

resolving complaints about the mis-selling of financial products

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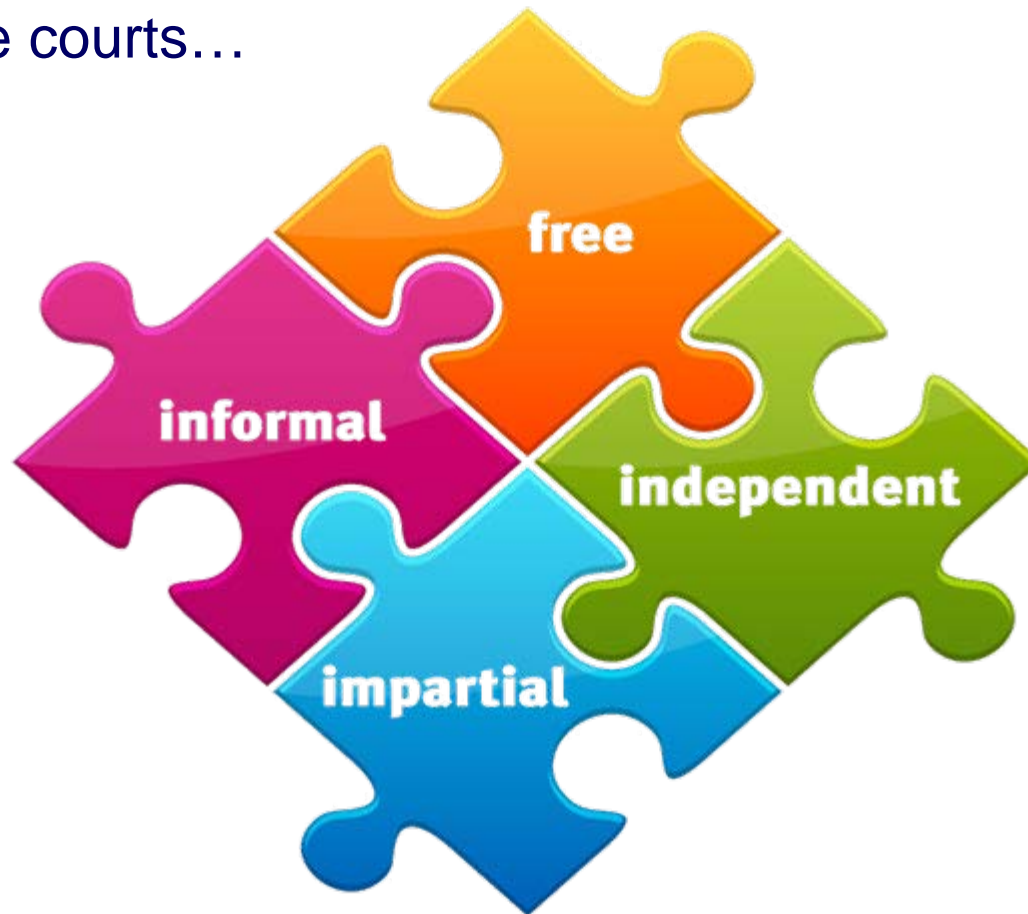
principal ombudsman and legal director



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basics and background

set up by **statute** as an **alternative** to the courts...



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our insight function



sharing our experience

- we want to help businesses improve complaints-handling
- we want to help consumers resolve complaints themselves
- we want to discuss trends and emerging issues



advice & seminars

- *ombudsman news*
- roadshows
- seminars
- Q&A sessions



case handling help

- online resources
- guides for smaller and larger businesses
- case studies
- technical advice desk



transparency

- the financial products most complained about
- complaints data showing individual businesses
- publishing ombudsman decisions (from 2013)

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three jurisdictions

the extent of our jurisdiction is set by Parliament
and by rules made under powers given by legislation

compulsory jurisdiction
(1 Dec 2001)

21,000 FCA-regulated
retail firms (not just
regulated activities)
includes earlier events
if covered by a
previous ombudsman

consumer credit jurisdiction
(6 Apr 2007)

100,000 businesses
with OFT standard
licences covers
only events from
6 Apr 2007 onwards

voluntary jurisdiction
(1 Dec 2001)

not required *by law* to join
but formally agree to deal
with complaints - and
comply with our decisions
(includes past events)

