Our 2023/24 Plans and Budget

Financial Ombudsman Service

Financial Ombudsman Service for small businesses

Claims Management Ombudsman a Financial Ombudsman service

Contents

The Financial Ombudsman Service

About us

We were set up by Parliament under the Financial Services and Markets Act 2000 (FSMA) to resolve individual complaints between financial businesses and their customers fairly and reasonably, quickly, and with minimal formality.

We share the insight we gain from resolving thousands of disputes a year to improve outcomes for all customers of financial services products.

Read more about how we make decisions, including the types of cases we can consider, who we can help and the awards we can make.

Introduction

We're pleased to introduce our Plans and Budget for the financial year 2023/24. We would like to thank everyone who responded to our consultation.

In 2022/23 we continued to improve the service we offer. We are expecting to resolve 205,000 customer cases and reduce the number of cases in progress by 40% to below 70,000 cases. We have also restructured our teams to bring them closer to industry sectors and products, which has improved how quickly we can resolve cases, and launched our first business portal in beta with very positive feedback from the businesses involved.

We know there is much more to do. Our Plans and Budget set out our ambition for next year to provide the right outcomes for customers in a more timely way. We would also like to take this time to thank our deeply committed staff. We look forward to engaging and working with all our stakeholders over the coming year.

The Baroness Zahida Manzoor CBE
Chairman

Abby Thomas
Chief Executive and Chief Ombudsman

Our 2023/24 Plans and Budget: overview

Our Plans

We anticipate receiving approximately **184,000 complaints**	We anticipate resolving approximately **204,000 complaints**

We will

Carry forward a stock of below 70,000 complaints from 2022/23, exiting 2023/24 with a stock of approximately 47,000 complaints	Complete the alignment of our casework structure to industry areas, working in 'verticals' that align with product types, for example banking, insurance, pensions and investments
Continue to resolve cases quicker, without compromising on quality	Continue our digital transformation for employee facing platforms
Introduce new service standards for all new complaints from 1 April 2023	Improve the quality of our data and leverage this data to share high quality insight with industry and drive further efficiencies
Become more cost effective and will improve our casework efficiency	Build the workforce of the future, including launching regional hubs, focusing on diversity equity and inclusion, and developing our employee proposition
Enable customers (both complainants and respondent businesses) to self-serve through digital portals	Embed a culture of continuous improvement to ensure that we can build on the transformation delivered to drive further benefits

Our Budget

Our Compulsory Jurisdiction (CJ) levy will remain at **£106m**	Our Voluntary Jurisdiction (VJ) levy will reduce to **£600,000** (2022/23: £700,000)	Our individual case fee will remain at **£750** for the third year in a row
Businesses will receive **3 free cases** except for our group account fee arrangement businesses who will not receive any free cases	Firms that are part of the group fee arrangement will have the tolerance/margin reduced from **15% to 5%**	Our expected operating expenditure, excluding restructuring, will be **£223m** (2022/23: £233m)

Our Plans for 2023/24

Our vision, strategic priorities and service standards

Our vision, priorities and service standards are the strategic and practical targets we set ourselves to help us resolve the thousands of complaints that are referred to us each year.

Our focus is on delivering the service our customers need and expect. This will include improving our timeliness, clearing our backlog and ensuring our processes are as simple as possible for all of our customers – consumers, SMEs, charities and trusts, and financial businesses.

Our strategic priorities

To enable this, we have identified five areas of focus for 2023/24. These are:

1. **Developing digital portals for both respondent businesses and complainants**
   - Allowing them to 'self-serve'
   - Accessing or sharing information on their cases
2. **Ensuring quality and timely outcomes, through measures including:**
   - Launching our new service standards
   - Organising our casework teams into product 'verticals', such as banking and insurance
   - Using Intelligent Automation to enable quicker resolution
   - Maximising stakeholder engagement to understand future volumes and complaint types
3. **Building the workforce of the future**
   - Ensuring we have the right skills and capabilities, and continuing our focus on diversity, equity and inclusion
   - Ensuring we have the ability to meet future demand
   - Developing and implementing regional hubs to maximise use of available talent
   - Having a clear employee proposition to be an employer of choice
4. **Developing our funding model**
   - Designing and building an updated funding model for 2024/25
   - Holding further consultation later in 2023 if required
5. **Developing data and insight to improve our performance**
   - Enhancing our forecasting and planning capability
   - Developing our data sharing capability
   - Developing our data-driven prevention strategy

Our service standards

We're proud of the quality and fairness of our decisions – but we also want to ensure we give our answers in a timely and efficient way. Our service standards are the measures we put into place to provide assurance and accountability for the service we provide.

