

# The Financial Ombudsman Service response to the FCA review into the long-term impact of AI on retail financial services (The Mills Review)

February 2026

## Introduction

The Financial Ombudsman Service (Financial Ombudsman) welcomes the opportunity to respond to the Financial Conduct Authority (FCA) review into the long-term impact of AI on retail financial services (The Mills Review). Our response will focus on the complaints that are eligible to come to our service and our ability to resolve complaints efficiently and effectively, rather than responding to every question in turn. We welcome the opportunity to engage further on this subject and discuss this review and its potential impacts, as well as other areas of shared interest.

## Our response

Our response focuses primarily on two key areas:

1. What we are seeing and the potential impacts from consumers and professional representatives using AI in the financial services redress system, and
2. financial firms' use of AI.

Our response draws on our role within the financial services redress system and will share the insights we are already seeing on how AI is shaping customer journeys and complaint handling. Our response primarily considers Theme 3, 'Future consumer trends', and Theme 4, 'Future regulatory approach' of the Mills Review. As the landscape continues to evolve, and we continue to monitor and analyse the complaints we receive, we welcome the opportunity to engage further on the impacts of AI on the financial services redress system, as well as the wider retail financial services sector.

## Our use of AI

The Financial Ombudsman is adopting the use of AI, in line with our published AI principles and the FCA's support for safe and responsible adoption, to help our people get to the heart of a case faster, whilst decisions remain human. We are exploring how available technologies, including AI, can deliver efficiencies and transform our operations, allowing us to become a more agile organisation, more consistent in our decision making and case approach and focus our human judgement where it matters most. We are also exploring how other similar organisations are approaching this topic, how our internal AI tools can support caseworkers, and what external information may be suitable to provide to customers on the appropriate use of AI.

## What we have seen from consumers using AI

The Financial Ombudsman has observed an increase in consumers using AI for the purposes of complaint submissions and general correspondence.

We recognise the benefits for consumers of using AI, for example, to help organise their complaint submissions, for proofreading purposes, or to overcome language barriers. Consumers who may be vulnerable, have difficulty collating information or expressing themselves in writing, might find this particularly helpful and, if used well, it can lead to fairer representation of the consumer's

complaint. Well organised, accurate, and clear submissions from the parties help us get to the heart of the matter quickly and resolve complaints effectively.

However, where generative AI is used excessively or inappropriately, it can create challenges. We have seen several examples where submissions using generative AI are unduly lengthy, incoherent or contain ‘hallucinations’ (information, or references to laws, regulations, and previous ombudsman decisions that are misleading, inaccurately analysed or non-existent).

Complaints involving the heavy use of generative AI in some types of cases have also seen parties take more entrenched positions, impacting the rates of referrals for final determination stage, and have led to erroneous service complaints, all of which need to be addressed by us which, as a not-for-profit with finite resources, means taking our focus away from resolving other cases.

From early small sample analysis, we estimate that AI is likely to have contributed to up to a third (35%) of responses to initial assessments. The use of AI in some of these sample cases may have helped consumers form more coherent, well-structured arguments. However, the incorrect or excessive use of generative AI can lead to a disproportionate amount of caseworker time being spent verifying the content’s accuracy and considering disproportionate escalations to an ombudsman, which runs contrary to our aims of delivering a quick and informal resolution service.

We understand, through our regular engagement with the financial services industry, that they are also receiving lengthy consumer complaints containing AI hallucinations. This is driving up response times and delays in the complaint process. We understand this is not currently causing significant operational impacts for financial firms, but it is being monitored as an emerging risk.

We welcome the FCA’s focus on AI in retail financial services and encourage the FCA to provide consistent guidance to firms and consumers on the use of AI as it continues to evolve in the financial services complaint process, and we would welcome the opportunity to provide our insights in this area. We have also raised this with the wider ombudsman community, as a consistent application across all sectors is likely to assist consumers.

To help mitigate some of the challenges the use of generative AI creates, we have recently published enhanced guidance for case handlers, established AI leads across our organisation and boosted our approach to AI governance. We have also provided consumers with some suggested guidelines to consider when using AI to submit a complaint to us, including explaining how the inclusion of inaccurate and irrelevant submissions may cause a delay as we seek further clarification from them on the points being made.

