Financial Ombudsman Service

# Our 2025/26 Plans and Budget

## Consultation paper

Launch date: 11 December 2024

Respond by: 29 January 2025

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 eligible complainants, fairly and reasonably, quickly, and with minimal formality.

We can look at complaints from individuals, as well as complaints made by small and medium-sized enterprises (SMEs), charities and trusts 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 on our website.

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

# Plans and Budget 2025/26 consultation: summary

The Financial Ombudsman Service's role in providing fair and timely resolutions to financial disputes is vital. We are an important part of a wider regulatory ecosystem, that helps underpin confidence in financial services.

## A key focus for 2024/25: building on the transformation we have delivered while managing increased demand

Over the last three years, we have transformed the Financial Ombudsman Service. We have improved the ways people can contact us about a complaint, changed how our casework teams are structured, improved internal processes, and refreshed our employee reward strategy.

These changes have led to a better service for our customers. We closed almost 20% more cases in the first seven months of 2024/25 than we did in the same period in 2023/24, and our quality scores have remained high. The time it takes for us to resolve a complaint improved from 6.4 months in 2021/22, to 3.1 months in 2023/24.

In our 2024/25 Plans and Budget we set out that we expected to receive 210,000 new complaints. Seven months into the year, we have received 172,000 complaints and expect to end the year having received 291,000 new complaints – an increase of 39% against budget. This increase has been driven by significantly higher than expected complaints about motor finance commission and unaffordable/irresponsible lending. Just under 50% of the complaints coming to us this financial year are brought by professional representatives on behalf of consumers – up from 19% this time last year and 10% in 2022/23.

While we are on track to achieve our budget of 225,000 resolved complaints, the increase in demand – particularly ramping up in the second half of the year – means we will end the year with higher stock levels than we would like.

Over the year we have improved productivity, which means that caseworkers are now resolving approximately 18% more cases, per head, than last year, without compromising on quality. However, we also recognised we needed to bring in additional resource during the year.

We have doubled the number of caseworkers that can be effectively onboarded each year, by standing up additional training capability in our academy. And we expanded our presence across the UK, providing access to a wider recruitment market.

Our transformation programme continues to streamline ways of working and to develop a digital front door for our customers. We reached the finals of the National AI Awards – which celebrate innovation in artificial intelligence – in recognition of the tools we are developing to improve our service for both customers and colleagues.

## Looking to 2025/26: resolving more complaints while continuing to improve in a changing environment

As a demand-led organisation, we always have an element of uncertainty around the volume and types of cases we might receive. This is particularly true when looking to 2025/26.

The uncertainty around motor finance commission cases – alongside a wider regulatory review of the financial service redress framework – means our plans and budget for 2025/26 need to be flexible so we can adapt to a range of possible scenarios.

The assumptions set out in this consultation are based on what we know at the time of publishing. However, because the landscape is changing, we know there will likely be new information available to us when we finalise our 2025/26 Plans and Budget in March 2025.

We are currently expecting to receive 240,000 cases in 2025/26. This is 51,000 fewer cases than we are forecasting for 2024/25 – an 18% reduction. However, our forecast scenarios suggest the number of cases we receive could range from 205,000 to 275,000, the key variables being motor finance commission and professional representative activity.

While the volume of complaints we will receive is uncertain, we know that behind every complaint are customers who need a resolution to a problem. We believe that every customer who engages with us, whether a business or consumer, should have a better outcome or feel better informed following our involvement. We are budgeting to resolve 270,000 complaints in 2025/26.

To deliver on this, we need to be able to resolve cases quickly, informally and fairly. We also need to continue building an organisation that can easily adapt to the changing nature of complaints, and to peaks and troughs in demand. So, a key focus in 2025/26 is to build more flexibility into our workforce.

It is critical that we provide value for money. This consultation sets out how we plan to deliver further cost efficiencies by implementing some of the more transformative digital elements of our programme. Additionally, we anticipate making a significant structural change to our charging framework to start charging professional representatives who represent complainants that use our service, subject to obtaining consent from the FCA. By adhering to our principles of ‘polluter pays’ and being ‘cost proportionate’, we expect this change will enable us to deliver value for money.

We recently launched a joint Call for Input with the FCA, to seek views on how to modernise the financial service redress system and improve the handling of mass complaint issues. We look forward to receiving a wide range of stakeholder responses and working with the FCA, Treasury and stakeholders on next steps.

## Our budget for 2025/26

Last financial year we reduced our prices, reflected in both the levy and case fee. We are pleased to be setting out a proposed budget which keeps prices at this reduced level, with no inflationary increase applied. This is equivalent to a benefit of £70m to industry compared to 2023/24 prices. This is the second year in a row that we have been able to keep our cost to industry at a lower level.

Our budget also sets out plans to increase our resource to ensure that all cases can be progressed and resolved in line with our service standards. This includes reducing the number of cases in stock that we can actively work on to 30,000 by the end of 2025/26 – a reduction of 61,000 compared to the end of 2024/25. Our overall stock levels will be higher, at 120,000 in March 2026, as we expect to have around 90,000 cases which we will not be able to progress due to ongoing regulatory or legal action. The majority of these cases will be complaints about motor finance commission.

For the purposes of this consultation, we have assumed that we will not have received regulatory or legal clarity early enough in the year to enable us to resolve the motor finance commission cases that come to us in 2025/26. In addition, we have set out that we are planning to continue to receive motor finance commission cases in 2025/26 at a similar level to that in 2024/25, as consumers are still able to refer cases to us on this issue. While we are not able to work these cases to resolution, we will continue to progress them as far as we can by collecting key information so that we can move at pace should that be required at a later date.

We are forecasting an operating cost of £281.7m – an increase of £36.3m on 2024/25 – primarily because we need additional resource to deliver 45,000 more complaints than in 2024/25. This cost would be higher if it were not for the operational efficiencies and performance management improvements delivered by our transformation. We are therefore budgeting a reduction of 4% in cost per case to £1,044 in 2025/26 (down from £1,082 forecast for 2024/25). This includes an additional c.£3m for the increase in employers' National Insurance (NI) announced by Government in their last budget, along with the rise in the National Living Wage.

We aim to end 2025/26 with reserves equivalent to 3.2 months of operating costs, which is within our policy of three to five months. This reduction is driven by the lower prices to industry and scaling up resource to manage stock levels.

We look forward to hearing your views on our proposed Plans and Budget to deliver our ambitions for 2025/26 and beyond. Please do take the opportunity to respond. Your views matter.

# Why we are consulting

FSMA (para 9A, Sch. 17) requires us to consult on our plans annually. Four key drivers shape the Financial Ombudsman Service's Plans and Budget:

1. **Demand:** understanding how many complaints we will receive and what they will be about
2. **Service standards:** the quality and timeliness of service we are aiming to deliver
3. **Cost:** ensuring we plan for the right cost to achieve target service standards and improving value for money
4. **Funding:** ensuring we plan for the appropriate level of funding to be received from the financial services sector to recover our costs

We are seeking responses from our stakeholders on these four drivers.

## Charging professional representatives

Our draft budget for 2025/26 has been prepared on the basis that professional representatives will be liable to pay case fees as set out in our consultation in May 2024.

On 15 November 2024, we published a feedback statement summarising the nature of consultees' responses to our May 2024 consultation and our high-level response to some of the key themes that had emerged from consultees' responses.

As we said in our feedback statement, our Board has not yet made any rules. We anticipate publishing a fuller policy statement setting out our final decision, final rules and a proposed implementation pathway as soon as we are able to.

For this reason, we are assuming that professional representatives will be liable to pay a fee during the course of the next financial year. We think this is the most reasonable basis on which to consult on our plans and budget for 2025/26.

# Summary of consultation questions

## Projected demand

1. What volume and trends should we expect to see in complaints in 2025/26 in the following areas?
   a. Banking and consumer credit
   b. Insurance
   c. Investments and pensions
   d. SME volumes, CMC volumes and funeral plans
2. Which novel issues or trends might we see in 2025/26? And what impact do you think they will have on complaint volumes?
3. Do you agree with our projection on the percentage of complaints we will receive from professional representatives on behalf of consumers?
4. What challenges are you seeing and anticipating in connection with motor finance complaints while the regulatory review and legal appeal remain unresolved?

## Projected service standards

5. Do you agree that the service standards we have set out will help our customers? Are there areas where you think we should be more ambitious?
6. What more can we do to share insight to prevent complaints and unfairness from arising?

## Projected costs

7. Have we captured the right priority areas in our transformation programme to drive both an improved customer experience and value for money?
8. What other areas should we consider in our transformation programme?

