



Financial  
Ombudsman  
Service

# our plans for the year ahead

2018/2019

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# about us

**We were set up by Parliament to resolve individual complaints between financial businesses and their customers – fairly, reasonably, quickly and as informally as possible. We can help with most types of problems – from payday loans to pensions, and from pet insurance to PPI.**

If a business and their customer can't resolve a problem themselves, we can step in to sort things out. Independent and unbiased, we'll get to the heart of what's happened – and reach a fair, pragmatic answer that helps both sides move on.

If we decide the business has acted fairly – or there's just been a misunderstanding – we'll explain how things stand. But if someone's been treated unfairly, we'll use our powers to make sure the business puts things right. That could involve anything from amending a credit file to reducing loan repayments, and from settling an insurance claim to correcting a pension.

Since we were set up, we've seen the impact of financial concerns and complaints on people from all sorts of backgrounds and livelihoods. We're committed to sharing our insight and experience to encourage fairness and confidence in financial services.



- In chapter one, we explain the plans and commitments we're making in 2018/2019 for our customers and our service, our reach and our impact, as well as for our own people.
- In chapter two, there's more detail about the complaints we expect to receive and resolve in 2018/2019, and how we'll fund our work.
- And in chapter three, we summarise and respond to the feedback we received to our public consultation.

# chief ombudsman's foreword

**I'm really grateful for the way our stakeholders have engaged with our proposed plans and budget for 2018/2019. Given the challenges and complexities ahead, different perspectives are especially welcome – whether they're from people who use and fund our service, or those who take an interest in what we do. This feedback has helped inform our final plans for the year ahead, which we've set out here.**

Based on our own forecasting, together with information we've received from our stakeholders, we expect to receive 380,000 new complaints – of which 220,000 will be about payment protection insurance (PPI). And we expect to resolve 410,000 complaints, including 250,000 about PPI.

As we highlighted in our consultation, following the Supreme Court's judgment in the case of *Plevin v Paragon Personal Finance Ltd*, we'll need to look into the level of undisclosed commission on PPI policies – in addition to considering whether there's been any mis-selling. And as businesses embed our approach into their own front-line complaints

handling, the complaints we see may increasingly be those that are the most hard-fought and complex to resolve.

So as the FCA's PPI deadline of August 2019 approaches, it's essential we continue to work closely with all the parties involved – including businesses, claims management companies and organisations representing consumers – to give people fair answers as quickly and efficiently as possible. And as we do this, we'll review our financial strategy – engaging with our stakeholders on a fair and sustainable way of funding our service, to replace the model we've had since we were established.



in this fast-changing landscape, we need to respond quickly and flexibly to demand for our help

Caroline Wayman



Beyond PPI, a wide range of issues and trends – from new regulations to emerging technologies, and from changing patterns of borrowing to evolving financial fraud – could influence the problems we're called on to resolve. In this fast-changing landscape, we need to respond quickly and flexibly to demand for our help. At the same time, our stakeholders, quite rightly, have high expectations of the standard and professionalism of the service we provide, as well as the quality and consistency of the answers we give.

Meeting those expectations, and further building people's confidence in us, is our priority for the year ahead. To that end, we're grateful for the ongoing support we've received in response to our plans for investing in our people and their knowledge. This investment will be especially important as we continue discussions about our taking on responsibility for complaints about claims management companies – and about the FCA's proposals to give more small and medium-sized businesses access to our service. Another part of meeting people's expectations is providing a service that's not only effective, but also convenient and accessible. As we increasingly deal with complaints arising from new technologies, we've got to keep in step with technology ourselves. In 2018/2019, following development and testing in previous years, we'll be launching our new case handling system and our online portal.

These significant improvements to our digital capability will mean people have greater choice in how they engage with us. For people with complaints, it will mean being able to interact with us in a way that suits them – and for financial businesses, being able to benefit from the efficiency of sharing information with us online.

On the other hand, we know the drive towards digital – despite its opportunities – risks excluding people who don't or can't use new technologies. When something's gone wrong, the ability to talk to someone – rather than just trying to help yourself online – may feel even more important. So we'll continue to ensure people can talk to us in a way that's right for them.

We recognise too that people may be facing financial difficulties, but unaware of the support available or lacking the confidence to access it. So we'll build relationships with partners who can help us reach people who might otherwise not use or even know about us.

Our stakeholders have also asked us to keep sharing regular insight into what we're seeing, to help stop small-scale issues growing into widespread problems or unfairness.

Reflecting the rapid pace of change in financial services, the trends and issues we identified in our consultation in December 2017 have been developing in the meantime. We'll keep the conversation going in the months ahead – so we can keep learning from our stakeholders' perspectives and work through the year's challenges together.



