

## Annex B

# Management response to the Independent Assessor's Annual Report

2022/23

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### Introduction

We would like to thank the Independent Assessor (IA) for her Annual Report and the valuable insight she has provided throughout the year. We welcome her independent scrutiny. Her feedback helps us to continually improve our service for customers. This year we have accepted all of Dame Gillian's recommendations. This document is our formal response to her Annual Report, and highlights what we are doing to act on the insight and feedback she has given.

My colleagues and I know that there is a person behind every service complaint. So it's important that we understand why our customers are unhappy with our service and recognise when we do not meet the high standards we set ourselves.

### Learning from service complaints

As a service that exists to help resolve disputes, our ambition is to deliver the highest level of customer service. This means that we should always be thinking about how our actions impact customers and what we can do to minimise complaints about our service. But when someone does complain about our service, we recognise that we've been given an opportunity to listen and learn, so that we can continually improve as an organisation.

This year, our Customer Experience Team – responsible for delivery, quality, and customer feedback – has worked with our casework teams to develop and share regular thematic insight packs. These packs, in addition to feedback provided by the IA, are now a key

agenda item in regular performance reviews with Executive Directors. They provide the information needed for the various casework areas to improve when their service isn't up to our desired standards.

The team has also completed several root-cause analyses to investigate thematic issues highlighted throughout the year by the IA. Examples include looking at how we communicate with our customers across all platforms and a review of the end-to-end customer journey.

In addition to the Annual Report to our Board, the IA meets executive members on a quarterly basis to feedback on the cases she has reviewed. She also meets with casework leaders to feedback on what she's seeing and to share how we can improve.

Taking this further, we've arranged that the new Ombudsman Directors will be sighted on all IA reviews for their casework directorate areas. This gives them the opportunity to provide 'in the moment' feedback and request further actions and reassurances wherever necessary.

## Our plans to change the way we work

The Financial Ombudsman Service is changing, and we have big ambitions. We want the service to stand out for excellent service and the high-quality decisions we make. Our focus on maintaining the quality and improving the pace is core to the way we want to work.

We want to provide a better, more timely service that reflects public expectations of modern customer experience, including through the provision of improved digital channels. We will build on what we set out in the [Action Plan](#) that we published in December 2021, alongside our Board-commissioned [Independent Review](#).

We are a demand-led service. The volume and mix of complaints we receive will always fluctuate over time, flowing with external factors that impact the financial services market, such as the Covid-19 pandemic, changes to PPI and the current cost-of-living challenges. These types of events have the potential to impact the volume and nature of the complaints we receive. We perform a vital service for the UK's financial services landscape; and it's crucial that we continue to resolve disputes on a fair and reasonable basis, in a timely way, while maintaining the quality of our outcomes. It's what our customers expect.

The changes we're making to our casework operating model will deliver this by:

- streamlining our processes
- improving timeliness
- supporting consistency and quality of our outcomes
- providing more end-to-end continuity within the same team for customers
- ensuring everyone is accountable for the service we provide
- putting things right when we have got things wrong

We have aligned our casework teams to a focused model which is grouped into casework 'directorates' based on industry sectors (banking, insurance, pensions, investments and mortgages, consumer credit) each led by an Ombudsman Director, and a small/micro-enterprise team reflecting the difference in jurisdiction there. This structure allows us to develop better technical skillsets in our teams; adapt and change to demand; resolve different types of complaints at different points in time; and use the skills and expertise of our people effectively. It drives accountability for the end-to-end customer journey, increasing the pace of our outcomes while both maintaining quality and engaging industry sectors to feedback learning.

## Changes to our customer service standards and processes

As part of our commitment to continuous improvement, we've reduced our service level agreement for managers to respond to service complaints from 15 working days to 10 working days. We've also changed our internal categorisations for service complaints, so they align with those used by the IA and allow us to better identify trends.

To help us achieve a more timely service, we've also introduced new [service standards](#). These are the measures to provide assurance and accountability for the service we provide and are published on our website for all to see. We have started seeing some positive progress in our timeliness for our customers – both complainants and firms.

Alongside this, we're consulting our staff on further improvements to how we structure our service-complaints process in recognition of the fact that our managers are still not always putting things right prior to IA review. We will update on this as plans are finalised.

We reduced our median time to resolve cases down to a little over three months by the end of the financial year, nearly half the time compared to the end of the same quarter in the previous financial year. It is really encouraging that the IA recognises improvement in our timeliness and that our staff continue to treat our customers fairly and impartially. This speaks to our core purpose and mission.