## Our draft budget

9. Do you support our proposal to:
   a. not increase our case fee or compulsory jurisdiction (CJ) levy for respondent firms?
   b. not increase our voluntary jurisdiction (VJ) levy for respondent firms and delay the introduction of a ‘relevant business’ definition change to 1 April 2026?
10. Do you support our proposed overall budget for 2025/26?
11. Do you feel we are offering value for money? If not, where do you think we could improve?

# How to respond

This consultation will close on 29 January 2025. It will support both our plans and budget for 2025/26, which will be published on 31 March 2025.

Please email your response and any questions about this consultation to consultations@financial-ombudsman.org.uk

We will publish a list of respondents and a summary of responses. If there is a reason why 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.

# Demand: new complaints we expect to receive

## 2024/25 to date

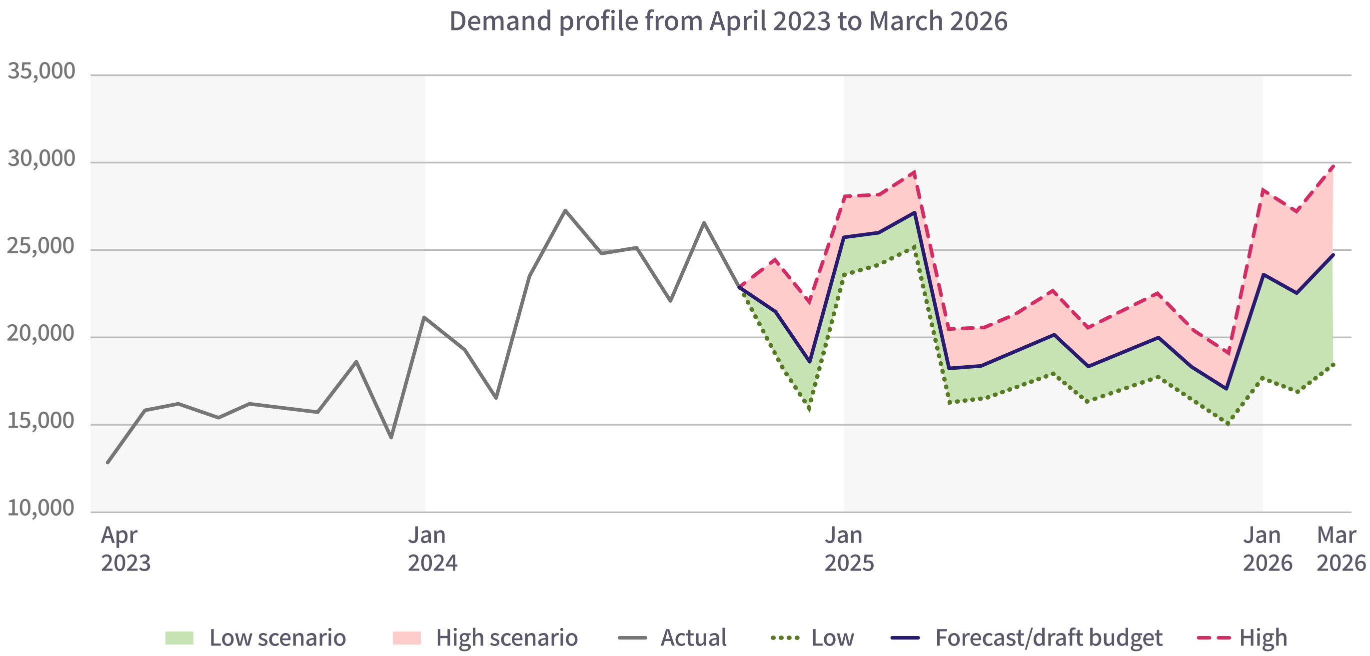
Our outlook for 2024/25 is that demand will be 81,000 higher than our budget of 210,000. Our budget for 2024/25 did not include any increased demand from motor finance commission (MFC) – discretionary commission arrangements (DCA), due to the FCA pause announced on 11 January 2024. We have, however, seen a large volume of MFC cases, of all types, in the first half of the year and expect this to continue to some degree. In addition, we have seen increased representative activity on cases involving unaffordable lending, targeting specific firms.

This increase in volumes for MFC cases is for both non-discretionary and discretionary commission models. We expect to receive MFC cases through the rest of this financial year. The Court of Appeal judgment on 25 October 2024 – in Hopcraft v Close Brothers Ltd, Johnson v FirstRand Bank Ltd, and Wrench v FirstRand Bank Ltd – indicates that there may be more complaints to resolve from the pool of non-DCA complaints where firms have already responded to the complaint and provided referral rights, as well as from our experience of receiving cases where firms do not respond (including to avail themselves of a DISP rule pause) within the eight-week time period.

## Looking to 2025/26

We are using this revised outlook for 2024/25 received volumes as our baseline, and we have adjusted for the potential impact of novel issues or trends – for example, increases in disputed transaction cases. The uncertainty on MFC cases makes it very difficult to forecast the demand for our service into 2025/26, which could be anywhere from 205,000 cases to 275,000 cases (see chart 1). Given this, we are planning on the basis that we will receive 240,000 complaints in 2025/26.

### Chart 1: The potential range in the volume of complaints that we could receive



The primary shift in demand that we anticipate in 2025/26 is a reduction in consumer credit volumes. This will result from the introduction of our CMC online form – and the anticipated introduction of a case fee for representatives – which we expect will encourage representatives to properly establish the merits of cases before they come to us.

If demand is lower than planned, we have the option of reducing our planned recruitment activity. Conversely, if demand is significantly higher than planned, we may struggle to bring in further resource in a timely fashion – despite the greater number of resourcing routes we have in place. This could increase the backlog and negatively impact our timeliness in dealing with cases.

## Figure 1: We project to receive 240,000 complaints in 2024/25

| Complaint type | 2023/24 actual | 2024/25 budget | 2024/25 latest forecast | 2025/26 projected number | Trends we are monitoring and expecting to see in 2025/26 |
|---|---|---|---|---|---|
| MFC – DCA | 6,981 | - | 24,300 | 19,000 | • We expect to continue to receive a small number of MFC DCA cases, despite the FCA pause, largely where a firm's eight-week response time has elapsed. The FCA pause is anticipated to be lifted later in 2025/26. With this in mind, we have assumed a run rate of MFC DCA complaints which is broadly consistent with our current volumes.<br>• We are monitoring the impact of the Judicial Review of our decision on a DCA related complaint by Clydesdale Financial Services Limited; any application for permission to appeal the Court of Appeal's decision in Hopcraft, Johnson and Wrench; and the FCA's review into the past use of DCAs in motor finance. |
| MFC – non-DCA | 5,623 | 13,900 | 22,800 | 22,400 | • We are expecting to receive similar levels of complaints about non-DCA MFC cases. However, it is important to note that, at the time of writing, the FCA is consulting on a potential pause to non-DCA complaints – similar to that which is in place for DCA complaints. Therefore, this assumption may change prior to finalising our budget in March 2025.<br>• We will continue to develop an understanding of the different models of commission based on cases received, and progress cases accordingly where possible. |
| Credit cards | 25,240 | 25,200 | 68,800 | 34,100 | • We are expecting a decline in irresponsible and unaffordable lending credit card complaints driven by the impact of the proposed charging of professional representatives. |

| Complaint type | 2023/24 actual | 2024/25 budget | 2024/25 latest forecast | 2025/26 projected number | Trends we are monitoring and expecting to see in 2025/26 |
|---|---|---|---|---|---|
| Other Banking and consumer credit | 102,051 | 110,100 | 112,400 | 108,400 | • We are expecting disputed transaction cases to remain high, given the increasing volume and sophistication of fraud and scams.<br>• Our 2024/25 forecast assumes a 15% uplift in banking complaints in Q4 – with disputed transactions making up 65% of all banking cases (up from 55% in Q1 2024/25). We expect this higher volume of banking cases – and higher proportion of disputed transactions cases – to continue into 2025/26.<br>• We are monitoring the introduction of the PSR APP mandatory reimbursement scheme, including the potential impact on complaint volumes from the reforms. |
| **Total Banking and consumer credit** | **139,895** | **149,200** | **228,300** | **183,900** | |
| Insurance | 44,780 | 47,450 | 43,800 | 43,900 | • We expect complaints about insurance to remain relatively stable.<br>• We expect complaints about motor insurance to remain high due to higher costs and supply challenges around parts and labour. |
| Investment and pensions | 13,770 | 12,800 | 18,400 | 11,700 | • We expect complaints about investments and pensions to remain relatively stable.<br>• We have accounted for a year-on-year decrease of around 6,600 cases due to the rise in incremental ongoing advice charges complaints in 2024/25, which we do not expect to be repeated in 2025/26. |
| Other (including complaints originating from CMCs and funeral plan providers) | 580 | 550 | 500 | 500 | • We expect volumes in other areas to remain stable and low overall. |
| **Total** | **199,025** | **210,000** | **291,000** | **240,000** | |
| **Of these totals:** | | | | | |
| Complaints from SMEs | 1,227 | 1,100 | 1,000 | 1,000 | • We expect volumes of complaints from SMEs to be stable. We do not expect the proposed charging of professional representatives to affect demand in this area. |

| Complaint type | 2023/24 actual | 2024/25 budget | 2024/25 latest forecast | 2025/26 projected number | Trends we are monitoring and expecting to see in 2025/26 |
|---|---|---|---|---|---|
| Complaints about voluntary jurisdiction (VJ) participants | 13,200 | 13,000 | 12,700 | 13,000 | • We expect complaints about motor insurance against VJ participants to remain high, due to the higher costs and supply challenges around parts and labour. |
| Professionally represented cases received | 50,000 | 53,000 | 127,000 | 86,000 | • Latest forecasts for 2024/25 and 2025/26 reflect the significantly increased number of cases brought by professional representatives so far this year. We expect this to be offset by the impact of the proposed charging of professional representatives. |