**Caroline Wayman**  
chief ombudsman  
& chief executive  
28 March 2018



## overview of our 2018/2019 plans and budget

- We'll receive 380,000 new complaints – including 220,000 complaints about PPI
- We'll resolve 410,000 complaints – including 250,000 about PPI
- We'll freeze our case fee at £550 for the sixth year, with no fee chargeable for each business's first 25 complaints
- We'll freeze our levy at £24.5 million
- Our total operating income will be £230.4 million



# our plans for 2018/2019

**Between 13 December 2017 and 31 January 2018, we consulted publicly on our proposed plans and budget for the financial year 2018/2019. We highlighted themes and trends we'd been seeing in complaints, identified developments we thought could have a bearing on our work in the future, and explained how we plan to manage the challenges these presented while continuing to improve our service.**

Having considered the feedback we received, we've now finalised our plans for the year ahead – which also take into account conversations we've had with the Financial Conduct Authority (FCA), businesses, trade bodies and consumer representatives over the last few months. This chapter sets out the commitments we're making in 2018/2019 for our service and our customers, our reach and our impact, and for our own people.

# our commitments

**Our commitments form our service's strategic aims and priorities. We publish detailed information about our performance against them each year in our [directors' report and accounts](#).**



## **our service:**

we're flexible, resilient and well run, providing better and quicker answers



## **our customers:**

we're trusted and respected by our customers, keeping fairness at our heart and delivering what they expect



## **our reach:**

we're accessible and help those who need us, providing a human voice in an increasingly digital world



## **our impact:**

we help shape the conversation about fairness in money matters, sharing insight on what we see



## **our people:**

we're a great place to work, attracting and developing committed and professional people, who are motivated by our values

## commitments for our service

**Our previous complaints-handling model served us well. It helped us resolve millions of disputes since we were established in 2001 – and manage the demands of several wide-scale complaint issues, including the mass mis-selling of mortgage endowments and PPI. However, one of the downsides was inflexibility. This meant, at times, that people could be kept waiting for our answer – and we risked not meeting growing expectations of services like ours.**

To meet those expectations, we needed to adapt – and over the last few years we've been transforming the way we deal with complaints. With our new ways of working, we can be more responsive to demand. This means we can help financial businesses and their customers resolve problems far more quickly. This is essential at a time when financial services are experiencing rapid change – as a result of new rules, emerging technologies and people's changing needs and preferences.

From July 2015, we've been able to get involved in complaints that businesses haven't yet investigated themselves. And since January 2018, when the Payment Services Directive came into effect in the UK, many people will now be able to ask us to step in just 15 days after first complaining – rather than the eight weeks they would have had to wait in the past.

As we embed our new operating model – and begin to see the practical effect of shortened complaints-handling timeframes – our improved IT capabilities will mean financial businesses and their customers can increasingly engage with us online, and at a time that suits them.

At the same time, we'll need to continue to respond to the ongoing fallout of mass payment protection insurance (PPI) mis-selling. With the PPI complaints deadline now set for August 2019, we'll be working hard to give answers to the people who are waiting to hear from us – while managing the ongoing operational challenges associated with this protracted and complex issue.