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a “one stop shop”

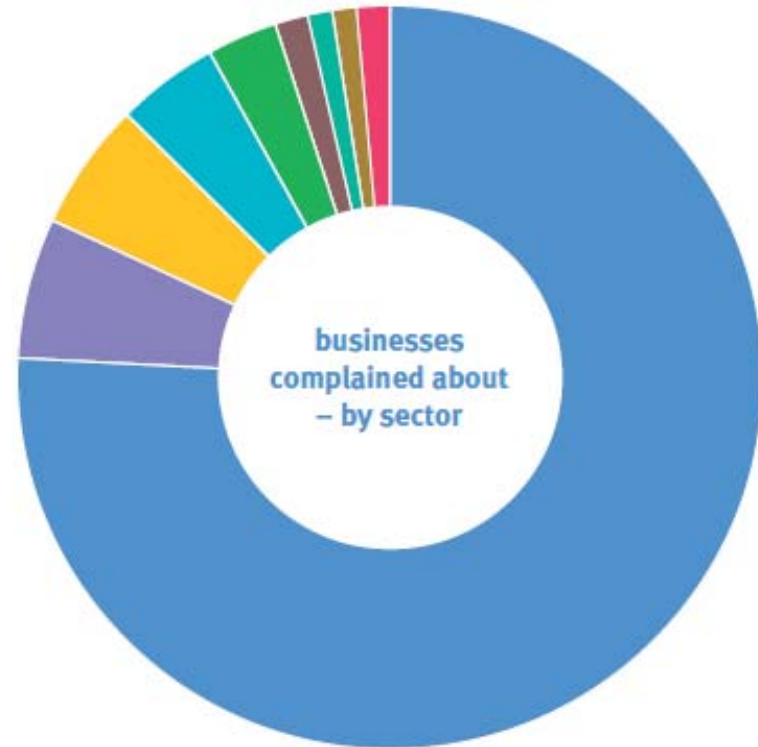
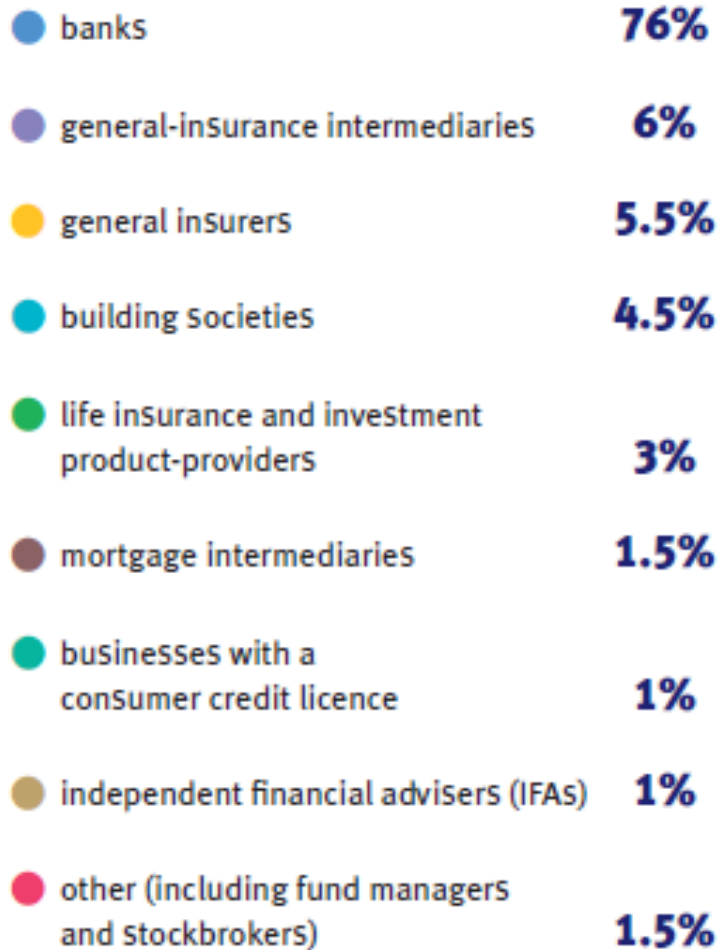
we can deal with most **unresolved disputes** about **financial services providers** all under one roof

