



## Call for Input

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# Modernising the Redress System

November 2024

## How to respond

We are asking for comments on this report by

**30/01/2025.**

You can send them to us using the form on our [website](#).

Or in writing to:

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Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

**Email:**

[redressmodernisationCFI@fca.org.uk](mailto:redressmodernisationCFI@fca.org.uk)

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# Contents

<b>Chapter 1</b>	Executive summary	<b>Page 4</b>
<b>Chapter 2</b>	The purpose of this Call for Input	<b>Page 8</b>
<b>Chapter 3</b>	Options for change	<b>Page 16</b>
<b>Chapter 4</b>	Identifying issues and FCA-Financial Ombudsman co-operation	<b>Page 26</b>
<b>Chapter 5</b>	Next Steps	<b>Page 31</b>
<b>Annex 1</b>	list of questions	<b>Page 32</b>
<b>Annex 2</b>	Abbreviations used in this paper	<b>Page 35</b>

## Chapter 1

### Executive summary

- 1.1** The current redress framework works well for individual customer complaints about specific issues. However, challenges can occur when there are large numbers of complaints about the same issue (we describe these as 'mass redress events'). These challenges can be compounded if firms do not identify issues early or do not proactively address harm where it occurs.
- 1.2** If the volume of complaints suddenly increases (including where professional representatives (PRs) submit large numbers of complaints on behalf of consumers) and firms lack resources to resolve them within the relevant time-limits, this can mean cases get referred to the Financial Ombudsman Service (Financial Ombudsman) before firms have had a chance to consider them. This can result in delays to consumers receiving redress and increased costs for firms.
- 1.3** The Financial Ombudsman is an independent body set up to resolve individual disputes quickly and with minimum formality. In some cases where the Financial Ombudsman is investigating complaints and considering regulatory requirements, the FCA may not have set out how its rules should be applied in that particular scenario, or it may be that there aren't rules on the specific issue. It is important that the FCA and Financial Ombudsman work together on such issues, thereby providing clarity and certainty for the wider financial services community, both for consumers and firms.
- 1.4** The FCA and Financial Ombudsman want to work together with stakeholders to modernise the system to ensure a more effective and efficient redress framework for the future. We also want to explore how we can co-operate better under the current framework when carrying out our different statutory functions. This is a joint FCA and Financial Ombudsman publication so references to 'we' in this document refer to both organisations.
- 1.5** The key objectives for this Call for Input (CfI) are that:
- Consumers can get appropriate redress efficiently when things have gone wrong.
  - Firms identify harm at an early stage, proactively address it and resolve complaints more effectively themselves. This will reduce the need for consumers to refer complaints to the Financial Ombudsman to get a fair outcome and may also reduce case fees for firms.
  - We can work with stakeholders to identify redress events or issues with wider implications earlier so they can be resolved swiftly and efficiently. We anticipate this may result in fewer events escalating into mass redress events, a reduced burden on the Financial Ombudsman and the Financial Services Compensation Scheme (FSCS) and a potential reduction in the long term of associated levies.
  - Consumer and industry stakeholders have more direct channels of communication with the FCA, the Financial Ombudsman and other regulatory partners involved in the Wider Implications Framework (WIF). This will make it easier and quicker for consumer and industry stakeholders to flag matters with potentially wider implications for a market.

- We improve how the FCA and the Financial Ombudsman work together to ensure our views on regulatory requirements are consistent. This will provide a more predictable regulatory environment for firms which helps to support investment and further the FCA's secondary objective to facilitate the international competitiveness of the UK economy in the medium to long term.

**1.6** In this Cfi we want to hear from stakeholders to better understand:

- How the current redress framework could be modernised.
- The problems that mass redress events and the redress system in general cause firms, consumers and their representatives.
- What changes we could make to the redress framework to enable us to better identify and manage mass redress events to ensure better outcomes for consumers, firms and the market.
- What changes could be made to how we work together to ensure our views on regulatory requirements are consistent.

**1.7** We want to hear views from firms, industry bodies, consumers, consumer groups and PRs on rules we should review and the potential benefits and costs of doing so.

## Why we are publishing this Call for Input

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**1.8** If the UK redress framework does not operate effectively or is seen to be hampering a stable and predictable trading environment, this can potentially affect the FCA's primary objectives of consumer protection, market integrity and competition, as well as the FCA's secondary objective to facilitate the international competitiveness of the UK economy in the medium to long term.

**1.9** The complaints-handling rules in the Dispute Resolution: Complaints sourcebook (DISP) for firms and the rules on how the Financial Ombudsman considers complaints were last reviewed in 2014. This followed a thematic review and included proposals to implement the Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015. The rules do not account for the realities of the current complaints landscape, and we want to explore improvements we could make to bring them up to date. There have been 2 key areas of change since we last reviewed the rules:

### 1. Mass redress events

**1.10** There have been several significant mass redress events in the last few years, and we have heard the concerns raised about their impact. In particular, the impact on users of financial services who have lost out, and the uncertainty created for firms, their investors/shareholders and other stakeholders, in turn having a potential knock-on impact on growth, innovation and investment.

**1.11** If mass redress events involve sudden and unexpected increases in complaints, this creates operational difficulties for both firms and the Financial Ombudsman. In some cases, such events can go as far as resulting in disorderly firm failures, with the cost of

this either generally absorbed by the rest of the industry through the FSCS levy or, if there is no FSCS cover, by consumers in lost redress.

**1.12** A mass redress event could be triggered by differing views of how the FCA rules apply. Moving to outcomes-focused regulation (like the FCA's Consumer Duty) has many benefits, including driving firms to ensure better consumer outcomes and better treatment of customers. Outcomes-focused regulation is also more future proof, in that it enables firms to adapt their business models with regulatory certainty. However, for these benefits to be fully realised, firms and consumers need to be confident that we have a consistent interpretation of regulatory requirements. Otherwise, being outcomes-focused potentially risks creating uncertainty for firms or inconsistent outcomes for consumers. The regulatory family is aware of this risk and the FCA and the Financial Ombudsman have been coordinating their approach, both before and since the Consumer Duty's implementation. However, we want to do more to ensure that interpretation of the Duty, and other legal and regulatory requirements, continues to be consistent. We discuss the features of mass redress events and invite views on a definition in Chapter 2.