For all new complaints received from 1 April 2023, we will deliver against the following key service standards:

Timeliness

We set targets for the time it takes us to respond to customers and resolve complaints.

The enquiries we receive:

- 95% of initial enquiries we receive are actioned in five working days.

The cases we resolve:

- 70% of cases are resolved within three months of the point we accept them as complaints.
- 90% of cases are resolved within six months of the point we accept them as complaints.

Complaints about our service:

- If we receive a complaint about the service we have provided, we aim to resolve it, or have a resolution plan in place, within ten working days.

Quality

As well as resolving complaints quickly, we'll continue to provide answers that customers can trust - and we'll give excellent customer service.

- Over 90% pass rate for cases that are checked for quality assurance.
- No more than 1.5% of resolved cases result in a complaint about the service we have provided.

Customer experience

Our customers will tell us that we're easy to use – and the public will be aware of who we are and how we can help.

Ease of service:

We use a method called 'Net Easy' to monitor levels of customer experience. It helps us understand how easy it is for our customers – both consumers and respondent businesses – to get the help they need at different stages of our process, and from start to finish.

- We monitor the consumer 'Net Easy' score measured end-to-end through the service.
- We monitor the respondent business 'Net Easy' score measured end-to-end through the service.

Standard of service:

- We survey our customers to assess confidence in the service we provide.

Influence of service:

- We monitor the level of public awareness of our service through regular surveys.

More information on our strategic priorities and service standards are available on our website.

Sharing insight

In resolving financial complaints quickly and fairly, we gain unique insight into the financial services sector. It's important we share this insight. It is an impartial source of information for consumer groups, improving their ability to advocate for positive change. It allows firms to resolve complaints earlier and even stop complaints arising in the first place, and it provides additional intelligence for the regulatory family (which includes the FCA, and the FSCS).

Our stakeholders made it clear in feedback that they valued our insight and would like us to share more. The improvements we are making to our casework – such as our new industry 'verticals' – and the technology we use will enable us to surface insights quicker, in a more structured way. Our data driven prevention strategy will enable us to maximise the value of our insight, making it available to stakeholders. This helps firms improve their products and processes, increasing consumer trust in financial services.

As part of this, we are looking at how we share data and if we can do this on a more regular and timely basis. We also continually review the role that our various industry and consumer forums play, as well as the industry hosted events that we attend. A key part of our engagement with the regulatory family is the Wider Implications Framework.

More information about the feedback we received and the next steps we are taking can be found in the feedback statement on page 15 of this document.

New complaints we expect to receive in 2023/24

Complaint type	2022/23 forecast	2023/24 consultation budget	2023/24 final budget	Trends we are monitoring and expecting to see in 2023/24 based on insight from our casework and feedback from stakeholders
Banking and credit	105,900	127,200	129,650	• Rise in disputed transaction and fraud and scams complaints • Increased levels of complaints linked to lending, particularly in mortgages due to interest rate rises • Likely increase in areas such as defaults and recovery
Insurance (including PPI)	37,950	38,050	38,000	• Growth in building and general insurance complaints back to pre-pandemic levels • Increase in insurance pricing complaints due to economic challenges and rule changes • More complaints related to rising costs and supply chain issues • Rises in misrepresentation and insurance fraud
Investment and pensions	13,800	17,300	15,900	• Increase in complaints about suitability of advice to transfer pensions, following coverage of British Steel Pension Scheme (BSPS) consumer redress scheme • Rise in investment and cryptocurrency scams • More complaints relating to surrender and execution delays, performance and portfolio management complaints due to cost of living concerns • Overall impact of market performance may lead to more complaints
Other (CMCs and funeral plan providers)	400	450	450	• Decrease in complaints about CMCs • Uncertainty over the impact of funeral plans
Total	**158,050**	**183,000**	**184,000**	
Of these totals:				
Complaints from SMEs	1,100	1,100	1,100	• No material change in volumes expected
Complaints about Voluntary Jurisdiction (VJ) firms	7,700	6,000	6,000	• No material changes in trends expected

On the whole, stakeholders agreed with the trends set out in our consultation, with a small number of respondents suggesting we may see an increase in complaints against CMCs.