To ensure forecast 2024/25 is comparable to budget, the product taxonomy in the table does not reflect the recent change announced in July 2024 of moving Life and Critical Illness Cover from Investments to Insurance.

# External regulatory factors which may impact demand

As part of the wider regulatory ecosystem, we work with the FCA and other organisations on issues of shared interest, including through the Wider Implications Framework .

Regulatory, political, and social factors affect demand for our service, and we expect there are a number of factors which may affect demand for our service over the coming year, including those in the areas of motor finance commission, Buy Now Pay Later and Consumer Duty.

## Motor finance commission

In 2023/24 we started to see the number of complaints relating to motor finance commission increase sharply. In January 2024, the FCA launched a review of historical motor finance discretionary commission agreements (DCAs). The review seeks to understand if there was widespread misconduct related to DCAs before the 2021 ban, if consumers have lost out and, if so, the best way to make sure appropriate compensation is paid in an orderly, consistent, and efficient way. A pause on DCA complaints was introduced and is in place until December 2025. Since then, we have continued to receive complaints about DCAs as a result of either cases predating the pause, or firms not responding within eight weeks or firms responding with a final response letter granting rights.

The 25 October 2024 Court of Appeal ruling on motor finance commission brought non-DCA cases into focus. Because of this, in November 2024 the FCA launched a consultation considering whether a pause on non-DCA cases (which includes fixed-rate and flat-fee commission cases) should also be put in place.

The vast majority of our MFC complaints can be categorised as either DCA or non-DCA complaints. These complaints account for a significant amount of our overall complaints stock and forecast. We have assumed, as the basis of preparation for our 2025/26 draft budget, that:

a. we continue to receive and accept complaints about motor finance commission (both DCA and non-DCA); and

b. we work these complaints as far as we can. This means we identify and resolve complaints where no commission is involved and, on those where commission is paid, collect information on the complaint to produce a factual summary.

This is the same approach that we currently have in place for dealing with motor finance complaints.

We have assumed we cannot resolve most motor finance commission complaints due to the FCA's ongoing review of the historic use of motor finance discretionary commission arrangements and ongoing legal action. This includes a judicial review into one of our final decisions (the outcome of which is still awaited) and a potential appeal to the Supreme Court following the Court of Appeal's judgment in Johnson v FirstRand Bank, handed down on 25 October 2024.

Until the outcome of litigation and the ongoing regulatory review on motor finance complaints is known, the route to resolve most motor finance complaints remains unclear. For example, it is possible that these complaints will continue to be resolved through the normal process with a proportion being referred to our organisation. Or the FCA may choose to take an alternative approach for the resolution of these complaints. By working complaints to the point of producing a factual summary, we have some preparation in place to help resolve them at pace in future, should we need to.

We will continue to assess the best way to manage motor finance commission complaints, taking into account new information (such as the outcome of litigation) as it becomes available. This may lead us to change how we handle motor finance commission cases. We are carefully considering potential alternative approaches. We will consider any such change against our statutory purpose to resolve complaints that fall within our remit quickly and informally, and on a fair and reasonable basis. Any alternative approach may impact our projected staff costs for 2025/26.

## Buy Now, Pay Later

In October 2024, the Government published a consultation setting out its plans for regulating the Buy Now, Pay Later market, which includes providing access to our service for consumers of these products.

Once the legislation is finalised, the FCA will consult in 2025 on proposed regulatory rules and their approach to authorising firms. The FCA has said that firms will then be given a period to prepare for the new rules before they come into effect. It is expected that the FCA will take on regulation of the sector 12 months after legislation is made after which we anticipate we will start to receive complaints.

Based on this timeline, we do not anticipate receiving complaints about newly regulated Buy Now, Pay Later products in 2025/26. So we have not made provision for complaints about Buy Now, Pay Later products in our budget for 2025/26. Work will take place over the year to better understand how the final scope of the rules may impact on demand for our service.

## Consumer Duty

The FCA Consumer Duty rules took effect for open products and services in July 2023 – and for closed products and services in July 2024. The Consumer Duty intends to drive up standards for businesses, which we believe, over time, might reduce the number of complaints reaching us.

The Consumer Duty is still embedding so, given the time it can take for complaints to reach our service, we are unlikely to be seeing the full impact of the duty at this stage. To date we have not seen the Consumer Duty directly increasing demand for our service, nor has it impacted the nature of the complaints we receive. We will continue to monitor the impact in the cases we are seeing.

### Key questions

1. **What volume and trends should we expect to see in complaints in 2025/26 in the following areas?**
   a. **Banking and consumer credit**
   b. **Insurance**
   c. **Investments and pensions**
   d. **SME volumes, CMC volumes and funeral plans**
2. **Which novel issues or trends might we see in 2025/26? And what impact do you think they will have on complaint volumes?**
3. **Do you agree with our projection on the percentage of complaints we will receive from professional representatives on behalf of consumers?**
4. **What challenges are you seeing and anticipating in connection with motor finance complaints while the regulatory review and legal appeal remain unresolved?**

# Service standards: what we expect to achieve

Our service standards help us maintain the quality of our decisions whilst significantly improving the pace at which we deliver those decisions to our customers.

### Figure 2: Key service standards measures and targets

| Key service standard measures | 2023/24 actual | 2024/25 budget | H1 2024/25 actual* | 2024/25 latest forecast | 2025/26 draft budget |
|---|---|---|---|---|---|
| % Complaints resolved within 3 months of conversion | 58% | 70% | 53% | 52% | 70% |
| % Complaints resolved within 6 months of conversion | 84% | 90% | 82% | 81% | 90% |
| % Complaints within stock which are able to be progressed > 12 months old | - | <1% | 7% | 4% | <1% |
| % Investigation quality overall score | 94% | 90% | 94% | 93% | 90% |
| Consumer Net Easy score | 48 | 50 | 41 | 42 | 50 |
| Consumer Confidence scores | 57% | 60% | 56% | 55% | 60% |

* Reflects most recent rolling quarter of conversions where the 3/6-month period has elapsed at the end of September 2024. All forecasts are for cases which can be progressed only, i.e., excluding MFC and other non-progressable cases.

Higher demand for our service has impacted our timeliness. MFC complaints are excluded from the service standard targets, but still affect our operational efficiency because we have to manage the administrative work associated with receiving them. This is despite the fact we cannot work on most of them for reasons noted in the sections above.

Timeliness is crucial to customers facing a financial problem. That means our timeliness performance also has an impact on Consumer Net Easy and Consumer Confidence scores.

It is a challenge to improve service standards and manage a higher volume of complaints at the same time. Nevertheless, we have plans in place to work towards achieving this. Investment in process improvements and technology help create casework capacity and capability. We are also investing in resources to scale up our casework capacity. It takes time to get people new to role up to a level of competency. In the short term, this slows down the pace of improving operational efficiency but, overall, enables a greater number of complaints to be resolved.

# Cases we expect to resolve by type of complaint

We anticipate resolving 270,000 complaints in 2025/26. This figure includes both the complaints received, as shown above, and unresolved complaints from previous years.