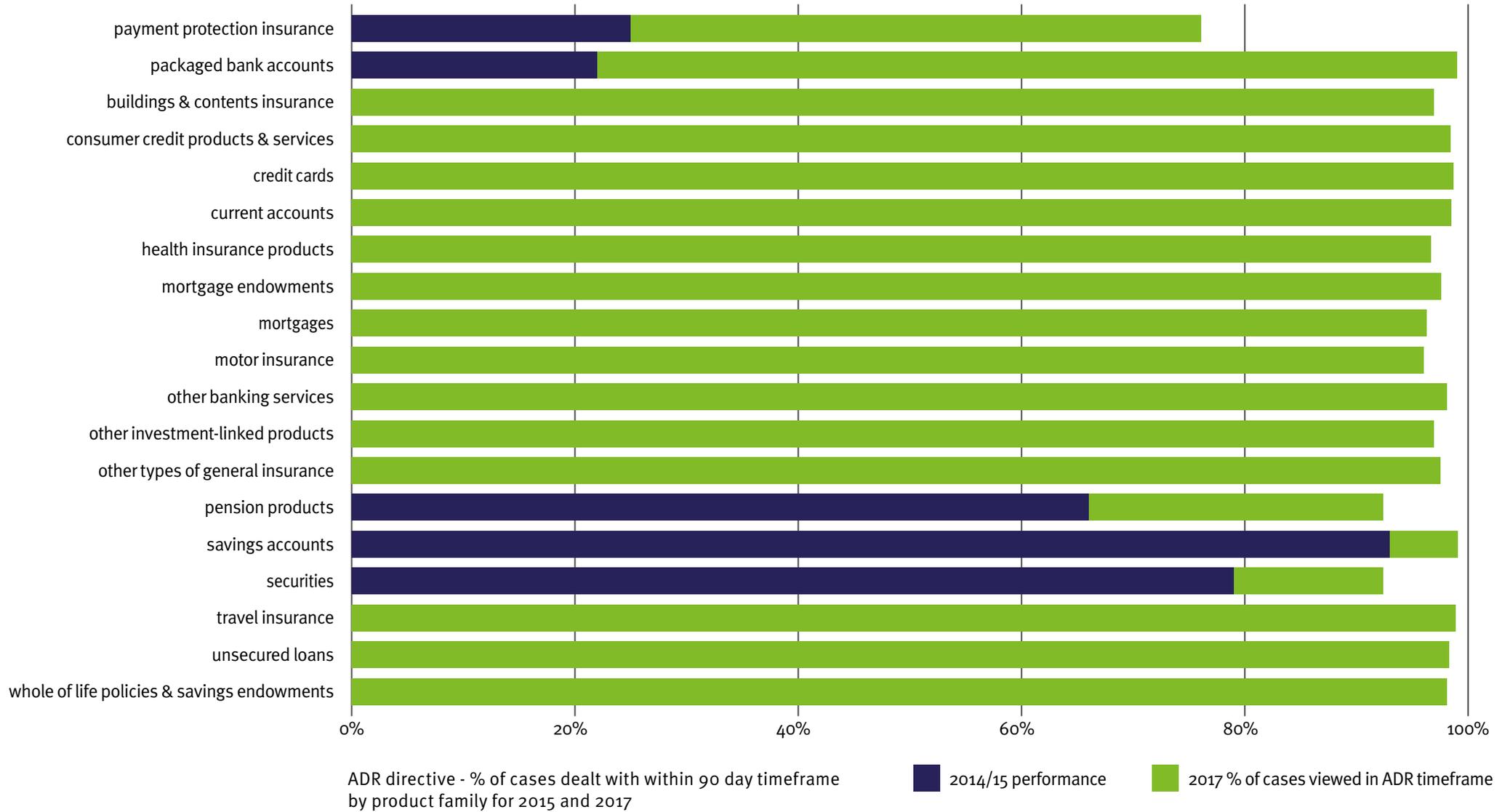


our improved IT capabilities will help us provide a service that's both more convenient and more efficient

## in 2018/2019

- In the first half of the financial year, we'll begin engaging about our future funding model – including holding roundtables with our stakeholders – so we can put in place a fair and sustainable arrangement ready for a complaints landscape that's no longer dominated by PPI.
- In view of the positive feedback we've received from financial businesses and their customers, we'll see an increase in the proportion of complaints we resolve at an early stage – with more businesses agreeing to give us their automatic consent to step in before they've investigated themselves. And we'll work together with businesses to manage the practical implications of shorter complaints handling timeframes effective from January 2018.
- We'll meet the 90-day timeframe for giving our answer to complaints expected of us under the Directive on Alternative Dispute Resolution – and maintain our aim to resolve half the complaints referred to us within half that time. And we'll resolve 95% of PPI complaints where, due to the high volumes of complaints we've received, people have been waiting more than 12 months for an answer from us.
- We'll monitor the impact of external developments on the number and nature of complaints, to ensure we're ready to meet any new challenges. This includes sharing our insight into the PPI complaints we're seeing in the run-up to the final complaints deadline. And we'll maintain close operational relationships with financial businesses, as well as claims management companies, to ensure they understand our approach to finding fair answers, stopping complaints being escalated to us unnecessarily.
- We'll continue to use a contractor workforce of around 800 to 1000 people to help us respond flexibly to fluctuating demand for our service – something that's given us the opportunity to establish a presence in Coventry, where nearly 300 case handlers are based.
- We'll launch our online portal – which will mean businesses and their customers can share information with us online and easily check in on the progress of our investigation. And we'll launch the new case-handling system we've been developing – moving from a case-centric system to one that's customer-centric – helping us provide a more joined-up, personal service. At the same time, we'll ensure our IT security and data governance remain robust – including our compliance with the *General Data Protection Regulation* (GDPR).
- We'll continue to ensure we're environmentally as well as financially sustainable. This includes putting in place a new plan with the Carbon Trust, having exceeded our previous carbon-reduction target by over 30%.

## improvements in our timeliness



## commitments for our customers

**We play an important part in encouraging confidence in financial services. We know it's vital that we have the skills and capacity to resolve the huge range of problems we're asked to look into – and that the people involved, whether they're using or providing financial services, trust us to resolve things fairly.**

By working more flexibly, we've significantly reduced the time it takes us to give people the answer they need from us. And feedback from businesses and their customers alike tells us the changes we've made to our ways of working have made a real difference to them.

In the year ahead, we'll be working hard to maintain and build people's trust in our service's quality and professionalism. To give assurance about the fairness and consistency of our answers, we'll continue to invest in our people's knowledge and skills. We'll also continue to develop the way knowledge is shared, managed and developed across our service.



feedback from businesses and their customers alike tells us the changes we've made to our ways of working have made a real difference to them

## in 2018/2019

- We'll continue to focus on quality and customer service – so a growing proportion of financial businesses and their customers give us positive feedback. This includes our aim that a significant majority of people using our service – those who've complained to us, as well as financial businesses – will feel our answer is fair, whatever the outcome for them.
- We'll further strengthen our structures for managing our knowledge and insight – helping us to resolve complaints fairly and consistently, and to identify and respond to trends in problems people are having with financial services. This includes continuing to develop our online knowledge-sharing platform and our knowledge-sharing networks.

- Having been listed in the National Centre for Diversity's Top 100 Index in 2017, we'll focus on making it as easy as possible for everyone to use our service. We'll launch a network specifically focused on sharing knowledge about supporting people's individual needs, including where they may be experiencing vulnerability. And we'll continue to draw on other organisations' expertise to help us do things better – following our partnership in 2017/2018 with the Money Advice Trust.
- We'll continue to engage with people with an interest in our work – ranging from independent financial advisers to the consumer advice sector – to help us better understand what they, and those they represent, expect and need from our service.

