

Improving the consumer landscape and quicker switching: call for evidence

June 2016

The Financial Ombudsman Service welcomes the opportunity to respond to the call for evidence.

about the Financial Ombudsman Service

The Financial Ombudsman Service was set up under the *Financial Services and Markets Act 2000* to resolve individual complaints between financial businesses and consumers – fairly, reasonably, quickly and informally – and we are free to consumers.

We handle complaints about all kinds of money matters – from insurance and mortgages to savings and payday loans. If a financial business isn't able to resolve a customer complaint, we can step in to settle the dispute. But the business should have the chance to sort things out itself first.

We're independent and impartial. When we decide a complaint, we look carefully at both sides of the story and weigh up all the facts. If we decide the business has treated its customer fairly, we'll explain why. But if we decide the business has acted wrongly, we can order it to put matters right. Consumers don't have to accept any decision we make. But if they accept an ombudsman's decision, it's binding both on them and the business.

our response

consumer confidence

We wholeheartedly agree with the Government's view that the availability of trusted good-quality alternative dispute resolution (ADR) strengthens consumer protection and improves consumer confidence.

The financial services sector – which we know best – is well covered thanks to the statutory provisions of the *Financial Services and Markets Act 2000*. Indeed, the Financial Ombudsman Service is the largest provider of ADR in the UK. Last year, we resolved 438,802 complaints – excluding payment protection insurance (PPI), we resolved two thirds of these within three months. We also answered 1,631,955 enquiries from consumers – over 5,000 each working day, and took on 340,899 new complaints.

From mortgages, PPI and insurance, to credit cards, store cards, hire purchase and pawnbroking, and from banking, stocks, shares, savings, investments and pensions, to payday lending and debt collecting, provided the complaint is made to us in accordance with the rules, there aren't many financial complaints that we can't help with.

So over the years, we've developed our expertise in dealing with *mass* complaints – from mortgage endowments to PPI, as well as in dealing with a huge range of *individual* complaints involving issues in a range of sectors. Last year, for example, we received 188,712 new complaints about the sale of PPI, accounting for 56% of all the new complaints we received – including, in March 2016, our one-and-a-half millionth complaint about PPI,

and 44,244 complaints about packaged bank accounts. But we received well over 100,000 complaints about a huge range of different financial products and services too – the variety of everyday issues that involve money means the cases we see are equally diverse.

We're also able to deal with complaints in areas where people might not immediately think of us. Finance plays a significant role in people's everyday lives – from buying a day's food to paying for the houses we live in. Whether it's helping someone whose wedding plans have gone awry, or sorting out a dispute over fixing a fridge, we often help people in situations where the finance behind the problem might not be at the forefront of people's minds. In our June 2016 edition of *ombudsman news* – our regular newsletter for people interested in financial complaints, and how to settle or prevent them – we highlighted the surprising breadth of the complaints we deal with, from “mis-fuelled” cars to cancelled bets – and the range of ways we can help put things right, whether it's telling a business to pay an insurance claim or to get a broken household appliance fixed.

If we're not able to help we already go to some lengths to identify who is best placed to deal with a complaint and signpost consumers to other ADR schemes and other sources of help. Working with bodies such as Citizens Advice Bureau, National Debtline and Shelter we use “warm transfers”, which make it much less likely that consumers will decide not to pursue their complaint and give up altogether. We've invested quite a bit of time working with other organisations to manage the transfer of complaints in a way which means that consumers – and in particular vulnerable consumers – do not drop out of the system.

But we know that some large and important consumer sectors are either not covered, or not satisfactorily covered, by ADR providers. Others are better placed than us to provide a detailed analysis of precisely where those gaps are. We believe that greater use of ombudsman schemes would provide a valuable and more accessible alternative to the courts. This would assist consumers to access justice where necessary, without undue costs to industry, and without burdening the courts system.

Of course, just as important as increasing access to ombudsman schemes and ADR, is making sure that when consumers do make a complaint, it is dealt with efficiently and effectively – and that consumers go away with enhanced confidence. At the Financial Ombudsman Service we know that consumers' expectations are higher than ever – and the technology at their and at our disposal has advanced hugely. As a service we are focused on ensuring we remain relevant and sustainable for the future – and that involves finding new ways of working to help resolve peoples' complaints as quickly and efficiently as we can.