### Figure 3: We project to resolve 270,000 complaints in 2025/26

| Complaint type | 2023/24 actual | 2024/25 budget | 2024/25 latest forecast | 2025/26 projected number |
|---|---|---|---|---|
| MFC – DCA | - | 7,700 | - | 5,000 |
| MFC – non-DCA | 2,887 | 14,000 | 6,200 | 5,000 |
| Credit Cards | 21,252 | 25,200 | 52,100 | 66,100 |
| Other Banking and credit | 106,973 | 113,600 | 106,600 | 130,500 |
| **Total Banking and consumer credit** | **131,112** | **160,500** | **164,900** | **206,600** |
| Insurance | 44,629 | 46,900 | 44,200 | 49,600 |
| Investment and pensions | 15,753 | 17,100 | 15,400 | 13,200 |
| Other (including complaints originating from CMCs and funeral plans) | 583 | 500 | 500 | 600 |
| **Total** | **192,077** | **225,000** | **225,000** | **270,000** |
| SMEs | 1,100 | 1,200 | 1,300 | 1,500 |
| VJ participants | 13,200 | 13,000 | 12,400 | 13,000 |
| Professionally represented cases* | 37,592 | 56,250 | 74,250 | 89,100 |

* Forecast numbers are estimates.

# Unresolved complaints

Our 2024/25 budget of 225,000 resolved cases included 21,700 MFC case closures that have now been impacted by the FCA's ongoing review and so cannot all be resolved. We have therefore focused on an increased number of non-MFC case closures to deliver the total resolutions – an increase of over 30,000 resolved cases compared to 2023/24.

For 2025/26, we are planning to resolve 45,000 more cases compared to 2024/25, a total of 270,000. This will bring down closing stock for cases that can be progressed (by over 60,000) to 30,000 by the end of 2025/26. A significant number of cases (mainly relating to MFC) will remain. We do not expect to be able to progress these due to the impact of the FCA's review of the historic use of motor finance discretionary commission arrangements and ongoing legal action.

## Figure 4: Stock and investigator numbers

| Movement in stock | 2023/24 actual | 2024/25 budget | 2024/25 latest forecast | 2025/26 projected number |
|---|---|---|---|---|
| **Opening stock** | **70,951** | **80,903** | **80,903** | **150,400** |
| Incoming demand | 199,025 | 210,000 | 291,000 | 240,000 |
| Resolved cases | 192,077 | 225,000 | 225,000 | 270,000 |
| Other movements | 3,004 | - | 3,497 | - |
| **Closing stock** | **80,903** | **65,903** | **150,400** | **120,400** |
| Cases that can be progressed | 64,091 | 56,903 | 90,900 | 29,600 |
| Cases that cannot be progressed* | 16,812 | 9,000 | 59,500 | 90,800 |
| | | | | |
| **Average investigator FTE** | **1,428** | **1,515** | **1,524** | **1,812** |

* Cases cannot be progressed due to the impact of the FCA's review of the historic use of motor finance discretionary commission arrangements and ongoing legal action.

Our 2024/25 budget included ambitious plans to recruit investigators to backfill attrition and increasing our resources to c1,650 investigators by the end of March 2025. Given the higher demand and backlog trajectory, we have made changes to increase our recruitment capacity. We have also reduced the time existing casework staff spend on recruitment and training by appointing dedicated professionals to do this instead. The benefits of this will be critical for 2025/26 when we expect to need an even greater number of casework staff to support the delivery of 270,000 case resolutions.

# Sharing insight

Our work gives us insight into how complaints arise and how they might be avoided in the future. We share the insight we gain from resolving cases with financial businesses and other stakeholders to help them resolve complaints earlier and to prevent issues arising in the first place.

As part of the continual improvement of the data and insight we share, we recently introduced a data release providing a 15-month time series of complaint volumes. This allows for both short and longer-term analysis.

In addition, we have recently been piloting our respondent business portal and have gone live with a small group of early adopters. This portal provides both an efficient and secure way to interact with our service on individual cases, and provides businesses with greater access to the data we hold for those cases. Initial feedback has been positive, with pilot users particularly valuing access to data as a key feature. By making this information available, financial businesses can manage the cases they have with us more efficiently and better identify trends and patterns in the cases we are seeing. We will start rolling out the portal for all respondent businesses in early 2025.

As set out in our Plans and Budget consultation for 2024/25, we are developing a data strategy which will enable us to make the most of the unique data we hold and, at a high level, share it with the wider financial services ecosystem. We are putting in place the key enablers to support the ambitions in our data strategy. This includes redesigning our data collection and storage, and building data capabilities in-house, as well as ensuring data is secure and safeguarded.

We are interested in understanding how our data and insight could be used even more effectively to support the financial services sector to improve outcomes for customers.

### Key questions

5. **Do you agree that the service standards we have set out will help our customers? Are there areas where you think we should be more ambitious?**
6. **What more can we do to share insight to prevent complaints and unfairness from arising?**

# Our costs

Our total costs for 2025/26, including transformation costs, are projected to be £292m, almost £40m higher than our outlook for 2024/25 of £254m, driven primarily by an increase in investigator resource (see Figure 5).

### Figure 5: Summary of our key categories of costs

| Cost summary | 2023/24 actual £m | 2024/25 budget £m | 2024/25 latest forecast £m | 2025/26 draft budget £m |
|---|---|---|---|---|
| Casework marginal cost: direct cost of casework, primarily people cost | 135 | 163 | 153 | 183 |
| Casework overhead cost: casework management and direct support | 10 | 13 | 14 | 14 |
| Other overhead costs: IT, Property, HR, Finance, Legal, Communications | 69 | 76 | 78 | 84 |
| **Total operating expenditure** | **214** | **252** | **245** | **282** |
| Transformation: costs of step-changing the Financial Ombudsman Service | 8 | 13 | 8 | 11 |
| **Total cost** | **222** | **265** | **254** | **292** |

# Our operating expenditure

Casework marginal costs are planned to increase in 2025/26 by £30m from 2024/25. This is primarily because we require £34m for casework resource to deliver 45,000 additional resolutions, which is partially offset by £7m worth of net operational efficiencies. We are expecting to achieve a higher saving from operational efficiency, but this is reduced because of costs associated with:

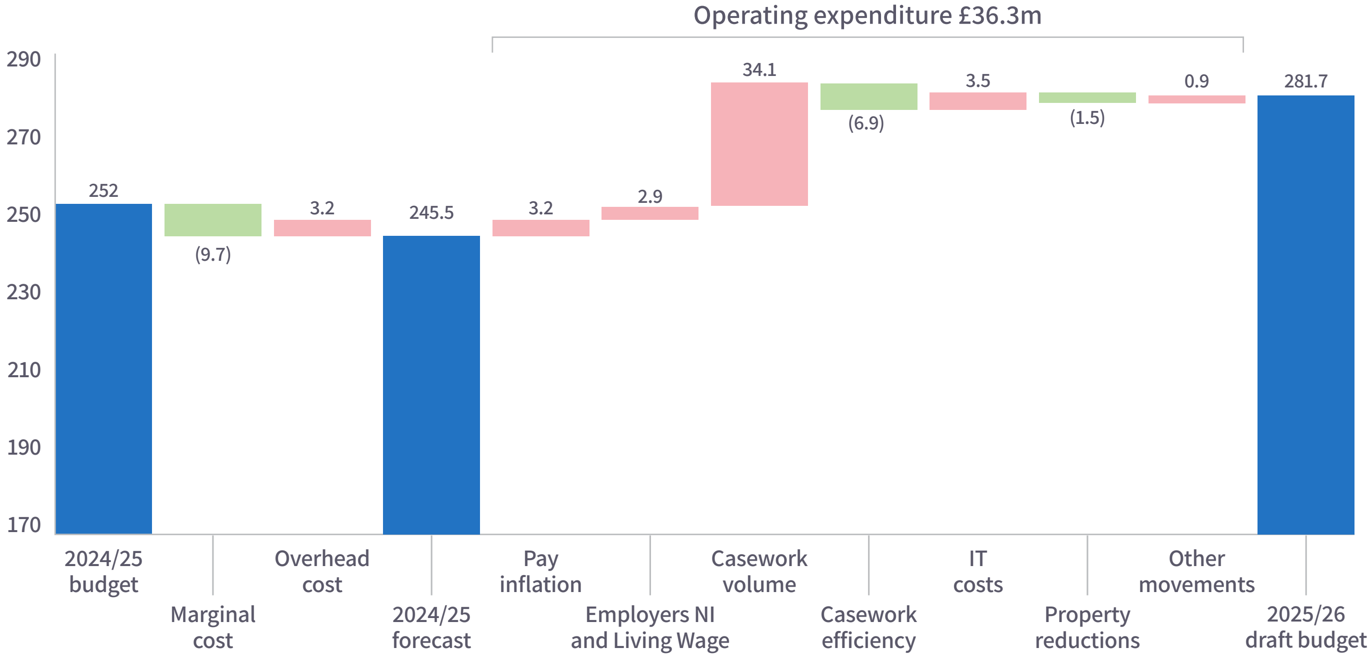
- training new caseworkers and getting them to full competency as we scale up casework resources to the levels we need, and
- processing the MFC complaints we expect to receive but will not be able to fully resolve.