Stakeholders broadly agreed with our projected case volumes, although some industry respondents, including larger businesses, highlighted that their own individual projections suggested complaint volumes would remain flat or decrease. We have made a few minor amendments to our projections using updated data from the current financial year.

Stakeholder feedback on new trends mainly focused on two areas:

Cost of living

Stakeholders believe that cost of living will impact complaints, but it is hard at this point to anticipate how and to what scale.

Suggestions include:

- Issues caused by supply chain delays and cost increases
- Lower trust in financial services providers and lower consumer financial resilience will lead to more and harder fought complaints
- Consumers being more at risk to fraud and scams
- Increase in consumer vulnerability

We will continue to engage with stakeholders to understand how the situation evolves throughout the year.

The new FCA Consumer Duty

Many stakeholders believe that whilst the new FCA Consumer Duty should eventually reduce complaints, they expect to see a short-term increase in complaints as the duty is implemented from this summer.

Stakeholders are very keen to ensure we are sharing our thoughts as to how the duty may impact our decision making.

Early engagement with stakeholders on any trends or issues arising will be vital to ensure problems are managed quickly and do not become entrenched.

Stakeholders also believe that professional representatives will likely impact the volume of complaints involving the new duty.

Complaints we expect to resolve in 2023/24

Complaint type	2022/23 forecast	2023/24 consultation budget	2023/24 final budget
Banking and credit	141,700	136,100	147,900
Insurance (including PPI)	42,700	41,150	39,250
Investments and pensions	20,200	18,300	16,400
Other (including complaints originating from CMCs and funeral plans)	500	450	450
Total	**205,100**	**196,000**	**204,000**
SMEs	1,100	1,300	1,100
VJ participants	8,300	7,000	7,000

Our numbers have evolved slightly since we published our consultation, due to more data being available about 2022/23. Together with the higher new complaints forecast, in order to achieve our ambition of a stock position being no more than three months worth of new complaints, we are now targeting a higher volume of resolved complaints.

Our Budget for 2023/24

Funding proposals

Focus area	Proposal for 2023/24	Final position for 2023/24
CJ levy	Recover overhead costs rather than a subjective percentage of overall costs	✓ Hold flat at £106m, a reduction in real terms
VJ levy	As above, proportion of overhead costs recovered by VJ and maintain tariff rates	✓ Reduce to £600k from £700k
Case fees	Maintain a flat case fee For group fee account businesses, reduce the tolerance to 5% and remove free cases	Hold flat at £750 per case, a reduction in real terms Make changes to group fee account firms
Time limits	Reduce the time limit for financial businesses to raise case fee disputes to one year, from the date of invoice issued at case closure	✓
Case fee exemption for Community Finance Organisations (CFOs)	Introduce an exemption to case fees for CFOs subject to the minimum levy, aligning them with the existing exemption for credit unions	✓

We are taking forward the proposals set out in our consultation around levies and our case fees. The feedback we received was overwhelmingly positive about these changes. We set out the feedback in more detail in the next section of this document.

In the consultation paper we set out our expectation that our projected income for 2023/24 would be £240m based on these proposals and the levels of resolved cases. This was a reduction against the 2022/23 forecasted income of £252m. As a result of the changes in volume of resolved cases mentioned earlier, we now expect 2023/24 income of £245m, in line with 2022/23 income of £246m.

We are continuing to evolve our thinking on proposals to introduce a differentiated case fee model, as outlined in our summer 2022 future funding discussion paper. We are undertaking further modelling as to what that may look like. This includes the impact it will have on our billing systems, administration for ourselves and financial services businesses and other benefits and challenges that may arise. We expect to consult on proposals around differential case fees in our 2024/25 Plans and Budget consultation.

Our costs

In the consultation paper, we set out our reduced projected costs of:

- £231m operational expenditure down from £238m Q2 forecast in 2022/23
- Non-operational items (finance income and costs, restructuring) of £1.1m, compared to £9.3m Q2 forecast in 2022/23

Following consultation, we have increased the number of resolutions planned in the year by 8,000 (which equates to £5m of additional cost) and moved some transformation spend to reflect phasing of activity (equating to an additional £5m). These additional costs in 2023/24 have been offset as we stretch ourselves further on our cost base, identifying £12m of cost reductions to offset these increases.

