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Dear Debbie,

Financial Services Consumer Panel (The Panel)'s Response to the Financial Ombudsman Service (FOS)' Strategic plans and budget for 2020/2021

The Panel welcomes the opportunity to respond to the FOS' strategic plans and budget consultation.

The FOS is an essential body for consumers of financial services and must be adequately funded to continue serving them for free, and to be better prepared for the changing financial services landscape. It is important that the FOS stays abreast of the potential changes in regulation post-Brexit and ensure its voice is heard as a vital consumer body within the financial services sector.

The Panel welcomes the gradual transition towards a 50:50 split of funding between case fee and levy which will more effectively help the FOS achieve its wider role of sharing its insight to help prevent consumer harm, promoting awareness of its service, and at its core, addressing consumer complaints in a timely and fair manner.

With the trend towards the FOS receiving fewer but more complex and specialised complaints, the need for tailored expertise and skill within the FOS workforce is paramount. The Panel suggests a regular review of workforce needs to ensure it is flexible enough to handle complaint volume fluctuations.

The Panel shares the FOS' concerns about harm in consumer credit, in particular, guarantor loans, unaffordable lending, fraud/scams. The high uphold rates in SIPP complaints is concerning.

As in previous years, we would like to encourage the FOS to continue working with firms to help improve their complaint handling processes and would support any initiatives that improve access to redress for consumers, including using technology to make the process less burdensome for consumers who have legitimate claims.

We still believe that the current process which requires consumers to wait eight weeks for a firm to respond to a complaint is far too long, especially in the digital world in which we now live. The FCA has highlighted in its Approach to Consumers¹ document that "*complaint processes may not be consistently meeting the needs of all consumers*" and that "*the lack of clarity of relevant*

¹ <https://www.fca.org.uk/publications/corporate-documents/approach-consumers>

processes has discouraged them from complaining." Firms must also play their part in getting answers to consumers quickly.

We fully support the FOS' wider work and engagement with stakeholders to anticipate and prevent harm, ensure increased awareness of the FOS, and highlight poor firm practice which should help to drive positive change across the financial services sector.

Yours sincerely

Wanda Goldwag

Chair, Financial Services Consumer Panel

Questions

1. What do you think about our projections for the volumes of complaints we'll receive and resolve in 2019/20?

It is always good to see the numbers of claims resolved exceeding the numbers of complaints received. This should pave the way for the rationalisation of the FOS in a post-PPI era. We encourage a robust plan to maintain or obtain the knowledge and skill of staff that will be required of the FOS in a post-PPI space.

2. What's your perspective on the trends we've identified in 2019/20?

In addition to consumer credit, the Panel is concerned about the level of consumer harm in the GI market and can see that the FOS is expecting fewer insurance complaints in 2019/2020 than it, and stakeholders, had anticipated for the year. The FOS is also expecting a further decline in 2020/21. More consideration should be given to the findings of the FCA's Interim [GI Market Study](#) where around 6 million policyholders were affected by the 'loyalty penalty.'

This area should be an opportunity for the FOS to be proactive and raise awareness of the service, and to share its insights on fairness with stakeholders.

Other concerns for the Panel are guarantor loans, unaffordable lending, credit card complaints in the wake of the persistent debt measures, and overdrafts.

3. Are there other trends you're seeing, or any insights you have, that you think we should take into account for the rest of 2019/20?

No comment.

4. Do you have any views about how our new CMC and SME jurisdictions have been operating?

It is still early days for these new complaints but it seems that the FOS is handling them well so far. The FOS will need to be flexible to accommodate any changes in case volumes.

We feel it is important for the FOS to monitor consumer awareness amongst SMEs, so it can most effectively handle SME complaints and identify problems early on.

5. Do you have any other feedback about our year so far?

We are very supportive of the FOS' work to share insights to prevent harm, as seen in fraud/scam cases and short-term lending, and of its engagement with firms to improve

complaints handling, particularly given the 8-week response time which firms have. We encourage this for other areas where trends are identified, or improvements are needed.