Total overhead costs are expected to increase in 2025/26 by £6m from 2024/25, due to £2m for inflation; £2m investment in IT projects to support strategic cyber work and resolving technical debt; £1m increased core IT system software licence costs, due to higher casework FTE; the flow-through impact of contract renewals in 2024/25; and increased spend on public awareness.

Whilst our transformation programme results in efficiencies in casework activities we anticipate some additional overhead costs, such as those to support the new datasets and tools it generates. We estimate over 30% of these overhead costs will directly support casework rather than are broader organisational running costs.

Chart 2 summarises the key cost movements compared to our 2024/25 latest forecast.

Chart 2: Changes in operating expenditure in 2025/26 compared to 2024/25 latest forecast




# Our unit cost

Our unit cost, or cost per case, is the average cost of resolving a complaint. It is equal to operating expenditure (total cost excluding finance costs and transformation) divided by the number of case resolutions. This gives us a measure that best reflects our ongoing total operational cost.

Based on this measure, our reported unit cost has reduced year on year from £1,116 in 2023/24 to £1,082 in our latest outlook for 2024/25. To ensure we deliver value for money, we focus on reducing both the:

- marginal cost per case, and
- overhead cost per case components of total cost per case.

In the proposed 2025/26 budget the total cost per case is £1,044 – £38 lower than expected in our 2024/25 outturn. This reduction results from efficiencies delivered by our transformation and other change initiatives.

# Transformation of our service

Our customer experience strategy is centred on ensuring that everyone who uses our service feels that they have a better outcome on their case or are better informed. Our transformation initiatives are aligned to delivering this strategy, with the impact of these changes flowing through to improvements in our service standards and operational efficiency – including cost reduction.

Our transformation portfolio has been designed to address timeliness as a priority, while also improving our position against other service standards. For most of the enquiries and complaints we handle, the timeliness of resolving a complaint is driven by two main factors:

1. **Our own activity in resolving the case**, for example, the time it takes to log an enquiry, assign a case to a team member, review an evidence file, or write a view or a decision. By streamlining these activities, our caseworkers can progress more complaints, creating extra capacity, and we can reduce recruitment needs which leads to a reduction in overall cost. Given we expect to have an increasing volume of complaints in 2025/26, we plan to leverage the extra capacity.

2. **The activity required of our complainant or respondent businesses**, such as the time it takes them to provide further evidence, request a referral, or confirm they accept a view or (in the case of a complainant) whether they accept decision, and any lag in following up after these activities. For example, we may receive further evidence on a Sunday, which would not be actioned before the next working day. This is the time that has elapsed overall, which we generally refer to as 'dwell time'. On average, this dwell time currently accounts for around 90% of the overall resolution time of cases. We are trying to reduce this dwell time to improve our timeliness, as well as reducing the friction in our overall process from a customer's perspective.

Our budget also includes investment for other core capabilities, such as enhanced data capability – which is necessary for improved insight sharing as well as being foundational for other initiatives – and refreshing our billing system to support more flexible future funding models.

The budgeted transformation investment for 2025/26 is c.£11m, a similar value to that forecast for 2024/25 (including capitalised costs). We have included a net £7m incremental cost reduction in 2025/26 from operational efficiencies (with £11m forecast for 2024/25). However, the underlying operational efficiency from transformation and related performance management is £19m in 2025/26. This is because there is an offset of £12m to this, from the time to competency of scaling up and impact of processing MFC cases that we do not expect to complete to resolution in 2025/26. The annualised benefit of transformation in the past three years, for projects completed as at the end of 2025/26, is budgeted to be £21m, from an investment of £30m.

## Creating casework capacity and improving productivity

By the end of 2024/25 we will have provided our caseworkers with tools to help them complete activities more quickly or automate the activities entirely. This includes Activity Based Management (ABM) tooling for our investigators and ombudsmen. ABM drives focus towards activities which best deliver for our customers, and tooling to allocate cases as soon as possible to appropriately skilled caseworkers.

Additionally, for 2025/26 to assist caseworkers we will introduce tools which enhance the way we gather information at the start of a case. This will use intelligent automation to:

- label, categorise and chase documentation
- provide investigators with a case summary and suggested prompts for consideration
- provide enhanced knowledge management

To ensure we can continue to recruit from a wide talent pool and build our resilience, we are establishing a more permanent presence for all our locations, using cost-efficient routes such as the managed-service office now in place in Manchester.

## Reducing friction for our customers

A number of our transformation activities are aimed at reducing the friction in our processes. By the end of 2024/25 we will have:

- a refreshed online journey for our customers, making it easier for them to provide the information we need to consider their complaint – and to help manage expectations up front
- a new online form for professional representatives to use when bringing cases to us. This structured form helps representatives know what information we will need to progress the case, reducing the time spent getting this right
- an online portal for respondent businesses, which has been launched with a small group of early adopters, ready to roll out more widely. This portal will allow respondent businesses to self-serve on individual cases with us and access tailored data and insight across their whole caseload

- a consumer online portal, which will build on the work we have already completed to improve the customer digital journey and introduce enhanced file-sharing and messaging capability

Additionally, in 2025/26 we will deliver:

- tooling which supports the customer when making a complaint, by letting them know which documents we need and automatically keeps them informed of progress
- our decision framework for key case types in a form that can be shared with external stakeholders more widely, so that our approach to considering complaints is clear and transparent

The transformation investment has, and will continue to, improve our overall service, to ensure we are adapting to the changing nature of financial services and driving sustainable efficiencies across the casework journey.

## Changes to the financial service redress landscape

On 15 November we launched a joint Call for Input with the FCA. This looks at ways to modernise the financial services redress system, as well as how the Financial Ombudsman and the FCA work together. Our transformation programme is designed to build a service which is fit for the current and future financial services eco-system. A key part of our programme is a review of the Dispute Resolution (DISP) rules which govern our service and haven't been reviewed in over ten years. As such, we are pleased to have the opportunity to work with the FCA and Treasury to take forward ideas to modernise the redress framework we operate in, while still ensuring we are able to provide a vital service for our customers. The deadline for responses to the Call for Input is 30 January 2025. We expect to work closely with the FCA, Treasury and stakeholders throughout 2025/26 on next steps, including a publication in the first half of 2025.

### Key questions

7. **Have we captured the right priority areas in our transformation programme to drive both an improved customer experience and value for money?**
8. **What other areas should we consider in our transformation programme?**

# Our funding

A key principle underpinning our funding model is to ensure we get the right balance between being able to recover our costs sustainably, holding an appropriate level of reserves and ensuring we offer value for money through efficiencies.

Our continued priority is to drive operational efficiencies from transformation investment while maintaining quality of service, and to scale up our casework resources to ensure we can resolve complaints in a timely manner. Our recurring costs will ultimately be lower following delivery of operational efficiencies (on a like-for-like basis when adjusted for complaint volume). This means we will be able to deliver better value for money on a sustainable basis and operate on lower relative funding levels.

We are therefore proposing no changes to our CJ levy (which will remain at £70m), case fee for respondents (remaining at £650) or VJ levy (remaining at £0.5m). Respondent firms are therefore saving c.£70m total per annum in 2025/26 compared to pricing in 2023/24. This is due to respondent firms continuing to benefit from £65m per annum reduction from the pricing reductions applied in 2024/25 (£40m from a levy reduction and £25m from case fee reduction), plus £5m per annum as no inflation is applied.

Our overall income is c.£30m higher than 2024/25, this includes:

- case-fee income is budgeted to increase by £27m as a result of a 45,000 increase in resolved cases.
- an estimated income of £3m for charging professional representatives has been included. As noted above, at the time of publishing this consultation we have not yet made final rules because the Statutory Instrument has only recently been approved by Parliament. We anticipate publishing a full policy statement setting out our final decision, final rules and a proposed implementation pathway, as soon as we can, subject to consent being obtained from the FCA. To provide clarity to consultees, we think the inclusion of income from charging professional representatives is the most reasonable basis on which to consult on our plans and budget for 2025/26.
- a sublet agreement starting in Q4 2024/25 for one floor in our Exchange Tower office generates £2m of additional income to cover our running costs.
- other changes, including an amount for income provision, net to a £2m reduction.