This has resulted in a planned operational expenditure of £223m, down from £232m Q3 forecast in 2022/23, and non-operational items (finance income and costs, restructuring) of £6.3m, up from £4.6m Q3 forecast in 2022/23.

Our unit cost

The result of the above changes in cost and resolved complaints is a reduction in cost per case to £1,092 for the full year, down from 2022/23 forecast of £1,132 and consultation figure of £1,176.

Our reserves

In 2022, we agreed a policy of holding three months operating costs in reserve for unexpected events. Due to a combination of reduced costs and other factors such as improved recovery of bad debt, higher than anticipated interest rates and a changing case mix, we are currently holding around eight months of operating costs. Whilst our reserves provide a helpful safety net in the short term for reasons outlined below, we also agree with stakeholders that we should not keep these levels of reserves for longer than necessary.

As many of our stakeholders commented in their consultation responses, there are currently increased uncertainties which could significantly impact our projected volumes. Having additional reserves means that we have the financial resilience to handle any increased demands or unexpected shocks (such as new mass claims events) should they arise.

We are undertaking a significant transformation programme that is enabling us to set ourselves challenging service standard targets for 2023/24. We need to ensure that we have the right investment in place to drive the changes and efficiencies we need. Additional reserves will enable us to mitigate any risks or invest further to meet these targets if needed.

Financial stability and certainty is necessary for efficient reserves planning. There was a return to positive ‘in year’ reserves only in 2022/23 after four years of deficit. Proposals about how we will use and reduce our reserves will be included in our 2024/25 Plans and Budget consultation.

Our transformation agenda

As set out in the board-commissioned independent review, the quality of the work we do is high, but it continues to take us too long to resolve cases. During 2023/24, we will be making a further change for our customers. We will focus on timeliness and efficiency in our casework processes and make new tools and technology available to all our customers.

Our future process will be streamlined, with fewer handoffs, clearer service standards and no internal queues. Customers will be able to make their complaints via a new online portal, enabling easy submission of case information, and quick and timely updates on its status. We will improve transparency and accountability, providing information on service levels and timescales up front, and ensuring that all cases are allocated. Our casework teams will benefit from improved tools and technology, supporting faster resolution. We will drive case progression by improving the information we get from financial businesses, as well as cutting the time it takes to get this information. We will strengthen our sharing of data and learnings with industry.

As the new Executive team has evaluated the existing transformation portfolio, we have re-affirmed our commitment to the recommendations made within the independent board-commissioned review.

These improvements are reflected in the target service standards which are included in page 6 of this document and are also available on our website.

We've also identified further opportunities to drive up our customer satisfaction and/or drive down our costs, in a sustainable way.

For example, in addition to the transformation programme initiated to date, we are also considering the following:

- Intelligent case allocation – the ability to ensure we are providing cases much more quickly to investigators, shortening the time frame between case conversion and resolution.
- Casework decision support – ensuring we are enhancing guidance on key questions to answer and providing easy access to relevant legislation and industry best practice, particularly for new joiners or those new to product.
- Digital channel adoption – extending the reach of our digital channels, in particular those designed to be business-facing, to raise awareness for smaller respondent businesses in particular.
- Further resource, if required, to make sure we are fully focused on the achievement of service standards, as quickly as possible.
- Further reductions in our overhead cost base, to ensure we are as agile as possible in the face of changing volumes and demand.

All of the above opportunities are currently being evaluated from a cost-benefit analysis perspective and our intent is to fund from reserves if required.