We're also in the process of recruiting additional Senior Investigators, which will significantly increase the volume of staff that can handle our most complex and sensitive cases; and also support our vulnerable customers while providing close support to their teams. We are also looking at arrangements for our academy training, onboarding and upskilling of our people. This will set customer-experience expectations and enable development opportunities. We have confidence that this will significantly improve the overall service we provide.

## Themes and trends overall

As the IA acknowledges, during quarterly meetings she has continued to share general observations with us. Throughout the year, we've been increasingly better able to cross reference IA feedback with our own insight plus service-complaint and quality-assurance data.

This has allowed us to complete further diagnostics, to see whether the issues resonate across our casework and, if so, what action we can take to address them. Following these diagnostic reviews, we have:

- updated our internal processes and guidance for greater consistency, ensuring we are aligned with our values
- launched guidance on how we can keep our customers updated while their case is impacted by matters outside our immediate control – for example, litigation, regulatory action or insolvency proceedings – enabling our customers to stay updated about what is happening with their case and why
- enhanced our case management system so that we can capture better insights and track our performance against our new service standards
- created a cycle of regular diagnostic reviews working alongside our quality team, supporting casework with recommendations on how we can continually improve and review our progress against these actions

These thematic issues have been recorded within an operational action log, where progress is tracked and discussed at quarterly meetings with the IA and senior leaders. This has allowed us to provide assurance and updates on operational plans, service-wide initiatives and to make recommendations on how we can provide a better service overall.

## Comparing themes

Dame Gillian's report covers a number of themes arising from our casework.

### Theme one – communication

It's disappointing that this remains a key concern, though it is encouraging that the IA sees us only needing to make relatively small changes to drive significant improvement. Our ongoing work in this area means we share her optimism – and our quicker case-handling means we're starting to see a decline in customers raising concerns about this.

We've continued to explore root causes of communication issues in our casework. To help with this, we reviewed a sample of 320 cases and looked at the communication between case-handler and complainant. Our learnings from this exercise were then fed into the operational changes that are now underway and the training we provide our teams.

We said in last year's management response that enhanced upfront communication is a key part of our future strategy. That is still firmly the case. We've continued to introduce improvements and our digital customer portal is now in a testing environment – and we aim to roll it out further this year, subject to rigorous security requirements given the nature and extent of the data we hold.

We have also continued to embed the principles of 'active case management' across the service, which place increased responsibility on our case-handlers to properly update, inform and communicate with customers in a timely fashion and use our powers more confidently. Case-handlers are held more accountable for the service they provide, and we're retraining all our managers to support this and ensure it is adhered to.

We have confidence that these measures will reduce the communication categories the IA has highlighted – in particular, the most commonly occurring issues of 'didn't get in touch when should have' and 'didn't explain process'.

### Theme two – timeliness

It is encouraging the IA recognises the work we have done this year to reduce waiting times. Through our new service standards and data about our adherence to these measures, we're able to refocus our staff on ensuring we are moving cases forward. And we have greater visibility when this doesn't happen.

As the IA acknowledges in her report, it can take time for the output of initiatives within the year to feed through on complaints that escalate to her office. In 2022/23, to help improve the customer experience and reduce the time it takes to resolve complaints, we have:

- created specialisms in directorates to get to the heart of issues and customers' concerns more quickly
- improved the service we provide at our front door, reducing complainants waiting for our help and introducing a Customer Call Hub, which lets complainants know early on if we cannot investigate their complaint
- focused more staff on casework
- brought down customer waiting times for unallocated cases
- launched effective case allocation – making sure the right case goes to the right person at the right time, enabling our staff to work through cases efficiently
- updated guidance and expectations of all staff, highlighting the importance of maintaining service when a case-handler leaves the service or is away unexpectedly
- ensured case-handlers deploy active case management, introducing more concise

and clearer investigation outcome reports

- launched a queue reduction incentive scheme for staff to help reduce our backlog, ensuring we could help as many customers get a resolution before the end of the financial year
- addressed barriers in the casework journey by listening to our staff, giving them the tools to do their job well, and engaging externally to get accurate and timely information to move cases forward

We're proud of the quality and fairness of our decisions, but we also want to ensure we give our answers in a timely and efficient way. We've already made good progress in this area, but there's more for us to do to build a service that our customers need and expect.

