

A new approach to financial regulation: building a stronger system

Consultation response from the Financial Ombudsman Service

8 April 2011

Introduction

The Financial Ombudsman Service was established under FSMA in 2001. Its statutory function is to resolve, quickly and with minimum formality, disputes between financial businesses and their customers, as an informal alternative to the courts. It replaced a range of predecessor statutory and voluntary ombudsman schemes covering particular financial industry sub-sectors, such as banking, insurance and investments. The service is free to consumers, and is funded by the financial businesses it covers.

Workload

In 2010/11, the Financial Ombudsman Service handled a record 1,012,371 consumer enquiries and resolved 164,899 cases. Almost half of the new cases the service received in 2010/11 were about just one topic – payment protection insurance – and, were it not for the consequences of the current legal challenge on this issue, the service would have resolved many more cases. In spite of this, our user satisfaction rates improved throughout the year, as did the time taken to resolve cases.

Consultation

In *A new approach to financial regulation: building a stronger system* the Government asked for stakeholders' views on its proposals relating to the Financial Ombudsman Service, including on its proposals on transparency and accountability. **The Financial Ombudsman Service welcomes these proposals.**

We welcome the Government's intention that the Financial Ombudsman Service should remain an operationally independent alternative dispute resolution service and that the FCA should take on the FSA's existing governance functions in relation to the service. We welcome too the Government's recognition that the statutory function and responsibilities of the ombudsman should remain quite distinct from those of the regulator. In that context, we believe that the Government is right to set out ways in which the ombudsman service can share the results of its work in a transparent way, for example through the publication of ombudsman decisions, and to set out ways in which the existing accountability mechanisms can be strengthened further.

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