## **2. The role played by PRs and claims management companies**

**1.13** In some cases, mass redress events have been precipitated by PRs (such as claims management companies and solicitors), for example high-cost credit, packaged bank accounts and Authorised Push Payment (APP) fraud. The greater the proportion of complainants represented by PRs, the lower the proportion of redress paid to consumers overall, with some PRs charging up to 30% of the redress award in fees. It is free and simple to make a complaint to a firm or to the Financial Ombudsman without the use of a PR. But consumers should be able to use PRs when they want to, and they should pay a fair price for this. PRs play a role in ensuring access to justice. However, we do not expect to see PRs submitting to firms or the Financial Ombudsman large numbers of meritless complaints. To address some of the behaviour we see by some PRs, the Financial Ombudsman has announced today that, subject to necessary approvals, it intends to introduce a £250 fee for individual PR-represented cases, reduced to £75 if the outcome is in the consumer's favour. We are interested to hear from stakeholders whether there are other areas of improvement we could take forward.

## **What we want to understand from this Call for Input**

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**1.14** This Cfl focuses on the following core questions:

- What issues do mass redress events cause consumers and their representatives, firms, the Financial Ombudsman and the FSCS?
- How can we work with stakeholders representing consumers and industry to make sure that issues with wider implications are identified earlier?
- What changes can we make to enable us to better manage identified issues?
- What improvements could we make to ensure continued effective co-operation between FCA and the Financial Ombudsman, including on matters with wider implications?

- What changes could we make to the redress system to create a more stable and predictable regulatory environment which facilitates the international competitiveness of the UK economy in the medium to long term?
- Do we need to make any changes for complaints brought to the Financial Ombudsman by PRs?
- Are any other changes to the redress framework necessary to support more effective resolution of disputes, and to ensure the Financial Ombudsman is a quick and informal alternative to the courts?

**1.15** A full list of questions is in Annex 1. You do not need to answer all questions. We welcome views on any of the issues in this Cfl.

**1.16** The FCA's review of its requirements following the introduction of the Consumer Duty closed for input on 31 October 2024. The FCA received some comments relating to redress and dispute resolution. We will consider these as we determine next steps.

## Who should read this Call for Input

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**1.17** This Cfl will primarily interest:

- consumers and groups representing consumer interests
- policy makers and other regulatory bodies
- firms and industry bodies

**1.18** Views are also invited from:

- industry advisers and consultancies
- experts and commentators
- academics and think tanks
- PRs to consumers making complaints

## Next steps

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**1.19** This Cfl closes on 30 January 2025.

**1.20** We will summarise the responses and publish next steps in the first half of 2025.

## Chapter 2

# The purpose of this Call for Input

- 2.1** In this chapter, we set out what we want to achieve and how this links to the FCA's objectives.

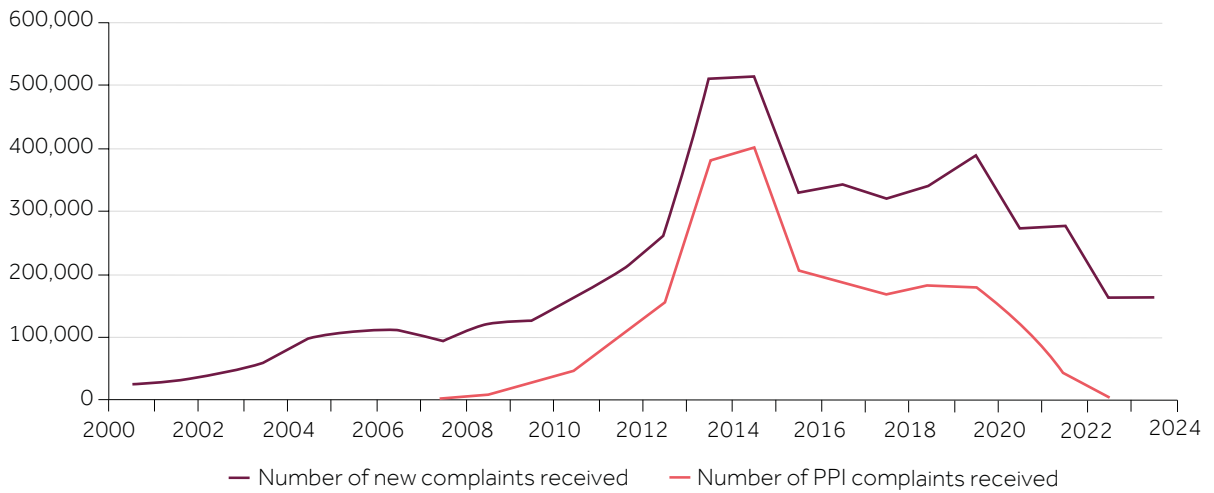
## Background

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- 2.2** It is important that consumers have appropriate access to redress when things go wrong. The redress framework and the complaints handling rules in DISP work effectively for individual fact-specific complaints. Firms generally have 8 weeks to deal with a complaint. If the consumer is unhappy with the response, or the firm has been unable to respond, the consumer has the right to refer the complaint to the Financial Ombudsman free of charge.
- 2.3** The Financial Ombudsman is an independent and impartial statutory scheme established by Parliament. Its purpose is to resolve complaints on a fair and reasonable basis, taking into account relevant law and regulations, relevant regulators' rules, guidance and standards, relevant codes of practice and (if relevant) what the Financial Ombudsman considers to have been good industry practice at the relevant time. The Financial Ombudsman can award compensation.
- 2.4** In carrying out its function, the Financial Ombudsman is required to act in accordance with rules set out in the FCA Handbook (DISP). The courts have oversight via judicial review of the work of the Financial Ombudsman.
- 2.5** When the Financial Ombudsman was established in 2001, it had 400 members of staff, 20 ombudsmen and a budget of £20m per year. It was expected to assess 30,000 written complaints per year. In contrast, the current Financial Ombudsman has a total expenditure of £251.9m per year, with a staff of 2,000, and assesses over 200,000 cases per year. Mass redress events are a key driver of these increased complaints volumes. We are keen to explore the issues that these mass redress events create and how we can improve the current framework.
- 2.6** Between 2011 and 2017, the Financial Ombudsman received large numbers of complaints about mis-sold payment protection insurance (PPI). The graph below shows the impact that PPI complaints had on complaints volumes at the Financial Ombudsman:



### Total number of new complaints received by the Financial Ombudsman Service since 2000\*



\* Data taken from previous Financial Ombudsman Annual Reports and collated here: [All Financial Ombudsman complaints since 2000 including PPI claims.xlsx](#)

**2.7** The FCA also has powers to deal with consumer complaints, but in a different way to the Financial Ombudsman. These range from formal schemes that the FCA can impose on a statutory basis (eg, industry-wide redress schemes and single firm redress schemes), to encouraging consumers who feel they have been impacted to complain, and voluntary firm-led redress exercises. The most appropriate option depends on the facts in each case. When the FCA suspects that a redress event may have occurred, it gathers evidence to decide how to best approach mitigating any actual or potential harms caused by the event.