In practice, and on the assumption that professional representatives will become liable to pay a fee from 2025/26, this will mean:

- complaints submitted directly by consumers, not-for-profit advice services, charities and informal representatives (such as friends and family) would attract no case fee aside from the one chargeable to the respondent firm, at £650, for cases exceeding the three free cases per financial year threshold.
- a £250 maximum case fee would be charged to the CMC or other professional representative on referral of a case to us that exceeds the ten free cases per financial year threshold.
- if the case is determined in favour of the CMC or other professional representative’s client, we will provide a credit of £175 to the CMC/professional representative with a £650 case fee payable by the respondent firm.
- if the case is closed, other than being determined in favour of the CMC or professional representative’s client, no credit will be provided to the CMC/professional representative, but the fee payable by the respondent firm will be reduced by £175 to £475.

We will continue to monitor the efficacy of our funding model proposed for 2025/26.

Whilst our current billing system has been fit for purpose to support simple case-fee charging, in anticipation that the implementation of our data strategy – which is currently in progress – will support robust data points that could be used for more sophisticated billing in future years, we have included investment in the 2025/26 transformation budget to implement an updated billing system.

# FEES rules instrument

In the Appendix, we include a draft of the rules instrument setting out the amendments to the FEES rules for 2025/26 which we are proposing.

As noted above, we have prepared our Plans and Budget on the assumption that during the next financial year professional representatives will – subject to consent being obtained from the FCA – become liable to pay case fees on the basis which we consulted on in May 2024.

For this reason, the draft instrument in the Appendix sets out both:

(i) the rule changes to the FEES manual which would be needed to give effect to this, and

(ii) the rule changes to the calculation of the special case fee for charging groups in FEES 5 Annex 3R, which would be needed to reflect our plan to resolve 270,000 complaints in 2025/26. This way the draft instrument illustrates, in one place, what both sets of rule changes would look like, read together, if our Board makes them.

In addition, as can be seen from the draft instrument in the Appendix, we are proposing to delay the commencement of a change to the way the Voluntary Jurisdiction is calculated. We consulted on this last year and it is currently due to come into force on 1 April 2025.

As a reminder, last year, the FCA consulted on proposals to widen the definition of 'relevant business' to cover business conducted with all eligible complainants to the Financial Ombudsman Service – not just consumers (as it is currently defined). The rule change, as enacted by the FCA, was due to come into force on 1 April 2025. It would have meant that the revised definition would apply in relation to the data that CJ firms would have to report, and the basis on which their CJ levy would be calculated, for the 2026/27 financial year onwards.

The definition of 'relevant business' is also adopted into the Voluntary Jurisdiction (VJ) for the purposes of calculating the VJ levy. As such, last year we also consulted on adopting the FCA's amendment to the definition of 'relevant business' into the VJ. This change was also due to come into force on 1 April 2025. It would have affected the data that VJ firms would have to report to us, and the basis on which their VJ levy would be calculated, for the 2026/27 financial year onwards.

However, the FCA are proposing to delay this change by a year. The change will now come into force on 1 April 2026, impacting the nature of the data to be reported from the 2026/27 financial year onwards, and the calculation of the CJ levy from the 2027/28 financial year onwards.

Because the same definition of 'relevant business' is adopted into the VJ for the purposes of calculating the VJ levy, we are proposing to (and consulting on) delaying the start of the amendment to the definition of 'relevant business' by a year to 1 April 2026 for the VJ.

This would mean that the change to the definition would come into force on 1 April 2026 and impact both the data that VJ participants must report to us, and the calculation of the VJ levy with effect from the 2027/28 financial year. For example, to enable calculation of the VJ levy for 2027/28, VJ participants would have to report the size of their relevant business as at the year ending 31 December 2026, (by the end of February 2027) in accordance with the amended definition for that term.

We would welcome the views of VJ participants on this proposal, which is also reflected in the draft rules instrument in the Appendix.

## Our reserves

Based on our demand and funding projections, plus our operating costs and transformation investments, we anticipate closing 2024/25 with a deficit of £35m and 2025/26 with a deficit of £47m. The in-year deficit is by deliberate design, for us to use our surplus reserves to improve the customer experience and value for money. The summary of the proposed use of surplus reserves in 2025/26 is shown in Figure 6. By the end of 2025/26, the surplus reserves level will be at 3.2 months of operating expenditure, within our policy of between three to five months.

### Figure 6: Reserves movement in 2025/26 budget

| | Marginal £m | Overhead £m | Total £m |
|---|---|---|---|
| Income at 2023/24 prices | 192 | 111 | 303 |
| Price reductions from 1 April 2024 | (23) | (38) | (61) |
| Income | 169 | 73 | 242 |
| Operating expenditure excluding transformation | (183) | (99) | (282) |
| **Net operating (deficit)** | **(14)** | **(26)** | **(40)** |
| Transformation investment | | | (10) |
| Net financing | | | 3 |
| **Net deficit** | | | **(47)** |

### Key questions

9. Do you support our proposal to:
    a. Not increase our case fee or CJ levy for respondent firms?
    b. Not increase our VJ levy for respondent firms and delay introduction of ‘relevant business’ definition change to 1 April 2026?
10. Do you support our proposed budget for 2025/26?
11. Do you feel we are offering value for money? If not, where do you think we could improve?

# Financial summary

| Financial summary | 2023/24 actual £m | 2024/25 budget £m | 2024/25 latest forecast £m | 2025/26 draft budget £m | 2025/26 draft budget against latest forecast £m |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Case fees | 90.3 | 87.7 | 99.8 | 123.1 | 23.3 |
| Group fees | 49.6 | 44.9 | 39.2 | 46.1 | 6.9 |
| Levies and other income | 111.0 | 70.6 | 73.1 | 72.5 | (0.6) |
| **Total income** | **250.9** | **203.2** | **212.0** | **241.7** | **29.6** |
| **Expenditure** | | | | | |
| Casework marginal costs | 134.7 | 163.1 | 153.4 | 183.4 | (30.0) |
| Casework overhead costs | 10.2 | 13.4 | 14.3 | 14.4 | (0.1) |
| IT costs incl. investments | 28.0 | 33.0 | 30.9 | 34.8 | (3.9) |
| Premises and facilities | 13.8 | 13.4 | 13.9 | 12.5 | 1.5 |
| Other costs | 27.6 | 29.2 | 32.9 | 36.6 | (3.7) |
| **Total operating expenditure** | **214.3** | **252.0** | **245.5** | **281.7** | **(36.3)** |
| **Operating surplus/(deficit)** | **36.6** | **(48.8)** | **(33.5)** | **(40.1)** | **(6.6)** |
| Finance income | 10.9 | 8.7 | 9.7 | 4.6 | (5.2) |
| Finance costs | (1.7) | (0.3) | (0.4) | (0.2) | 0.1 |
| Corporation tax | (2.4) | (2.2) | (2.5) | (1.1) | 1.3 |
| Transformation costs | (7.7) | (13.0) | (8.3) | (10.5) | (2.2) |
| **Financial surplus/(deficit)** | **35.6** | **(55.5)** | **(34.9)** | **(47.4)** | **(12.5)** |
| Reserves | 158.4 | 102.8 | 123.5 | 76.1 | (47.4) |
| Capital expenditure | 0.5 | 2.2 | 2.2 | - | 2.2 |
| **Operational data** | | | | | |
| **Closing FTE** | 2,709 | 2,870 | 3,270 | 3,421 | 151 |
| **Total new cases (k)** | 199.0 | 210.0 | 291.0 | 240.0 | 51.0 |
| **Total case resolutions (k)** | 192.1 | 225.0 | 225.0 | 270.0 | 45.0 |
| **Closing stock (k)** | 80.9 | 65.9 | 150.4 | 120.4 | 30.0 |
| **Income per case (£)** | 1,306 | 903 | 942 | 895 | (47) |
| **Operating expenditure per case (£)** | 1,116 | 1,080 | 1,082 | 1,044 | 38 |
| **Reserves – months of expenditure** | 8.9 | 4.9 | 6.0 | 3.2 | (2.8) |

# Appendix

## FEES MANUAL (FINANCIAL OMBUDSMAN SERVICE REPRESENTATIVE CASE FEES) INSTRUMENT 2025

**Powers exercised by the Financial Ombudsman Service Limited**

A. The Financial Ombudsman Service Limited:

(1) amends the coversheet and Annex C to the Financial Ombudsman Service Case Fees and Voluntary Jurisdiction Levy 2024/25: Fees and Dispute Resolution: Complaints (Amendments) Instrument 2024 (FOS 2024/1),

as set out in Annex A to this instrument; and

(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 Annexes B to D to this instrument; and

(1) makes and amends the rules and guidance for the Voluntary Jurisdiction; and
(2) fixes and varies the standard terms for Voluntary Jurisdiction participants,

to incorporate the amendment to FEES 5.4.4G made by the Financial Conduct Authority in the Application and Periodic Fees (2025/26) Instrument 2025,

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 (The Ombudsman Scheme);
(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 the making and amendment of the rules and approves the making and amendments to the standard terms, as set out in the Annexes to this instrument.

