

Annual Review 2000/2001

Chairman's Statement

The Financial Ombudsman Service has been established. We can make that claim now that 14 months have passed since the merger of eight independent ombudsman and complaints-handling schemes into a single body and their move into new premises. The final stage will be the acquisition of our full legal powers when the Financial Services and Markets Act 2000 comes into force later this year.

We are a single dispute-resolution body where once there were many. We employ more than 450 people; we handle over 1,000 telephone calls a day from consumers; and we investigate upwards of 30,000 cases a year. The cost of the service for the year ended 31 March 2002 is expected to be £27.6 million.

In the absence of an ombudsman, consumers would have to turn to the courts. But of course few of them would do so. They would be deterred by the complexity, by the expense and by the slowness of the legal system. The Financial Ombudsman Service is a free and relatively speedy alternative.

Indeed, the unchanging background to our activities has been a steady rise in the number of complaints which consumers are bringing us. The bald statistic is that the Financial Ombudsman Service investigated and resolved 31,350 cases in the year ended 31 March 2001, compared with 25,000 in the previous year when the eight schemes were still separate entities.

For my colleagues, this has meant that creating the new service has been a bit like putting up a building in a gale. That is one reason why we have put much emphasis on staff training. Every part of the structure has to be robust. I am proud that everything we set out to do last year was achieved.

However, the remorseless rise in calls and letters received, in enquiries analysed, in complaints resolved by mediation and conciliation, in investigations, in cases which adjudicators can handle, in disputes requiring a final decision by the relevant ombudsman, all these expanding categories have made it more difficult to improve service standards. Just keeping pace with higher and higher levels of activity has often seemed like a triumph.

Nonetheless, we are planning this year to raise to 70% the proportion of cases closed within six months and the proportion settled within a year to 95%. At the same time we have started to bring down our unit costs.

There are many ways of describing our aspirations. Shortly stated, they are to improve our service standards and to reduce our unit costs year on year. Or, more broadly: to help consumers and to help the industry which supplies them. Finding ways to operate more effectively is a never-ending process. As we succeed, we contribute both to raising

consumer confidence in financial institutions and to making more efficient the market in financial products and services.

None of this can be achieved without a talented and hard working staff. We have such people in abundance. I would like to thank everybody working at the Financial Ombudsman Service for their enthusiasm, for their imaginative solutions to problems as they arise and for their commitment.

I should end by saying something about the nature of this document. Under the Financial Services and Markets Act 2000 we are required to make a report to the Financial Services Authority. Likewise the chief ombudsman must make a report on the discharge of his functions. At the same time, the ombudsmen in each of the schemes still formally in existence must report to their councils on their activities. And the directors of the Financial Ombudsman Service must meet the requirements of the Companies Act. All these legal duties are discharged in this annual review and report & financial statements for the year ended 31 March 2001. Andreas Whittam Smith chairman 7 June 2001.

Andreas Whittam Smith

Chairman

7 June 2001