**2.8** The infographic below has been provided to highlight the real-world impact of examples of past mass redress events on consumers and the redress system. The PPI example illustrates how a mass redress event can affect a substantial number of consumers and result in increased numbers of complaints to firms and the Financial Ombudsman. The second example links to advice that British Steel Pension Scheme (BSPS) members received to transfer out of their defined benefit pension scheme:

## Mass Redress Events

### Payment Protection Insurance (PPI)

### British Steel Pension Scheme (BSPS)

#### Number of complaints upheld and rejected

Firms upheld

**80%**

of complaints (as of Oct 2018)



Outcomes of cases assessed during the consumer redress scheme:

**1,073** (49.1%) people had their advice assessed as suitable

**1,079** (49.4%) people had their advice assessed as unsuitable

#### Number of complaints referred to/received by the Ombudsman Service and/or FSCS

Since 2010, the Ombudsman Service has received over

**2m**

complaints about PPI



Pre-scheme:

**1,500**

Ombudsman Service complaints received before redress scheme started (ie up to Feb 2022)

During scheme: As of 28 April 2024, the Ombudsman Service received

**371**

complaints during the scheme

#### Amount of redress received

**£38.3bn**

paid between January 2011 and April 2021 to

**34.4m**

consumers



**£100m**

paid in total to

**1,870**

former BSPS members

Source:

FCA publishes PPI complaints deadline final report  
PPI complaints  
[ppi-complaints-deadline-progress-report.pdf \(fca.org.uk\)](#)

Source:

British Steel Pension Scheme transfers: action from the FCA, FOS and FSCS where figures in this report reflect the position as at the end of April 2024

## The issues we want to address

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### 1. Mass redress events

#### *What is a mass redress event*

**2.9** There is currently no formal definition of a mass redress event in the FCA Handbook. Mass redress events usually impact a large number of consumers across a range of firms and involve significant amounts of redress. A formal definition of a mass redress event could help to enable clearer and earlier identification of events where significant issues may be emerging and may need to be carefully managed before they become systemic.

**2.10** We welcome views on whether to introduce a definition for mass redress events, and if so, what that definition should be. One option could be a definition based on numerical factors such as the number of consumers impacted, prevalence of the issue across a market, or other factors such as whether it is an issue with wider implications. Alternatively, it could relate to a group of complaints made within a short period of time that involve a specific set of circumstances or concerns within a market (or across multiple markets).

**Question 1:** **Should we define what a mass redress event is? If yes, please explain how we should define it. If no, please explain how we could better identify and address mass redress events (without defining them).**

**2.11** Mass redress events can lead to poor outcomes for both consumers and firms. For example:

#### *Operational difficulties for firms and delays for consumers*

**2.12** Firms may be unable to deal with complaints within the time-limits specified in DISP because of the high volumes they are experiencing. This can result in large volumes of cases being referred to the Financial Ombudsman before firms are able to consider them and consumers not receiving responses to complaints within the timelines set out in FCA rules. These cases will be chargeable under case fees rules in the FEES section of the Handbook, potentially placing financial burdens on firms when they are struggling to process significant numbers of complaints. If high volumes of complaints are upheld by the Financial Ombudsman within a short period, firms may also find themselves facing significant redress liabilities and in some circumstances, this may increase the risk of disorderly firm failure. In some cases, for example some packaged bank account complaints, the Financial Ombudsman case fee may be significantly higher than any redress that may be payable. Sudden increases in complaints can also lead to delays for consumers who have not made a complaint. For example, if a firm has to prioritise handling complaints over developing proposals for a proactive redress scheme. These operational difficulties for firms can result in delays for consumers which risk undermining the effectiveness of, and consumer confidence in, the redress system.

## ***Operational difficulties for the Financial Ombudsman***

- 2.13** From the data the Financial Ombudsman reports to the FCA, we have seen an approximate 51% year-on-year increase in opened Financial Ombudsman complaints between June 2023 and June 2024. This is largely driven by a rise in complaints about motor finance, fraud and scams, and consumer credit affordability. The Financial Ombudsman has established casework processes to deal with large numbers of complaints about similar issues. It can scale up its operations to deal with a significant and sustained spike in complaints about a particular type of product. However, the Financial Ombudsman must still consider each complaint individually. This is consistent with its duty under FSMA to resolve complaints based on what it thinks is fair and reasonable in all the circumstances of the case.
- 2.14** Compared to more systematic approaches, for example voluntary or compulsory redress schemes, consumer complaints may be an inefficient way to deal with potential large-scale consumer redress issues that involve many similar cases. Cases may be referred to the Financial Ombudsman because firms have not been able to respond. In these cases, the Financial Ombudsman may not have the firm file or the information they need to assess the complaint. This can result in further delays for consumers. There is then no formal mechanism for cases to be passed back to firms for review even if one of the limited dismissal grounds in DISP applies. We feel it could be helpful to include a wider range of more effective dismissal grounds for the Financial Ombudsman to better resolve several types of complaint.
- 2.15** There is also a risk that the FCA will ultimately move forward with a regulatory solution which is different to the outcome the Financial Ombudsman may have reached on individual complaints. This is anticipated in FSMA and understood by the courts, but it can suggest inconsistency in the system.

## ***The role of PRs***

- 2.16** Mass redress events have helped to establish the claims management industry, which is very active in financial services claims. The greater the proportion of complaints represented by PRs, the lower the proportion of final redress paid to consumers overall, with some PRs charging up to 30% of the redress award. We have heard concerns from industry stakeholders that when mass redress events occur, large numbers of complaints are referred to the Financial Ombudsman which may not be properly evidenced or substantiated. If the Financial Ombudsman observes poor behaviours by certain PRs, it will inform the FCA and the Solicitors Regulatory Authority as the relevant regulators.

