

chief ombudsman & chief executive's report



Caroline Wayman
chief ombudsman
& chief executive

It's approaching 20 years ago now that discussions were underway about setting up a single ombudsman for financial services. This would replace eight existing schemes – each covering individual industries, whose members didn't always even have to sign up. Under these new arrangements, whatever the particular financial product or service involved, customers with complaints would have access to a “one stop shop” – with statutory backing – to get a quick and fair answer.

In 2018, the world looks very different to when the Financial Ombudsman Service was first established. The complaints we've seen over the last year give an insight into how new technologies, together with economic and social trends, have changed the game in terms of how people live day-to-day – often in ways that no-one anticipated back at the turn of the millennium.

For us – like for the financial services sector itself – standing still simply isn't an option. That's why, over the last couple of years, we've been through the biggest transformation of our service since we were set up. While continuing to manage the fallout of mis-sold payment protection insurance (PPI) – with complaints still reaching us in their hundreds of thousands, accounting for over half of all those we receive – we've been ensuring that we're able to respond to the problems people are having today, and that we're ready for the future too.

The feedback we're getting from the people who rely on us suggests we're increasingly in step with what they need and expect. However, change hasn't always been easy – and, as we look ahead, we know we've got to listen, learn and improve. We announced in April that our non-executive board has asked Richard Lloyd to carry out an independent review of our work, which will be published on our website in June.

In reflecting on the year we've had – and taking stock of the hard work we've still got to do – it's important to remember what we're here for. In a world that's increasingly instant and interconnected – and often, despite first impressions, confusing and complex – our guiding principles of providing fair answers, quickly and as informally as possible, are perhaps even more important today than 20 years ago.

vulnerability: a fine line

Over recent years we've highlighted the rising volumes of people telling us they've had trouble after borrowing money. Complaints about consumer credit rose by a further 40% in 2017/2018, following an 89% rise in the previous year.

On one hand, this reflects shifting preferences – mirroring official figures – in how people choose to pay for things. Today, for example, it's the norm to get a new car on finance, rather than buying it outright.

However, for some people, borrowing may be a necessity, rather than a choice. And when people are living on credit, there can be a very fine line between getting by and going under.

As we've highlighted in this review, we're concerned that some lenders just aren't doing enough to ensure people's borrowing is sustainable – or aren't responding constructively to their customers' concerns. Looking in particular at high-cost credit, payday loans alone accounted for more than 17,000 new complaints. And we found in around six in ten cases that people hadn't been treated fairly by their lender.

It's also remained clear that, as high-profile cybercrime hits the headlines, risks to people's money may lie closer to home. Over the last few months we've helped people who've found themselves out of pocket after buying "self-funding" solar panels – and those who've faced selling their home because they can't pay off their interest-only mortgage.



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Examples like these reflect the importance of being vigilant and engaged when it comes to money. But it's unrealistic – and unreasonable – to expect everyone to be a savvy consumer all the time. And from what we've seen, we think some businesses could and should do more – both in giving support to their customers when things have gone wrong, and in preventing problems arising in the first place.

The challenges presented by vulnerability – which financial businesses have committed to addressing – haven't, and won't, go away. Given the way vulnerability can interact with people's financial circumstances, we think an understanding of these issues should carry the same weight as any other aspect of resolving complaints. So, with support from the Money Advice Trust, we've taken steps this year to ensure we're doing all we can to help people in what may be extremely difficult situations.

Vulnerability – and the urgency it can create – also highlights the need for an ombudsman service that's able to help when it's really needed. In 2017/2018 we've continued to get better at identifying and prioritising situations where our stepping in early on can make all the difference. This means we've been able to help significant numbers of people in days and sometimes hours – rather than weeks or months down the line.

Businesses' willingness to engage with us to do this reflects a recognition that our early involvement can have benefits for both sides. Since 2015, following changes to the rules that apply to how complaints are dealt with, we've been able to get involved in complaints that businesses haven't yet investigated themselves. A number of businesses have now told us we can get involved whenever a customer wants this to happen – rather than giving us permission on a case-by-case basis, which they're technically able to do. This year we've continued to work with businesses to understand how we can make greater use of this approach, reflecting our commitment to resolve complaints at the earliest possible stage.

We were set up to give answers that are quick, as well as fair. And this level of responsiveness is something we could never have achieved under our previous structure – where people could face a wait for our answer that in some cases wasn't just frustrating, but unacceptable.



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new ideas, new challenges

Responsiveness isn't only important where people are vulnerable. As new technologies become part of daily life – increasing people's expectations of businesses and services they interact with, but also affecting the nature of the problems that can arise – we need to ensure we keep pace.

Part of this is about using technology effectively. This review illustrates the significant steps we've taken in 2017/2018 to transform our IT capabilities – in particular, developing our new case handling system and our portals for financial businesses and their customers. The investment we've made means our IT is working with – and not against – our commitment to provide a personal, efficient and flexible service.

We've also continued to see new trends reflected in the problems being referred to us – which have brought new insights into how people manage their money.

For example, we've heard from small numbers of people who lost out due to fluctuations in the value of cryptocurrencies. While it's only relatively recently that these currencies have received attention, these types of concerns are similar to those we've received over the years involving risky investments.

