Financial Ombudsman Service

Our 2023/24 plans and budget
Consultation paper

Launch date: 16 December 2022

Respond by: 31 January 2023

Financial Ombudsman Service for small businesses

Claims Management Ombudsman a Financial Ombudsman service

Contents

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.

Since 1 April 2019, our remit has included complaints made by small and medium-sized enterprises (SMEs) about financial businesses, and complaints made by customers of claims management companies (CMCs). More information about our jurisdiction, including limits on the awards we can make, can be found in the Understanding compensation section of our website.

In addition to resolving disputes, we share our insights and work to improve outcomes for all customers of financial services products.

Why we are consulting

Under FSMA, we are required to consult annually on our plans (para 9A, Sch. 17). Three drivers shape the Financial Ombudsman Service's plans and budget:

1. Demand for our service: understanding how many complaints we will receive and what they will be about.
2. Funding we will receive from the financial services sector: following our Discussion Paper and Feedback Statement earlier this year, what changes we will make to our funding model and how we will recover our costs.
3. Our cost to serve: looking at what service standards are appropriate, what is the cost to achieve these standards and how we can drive value for money through the design and execution of our transformation programme.

We are seeking responses from a range of stakeholders on these three drivers.

What we are consulting on

Below is an overview of the questions we ask throughout the document.

Projected demand

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

   a) Banking and credit
   b) Insurance, including Payment Protection Insurance (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?

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

Projected funding

4. Do you agree with our funding proposals?

Our draft budget

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

Projected costs

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

How to respond

This consultation will close on 31 January 2023 and will support our plans and budget, which will be published by 31 March 2023.

Email your response to
consultations@financial-ombudsman.org.uk

You may also use this email address to contact us with any questions about this consultation. We will publish a list of respondents and a summary of responses. If you think there is a reason your name should not be published, please let us know – we will not automatically accept a standard email disclaimer. Our legal responsibilities around freedom of information mean we cannot guarantee responses can be kept confidential.

Chief Executive and Chief Ombudsman's foreword

I became Chief Executive and Chief Ombudsman at the Financial Ombudsman Service in October 2022, and I am honoured to lead such an important service at such a critical time. Our role in providing fair and timely resolutions to any disputes we receive is vital and, as part of a wider 'regulatory ecosystem', helps underpin confidence in financial services.

A challenging context

My immediate priority was to meet and hear from a wide range of stakeholders – including consumers, industry, and our own people – to understand the opportunities and challenges we face as a service. This public consultation will help us provide an effective service that can meet both current and future demand.

Our year ahead

When consulting on our plans and budget, it is always difficult to predict what may come to us, and the current climate in which we operate intensifies this challenge. We welcome feedback from stakeholders on our complaint forecasts.

Over recent years, we have generally run a deficit and we need to change our funding model. Under our transformation programme, we are making changes which drive cost efficiencies and change our funding model to ensure we recover our costs and are financially sustainable. However, we recognise the cost pressures on businesses and propose to freeze our levy and case fees at the same level as last year, which we hope will be welcomed by industry.

This will be achieved through offsetting inflationary pressures with cost and efficiency savings. Our total income is projected to reduce from £252m to £240m, while resolving a similar volume of cases as this financial year.

We also propose that our cost base, excluding restructuring costs, will be lower than our previous forecast (projected at £231m in 2023/24, compared to £238m forecast in 2022/23) resulting in a cost per case of £1,176. We know we need to reduce our unit costs further, and we have set out an overview of how we will achieve this in our Action Plan, published in December 2021. The plan includes various initiatives designed to improve customer and business satisfaction while driving more efficiency and value for money in our operations, reducing our overall cost base and cost per case.

Next steps

We talk to and engage with stakeholders all year round. We have already been discussing our plans with the Financial Conduct Authority (FCA), financial businesses and consumer organisations. I am grateful to stakeholders for their enthusiasm to work with us, which I have already seen first-hand in my brief time at the Financial Ombudsman Service. I look forward to hearing your views and working together to deliver our ambitious plans for 2023/24 and beyond.

Abby Thomas
Chief Executive and Chief Ombudsman

New complaints we expect to receive

As a demand-led service, it can be challenging to forecast complaints accurately. Our analysis is based on taking 2022/23 received volumes as our baseline and then adding the potential impact of novel issues or trends (for example, increases in the cost of living). Based on this, we expect to receive 183,000 complaints in 2023/24.

