



**letter to financial services businesses
with significant numbers of complaints
referred to the ombudsman about PPI**

April 2009

Dear financial services practitioner

complaints about payment protection insurance (PPI)

I am writing to you and other financial services businesses in view of the volume of PPI complaints being referred to the ombudsman service about your business by your customers and their representatives.

The purpose of this letter is to update you about the progress the Financial Ombudsman Service is making in dealing with these cases, and to ask for your help in ensuring that cases referred to us can be handled fairly and as efficiently as possible. This might require changes in your present approach to handling these complaints.

Complaints about PPI now account for around a quarter of the record number of cases being referred to the ombudsman service. As you may know, we have asked the FSA to consider whether it should use its powers to intervene in these cases.

In the meantime, we are progressing PPI cases as quickly as possible. Our ability to do this is dependent, in large part, on the actions of businesses such as yours – and on the actions of the claims-management companies that provide us (and no doubt you) with a significant proportion of the complaints on this topic.

We have now investigated and resolved large numbers of PPI complaints and we have published further information about our approach to these cases on our website (at www.financial-ombudsman.org.uk/publications/technical_notes/ppi.html). We have also published more general advice about complaints and the ombudsman on our online resource for businesses (www.financial-ombudsman.org.uk/faq/index.htm).

However, our progress has been slowed by the lack of adequate information in many cases – and by the poor complaints-handling processes of some parties. So I am asking you to review the way in which you handle complaints referred to the ombudsman service, to help us both in the efficient handling of these disputes.

final responses – and the timing of referral to the ombudsman

A firm's final decision on a complaint is an important document in our consideration of the case. It is your opportunity to put your side of the case and to give your customer the opportunity to consider the relevant information you have about their complaint. Naturally, the more specific this letter is, the more helpful it is likely to be in resolving the matter.

Some businesses seem to be experiencing difficulty in responding within the required timescales. We will not take on a consumer's complaint without your having had an adequate opportunity to address the matter. But we will take on a case where there are unexplained delays or inadequate responses to the consumer's concerns – and the consumer (or his/her duly appointed representative) asks us to act.

A particular problem arises with businesses operating a "two-stage" complaint process. Often we see responses to customer complaints that set out clear and firm conclusions – but then invite the consumer in general terms to return to the business for further discussion of the matter. We are likely to conclude that these represent final decisions – especially where the evidence available to us suggests that subsequent responses typically add nothing material to the initial response.

the information you provide

Typically, PPI sales complaints involve a dispute about the information and/or advice given. So if you have specific evidence about the content of the sale – for example, recordings of relevant phone calls – it is always helpful to include this with your decision. Similarly, documents signed and/or provided at the point-of-sale will always be of relevance to our assessment.

As you know, when we *convert* complaints (formally taken them on as cases) we ask you to provide us with all relevant information about the case. The precise information we will need will, of course, be shaped in large part by the complaint itself – and by the sales process you used. For example, for internet sales it will normally be relevant to see copies of the screen progression that the customer would have observed at the time the sale was made.

In some cases, I am aware that there may be little by way of customer-specific point-of-sale information. But normally, you will have sales scripts and training material which will illustrate your intended approach during the period of the sale in dispute. And you may be able to provide more specific information about other similar cases that might helpfully illustrate the general approach you took at the time.

All of this and more may be relevant information to the fair assessment of the complaint. Most firms will, of course, have had this material in mind in reaching their final decision on individual cases – so it should normally be to hand if the matter is referred to us. If there is specific information we require once we have had the opportunity to consider the matter in more detail, we will of course let you know. However, it will be more effective if routine pieces of information are always provided promptly in response to our initial general requests.

Some businesses have delayed sending us information – or in some cases, have simply not responded to our requests. In these circumstances, we might decide to determine the case in favour of the consumer on the basis that the business has provided no substantive response to the complaint.

Alternatively, we may consider exercising our formal powers to obtain information. Naturally, I hope that these are approaches we will only need to follow in exceptional cases. We will always let you know in advance if we expect to proceed in this way in any of your cases. But you will understand that we need to progress cases in fairness to both parties.

We will always set out clear timetables for the responses we require from you. If for any reason you cannot meet that timetable, you should explain the position to the adjudicator as soon as possible – and propose another date by which you will respond. We will normally accept reasonable requests if made in good time. But a business should not assume generally that further time will be available.

It will be for the adjudicator to decide whether a request for further time is reasonable. Where we conclude further time to respond is *not* appropriate, we will let the business know – and may pass the complaint to the next stage of our process. This might involve a final determination of the dispute by an ombudsman. The ombudsman may draw adverse inference from a business's failure to provide the information and/or comment required.

customer representatives and template correspondence

In a significant number of PPI complaints, the consumer is represented by a claims-management company. It is, of course, a matter for the consumer to decide whether or not to do business with a claims-management company and for the Ministry of Justice to regulate claims-management companies.

Claims-management companies vary in practice widely. In our experience, blanket approaches to cases involving claims-management companies are unhelpful and often unfair. Most financial businesses deal with claims-management companies professionally. We will not support a business that has refused to progress cases because they are handled by a claims-management company, or which otherwise seeks to reject cases selectively because the consumer is represented.

In our experience, the presence of some claims-management companies in a case can be a barrier to effective communication between businesses and their customers. Just as we want to hear your side of the story, so we will want to hear the consumer's. This means we will always communicate directly with the consumer where we think that is necessary for the fair resolution of the complaint.

Some businesses say that claims-management companies raise generic issues about a sale that seem illogical and/or unfounded. They make similar comments about some template letters available from consumer websites. These businesses tell us that they normally reject these complaints.

From our perspective, the specifics of a *generic* complaint made by a claims-management company or in a template letter are likely to carry little weight. Similarly, we are likely to place little weight on template correspondence from financial businesses.

As with all our cases, our approach is to look behind the specific way the complaint is framed – in order to be able to consider whether or not the financial business has acted fairly in relation to the general issue the consumer has complained about.

planning for dealing with large volumes

Over the next few months we will need to resolve large volumes of complaints about PPI. This will inevitably require your readiness to respond promptly to our enquiries and to process our decisions. We will be contacting you separately to set out our assumptions about future caseloads.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'C Wells'.

Caroline Wells
external liaison manager