But we do sometimes hear from consumers who are unhappy with the level of service they've received, the amount of time it's taken to look into their complaint, or the outcome of the case itself – only to find sometimes that it was another ombudsman scheme that actually considered their complaint.

Generally, we believe that a simplified landscape has benefits for consumers and businesses through greater visibility and navigability – and that the best way to improve access and raise awareness is to build on the existing name recognition and reputation of established schemes which have been developed over many years.

The Financial Ombudsman Service regularly commissions research to find out the proportion of the population who are aware of our service. Our latest research shows that overall awareness has continued to rise – with nearly nine in ten people having some awareness of our service.

value for money

Bigger schemes also benefit from economies of scale that reduce costs for business, and give providers more flexibility to respond to peaks and troughs in the number of complaints – including those caused by mass complaints, such as PPI, and changes in market or consumer behaviour, which can be hard to forecast.

Our own service was created out of a merger of eight previous schemes and in 2007 our jurisdiction was extended again to include consumer credit businesses. In total, we cover over 50,000 businesses – and since we were set up we have demonstrated the benefits of the economies of scale and scope that this provides. Our focus on value means that, over the course of 2015/2016, we've provided our service at a *lower* cost. Our average cost per case resolved this year is forecast to be £652 – which is lower than last year's cost of £678. This represents the average cost across the full range of our issues we cover, from payday loans to pensions.

This is paid for by a levy on the financial firms we cover and a case fee of £550, which has been frozen for the last four years. Financial firms are not charged a case fee for their first twenty five complaints in any year, so the Financial Ombudsman Service is a very cost-efficient way for smaller firms to deal with cases.

sharing insight

Although the primary role of an ombudsman is to resolve complaints and, where appropriate, secure redress for consumers, we also believe that ombudsmen and ADR providers have a responsibility to share their insight and experience into how complaints arise – and how they might be avoided, to stop the same problems happening again in the future.

Our practical experience of dealing with hundreds of thousands of individual disputes every year gives us an unparalleled insight into what really goes on between businesses and their clients – in all manner of situations and in relation to all types of products and transactions – and helps us identify emerging patterns and trends. This is a valuable resource for policy makers, financial businesses, consumers, and the regulator – and we maintain a close relationship with the FCA, which can take action to prevent problems from escalating. Over the last year, we've contributed to the FCA's work around a wide range of key issues and themes – from debt management and consumer vulnerability, to small businesses' experience of financial services. We seek to share this insight as widely as possible – and are always looking for new ways of sharing the lessons that can be learnt from the complaints we deal with.

One way we do this is by regularly publishing data about the problems we're seeing – giving quarterly snapshots in *ombudsman news*, and six-monthly information on our website showing the number and outcome of the cases we handle relating to the 200 or so businesses that together account for around 95% of the Financial Ombudsman Service's workload. This data on consumer complaint trends can be a powerful tool – but we seek to share our insight in other ways too.

We know that financial businesses rely on the information we provide about problems we've resolved – to help ensure they're treating customers fairly. Our regular constructive conversations with financial businesses help us to identify potential concerns before they escalate. Some of these conversations take place in our industry steering group meetings – where we meet at a senior level with businesses and trade bodies representing specific financial services sectors.

We also work directly with trusted consumer advisers – who provide a wide range of valued front-line support to millions of people across the UK – to help them understand how we look into particular types of problems. Last year we met hundreds of front-line advisers – including Citizens Advice bureaux, local charities, trading standards officers and community groups – at our practical workshops across the UK. We were invited to a range of local networks and gatherings of consumer representatives as well – ranging from foodbanks to pensioners’ forums – to hear about the issues facing local communities, and to share our own perspective on resolving and preventing problems.

As a well-established provider of ADR we are experienced at providing a high-volume, high-quality service to a diverse range of consumers. We are happy to assist in any way we can and to share our experience and knowledge, especially on the issue of removing barriers to the use of consumer redress in other sectors. We look forward to working with the Department for Business, Innovation and Skills as its proposals are further developed and implemented.