Figure 1: we are forecasting a range from 157k to 220k complaints received, and using 183k as the basis on which we have constructed our budget

Projected volume of complaints received

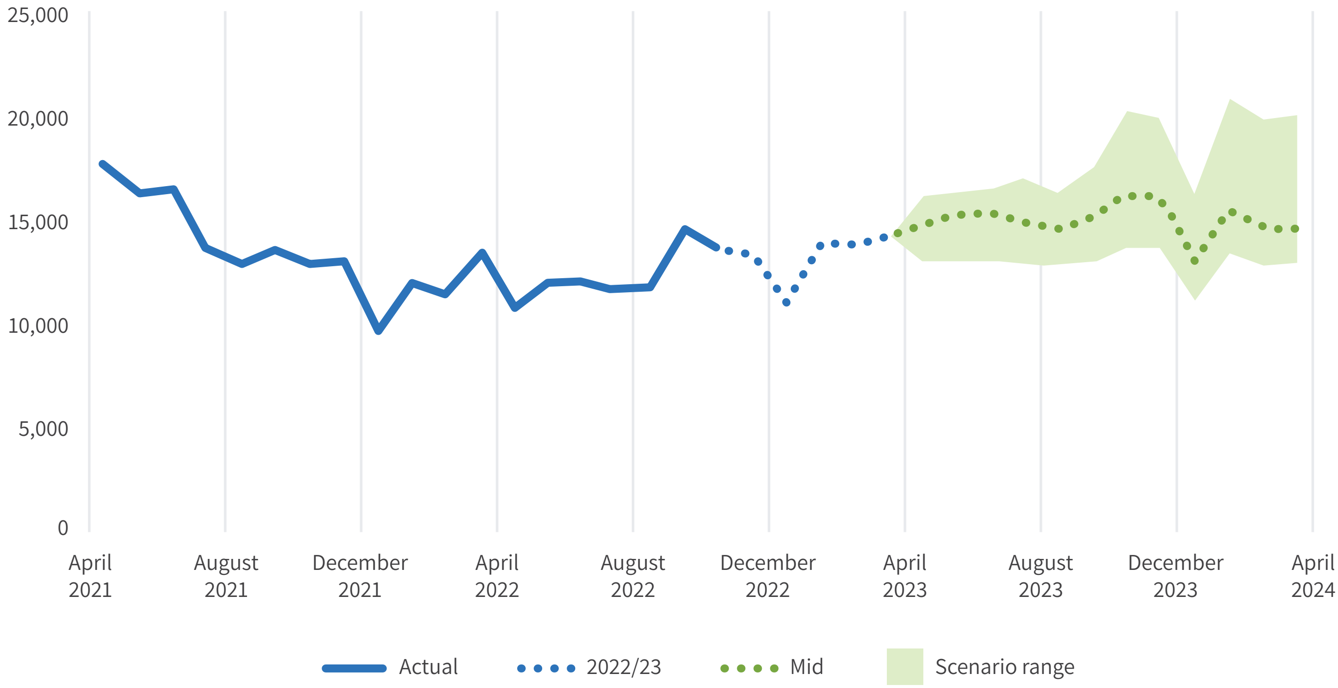

Figure 2: we project to receive 183k complaints in 2023/24

Complaint type	2021/22 actual	2022/23 forecast	2023/24 projected number	Trends we are monitoring and expecting to see in 2023/24
Banking and credit	109,386	102,800	127,200	• Rise in disputed transaction complaints • Increasing volumes and sophistication of fraud and scams • Rise in irresponsible and unaffordable lending complaints, given the impact of rising interest rates and product portfolio changes on mortgages, in particular (following a small decrease in 2022/23)
Insurance (including PPI)	40,242	37,700	38,050	• Rise of building and general insurance complaints, to pre-pandemic levels • Increase in insurance pricing complaints, following rule changes from the start of the year • Rise in insurance claim complaints related to increased cost and supply issues for parts and labour for example in motor insurance • Tendency for consumers to reduce the cost of their insurance premiums without realising the impact of the type or level of cover provided • Rise in issues around misrepresentation and insurance fraud
Investment and pensions	14,931	14,000	17,300	• Increase in complaints about the suitability of advice to transfer pensions, following coverage of the British Steel Pension Scheme (BSPS) consumer redress scheme • Increase in scams involving investments and cryptocurrencies • Rise in complaints relating to surrender and execution delays, performance complaints and portfolio management complaints, driven by cost of living concerns • Overall impact of market performance (low performance often leads to an increase in investment and pensions complaints)
Other (complaints about CMCs and funeral plan providers)	704	500	450	• Continuing trend of decreasing complaints against CMCs (particularly relating to PPI and accident management services) • Uncertainty over the impact of funeral plans (newly introduced to jurisdiction)
Total	**165,263**	**155,000**	**183,000**	
Of these totals:				
Complaints from SMEs	1,338	1,300	1,100	• Increase in SME complaints about the bounce back loan scheme (BBLS) in relation to action taken by lenders to recover loans, as loans move to repayment phase • Complaints regarding SME loans and overdrafts
Complaints about Voluntary Jurisdiction (VJ) participants	7,156	6,000	6,000	

Impact of the rising cost of living

Currently, the Financial Ombudsman Service has yet to see a significant increase in complaints related to cost of living pressures.

We are mindful that customers are more likely to complain during times of financial uncertainty, such as the Covid-19 pandemic. Factors exacerbate this, such as the growth of fraud and scams. At such times, customers and businesses are also less tolerant of loss, which can prolong the dispute resolution process.

Given this uncertainty, we have already started working with stakeholders, particularly large banks and insurance companies, to understand their complaint forecasts. We anticipate a lag in increased volumes, as there is a delay between when an issue or dispute first arises and when a complaint is referred to our service. As part of this consultation, we would welcome any additional views on the likely causes and impact of the rising cost of living.

