Financial Ombudsman Service

Our 2024/25 Plans and Budget
Consultation paper

Launch date: 6 December 2023

Respond by: 30 January 2024

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.

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

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

Plans and Budget 2024/25 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.

2023/24: a year of change

Last year, we set out to deliver significant change to improve the service we offer. We have improved and simplified the complaint journey for our customers, introduced innovative digital tools and created a clearer vision and strategy.

As a result, the average time to resolve a case dropped from 4.8 months in 2022/23, to 3.2 months in the first half of 2023/24. At the same time, we maintained our quality scores at 94% during the first half of 2023/24, despite the level of change across the organisation.

We have ambitions to continue this improvement, resolving complaints more quickly and maintaining our quality. We know that resolving complaints quickly is key to helping both consumers and financial businesses move on, which is why we set stretching targets around our timeliness for this year and next.

We also engaged with our people to restate our values this year. Our values set out how we play our PART through Purpose, Ambition, Respect and Trust. We are grateful to our people for ensuring our values are built in to all that we do and for their flexibility and responsiveness in adapting to change.

A vision for our service: looking to 2024/25

We believe that every customer who engages with us, whether a business or consumer, should have a better outcome and/or feel better informed following our involvement. All our customers should feel their case has been fairly considered and understand how the decision has been reached. Consumers should have a better understanding about the issue that caused their complaint. Businesses should receive data and insight about what went wrong to help them provide better services and products.

To ensure that customers find us accessible and easy to use, and that we play our part in improving financial services for all, we are implementing strong digital, data, and people strategies. We will continue to build our people's professional expertise, streamline our service, and offer value for money.

Based on our current assumptions, we are expecting the number of cases we receive to remain stable next year. However, there are a number of areas where we expect we will need to focus resource, including motor finance commission cases, the potential regulation of 'Buy Now, Pay Later' (BNPL) products, and the possible introduction of fees for professional representatives using our service.

The insight we get from responses to this consultation will help test our assumptions and ensure we are able to prepare for the year ahead.

Our budget for 2024/25

The progress we have already made through our transformation programme, alongside the benefits we expect to realise in 2024/25 and beyond, means we are confident that our recurring costs will be lower moving forward. Our proposed operating expenditure for 2024/25 of £218m is lower than in our 2023/24 latest forecast by £10m.

We are proposing to reduce our case fee from £750 to £650 per case, and our compulsory jurisdiction levy from £106m to £70m.

This proposal reduces the cost of our service by £60m in real terms and is a 25% reduction compared to the previous year, despite rising inflation. We are proposing to use surplus reserves (those in excess of our current reserves policy) to cover the shortfall in funding our operational costs in 2024/25.

We look forward to hearing your views on our proposed Plans and Budget to deliver our ambitions for 2024/25 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, plus improving value for money through the design and execution of our transformation programme
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 a range of stakeholders on these four drivers.

Additionally, we anticipate being given new powers by HM Government, under the Financial Services and Markets Act 2023, to charge a fee to CMCs and relevant legal professionals who represent complainants about financial businesses under our compulsory jurisdiction. We will refer to these as 'professional representatives' in this document. This is in addition to the case fee that we charge to respondent firms.

Although our proposals are still being developed, we are seeking initial feedback to help us understand the possible implications of any changes we make. We will continue to engage on this including, if necessary, by consulting further on the detail.

Summary of consultation questions

Projected demand

1. What volume and trends should we expect to see in complaints in 2024/25 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 2024/25? And what impact do you think they will have on complaint volumes?

3. Should regulation of Buy Now Pay Later (BNPL) come into force, what types of complaints might we receive about these products?

Projected service standards

4. 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?

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

Projected costs

6. Have we captured the right priority areas in our transformation programme to drive both an improved customer experience and value for money?

7. What other areas should we consider in our transformation programme?

Projected funding

8. Do you agree with the level and the rationale behind our proposed funding changes for 2024/25, both in relation to the compulsory jurisdiction (CJ) and voluntary jurisdiction (VJ)?

9. Do you agree with our proposal to adopt the Financial Conduct Authority's (FCA's) widened definition of 'relevant business' when reporting data and calculating the VJ levy? If not, why not?

10. Do you agree with our other proposed changes to the FCA Handbook in relation to FEES 5.5B and DISP 4.2.6R, which sets out which parts of FEES apply to VJ participants? If not, why not?

Our draft budget

11. Do you agree that our proposed use of surplus reserves in 2024/25 is appropriate?

12. Do you support our proposed budget for 2024/25?

13. Do you feel we are offering value for money? If not, where do you think we could improve?

Charging professional representatives

14. Do you consider that FOS should exercise the power given to charge professional representatives? If not, why not?

15. If this power is exercised, what is your view of the likely impact of a fee for professional representatives on overall complaint volumes and types submitted to the Financial Ombudsman Service?

16. If this power is exercised, to help shape our Equality Impact Assessment, do you think there are any potential impacts of charging professional representatives on different groups of complainants, for example vulnerable groups and those with protected characteristics? If so, how do you think these could be mitigated?

17. If this power is exercised, how do you think the regulatory system could address/avoid professional representatives passing on the fee to consumers?

18. If this power is exercised, what other factors should we consider when evaluating charging professional representatives?

19. If this power is exercised, do you agree with our initial thoughts to provide the same level of free cases (three) as for respondent firms?

20. If this power is exercised, what do you think of the potential pricing options, or the proposed fees, for charging professional representatives?

21. If this power is exercised, what preparations will professional representatives need to make? And what is the timescale that it will take to implement such preparations?

How to respond

This consultation will close on 30 January 2024 and will support both our Plans and Budget, which will be published by 31 March 2024 and shape our next steps on the recent change in legislation allowing us to charge professional representatives bringing complaints to our service on behalf of customers.

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.

New complaints we expect to receive

We have taken 2023/24 received volumes as our baseline and adjusted for the potential impact of novel issues or trends (for example, increases in disputed transaction cases). Based on this, we expect to receive 181,300 complaints in the next financial year.