**Question 2: Do you agree with our assessment of the difficulties that mass redress events can create for firms and consumers?**

## 2. FCA and Financial Ombudsman co-operation

### *Wider implications issues are not identified early enough*

- 2.17** We have heard from stakeholders that they currently find it challenging to make representations to the FCA, the Financial Ombudsman and other regulatory family members on issues that may have significant or wider implications.
- 2.18** It is important to make sure that issues with wider implications are identified as early as possible. This will allow thought to be given to the most appropriate way to manage risks and issues. We are keen to explore what changes we may need to make to the redress framework to better identify and manage issues, before redress events escalate.

### *A perception among some industry stakeholders of misalignment between the FCA and the Financial Ombudsman on the interpretation of certain FCA requirements*

- 2.19** The FCA has been moving away from prescriptive rules to more outcomes focused regulation. For example, under the Consumer Duty, firms must act to deliver good outcomes for retail clients and aim to continuously address issues that risk causing consumer harm. Firms are also required to take steps to proactively remediate customers when they identify that their actions have caused foreseeable harm. The FCA believes that outcomes focused regulation is more future proof, as firms can adapt their business models with regulatory certainty, knowing the outcomes expected by regulation. However, outcomes focused regulation is by its very nature not prescriptive for every situation.
- 2.20** Outcomes-focused regulation tends to be about reliance on broader, higher-level requirements over more detailed rules that specify what is required at the expense of covering narrower ground. This inevitably requires judgment (by firms, by us and by the Financial Ombudsman) about what actions or omissions may cause harm to consumers and whether consumers are owed redress.
- 2.21** We work closely on matters of common interest. For example, where complaints have potentially wider implications, the Financial Ombudsman is made aware of the FCA's expectations of firms. The Financial Ombudsman is required to disclose information to the FCA if doing so would help the FCA advance its objectives. The Financial Ombudsman may refer a regulated firm to the FCA where it considers it has done or failed to do something which gives rise to a breach of duty, and which has caused consumer detriment.
- 2.22** The Financial Ombudsman makes sure that, where it sees evidence of widespread harm and mass claims arising, it raises these cases with the FCA. We have regular working and senior level engagement and the WIF which is discussed in more detail in Chapter 4. This makes sure that members are aligned and cooperate on shared areas of interest. Chapters 3 and 4 discuss in more detail the options to mitigate the risk that firms are exposed to inconsistent expectations of regulatory requirements.

### **Question 3: What other issues should we consider as part of this review?**

**Question 4: Are there any changes to the regime that we ought to consider to ensure that it remains appropriate, given the shift to outcomes focused regulation?**

## How this work links to the FCA's objectives

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**2.23** This Cfl will help the FCA to further its primary and secondary objectives.

### Consumer protection, market integrity and competition objective

**2.24** Currently, the FCA has limited tools to manage mass redress events if systemic risks are not identified until long after they have crystallised. This can create poor outcomes for consumers who may receive different treatment depending on the firm they are a customer of. High volumes of complaints at the Financial Ombudsman can also lengthen resolution times. Adapting the redress system to mitigate the risks created by mass redress events should help consumers to receive faster access to redress and more consistent outcomes at firms. This supports the FCA's objective of ensuring an appropriate degree of protection for consumers.

**2.25** Mass redress events can pose a risk to the integrity of markets if they result in disorderly firm failure or if consumers lose access to essential services. For example, access to credit in the sub-prime credit sector could be affected by many firms in this market being subject to large numbers of irresponsible lending complaints. This may lead to firms exiting the market or reducing credit risk appetites, thereby reducing capacity in the market which may result in some consumers' credit needs not being met. The options we discuss in this Cfl are intended to help maintain confidence in the regulatory framework.

### Secondary international competitiveness and growth objective

**2.26** The FCA's secondary objective came into force on 29 August 2023. This is to facilitate the international competitiveness of the UK economy (including the financial services sector) and its growth in the medium to long term, subject to aligning with international standards. As the FCA works towards its primary objectives, it must look at how the work affects its secondary objective and advances this so far as reasonably possible.

**2.27** If the redress system is seen as leading to high costs for firms this could be seen as hindering the UK's financial market's international competitiveness. Improving how we work with stakeholders to manage mass redress will help us make sure that firms provide redress to consumers in an orderly, consistent and efficient way. The options for improvement we outline in this paper are also intended to help to manage the significant operational impact that mass redress events have on the Financial Ombudsman. They are intended to help reduce the risk of disorderly firm failure. By promoting market integrity and better outcomes for all consumers, we ensure continued trust and confidence in the UK's financial markets, as well as in the regulatory framework, which are essential for sustainable economic growth and international competitiveness.

**Question 5:** Do you agree that our proposals to better manage mass redress events can help ensure that the FCA acts in a way which is compatible with its statutory objectives, including the secondary international competitiveness and growth objective? Please explain why you agree or disagree.

## Chapter 3

# Options for change

- 3.1** In this chapter we discuss options to address the issues set out in Chapter 2. These are divided into shorter and medium-term options that could be achieved via changes to FCA-made rules and Financial Ombudsman Scheme rules, and longer-term options that might require legislative or other change. If it is determined that it is desirable to make any Stage 1 or 2 changes to FCA or Financial Ombudsman rules, we plan to consult on any changes in the first half of 2025.

### Stage 1: Changes the FCA or the Financial Ombudsman can make to rules and processes in the short to medium term

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- 3.2** The options discussed in this section could potentially be achieved via changes to FCA-made rules or guidance or Financial Ombudsman Scheme rules, so input is being sought jointly. If we decide to take forward any amendments to rules or guidance following this CfI, we will consult publicly. The Financial Ombudsman is reviewing its rules in DISP more broadly outside the scope of the CfI.

### Helping firms to identify and proactively address harm

- 3.3** The most effective way to mitigate the risk of a mass redress event is for firms to take prompt, proportionate and proactive action to identify and resolve harm. Regularly updating and informing customers can help mitigate the risk that complaints will be submitted in large numbers before a firm has time to take proactive steps to resolve the issue for all affected customers.
- 3.4** Under DISP, firms are required when handling complaints to take reasonable steps to identify and remedy any systemic problems. The Consumer Duty also requires that 'if a firm identifies through its complaints, its internal monitoring or from any other source, that retail customers have suffered foreseeable harm as a result of acts or omissions by the firm, it must act in good faith and take appropriate action to rectify the situation, including providing redress where appropriate.' (PRIN 2A.2.5R of the Principles for Business sourcebook).
- 3.5** Through the Consumer Duty rules and associated guidance, firms should be clear on the outcomes we expect, and examples of types of harm they should look out for. We would like to know if firms or other stakeholders believe that further DISP guidance or rules are needed or not, to help firms effectively identify and proactively address harm, for example by implementing a proactive past business review. The FCA plans to publish a report in Q4 2024 highlighting examples of good practice for firms when using data about its complaints to identify existing harm.