External regulatory factors

As part of the wider regulatory ecosystem, we work with the FCA and other organisations on issues of shared interest. We do this with the aim – where appropriate with our independent statutory role and function – of achieving better outcomes for consumers, small businesses, and the financial services industry. In 2023/24, we are anticipating regulatory interventions which may impact our work.

The FCA's new Consumer Duty intends to drive up standards and reduce the number of complaints reaching us. Nevertheless, we recognise that some industry stakeholders have expressed concerns that complaints may rise. There will be a need for continued engagement with firms and the FCA on how the Consumer Duty impacts complaint volumes and our approach to complaints.

There has also been coverage of the FCA's consumer redress scheme for BSPS. We will have more certainty on the scheme's impact once complaints start coming in, but we expect BSPS cases to continue to require significant resources.

Following the FCA's report, Our Work on Motor Finance – Final Findings in 2019, and its subsequent decision to ban discretionary commission models from January 2021, we have seen more complaints raised in the first half of 2022/23. This issue has been the focus of bilateral conversations with the FCA, HM Treasury, the Solicitors Regulatory Authority (SRA), large firms, professional representatives and trade bodies. The issue has also been highlighted through the Wider Implications Framework.

Finally, the Financial Services and Markets Bill, which is currently going through Parliament, may directly impact our service and the way we work and interact with the wider regulatory framework. It might also impact us indirectly through other changes that will affect the obligations of financial businesses and the FCA.

Key questions

1. What volumes and trends should we expect to see in complaints?
2. What novel issues or trends may we see in 2023/24? Particularly, what impact do you think the rising cost of living will have on complaints volumes?

Complaints we expect to resolve

We anticipate resolving 196,000 complaints in 2023/24. This figure includes both the complaints received, as shown above and unresolved complaints from previous years.

Figure 3: we project to resolve 196k complaints in 2023/24

Complaint type	2021/22 actual	2022/23 forecast	2023/24 projected number
Banking and credit	142,705	149,900	136,100
Insurance (including PPI)	60,001	37,900	41,150
Investment and pensions	14,931	21,800	18,300
Other (complaints about CMCs and funeral plan providers)	1,103	400	450
Total	**218,740**	**210,000**	**196,000**
Complaints from SMEs	1,683	1,500	1,300
Complaints about Voluntary Jurisdiction (VJ) participants	13,021	7,200	7,000

As highlighted in our previous plans and budget consultation, published in December 2021, we had a large backlog of 90,000 unallocated cases. While we continue to reduce the backlog, working through the remaining outstanding cases, and resolving cases quickly is still an area of focus for us.

We have continued to implement our 2021 Action Plan, which is enabling us to resolve complaints more efficiently whilst retaining the quality of our investigations.

Sharing insight

One way we can resolve cases faster and prevent complaints from arising is by sharing insight with businesses, professional representatives and the wider regulatory ecosystem. This includes sharing our data, approach to certain types of cases, or trends and patterns we are seeing. Working with stakeholders and sharing this data leads to better outcomes for all our customers. We are interested to understand how our data and insight is currently, and could potentially be, used to support the financial services sector in improving outcomes for customers.

Key question

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

Funding proposals

Earlier this year, we published a discussion paper, Creating a Funding Model for the Future. In November 2022, we published our Feedback Statement, which outlines the proposals we considered and what we intended to take forward.

A key driver for making changes to our funding model is to ensure we are able to recover our costs more sustainably. However, due to the current economic climate and the pressures that financial businesses are under, we are proposing to freeze our Compulsory Jurisdiction (CJ) levy and case fees at the same rates as 2022/23, with no inflationary increase.

In line with the feedback statement published in November 2022, we are seeking views on taking the following proposals forward in 2023/24. To the extent any of these proposals would require changes to the FEES rules, the proposed amendments are set out in the instrument attached at Appendix A. We invite any comments on the drafting proposed.

Figure 4: stakeholders were generally supportive of the following changes, and our proposal is to implement them in 2023/24

Focus area	Proposal for 2023/24	Rationale	Impact
CJ levy	• Our levies will aim to recover our fixed overheads rather than simply reflecting a percentage of our overall costs • Costs that this levy will cover include IT, property, support staff, such as HR and communications, as well as casework senior management	• Currently, our CJ levy covers a proportion (41%) of our overall income • Using the levy to cover fixed costs provides assurance that we are effectively managing our cost base • Applying this proposal to 2022/23 would have resulted in a levy of £125m (rather than our actual levy of £106m) • Applying this proposal to our forecast for 2023/24 would increase the levy to £112m	• Although the new methodology results in a higher levy, **we propose keeping the levy at £106m – the same figure as last year,** and a reduction in real terms
VJ levy	• We will apportion fixed costs to the VJ and will recover the corresponding amount through the VJ levy • We anticipate maintaining tariff rates at the same levels as last year. However, as this is based on anticipated VJ participant numbers for each industry block and estimated tariff data, the final tariff rates for 2023/24 could vary from those in this consultation depending on actual tariff data received before then	• As there are around 250 VJ participants, compared to approximately 45,000 CJ participants, we will aim to recover 0.55% of our fixed costs through the VJ levy • As part of our annual process, we ask all VJ participants to provide their tariff data so that we may consider the impact on the tariff rates for 2023/24	• **Reduce levy to £600k, compared to a levy of £700k in 2022/23**