Figure 1: we project to receive 181k complaints in 2024/25

Complaint type	2022/23 actual	2023/24 budget	2023/24 latest forecast	2024/25 projected number	Trends we are monitoring and expecting to see in 2024/25
Banking and consumer credit	110,023	129,650	120,500	122,600	• A continued rise in **disputed transaction** cases given the increasing volume and sophistication of fraud and scams • A rise in **irresponsible and unaffordable lending** complaints as cost-of-living pressures continue. • A rise in **account closure complaints** • At least the same levels of complaint regarding **motor finance commission** to volumes we are currently receiving. We will continue to develop an understanding of the different models of commission based on cases received, and progress cases accordingly • A slight increase in complaints about **mortgages**, predominately led by interest rate rises as fixed-term deals come to an end
Insurance	39,730	38,000	43,200	44,300	• Complaints about **travel insurance** to remain high into 2024/25 given the impact of flight cancellations in 2023/24 • Complaints about **motor insurance** to remain high due to the increased costs and supply challenges around parts and labour • Potential complaints relating to consumers **reducing the cost of their insurance premiums** to help with overall costs, perhaps without realising the impact this may have on the type or level of cover provided • Complaints about **claim delays** to reduce following our work to share our approach on these cases
Investment and pensions	14,098	15,900	14,800	13,900	• Complaints about investments and pensions to remain relatively stable • Fewer complaints than expected about the British Steel Pensions Scheme (BSPS) consumer redress scheme this year, and we expect to see very few next year

Complaint type	2022/23 actual	2023/24 budget	2023/24 latest forecast	2024/25 projected number	Trends we are monitoring and expecting to see in 2024/25
Other (including complaints originating from CMCs and funeral plan providers)	1,298	450	500	500	• Complaints about **funeral plan providers** expected to continue to increase, but to remain low overall
Total	**165,149**	**184,000**	**179,000**	**181,300**	
Of these totals:					
Complaints from SMEs	1,210	1,100	1,100	1,000	• A slight reduction in volumes as the impact of Covid becomes less of a factor
Complaints about Voluntary Jurisdiction (VJ) participants	8,800	6,000	13,000	13,000	• Complaints about **motor insurance** to remain high due to the increased costs and supply challenges around parts and labour

Our budget for 2023/24 included assumptions around potential increased demand caused by the cost of living and the volume of cases we might see about car finance commission and the British Steel Pension Scheme. We have not seen the increase in complaints about car finance commission or the British Steel Pension Scheme in our latest forecast. However, we have seen increases in complaints about current accounts, motor insurance and travel insurance, with the latter areas also resulting in an increase in complaints about firms in the voluntary jurisdiction.

External regulatory factors

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

Regulatory factors have an impact on demand for our service. We anticipate that the Consumer Duty will affect demand for our service next year and BNPL will affect demand should legislation be introduced.

Consumer Duty

The FCA Consumer Duty intends to drive up standards for businesses, which we believe, over time, might reduce the number of complaints reaching us. Nevertheless, we recognise that some industry stakeholders have expressed concerns that complaints may rise in the short term while firms adjust.

We have started to receive complaints where the Duty may be relevant. We will continue to engage with firms and the FCA on how the Consumer Duty impacts our complaint volumes and approach to complaints.

Buy Now, Pay Later

In February 2021, the Government announced its intention to regulate BNPL products, which currently sit outside of regulation. This would bring issues about these products into our jurisdiction. We are working with the FCA, consumer groups and BNPL firms to understand what sort of complaints we might receive so that we can respond to demand (if, and when, legislation allows).

In February 2023, the Government consulted on draft legislation setting out the scope of agreements to be brought into regulation. However, the scope is still to be finalised, as is the date when the regulation would come into force. That makes it difficult to forecast the volume of cases we might receive.

Published research and engagement with relevant stakeholders indicate we can expect to see a similar range of issues to those we see for other forms of credit, including administration, fraud, and quality of goods concerns. We anticipate that most complaints will be from consumers in financial difficulties, who are likely to hold other forms of credit too.

We know BNPL providers are already making changes to prepare for regulation. We have not made any provision for BNPL cases in the budget for next year. Once regulation begins, we initially expect to see around 500 cases a year. However, the BNPL market, including the number of transactions, is growing rapidly.

Key questions

1. **What volumes and trends should we expect to see in complaints in 2024/25?**
2. **Which novel issues or trends might we see in 2024/25? And what impact do you think they will have on complaint volumes?**
3. **Should regulation of BNPL come into force, what types of complaints might we receive about these products?**

Service standards we expect to achieve

To help us maintain the quality of our decisions whilst significantly improving the pace at which we deliver those decisions to our customers, during 2023/24 we published new service standards. These remain a top priority.

Figure 2: Key service standards measures and targets

Key service standard measures	H1 2023/24 target	H1 2023/24 performance	2023/24 end of year target	2024/25 FY (average) target
Complaints resolved within 6 months of conversion	80%	82%	90%	90% in five months
Complaints within stock > 6 months old	25%	28%	10%	10%
Investigation quality overall score	90%	94%	90%	90%
Consumer Net Easy score	40	41	50	50
Consumer confidence scores	50%	58%	50%	60%

We have demonstrated improvements across our service standards during the first half of 2023/24 and we are making good progress towards the end-of-year targets.

Timeliness is crucial to customers facing a financial problem. So, we intend to further improve this in 2024/25, reducing the time taken to resolve 90% of cases from six months to five, while maintaining quality. We also intend to increase consumer confidence in our service to a sustainable 60% in 2024/25, compared to our target of 50% this year.

Cases we expect to resolve by type of complaint

We anticipate resolving 203,800 complaints in 2024/25. This figure includes both the complaints received, as shown above and unresolved complaints from previous years.

Figure 3: we project to resolve 204k complaints in 2024/25

Complaint type	2022/23 actual	2023/24 budget	2023/24 latest forecast	2024/25 projected number
Banking and credit	143,668	147,900	133,900	139,800
Insurance	45,195	39,250	44,500	47,500
Investment and pensions	20,043	16,400	17,900	16,000
Other (including complaints originating from CMCs and funeral plans)	565	450	500	500
Total	**209,471**	**204,000**	**196,800**	**203,800**
SMEs	1,600	1,100	1,300	1,200
VJ participants	9,100	7,000	13,000	13,000

Unresolved complaints

Case resolutions have been higher than incoming new complaints for the last two years, with 44,000 more in 2022/23 and 18,000 more in the 2023/24 latest forecast. This will continue in 2024/25 where we are planning to resolve 23,000 more cases than we expect to receive during the year. We have a clear plan for the workforce needed to reduce our stock in hand in a controlled and efficient manner.

The impact of this is to reduce our stock of cases in hand from end of 2022/23 of 71,000 to 54,000 by the end of 2023/24 and a further reduction in the number of cases carried over to 32,000 by the end of 2024/25.

We are mindful of operational efficiency as we reduce the stock of cases in hand. The 32,000 cases open at the end of 2024/25 is equivalent to approximately nine weeks of conversions or approximately 25 cases on desk per case handler.

Sharing insight

One way we help to resolve cases faster, and prevent complaints from arising, is by sharing insight with businesses, professional representatives, and the wider regulatory ecosystem. This includes sharing our data and our approach to certain types of cases, as well as the trends and patterns we are seeing. Working with stakeholders and sharing this data leads to better outcomes for all our customers.

We are developing a data strategy to 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 to help prevent complaints arising in the first place. The focus for 2024/25 will be on putting in place key enablers to support the ambitions in our data strategy, including redesigning our data collection and storage, and building data capabilities in-house whilst also ensuring data is secure and safeguarded.

We are interested to understand how our data and insight could be used to even greater effect to support the financial services sector in improving outcomes for customers.

Key questions

4. 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?

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

Our costs

Our total costs for 2024/25, including transformation costs, are projected to be £232m. This is £2m lower than the 2023/24 budget of £234m and includes £3m more transformation investment (enabling us to improve the customer experience further) but £5m less operating expenditure. (See Figure 4).