**Commencement**

D. This instrument comes into force on [*date*], except for Annex A, which comes into force on the making of this instrument.

**Amendments to the Handbook**

E. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended by the Board of the Financial Ombudsman Service Limited in accordance with the Annexes to this instrument listed in column (2):

| (1) | (2) |
|---|---|
| Glossary of definitions | Annex B |
| Fees manual (FEES) | Annex C |
| Dispute Resolution: Complaints sourcebook (DISP) | Annex D |

**Notes**

F. In the Annexes to this instrument, the notes (indicated by "*Editor's note*:") are included for the convenience of readers but do not form part of the legislative text.

**Citation**

G. This instrument may be cited as the Fees Manual (Financial Ombudsman Service Representative Case Fees) Instrument 2025.

By order of the Board of the Financial Ombudsman Service Limited
[*date*]

By order of the Board of the Financial Conduct Authority
[*date*]

## Annex A

## FOS 2024/1 Instrument Coversheet and Annex C

This Annex comes into force on the making of this instrument.

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

The Handbook instrument "The Financial Ombudsman Service Case Fees and Voluntary Jurisdiction Levy 2024/25: Fees and Dispute Resolution: Complaints (Amendments) Instrument 2024" is amended as shown below.

Coversheet:

**Commencement**

D. This instrument comes into force on 1 April 2024, except for Annex C, which comes into force on 1 April ~~2025~~ 2026.

Annex C:

**Comes into force on 1 April ~~2025~~ 2026**

…

## Annex B

## Amendments to the Glossary of definitions

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

| | |
|---|---|
| *complainant representative* | a person specified under regulation 3 of The Financial Services and Markets Act 2000 (Ombudsman Scheme) (Fees) Regulations 2024 [*Editor's note*: add SI number]. |

## Annex C

## Amendments to the Fees manual (FEES)

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

### 5 Financial Ombudsman Service Funding

…

### 5.5B Case fees

…

Standard case fee

5.5B.12 R ~~A~~ Subject to *FEES* 5.5B.12AR, a *respondent* must pay to the *FOS Ltd* the standard case fee specified in *FEES* 5 Annex 3R Part 1 in respect of each *chargeable case* relating to that *respondent* which is closed by the *Financial Ombudsman Service* during a *financial year* (regardless of when the *chargeable case* was referred to the *Financial Ombudsman Service*), unless the *respondent* is identified as part of a *charging group* as defined in *FEES* 5 Annex 3R Part 3.

5.5B.12A R Where a *chargeable case* is closed by the *Financial Ombudsman Service* during a *financial year* in circumstances:

(1) where the *complaint* was referred to the *Financial Ombudsman Service* on or after [*Editor's note*: insert date];

(2) where a *complainant representative* was representing the complainant in relation to that *complaint*; and

(3) other than having been determined in favour of the complainant (whether in whole or in part),

the *respondent* to which that *chargeable case* relates must instead pay to the *FOS Ltd* the reduced standard case fee specified in *FEES* 5 Annex 3R Part 1 in respect of each such *chargeable case*, unless the *respondent* is identified as part of a *charging group* as defined in *FEES* 5 Annex 3R Part 3.

…

Late payment of case fees

5.5B.25 R If a *respondent* does not pay a case fee payable under *FEES* 5.5B in full to the *FOS Ltd* before the end of the date on which it is due, that *respondent* must pay to the *FOS Ltd* in addition:

(1) ~~an administrative fee of £250; plus~~ [deleted]

(2) interest on any unpaid amount at the rate of 5% per annum above the Official Bank Rate from time to time, accruing on a daily basis from the date on which the amount concerned became due~~.~~; and

(3) an administrative fee of up to 25% of the amount outstanding at that time, in the event the *FOS Ltd* needs to take steps to recover any amounts payable to it under *FEES* 5.5B.

…

Time limit for making a claim for the remission or repayment of case fees

…

5.5B.29 R …

5.5B.30 R 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 reduce or remit all or part of the case fee in question which would otherwise be payable.

Insert the following new section, FEES 5.5C, immediately after FEES 5.5B (Case fees). The text is all new and is not underlined.

## 5.5C Representative case fees

Application

5.5C.1 R *FEES* 5.5C applies to a *complainant representative* in relation to a *complaint* referred to the *Financial Ombudsman Service*.

5.5C.2 G *FEES* 5.5C does not apply to the *Voluntary Jurisdiction*.

Purpose

5.5C.3 G *FEES* 5.5C sets out when a *complainant representative* that is representing a complainant must pay fees in respect of *complaints* referred to the *Financial Ombudsman Service*.

5.5C.4 G The amount of the representative case fee will be subject to consultation each year.

Representative case fee

5.5C.5 R (1) Subject to *FEES* 5.5C.6R, a *complainant representative* must pay to the *FOS Ltd* a representative case fee of £250 in respect of a *complaint* which is referred to the *Financial Ombudsman Service* on or after [*Editor's note*: insert date].

(2) A representative case fee payable pursuant to paragraph (1) must be paid:

(a) at the time a *complaint* is referred to the *Financial Ombudsman Service* if the *complainant representative* is representing the complainant at the time the *complaint* is referred; or

(b) subject to paragraph (3) below, at the time a *complainant representative* begins to represent the complainant in respect of a *complaint* that has already been referred to the *Financial Ombudsman Service*.

(3) A *complainant representative* will not be liable to the representative case fee under paragraph (1) above if:

(a) the representative case fee in relation to the *complaint* has been paid by a *complainant representative* who was previously representing the complainant in respect of the same *complaint*; or

(b) the *complainant representative* is acting entirely pro bono in relation to the *complaint*.

5.5C.6 R A *complainant representative* will, in any *financial year*, only be liable for, and the *FOS Ltd* will only invoice for, the representative case fee under *FEES* 5.5C.5R in respect of the 11th and subsequent *complaints* that are referred to the *Financial Ombudsman Service*.

5.5C.7 G *FEES* 5.5C.5R(3)(b) applies where a *complainant representative* is representing the complainant without any fees or charges becoming payable by the complainant in any circumstance.

5.5C.8 R In relation to any *complaint* which is closed by the *Financial Ombudsman Service* having been determined in favour of the *complainant* (whether in whole or in part), the *FOS Ltd* will credit the amount of £175 to the *complainant representative*.

5.5C.9 R A *complainant representative* must pay to the *FOS Ltd* any representative case fee which it is liable to pay under *FEES* 5.5C and which is invoiced by the *FOS Ltd* within 30 calendar *days* of the date when the invoice is issued by the *FOS Ltd*.

5.5C.10 R If, at the end of the *financial year*, the amount standing in credit to the *complainant representative* under *FEES* 5.5C.8R exceeds the amounts invoiced under *FEES* 5.5C.9R which remain unpaid (including any interest or administrative fee due under *FEES* 5.5C.11R), the *FOS Ltd* will repay the difference between the 2 amounts to the *complainant representative* by credit transfer within 30 calendar *days* of the *complainant representative* notifying the *FOS Ltd* of its account details.

Late payment of representative case fee

5.5C.11 R If a *complainant representative* does not pay a representative case fee payable under *FEES* 5.5C in full to the *FOS Ltd* before the end of the date on which it is due, that *complainant representative* must pay to the *FOS Ltd* in addition:

(1) interest on any unpaid amount at the rate of 5% per annum above the Official Bank Rate from time to time, accruing on a daily basis from the date on which the amount concerned became due; and

(2) an administrative fee of up to 25% of the amount outstanding at that time, in the event the *FOS Ltd* needs to take steps to recover any amounts payable to it under *FEES* 5.5C.

5.5C.12 G The *FOS Ltd* may take steps to recover any amount owed to it (including interest).

Time limit for making a claim for the remission or repayment of representative case fees

5.5C.13 R No claim for the remission or repayment of all or part of the representative case fee under *FEES* 5.5C (or any interest or administrative fee due under *FEES* 5.5C.11R 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*).

5.5C.14 R The *FOS Ltd* may allow a claim to be made outside the time limits prescribed in *FEES* 5.5C.13R if it is satisfied that the failure to make a claim within the time limits prescribed was as a result of exceptional circumstances.

5.5C.15 R If it appears to the *FOS Ltd* that in the exceptional circumstances of a particular case the payment of any representative case fee under *FEES* 5.5C would be inequitable, the *FOS Ltd* may reduce or remit all or part of the representative case fee in question which would otherwise be payable.

Amend the following as shown.