Focus area	Proposal for 2023/24	Rationale	Impact
Case fees	• Our case fee will better reflect our 'polluter pays' and 'cost reflective' principles • We will offer three free cases for all businesses outside of 'group account' fee arrangements • We will remove free cases for businesses inside our group account fee arrangements • Our level of tolerance (i.e., the level at which we would charge or credit group account firms where actuals are greater or lesser than our full year forecast), will reduce from 15% to 5%, which aligns our income better to our costs	• Case fees will be based on the overall cost directly related to resolving cases, which vary with demand • The reduction of free cases (which equates to a cost of £11k for each firm) and reduction in level of tolerance to group account firms better aligns with our polluter pays principle	• **Maintain one flat case fee** • **Hold case fees at £750 – the same figure as last year, and a reduction in real terms**
Time limit for case fee disputes	• We propose to reduce the time limit for case fee disputes from two years to one year from the date of invoice, which is issued at case closure • This would apply to any case fee invoiced on or after 1 April 2023 • For case fees invoiced before 1 April 2023, businesses will have until 31 March 2024 to raise disputes • We will only waive the time limit in exceptional circumstances	• Time limit provides clarity for all parties and enables more efficient case fee collection • Currently, only 15% of disputes are raised outside of more than one year from the invoice date	• This will enable greater predictability for our service and respondent businesses • Minimal financial impact on respondent businesses
Exemption from case fees for Community Finance Organisations (CFOs)	• We will introduce an exemption from paying case fees for CFOs that are subject to the minimum levy in an industry block	• Credit unions (CUs) and CFOs are exempt from paying consumer credit fees to the FCA in recognition of the social purpose these types of lenders serve (e.g. making credit available to vulnerable consumers). CUs subject to the minimum levy in an industry block are also exempt from paying our case fees. • We are aligned with the FCA on the treatment of CUs and consider it is appropriate to extend our case fee exemption to CFOs	• Positive public policy impact on the credit market, especially for vulnerable customers • Minimal impact on our cost base as we receive minimal numbers of cases from CFOs and almost all cases from CFOs within the last five years have been within the free case limit • If we implement this change, we will keep it under review annually to ensure it remains appropriate

Summary impact of funding proposals

The impact of these proposals is that **we anticipate our total projected income, based on our proposed level of resolved cases, will be £240m. This is a reduction against this year's forecasted income of £252m**, despite inflationary pressures.

Due to our current reserve levels, we can hold our price points at 2022/23 levels to protect firms from our inflationary cost increases. Going forward, we will look at increasing our case fees and levies using a pre-defined inflationary rate. We will continue to consult on our levy and case fees as part of our annual plans and budget cycle.

Key question

4. Do you agree with our funding proposals?

Our costs

We anticipate our total projected costs will reduce in 2023/24, as follows:

- Operational expenditure, excluding restructuring costs, will be £7m lower (£231m in 2023/24, compared to £238m forecast in 2022/23)
- Exceptional costs (net of finance income and costs) of £1.1m, compared to £9.3m forecast in 2022/23 (most of the variance is driven by our transformation programme, for which £12m of costs were allocated in 2022/23, compared with £6m in 2023/24)

For firms, this means:

- Case fees will be held at £750
- CJ levy will remain at £106m
- VJ levy will reduce from £700k to £600k

Based on our demand and funding projections, plus our operating costs and transformation impact, we anticipate closing 2022/23 with a surplus of £5.6m and 2023/24 with a surplus of £8.8m.

Our unit cost

Our unit cost, or cost per case, is the average cost of resolving a complaint (but is not the same as the case fee). Historically, we have used two different measures for this in our plans and budget and annual report, which can confuse stakeholders. Therefore, we will standardise the calculation so that this cost is equal to operating expenditure (total cost excluding finance costs and restructuring) divided by the number of case resolutions. This will give us a measure that best reflects our ongoing operational cost to serve.

Based on this measure, our reported unit cost has risen year on year, from £1,062 in 2021/22 to £1,131 in 2022/23. This is lower than our budgeted amount by £108. However, we recognise we need to drive further efficiency in our operations to ensure the cost per case is equivalent to the funding that we receive. At present the cost per case is projected to increase by £45 to £1,176 in 2023/24. Mitigating this increase is a major focus of our transformation agenda[1].

Our reserves

Last year as part of our plans and budget cycle, we reduced our reserves policy to three months of operating costs. Our 2022/23 budget expectations were that our reserves would be down to 3.4 months of operating costs, excluding restructuring, in line with our policy. However, we are currently holding over six months of operating capital in reserve, as we have seen both higher income and lower costs resulting in a forecast of net surplus for the year of £5.6m, compared to a budgeted deficit of £48.9m. The reason for the significant variance is detailed below.