We have made strong progress in prioritising and improving our service standards through the first half of 2023/24, as shown in Figure 2. However, we have not yet achieved the level of cost efficiency we anticipated, largely due to the amount of change the organisation has had to absorb in H1 of this year. Nevertheless, we have progressed initiatives to work towards reducing all operating cost types and the benefits are factored into the costs projected. The reduction in operating expenditure, compared to 2023/24, will be achieved through various efficiencies, and more than counters the £6m increase from inflation.

Figure 4: Summary of our key categories of costs

Cost summary	2022/23 actual £m	2023/24 budget £m	2023/24 latest forecast £m	2024/25 draft budget £m
Casework marginal cost: direct cost of casework, primarily people cost	137.5	126.3	133.3	126.8
Casework overhead cost: casework management and direct support	15.3	13.3	14.8	13.7
Other overhead costs: IT, Property, HR, Finance, Legal, Communications	70.0	83.2	80.1	77.5
Total operating expenditure	**222.8**	**222.8**	**228.2**	**218.0**
Transformation: costs of step-changing the service	8.0	11.0	10.1	13.7
Total cost	**230.8**	**233.8**	**238.3**	**231.7**

Our operating expenditure

In our 2023/24 budget, we planned a total operating expenditure that was in line with 2022/23. Total casework costs were budgeted to be £13m lower driven by efficiencies. Other overhead costs were budgeted to be £13m higher, due to the impact of prior year accounting adjustments and increasing IT and resource costs.

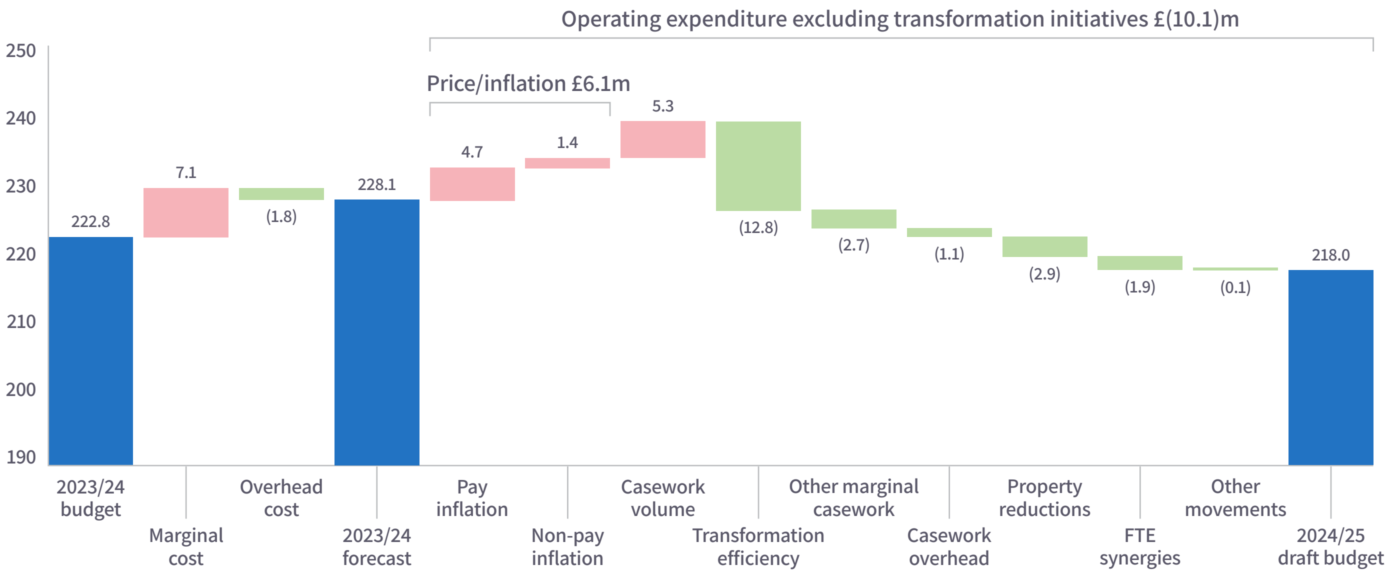
The level of reduction for total casework costs in 2023/24 has been lower than budgeted, in part due to the organisation restructure taking longer to fully bed in. We now have new digital tools, put in place to improve operational efficiency in the second half of 2023/24, to assist with this. However, it will be a challenge to 'outperform' to the level required to compensate for the slower start, given the lower level of resolutions delivered in H1 than budgeted.

For other overhead costs, the 2023/24 latest forecast is £3m lower than budget, though the same drivers of the cost increase versus 2022/23 remains. The cost increases versus 2022/23 are partly impacted by one-off cost-reducing accounting adjustments made in 2022/23 (see our Annual Report and Accounts) along with IT-related cost increases (inflation together with consumption-based costs as we migrate to cloud-based solutions) and increases in transformation and HR resources to support the change activity. This is partially offset by reductions in property costs due to lease breaks enacted in 2022/23.

The Executive team have committed to working through initiatives across all operating expenditure types to minimise overspend versus budget in 2023/24. We are taking a 'zero-based' budget approach to cost decisions for both existing and new spend, which will continue into 2024/25. This means we are scrutinising the need for (and efficiency of) all spend, rather than assuming that because it is incurred today that it is required tomorrow. We are focusing on ensuring our overhead costs are proportional to our casework costs.

For 2024/25, we project operating expenditure to be £218m, which is £5m lower than the 2023/24 budget and £10m lower than 2023/24 latest estimate. Figure 5 summarises the key cost reductions which offset £6m of inflation and £5m of casework costs that would otherwise result from the 7,000 higher resolution volumes targeted in 2024/25, compared to our 2023/24 latest forecast.

Figure 5: Changes in operating expenditure in 2024/25 compared to 2023/24 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 to serve.

Based on this measure, our reported unit cost has risen year on year, from £1,063 in 2022/23 to £1,160. In the first half of 2023/24, our unit cost did not reduce as quickly as we had planned, because the organisation restructure took longer to become fully established. We believe we now have the key components in place, including clear further improvement plans, to support the continued operational efficiency needed in 2024/25. Additionally, there has been no bulk closure of cases in 2023/24, whereas in 2022/23 the bulk closure of 16,000 cases relating to Amigo Loans was included in the unit cost calculation (if excluded, the unit cost in 2022/23 was £1,151).

To ensure we deliver value for money, we focus on reducing both the marginal cost per case and the overhead cost per case components of total cost per case. In the proposed 2024/25 budget, the cost per case is projected to reduce by £90 to £1,070. This is underpinned by our transformation programme.

Transformation to date

Following the recommendations from the 2021 independent Board commissioned review, transformation investment was needed to modernise how the Financial Ombudsman Service operates so that it could provide better value for money. The total investment of £18m required was supported during the 2021/22 and 2022/23 Plans and Budget consultations.

We spent £8m in 2022/23 and expect to spend the remaining £10m during 2023/24. In respect of the capabilities delivered to date, this saves approximately £12m of casework cost per year, in addition to helping us achieve our service standard targets.