**Question 6: What, if any, further information or guidance is needed in DISP to help firms identify and proactively address harm, given the Consumer Duty?**

**Making sure that firms resolve complaints fairly, reducing the need for consumers and their representatives to refer matters to the Financial Ombudsman**

- 3.6** Firms are required to provide a final response to a complaint within the timelines set out in DISP. If a firm can't provide a response within the relevant period, they must explain why and when they expect to provide a final response. If a complainant is unhappy with the final response, or if they do not receive a response within the relevant time period, they can refer the matter to the Financial Ombudsman.
- 3.7** Previously, firms were permitted to operate a 2-stage complaints procedure when handling complaints. This enabled firms to send the complainant an initial written response within 8 weeks of receiving a complaint. Firms were not required to provide a subsequent final response unless the complainant indicated – within 8 weeks – that they remained dissatisfied. This approach allowed consumers to first appeal a decision to the firm directly, before going to the Financial Ombudsman. This therefore gave firms an opportunity to review the case before it was referred to the Financial Ombudsman.
- 3.8** While some firms used the 2-stage process appropriately, it was abolished in 2011 because it was prone to misuse. It gave firms an incentive to deal with complaints to a lower than satisfactory standard at the first stage as a relatively small number of consumers might take their complaint further. The firm then had a second chance to rectify any shortcomings in the original complaint handling. This was of course before the Consumer Duty, which now sets an ongoing requirement for firms to act in good faith and take steps to rectify matters which have caused foreseeable harm (see above).
- 3.9** Reinstating this process could help to make sure that firms effectively resolve complaints themselves without consumers referring complaints to the Financial Ombudsman. This could result in quicker resolution of complaints and reduce the volumes of cases that need to be referred to the Financial Ombudsman. However, for this option to be viable, we would need to consider whether appropriate safeguards to mitigate risks to consumers could be developed and/or whether the Consumer Duty requirements are sufficient.
- 3.10** We recognise that there may be little incentive for firms to deal with complaints about issues with wider implications fairly if doing so would put them out of business, but firms approaching complaints in this way would not be consistent with the overall expectations under the Consumer Duty. We also believe it would be better to focus on making sure firms deal with complaints fairly the first time rather than introducing a rule change which may lead to poor outcomes for consumers. We have not heard strong arguments for reinstating this to-date, but we welcome views as to whether this is something we should consider further now that the Consumer Duty exists.

**Question 7:** What options should we consider to ensure firms are given an appropriate opportunity to resolve complaints fairly before cases are referred to the Financial Ombudsman?

**Question 8:** Would a 2-stage process be appropriate in light of the Consumer Duty, and if implemented, how could it be effectively monitored to ensure good outcomes for consumers?

### **Making sure that firms resolve complaints effectively could reduce the need for consumers and their representatives to escalate matters to an ombudsman final decision**

**3.11** At present, complainants and respondent firms can request an ombudsman final decision where they disagree with the preliminary assessment made by the Financial Ombudsman's investigator. Often the investigator is following a general approach informed by other cases previously determined by the Financial Ombudsman Panel over many months and years. This results in very few determinations changing between preliminary assessment stage and final decision. Given this, and the resource and time implications for all customers who use the service, we would welcome views on whether respondent firms or complainants should only be able to request a final decision by an ombudsman in specified circumstances; for example, new evidence submitted, or factual inaccuracy identified in the preliminary assessment or a novel issue at dispute where there isn't an already established position by the Financial Ombudsman.

**Question 9:** What options should be considered to ensure firms and complainants resolve complaints fairly at the earliest opportunity before a final Ombudsman decision is taken?

### **Making sure that where complainants are represented by a PR, complaints to firms and to the Financial Ombudsman are properly evidenced and the Financial Ombudsman is the right body to resolve the matter.**

**3.12** A "complaint" is defined for the purposes of DISP as:

- a.** Any oral or written expression of dissatisfaction whether justified or not, from, or on behalf of, a person
- b.** About the provision of, or failure to provide, a financial service, claims management service or a redress determination under a consumer redress scheme
- c.** which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience; and
- d.** relates to an activity of that respondent, or of any other respondent with whom that respondent has some connection in marketing or providing financial services or products or claims management services, which comes under the jurisdiction of Financial Ombudsman.

- 3.13** The same definition applies to complaints brought by both eligible complainants and their representatives. Firms are required to deal with and investigate complaints that meet the DISP definition fully. This remains the case even if the complainant has not explained exactly what has gone wrong or how a firm has breached regulatory requirements.
- 3.14** PRs have expertise in the claims process and the relevant financial products and services and reduce the time and effort to make a complaint. The confidence associated with using a PR to manage a claim can reduce worry and increase peace of mind. However, in its [recent consultation paper](#), the Financial Ombudsman set out that the vast majority of complaints it received from PRs were not upheld in the consumer's favour, and that this position was worse when compared to consumers that complained directly to its scheme, without professional representation.
- 3.15** The conduct rules for the claims management companies that the FCA regulates (the FCA does not regulate all PRs) require PRs to take reasonable steps to investigate the merits of each element of a potential claim before making or pursuing the claim. PRs authorised by the FCA are also required, when presenting a claim, to make representations which substantiate the basis of the claims (CMCOB 2.1). We have heard concerns from industry stakeholders that when mass redress events occur, large numbers of complaints are referred to the Financial Ombudsman which may not be properly evidenced or substantiated. The Financial Ombudsman has also shared similar concerns with the FCA.
- 3.16** The Financial Ombudsman has [introduced a dedicated complaint form for PRs](#). This encourages them to properly articulate their complaint before the Financial Ombudsman will take on the complaint and invoice for a case fee. This improves clarity and efficiency in the Financial Ombudsman's processes.
- 3.17** We welcome views on whether the rules in DISP should include different requirements for complaints brought by PRs. For example, if a consumer decides to use a PR, the Financial Ombudsman could decide not to accept a complaint and allow time to continue ticking on the relevant time limit for bringing the complaint if it is not well evidenced. Once the complaint is well evidenced, the Financial Ombudsman could accept the complaint and treat the complaint as having been referred to the Financial Ombudsman for the purpose of the relevant time limit. Alternatively, the dismissal grounds could be amended to enable the Financial Ombudsman to reject complaints collectively without individual consideration where commercial representatives such as a PR send poorly particularised cases in volume in bulk or if they are not well-evidenced (see long-term options for change in the Stage 2 section below).

