

Financial Ombudsman Service our plans for a changing world



Financial
Ombudsman
Service

... the power to settle financial complaints

The Financial Ombudsman Service was created just over ten years ago. Since then, there have been significant changes to the structure of our society, to the way we all interact with the services we buy and use, and to the reputation and operation of retail financial services.



So it is no surprise that the ombudsman service has had to adapt and evolve in response to these changes. And I am glad that our service has grown in reputation and effectiveness over this period.

Looking forward, it seems clear that this pace of change is not going to slow. So our role needs to develop further – and to continue to adapt – to ensure we stay as relevant as ever, meeting the needs of everyone who uses our service. Over the past few months we have been seeking the views of key stakeholders about what really matters. That has helped us put together a strong plan for the future – which will help us decide where we spend our time and money in developing the ombudsman service.

That is why we have produced this document for the first time. It explains – in what I hope is a very readable format – what we will be doing and spending, how and why. It sets out what we are going to deliver, and how you will be able to track our progress in delivering what we have promised. It also emphasises why we matter and what we are here for – to deliver an excellent service to all our customers – businesses and consumers alike.

A handwritten signature in black ink, appearing to be 'Natalie Ceeney'.

Natalie Ceeney CBE

chief ombudsman and chief executive

March 2011

what we're here for

The Financial Ombudsman Service was set up by law to resolve individual disputes between consumers and financial businesses – fairly, reasonably, quickly and informally. We can look at complaints about a wide range of financial matters – from insurance and mortgages to investments and credit.

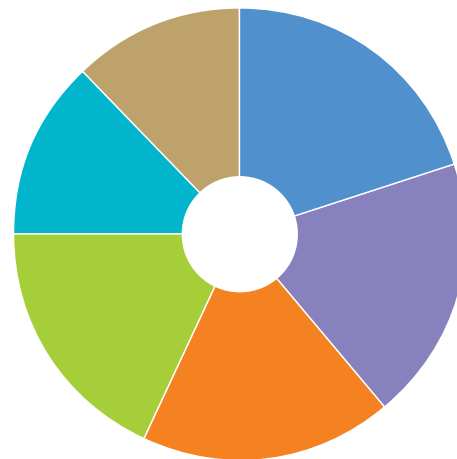
**“... settling disputes,
without taking sides”**

We are independent and impartial. When we decide a complaint, we look carefully at both sides of the story and weigh up all the facts. If we decide a business has treated a consumer fairly, we explain why. But if we decide the business has acted wrongly – and the consumer has lost out – we can order matters to be put right.

Best practice in complaints handling includes learning lessons when disputes have arisen. So we also have a crucial role in sharing insights from the complaints we see.

**“... sharing what we see,
to help prevent future problems”**

This gives consumers greater confidence in financial services – and helps businesses prevent future problems by learning from situations where things have gone wrong.



**people say it's important to them
that the ombudsman ...**

- 20%** has the power to put things right
- 19%** is free to consumers
- 18%** is completely independent

- 18%** is fair and impartial, looking at both sides
- 13%** was officially set up by parliament
- 12%** has over ten years' experience of settling complaints

what matters to us

We believe we can best do what we're here for by knowing what matters to us – and standing by our values in all areas of our work. What matters to us is that:

- we do the right thing;
- we treat our customers well and respect their needs;
- we do what we say we'll do; *and*
- we're inquisitive and build everyone's knowledge.



what people say they value most about the ombudsman is that we are ...

25% expert and official

16% respected and influential

23% independent and impartial

15% helpful and welcoming

21% capable and efficient

the changing world around us

The world is changing around us – as society, business and technology evolve and transform. We need to recognise and understand these changes – to be able to respond appropriately and continue to meet the needs of our customers.

consumer society

We are seeing people ...

- living longer – putting more strain on healthcare and welfare services;
- having to take greater responsibility and more decisions for themselves;
- facing greater uncertainty – with more risk of reduced income or unemployment;
- wanting the benefits of low-cost mass-production – as well as personalised service, tailored to suit their own needs;
- expecting higher levels of customer service, accountability and transparency;
- challenging institutions and businesses whose authority was once regarded as unassailable;
- growing more confident in articulating and sharing views – using social media to connect with others;
- distrusting the right of conventional authority to decide “what’s best”;
- struggling to keep up – both financially and with rapid change in general.

the business world

We are seeing businesses ...