We expect to end 2022/23 with income which is £13m higher than set out in our budget. This has been driven by the following:

- £5m of income receivable from firms that had gone into administration or schemes of arrangement, meaning that we will recover some of the bad debt that we had written off
- Receiving more complaints over and above each firm’s three free cases than expected

1. In addition the unit cost has been distorted by large volumes of cases relating to two firms being closed following the coming into force of schemes of arrangement, Provident Financial in 2021/22 (17,800 cases) and Amigo Loans in 2022/23 (16,000 cases). These cases do not get worked in the same way and, under the scheme of arrangement, we only receive a fraction of the standard case fee for each closed case. Excluding the impact of these cases, our unit cost has risen in 2022/23 by £68 due to lower volumes from mass claims products (PPI, Packaged Bank Accounts and short-term lending) and is reduced in 2023/24 by £48, with savings and efficiencies partly offset by inflation.

- Lower complaint volumes than budgeted from some firms included in the group account fee arrangements, but due to the total number of complaints being within the 15% tolerance threshold, no refunds are due (£7m)
- £3m as a result of higher interest rates over the year on money held

We expect our total costs this year to be £41.5m lower than set out in our budget. This is due to:

- Changes we have made to boost productivity, for example, taking investigators off initial frontline calls, which has delivered an additional £13m of efficiencies over and above those than we built into the budget for this financial year
- Lower headcount due to higher staff attrition and, as new complaint volumes have been lower than budgeted, there has not been the need to use as many contractors
- Higher mix of capital work in our IT investment spend than budget by £7m resulting in lower operating expenditure
- Our bad debt, which is expected to be lower than anticipated
- A deferral of £6m from our transformation programme costs to 2023/24 due to the timing of expected spending on various projects and initiatives

Over time, we aim to bring our reserves down to our policy level. We are currently considering the best way to achieve this in an orderly, controlled and sustainable manner. We expect to be able to provide further information in our final plans and budget for 2023/24, which will be published in Spring 2023.

Key question

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

Our Action Plan and transformation agenda

As mentioned in last year's plans and budget consultation paper, our work to transform and improve our service is being driven by the board-commissioned Independent Review (known as the Periodic Review). We published our Action Plan in December 2021 and since then have:

- Refreshed our strategy and published our revised strategic outcomes
- Relaunched the Wider Implications Framework
- Published a Future Funding Model Discussion Paper to support our financial sustainability
- Reduced our backlog of cases, including cases older than 18 months (where there are no external barriers to resolution), with one key initiative being the temporary outcome code resolution initiative, which resulted in over 6,800 offers and up to £22m of redress for consumers
- Set up a Customer Call Hub to provide dedicated and efficient service, at an appropriate cost

Following the appointment of our permanent CEO and new Executive Team members, we have targeted to launch the next set of Action Plan initiatives in the second half of 2022/23. These initiatives will continue into 2023/24, and many will improve our unit costs, including:

- Developing new service standards geared to maintaining the quality of our decisions while significantly improving the pace at which we deliver those decisions to customers. Our aspiration is that most new cases will be resolved within an average of six months from the point of enquiry (unless reasons outside of our control mean we cannot resolve them, such as live litigation, insolvency proceedings or regulatory action)
- Harmonising our team structures within casework by aligning our people to specialist, industry-specific areas, which will enhance operational efficiency while ensuring our teams are closer to the needs of the people and businesses we serve

- Delivering our digital portals, including a portal for those making complaints and a portal for those resolving complaints (which has already tested positively with our sample of respondent business users)
- Delivering intelligent automation to automate and accelerate our ability to route cases to investigators with the right experience
- We are considering the results of the outcome codes initiative to see if it is something we can and should take forward on a more permanent basis and consider how this interacts with case fees

For the 2023/24 financial year, as we deliver on our transformation programme, we expect to deliver further efficiencies and cost savings through more efficient case handling. We expect this to generate cost reductions of over £20m. In addition, the annual benefit from the property exits from 2022/23 is around £4m. However, this is partially offset by inflationary pressures both on our third-party costs, primarily IT and our staff costs.

