10.7                    | 5.2                     | 5.9                                 | 3.3                                     | 3.3                     |
| Finance costs                             | (1.7)                   | (0.2)                   | (0.3)                               | -                                       | (0.3)                   |
| Corporation tax                           | (2.3)                   | (1.3)                   | (1.5)                               | (0.8)                                   | (0.8)                   |
| Transformation costs                      | (11.1)                  | (7.2)                   | (6.3)                               | (4.0)                                   | (4.1)                   |
| <b>Financial surplus/(deficit)</b>        | <b>(21.3)</b>           | <b>(40.5)</b>           | <b>(58.9)</b>                       | <b>(10.1)</b>                           | <b>(5.0)</b>            |
| <b>Reserves</b>                           | <b>137.8</b>            | <b>97.3</b>             | <b>78.9</b>                         | <b>77.4</b>                             | <b>73.8</b>             |
| <b>Capital expenditure</b>                | <b>2.8</b>              | <b>(1.5)</b>            | <b>-</b>                            | <b>-</b>                                | <b>-</b>                |
| <b>Operating data</b>                     |                         |                         |                                     |                                         |                         |
| <b>Closing FTE</b>                        | 3,130                   | 3,279                   | 3,095                               | 2,844                                   | 3,002                   |
| <b>Total new cases (k)</b>                | 305.9                   | 234.0                   | 209.9                               | 188.0                                   | 199.0                   |
| <b>Total case resolutions (k)</b>         | 227.4                   | 270.0                   | 216.3                               | 245.0                                   | 266.5                   |
| <b>Closing stock (k)</b>                  | 163.4                   | 127.4                   | 160.7                               | 79.6                                    | 93.3                    |
| <b>Income per case (£)</b>                | 955                     | 892                     | 957                                 | 1,008                                   | 980                     |
| <b>Operating expenditure per case (£)</b> | 1,029                   | 1,029                   | 1,219                               | 1,043                                   | 992                     |
| <b>Reserves – months of expenditure</b>   | 7.1                     | 4.2                     | 3.6                                 | 3.6                                     | 3.4                     |

# Consultation feedback

## Detailed consultation feedback and our response

We consulted on our 2026/27 plans and budget for eight weeks from 27 November 2025 to 21 January 2026. We received 31 responses, 14 of which were from respondent firms, 11 from trade bodies, four from consumer groups and two from professional representative organisations. Responding organisations are listed in page 34.

We have not included all the individual points made by respondents, instead, we have summarised the common or contrasting themes and issues.

## Demand

### What we asked

1. Do you agree with the anticipated volume and trends for 2026/27?
2. Are there any issues or trends we might see in 2026/27 which we have not included? And what impact do you think they will have on complaint volumes?
3. Do you agree with our projection on the volume of complaints we will receive from professional representatives on behalf of consumers?
4. What operational impact do you foresee the FCA's redress scheme for motor finance commission cases will have on our service?

### Feedback received

#### On volumes and trends

Respondents generally agreed with the volume forecasts set out in our consultation while stressing that forecasts are highly sensitive to external factors, particularly noting:

- The impact of the MFC redress scheme and the potentially significant effects on volumes and workload, with concerns about whether our forecast under-estimates possible referrals.
- Affordability/irresponsible lending, especially in consumer credit and unsecured lending, with sensitivity to court rulings and time-barring.
- Complaints about fraud and scams (APP fraud and broader fraud risks) expected to remain high or grow.
- Insurance complexity, especially valuation disputes, fraud concerns and an uptick in home and travel insurance areas following the Which? super-complaint.
- The new regulatory area Deferred Payment Credit (formally Buy Now, Pay Later) was seen by some as potentially underestimated.
- The impact of AI and digital platforms on complaint generation and complexity was also a recurring theme.

There was wide consensus amongst respondents that charging professional representatives had driven a sharp fall in represented cases and that demand would continue to stay low. Views diverged on whether this was wholly positive. Firms and trade bodies welcomed the reduction whereas some consumer and professional representative bodies raised concerns over access to justice, particularly among vulnerable consumers.

## On the operational impact of motor finance commission

Respondents agreed that a well-designed FCA redress scheme should significantly reduce the flow of new motor finance commission complaints to the Financial Ombudsman Service, but most expect residual workloads and case-mix complexity to remain material for several years.

Some respondents used this question as an opportunity to raise the prospect for lower fees for MFC scheme cases and express concerns about the MFC cases already with the service being charged a flat fee of £680 before firms had an opportunity to assess them against the FCA scheme.

### Our response and next steps

We have made minor adjustments to anticipated demand volumes across products, notably in consumer credit where the ongoing cost of living impact continues to be prevalent, to reflect the feedback received.