- competing globally for the mass market – with the emphasis on low cost;
- launching as highly specialised players in niche markets;
- exploiting the value of their brand;
- facing tighter margins and financial constraints;
- capturing and mining customer data to inform product development, innovation and marketing;
- finding new ways of relating to their customers, including social media.



technology

We are seeing ...

- sophisticated automation of most transactions – enabling people to do business in ways and at times to suit their own convenience;
- exponential growth in the volume of information on the internet – giving people instant access to the data they need, to help them sort out and add value to their lives;
- the growth of intelligent systems that sift and interpret data that might otherwise be overwhelming and confusing;
- ever-faster, cheaper and easier ways of keeping in touch – anywhere, at any time;
- the converging of information, communication and entertainment streamed into our homes;
- consumers without access to – or ability to use – the latest technology finding themselves left behind and disadvantaged.

financial services

We are seeing financial businesses ...

- blurring the boundaries between traditional financial services and other retail services such as utilities, media and communications;
- “bundling” services and products in customised packages;
- “disintermediating” their traditional role – focusing instead on “self-select” services for savvy consumers, who want to do it themselves;
- playing a more active role in engaging consumers who may be too bored, bewildered or busy to take an interest in financial matters;
- recognising that genuine commitment to principles is more likely to result in good customer service than a box-ticking approach to compliance.

how the changing world affects us

volatility and uncertainty

The past decade has shown that our workload is inherently difficult to forecast with any degree of certainty. The chart on pages 16 and 17 shows some of the external events that have had a significant impact on us over the last ten years – often in ways that no one predicted at the time.

A wide range of external factors affect the levels of demand for our service – in terms of the volume and types of cases referred to us. These factors include:

- how the economy and financial markets are performing;
- the level of awareness of the right to complain – and of the role of the ombudsman;

- consumers' ability and confidence to pursue complaints;
- how well businesses handle complaints when consumers first raise them;
- the extent of any regulatory action when wider problems are identified;
- the actions of claims-management companies;
- publicity in the media and information and campaigns on the internet.

In planning for the future, we need to accept that the volatility surrounding these factors is likely to remain a permanent feature – which we have to build-in to our operational and financial planning.



planning for the challenges ahead

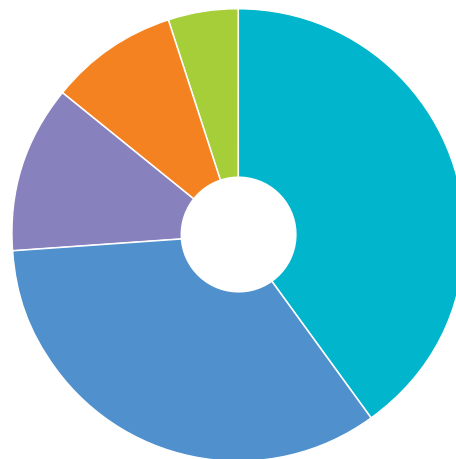
Responses to the public consultation on our *plans and budget for 2011/2012* agreed with the wide range of factors that affect the volume and types of cases referred to us.

These responses also recognised that our ability to settle cases promptly and efficiently will be affected significantly by:

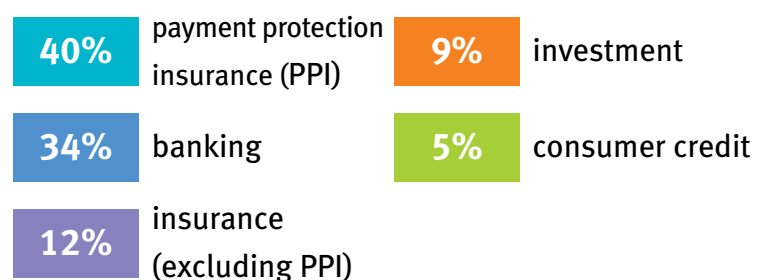
- the growing complexity of many complaints;
- a larger proportion of harder-fought disputes, as consumers and businesses increasingly take more entrenched attitudes;
- fewer cases that can be resolved quickly by informal settlements (with some businesses now improving their own front-line complaints handling – and resolving more straightforward cases satisfactorily themselves);
- substantially more cases requiring an ombudsman’s formal decision; *and*
- a wide range of operational challenges arising out of the British Bankers Association’s judicial review of PPI-related matters.