Our service is free and easy to use. We make decisions on the facts and evidence available in each case. We feel that the consumer’s recollections of their experience and how it has affected them is best heard through their authentic voice. Hearing the experience direct from the consumer can assist the investigator in getting to the heart of the complaint – enabling our service to resolve the complaint based on what is considered fair and reasonable. For some consumers, the appropriate use of AI assists them to collate these thoughts.

To support the Financial Ombudsman in meeting its core remit to resolve complaints efficiently and effectively, we would welcome continued engagement with the FCA on the impacts of consumers’ use of AI in the financial services redress sector and we will continue to share insights.

## **What we have seen from professional representatives using AI**

We have also seen evidence of professional representatives using AI to make submissions to the Financial Ombudsman. This presents the same challenges as when a consumer uses generative AI to submit a complaint. This is concerning from professional representatives seeking to recover up to 30% of any award for redress. In addition, the scale when used by professional representatives can create further operational challenges. We have seen examples of submissions from professional representatives that can run to approximately 200 pages in response to a six-to-eight-page provisional decision, and which contain multiple inaccuracies.

The Financial Ombudsman regularly shares intelligence with the FCA and SRA on regulatory issues relating to complaint management companies (CMCs) and legal firms respectively, including instances of poor conduct and evidence of non-compliance with respective rules. We will continue to share insights where we believe a professional representative, or financial firm, may be using AI in a way that may cause consumer detriment or friction in the redress system.

## **What we have seen from respondent financial firms using AI**

At present, we are receiving very few complaints about a firm's use of AI. However, we are aware from a recent survey by the Bank of England and the FCA that around three-quarters of UK firms are now deploying AI. Businesses may look to adopt AI into future product models, such as targeted support. The Financial Ombudsman will monitor complaints in this area, as well as across the organisation, and will share insights as we start to see emerging trends.

We are also aware that consumer groups, such as Citizens Advice, have reported they are already seeing consumer protection issues around people getting financial 'advice' from AI. Where consumers receive financial 'advice' from unregulated individuals, firms, or AI platforms, this would fall outside our remit, and the consumer may have to consider alternative routes for resolution.

We are aware that financial firms are increasingly using AI as part of automated triage to improve efficiencies and timeliness. We understand the use of AI-enabled routing and sentiment analysis can speed up response times. However, rigid or opaque algorithms can potentially risk filtering out complex or non-standard vulnerabilities. We believe it is important that, as firms increasingly adopt the use of AI into different areas and processes, this does not create barriers or gaps for vulnerable customers. We would encourage guidance from the FCA which calls for firms to evidence that automated triage and prioritisation actively identifies and supports vulnerable customers, as well as reinforcing that consumers can request additional considerations, such as human review and receive plain English explanations, where AI influenced an outcome.

The Financial Ombudsman also supports transparency being at the centre of AI adoption by financial firms. As firms adopt more autonomous decision making, we would encourage the FCA to set clear expectations for regulated firms to provide the Financial Ombudsman and the consumer with a clear rationale on how AI contributed to an outcome, as well as being able to explain how the decisions align with principles-based regulations, such as the Consumer Duty. We also welcome clarity on expectations for record keeping, paths to human escalation, and dispute handling where no human is involved – such as where a consumer's AI agent may interact directly with a firm's AI chatbot.

## **Conclusion**

As AI continues to drive change in financial services, the Financial Ombudsman remains focused on ensuring that the redress system keeps pace with emerging opportunities and risks. We acknowledge there is potential for changing products and services in this landscape, some of which financial services will not be able to predict. We believe it is important that businesses, regulators and associated organisations work together to share insights and understanding to help everyone remain agile to an evolving system.

We welcome clear and consistent regulations and guidance across the financial services sector to aid consumer understanding and confidence as they will often interact with multiple products. We will continue to monitor how firms and consumers use AI and would welcome the opportunity to share our insights with the FCA. We welcome the FCA's engagement through the Mills Review and are keen to remain an active partner in future discussions as the regulatory and operational environment evolves.