**5 Annex 2R Annual Levy Payable in Relation to the Voluntary Jurisdiction ~~2024/25~~ 2025/26**

…

**5 Annex 3R Case Fees Payable for ~~2024/25~~ 2025/26**

Part 1 – Standard case fees

| | Standard case fee |
|---|---|
| In the:<br>Compulsory jurisdiction and Voluntary jurisdiction | £650<br>unless it is a *not-for-profit debt advice body* with *limited permission* in which case the amount payable is £0 |
| | Reduced standard case fee |
| In the:<br>Compulsory jurisdiction (where *FEES* 5.5B.12AR applies) | £475<br>unless it is a *not-for-profit debt advice body* with *limited permission* in which case the amount payable is £0 |

…

| **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*:<br>Barclays Asset Management Limited<br>Barclays Bank Plc<br>Barclays Bank UK Plc<br>Barclays Capital Securities Limited<br>Barclays Insurance Services Company Limited<br>Barclays Investment Solutions Limited<br>Barclays OCIO Services Limited<br>Barclays Private Clients International Limited<br>Barclays Security Trustee Limited<br>Barclays Sharedealing<br>Barclays Stockbrokers Limited<br>Clydesdale Financial Services Limited<br>Firstplus Financial Group Plc<br>Gerrard Financial Planning Ltd<br>Oak Pension Asset Management Limited<br>Standard Life Bank Plc<br>Woolwich Plan Managers Limited |

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

| | |
|---|---|
| 3 | Lloyds Banking Group, comprising the following *firms*:<br>Aberdeen Investment Solutions Limited<br>AMC Bank Ltd<br>Bank of Scotland (Ireland) Limited<br>Bank of Scotland Plc<br>Black Horse Finance Limited<br>Black Horse Limited<br>BOS Personal Lending Limited<br>Cavendish Online Limited<br>Cheltenham & Gloucester plc<br>Clerical Medical Financial Services Limited<br>Clerical Medical Investment Fund Managers Ltd<br>Clerical Medical Investment Group Limited<br>Clerical Medical Managed Funds Limited<br>EBS Pensions Limited<br>Embark Investment Services Ltd<br>Embark Investments Ltd<br>Embark Services Ltd<br>Halifax Assurance (Ireland) Limited<br>Halifax Financial Brokers Limited<br>Halifax General Insurance Services Limited<br>Halifax Insurance Ireland Ltd<br>Halifax Investment Services Ltd<br>Halifax Life Limited<br>Halifax Share Dealing Limited<br>HBOS Investment Fund Managers Limited<br>Housing Growth Partnership Manager Limited<br>HVF Limited<br>Hyundai Car Finance Limited<br>International Motors Finance Limited<br>Invista Real Estate Investment Management Limited<br>IWeb (UK) Limited<br>LDC (Managers) Limited<br>Legacy Renewal Company Limited |

| | |
|---|---|
| | Lex Autolease Ltd<br>Lex Autolease Carselect Limited<br>Lex Vehicle Leasing Ltd<br>Lloyds Bank Corporate Markets Plc<br>Lloyds Bank General Insurance Limited<br>Lloyds Bank Insurance Services Limited<br>Lloyds Bank Plc<br>Lloyds Bank Private Banking Limited<br>Lloyds Development Capital (Holdings) Limited<br>Lloyds TSB Financial Advisers Limited<br>Loans.co.uk Limited<br>MBNA Limited<br>NFU Mutual Finance Limited<br>Pensions Management (SWF) Limited<br>Scottish Widows Administration Services Limited<br>Scottish Widows Annuities Limited<br>Scottish Widows Bank Plc<br>Scottish Widows Fund Management Limited<br>Scottish Widows Limited<br>Scottish Widows plc<br>Scottish Widows Schroder Personal Wealth (ACD) Limited<br>Scottish Widows Schroder Personal Wealth Limited<br>Scottish Widows Unit Funds Limited<br>Scottish Widows Unit Trust Managers Limited<br>Shogun Finance Limited<br>St Andrew’s Insurance plc<br>St Andrew’s Life Assurance Plc<br>Sterling ISA Managers Ltd<br>Suzuki Financial Services Limited<br>SW Funding plc<br>The Mortgage Business Plc<br>United Dominions Trust Limited |

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

| | |
|---|---|
| | Aviva Investors Global Services Limited<br>Aviva Investors Pensions Limited<br>Aviva Investors UK Funds Limited<br>Aviva Investors UK Fund Services Limited<br>Aviva Life & Pensions UK Limited<br>Aviva Life Services UK Limited<br>Aviva Pension Trustees UK Limited<br>Aviva UK Digital Limited<br>Aviva Wrap UK Limited<br>Bankhall Support Services Limited<br>CGU Bonus Limited<br>CGU Underwriting Limited<br>Commercial Union Life Assurance Company Limited<br>Friends Annuities Limited<br>Friends Life and Pensions Limited<br>Friends Life FPLMA Limited<br>Friends Life Funds Limited<br>Friends Life Investment Solutions Limited<br>Friends Life Limited<br>Friends Life Marketing Limited<br>Friends Life Services Limited<br>Friends Provident International Limited<br>Gresham Insurance Company Limited<br>Hamilton Life Assurance Company Limited<br>Hamilton Insurance Company Limited<br>Norwich Union Life (RBS) Limited<br>Scottish Boiler and General Insurance Company Ltd<br>Sesame Limited<br>The Ocean Marine Insurance Company Limited |
| 6 | Direct Line Group, comprising the following *firms*:<br>Churchill Insurance Company Limited<br>UK Insurance Business Solutions Limited<br>UK Insurance Limited |
| 7 | Nationwide Building Society Group comprising the following *firms*: |

| | |
|---|---|
| | Cheshire Building Society<br>Derbyshire Building Society<br>Derbyshire Home Loans Ltd<br>E-Mex Home Funding Limited<br>Nationwide Building Society<br>Nationwide Independent Financial Services Limited<br>Portman Building Society<br>The Mortgage Works (UK) Plc<br>UCB Home Loans Corporation Ltd |
| 8 | Santander Group, comprising the following *firms*:<br>Abbey Stockbrokers Limited<br>Cater Allen Limited<br>Hyundai Capital UK Limited<br>Santander Cards UK Limited<br>Santander Consumer (UK) Plc<br>Santander Financial Services Plc<br>Santander ISA Managers Limited<br>Santander UK Plc |

| | |
|---|---|
| **Part 4 – Special case fees** | |
| The special case fee shall be calculated and paid as follows: | |
| … | |
| 3 | The special case fee for each *charging group* is a total amount calculated as follows: |
| | {£650 x ~~225,000~~ <u>270,000</u> x the 'Proportion Z'} |
| 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*:<br>(1) 1 April (or, if later, when *FOS Ltd* has sent the invoice);<br>(2) 1 July;<br>(3) 1 October; and<br>(4) 1 January. |
| 5 | Year-end adjustment: |

| | |
|---|---|
| | ... |
| | (2) If, had they been liable to standard case fees as provided under *FEES* 5.5B.12R and FEES 5.5B.12AR, the ~~actual number of~~ standard case fees that *group respondents* would have been charged in respect of *chargeable cases* closed by the *Financial Ombudsman Service* ~~in respect of *group respondents*~~ during the *financial year* is of an amount that is more than 105% of {£650 x ~~225,000~~ 270,000 x the 'Proportion Z'}:<br>(a) the *FOS Ltd* will invoice the *relevant charging group* for; and<br>(b) the relevant *charging group* will pay to *FOS Ltd*;<br>~~an additional £65,000 for each block of 100 (or part thereof) closed *chargeable cases*~~ the amount that is over the 105%. |
| | (3) If, had they been liable to standard case fees as provided under *FEES* 5.5B.12R and FEES 5.5B.12AR, the ~~actual number of~~ standard case fees that *group respondents* would have been charged in respect of *chargeable cases* closed by the *Financial Ombudsman Service* ~~in respect of *group respondents*~~ during the *financial year* is of an amount that is less than 95% of {£650 x ~~225,000~~ 270,000 x the 'Proportion Z'}, the *FOS Ltd* will promptly repay to the relevant *charging group* ~~£65,000 for each block of 100 (or part thereof) closed *chargeable cases*~~ the amount that is under the 95%. |

## Annex D

## Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

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

**4 Standard terms**

…

**4.2 Standard terms**

…

Determinations and awards

…

4.2.6 R The following provisions and *rules* in *FEES* apply to *VJ participants* as part of the *standard terms*, but substituting '*VJ participant*' for '*firm*' and 'annual levy specified in *FEES* 5 Annex 2R' for '*general levy*':

…

(7) *FEES* 5.5B (case fees)~~;~~, except *FEES* 5.5B.12AR;

…

…

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Financial Ombudsman Service

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Claims Management Ombudsman a Financial Ombudsman service