**Question 10: Should the rules in DISP provide different routes to redress for represented and non-represented complainants with different expectations? If so, what factors should be considered?**

## Amendments to Financial Ombudsman rules on case fees

- 3.18** The Financial Ombudsman has already set out plans to build on improvements and reduce the cost of its service to industry in future years. This follows its reduction of the case fee by £100 per case to £650 and reduction of its compulsory and voluntary jurisdiction levies on businesses in 2024/25.
- 3.19** In May 2024, the Financial Ombudsman consulted on charging PRs up to £250 to make a complaint, if given the power to do so by Parliament. This fee would be reduced to £75 if the outcome of the complaint is in favour of the consumer. The Financial Ombudsman proposes to remain free of charge to those who bring their case directly to the Service, as well as individuals, charities, and voluntary organisations who may help individual complainants. This is in line with legislative requirements.
- 3.20** In its Feedback Statement published today, the Financial Ombudsman announced that it intends to proceed with its proposals, subject to parliamentary approval of the enabling legislation and FCA approval of the final rules. By adopting this new fee structure, the Financial Ombudsman aims to establish a fairer funding model for professionally represented complaints brought to its service that will ensure it has sufficient resources to carry out its statutory purpose of resolving complaints quickly and with minimal formality.

**Question 11: What amendments, if any, to the Financial Ombudsman case fee rules should be considered for mass redress events?**

## Financial Ombudsman fair and reasonable assessment

- 3.21** The rules in DISP 3 are generally owned by the Financial Ombudsman and outline what the Financial Ombudsman will consider when assessing complaints. A Financial Ombudsman must consider the merits of individual cases and decide what is 'fair and reasonable'. In doing this they must take into account relevant law and regulations, relevant regulator's rules, guidance and standards, relevant codes of practice and (where appropriate) what the Financial Ombudsman considers to have been good industry practice at the relevant time. The courts have regularly endorsed the Financial Ombudsman in its interpretation of rules and its approach to its fair and reasonable discretion.
- 3.22** Some industry stakeholders have raised concerns that the words 'where appropriate' might suggest that good industry practice is less relevant than other parts of the fair and reasonable test. When considering what is good industry practice at the relevant time, the Financial Ombudsman will consider the relevant evidence available to it. The Financial Ombudsman regularly discusses the application of rules with the relevant regulators in advance – for example, recently with the PSR on the recent changes to APP fraud reimbursement. Individual firms can make representations to the Financial Ombudsman on these points when they respond to initial assessments on individual complaints before a final decision is made and the Financial Ombudsman's interpretation is also open to challenge through judicial review.

**3.23** Given the concerns raised by some in industry about consistency between the Financial Ombudsman and the regulators and in light of the explanation about how the Financial Ombudsman already works with regulators in this space, we are interested to hear views on any other additional factors that respondents feel the Financial Ombudsman should take into account when deciding what is fair and reasonable.

**Question 12: Are there additional or different considerations that the Financial Ombudsman should take into account when deciding what is fair and reasonable in all the circumstances of the case?**

### **Broadening the dismissal grounds in DISP (rules made by the Financial Ombudsman)**

**3.24** DISP 3 sets out the grounds on which the Financial Ombudsman can dismiss a complaint without considering its merits. For example, a complaint could be dismissed if it is frivolous and vexatious. Currently, the Financial Ombudsman can only make dismissal rules in a way which is consistent with the requirements of the Alternative Dispute Resolution (ADR) for Consumer Disputes (Competent Authorities and Information) Regulations 2015 (2015 Regulations). The Digital Markets, Competition and Consumers Act 2024 (DMCCA) will, when the ADR chapter of the DMCCA is implemented, repeal the 2015 Regulations and replace these with the new and updated ADR requirements in the DMCCA. The Financial Ombudsman will be exempt from these new requirements.

**3.25** Once the ADR chapter of DMCCA is implemented, the Financial Ombudsman could consider if it might be appropriate to widen the dismissal grounds beyond their current scope (for example, to dismiss complaints where the FCA has decided to implement an industry-wide consumer redress scheme which requires firms to reconsider and resolve those complaints). These powers could be used in a collective manner for complaints received in high volumes that relate to the same issue or originate from a single source (for example a PR or the same respondent firm). This could help to make sure that resource and other costs associated with mass redress events are more proportionately absorbed by the firms who may need to provide redress, rather than by the Financial Ombudsman.

**3.26** We could also consider amendments to the DISP rules to allow the Financial Ombudsman to dismiss collective groups of complaints by referral to the FCA for regulatory action to be considered or to law enforcement for a criminal investigation to take place where they are better placed to be able to collectively resolve the matters at dispute (for example, complaints by a group of investors about a failed investment being investigated by the regulator or law enforcement). Again, the Financial Ombudsman cannot dismiss complaints on this basis at present, due to the limited circumstances in which dismissals can be made under the ADR Directive.

**3.27** Amending the dismissal grounds could also be linked to the Financial Ombudsman case fee amendments discussed above, to ensure effective cost recovery in line with the 'polluter pays' principle.

**Question 13: What amendments to the dismissal grounds should be considered when the Government repeals the 2015 Regulations?**

**Time limits for referring complaints to the Financial Ombudsman**

**3.28** There are time-limits for referring complaints to the Financial Ombudsman. Complaints must be referred within 6 months from when a firm sends a final response or summary resolution to the person who complained. Complaints must also be made to the Financial Ombudsman within 6 years from the event being complained about, or, if later, 3 years from when the customer knew or ought reasonably to have known they had cause to complain.

**3.29** This means that if a consumer remains unaware for a long time that they have cause to complain, there is no automatic time limit, or 'longstop' for making a complaint. This makes sure that the Financial Ombudsman can consider complaints about long term products. For example, pensions, where any loss resulting from inappropriate advice may not become apparent until many years after the advice was given. The time limits in DISP are broadly similar to those set out in the Limitation Act 1980 for negligence and breach of contract claims. However, there is a concern that the absence of a longstop creates uncertainty for firms if they are held liable for unsuitable advice provided many years ago.