Financial summary

Financial summary	2022/23 budget £m	2022/23 latest forecast £m	2023/24 consultation budget £m	2023/24 budget costs covered by levy £m	2023/24 budget costs covered by case fee £m	2023/24 budget £m
Income						
Case fees	74.6	80.6	85.5	-	87.6	87.6
Group fees	60.9	58.3	48.3	-	50.3	50.3
Levies and other income	107.2	107.2	106.6	106.6	-	106.5
Total income	**242.6**	**246.1**	**240.3**	**106.6**	**137.9**	**244.5**
Expenditure						
Staff and staff related costs	162.0	148.6	141.4	45.7	103.7	149.4
Contractor staff	46.9	35.3	28.3	2.7	21.5	24.2
IT costs	24.6	20.8	25.8	22.6	-	22.6
Premises and facilities	11.3	10.8	9.5	9.6	0.2	9.8
Depreciation	11.2	10.8	10.9	10.4	-	10.4
Other costs	10.2	6.2	7.7	6.4	-	6.4
Bad-debt write-off	3.0	(0.3)	3.0	-	-	-
Contingencies	4.0	-	4.0	-	-	-
Total operating expenditure	**273.1**	**232.1**	**230.5**	**97.4**	**125.4**	**222.8**
Operating (deficit)/surplus	**(30.5)**	**13.9**	**9.9**	**9.2**	**12.5**	**21.7**
Finance income	0.2	3.6	5.3			5.7
Finance costs	(0.5)	(0.6)	(0.4)			(0.4)
Restructuring costs	(18.0)	(7.0)	(6.0)			(11.0)
Corporation tax	-	(0.6)	-			(0.6)
Financial (deficit)/surplus	**(48.9)**	**9.3**	**8.8**			**15.4**
Reserves	76.5	134.7	139.7			150.1
Months of operating expenditure	3.4	7.0	7.3			8.1
Operational data						
Closing FTE	3,349	2,862	2,457			2,344
Total new cases (k)	177.0	158.1	183.0			184.0
Total case resolutions (k)	220.5	205.1	196.0			204.0
Closing stock (k)	68.7	67.5	46.2			47.5
Operating expenditure per case	1,239	1,132	1,176			1.092

Without the impact of Amigo Loans in 2022/23, our cost per case would be £1,227.

Detailed consultation feedback and our response

We consulted on our 2023/24 plan and budget for six weeks from 16 December 2022 to 31 January 2023. We received 28 responses, and a list of organisations that responded is on page 20.

This summary does not include all the individual points that respondents and stakeholders made, but instead brings feedback together to focus on common or contrasting themes and issues. It also builds on feedback we had heard from stakeholders as part of our ongoing engagement and industry steering group meetings in autumn 2022.

We've split the below section into feedback from our stakeholders and then our response to that feedback.

What we asked

1. What volumes and trends should we expect to see in the following areas?

   a) Banking and credit
   b) Insurance, including PPI
   c) Investments and pensions
   d) Other, including SME volumes, CMC volumes and funeral plans

2. What novel issues or trends might we see in 2023/24? Particularly, what impact do you think the cost of living will have on complaints volumes?

Comments received

- Respondents generally agree that the volume of cases we set out in the proposal were sensible, with a few respondents stating volumes may decrease next year, based on their own projections. These responses were positioned as thoughts, rather than evidence-led statements.
- A few respondents would like more information about how we reach our projections. One respondent suggested it would be helpful for the firms that provide our largest volumes of complaints to receive individual firm-based projections.
- Most responses focus on trends rather than the projections and there is a general consensus that we have correctly identified the main trends.
- There is widespread agreement that complaints about fraud and scams will continue to remain high and that lending and affordability complaints will increase. This includes mortgages and consumer credit, in particular issues around forbearance and recovery.
- Other possible complaint areas respondents mentioned include:
  - More complaints relating to supply chain issues.
  - More consumers in vulnerable situations and complexities linked to vulnerability.
  - SMEs facing similar issues as consumers, and it was felt that we would see complaints from SMEs about repayment of Government loans.
- A few respondents believe we may see increased complaints from consumers about CMCs, with one respondent mentioning complaints about the use of consumer data.
- There were no views in relation to funeral planning or VJ complaints.
- In relation to novel issues or trends, three areas arose consistently:
  - The first was that cost of living would likely impact on complaints to firms and ourselves, but no one could predict at this time what this would look like. Respondents expect these complaints to be harder fought, due to lack of confidence in the financial services sector. It is felt that cost of living issues will be exacerbated by the lasting impacts of the pandemic.

- The second theme was around the FCA Consumer Duty and its impact on our complaint volumes. Respondents felt the duty will eventually reduce complaints, but in the short term, it will likely generate additional complaints.
- Finally, industry respondents believe new complaint areas/trends will be driven by professional representatives. As such, it is hard to anticipate what these may be, although the FCA consumer duty was often provided as an example.