Other cases raise new, and perhaps more complex questions of fairness – even though the products involved may be more familiar. Tens of millions of people in the UK have car insurance. However, disputes we've seen this year involving “black box” policies highlight how, while greater use of data can bring benefits, it doesn't necessarily work out for everyone.

In the same way, new types of payment services may make things quicker and easier on the face of it. The interface between financial services and other types of service is increasingly invisible – which, in some ways, brings a level of convenience people could hardly imagine even 20 years ago. But in the background, it may be more complicated. And if something goes wrong, unpicking exactly what's happened behind the scenes is unlikely to be as straightforward as making the original transaction.



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The challenges raised by the trade-off between personalisation and privacy – and between convenience and security – are issues that cut across different financial products and services. They're likely to become all the more pressing as the *General Data Protection Regulation* comes into force, and in light of wider concerns about privacy in a social media age.

While keeping in step with these developments, we've also continued to manage the long-term challenge of payment protection insurance – which accounted for 55% of all complaints we received in 2017/2018.

This year, we got more clarity about some of the uncertainties we've been facing in PPI. In March 2017, the FCA announced its new rules and guidance about PPI complaints – addressing the issue of undisclosed commission, following the case of *Plevin v Paragon Personal Finance Ltd* – would come into effect on 29 August 2017. This meant that, for a significant part of the year, we weren't able to give our answer to people waiting to hear from us about the issues raised in *Plevin*.

However, since the new rules came into effect, we've resolved over 100,000 of these complaints – and have resolved over a quarter of a million complaints about PPI this year overall. And at the end of March 2018, we had fewer PPI complaints waiting for our answer than

we'd had for the best part of the last decade. In the months ahead – even though we can't say for sure how many complaints we'll see and when – we'll be focused on making sure everyone with concerns about PPI gets a fair answer.

loyalty and trust

Mass mis-selling clearly doesn't put the financial services sector in the best light – and takes a long time to put right. The FCA's PPI complaints deadline is now less than 18 months away. But people still have a window to complain to us after they've got an answer from the business involved. So we'll be dealing with the fallout – involving policies often sold in the 1990s and 2000s – well into 2020/2021.

While this disappointing saga may be drawing to a close, this year we've continued to hear from people who feel particularly let down by a business they'd thought they could rely on.

As we've highlighted in this review, during the year we received small but steady numbers of complaints about insurance premiums that had risen year-on-year – finally reaching levels that customers, or their relatives, believed were unacceptable. In some of these cases, we agreed that people had paid the price of loyalty – and during the year, we had robust conversations with insurers about the unfairness we'd seen.

Similarly, we heard from people who'd been counting on a business to do the right thing – but hadn't received the care or support they needed. For example, while pension freedoms may offer greater flexibility, we've again seen how – at the point people are really relying on professional expertise – questionable advice has instead put their retirement plans at risk.

And when a travel firm went bust in 2017, it became all too apparent that – rather than being able to trust financial businesses to help them sort things out – disappointed holidaymakers felt they were just being passed from pillar to post.

Encouragingly, we've also continued to see examples of where businesses have responded quickly and effectively to put in place plans to help their customers in the face of unexpected events. But, either way, situations like these require a joined up, bigger-picture approach to put things right. And they underline just how significant, and just how relevant, the idea of a “one stop shop” remains today.

We need to organise our service in a way that means we can take that bigger-picture approach – rather than risk people feeling that we're passing them from pillar to post as well. So this year we've continued to invest in our people and their knowledge – to help them resolve not just the increasing range of problems we're seeing, but those problems that don't fit neatly into a single area.

Once again, feedback suggests this approach is well-received by the people who use and rely on us. A majority of financial businesses agreed the financial services industry can have confidence in us, including the complaints handlers who interact with us every day. And overall, 69% of people who used our service said they were satisfied – including half of those who didn't get the answer they had initially been hoping for.



doing things better

Transforming our service over the last few years has involved a number of challenges – some of which we anticipated, and some which we've needed to take stock of and work through as they've arisen.

But in 2018, at a time when the dispute resolution landscape continues to be scrutinised, the idea that people should have to navigate a fragmented system – or face what's likely to be the unaffordable cost of going to court – is a relic of the past in financial services. And there's no doubt that financial businesses and their customers alike are better off for that.

In fact, this *annual review* is full of things we can be proud of. And I'm really grateful to our people for all their commitment and hard work – without which that wouldn't be the case. In the year we published our first report on our equality, diversity and inclusion, it's also a chance to reflect on, and celebrate again, the different perspectives our people bring – and their commitment to supporting each other, at the same time as helping those who use our service.

We've always been committed to working openly – and together with this *annual review*, we're publishing the annual report of our independent assessor, whose feedback each year helps us learn and improve the service we provide. And we welcome the opportunity for a further independent perspective, in the form of Richard Lloyd's review, on what and where we could do things better. We'll be keeping in touch with our stakeholders about that – and what it means – in the months ahead.

There's always more we can do to maintain and build people's confidence in us. As we look ahead to the next 20 years, staying true to our founding principles – and always being ready to listen and adapt – will stand us in good stead to do that.



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30 May 2018



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