Taking into account the feedback from our public consultation – and subject to the volatility, uncertainties and challenges described here – our plans for the coming year involve our having the capacity and flexibility to:

- handle between 800,000 and 1.2 million front-line consumer enquiries; *and*
- resolve a large but unpredictable number of complaints – anywhere between 150,000 and 210,000 cases.



the types of cases we expect to resolve in 2011/2012



staying ahead in a changing world

We are committed to constantly developing and improving our service – to meet the needs of our customers in a changing world. We want to offer excellent standards of customer service – compared with standards in *any* sector. The priorities and plans we have agreed for this year reflect these ambitions, and will help us ensure we can stay ahead – and stay true to our values.

priority 1

to deliver a trusted, fair and easy-to-use service – for everyone

The ombudsman service sees the hardest-fought disputes, which financial businesses and consumers have already tried and failed to resolve themselves.

We need to *be* – and be *seen to be* – fair and impartial. We want our service to be trusted and recognised as high quality. And we want to be open and accessible to everyone, from all backgrounds.

We believe we can do more to make our service easier to use – both for consumers (especially those more likely to struggle with process and officialdom) and for businesses (who tell us they want as little “red tape” as possible).

In the coming year our priorities are to:

- Ensure that quality, trust and fairness are at the heart of our approach.
- Make ourselves as accessible as possible to everyone – with outreach work to help connect with those consumers who know less about us and an external liaison programme, for businesses that have less direct contact with us.
- Make our commitment to diversity and equality an integral part of our work.
- Make our service easier to use – including through closer operational integration both with businesses and with consumer advice agencies.



priority 2

to put knowledge and expertise at the heart of everything we do

We rely on the skills, expertise and professionalism of our staff to resolve the complaints referred to us – and arrive at the right outcome in each case.

We want our staff to continue learning and developing skills that help them deal with a wider variety and complexity of casework.

In the coming year our priorities are to:

- Launch an enhanced career model to encourage and enable the professional development of our case-handling staff.
- Further develop the role of our ombudsmen as mentors and coaches.
- Extend our approach to knowledge-management, to ensure all our staff have the information they need.
- Promote greater flexibility and wider expertise across our workforce through “cross-training” for adjudicators, to an accredited model.



priority 3 to be flexible, reliable and effective

Demand for our service is inherently volatile (see page 6). Volatility is evident not only in case volumes, but also in the mix of types of cases, as well as in the behaviour of financial businesses and consumers. This makes it challenging to forecast levels of demand.

Despite this, it is essential that we offer a consistently good service, whatever the volume or mix of cases we face. This is why we are reviewing our operational model – to ensure we have the flexibility to respond efficiently and reliably to variable demand. Reviewing our model should also help reduce the time it takes us to resolve cases.

In the coming year our priorities are to:

- Reduce the time it takes us to resolve cases.
- Streamline our operations to ensure the efficient handling of cases and make the best use of resources.
- Review the workforce balance between our permanent staff and those on contract, ensuring we have a cost-effective and flexible arrangement and that all staff who handle cases for us do so to consistently high standards.
- Strengthen our operational planning capability in relation to demand and capacity – so we can rapidly identify and respond to changes and trends in the volumes and types of cases.



priority 4 to run a “lean” and efficient organisation

We want to invest sensibly in our future. But we recognise the importance of keeping our overall costs as low as possible to those who fund our service.

This is why we are committed to making savings – to fund the investment we want to make and improve our effectiveness and efficiency.