Our response and next steps

- In terms of our projected incoming case volumes – and the number of cases we expect to resolve – we have adjusted the forecast as shown in the tables on pages XXX. We have done this based on more data being available from the current year.
- As for sharing more insight about our projections, we will look to see if this is something that can be done through our Plans and Budget consultations, as well as other forms of engagement. As firms/industry bodies begin sharing data with us to inform our projections, we will be able to share this and its impact on our projections more widely.
- It is helpful to hear from stakeholders that our projected case volumes felt reasonable, however, we received little in the way of data to demonstrate this and have had to rely mainly on this financial year's case volumes and anecdotal feedback.
- As a demand-led service we are reliant on input from stakeholders to ensure accurate projections. As well as benefitting our service, it will ensure we can plan better and be more accurate with the cost that is passed to industry.
- Going forward, we will be doing more to ask firms and key trade associations to share current numbers and expected volumes with us, as that is the best indication of what might come to us. We are open to suggestions as to how best to make this work or if there are other organisations we should also be approaching for more data.

What we asked

3. **What more can we do to share insight to prevent complaints and unfairness from arising?**

Comments received

- Respondents acknowledged we currently share a lot of helpful insight, but there is still more we can do.
- Many respondents are keen for more timely and more granular data and information on both common and new trends in complaints, including more root cause analysis of trends. This will help firms monitor complaints, learn lessons and prevent further complaints.
- Stakeholders want more insight as to our approach to ensure alignment. This was highlighted as being especially important if we evolve or develop a new approach. The FCA's Consumer Duty was given as a key example of this.
- Respondents also have suggestions as to how insight is shared. There is a preference for more direct contact through forums and roundtables, as well as providing case studies and commentary on decisions that firms can use.
- The importance of transparency around the Wider Implications Framework arose, as did the suggestion that firms and trade associations should be part of the framework.
- More insight on our operational performance is seen as key by respondents, for example how our aim to close cases in six months will be monitored and shared.
- One of the main requests is more ongoing information about our backlog. Information on volumes, product areas and age profiles have been raised as helpful for financial businesses in particular, to enable them to manage their internal resources and pipelines.
- Some respondents would like to see us share more information with consumers, including educating them about what information is needed to bring a complaint, as well as managing expectations as to the likely outcome of a case.

- There were similar requests for more information to be shared about the cases brought to us by professional representatives and clarity around the expectations we have for representatives.

Our response and next steps

- It is clear that all stakeholders feel we play an important role in understanding and preventing complaints. We recognise this role and are committed to ensuring we are meeting stakeholders' expectations.
- We are moving towards a data-led insight strategy, which we will put at the heart of our prevention work. We will be looking at improving the data we have, how we access it, and how we spot trends. We will build on the data we already share with stakeholders and will look at opportunities to share more data more frequently.
- We are keen to work more closely with stakeholders. However, we have to carefully balance this with taking staff away from resolving cases. We are ensuring that we have the right resource internally and we will continue to work with stakeholders on the most effective way to share information.
- We understand stakeholders' interest and apprehension around the new FCA consumer duty and how we will apply it in our casework. We will continue to engage with the FCA and industry, sharing our thinking, and hearing the thoughts of others as we approach implementation.
- As many stakeholders have mentioned, the Wider Implications Framework is an important tool for sharing insight. Whilst we understand the interest from stakeholders and keenness to be involved, the Wider Implications Framework is designed to allow easy sharing of early insight on issues, and free and open conversations about the trends between the regulatory family. As such, there are no intentions to widen this out. We will, however, continue to be transparent about the framework and areas of discussion through sharing information as part of our regular stakeholder engagement, as well as on our website through the publication of meeting minutes. The action log and the first Wider Implications Framework Annual Report will be published in April.