Over the last two years, our transformation programme has delivered:

- a new Customer Call Hub to provide dedicated and efficient front-end service, at an appropriate cost, freeing up investigator time to focus on resolving cases and to provide an improved service to people who need our help.
- a reshaped casework team structure that aligns our people to specialist, industry-specific areas, which will enhance operational efficiency while ensuring our teams are closer to the needs of the people and businesses we serve. We also restructured our Communications, Policy and PA support teams at the same time, to ensure they were set up to support the new casework team structure. This did impact the roles of a significant number of our people, but also enabled greater clarity and accountability. The cost of the changes amounted to c.£5m, split across redundancy payments and enhancement to salaries where appropriate.
- operations and performance management tooling that enables:
  - cases to be automatically (rather than manually) allocated to caseworkers who have capacity and the right skills and experience. This uses our intelligent automation capability and aims to reduce the time taken for cases to reach an appropriate caseworker.
  - casework teams to be targeted and managed using activity-based management. This provides a step-change in the level of insight available to support our people to deliver on our service standards, helping us to better understand where we can alleviate operational issues.
  - enhanced insight to aid workforce planning, to enable us to respond flexibly and cost-effectively to any changes in the volume or mix of incoming demand.
- a trial of regional hubs in Manchester, which allowed us to test a primarily remote casework team. The success of this trial has led to recruitment for a further trial in Edinburgh, which began in September 2023. The pilot regions have enabled us to confidently reduce our property footprint, releasing space in Exchange Tower, London, as lease breaks became available.

- a review of our Information Technology team, ensuring we have the right number and mix of skills, both internally and through our third-party partners, to support our digital and data ambitions.
- a refreshed three-year strategy, ambitious service standards and relaunched organisational values, providing clarity, vision and direction for our people. Our service standards were also published on our website, increasing transparency.
- progress towards the delivery of our digital portals to support self-service. There have been some technical challenges which we have been working through with our third-party delivery partner.

Transformation continues in 2024/25

For the 2024/25 financial year, we propose to continue our transformation programme to support delivery of a customer journey for the future and enable everyone who comes to us to leave feeling they have a better outcome or are better informed. Some of our work is complex but a customer's experience with us should not be.

To achieve these ambitions, we propose that we draw down £13.7m of surplus reserves to further invest in our three strategic pillars of our data, our digital journey, and our people. We anticipate that these investments will reduce annual costs by approximately £23m by 2026/27, along with supporting the achievement of our service standards and delivery of insight on complaints in the financial services industry.

Our data

We have already invested considerable effort in moving to the cloud, enabling us to close our data centres, standardise our approach to storing and structuring our data, and benefit from platform upgrades as soon as they are released.

Our strategy for the next three years will be to ensure that our data is accessible, easy to use and managed in a cost-effective manner.

We propose to ensure that we not only have the foundational basics to underpin operational and cost efficiency but, through near-real-time processing and analytics capabilities, be able to exploit our data in ways that will drive our prevention strategy. Providing consumers and financial businesses with more information upfront will ensure they are better informed about possible outcomes. It will also enable us to drive improved customer service much further upstream in the customer and business relationship.

We will also focus on continued enhancements to our security, protecting the data we hold and ensuring we are continuing to keep ahead of developments and risks.

Our digital journey

We are focused on developing self-serve for consumer and business customers, where appropriate.

In the first half of 2023/24, we redeveloped our online consumer complaint forms to enable consumers to raise cases with us more easily. Within the first month that it went live, we observed a 30% reduction in the need to ask consumers for further information. We have also been working to share cases directly with business customers through our business portal, which is in development.

The portal programme as originally conceived was to enable customers (both consumer and business) to self-serve, by digitalising our existing processes. However, to achieve the best possible outcomes for our customers, and given there has been some delay due to technical challenges, we have also spent time exploring what a genuinely transformed customer experience that stayed true to our statutory purpose could look like. In the meantime, we have delivered some of the benefits originally tagged to the portal programme through other initiatives, including the Customer Call Hub and casework operating model.

To deliver a modern, simple digital experience for customers and caseworkers, we have identified that we need to invest to:

- expand our use of intelligent automation to streamline manual parts of our process, including tools to surface knowledge to case handlers and request missing information. This will free up our investigators and ombudsmen to focus on resolving cases.

- redesign our internal processes around the user experience to drive a customer-centric complaints journey. We will provide an easy-to-access and more personalised service through key features, such as:
    - a dynamic complaint form responding to the customer's input
    - seamless handover to gather all relevant information with minimal effort from the consumer
    - an outcome predictor to help inform choices, and
    - case streaming to provide more accurate and timely case allocation to a named caseworker.

Our people

Developing our people's expertise and growing the skills we will need in the future continues to be a focus. Part of our strategy to achieve this is to leverage skills from across the country. By building on what we have learnt from our regional hub trials, we plan to have a hub of casework staff in each devolved nation by the end of 2024/25.

We are redesigning our learning and developing offering to ensure our people have the skills they need for the future, including enhanced data literacy and leadership capabilities.

By improving our efficiency and effectiveness, we expect to be able to reduce our headcount through attrition over the coming years, assuming demand stays constant. This, alongside our strategy of regional hubs, means we will require less office space in London, so we plan to take advantage of lease breaks in our Exchange Tower property as they fall due.

Additionally, we want to ensure that we have an appropriate balance of casework and support function resources, so resource mix is part of our zero-based budget work.

Key questions

6. **Have we captured the right priority areas in our transformation programme, to drive both an improved customer experience and value for money?**

7. **What other areas should we consider in our transformation programme?**

Funding proposals

A key driver for reviewing our funding model is to ensure we get the right balance between being able to recover our costs sustainably, while not holding excess reserves, and ensuring we offer value for money through efficiencies.

Our priority is to drive operational efficiencies from the transformation investment, whilst maintaining quality of service. Our recurring costs will ultimately be lower because of this. Thus, we will be able to deliver better value for money on a sustainable basis and be able to operate off lower funding levels.

Our proposal is to give better value for money for all, including by improving the customer experience, rather than introduce differentiated case fees at this point in time.

This also enables us to ensure we have capacity to be appropriately responsive to environmental and regulatory events, such as the legislation on charging professional representatives.

Differential case fees: the assessment

In our Plans and Budget documents for 2023/24, we proposed to continue assessing and improving our processes to enable differential case fees, with a view to consulting on the following proposals:

- differential case fees by case stage and/or by product type
- charging an initial case fee at conversion

We have carried out analysis and modelling over the last 12 months and have concluded that we will not progress with either of these options at this stage. This is because:

1. We believe our priority should be to drive efficiencies and reduce our case fee so that differentiating case fees becomes less of a concern for respondent businesses
2. There is a risk of creating additional work for all parties, with the potential of multiple invoices for a single case, which goes against our aims to drive efficiencies and keeping case fees simple
3. We need to further develop our data capture on case characteristics

Reducing the funding: the proposal

Our medium-term operational and financial plan incorporates investment and transformation with respect to our people, our data, and our digital journey, to drive both operational efficiencies and overhead cost reductions. Our surplus reserves enable us to reduce funding levels in 2024/25 ahead of the full benefits being realised from our transformation programme.