## our current customer satisfaction

- 67% of people who complained to us said our answer felt fair, including those whose complaints we didn't uphold (January 2018)



## commitments for our reach and impact

**Technology presents opportunities for people trying to manage their money well – as well as for innovative businesses. And many people choose to engage with us online because it suits them better. Even so, the drive towards digital can exclude those who aren't online – or who'd just prefer to talk to someone in person.**

When something's gone wrong, the ability to talk things through – reaching a human being, not a screen – may feel all the more important. We recognise too that people who are most vulnerable or isolated may be the most in need of help, but also less likely to ask for it. Our challenge is to provide the same high standard of service however people choose to engage with us, and to ensure people from all walks of life are able to access our service if they need us.

At the same time, we're committed to stopping things going wrong in the first place. So we'll continue to share our insight and experience, and to build effective relationships with others who can help promote fairness in financial services.

our challenge is to provide the same high standard of service however people choose to engage with us

## in 2018/2019

- We'll maintain and build relationships with people representing financial businesses, their customers and the wider public interest – ranging from trade associations and industry forums, to consumer organisations, charities and the media – helping us reach the greatest number of people.
- We'll continue to measure public awareness of the ombudsman – as well as the backgrounds of the people who are using us – to identify and remove barriers to using our service.
- We'll use our insight into complaints, and who's involved in them, to inform the way we engage with stakeholders across the UK – visiting local communities, talking to individual businesses and organisations, participating in regional and national forums and running our own events nationwide.
- We'll maintain our free technical helpdesk for people handling complaints – which each year helps resolve tens of thousands of problems without our service's formal involvement, with benefits for financial businesses and their customers alike.
- To help people learn from our experience of resolving complaints fairly, we'll continue to publish our ombudsmen's decisions – adding to the more than 155,000 already on our online database. And we'll continue to publish regular data about the issues people are contacting us about.
- We'll share focused insight into areas where we've identified potential unfairness, or where we know our stakeholders want to hear our perspective.
- We'll continue to work closely with the FCA – which can take action in response to the insight we share – while maintaining the independence of our roles. And we'll also keep working with other regulators and the Government, sharing our experience where it can help promote fairness.
- We'll continue to support the transition of claims management regulation to the FCA, and arrangements for us to take responsibility for complaints about claims management companies. We'll also work with stakeholders on proposals to give businesses larger than microenterprises access to our service – and keep our stakeholders updated about what both these developments will mean in practice.



## commitments for our people

**Our success depends on having the very best people – who together have the diverse skills and experience we need to help with the huge range of problems people are relying on us to resolve fairly.**

Having experienced a period of significant change, we're focused on making sure our people are given the support they need to provide the high-quality, professional service our stakeholders rely on and expect. To make sure we attract and keep people who share our values, we'll continue to invest in our people's knowledge and development, challenge and support them to perform at their best, and reward them fairly.

We recognise too that if our service is diverse and inclusive, we'll better understand different perspectives – which is fundamental to our job of resolving financial complaints. So we're committed to valuing the unique talents everyone brings. Having published our first report on our equality, diversity and inclusion in January 2018 – highlighting our achievements, as well as what we need to work on – we'll take steps to improve further in the year ahead.



**if our service is diverse and inclusive, we'll better understand different perspectives**



## in 2018/2019

- The significant changes we've made to our service – to help us operate more flexibly and sustainably, and prepare for a future that's not dominated by PPI – have understandably caused uncertainty for our people. We've already taken steps to understand and respond to how people are feeling. And in the year ahead we'll continue to improve engagement and give people the support they need.
- Complementing our work to strengthen our knowledge-sharing structures, we'll continue to invest in our people's learning and development – so they have the knowledge, skills and support they need to resolve complaints fairly and consistently.
- Having launched new policies to support our people who are carers and those who are trans, we'll continue to review our HR policies and practices. This includes looking at the way we attract and develop people, the way we help people with specific needs, and the way we accommodate flexible working. In doing so, we'll keep supporting and drawing on the experience of our employee-led networks.
- Being diverse and inclusive means we do our job better, because it helps us to understand different perspectives. So we'll do all we can to help our people feel they can bring their whole selves to work.



we'll continue to invest in our people's learning and development – so they have the knowledge, skills and support they need



# our budget for 2018/2019

**In our consultation document in December 2017, we set out our proposals for funding our service in 2018/2019 – based on the levels of demand we expect, and how we plan to manage our resources to respond to this demand.**

## complaints we expect to receive and resolve

Since our consultation opened in mid-December 2017, we've slightly adjusted our forecasts for the volumes of complaints we think we'll receive and resolve – in view of updates to our own projections, as well as our stakeholders' insight.

In 2017/2018 we received around the same number of complaints as we projected in our general casework (all areas other than PPI, packaged bank accounts and short-term lending). But we've seen around 17% fewer complaints than we forecast about packaged bank accounts, and over half as many again about short-term lending.



Broadly, we resolved the same number of complaints as we received. However, because the FCA's final *Plevin* rules and guidance came into force later than originally expected, we couldn't start giving our answers until autumn 2017 – later than we'd initially planned. Taken together with operational delays with certain businesses and ongoing legal issues, the impact was that we needed to resolve over three quarters of our PPI target in the second half of the year.