What we asked

4. **Do you agree with the proposed changes to our funding model?**

Comments received

- There is overwhelming support for the proposed funding model changes. Much of the feedback recognised the need for financial sustainability and support for the 'polluter pays' principle.
- Respondents agreed with the levy covering fixed costs, however, it was felt that this needed monitoring to ensure efficiency and to justify any future changes.
- A number of respondents wanted these proposals to lead to future cuts in costs. Many want to see reduced levy and/or case fees going forward and some mentioned the excess reserves could be used for this. A few respondents also suggested that we could re-introduce more free cases to reduce reserves.
- The remaining proposals – time limits for case fee disputes, changes to the group fee accounts and exempting some CFOs from case fees – were not mentioned by many respondents. Where mentioned, respondents supported reducing time limits for case fee disputes, with only one stating it did not give enough time to raise a dispute.
- Overall, respondents were mostly positive about the changes to the group fee arrangement, although one group fee respondent felt the current 15% tolerance should remain due to case volume volatility. A small number were not in favour of removing the free cases. One group fee respondent asked if we could retrospectively apply the 5% tolerance to 2023/24 due to the £7m surplus generated.
- Apart from one industry respondent, who was in favour, all responses on the proposed exemption for CFOs came from the CFO community.
The exemption proposal was welcomed but many wanted the exemption to pay case fess to apply to all CFOs, regardless of the levy paid.
- The feedback was that the current approach would not apply to most CFOs and would, therefore, have limited impact. It was felt that extending the exemption would fully align the service with the approach taken by the FCA in exempting CFOs

from all regulatory fees. A number of CFOs also felt that the exemption did not take differences in the organisations into account.

- As well as the request from CFOs, we also received a request to expand the existing exemption for credit unions, due to the upcoming legislation changes allowing expanded service provision. This response also argued expanding the exemption fits with existing concessions recognising the social contribution of credit unions.
- A small number of respondents did not support the proposed changes to the levy, as they feel the FCA fee blocks put undue burden on smaller firms and are at odds with polluter pays. These respondents believe that we should work with the FCA to amend the fee blocks. These respondents also raised concerns as to 50:50 case fee:levy ratios.
- A small number of respondents are disappointed we have not introduced differential case fees. However, an equal number supported retaining a simple flat fee model.
- There is also concern we have not taken forward proposals to charge professional representatives, especially with the introduction of the FCA Consumer Duty.

Our response and next steps

- It is important that our funding model allows us to be sustainable and clearly sets out what we need to perform our role.
- We are pleased that the majority of respondents welcome the changes made and the direction we are taking. We agree with the many stakeholders who highlight that it is important for our service to be as cost effective as possible, and as stated previously, we are aiming to consult on proposals to reduce our reserves, through a mixture of further investment and potentially reducing the case fee and/or levy, as part of our 2024/25 Plans and Budget consultation.
- We are aware that many stakeholders are keen for a move to differential case fees. A move to differential case fees will significantly impact all who pay for our service. As such, it is important that we get it right, and we will continue to work on these proposals and aim to consult on this again in our 2024/25 Plans and Budget consultation.
- With regards to the comments about the 50:50 ratio between case fee:levy, we can confirm that the principle no longer exists as part of our funding model.
- There were no fundamental issues raised with our proposals to change the time limit for raising disputes and changing group fee account arrangements, as such we are moving forward with this proposal.
- As set out in our consultation document, we believe that it is correct to exempt CFOs who pay the minimum levy from our case fees, similar to credit unions, in recognition of the social purpose these lenders play. This is similar to the approach taken in 2019 by the FCA, which had support from HM Treasury.
- We believe our proposal appropriately balances ensuring CFOs paying the minimum levy are treated in the same way as credit unions who pay the minimum levy (and who are already exempt from case fees), while preventing CFO cases costing other levy payers significant amounts of money, contrary to the polluter pays principles.
- Complaint volumes against CFOs have remained consistently low over the past few years, meaning that the impact of this on other levy payers will be minimal.
- However, we do not agree it will have limited impact on CFOs. Data from the FCA shows that in 2022/23, 35 of the 44 CFOs who contributed to the levy only paid the minimum levy, showing that the majority of CFOs are currently covered.
- We do not think the FCA's decision to exempt all CFOs and credit unions from paying FCA consumer credit fees is a relevant consideration. The FCA removed the financial thresholds determining CFO and credit union exemptions due to disproportionate administrative costs and these costs do not exist for our service.
- In terms of the suggestion that we extend the exemption for credit unions, we believe that this suggestion will need to be considered in conjunction with the FCA once more is known about the legislative changes and their potential impact.
- We understand the responses raising concerns with the FCA funding blocks, but as we have previously stated, these are issues to be picked up

as part of the FCA fees consultation process. It is for the FCA to set these blocks, not us. However, we will continue to share the responses we get on this subject with the FCA.