6. What do you think about our projections for the volumes of complaints we'll receive and resolve in 2020/21?

The projections seem reasonable. Please also see our response to Q1 above.

7. What are your views on the challenges we're facing in PPI – including your expectations around the timing and volumes of referrals to us?

The FOS should not underestimate the volume of complaints that may arise as a result of the last-minute consumer PPI enquiries/complaints to firms before the PPI deadline. Regular updates with the larger firms as to complaint numbers, progress made, and their approach must be had so the FOS can effectively manage its resources.

8. What are your views on the potential for complaints volatility in short-term lending?

The Panel shares the FOS' concerns around short-term lending complaints. Complaints volatility in this area is likely to continue.

The Panel has great concern about the guarantor loan market where we feel harm is most likely caused by insufficient affordability checks, unfair business models and guarantors not being made fully aware of the risks and their right to complain.

9. Are there other trends, themes or complexities you're aware of, or any insights you have, that you think we should take into account as we plan for 2020/21?

Data in financial services more broadly will be of importance both now and in the coming years, not just in the context of Open Banking. With Open Finance being brought to the fore with the FCA's [Open Finance Call for Input](#), and wider industry and Government conversations, the FOS should keep abreast of developments in this area.

The FOS should also build a strong relationship with the ICO in preparation of potential consumer enquiries about how their data is being used and shared in financial services. The Panel has some concerns around data and consumer consent which are detailed in our research and position paper [here](#).

In its preventative work, the FOS could help improve consumers' understanding of protections, particularly in relation to unregulated products. Strong relationships with the regulatory family is key to protecting consumers and preventing complaints.

10. What are your views on our plans to resource and develop our service in 2020/21?

It is essential that the FOS invests in good staff training as it moves away from a PPI-dominated caseload to more varied and complex cases.

A regular review of how staff are handling the new CMC and SME complaints should take place to ensure good standards are maintained and complaints are resolved accurately, fairly and in a timely manner.

11. What are your views on our proposed budget and funding arrangements for 2020/21?

The Panel supports the funding proposals and the balance between levy and case fees. The FOS must be funded appropriately and sustainably if its vision is to provide redress in a timely way, boost awareness and share insights with stakeholders, which includes *firms*. The 50:50 case fee/levy funding split seems the fairest way for the FOS to achieve these goals.

12. Is there anything else you think we need to take into account as we develop our future strategy?

Please see our response to Q9. Developing sound relations with the ICO as well as building on the relationships with the bodies in the regulatory family will be important as the FOS looks towards its future and considers the changing landscape of financial services.

As we have said previously, the 8-week timeframe for businesses to respond to a complaint is far too long. We acknowledged in our response to the FCA's consultation on extending the FOS' jurisdiction to APP cases², that in crucial payment services the timeframe is much shorter (15 business days). We feel that the adoption of a shorter response time of 15 business days (with 35 business days for exceptional cases), over time, is much more appropriate in a modern world.

13. Do you agree with our proposed strategic priorities?

The Panel supports all the strategic priorities proposed. A post-PPI FOS with the introduction of the new funding structure should be better able to achieve the strategic priorities and be better prepared for the future. Enhancing the core service should also include boosting the awareness of and access to the FOS guided by the consumer.

We especially support the strategic priority of preventing complaints which is in line with the FCA's Mission and a more outcomes-based approach. The FOS' consumer and business research³ shows that the FOS' role should be much more than resolving complaints quickly and fairly.

The FOS' broader role of preventing complaints will help drive up standards in financial services complaints handling, giving consumers a better service, which in turn promotes trust in the industry as a whole. Sharing its insight with the relevant stakeholders which includes the FSCS, Money and Pensions Service (MAPS), the FCA, businesses and CMCs, to name a few, will also contribute to the FOS' wider goals.

² https://www.fs-cp.org.uk/sites/default/files/fscp_response_cp_18-16_app_fraud_and_fos_extension_002_0.pdf

³ Pg33-34 <https://www.financial-ombudsman.org.uk/files/262053/Plans-and-budget-consultation-2020-21.pdf>