We made good headway toward this challenging target. However, around 30,000 of the PPI complaints we'd planned to resolve will still be waiting for our answer at the end of 2017/2018. We're expecting to resolve the majority of these in the first quarter of 2018/2019.

Based on how things currently stand, and our stakeholders' feedback, we've revised our projections for new PPI complaints slightly downward for 2018/2019. Despite this reduction, this still means we expect to receive 22% more PPI complaints than in 2017/2018. For all other complaints, we expect to receive and resolve the same volumes as those we consulted on.

### new complaints

financial product or service	2017/2018 latest forecast (February 2018)	2018/2019 consultation budget	2018/2019 budget
PPI	180,000	250,000	220,000
general casework	125,000	130,000	130,000
<i>including</i>			
banking and credit (except packaged bank accounts and short-term lending)	75,000	76,000	76,000
insurance (except PPI)	37,000	40,000	40,000
investments and pensions	13,000	14,000	14,000
packaged bank accounts	12,500	10,000	10,000
short-term lending (payday and instalment loans)	14,500	20,000	20,000
<b>total</b>	<b>332,000</b>	<b>410,000</b>	<b>380,000</b>

### resolved complaints

financial product or service	2017/2018 latest forecast (February 2018)	2018/2019 consultation budget	2018/2019 budget
PPI	250,000	250,000	250,000
general casework	125,000	130,000	130,000
<i>including</i>			
banking and credit (except packaged bank accounts and short-term lending)	75,000	76,000	76,000
insurance (except PPI)	37,000	40,000	40,000
investments and pensions	13,000	14,000	14,000
packaged bank accounts	12,500	10,000	10,000
short-term lending (payday and instalment loans)	12,500	20,000	20,000
<b>total</b>	<b>400,000</b>	<b>410,000</b>	<b>410,000</b>

## our income and expenditure plans

In light of the changes in PPI complaint volumes we've outlined on the previous page, we've slightly adjusted our income and expenditure plans for 2018/2019. We're going ahead with the case-fee arrangements we proposed – with no change to either our individual or group account case fee levels, or the number of business groups in our group-account arrangement.

We explained in our consultation that the delay in the FCA's *Plevin* rules and guidance being published meant we'd use less of our reserves than we'd planned to in 2017/2018 – as the cost of resolving complaints affected by *Plevin* would arise later than originally expected. By the end of 2018/2019, however, we expect to have drawn significantly on our reserves – in line with our long-term strategy for dealing with the fall-out of mass PPI mis-selling.

To reflect the caseload we anticipate under our compulsory and voluntary jurisdictions, we expect that 99.8% of our total budget expenditure will relate to our compulsory jurisdiction (which includes businesses regulated by the FCA). 0.2% would relate to our voluntary jurisdiction (which includes a small number of businesses that have chosen to be covered by our service, but wouldn't otherwise come under our compulsory jurisdiction).

In summary, for 2018/2019, we are:

