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Dear Adrian

Financial Ombudsman Service 2012/13 Annual Plan and Budget

This is the Financial Services Consumer Panel's response to the Financial Ombudsman Service's consultation on their 2012/13 Annual Plan and Budget.

The Consumer Panel fully supports the work of the ombudsman service which provides a vital dispute resolution service for consumers. The Panel has reviewed, and strongly supports, your 2012/13 Annual Plan. In particular, we are pleased to see that work to improve the capacity and accessibility of the ombudsman service for the benefit of consumers has been given high priority. This includes investment in the 'e-enablement' of the ombudsman service for easier consumer access.

The Panel has also reviewed your proposed budget for 2012/13. The Panel recognises that forecasting likely complaint volumes is difficult and over-predicting would increase the cost of the ombudsman service. However, we are concerned that under-predicting potential volumes will give rise to more consumer detriment than over-predicting. The costs to consumers of forecasting errors are not symmetric; under-prediction could create inadequate resources leading to delays in adjudications. Looking at previous years' complaints figures, the Panel believes it would be better to be pessimistic that err towards over-optimism. For example, it might be helpful to take the long-run average increase and add 10% for (bad) luck.

The Panel welcomes the move towards 'polluter pays' through the introduction of the supplementary PPI levy and changing the way the service is funded. This is something the Panel has long advocated. However, we suggest the ombudsman service could, and should, go further by basing levies not only on complaint volumes but also on how effective firms are in managing complaints and cooperating with the ombudsman service. As these are significant drivers on the cost of the service, it would be fair for these to be reflected in the way the service is funded. This would also serve as an incentive for firms to work more collaboratively with the ombudsman service.

Yours sincerely

Adam Phillips
Chairman