Given the diverging views on the expected demand for our service on MFC cases subject to the FCA scheme, we have not made any changes to our anticipated demand post-consultation on the assumption that the FCA redress scheme will not be materially different to that consulted on and that firms deal with the scheme cases effectively and efficiently. The FCA published the final scope of its redress scheme on 30 March 2026. Given the timing, the projections set out for 2026/27 in this Plans and Budget document are based on the timescales, processes and rules that the FCA consulted on rather than the final scope.

## Service standards

### What we asked

5. Do you agree that the service standards we have set out will help our customers? Are there areas where you think we should have more focus?
6. What more can we do to share insight to prevent complaints and unfairness from arising?

### Feedback received

#### On service standards

Overall, respondents felt that the service standards proposed were the right ones for us to focus on and would help our customers.

There was wide support for improved standards but also calls for faster progress. Many organisations welcome recent and planned improvements in service standards (e.g. reduced backlogs, quicker resolution) but want faster and more consistent performance. Stressing the importance of shorter timescales, continued focus on older cases, consistent decisions and clear expectations.

Several respondents emphasised that speed must not come at the expense of quality and consistency. With a number expressing concerns around a reduced quality target going from 95% to 90% and feeling that 90% was too low.

To ensure we are focussing on faster and more consistent performance across the full end-to-end case journey, we have amended the definitions of some of our service standards.

## On sharing insight

Respondents strongly encouraged the Financial Ombudsman Service to expand and deepen its insight work, using complaints data to prevent harm and drive consistency across the market rather than only resolving individual cases.

Many welcomed existing stakeholder forums, quarterly data, planned thematic reports and decision frameworks, asking for richer thematic analysis by product and issue, practical case studies of good and poor practice, sector-specific guidance and more regular roundtables with firms and consumer bodies. Several respondents also called for better search capabilities within the decisions database.

## Our response and next steps

We are pleased most stakeholders agreed with our proposed service standards and appreciate the feedback provided. We have revised a number of the service standards definitions to improve consistency and transparency and to ensure the end-to-end customer journey is covered.

We will continue to focus on sharing the insight we gain through the resolution of cases and outline our plans for this on page 16.

## Costs

### What we asked

7. **Do you agree with our focus and approach to delivering the Modernising Redress package of reforms?**
8. **Do you agree with the costs included to support the delivery of our service standards, reducing the volume of cases we have in stock and to support the stable delivery of the changes required?**

### Feedback received

#### On Modernising Redress

Most respondents supported the overall aims of the Modernising Redress programme and recognised the need for investment to update rules, processes and technology, though they stressed that reforms must preserve the Financial Ombudsman Service's independence and that we must continue to provide a genuine access to redress where things have gone wrong.

A number requested early implementation of reforms not requiring changes in legislation.

Supportive submissions backed closer co-ordination between the Financial Ombudsman, FCA and HM Treasury, better triage and registration stages, targeted dismissal powers for clearly inappropriate cases, more proportionate handling of mass redress events and a shift to incremental, "digital-first" improvements using off-the-shelf technology and AI where appropriate.

Others were concerned about a lack of a clear roadmap and warned that revised dismissal rules or lead-complaint models could dilute individual protections or allow firms to delay or dilute redress. These responses asked for strong safeguards, wide consultation and equality-impact assessments before key reforms are implemented.

## On costs to support delivery of service standards

There was cautious acceptance that some additional spend is needed to stabilise operations, clear historic stock and deliver reforms, but strong expectations that the Financial Ombudsman Service demonstrates efficiencies, transparent cost drivers and a clear link between higher spend and better outcomes.

A number of respondents noted the planned reduction in overall operating costs versus the prior year, welcomed stated efficiency savings in casework and the intention to avoid large IT programmes in favour of smaller, iterative changes and broadly accepted the 2026/27 cost proposals as proportionate.

There were some criticisms that highlighted the high implied cost per case, questioned whether transformation programmes have yet delivered tangible savings, worried that smaller firms would bear a disproportionate share of rising levies and called for clearer evidence of realised and forecasted efficiencies.

### Our response and next steps

We were pleased that the majority of respondents were comfortable with our proposed costs and planned efficiencies and note the need to provide clear information about the impact of transformation investments.

We continue to be committed to delivering the Modernising Redress changes quickly and making use of existing rules and frameworks to do that, where possible. We published a joint consultation with the FCA on next steps with the proposed reforms on 16 March 2026.

## Funding

### What we asked

9. Do you support our proposal to:
  - a. increase our case fee and CJ levy for respondent firms?
  - b. increase the case fee for professional representatives?
  - c. not to increase our VJ levy for responde firms?
10. Do you support our proposed budget for 2026/27?
11. Do you feel we are offering value for money? If not, where do you think we could improve?
12. FEES Rules: do you agree with our proposal to withdraw the planned change to the definition of ‘relevant business’ and maintain the current definition? If not, why not?