Key question

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

Financial summary

Financial summary	2021/22 actual £m	2022/23 budget £m	2022/23 latest forecast £m	2023/24 draft budget (costs covered by levy) £m	2023/24 draft budget (costs covered by case fee) £m	2023/24 draft budget £m	2023/24 draft budget against latest forecast £m
Income							
Case fees	70.5	74.6	87.7	-	85.5	85.5	(2.3)
Group Fees	54.3	60.9	57.2	-	48.3	48.3	(8.9)
Levies and other income	96.8	107.0	107.6	106.6	-	106.6	(1.0)
Total income	**221.7**	**242.5**	**252.5**	**106.6**	**133.8**	**240.3**	**(12.2)**
Expenditure							
Staff and staff related costs	150.6	162.1	150.3	48.9	92.5	141.4	9.0
Contractor staff	37.0	46.9	33.4	2.2	26.1	28.3	5.2
IT costs	17.4	24.6	21.2	25.8	-	25.8	(4.6)
Premises and facilities	8.7	11.3	11.3	9.5	-	9.5	1.9
Depreciation	11.5	11.2	11.0	10.9	-	10.9	0.1
Other costs	7.1	10.2	6.9	7.7	-	7.7	(0.8)
Bad-debt write-off	0.1	3.0	1.5	3.0	-	3.0	(1.5)
Contingencies	0.0	4.0	2.0	4.0	-	4.0	(2.0)
Total operating expenditure	**232.4**	**273.3**	**237.6**	**112.0**	**118.6**	**230.5**	**7.2**
Operating (deficit)/surplus	**(10.7)**	**(30.8)**	**14.9**	**(5.4)**	**15.2**	**9.9**	**(5.0)**
Finance income	1.1	0.4	3.2			5.3	2.1
Finance costs	(1.5)	(0.5)	(0.5)			(0.4)	0.1
Restructuring costs	(1.3)	(18.0)	(12.0)			(6.0)	6.0
Financial (deficit)/surplus	**(12.4)**	**(48.9)**	**5.6**			**8.8**	**3.2**
Reserves	125.3	76.5	130.9			139.7	
Months of operating cost	6.4	3.4	6.6			7.3	
Operational data							
Closing FTE	2,845	3,349	2,772			2,457	315
Total new cases (k)	165.3	177.0	155.0			183.0	(28.0)
Total case resolutions (k)	218.7	220.5	210.0			196.0	(14.0)
Closing stock (k)	112.2	68.7	59.2			46.2	13.0
Operating expenditure per case	1,062	1,239	1,131			1,176	(45)

Without the impact of Provident in 2021/22, our operating expenditure per case would have been £1,156. Similarly, without the impact of Amigo Loans in 2022/23, our cost per case would be £1,224.

Appendix A

FOS 2023/1

FEES MANUAL (FINANCIAL OMBUDSMAN SERVICE CASE FEES 2023/2024) INSTRUMENT 2023

Powers exercised by the Financial Ombudsman Service Limited

A. The Financial Ombudsman Service Limited:

(1) makes and amends the scheme rules and guidance relating to the payment of fees under the Compulsory Jurisdiction;
(2) makes and amends the rules and guidance for the Voluntary Jurisdiction; and
(3) fixes and varies the standard terms for Voluntary Jurisdiction participants,

as set out in the Annex to this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000:

(a) section 227 (Voluntary jurisdiction);
(b) paragraph 8 (Information, advice and guidance) of Schedule 17;
(c) paragraph 14 (The scheme operator's rules) of Schedule 17;
(d) paragraph 15 (Fees) of Schedule 17;
(e) paragraph 18 (Terms of reference to the scheme) of Schedule 17; and
(f) paragraph 20 (Voluntary jurisdiction rules: procedure) of Schedule 17.

B. The making and amendment of the rules and guidance and the fixing and varying of the standard terms by the Financial Ombudsman Service Limited, as set out in paragraph A above, is subject to the consent and approval of the Financial Conduct Authority.

Consent and Approval by the Financial Conduct Authority

C. The Financial Conduct Authority consents to and approves the rules and guidance made and amended and the standard terms fixed and varied by the Financial Ombudsman Service Limited, as set out at in the Annex to this instrument.

Commencement

D. This instrument comes into force on 1 April 2023.

Amendments to the Handbook

E. The Fees manual (FEES) is amended by the Board of the Financial Ombudsman Service Limited in accordance with the Annex to this Instrument.

Citation

F. This instrument may be cited as the Fees Manual (Financial Ombudsman Service Case Fees 2023/2024) Instrument 2023.

By order of the Board of the Financial Ombudsman Service Limited
[ ] 2023

By order of the Board of the Financial Conduct Authority
[ ] 2023

Annex

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

5	**Financial Ombudsman Service Funding**	
...		
5.5B	**Case fees**	
...		
5.5B.4	G	The *firms* in *industry blocks* 13 and 15 are cash plan health providers and small *friendly societies*. The case fee exemption takes into account that the amount in issue is likely to be small relative to the case fee. ~~Instead, the full unit cost of handling complaints against these *firms* will be recovered through the setting of the relevant *general levy*.~~
5.5B.5	R	A *credit union* or a *community finance organisation* which is subject to the *minimum levy* in an *industry block* is not required to pay any case fee in respect of *chargeable cases* relating to that *industry block*.
...		
		Late payment ~~and remission~~ of case fees
...		
		Time limit for making a claim for the remission or repayment of case fees
5.5B.27	R	In relation to any case fee which was invoiced by *FOS Ltd* under *FEES 5.5B* on or after 1 April 2023, no claim for the remission or repayment of all or part of the case fee (or any interest or administrative fee due under *FEES 5.5B.25R* in relation to it) may be made to *FOS Ltd* more than 1 year after the date on which the case fee was invoiced (irrespective of when or whether the amounts in question were paid to *FOS Ltd*). ~~If it appears to the *FOS Ltd* that in the exceptional circumstances of a particular case the payment of any case fee under *FEES 5.5B* would be inequitable, the *FOS Ltd* may (unless *FEES 5.5B.29R* applies) reduce or remit all or part of the case fee in question which would otherwise be payable.~~