We believe that many of these savings can be delivered by streamlining our operational processes and cutting out any unnecessary complexity or duplication. We also believe there are longer-term cost and efficiency benefits to be gained through greater use of electronic and web-based technology.

So a key part of our planning involves starting to “e-enable” our service. We will be working closely with key stakeholders to do this in a way that links, wherever possible, with their own processes.

We are also committed to ensuring our service remains accessible to those consumers who prefer to deal with us through more traditional channels.

In the coming year our priorities are to:

- Begin work “e-enabling” our operations – internally in terms of our own systems and externally in the way we exchange information with our customers.
- Help reduce the costs of “doing business” with us – working in partnership with businesses to streamline our “end-to-end” processes.
- Continue to reduce cost while maintaining quality – through a structured and targeted cost-reduction programme.
- Work with the National Audit Office (NAO), who we have invited to carry out a review of our efficiency.



priority 5

to share our experience and insight – helping to prevent future problems

Our work is about putting things right when they have gone wrong. But this is only part of the challenge. What is essential is that lessons are learnt – to prevent the same thing happening again. To help with this learning, we need to be open and transparent about what we see and what we do.

Following Lord Hunt's review of our accessibility and openness in 2008, we have been publishing substantially more information. This includes details of our approach to the wide range of complaints we see most frequently (in our *online technical resource*), as well as complaints data about individual products and individual businesses. We have received broadly positive feedback for making this information publicly available – and we want to do more, where we have the power to do so.

In the coming year our priorities are to:

- Share more with key stakeholders about what we do and what we see, to help prevent future complaints.
- Engage with stakeholders on the practicalities involved in our publishing ombudsman decisions.
- Keep working with businesses, claims-management companies and consumer groups, to help them resolve issues themselves where possible.
- Build a strong, effective working relationship with the new regulator.

how we will deliver – key measures

There are key measures which will show us if we have achieved the priorities we have set ourselves (see pages 8 to 12).

By the end of the financial year we will have:

- met our service standards and achieved a customer satisfaction rate of over 90% in responding to the million or so front-line enquiries we expect to receive;
- reduced the time it takes us to resolve complaints – so that half of all cases (other than those involving payment protection insurance – PPI) will have been settled in less than three months;
- for PPI cases – kept relevant customers appropriately informed about the progress we can make, in the light of the uncertainties arising out of the British Bankers Association’s judicial review of PPI-related matters;
- ensured we have the capacity – within the agreed budget – to respond to fluctuations in demand of up to 15% (20% in the case of PPI complaints);
- identified and met the specific needs of individual customers – providing our service across a wide range of languages and formats;
- seen continuing diversity in our customers;
- sought regular feedback and ratings from our customers – to measure how we are doing and where we can improve;
- held fortnightly complaints-handling training days for front-line community and advice workers across the UK;
- continued to expand the information on our website – including more technical resource and more video content;
- cut our cost base by 10% and achieved a unit cost of under £600 (see page 15).

how we will deliver – our finances

funding our service

Our plans for the coming year include handling between 800,000 and 1.2 million front-line consumer enquiries, and settling between 150,000 and 210,000 cases. Taking into account the volatility, uncertainties and challenges described on page 6, this will involve:

- total operating costs of between £90.8 million and £112.6 million (of which over 80% relate to staff costs);
- total income of between £89.8 million and £115.6 million;
- efficiencies and savings to cut our cost base by 10%; *and*
- a unit cost of between £541 and £597 (compared with a unit cost in 2010/2011 of over £600).

These financial plans mean that, for the second year running, we will be able to:

- freeze the case fee at £500 (paid by businesses only after their *first three* free cases during the year); *and*
- freeze at £20.5 million the total amount we raise through levies (apart from the funds needed to increase reserves in relation to the potential risks described below).

risks and reserves

These funding arrangements assume:

- we will handle the types and numbers of cases set out on page 7;
- financial businesses will cooperate with our investigations; *and*
- our work, costs and income will not be significantly altered by regulatory action or litigation.