Our proposal is to:

- **reduce our case fee from £750 to £650**, which is a reduction to less than an inflation-adjusted historic level of £500
- **reduce our compulsory jurisdiction (CJ) levy from £106m to £70m**, which is below our 2020/21 level before the increase we made to fund improvements identified in the 2021 Board commissioned independent review
- **reduce our voluntary jurisdiction levy (VJ) from £0.6m to £0.5m**, which reflects a reduction in tariff rates proportional to the reduction to the CJ levy, based on estimated VJ participant numbers and tariff data at this stage

The impact on our income statement is that we anticipate our total projected income will be £191m for 2024/25, based on our proposed level of resolved cases. This is a £51m reported reduction against 2023/24 latest forecast income of £242m, though is an effective £60m reduction when inflation and resolution volume increases are taken into consideration.

The breakdown of this effective £60m reduction, a 25% reduction in real terms, is:

- a reported £36m reduced CJ levy
- a £19m reduction in case fee income (£15m reported reduction plus £4m foregone in relation to the 7k incremental resolved complaints in 2024/25)
- £5m of inflation-adjustment (not applied) also foregone

This provides significantly greater value for money by reducing the average income per case to £936 in the 2024/25 budget, from £1,199 in the 2023/24 budget (and £1,230 in the latest forecast for 2023/24). It also maintains our 'polluter pays' principle, with a skew of total funding received (63% of the total) being from case fees.

The stated intention in previous plans and budget documentation, is for the case fee income to cover marginal casework operating costs and for the CJ and VJ levies to cover overhead operating costs. We have continued to apply this principle to help guide funding levels, with historic pricing also used as reference. For 2024/25, to cover respective overhead and marginal costs, surplus reserves will subsidise a total of £27.2m shortfall in funding (£20.6m CJ levy, £6.6m case fees).

We can sustain these new lower baseline price points for the CJ levy and case fees in future years, with our total operating expenditure on a glide path of reduction to match a lower level of income, and surplus reserves funding any gap in covering costs until this point is reached. Whilst there is a lot of work for us to do, and external regulatory and environmental factors to navigate, we are committed to achieving this 'income-cost matched' position with both income and costs being lower than they are today.

FEES instrument: amendments

To reduce the overall VJ levy collected, we recommend a reduction in tariff rates. This is based on anticipated VJ participant numbers for each industry block and estimated tariff data. The final tariff rates for 2024/25 could vary from those in this consultation, depending on actual tariff data received in February 2024.

Whilst the total level of income from CJ levy and the VJ levy is as proposed in this consultation document, the FCA is consulting on amending a couple of rules in the FEES manual and definitions in the Glossary (FCA proposals 2024-25). One of these will in turn have a knock-on impact on the VJ rules and standard terms concerning the VJ levy given that, through DISP 4.2.6R, we apply a number of rules in the FEES manual to the VJ.

The proposed changes are largely clarifications to achieve greater consistency and awareness, and address omissions, errors, and potential for misreading. These will be adopted and applied to the VJ through DISP 4.2.6R, making some necessary modifications to ensure their continuing operability in relation to the VJ.

However, one of the FCA's proposals is 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 FCA anticipates CJ levy calculations would take into account the revised definition of 'relevant business' for the 2026/27 fee year onwards.

If this change is made by the FCA, it would not increase the total amount collected from firms under the CJ levy. It would only affect how levy contributions are allocated to each firm, with firms paying slightly more or less than currently depending on how much business they do with different types of eligible complainant.

As the definition of 'relevant business' is also applied for the purposes of calculating the VJ levy, we are consulting on adopting this amendment. This would come into force from 1 April 2025 and impact both the data that VJ participants must report to us and the calculation of the VJ levy with effect from the 2026/27 financial year. To enable calculation of the VJ levy for 2026/27, VJ participants would (by the end of February 2026) have to report the size of their relevant business as at the year ended 31 December 2025, in accordance with the amended definition for that term.

We also direct VJ participants to the proposal to introduce a new VJ standard term at DISP 4.2.6AR, which would clarify that the only permitted payment method for the VJ levy is by credit transfer.

Finally, and separately to the changes set out above, we propose to delete the guidance at FEES 5.5B.15G, which summarises how many free cases respondents were entitled to claim at various points in the past. As it is of historical interest only, we propose to delete this in order to simplify FEES 5.5B.

The amendments required to achieve this are set out in our draft instrument at Annex 1.

We would welcome consultees' feedback in relation to amendments being proposed.

Key questions

8. **Do you agree with the level and the rationale behind our proposed funding changes for 2024/25, both in relation to the CJ and VJ?**

9. **Do you agree with our proposal to adopt the FCA's widened definition of 'relevant business' when reporting data and calculating the VJ levy? If not, why?**

10. **Do you agree with our other proposed changes to FCA Handbook in relation to FEES 5.5B and DISP 4.2.6R, which sets out which parts of FEES apply to VJ participants? If not, why?**

Our reserves

Based on our demand and funding projections, plus our operating costs and transformation investments, we anticipate closing 2023/24 with a surplus of £10.6m and 2024/25 with a deficit of £35.9m. This 2024/25 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 2024/25 is shown in Figure 6. By the end of 2024/25, the surplus reserves level will be at 5.5 months of operating expenditure.

Figure 6: Reserves movement in 2024/25 budget

	Marginal £m	Overhead £m	Total £m
Income	120.2	70.6	190.8
Operating expenditure excluding transformation	(126.8)	(91.2)	(218.0)
Net operating surplus/(deficit)	**(6.6)**	**(20.6)**	**(27.2)**
Transformation investment			(13.7)
Net financing			5.1
Net deficit			**(35.9)**

Reducing the level of reserves held sustainably

The Financial Ombudsman Service was set up on a not-for-profit basis, with the intention that our income (derived from case fees and the levy) would broadly match our costs. We expect to hold 7.1 months of operating expenditure in reserve by the end of 2023/24, as we forecast to deliver a surplus for the second year in a row. This is a higher level than is required.

Our proposed strategy is a balanced, risk-managed, approach to the level of reserves held, looking at the medium-term as well as the near-term. There is planned further use of surplus reserves to improve the customer experience and drive cost efficiencies, but there is also a need to retain reserves at a reasonable level to cover operational risks and future unanticipated events (such as incoming demand volumes increasing or falling sharply, or recovery if there were a cyber-attack).

Whilst we are planning a managed decline in reserves cover over the medium-term time horizon, we continue to evaluate our optimum end-state reserves cover level. We anticipate this to be in the range of three to five months to remain financially sustainable.