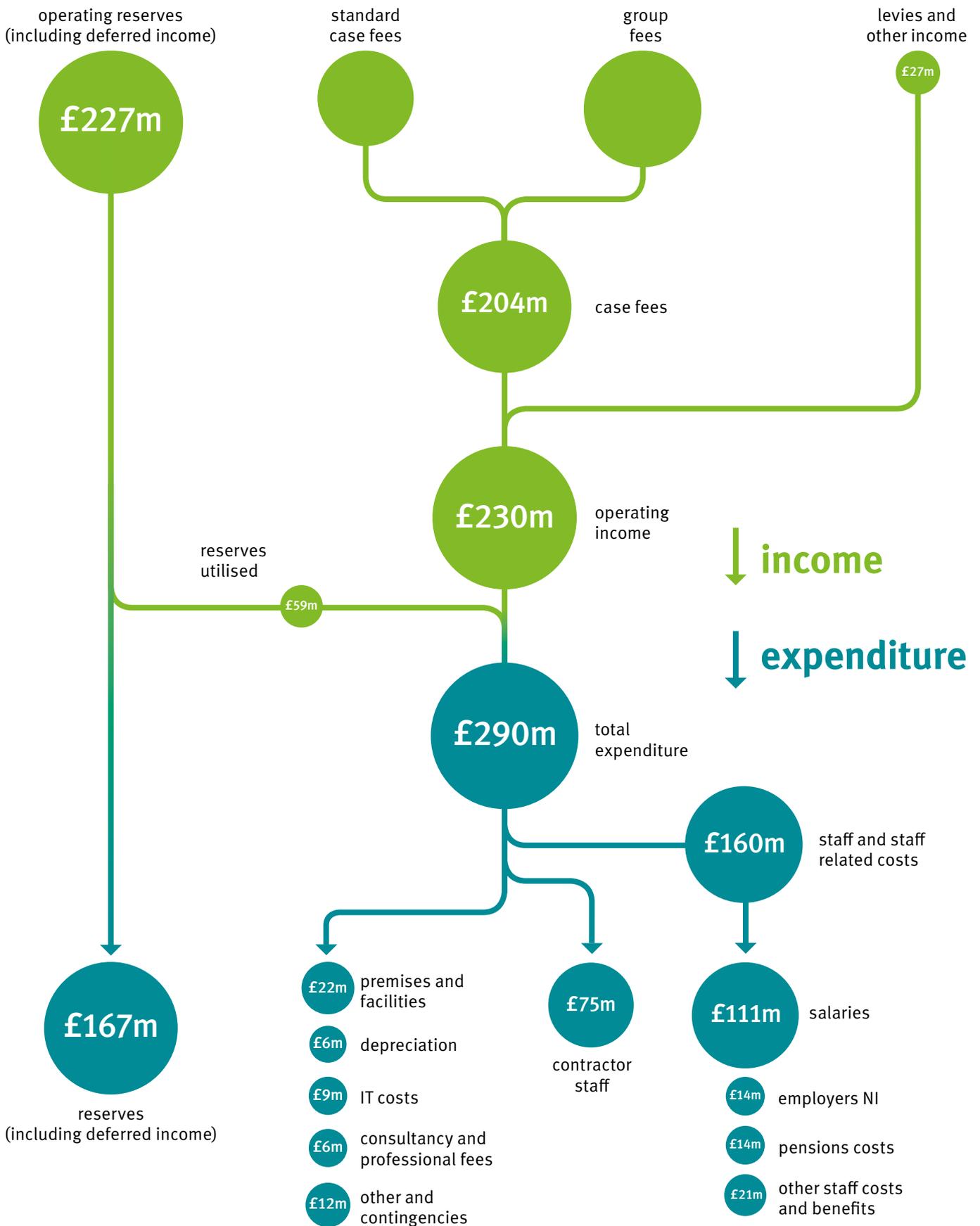
- freezing our case fee at £550 for the sixth year and keeping our supplementary case fee at £0
  - maintaining our 25 “free” case allowance – which means that nine in ten businesses whose customers complain to us won't actually pay any case fees
  - keeping our levy at £24.5 million
  - maintaining our current group account fee arrangement – through which large businesses, whose customers account for most of the complaints we deal with, fund around 60% of our work
- expecting a total operating income of £230.4 million
  - expecting a total expenditure of £289.8 million
  - expecting our cost per case to be £706
  - continuing our approach to managing our reserves



## our income and expenditure

	2016/2017 actual		2017/2018		2018/2019
	actual £m	budget £m	latest forecast £m	consultation budget £m	budget £m
<b>income</b>					
case fees	60.2	71.2	70.6	79.8	79.3
group fees	144.1	143.8	144.2	124.3	124.5
levies and other income	27.4	27.0	27.3	26.6	26.6
<b>total operating income</b>	<b>231.6</b>	<b>241.9</b>	<b>242.2</b>	<b>230.7</b>	<b>230.4</b>
net movement in deferred income	5.7	8.6	6.6	0.0	1.9
<b>total income</b>	<b>237.3</b>	<b>250.6</b>	<b>248.8</b>	<b>230.7</b>	<b>232.3</b>
<b>expenditure</b>					
staff and staff-related costs	160.7	156.2	156.6	162.9	160.3
contractor staff	38.9	48.7	43.0	75.0	74.6
consultancy support	4.9	5.9	5.6	5.0	5.0
professional fees	1.1	1.5	1.4	1.4	1.4
IT costs	8.0	9.0	8.6	8.9	8.9
premises and facilities	25.2	25.0	25.0	22.2	22.0
other costs	1.4	1.3	1.3	1.2	1.2
depreciation	7.5	5.4	5.5	5.9	5.8
bad-debt write-off	(0.2)	0.5	0.0	0.4	0.4
contingencies	0.0	10.0	0.0	10.0	10.0
<b>total expenditure</b>	<b>247.5</b>	<b>263.5</b>	<b>247.0</b>	<b>293.1</b>	<b>289.8</b>
<b>operating surplus / (deficit)</b>	<b>(15.9)</b>	<b>(21.6)</b>	<b>(4.8)</b>	<b>(62.4)</b>	<b>(59.3)</b>
<b>financial surplus / (deficit)</b>	<b>(10.2)</b>	<b>(13.0)</b>	<b>1.8</b>	<b>(62.4)</b>	<b>(57.4)</b>
<b>reserves and deferred income at end of year (£m)</b>	<b>233</b>	<b>208</b>	<b>227</b>	<b>162</b>	<b>167</b>
<b>closing FTE</b>	<b>3,594</b>	<b>3,807</b>	<b>3,882</b>	<b>4,048</b>	<b>3,962</b>
<b>total case resolutions</b>	<b>336,381</b>	<b>430,000</b>	<b>400,000</b>	<b>410,000</b>	<b>410,000</b>
cost per case resolution	£736	£612	£617	£714	£706

the financial flow of our resources 2018/2019





# our consultation feedback

This chapter summarises the feedback we received to our public consultation on our plans and budget for 2018/2019, which we ran from 13 December 2017 to 31 January 2018. It also gives our response to that feedback, and explains how it influenced our final plans. Where it's appropriate, we'll engage individually with stakeholders who raised more specific questions or suggestions with us.



there was broad agreement that the developments we'd identified would raise new challenges for businesses and their customers



## complaint volumes, trends and developments

**In our consultation, we set out our expectations for the rest of the financial year 2017/2018, and for the new financial year 2018/2019. We highlighted a number of operational challenges, trends and developments that we thought could have a bearing on the numbers of complaints we'd receive and resolve – and we asked for our stakeholders' thoughts on these, as well as any other issues they thought we should be aware of.**

Overall, our stakeholders agreed that our forecasts were reasonable – and in many cases, mirrored their own. Some larger businesses felt our PPI projections were on the high side, and that significant numbers of people wouldn't complain until closer to the deadline of August 2019.