5.5B.28	R	<u>In relation to a case fee which was invoiced by *FOS Ltd* under *FEES 5.5B* before 1 April 2023, and subject to any rule of law prescribing a shorter time period for making such a claim, no claim for the remission or repayment of all or part of the case fee (or any interest or administrative fee due under *FEES 5.5B.25R* in relation to it) may be made to *FOS Ltd* on or after 31 March 2024 (irrespective of when or whether the amounts in question were paid to *FOS Ltd*).</u> ~~If it appears to the *FOS Ltd* that in the exceptional circumstances of a particular case to which *FEES 5.5B.27R* does not apply the retention by the *FOS Ltd* of any case fee which has been paid would be inequitable, the *FOS Ltd* may (unless *FEES 5.5B.29R* applies) refund all or part of that case fee.~~
5.5B.29	R	<u>The *FOS Ltd* may allow a claim to be made outside the time limits prescribed in *FEES 5.5B.30R* and *FEES 5.5B.31R* if it is satisfied that the failure to make a claim within the time limits prescribed was as a result of exceptional circumstances.</u> ~~The *FOS Ltd* may not consider a claim under *FEES 5.5B.27R* and/or *FEES 5.5B.28R* in respect of any amount overpaid due to a mistake of fact or law by the payer, if the claim is made by the payer more than 2 years after the beginning of the *financial year* to which the payment relates.~~

5 Annex 2R	**Annual Levy Payable in Relation to the Voluntary Jurisdiction ~~2022/23~~ <u>2023/24</u>**			
	Voluntary jurisdiction – annual levy for VJ participants			
	Industry block and business activity	Tariff basis	Tariff rate	Minimum levy
...				

...

5 Annex 3R	**Case Fees Payable for ~~2022/23~~ <u>2023/24</u>**
...	

Part 3 - Charging groups	
The *charging groups*, and their constituent group respondents, are listed below. They are based on the position at 31 December immediately preceding the *financial year*. For the purposes of calculating, charging, paying and collecting the special case fee, they are not affected by any subsequent change of ownership.	
1	Barclays Group, comprising the following *firms*: Barclays Asset Management Limited Barclays Bank Plc Barclays Bank UK Plc Barclays Capital Securities Limited Barclays Insurance Services Company Limited Barclays Investment Solutions Limited Barclays Mercantile Business Finance Limited Barclays Private Clients International Limited Barclays Security Trustee Limited Barclays Sharedealing Barclays Stockbrokers Limited Clydesdale Financial Services Limited Firstplus Financial Group Plc Gerrard Financial Planning Ltd Oak Pension Asset Management Limited Standard Life Bank Plc Woolwich Plan Managers Limited

2	HSBC Group, comprising the following *firms*: B & Q Financial Services Limited HFC Bank Limited HSBC Alternative Investments Limited HSBC Bank Malta plc HSBC Bank plc HSBC Bank USA NA, London Branch HSBC Continental Europe HSBC Equipment Finance (UK) Limited HSBC Finance Limited HSBC Global Asset Management (France) HSBC Global Asset Management (UK) Limited HSBC International Financial Advisers (UK) Limited HSBC Investment Funds HSBC Life (UK) Limited HSBC Private Bank (Luxembourg) S.A. HSBC Private Bank (UK) Limited HSBC Securities (USA) Inc HSBC Trinkaus & Burkhardt AG HSBC Trust Company (UK) Ltd HSBC UK Bank plc John Lewis Financial Services Limited Marks & Spencer Financial Services plc Marks & Spencer Savings and Investments Ltd Marks & Spencer Unit Trust Management Limited The Hongkong and Shanghai Banking Corporation Limited

3	Lloyds Banking Group, comprising the following *firms*: AMC Bank Ltd Bank of Scotland (Ireland) Limited Bank of Scotland Plc Black Horse Limited BOS Personal Lending Limited Cheltenham & Gloucester plc Clerical Medical Financial Services Limited Clerical Medical Investment Fund Managers Ltd Clerical Medical Managed Funds Limited Halifax Financial Brokers Limited Halifax General Insurance Services Limited Halifax Investment Services Ltd Halifax Life Limited Halifax Share Dealing Limited HBOS Investment Fund Managers Limited Housing Growth Partnership Manager Limited HVF Limited Hyundai Car Finance Limited International Motors Finance Limited IWeb (UK) Limited LDC (Managers) Limited Legacy Renewal Company Limited Lex Autolease Ltd Lex Autolease Carselect Limited Lex Vehicle Leasing Ltd Lloyds Bank Corporate Markets Plc Lloyds Bank General Insurance Limited Lloyds Bank Insurance Services Limited Lloyds Bank Plc Lloyds Bank Private Banking Limited Lloyds Development Capital (Holdings) Limited Lloyds TSB Financial Advisers Limited Loans.co.uk Limited MBNA Limited NFU Mutual Finance Limited Pensions Management (SWF) Limited

	Scottish Widows Administration Services Limited Scottish Widows Annuities Limited Scottish Widows Bank Plc Scottish Widows Fund Management Limited Scottish Widows Limited Scottish Widows Unit Funds Limited Scottish Widows Unit Trust Managers Limited Shogun Finance Limited St Andrew’s Insurance plc St Andrew’s Life Assurance Plc Suzuki Financial Services Limited SW Funding plc The Mortgage Business Plc United Dominions Trust Limited