- banks
- building societies
- insurance companies
- insurance intermediaries
- credit unions
- friendly societies
- stockbrokers
- life companies
- investment providers
- pension providers
- independent financial advisers
- debt advice
- mortgage intermediaries
- mortgage lenders
- credit card providers

our workload last year

- over 2.1 million initial enquiries received in 2012/13
- 1 in 4 of these enquiries turned into a formal dispute, resulting in a record 508,881 new cases
- this is a 92% increase on the 264,375 new cases received in 2011/12
- it is the highest number of new cases we have received in any year since we were set up
- the record level in 2012/13 resulted from a 140% increase in complaints about PPI

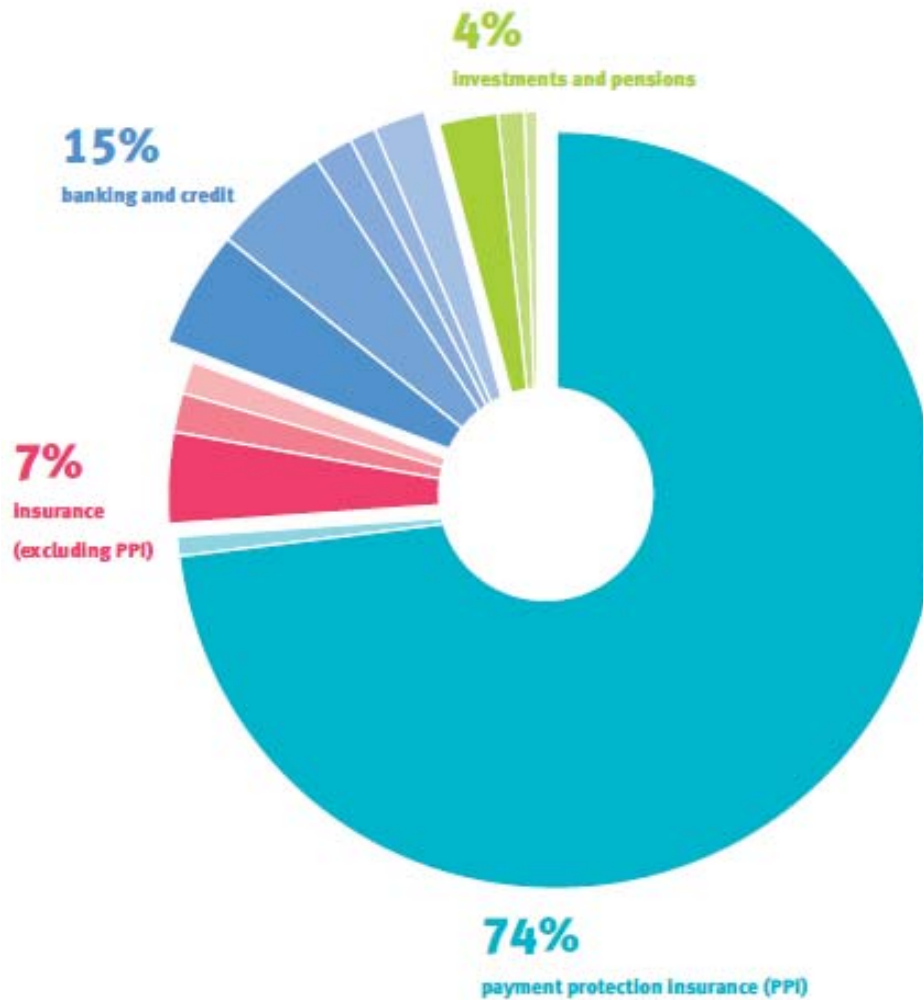
who the complaints were about



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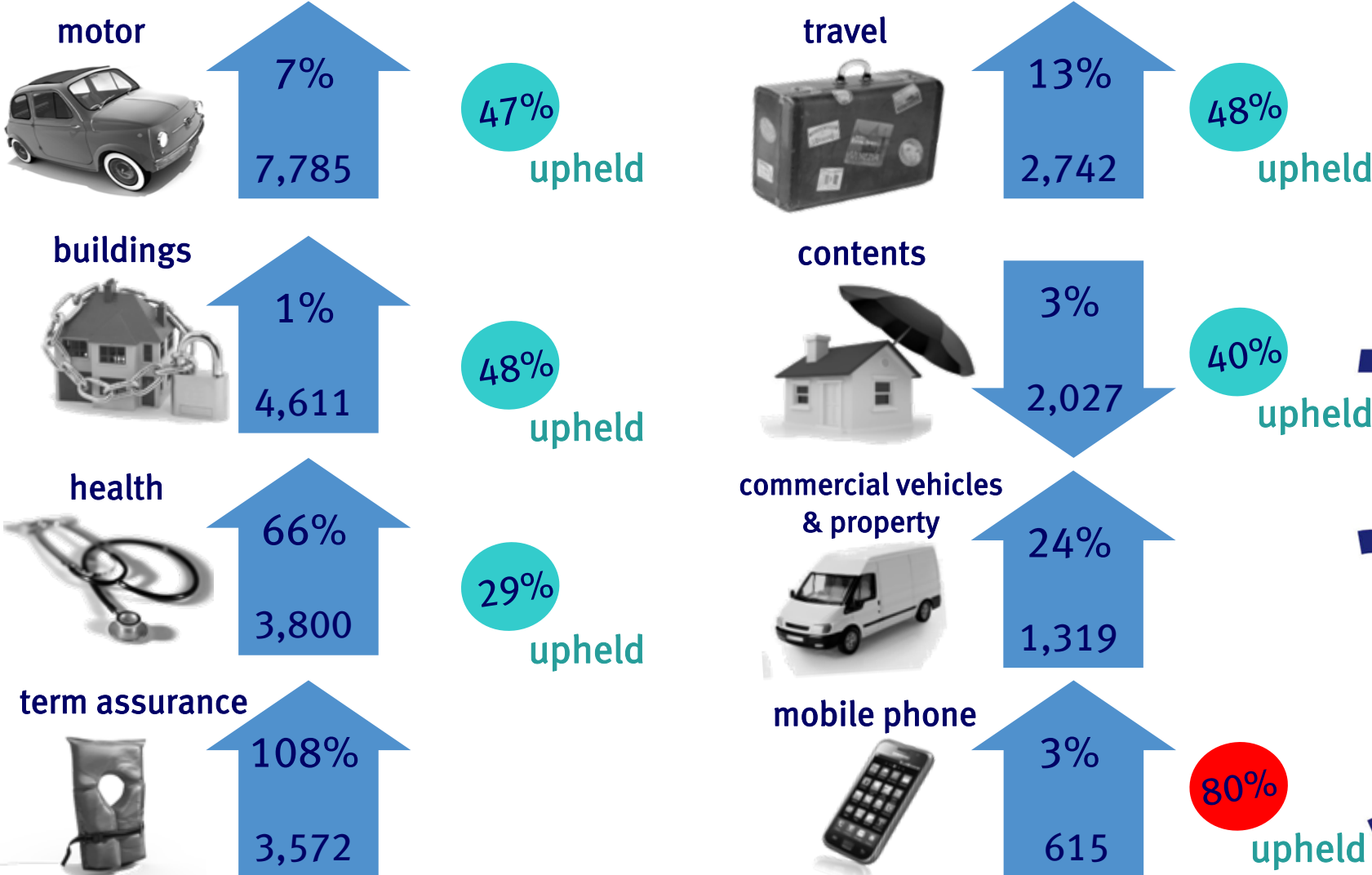
what the complaints were about



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insurance complaints – excl PPI



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why do people complain?