### Feedback received

#### On our 2026/27 budget

Many respondents were broadly supportive or “not opposed” to the proposed budget proposals, but a common theme was the need for clearer articulation of what additional spend will deliver in terms of faster resolutions, reduced backlogs and better customer and firm experience.

Those content with the budget stressed that it appears proportionate in light of inflation, the scale of recent MFC-driven volatility and the need to invest in Modernising Redress and welcomed the planned reduction in annual deficit and maintenance of reserves within the stated policy range.

Some felt the Financial Ombudsman Service had not yet justified the overall size of the budget or per-case cost, suggesting that some transformation workstreams and billing changes should be delayed or scaled back, and requested more granular breakdowns of where money will be spent and how success will be measured.



## On case fees and levies

Many accepted a modest increase in case fee and CJ levy after two years of frozen or reduced charges, while others opposed any rise given falling complaint volumes, wider regulatory cost pressures and ongoing uncertainty about future reforms. Larger financial businesses were more supportive than trade bodies and professional representatives.

Many respondents were supportive provided the Financial Ombudsman Service continues to improve timeliness and quality, uses reserves prudently and pursues further efficiencies and, in time, more differentiated fee structures. Some suggested that fees should be frozen and reassessed once the other consultations had concluded.

There was strong support for increasing the representative fees amongst firms and trade bodies. Many firms pointed out that the increase for representatives (4%) was lower than the increase for respondents (4.6%), others wanted to see higher representative fees, with some calling for there to be parity between the two and for the value of the free case allowance for representatives to be lowered to three cases, rather than the ten representatives currently receive.

We heard from one consumer body and two organisations from the claims management sector, who felt strongly that there needs to be a post implementation review of the introduction of charging professional representatives and a further equality impact assessment, prior to any changes being made to the existing fee arrangements for professional representatives.

The proposal not to increase the VJ levy attracted relatively little comment; where views were expressed, respondents were generally content that VJ levies remain unchanged for 2026/27.

Our proposals to bill more organisations quarterly in advance were not widely addressed in responses. A few organisations expressed concern that expanding quarterly billing would unnecessarily complicate billing and could increase the risk of inaccuracies.

## On value for money

Respondents generally acknowledged the importance of the Financial Ombudsman Service in the redress ecosystem, and many felt it can offer value for money when it is timely, predictable, and accessible, but a significant number did not yet see value for money as clearly demonstrated.

Supportive organisations pointed to improving timeliness, reduced case stocks, the deterrent and preventative effect of Financial Ombudsman decisions on market conduct and the fact that case and levy charges remain below recent peaks, as evidence that the service overall provides acceptable value.

Those who responded less favourably highlighted high implied costs per resolved case, inconsistent decision-making, charging for clearly out-of-jurisdiction or very early-stage cases and the lack of robust outcome-focused evaluation; many urged us to link fees more closely to case stage and effort, reduce or waive fees in straightforward or scheme-driven cases and publish clearer cost-benefit evidence over time.

## On relevant business

The proposal to withdraw the earlier change to the “relevant business” definition and retain the current approach was widely supported across sectors.



## **Our response and next steps**

We will be increasing our prices for the first time in two years, in line with what was set out in our consultation. We note the feedback about the charge for professional representatives but do not propose any additional changes to this at this time. We will be carrying out a review of the introduction of charging professional representatives in Q1, as committed to when this change came in. This will include a review of the impact on vulnerable customers.

We will continue to focus on efficiencies, focusing on process improvements to reduce overhead costs as well as productivity improvements. We will continue to enhance our transparency around the changes we are making to improve our service and the benefits of the investments we make.



## Organisations who responded to the consultation

Allegiant

Aon

Association of British Credit Unions (ABCUL)

Association of Consumer Support  
Organisations (ACSO)

Association of Mortgage  
Intermediaries (AMI)

Aviva

AXA

Barclays

British Insurance Brokers Association (BIBA)

British Vehicle Rental and Leasing  
Association (BVRLA)

BMW Group

Building Societies Association (BSA)

Claims Management Association (CMA)

Consumer Credit Trade Association (CCTA)

Credit Services Association (CSA)

Esure and Ageas

Fair4All Finance

Finance & Leasing Association (FLA)

Financial Inclusion & Markets Centre (FIMC)

HSBC UK

Innovate Finance

Intact Insurance UK Limited

Nationwide Building Society

Oodle Car Finance

Personal Investment Management  
& Financial Advice (PIMFA)

Phoenix Group

Santander UK

UK Finance

Vanquis

Which?

Wise



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