### **Theme three – adherence to process**

The IA found that adherence to process was the main service failing in 45 of the cases she reviewed, and recommendations were made in 80% of those (36 cases). This is the second year this issue has featured and it's one we're keen to address as, historically, it's not been a recurring theme.

Through the changes we're making to our casework structure, we'll be better able to apply our people's skills and expertise to make reasonable adaptations to our processes for the customer where appropriate. This allows us to ensure greater consistency in the customer experience overall, while recognising the benefits of doing something differently when individual circumstances warrant it. We are also in the process of procuring training for all our caseworkers on better supporting customers with additional needs.

We will continue to work closely with the IA and her office to gain helpful insights and information based on complaints that escalate to her office. We want to ensure our training and support for staff reflects the changes required to see improvements in this area. We are also streamlining our processes, with a particular focus on how we manage service complaints.

### **Theme four – adequacy of investigation**

It's vital that we demonstrate fair investigations in cases, so we're pleased to see the number of failings in this category has reduced. We attribute this, at least in part, to the introduction of our revised quality framework in 2021, which underpins our commitment to providing fair answers. We focus our checks on areas deemed critical to quality. However, there are clearly further improvements we can make – particularly as the IA outlines that this is the area where our customers raise the most concerns. Following her review, in 27 cases the IA found a service failure linked to how we had investigated the case.

Our new casework model is centred around quality and supports a greater depth of knowledge. We're empowering our people to focus on the skills and knowledge they need to do their jobs – and the casework directorates support consistency both in the investigations they conduct and the outcomes they deliver. Case-handlers have better and more tailored support than they've ever had previously.

We agree with the IA that better communication will bring down the number of failings in this category, and our level of investigation sits at the heart of almost all improvements mentioned in this Management Response. If we can consistently get the basics right, then our core service – resolving complaints about firms – will be improved.

Following a successful casework pilot that ended in March 2022, we rolled out a shorter and more efficient way of communicating initial answers to customers. These now make up a large proportion of our casework resolutions. To understand how these shorter-form views

have been received by customers, we completed some reviews during the year. We identified that whilst there are many benefits in using the more concise and clearer investigation outcome report – particularly to increase efficiency – we were able to identify opportunities to ensure our customers remain at the heart of what we do. These include the way we manage expectations from the outset and set boundaries for what customers can expect – preventing disappointment later in the customer journey.

We also agree with the IA that provisional decisions are a valuable mechanism, and we will take forward her view that we can do more in this space in appropriate cases. Similarly, sharing information appropriately is essential in providing a fair service and we have recently retrained all case-handling staff in this.

## Vulnerable customers

Vulnerability remains a high priority for all members of the regulatory family, and we are encouraged by the IA's reflections on the dedication of our staff in this area. We're proud of our skills and expertise in this area and have continued to invest in improvements.

This year saw the introduction of our policy on [reasonable adjustments](#), which ensures we're clearer about adjustments we can make to support people. We also undertook a campaign to all staff which further raised awareness and understanding of vulnerability in our work.

Previously, our Additional Support Area was handling complaints from complainants in the most complex and sensitive situations. However, as part of moving into a simpler, more empowered and accountable casework operating model, we understand the need to expand the volume of our staff that can provide answers, and excellent customer service, to our customers. We are therefore increasing the number of Senior Investigators to over 100 so they can better support customers with additional needs across our whole organisation.

We also have plans to release further training and support to everyone who handles cases to strengthen the skills and expertise needed to assist our most vulnerable customers and most sensitive cases. We believe everyone should be a customer-service expert – and we are committed to improve and help deliver a better customer service overall.

## Working together

Again, we thank Dame Gillian for her ongoing positive scrutiny and dedication to help our service improve. We've found the more granular information provided on communication issues to be incredibly valuable, and we would like to explore the possibility that similar feedback can be provided within other complaint categories.

While maintaining the IA's independence, we would also like to work with the IA and her office to address the difference between the compensatory awards we make internally and those made by the IA, as this has featured in several cases this year. We have started work to develop our internal guidance and framework for payments to support consistency and better explain how we have arrived at levels of redress. This will also enable the IA to provide us with helpful guidance and clarity if an award departs from the framework.

We hope that, through this and discussion around insight and themes as we develop the framework, we can be more aligned to the IA when making compensatory awards and provide a clear baseline for the IA to review our service against. We expect that this should help us see a reduction in the overall recommendations, and provide a better, more consistent experience for customers.