



## **funding and case fees**

**This quick guide explains how the Financial Ombudsman Service is funded and when and how our case fees apply.**

### **who pays for the ombudsman service?**

The Financial Ombudsman Service is paid for by levies and case fees which the businesses we cover have to pay by law. At the time we were set up – and when our remit was extended to cover credit-related complaints – parliament decided that consumers shouldn't be charged for bringing a complaint to us.

### **how is the money raised?**

All businesses covered by the ombudsman service pay a general levy to contribute to our costs. The Financial Conduct Authority (FCA) collects the levy at the same time that it collects both its own regulatory fees and the levy for the Financial Services Compensation Scheme (FSCS). This is more efficient and helps simplify administration.

The amount of levy that each FCA-regulated business pays currently ranges from around £100 a year for a small firm of financial advisers to over £300,000 for a high-street bank or major insurance company.

Businesses covered by the ombudsman service – including those that are no longer regulated – must also pay an individual case fee, if we handle a complaint about them.

### **when does a case fee become chargeable?**

Fewer than one in six of the initial complaints and enquiries we receive to our front-line customer helpline become

chargeable cases. The other complaints and enquiries usually involve issues that we don't deal with – or where we can sort things out informally at a very early stage.

All businesses are entitled to a number of "free" cases. We don't currently charge a case fee for the first 25 cases in a year. But we will charge £550 for the 26th and each subsequent case.

From April 2012 to April 2014, we also charged a supplementary case fee of £350 for the 26<sup>th</sup> (and each subsequent) payment protection insurance (PPI) mis-selling case.

In April 2013, we introduced a group-account fee for the largest banking groups.

### **how much is the case fee?**

The case fee for the 26th (and any subsequent) "chargeable" case is £550.

It becomes chargeable when our consumer helpline passes a complaint on to one of our adjudicators for further investigation.

However, the fee isn't actually payable until the complaint is resolved. Our finance team sends out an invoice to the business involved at the end of the month in which we close our case.

We review our case fee arrangements each year – and consult our customers about any changes we think might be necessary.

In April 2013 we introduced a group-charging account for the largest financial services groups. Around three quarters of

our workload is now paid for on this more financially stable basis – by the businesses whose customers use us most.

## how are “non-chargeable” cases allocated for IFA-networks?

Each IFA network is entitled to 25 “free” cases a year – however many members it has.

This is because we cover all single regulated firms authorised by the FCA – and a network is technically a single regulated firm.

## why should the business pay a case fee if the complaint isn’t upheld?

Our rules (set out in the FCA Handbook) say that if we consider a complaint against a business, the case becomes chargeable whatever the outcome.

In fact, less than 1% of businesses we cover pay case fees. For businesses that have 26 or more complaints a year referred to the ombudsman service, the cost involved – £550 per case, after the 25th complaint – is likely to be much less than the legal costs that might otherwise be involved in defending a claim in court, where the publicity could be far more damaging to the business’s bottom line.

## does a business pay a case fee if the complaint is “dismissed”?

When we receive a completed complaint form from a consumer, our front-line advisers check the form and the final response letter that the business should have sent the consumer.

From looking at these, we may decide that the complaint isn’t something we would deal with or that it should be “dismissed without consideration of its merits” under our rules.

A complaint doesn’t become a chargeable case if we dismiss it at this initial stage. So businesses should set out their position as clearly as possible in their final response – and attach the relevant evidence – to help us establish the facts early on.

Sometimes it may not be apparent at this stage that the complaint should be dismissed. The facts may be unclear or in dispute, meaning we need to look into the issues in more detail.

In these circumstances, a case fee becomes chargeable – even if we later decide that the complaint should be dismissed.

## the case was outside the ombudsman’s jurisdiction – does this mean there is no case fee?

It may not always be a straightforward matter to determine whether a complaint is covered by the ombudsman service. “Jurisdiction” disputes can involve complex arguments, and we will need to take account of – and investigate – all the facts and legal points that either side might raise.

Where it is not apparent – from the complaint form and the final response letter from the business to the consumer – whether or not we can take on a complaint, a case fee will become chargeable – even if we later decide, after more investigation, that the complaint is outside our jurisdiction.

## why don’t consumers have to pay for taking a case to the ombudsman?

The legislation that gives the Financial Ombudsman Service its powers – the *Financial Services and Markets Act 2000* (as amended) – doesn’t contain any power to charge consumers for using our service.

Parliament decided that the ombudsman should be funded by the businesses that we cover and that these businesses – not consumers – should meet the costs of resolving disputes.

## can a business recover its costs from the consumer?

No. A business can't claim back costs from a consumer who has complained to the ombudsman service – or suggest that it might do so. Consumers have a statutory right to refer disputes to us, free of charge,

if they are unhappy with the way a business has dealt with a complaint.

If a business threatens to penalise a consumer for exercising their statutory right to refer a complaint to us, this may have regulatory consequences for the business.

### [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

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- news and frequently-asked questions
- information and updates
- technical guidance for businesses and help for consumers
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