Elsewhere, there was broad agreement that the developments we'd identified would raise new challenges for businesses and their customers – which might result in complaints needing our answer. These issues included the *Insurance Distribution Directive* (IDD) and access to insurance, the revised *Payment Services Directive* (“PSD2”) and open banking, the Immigration Act 2016, financial technology, and the ongoing challenge of fraud and scams.

Organisations representing consumers flagged motor finance, overdrafts and debt as potential causes of

complaints. It was also suggested we'd see complaints reflecting the scope of any future regulatory action and campaigns by third parties. With the *General Data Protection Regulation* (GDPR) on the horizon, some stakeholders thought people might be confused about whether to contact us or the Information Commissioner's Office (ICO) with complaints about how their data had been handled.

In addition, a number of stakeholders representing businesses raised concerns about claims management companies' behaviour. In particular, they told us the proposed cap on fees, transfer of regulation to the FCA, and PPI time limit might mean claims managers look to ramp up and diversify their activity in the coming months. Claims managers' growing interest in the area of short-term lending was noted – as well as the perceived spurious nature of some complaints brought by these companies.



We're grateful to our stakeholders for sharing their own insight and projections with us – as this helps us anticipate and plan for a range of scenarios about future demand for our service.

In line with recent trends and our stakeholders' feedback, we've revised our PPI plans to reflect slightly lower complaint volumes in 2018/2019. We'll keep monitoring trends in the problems people are bringing to us – and share our insight with individual stakeholders, as well as more widely if it's appropriate.

We're confident too that our strong working relationships with other organisations and regulators stand us in good stead to address some of the issues our stakeholders have raised. For example, we already refer people to the ICO if necessary – and we're mindful of the need for clarity about which of us can help (although in some cases, it may be both).

Likewise, we have a long-standing relationship with the Claims Management Regulator (CMR). In the years since claims managers began to refer complaints to us in significant volumes, our insight has helped inform tougher rules against inappropriate behaviour. And our own direct engagement with claims management companies has resulted in a significant decrease in claims where they should know from the outset that the people involved haven't actually lost out. As our stakeholders have acknowledged, we've had particular success in reducing these types of claims about packaged bank accounts.

We'll continue to flag poor practice – while at the same time taking part in discussions around the transfer of claims management regulation, which we've mentioned elsewhere in this document.



our strong working relationships with other organisations and regulators stand us in good stead

## the future of PPI and managing complexity

**PPI, representing over half of the complaints we deal with, necessarily continues to be a key focus for us and many of our stakeholders. So as well as gathering perspectives on wider trends in complaints, we asked for specific feedback about our PPI plans.**

In our consultation, we explained that, while some of the previous year's uncertainties had been resolved, the picture remained complex. Future complaints volumes would depend on how a number of factors played out – including the actions of businesses and claims management companies, and the impact of the FCA's awareness campaign.

We also set out the operational challenges we face as we look to resolve complaints affected by *Plevin* that have been waiting for our answer.

On the whole, stakeholders were supportive of our plans – reflecting that we should be in a good position to deal with the challenges ahead, and stressing the value of ongoing cooperation with us. While respondents agreed that future complaint volumes were difficult to predict, there was broad consensus that numbers would relate to the timings of the FCA's campaign and media coverage.

There was also general agreement that claims management companies would be ramping up their activity in the run up to the PPI complaint deadline – and that we'd need to bear in mind the impact of the developments in this sector that we've outlined above.

As we've already mentioned, some businesses questioned our projections for PPI complaints, suggesting we'd see fewer than we'd projected for 2018/2019. We were questioned about how we'd work through the volume of *Plevin* complaints already with our service – and about our decision not to publish the uphold rate of those we received before the FCA's rules and guidance came into force.

It's encouraging to hear that our stakeholders, in the main, endorse our plans – and the way we've worked together to give people answers about their PPI as quickly and efficiently as possible. As we've mentioned above, given feedback that many people will wait till closer to the deadline to make a complaint, we've lowered our projections for PPI complaints by 30,000 for 2018/2019. Since autumn 2017 we've seen an increase in people contacting us about PPI – and we'll keep talking to our stakeholders, including the FCA, about what we're seeing.



We've explained in chapter two that ongoing operational issues with certain businesses, together with legal issues, meant we didn't meet our aim of resolving all the PPI complaints we'd planned to by March 2018. However, we aim to resolve the majority of complaints affected by *Plevin* that are currently with our service by the end of June 2018.

On the question of the data we publish about complaints affected by *Plevin*, we explained the reasons behind our decision when we consulted more widely on our data publication in late 2016. At that time, we very carefully considered the options for publishing data about PPI – to ensure we'd be giving a meaningful and fair picture of how things stood.