In our “compulsory jurisdiction” (for FSA-regulated firms), we need to increase our financial reserves by £25 million, as a contingency against the costs of growing volatility – of which the latest example is the range of issues around cases involving payment protection insurance (PPI).



cost savings

In the coming year we plan to cut our cost base by 10% – which will reduce our unit cost to below £600. Our unit cost represents our total costs for the year – divided by the number of cases we have resolved.

Our unit cost is largely determined by our case-handling costs – and so is directly affected by the increased complexity of the cases we are working on, and by volatility in the types and number of cases referred to us.

However, we still believe we can make cost savings by improved efficiencies and by streamlining our operational processes – as we describe on page 11.

new investment

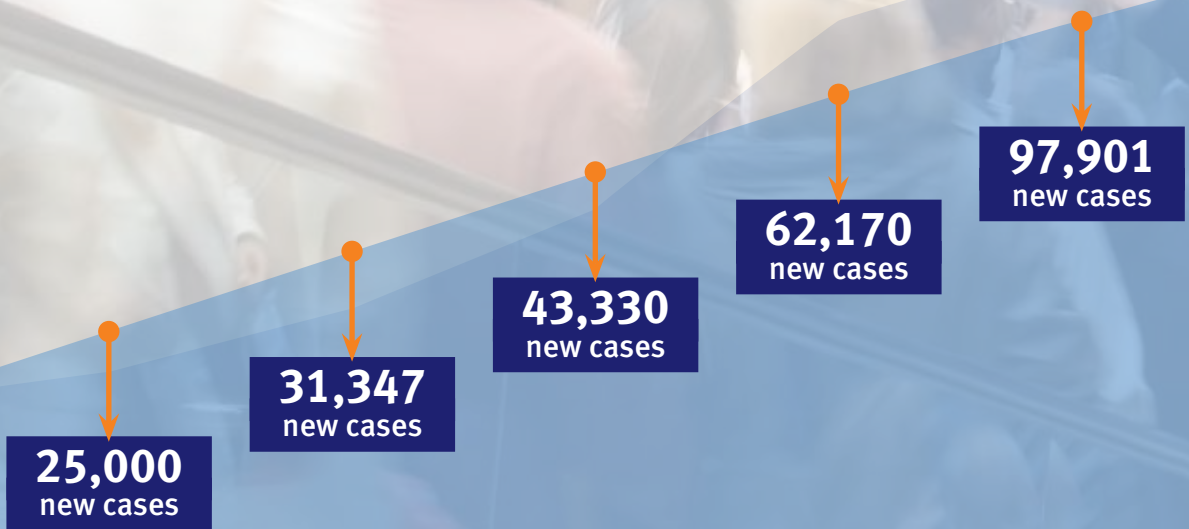
Our two priorities for investing in the development of our service in the coming year are:

- investment in technology – to reduce the costs of “doing business” with us and to improve people’s experience of our service; *and*
- investment in the professional development of our staff.

These two areas of work – described in more detail in our priorities on pages 8 to 12 – will be funded through the cost savings and efficiencies described on this page.



our caseload over the last decade



events over the last decade

2000

Mar: the Royal Bank of Scotland Group completes its acquisition of NatWest in a £21 billion deal – the largest takeover in British banking history

Apr: 300 employees from former ombudsman schemes come under one roof – at new offices on the Isle of Dogs, East London

Sep: we publish our approach to complaints about interest paid on TESSAs

Dec: the new complaints-handling rules (“DISP”) published in FSA’s “CP49”

Dec: Equitable Life closes to new business, following a House of Lords’ ruling (in July 2000) on policyholders’ rights

2001

May: Halifax plc and Bank of Scotland agree a merger to form HBOS plc

Jun: we publish our approach to mortgage endowment complaints, which form a third of our caseload

Jun 2001: failure of the firm, Independent Insurance

Jun: Walter Merricks, chief ombudsman, asks in his first *annual report* whether poor sales practices and opaque products mean “*more skeletons lurking in the cupboard*”

Dec: “N2” – we get our official new powers under the new *Financial Services and Markets Act 2000*

2002

Jan: ombudsman’s decision upholds the lead case of “Mr & Mrs A” against Halifax plc on dual (standard variable) base rates