**Question 14: Should the current time limits for referring complaints to the Financial Ombudsman be reviewed? If so, what alternative approaches should we consider that would provide an appropriate level of protection for consumers?**

**Question 15: Are there any other short to medium term changes you think should be made to the framework? Please tell us:**

- a. Your thoughts on the likely costs and benefits (for firms and consumers) of each of the short to medium term options discussed above.**
- b. What the impact could be on consumers or consumer protection, or other relevant considerations such as the impact on firms, market integrity, competition and the UK's international competitiveness?**

## Stage 2: Longer term changes

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### Improving how we co-operate on matters with wider implications.

- 3.30** The FCA and the Financial Ombudsman are operationally independent, with distinct roles and responsibilities. The Financial Ombudsman's role is to resolve disputes referred to it. The FCA does not have a role in the Financial Ombudsman's decision making. The FCA also cannot direct the Financial Ombudsman to take certain steps. Doing so would risk undermining its statutory operational independence. The FCA does have oversight duties for the Financial Ombudsman as set out at Schedule 17(2)(1) of the Financial Services and Markets Act 2000 (FSMA). These provisions do not confer any oversight powers in and of themselves. The obligation on the FCA is to take steps, within the FCA's powers, to make sure the Financial Ombudsman has the tools it needs to carry out its role as an independent ADR mechanism for consumers.
- 3.31** When cases have wider implications, it is appropriate for the FCA to assist the Financial Ombudsman by giving a view on its interpretation of FCA rules and guidance before the Financial Ombudsman resolves the dispute relating to those rules. This is particularly helpful when the Financial Ombudsman's view may differ from firms' interpretation of the rule (which may, for example, have formed over time based on generally accepted industry practice) or where multiple FCA requirements are relevant.
- 3.32** However, given that the Financial Ombudsman is independent of the FCA with its own statutory objectives, new requirements to consult the FCA for views or a new power for the FCA to direct the Financial Ombudsman to take certain steps in relation to a case could risk undermining the Financial Ombudsman's statutory independence, as well as its ability to promptly process cases. There are also existing procedures through the WIF for the Financial Ombudsman and the FCA to engage on matters involving wider implications, and we are making enhancements to our engagement under the WIF (see Chapter 4 below).
- 3.33** We recognise however that it may be desirable for the Financial Ombudsman to have powers to be able to stop the clock and pause the DISP rules on such cases while the regulator considers matters, so firms and consumers do not expend unnecessary time and resources on cases which may not be upheld. There would need to be set timescales for any pause so the Financial Ombudsman can continue to meet its obligations to be a quick and informal alternative to the court process for disputes. This would require further DISP rule changes and we would be interested in stakeholders' views as to whether we should do so.

**Question 16:** **Should we do more to consult each other on cases, and make our views more widely known publicly, when significant numbers of complaints on a similar issue are being made and/or interpretation of FCA rules is a key issue in the complaint?**



**Question 17: Should the Financial Ombudsman be able to pause the timescales in the DISP rules while it awaits regulatory input on the interpretation of rules?**

**Options to mitigate the impact of mass redress events**

- 3.34** When mass redress events occur, it is important for the FCA to assess the issue to determine the best way forward. This can take time, and while the FCA is gathering evidence, there is a risk consumers could receive disorderly, inconsistent, and inefficient outcomes in relation to any complaints they make. They may also experience long delays if firms are unable to resolve complaints within the time limits set out in our rules or where the FCA is taking the time it needs to gather evidence and establish what the right regulatory solution is to address the redress event. There are also risks for firms and markets if large volumes of complaints are referred to the Financial Ombudsman because firms cannot resolve them. It is also possible that firms exit the market with unpaid redress liabilities that may need to be picked up by other firms through Financial Services Compensation Scheme (FSCS) levies. If there is no FSCS protection this may leave consumers out of pocket.
- 3.35** We believe that in certain circumstances it might be appropriate for the FCA to 'pause' the complaints handling requirements in DISP when any of our primary or secondary statutory objectives are engaged, while the FCA carries out diagnostic work to assess the extent of harm and consider the best approach to resolve the issue. At the moment, we can only either consult on rule changes or make emergency rules without consultation to pause the time-limits for handling complaints as the FCA did recently for motor finance.
- 3.36** It is possible that once the FCA has fully investigated an issue the detailed harm assessment could ultimately indicate that the issue was not as significant as initially estimated. So, managing the expectations of interested parties and having appropriate guardrails around the use of any new powers will be vital to its success.
- 3.37** If the time-limits for handling complaints are extended, the FCA may also need to consider pausing relevant limitation periods to make sure that time limits for consumers to make a complaint to Financial Ombudsman do not expire while the FCA is investigating an issue and considering if regulatory action might be appropriate.
- 3.38** If the FCA decides to take regulatory action such as implementing a s.404 industry-wide redress scheme, it might be appropriate for cases to be passed back to firms and for the Financial Ombudsman to not charge a case fee or charge a reduced case fee if no or limited work has been carried out on the case.

**Question 18: What changes to the current rules should be considered for mass redress events? Please tell us:**

- a. Your thoughts on the likely costs and benefits (for firms and consumers) of each of the longer-term options discussed above.**



- b. What the impact could be on consumers or consumer protection, or on other relevant considerations such as the impact on firms, market integrity, competition and the UK's international competitiveness?**

**Question 19:** Are there any other longer-term changes you think should be made to the framework, including potential legislative changes?

## Chapter 4

# Identifying issues and FCA-Financial Ombudsman co-operation

- 4.1** In this chapter, we discuss how we can work better with stakeholders to make sure that issues with wider implications are identified as soon as possible. We also discuss how the FCA and Financial Ombudsman should work together on these issues.