Surplus reserves can be proactively used in two main ways:

1. **Investing in transformation:** Changes to improve the customer experience and drive cost reduction in future years as we become more operationally efficient. However, there is a limit on the level of transformation that is achievable in any one year, so we plan to hold reserves to spread this investment over three years to support successful execution. Additionally, the timing of the delivery of cost efficiencies needs to be monitored, in respect of the impact on reserves held at any point in time, since we have factored significant future cost reductions into our financial plans.
2. **Reducing funding:** The intent is to sustain new lower baseline price points for the CJ levy and case fees, which means that our operating cost base will be intentionally higher than our income for more than one year. We are mindful that it is helpful to respondent businesses to be able to plan future expenditure and so avoid large price variation from one year to the next. The proposal is that surplus reserves will fund the gap between income and costs during the period of executing our plans to reduce operating expenditure (to achieve 'breakeven' in future years).

Taking the two main uses of surplus reserves into account, for 2024/25, we have proposed to use £13.7m to fund transformation (see 'Our costs' section) and to use £27.2m to cover our operating costs (see 'Funding proposals' section). This brings down the level of reserves cover to 5.5 months at the end of 2024/25 from 7.1 months forecast at the end of 2023/24 as shown in Figure 7.

Figure 7: Reserves cover

	2022/23 actual	2023/24 budget	2023/24 latest forecast	2024/25 budget
Reserves (£m)	125.5	140.9	136.1	100.2
Months of operating costs (months)	6.7	7.6	7.1	5.5

The potential impact of unplanned incoming demand on reserves

The more accurate our incoming demand forecasts, the more accurately we can plan our workforce needs and deliver operational efficiency. For reference, Figure 8 shows the estimated impact on reserves of either being able to efficiently flex, or not, our case handler resources to work on incoming demand volumes. The sensitivities shown assume that we still achieve our service standards and the case stock-in-hand position of 32,000 by the end of 2024/25.

The greater the level of visibility we have of the likely level and mix of incoming demand, the greater our ability to avoid the costs of any inefficiency in responding to changes in demand. Inefficiency could be caused by factors such as recruitment lead times, training time to full competency and productivity, or the lead time to release an excess number of people.

Figure 8: Complaint volume, and workforce planning efficiency, sensitivity on reserves for 2024/25

Scenario	Resolved complaints	Income	Costs (FTE impact)	Reserves surplus/(deficit)	Cost per case
Lower demand, 5% less efficient	(10,000)	(5.9)	(0.4)	(6.3)	1,127
Lower demand, budgeted efficiency	(10,000)	(5.9)	6.2	0.3	1,093
More demand, 5% less efficient	10,000	5.9	(12.2)	(6.3)	1,077
More demand, budgeted efficiency	10,000	5.9	(6.2)	(0.3)	1,049

Key questions

11. Do you agree that our proposed use of surplus reserves in 2024/25 is appropriate?
12. Do you support our proposed budget for 2024/25?
13. Do you feel we are offering value for money? If not, where do you think we could improve?

Charging professional representatives

Under changes introduced by the Financial Services & Markets Act 2023 (FSMA 2023), there is provision for the Financial Ombudsman Service to be able to charge a fee to not just financial firms that complaints are bought against, but also such 'other persons of a specified description' as HM Government may specify in regulations. In last year's funding discussion paper response, there was broad support from financial firms for such a change.

HM Government has now published draft regulations indicating the categories of persons that would be in scope, which broadly includes CMCs and relevant legal professionals representing complainants in complaints under our CJ. We are therefore taking forward preparatory work to consider whether and how we might best implement a charging regime.

Under the proposals the Financial Ombudsman Service will remain a free-to-use service for complainants and we remain committed to making the service easy to use, accessible and responsive to customers. We also want to retain the 'polluter pays' principle that incentivises learning and improvement from complaints by respondent firms, while better reflecting where costs arise in the running of our service.

In respect of 'other persons', our early view is therefore that the definition should not include friends and family who are providing personal support to a complainant as being within scope of the new charging arrangements and we welcome confirmation of this in the draft regulations.

Summary

Our ambition is to be an easy to use, accessible service. Anyone who wants to bring a complaint to the Financial Ombudsman Service should feel confident that they can do so directly, without charge, and keep 100% of any award that we make. This is in keeping with our statutory purpose: that we are a free (to complainants), independent and easy-to-use service that helps settle complaints between complainants and financial services firms with minimal formality. We are committed to focusing on the best outcomes for our customers, but we acknowledge that we need to do more to raise awareness and accessibility of our service to help complainants come direct to us.

Over the past two years, approximately 20% of our cases have been brought by professional representatives, though they do not pay a fee for using our service from which they can gain economic benefit. While we recognise people may choose to use a professional representative, doing so can reduce a consumer's redress by up to 30%, or more if the representative is regulated by the Solicitors Regulatory Authority (SRA).

Based on HM Government's draft regulations, our thinking (subject to consultation) is that the scope of any charge should be limited to professional representatives in the UK. We would also propose to offer three free cases (as we do with respondent firms). This will mean that it is mainly the commercial entities working at scale in the complaints ecosystem that would incur fees. We anticipate that most law firms would not incur a fee under this approach.

We are aware that there will be a range of views on many components, including but not limited to:

- the impact on overall complaint volumes and types
- the potential impact on different groups of complainants, particularly vulnerable groups
- pricing options, the fee, for charging commercial professional representatives
- the lead time required for businesses to be ready

We are seeking early feedback, as part of our 2024/25 Plans and Budget consultation, on components such as these to inform next steps. For this reason, there are no assumptions yet included (in respect of the impact on demand, cost to execute or income) about charging professional representatives in this proposed 2024/25 Plans and Budget.

We understand from HM Government's statement that regulations will be brought in as parliamentary time allows and will need to be approved by Parliament before they can be made and come into force.

We will continue to engage on this issue including, if necessary, through further consultations on the detail. We will also continue to engage with businesses and regulators on cases to share insight to generate fair outcomes, while engaging on any conduct issues we think might be generating increases in representatives' referrals and making reports to regulators where we see poor practice.

Early considerations: the fee

Given the level of fee is likely to be a big determinant of the assessment of impact, we have outlined a range of price point options under consideration, as shown in Figure 9.

Figure 9: Charging commercial professional representatives, initial fee options for consideration

Fee level	When chargeable	Price point per case	Costs (FTE impact)
Low	On case conversion	£50 - £100	Fee to cover the cost of initial case conversion only
Moderate	On case conversion	£101 - £200	Enhanced fee to cover the cost of initial case conversion plus casework time for information management and activity across an increased number of parties involved in the case
High	On case closure	Full case-fee level (for 2024/25, the £650 proposed)	Fee to cover the marginal cost per case i.e. the cost of case conversion, casework time and other costs attributable to resolving the complaint

Professional representatives have the opportunity to shape what they refer to our service in a way that unrepresented consumers might not be able to, and complaints should be presented and evidenced appropriately. Not doing so, especially across a high volume of complaints, negatively impacts our service standards, our ability to help other customers and our operational cost efficiency.

At present over half of complaints referred by professional representatives are not upheld, often in circumstances and case types where our approach to issues is already well established (such as fraud and scams, consumer credit affordability and allegations of mis-sale).