Jan: euro notes and coins are issued across Europe

Nov: Norwich & Peterborough Building Society’s judicial review of the ombudsman’s approach to superseded accounts (TESSAs replaced by ISAs)

Dec: we announce plans to open our “voluntary jurisdiction” – for some complaints that would not otherwise be covered by our remit

2003

Jan: FTSE 100 falls to 3567

Feb: first identified case of the respiratory disease, SARS

Mar: Iraq War begins with the invasion of Iraq by the US and Allied forces

Jun: UK decides against adopting the euro

Jul: we publish a guide to our work on “splits” complaints – as cases peak at a rate of 50 a week

Dec: we have 700 employees – with over 150 working just on mortgage endowment cases

2004

Jan: our board commissions Bristol University’s Personal Finance Research Centre to review our quality, consistency, process and value

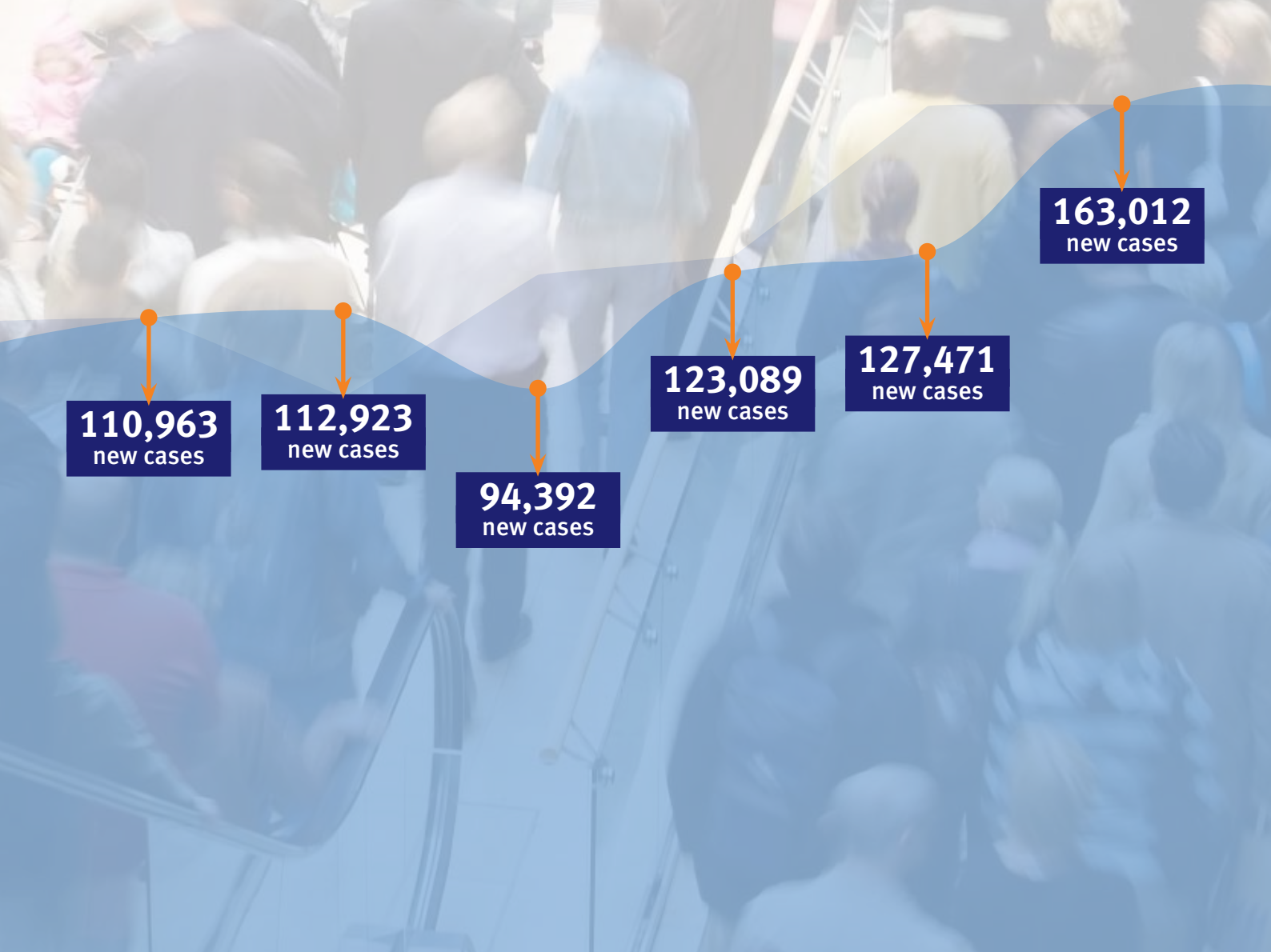
Feb: social network service *Facebook* launched by Mark Zuckerberg

