

## **Response to the report of the Working Group on Consumer and Competition Policy for Scotland and the Scottish Government's response**

May 2016

The Financial Ombudsman Service welcomes the opportunity to respond to the Scottish Government's response to the report of the Working Group on Consumer and Competition Policy for Scotland.

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### **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 are independent and unbiased, but financial businesses must have the chance to sort things out before we get involved.

Last year the Financial Ombudsman Service helped to resolve over 32,000 complaints from Scottish consumers – making us the largest provider of ADR in Scotland. We considered complaints about products as diverse as payday loans, mortgages, pensions and pet insurance.

We have more than 15 years' experience of providing an ombudsman service to consumers and businesses in Scotland. We understand that different communities can have very different needs and so we invest time and resource in making sure that we connect with different parts of Scotland. During the last year we have hosted or taken part in a wide range of events in Scotland, including consumer adviser training days and small business roadshows, as well as attending local meetings of trade bodies. Much of this work is about raising awareness of our role and explaining how we can help – but it's also about sharing the approach we take to resolving complaints, so that businesses can learn from us and prevent problems arising in the first place. We also engage extensively with charities and advice agencies in Scotland – both locally and nationally.

### **our response**

We very much welcome the Consumer and Competition Policy Unit's constructive engagement with stakeholders – and have been pleased to be able to participate in a range of events which have provided a valuable opportunity for dialogue and the sharing of experience and ideas.

We understand and support the desire to create a logical and cohesive landscape which is both understood and accessible by consumers in Scotland. We think it's encouraging that there is an emphasis on using existing structures and networks to support the creation of the new Consumer Scotland and would be very happy to engage further with the Scottish Government as its plans for this new body develop. Although our role is primarily to resolve complaints and, where appropriate, secure redress for consumers, our work gives us a unique insight into how complaints about financial services arise – and how they might be avoided. We believe that this insight is a valuable resource for policy makers, financial

businesses and consumers. It's something we take very seriously – and we think it's important that we are able to continue sharing our insight widely. So we welcome the strong commitment from the Scottish Government to a joined-up approach to consumer redress and believe that our insight will be of benefit to the future work of Consumer Scotland in helping to achieve this.

We also understand and support the desire for an integrated redress provision with a clear emphasis on consistency. Of course, we think it's important that is focussed on best practice and doesn't lead to a reduction in standards, particularly those which have been established over a considerable period of time and are working well for both businesses and consumers.

Similarly, we believe 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. So while we can understand that consumer portals might improve access by providing a single point of contact, such as the European Commission's new Online Dispute Resolution platform, it will be important not to inadvertently undermine sources of help which are already understood and used by consumers, and to make sure that new access points do not create further confusion. The Financial Ombudsman Service regularly commissions research to find out the proportion of the population who are aware of our service and our latest research shows that almost nine in ten Scots have some awareness of our service – up from just over seven in ten in 2014-15. And we hope that this will continue to rise. We believe that building on this reputation and name-recognition will help meet the Scottish Government's objective, which we share, of raising awareness of consumer redress mechanisms.

We think it's also worth considering alternatives to a portal, for example improved mechanisms for transferring matters between providers – so that, at whatever point they access the system, consumers can have confidence that their complaint will reach the right place. We already go to some lengths to identify who is best placed to deal with a complaint and 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. Working with other organisations 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 are happy to do what we can to share our experience and knowledge, especially on the issue of removing barriers to the use of consumer redress, which the Working Group has rightly identified as a priority. At the Financial Ombudsman Service, we're committed to our service being available for everyone. So we look forward to working with the Scottish Government, its Consumer and Competition Policy Unit, and, in time, Consumer Scotland as these proposals are further developed and implemented.