Like businesses, professional representatives have the chance to reduce the volume of cases they refer to us by assessing them in line with our published insights. It may therefore be appropriate that the professional representatives' role, and potential to impact our service and gain economic benefit from the system they are part of, be reflected in a contribution to our costs.

Key questions

14. Do you consider that the Financial Ombudsman Service should exercise the power given to charge professional representatives? If not, why not?

15. If this power is exercised, what is your view of the likely impact of a fee for professional representatives on overall complaint volumes and types submitted to the Financial Ombudsman Service?

16. If this power is exercised, to help shape our Equality Impact Assessment, do you think there are any potential impacts of charging professional representatives on different groups of complainants, for example vulnerable groups and those with protected characteristics? If so, how you think these could be mitigated?

17. If this power is exercised, how do you think the regulatory system could address/avoid professional representatives passing on the fee to consumers?

18. If this power is exercised, what other factors should we consider when evaluating charging professional representatives?
19. If this power is exercised, do you agree with our initial thoughts to provide the same level of free cases (three) as for respondent firms?
20. If this power is exercised, what do you think of the potential pricing options, or the proposed fees, for charging professional representatives?
21. If this power is exercised, what preparations will professional representatives need to make? And what is the timescale that it will take to implement such preparations?

Financial summary

Financial summary	2022/23 actual £m	2023/24 budget £m	2023/24 latest forecast £m	2024/25 draft budget £m	2024/25 draft budget against 2023/24 budget £m	2024/25 draft budget against latest forecast £m
Income						
Case fees	79.9	87.7	85.3	76.1	(11.6)	(9.1)
Group fees	58.6	50.3	50.1	44.1	(6.2)	(6.1)
Levies and other income	107.8	106.6	106.7	70.6	(36.1)	(36.2)
Total income	**246.3**	**244.5**	**242.1**	**190.8**	**(53.7)**	**(51.3)**
Expenditure						
Casework marginal costs	137.4	126.3	133.3	126.8	(0.5)	6.5
Casework overhead costs	15.3	13.3	14.8	13.7	(0.4)	1.1
IT costs incl. investments	24.5	37.6	32.6	34.6	3.0	(2.0)
Premises and facilities	15.9	15.3	14.7	12.4	2.9	2.4
Other costs	29.5	30.3	32.8	30.6	(0.1)	2.1
Total operating expenditure	**222.6**	**222.8**	**228.2**	**218.0**	**4.8**	**10.1**
Operating (deficit)/surplus	**23.5**	**21.7**	**13.9**	**(27.2)**	**(49.0)**	**(41.3)**
Finance income	5.0	5.7	9.2	6.9	1.2	(2.3)
Finance costs	(1.6)	(0.4)	(0.4)	(0.4)	-	-
Corporation tax	(0.7)	(0.6)	(2.1)	(1.4)	(0.8)	0.7
Transformation costs	(8.0)	(11.0)	(10.1)	(13.7)	(2.7)	(3.6)
Financial surplus/(deficit)	**18.2**	**15.4**	**10.5**	**(35.9)**	**(51.3)**	**(46.5)**
Reserves	125.5	140.9	136.0	100.1	(40.7)	**(35.9)**
Months of cost inc. financing and tax	6.7	7.6	7.1	5.5		
Capital expenditure	2.9	2.2	1.9	3.0	(0.8)	(1.1)
Operational data						
Closing FTE	2,738	2,344	2,664	2,438	(96)	226
Total new cases (k)	165.5	184.0	179.0	181.3	2.7	(2.3)
Total case resolutions (k)	209.5	204.0	196.8	203.8	(0.2)	(7.0)
Closing stock (k)	71.0	51.0	54.4	31.9	19.1	22.5
Income per case	1,176	1,199	1,230	936	(163)	(294)
Operating expenditure per case	1,063	1,092	1,160	1,070	22	90

Without the impact of Amigo Loans in 2022/23, our cost per case would be £1,151.

Annex 1

FINANCIAL OMBUDSMAN SERVICE CASE FEES AND VOLUNTARY JURISDICTION LEVY 2024/2025: FEES AND DISPUTE RESOLUTION: COMPLAINTS (AMENDMENTS) INSTRUMENT 2024

Powers exercised by the Financial Ombudsman Service Limited

A. The Financial Ombudsman Service Limited:

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

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

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

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

Consent and approval by the Financial Conduct Authority

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

Commencement

D. This instrument comes into force on 1 April 2024.

Amendments to the Handbook

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

F. The Dispute Resolution: Complaints sourcebook (DISP) is amended by the Board of the Financial Ombudsman Service Limited in accordance with Annex B to this instrument.

Citation

G. This instrument may be cited as the Financial Ombudsman Service Case Fees and Voluntary Jurisdiction Levy 2024/2025: Fees and Dispute Resolution: Complaints (Amendments) Instrument 2024.

By order of the Board of the Financial Ombudsman Service Limited
[ ] 2024

By order of the Board of the Financial Conduct Authority
[ ] 2024

Annex A

Amendments to the Fees manual (FEES)

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

1 Fees Manual

1.1 Application and Purpose

…

Application

1.1.2 R This manual applies in the following way:

…

(7) …

The application statement at *FEES* 1.1.2R (3) does not apply to ~~*FEES* 5.5A~~ *FEES* 5.5B, *FEES* 5 Annex 2R or *FEES* 5 Annex 3R.

(8) …

1.1.3 G The application of ~~*FEES* 5.5A~~ *FEES* 5.5B and *FEES* 5 Annex 3R is set out in ~~*FEES* 5.5A.1 R~~ *FEES* 5.5B.1R. The relevant provisions of *FEES* 5 and *FEES* 2 are applied to *VJ participants* by the *standard terms* (see *DISP* 4).

…

2 General Provisions

2.1 Introduction

…

2.1.1A R This chapter does not apply in relation to:

(1) ~~*FEES* 5.5A~~ *FEES* 5.5B; or

…

…

5 Financial Ombudsman Service Funding

…

5.5B Case fees

…

5.5B.15	G	~~Until 31 March 2024 a standard case fee was payable for every *chargeable case*. From 1 April 2004 to 31 March 2005 the standard case fee was payable for the third and subsequent *chargeable cases*. From 1 April 2005 to 31 March 2013 the standard case fee was payable for the fourth and subsequent *chargeable cases*. From 1 April 2013 to 31 March 2003 the standard case fee was payable for the twenty-sixth and subsequent *chargeable cases*. *FEES 5.5B.12R* does not apply retrospectively to *financial years* before 1 April 2013.~~ [deleted]

…

…

5 Annex 2R	**Annual Levy Payable in Relation to the Voluntary Jurisdiction ~~2023/24~~ 2024/25**				
	Voluntary jurisdiction – annual levy for VJ participants				
	Industry block and business activity		Tariff basis	Tariff rate	Minimum levy
	1V	Deposit acceptors, mortgage lenders and mortgage administrators and debit/credit/charge card issuers and merchant acquirers	number of accounts relevant to the activities in *DISP* 2.5.1R	~~0.0298~~ 0.0169	£100
	2V	*VJ participants* undertaking general insurance activities	per £1,000 of gross written premium	~~0.1102~~ 0.0625	£100
	3V	*VJ participants* undertaking life insurance activities	per £1,000 of gross written premium	~~0.0268~~ 0.0152	£100
	6V	Intermediaries	n/a	n/a	£75
	7V	Freight-forwarding companies	n/a	n/a	£75
	8V	National Savings & Investments	n/a	n/a	£10,000
	~~9V~~	~~Post Office Limited~~	~~n/a~~	~~n/a~~	~~£2,000~~