Mar: incoming complaints about “precipice bonds” peak at a rate of 150 a week

Jul: we consult jointly with the FSA on handling cases with “wider implications”

Oct: mortgage brokers come under our remit

Nov: Abbey National plc becomes part of Grupo Santander



2005

Jan: insurance brokers come under our remit

Mar: incoming mortgage endowment complaints peak at a rate of 1,300 a week (two-thirds of our workload)

Mar: Walter Merricks, chief ombudsman, upholds the lead case of “Ms E” against Equitable Life

May: IFG Financial Services Ltd’s judicial review of the ombudsman’s “fair and reasonable” approach

Jul: co-ordinated terrorist attacks on London kill 56 people

Sep: National Savings & Investments (NS&I) come under our remit

Oct: bird flu reaches Europe

2006

Jan: we have 1,000 employees – including 30 ombudsmen

Mar: English-language *Wikipedia* reaches its one millionth article

Mar: council workers strike over pension rights

May: we publish a discussion paper on options for the future funding of the service

May: “fathers 4 justice” campaigners invade the National Lottery TV studio

Oct: UK government publishes the *Stern Review* on the economics of climate change

2007

Mar: we see incoming complaints about unauthorised overdraft charges at a rate of 500 a week

Apr: consumer credit complaints come under our remit

Apr: the Ministry of Justice starts to regulate claims-management companies

Jun: severe flooding in Hull and South Yorkshire

Jul: Office of Fair Trading’s test case in the High Court on unauthorised overdraft charges – with all cases put on hold

Sep: quarterly gross mortgage lending reaches a record high at £98.6 billion

Oct: FTSE 100 rises to 6722

2008

Mar: incoming complaints about the sale of payment protection insurance (PPI) rise from an average of 35 a week to over 200 a week

Apr: publication of Lord Hunt of Wirral’s review of our openness and accessibility

Sep: failure of Bradford & Bingley plc; and Lloyds TSB agree rescue takeover of HBOS

Oct: the government announces it will take a controlling stake in the Royal Bank of Scotland Group

Nov: freight-forwarders invited to join our “voluntary jurisdiction”

2009

Jan: travel insurance that is sold with holidays comes under our remit

Jul: “sale and rent-back” businesses come under our remit

Sep: we start publishing six-monthly complaints data on individual businesses

Nov: Supreme Court’s ruling on the fairness of unauthorised overdraft charges

Nov: money transfer operators come under our remit

2010

Mar: we have 1,500 employees – including 55 ombudsmen

Apr: ash from an erupting Icelandic volcano grounds flights across Europe

Jun: we receive our millionth case

Oct: British Bankers Association announces judicial review of PPI-related matters

Dec: we are receiving PPI complaints at a rate of up to 2,000 a week

Dec: Natalie Ceeney, chief ombudsman, suggests in *ombudsman news* that “the way to generate positive ‘word of mouth’ is to make it easy for customers to complain – and to handle those complaints well”

how to contact us

- **write to us**

Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

- **phone us**

0300 123 9 123

0800 0 234 567

switchboard 020 7964 1000

from outside the UK +44 20 7964 1000

- **email us**

complaint.info@financial-ombudsman.org.uk

- **look at our website**

www.financial-ombudsman.org.uk

We can help if you need information in a different format
(eg Braille or large print) or in a different language. Just let us know.