

the impact of PPI mis-selling on the Financial Ombudsman Service



management response to Richard Thomas' report

September 2016

In June 2015, the Board of the Financial Ombudsman Service commissioned Richard Thomas CBE to conduct an independent review of the impact of Payment Protection Insurance (PPI) mis-selling on the service, and to make recommendations for mitigating current and future pressures, taking into account the impact on consumers and financial businesses. The report was commissioned against the background of an unprecedented demand for help from consumers with PPI complaints – which at its peak meant the service was getting 12,000 new PPI complaints a week – and continuing uncertainty about future PPI volumes and when a line might be drawn under PPI mis-selling.

The Board was concerned to ensure that the service was able to continue to do its best for its customers, both now and in a post-PPI world, as anticipated in the Board's strategic vision for a relevant and meaningful service and in the new ways of working being introduced to ensure operational flexibility and responsiveness.

Richard conducted his research in the summer of 2015 and his report was considered by the Board in early 2016. The Board has now agreed the report for publication alongside the management response to the recommendations.

The table below sets out the ombudsman service's management response.

recommendation 1

The ombudsman service should maintain its appetite for innovation and continuous improvement.

This recommendation is accepted.

The financial ombudsman's *commitments* are underpinned by our appetite for innovation and continuous improvement. As we touch on in both our [plans for the year ahead](#) and in our latest [annual review](#), we are very aware that the world in which we operate is changing and that we must evolve and adapt in response. Consumers access financial services in many different ways and want our service to reflect these with new, faster and more flexible ways of working that meet their changing expectations of quick and informal "dispute resolution". And increasingly, there is an expectation that public bodies will innovate to achieve greater efficiencies and value for money.

Although our approach to innovation and continuous improvement runs through all of our work, there are two specific initiatives that it is worth drawing out. Over time we have been introducing new ways of dealing with complaints. Our new ways of working are focussed on delivering fair answers more quickly and more efficiently.

Ombudsmen getting involved earlier on in the process, enhanced knowledge sharing and the multi-skilling of our people so that they are trained and have the capability and capacity to handle a greater breadth of problems, means that we'll be able to be much more flexible in responding to the demands on our service.

And we are continuing to invest in technology. Increasingly our service relies on technology to support efficient complaint handling. We're investing in a more efficient IT platform and streamlined casework-management system - a major programme of work which will improve the way in which we manage cases and create higher quality data. And we're exploring new ways of sharing information with financial businesses, for example through electronic data sharing.

recommendation 2

The ombudsman service should continue to refine its forecasting capability, engaging with key stakeholders as it does so.

This recommendation is accepted.

Forecasting the number of complaints and enquiries we might expect to receive is the building block on which we plan and budget for each financial year. Because our complaints are received "downstream" of those handled by financial businesses, our forecasting is based on our understanding of these volumes. We have invested in improving our ability to use this information, through the creation of a new forecasting model which we're confident will provide for a more sophisticated analysis of complaint trends.

We're also working towards building stronger operational level relationships with larger businesses, to ensure we're getting the best information we can from them. We also talk to other stakeholders such as consumer organisations and the regulator – in addition to consulting on our plan and budget.

recommendation 3

The ombudsman service should take full advantage of the growing experience of staff recruited to handle PPI cases and take proactive steps to minimise the potential loss of experienced caseworking staff.

This recommendation is accepted.

The success of the ombudsman service depends on the commitment and quality of the people who work here. The calibre and experience of our staff means that they will always be attractive to other employers. And the uncertainty around the future volumes of complaints about PPI make long term planning more challenging for people. But, while we are unlikely to be able to compete with private sector organisation salaries, our aim is to create an attractive and supportive working environment – which means that people will want to continue working for us.

We've invested considerable time and energy in devising a framework through which individuals can develop their own careers – and many of our senior staff are people who have worked their way up through the organisation. Of course, during a time of organisational change, keeping our people is more challenging.

As with most employers we recognise that most people will eventually move on, and so we are developing our knowledge sharing tools and practices so that we're better able to capture and share knowledge where it's needed.

recommendation 4

The ombudsman service should continue to focus on the earliest possible resolution of complaints, exploring new ways of using the 5qs triage technique and considering other methods or tools.

This recommendation is accepted.

Resolving complaints as early as possible – while continuing to provide fair outcomes – is at the heart of the changes we're making to the way we deliver our service. Our experience is that the earlier complaints are resolved, the better the outcome for consumers and businesses. We're finding that increased use of the phone and agreeing shorter timescales for the sharing of information has helped enormously.

