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Dear Adrian,

Financial Services Ombudsman Service Consultation: our plans and budget for 2013/2014

This is the Financial Services Consumer Panel's response to the Financial Ombudsman Service's consultation: our plan and budget for 2013/2014.

The Panel fully supports the work of the Ombudsman Service, which provides a vital dispute resolution service for consumers. We also agree with the five priority areas the Ombudsman Service has identified for 2013/2014, particularly the priority of reducing the length of time taken to resolve cases.

We recognise that much of the Ombudsman Service's workload continues to be meeting the challenge of unprecedented levels of complaints generated by the mis-selling of Payment Protection Insurance (PPI). We note that for the current year (2012/13) the Ombudsman Service estimates it will have taken on 250,000 new PPI cases. This is significantly more than the 165,000 it originally anticipated. Given this increase in demand, we support the Ombudsman Service's plans to substantially increase its PPI capacity again for 2013/2014. In response to the 2012/2013 Ombudsman Service Annual Plan we suggested that, based on previous years' complaints figures, it would be better to be pessimistic than err towards over-optimism. Given the difference between the number of predicted and actual cases expected this year, we again believe this would be a good approach to adopt for 2013/2014.

Due to the difficulties in being able to develop accurate estimates for the potential number of new PPI cases, we would urge the Ombudsman Service to factor in as much flexibility as possible in terms of its recruitment processes, in order to be able to respond appropriately to any unforeseen fluctuations in complaints. We believe this to be particularly important, given that the Ombudsman Service estimates that only 15% of potential claims for PPI mis-selling have been lodged.

Flexibility should not be at the expense of quality standards. As such, we are pleased to see that the Ombudsman Service is putting professionalism at the heart of everything it does.

Last year we stated that we welcomed the move towards 'polluter pays' through the introduction of the supplementary PPI levy and changes to the way the Service was funded. We continue to support this approach and are pleased that the Ombudsman Service has retained the supplementary levy in order to manage its caseload.

We also broadly welcome the introduction of a group account fee, which will ensure the groups that account for 60% of the Ombudsman Service costs, contribute to a similar amount of income. However, given that the number of PPI complaints the Ombudsman Service receives is largely based on the number of complaints businesses receive, resolve or reject, we continue to believe there may be scope for basing levies, not only on complaint volumes, but also on how effective firms are in managing complaints and cooperating with the Ombudsman Service.

Finally, the Alternative Dispute Resolution Directive and Online Dispute Resolution Regulation will be formally endorsed by the European Parliament and Council over the next few months. We believe the Ombudsman Service will have a vital role to play in engaging with BIS and other stakeholders to ensure the proposals are implemented, with improved consumer outcomes central to any considerations.

Yours sincerely,

Adam Phillips
Chair
Financial Services Consumer Panel