4	RBS/NatWest Group, comprising the following *firms*: Coutts & Company Coutts Finance Company FreeAgent Central Limited JCB Finance Ltd Lombard Finance Ltd Lombard North Central Plc National Westminster Bank Plc National Westminster Home Loans Limited NatWest Markets N.V. NatWest Markets Plc NatWest Trustee and Depositary Services Limited RBOS (UK) Limited RBS Asset Management (ACD) Ltd RBS Asset Management Ltd RBS Collective Investment Funds Limited RBS Equities (UK) Limited RBS Investment Executive Limited The Royal Bank of Scotland Group Independent Financial Services Limited The Royal Bank of Scotland International Limited The Royal Bank of Scotland Plc Ulster Bank Ltd
5	Aviva Group, comprising the following *firms*: Aviva Group, comprising the following firms: Aviva Administration Limited Aviva Annuity UK Limited Aviva Equity Release UK Limited Aviva Health UK Limited Aviva Insurance Limited Aviva Insurance Services UK Limited Aviva Insurance UK Limited Aviva International Insurance Limited Aviva Investment Solutions UK Limited Aviva Investors Global Services Limited Aviva Investors Pensions Limited Aviva Investors UK Funds Limited Aviva Investors UK Fund Services Limited

	Aviva Life & Pensions UK Limited Aviva Life Services UK Limited Aviva Pension Trustees UK Limited Aviva Wrap UK Limited CGU Bonus Limited CGU Underwriting Limited Commercial Union Life Assurance Company Limited Friends Annuities Limited Friends Life and Pensions Limited Friends Life FPLMA Limited Friends Life Investment Solutions Limited Friends Life Limited Friends Life Marketing Limited Friends Life Services Limited Friends Provident International Limited Gresham Insurance Company Limited Hamilton Life Assurance Company Limited Hamilton Insurance Company Limited Norwich Union Life (RBS) Limited Scottish Boiler and General Insurance Company Ltd Sesame Limited The Ocean Marine Insurance Company Limited
6	Direct Line Group, comprising the following *firms*: Churchill Insurance Company Limited UK Insurance Business Solutions Limited UK Insurance Limited
7	Nationwide Building Society Group comprising the following *firms*: Cheshire Building Society Derbyshire Building Society Derbyshire Home Loans Ltd E-Mex Home Funding Limited Nationwide Building Society Nationwide Independent Financial Services Limited Portman Building Society The Mortgage Works (UK) Plc UCB Home Loans Corporation Ltd

8	Santander Group, comprising the following *firms*: Abbey Stockbrokers Limited Cater Allen Limited Hyundai Capital UK Limited Santander Cards UK Limited Santander Consumer (UK) Plc Santander Financial Services Plc Santander ISA Managers Limited Santander UK Plc

Part 4 – Special case fees

The special case fee shall be calculated and paid as follows:	
1	Proportions:
	(1) In the calculation that follows in (4) immediately below: new *chargeable cases* for *group respondents* - E = twice the number of new *chargeable cases* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. new *chargeable cases* for all firms - F = twice the number of *chargeable cases* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*. open *chargeable cases* for *group respondents* - G = the number of *chargeable cases* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*. open *chargeable cases* for all *firms* - H = the number of *chargeable cases* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*.
	(2) [deleted]
	(3) [deleted]
	(4) 'Proportion Z' for each *charging group* is a percentage calculated as follows - {E + G} / {F + H} x 100

2	The special case fee is intended to broadly reflect the budgeted workload capacity of the *Financial Ombudsman Service* and comprises elements in respect of closed *chargeable cases* with no ~~a~~ free case allowance ~~of 15 closed *chargeable cases*~~.
3	The special case fee for each *charging group* is a total amount calculated as follows: {£750 x ~~220,500~~ 196,000 x the 'Proportion Z'} ~~= {£750 x 15}~~
4	The *FOS Ltd* will invoice each *charging group* for the special case fee (calculated as above) in four equal instalments, payable in advance on the following dates during the *financial year*: (1) 1 April (or, if later, when *FOS Ltd* has sent the invoice); (2) 1 July; (3) 1 October; and (4) 1 January.
5	Year-end adjustment:
	(1) [deleted]
	(2) If the actual number of *chargeable cases* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is more than ~~115~~ 105% of {~~220,500~~ 196,000 x the 'Proportion Z'}: (a) the *FOS Ltd* will invoice the *relevant charging group*; and (b) the relevant *charging group* will pay to *FOS Ltd;* an additional £75,000 for each block of 100 (or part thereof) closed *chargeable cases* over the ~~115~~ 105%.
	(3) If the actual number of *chargeable cases* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is less than ~~85~~ 95% of {~~220,500~~ 196,000 x the 'Proportion Z'}, the *FOS Ltd* will promptly repay to the relevant *charging group* £75,000 for each block of 100 (or part thereof) closed *chargeable cases* under the ~~85~~ 95%.

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