Having considered our stakeholders' perspectives, we decided, on balance, that a different approach was required for *Plevin* complaints. Before 29 August 2017, when the FCA published its new PPI rules and guidance, businesses wouldn't have had a chance to look into the *Plevin*-related aspects of complaints with reference to these new rules. So the uphold rate of complaints referred to us before then wouldn't reflect the quality of businesses' current complaints handling, and might create a misleading picture for people with PPI complaints.

However, we were clear this approach would be limited to complaints received before the FCA's final guidance was published, and resolved by us by 30 June 2018.



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## funding and developing our service

**Our consultation explained the way we'd been investing in our service to improve the quality, consistency and speed of our answers. We set out how we planned to build on this work in the coming year – for example, through our ongoing work to improve our digital capabilities, and further development of our knowledge infrastructure.**

We also detailed our funding plans – suggesting that 2018/2019 wasn't the right time to change our funding model, but that we anticipated we'd need to review its fairness and sustainability for a future where our caseload wasn't dominated by PPI.

Like last year, our stakeholders gave us very positive feedback about the way we'd been developing our service, as well as the way we'd been engaging

with them in doing so. Our investment in knowledge was particularly welcomed, as was the prospect of efficiencies to be gained through the use of our new online portal. A range of stakeholders endorsed the way we'd partnered with external experts to improve our ability to support people experiencing vulnerability.

Equally, some stakeholders highlighted areas where they felt we might need to focus. For example, we were asked about our ability to deal with complaints about small and medium-sized businesses, should they be given access to our service. Other stakeholders encouraged us to continue to invest in our people's knowledge and training, so we'd have the right skills to deal with the potential changes and challenges ahead of us. We were also asked for more detail about complaints we were resolving at an early stage, before the business's eight week investigation timeframe had passed.

There was also general support for the funding arrangements we'd proposed – with many businesses welcoming our decision to maintain our current arrangements and fee levels in 2018/2019, and the stability this would

bring. Some businesses asked that we keep them informed about the current position of our reserves, in case we ran them down more quickly than expected.

Many businesses also acknowledged that we'd need to explore alternative funding options for the future – and said they'd be keen to engage with us further about this. Some stakeholders suggested changes they thought might work: for example, charging less for complaints resolved at a relatively early stage, or charging different amounts depending on the product involved. Some also told us that claims management companies should pay to refer complaints to our service, or that individual people bringing complaints should pay fees – especially if their complaints weren't upheld.

As we've explained in chapter two, we've now made slight adjustments to our budget to reflect changes in expected PPI complaint volumes. As we approach the FCA's deadline, it's likely the remaining PPI complaints we're dealing with will involve more complex issues – including legal ones – that will need to be resolved before



we can move things forward. These changes are likely to result in fewer opportunities for economies of scale in resolving complaints – and so our unit cost is likely to increase in the future.

We'll also continue to assess the rate at which we're using our reserves – and keep in touch with our stakeholders about our position. Our latest analysis suggests our reserves will last until the end of our work on PPI. However, a range of outcomes are still possible – mainly due to the unpredictability of the demand on our service from people wanting to complain about PPI as the FCA's deadline approaches.

Despite these uncertainties, it's reassuring that businesses largely agreed with our funding proposals for 2018/2019 – and our aim to provide stability and certainty in the coming year. At the same time, we welcome our stakeholders' willingness to talk to us about the future. So over the next six months, we'll begin consulting about our future funding model.

It's encouraging too to hear our stakeholders' positive feedback about the investments we've been making – in particular, in our people's knowledge and our digital capability. We're confident this investment will continue to have benefits for financial businesses and their customers alike.

The changes we've experienced as an organisation – transforming the way we resolve complaints, and preparing for a time when PPI isn't part of our landscape – has understandably caused uncertainty for the people who work for us. We know the areas we need to work on, and we'll continue taking action to address them over the next year. This will include an Independent Review – commissioned by our non-executive board – of concerns raised by Channel 4's *Dispatches*.

Looking at plans to extend the scope of our service, the FCA has proposed that changes to DISP relating to giving small and medium-sized businesses access to us will be effective from December 2018. And the *Financial Guidance and Claims Bill*, which includes changes to claims management regulation, is currently progressing through Parliament – and we expect to have responsibility for complaints about claims management companies from April 2019.

There will clearly be significant operational considerations for us in taking on different types of complaints – relating to the way we deliver our service, as well as how it's funded. Discussions about both these developments are ongoing – and we'll keep in touch with relevant stakeholders to work through the detail and practical consequences.



over the next six months,  
we'll begin consulting  
about our future funding  
model



# list of respondents to our consultation

Association of British Insurers

Aviva

AXA UK

Barclays

Building Societies Association

Clydesdale Bank

Consumer Finance Association

Consumer Liaison Group

Co-operative Bank

Direct Line Group

Financial Conduct Authority Financial Services Consumer Panel

Finance & Leasing Association

HSBC

Lloyds Banking Group

Money Saving Expert

Mortgage Shop

Nationwide Building Society

Royal Bank of Scotland

Santander UK

UK Finance



Financial  
**Ombudsman**  
Service