We recognise the value of using triage techniques and routinely consider the scope for tools which might improve the assessment of complaints. But, we're always mindful of our responsibility to consider each case on its own merits. As the characteristics of cohorts of complaints changes over time, our tools need to adapt to ensure they continue to be relevant.

recommendation 5

The ombudsman service should share the Navigator tool and individual synopses with firms unless a fully reasoned assessment shows that (even with safeguards) there is an overwhelming case against doing so.

This recommendation is accepted in part.

While we very much welcome Richard Thomas' acknowledgement of the effectiveness of the Navigator tool, much has changed since it was created. It was conceived and successfully used to support the resolution of a high volume of more-straightforward cases, but has become less relevant more recently as the PPI cases we're dealing with become more complex. Work done with industry to improve its complaint handling means that we see far fewer simple cases and the skills and experience of our PPI casework staff have developed significantly since the introduction of Navigator. We expect this trend to continue as we prepare for the next stage of PPI complaints handling.

It is questionable what value financial businesses would gain from us sharing Navigator with them at this stage – we believe that they understand the thinking behind the tool and many use similar techniques themselves.

The greater value for businesses is an understanding of the logic and rationale for our decision making and we go to considerable lengths to share our approach to resolving cases, which in turn assists businesses with their own complaint handling.

So, while there is no objection in principle to sharing Navigator with financial businesses, at this stage it seems unlikely to represent a good use of time and resources. However, we fully acknowledge the reason for Richard’s recommendation and will consider how we might apply it to other tools and techniques as they are developed in the future.

recommendation 6

The ombudsman service should make a clear, visible and suitably prioritised commitment to more assertive feedback with the explicit aim of reducing complaint volumes.

This recommendation is accepted.

We recognise the value that our insight and feedback can have on reducing complaint volumes, preventing problems which give rise to complaints in the first place. We have made an organisational commitment to provide insight to encourage fairness in all money matters. Our executive team and our board regularly review progress against the commitments.

We work closely with businesses to share insight from the complaints we receive. This is done at all levels, through regular formal channels and on an ad hoc basis, more informally. We share information about our experience of the complaints we’ve received with each of the larger businesses we deal with, as well as sharing information about trends we’ve observed more widely.

We have continued to make a wider public contribution, reporting on the number and type of complaints we received – through our annual review and regularly throughout the year. We are often asked to comment in national and local media and we participate where we are able to do so.

recommendation 7

The ombudsman service should visibly share as much intelligence as possible with the FCA and work closely with the FCA as it develops its Plevin guidance and considers whether and how to introduce a complaints deadline.

This recommendation is accepted.

The ombudsman service works closely with the FCA and other bodies, across the full range of matters and through a wide variety of channels – including formal arrangements such as the Co-ordination Committee and well-established informal channels.

We will continue to liaise closely as the FCA’s position on handling complaints affected by the Supreme Court’s judgment in the Plevin case emerges, recognising that it will have a considerable impact on the ombudsman service. There are more than one hundred thousand cases which we’ve been unable to resolve while we wait for the position to be settled, our timetable for doing so is published on our [website](#).

We believe that Richard’s recommendation primarily reflects a lack of visibility of the way in which we work with the FCA, rather than a failure to do so. Although there are some constraints around our ability to be transparent as much of the information we share is confidential, we will do more to raise awareness of the role we play – through our engagement with stakeholders and our publications.

recommendation 8

The ombudsman should consider making Navigator available to CMCs.

This recommendation is accepted in part.

As noted above, the value of Navigator to third parties is not likely to be significant at this stage. We think the case for sharing tools and techniques with CMCs is probably different to the case for sharing information with businesses – for example the confidential information included in the firm synopses could not be shared with CMCs. But we acknowledge that we have a role to play in explaining our approach to CMCs in order to improve the quality and relevance of complaints which they bring to us.

And, in the same way that we acknowledged the reason for Richard’s recommendation as it applied to businesses, we will consider how we might share with CMCs other tools and techniques as they are developed in the future.

recommendation 9

The ombudsman should be swift to share evidence of unmeritorious or badly-prepared cases with the Claims Management Regulator so that it can take advantage of the substantially increased sanctions now available against CMC misconduct.

This recommendation is accepted.

We have for some time recognised that we have valuable feedback about the behaviour and actions of CMCs and routinely share our experience with the Claims Management Regulator. We provide details of the numbers and types of complaints CMCs refer to us, as well as examples of where CMCs are hindering our ability to sort complaints, and will continue to do so.

In 2015/16 we referred the conduct of specific CMCs to the regulator on 17 occasions. Since 1 April we have made 13 further referrals.

We regularly contribute to the CMR's bulletins for CMCs. This helps us share important messages affecting large numbers of potential and current complaints. It should be noted that since Richard Thomas' report was presented to the board in February, it has been announced that CMC regulation will be passed from the Ministry of Justice to the FCA. We will continue to work with both the CMR and FCA during and after transition.