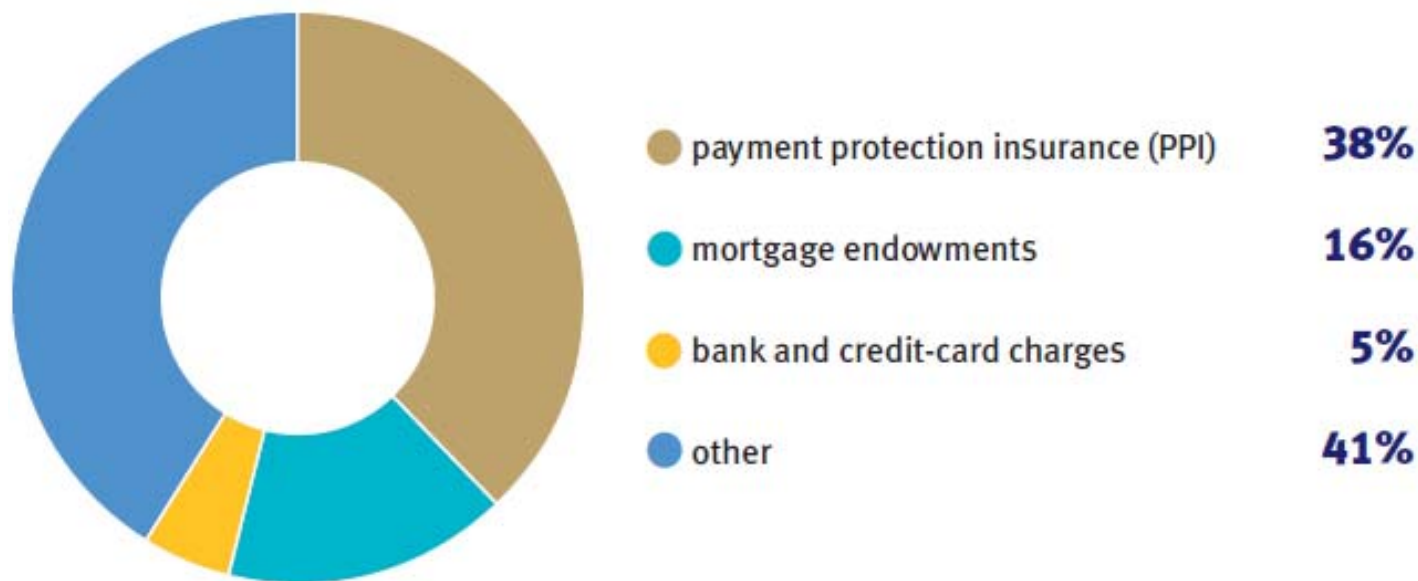
in general insurance (7% of all our work)

- sales and advice – 25%
- admin – 20%
- claims – 55%

...and then there's PPI (74% of all our work)

mis-selling: common complaints

- over 1.9m complaints received since we were set up
- of which 59% have involved just three issues



some other recent areas

- interest rate hedging products
- packaged accounts
- interest only mortgages
- investment complaints
- other protection policies



how do we consider complaints?

- we decide each case by reference to what is, in the opinion of the ombudsman, fair and reasonable in all the circumstances
- we take into account relevant:
 - law and regulations
 - regulators' rules, guidance and standards
 - codes of practice
 - (where appropriate) what is considered to have been good industry practice at the relevant time.



what is a relevant consideration?

Consumer Credit Act 1974

GISC

BCOBS

ABI Code

ICOBS

Consumer Insurance Act 2012

COBS

Lending Code

* this list is non-exhaustive

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a common approach...

we can often adopt a **basic test**:

eg in the case of **PPI mis-selling** we have a **two stage** approach

- **“stage 1”**

if the business gave advice or made a recommendation, did it take adequate steps to ensure that the product recommended was suitable for the consumer's needs?

- **“stage 2”**

if the business did *not* give advice or make a recommendation, did the business give information that was clear, fair and not misleading (allowing consumer to make an informed choice)?

mis-selling: what difference did it make?

- if the consumer has lost out then we can tell the business to put things right
- money awards (up to £150,000 from 1 January 2012), interest awards, costs awards, directions
- we take into account the law – causation, reasonable foreseeability, remoteness of loss
- whether (and how much) to award will depend entirely on the individual circumstances
- we approach the issue like any other – what would be fair and reasonable?

mis-selling: some difficulties

- considering complaints about mis-selling can raise difficulties:
 - agency
 - redress
 - records
 - individual testimony



conclusion: our role?

- provide consumers and businesses with an informal alternative to the courts
- allow disputes about mis-selling to be resolved at relatively low cost, free to consumers (funded by industry)
- provide consumers with the certainty that their complaint about mis-selling will be taken forward and a decision made on it
- help businesses to learn from situations where things have gone wrong – which in turn, should help prevent future problems



any questions?



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