- With regards to responses calling for us to charge professional representatives, our November 2022 future funding feedback statement sets out the various reasons why we decided not to move forward with charging professional representatives at that point in time.
- As we set out in that paper, we realise that this is a live issue that continues to evolve and one that many stakeholders are very interested in. As such, we will continue to engage in these discussions and to build the evidence base to inform our approach going forward.

What we asked

5. **Do you support our proposed budget for 2023/24?**

Comments received

- Respondents almost unanimously supported the budget, welcoming the freeze of the CJ levy and case fees, recognising that the economic climate also impacts industry.
- There was repetition of views that future budgets need to further reduce cost burdens on firms and that it was not right to keep free cases low whilst reserves are high.
- A small number of firms raised concerns that the cost-per-case is still high but recognised the work being done to bring this down further.
- A small number of respondents welcomed the commitment of the service to being cost effective but warned about taking it too far and risking the quality of outcomes – as well as the work undertaken as part of our prevention strategy.

Our response and next steps

- We are heartened to hear that stakeholders welcome the budget and have recognised the work being done to make our service as cost effective as possible.
- We understand there is more to do and will continue to deliver through our transformation work, as discussed earlier in this document.
- Again, we are looking at ways to reduce our reserves through potential investment and reduction of costs to industry, and we are aiming to consult on this as part of the 2024/25 Plans and Budget consultation cycle later in 2023.
- We understand concerns about balancing cost-effectiveness and quality, and we are committed to getting the balance right. We aim to deliver high quality answers to customers, in a timely manner.
- As well as changes to our process, we believe our new service standards and prevention work will contribute to this aim.

What we asked

6. **As we deliver our transformation programme to drive efficiencies and improve timeliness, are there any areas we should prioritise?**

Comments received

- A number of respondents support the change in casework structures to product specific ‘verticals’, believing it will help with expertise and consistency.
- Respondents also warmly welcomed the use of technology, particularly the new portals, which will help with consumer journeys, relationships, faster resolutions and cost efficiencies.
- The backlog was highlighted by respondents as a priority, especially the oldest cases, with a few respondents noting 8% interest on awards is a significant cost exacerbated by the time it takes for cases to be resolved.
- Our prevention work was highlighted as a priority, with the service having a very important role to play in this area. The work carried out under the Wider Implications Framework was one example given.
- A few respondents highlighted the success of the temporary outcome codes initiative and suggested more work should be done on using this permanently.

Our response and next steps

- We welcome the feedback and ideas from stakeholders. We are glad to see that our new casework structure, portals and other use of technology and the backlog were all identified as key issues, as these are very much the focus of our thinking as set out in our transformation section of this paper.
- As mentioned when discussing sharing our insight, we are looking at having a data driven prevention strategy, which will enable us to share more information more regularly, and in a timelier manner.
- We will continue to engage with stakeholders as we progress our transformation, listening to ideas for how we can ensure we're providing the best service possible.
- We are looking at what more can be done on the outcomes code initiative and we have recently consulted on implementing a year-long trial to see if this is suitable for longer term use.

Organisations who responded to the consultation

Association of British Credit Unions Limited (ABCUL)

Association of British Insurers (ABI)

Association of Mortgage Intermediaries (AMI)

Aviva

Axa

Barclays

British Insurance Brokers Association (BIBA)

Business Banking Resolution Service (BBRS)

Building Society Association (BSA)

Consumer Credit Trade Association (CCTA)

Co-op

Direct Line Group (DLG)

Domestic and General (D&G)

England Illegal Money Lending Team

Fair4All Finance

Financial Services Consumer Panel

Finance and Leasing Association (FLA)

HSBC

Innovate Finance

Lloyds

Moneyline

Nationwide

Responsible Finance

Santander

Scotcash

St James Place

UK Finance

Which?

Financial Ombudsman Service

Financial Ombudsman Service
Exchange Tower
London
E14 9SR

stakeholder.enquiries@financial-ombudsman.org.uk

Financial Ombudsman Service
for small businesses

Claims Management Ombudsman
a Financial Ombudsman service