	10V	Persons not covered by 1V to ~~9V~~ 8V undertaking activities which are: (a) *regulated activities*; or (b) *payment services*; or would be if they were carried on from an establishment in the *United Kingdom*	n/a	n/a	£75
	12V	Persons undertaking the activity which is the issuance of electronic money or would be if carried on from an establishment in the *United Kingdom*	average outstanding electronic money as described in *FEES* 4 Annex 11 Part 3	n/a	£75
	13V	Persons not covered by 1V to ~~9V~~ 8V undertaking activities which are CBTL activities or would be if they were carried on from an establishment in the *United Kingdom*	n/a	n/a	£75
	14V	Persons not covered by 1V to ~~9V~~ 8V providing *credit information*, under the *Small and Medium Sized Business (Credit Information) Regulations* or providing *specified information* under the *Small and Medium Business (Finance Platforms) Regulations* or would be if it was carried on from an establishment in the *United Kingdom*	n/a	n/a	£75
	15V	*VJ participants* undertaking activities relating to *claims management services*	annual income	£50 plus £3 per £1,000 of annual income	£75
	16V	*VJ participants* undertaking activities which are			

		regulated funeral plan activities or would be if: (a) they were carried on from an establishment in the *United Kingdom*; and/or (b) they were carried on in relation to a funeral in the *United Kingdom*.	n/a	n/a	£75
	Notes				
	….				

…

5 Annex 3R **Case Fees Payable for ~~2023/24~~ 2024/25**

Part 1 – Standard case fees		
	Standard case fee	
In the: Compulsory jurisdiction and Voluntary jurisdiction	~~£750~~ £650 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*: Barclays Asset Management Limited Barclays Bank Plc Barclays Bank UK Plc Barclays Capital Securities Limited Barclays Insurance Services Company Limited Barclays Investment Solutions Limited <u>Barclays OCIO Services Limited</u> Barclays Private Clients International Limited Barclays Security Trustee Limited Barclays Sharedealing Barclays Stockbrokers Limited Clydesdale Financial Services Limited Firstplus Financial Group Plc Gerrard Financial Planning Ltd Oak Pension Asset Management Limited Standard Life Bank Plc Woolwich Plan Managers Limited

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

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

	Loans.co.uk Limited
	MBNA Limited
	NFU Mutual Finance Limited
	Pensions Management (SWF) Limited
	Scottish Widows Administration Services Limited
	Scottish Widows Annuities Limited
	Scottish Widows Bank Plc
	Scottish Widows Fund Management Limited
	Scottish Widows Limited
	Scottish Widows Unit Funds Limited
	Scottish Widows Unit Trust Managers Limited
	Shogun Finance Limited
	St Andrew’s Insurance plc
	St Andrew’s Life Assurance Plc
	Suzuki Financial Services Limited
	SW Funding plc
	The Mortgage Business Plc
	United Dominions Trust Limited

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

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

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

Part 4 – Special case fees	
…	
3	The special case fee for each *charging group* is a total amount calculated as follows:
	{£~~750~~ <u>650</u> x ~~204,000~~<u>203,800</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*: (1) 1 April (or, if later, when *FOS Ltd* has sent the invoice); (2) 1 July; (3) 1 October; and (4) 1 January.
5	Year-end adjustment:

	(1) [deleted]
	(2) If the actual number of *chargeable cases* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is more than 105% of {~~204,000~~203,800 x the 'Proportion Z'}: (a) the *FOS Ltd* will invoice the *relevant charging group*; and (b) the relevant *charging group* will pay to *FOS Ltd*; an additional £~~75,000~~ 65,000 for each block of 100 (or part thereof) closed *chargeable cases* over the 105%.
	(3) If the actual number of *chargeable cases* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is less than 95% of {~~204,000~~203,800 x the 'Proportion Z'}, the *FOS Ltd* will promptly repay to the relevant *charging group* £~~75,000~~ 65,000 for each block of 100 (or part thereof) closed *chargeable cases* under the 95%.

[*Editor's note*: this Annex takes into account the changes made by the Periodic Fees (2024/2025) and Other Fees Instrument 2024 which come into force on 1 April 2024.]

Annex B

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

…

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*':

…

(5) *FEES 5.3.8R* (calculation of general levy) but substituting

(a) '*Voluntary Jurisdiction*' for '*Compulsory Jurisdiction*'; ~~and~~

(b) '*FEES 5 Annex 2R*' for '*FEES 5 Annex 1R*;

(c) '*FOS Ltd*' for 'the *FCA*';

(d) the following for *FEES 5.3.8R(2)*:

(2) for each of those tariff bases, calculate the sum payable in relation to the *relevant business* of the *VJ participant* for that year in accordance with *FEES 5 Annex 2R*;

(6) *FEES 5.4.1R* (information), excluding *FEES 5.4.1R(1A)*, *FEES 5.4.1R(4)* and *FEES 5.4.1R(6)*, but substituting:

…

(c) The following for *FEES 5.4.1R(1)*:

(A) A *VJ participant* must provide the *FOS Ltd* by the end of February each year (or, if the *VJ participant* has become subject to the *Financial Ombudsman Service* part way through the *financial year*, by the date requested by the *FOS Ltd*) with a statement of:

(i) the total amount of *relevant business* (measured in accordance with the appropriate tariff base(s)) which it conducted; or

(ii) ~~in the case of *firms* in *industry blocks* 2 and 4, the gross written premium for fees purposes as defined in *FEES 4 Annex 1AR* (unless *FEES 5.4.1.R(1A)* applies)~~ in the case of *VJ participants* in industry blocks 2V and 3V, the gross written premium as defined in the Notes to *FEES 5 Annex 2R*,

as at or in the year to 31 December of the previous year as appropriate, in relation to the tariff base for each of the relevant industry blocks set out in *FEES 5 Annex 2R*;

…

(10) *FEES 5.7.1R* ~~and *5.7.4R*~~ but substituting, in *FEES 5.7.1R*, 'the *FOS Ltd*' for 'the *FCA*' and 'annual levy specified in *FEES 5 Annex 2R*' for '*general levy*';

…

(12) *FEES 5 Annex 2R* and *FEES 5 Annex 3R*; ~~and~~

(13) *FEES 5.1.8R*; and

(14) *FEES 5.4.4.G*.

4.2.6A R The annual levy specified in *FEES 5 Annex 2R* must be paid to *FOS Ltd* by credit transfer.

...

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Financial Ombudsman Service

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Claims Management Ombudsman
a Financial Ombudsman service