### Identifying redress issues

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- 4.2** The information that the FCA receives from its own investigations and also from firms and the Financial Ombudsman plays an important role in ensuring that issues are identified at an early stage. The WIF was re-established in 2022 to enable members of the financial services regulatory family (Financial Ombudsman, Financial Conduct Authority (FCA), Financial Services Compensation Scheme (FSCS), The Pensions Regulator (TPR), and Money and Pensions Service (MaPS)) to collaborate on issues with 'wider implications'.
- 4.3** Prompt reporting of systemic redress issues can help make sure they are dealt with quickly and effectively and that risks to consumers are mitigated. At present the FCA collects some data on redress payments through our complaints returns (as required by our DISP rules), but this information is only reported 6-monthly or annually (depending on the requirements in the rules the firm is subject to). Often, this does not enable the FCA to precisely identify the root cause of a redress issue and is by its nature historic information that is backwards looking.
- 4.4** The FCA has existing expectations that firms will monitor and report matters to the FCA:
- The Consumer Duty (set out in Principle 12 and PRIN2.A in the Principles of Business sourcebook of the FCA Handbook) places requirements on firms to monitor the outcomes that customers are experiencing from their products.
  - DISP 1.3 requires firms to remedy recurring or systemic problems through their complaint handling.
  - SUP 15.3 in the FCA Handbook (Supervision Sourcebook) requires firms to inform the FCA about certain events having a serious regulatory impact and SUP 15.12 requires certain redress events related to retail investment advisers to be notified to the FCA.
  - Principle 11 mandates firms to disclose anything relating to the firm that the FCA would reasonably expect to know.
- 4.5** To make sure we have greater visibility of redress matters at an early stage, the FCA is considering guidance on when and how firms should report redress events. The FCA is also considering whether clarifying expectations in relation to SUP 15 notifications is appropriate, or if reporting through the regular complaints return would be preferable.

The FCA is mindful of the cost of any new requirement being proportionate to the benefit that providing the information would generate.

- 4.6** If the FCA expanded its guidance to cover its expectation of an immediate notification where a firm identified a redress issue with significant implications for the firm itself or the wider market, it will need to consider whether there should be a threshold(s) for such a notification.
- 4.7** We are also considering how the redress system and industry can engage with PRs. PRs play a key role in raising complaints to firms. While they can help consumers access redress, we recognise the risk that they can impede consumers' access to free-of-charge services while not tackling large volumes of complaints promptly and effectively. To make sure that the information PRs collect helps to inform our monitoring of the redress system, we could consider changes to require PRs to notify firms, the Financial Ombudsman, or the FCA about potential systemic issues, before officially registering complaints. This would help alert all parties to consider potentially systemic issues at a much earlier stage and, where necessary, take appropriate steps to make sure consumers are protected and the redress system functions effectively.

**Question 20: What proportionate approaches could the FCA use to collect better data on emerging redress events?**

**Question 21: In what circumstances should the FCA expect firms, including PRs, to notify it of emerging redress events?**

## Issues with wider implications

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- 4.8** An issue with wider implications could affect a large number of consumers where there is a significant amount of redress at stake or where there is a risk of business failure. The issue might be identified, for example, through the Financial Ombudsman's casework, or through FCA supervision.
- 4.9** A range of factors are relevant when determining if an issue has wider implications or if an event is a mass redress event. These factors may include but are not limited to:
- The number and type of consumers affected.
  - Potential redress that may be owed.
  - Risk of firm failure.
  - The risk of contagion to other financial services businesses or markets.
- 4.10** We are interested in hearing views from stakeholders on how the WIF currently operates and what we could do to make it more effective.

**Question 22: What other factors should be taken into account when determining if an issue has wider implications or the potential to become a mass redress event?**

**Question 23: Are there any other changes needed to make the WIF more effective?**

## The current framework for co-operation

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- 4.11** There are existing structures in place to manage the risk of misalignment and to fulfil our statutory duty to cooperate with other bodies on matters with significant implications.
- 4.12** These include the WIF, the FCA Oversight Committee and regular engagement at various levels to discuss sector specific issues. For example, we have introduced a WIF members' Director-level forum for closer oversight of issues managed under the Framework.
- 4.13** The purpose of the WIF is to establish a procedure to openly discuss significant issues and agree on the best approach to managing these risks. This includes determining which members should be involved, who should lead, and who else should be consulted. The WIF Terms of Reference (ToRs) outline the steps members agree to take to cooperate and consult on significant issues, while recognising that they remain individually accountable for their statutory duties. The framework ensures that core members comply with the duty under section 415C FSMA to cooperate and consult in exercising their functions.
- 4.14** The framework also requires the ToRs to be published, fulfilling the FSMA requirement for a statement of policy on compliance with the cooperation duty. The core members (FCA, Financial Ombudsman and FSCS) are subject to the cooperation duty. Given the significant overlap between the objectives of the framework and the new cooperation duty, we have adapted the framework, which ensures that members consider issues with significant implications in a timely, consistent, and complementary manner.
- 4.15** This structured approach helps manage the risk of misalignment and ensures the statutory duty to cooperate on significant or wider implications is effectively fulfilled.
- 4.16** We are keen to explore how we can work better together to identify issues that could have wider impacts. We recognise that documenting how we will work together and providing public visibility of our commitments to collaboration can play an important role in providing market participants with confidence.
- 4.17** We have therefore today expanded the Memorandum of Understanding between the FCA and the Financial Ombudsman to reference our increased cooperation obligations under the duty to cooperate and provide more detail on the situations in which we will engage with each other and the format for that engagement.
- 4.18** The FCA is also considering how it can build on its existing mechanisms for engagement with the Financial Ombudsman. This could include commitments for the FCA to engage with the Financial Ombudsman where the Financial Ombudsman is receiving complaints about issues with wider implications and/or providing a process for consulting each other at an early stage, including on the interpretation of regulatory requirements where they are relevant to resolving disputes.

**4.19** Following the launch of the WIF, enhanced information and data sharing is now in place between WIF members to help inform decision-making and provide better outcomes for consumers and firms. The regular engagement between members, and the different sources of insight and intelligence we share, helps to build a picture of what is going on in markets. For example:

- In the last year, cost-of-living data was shared by WIF members to help identify emerging trends and risks of harm. This helped to inform our strategic response to cost-of-living pressures.
- Members identified the increasing numbers of complaints to firms alleging that standard variable interest rates (SVRs) on residential mortgages had not been set fairly. The FCA and the Financial Ombudsman then worked together through regular discussions, sharing complaints data and targeting specific firms with requests for information to make assessments on fair outcomes. The Financial Ombudsman has now resolved most of the cases that were referred to it, with appropriate redress being paid out by firms. As a result, we agreed in April 2024 to remove the mortgage SVRs workstream from the framework.

**Question 24:** **How effective has the WIF been in facilitating early collaboration between its members and industry on matters with wider implications?**

**Question 25:** **What improvements could be made to how we work under the current framework to ensure effective co-operation on matters with wider implications?**

## Engaging with stakeholders on matters with wider implications

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**4.20** It is important that all our stakeholders have the opportunity to engage with the redress system. This engagement is a valuable source of intelligence for the regulatory family and helps the FCA to make sure that its interventions are targeted effectively.

**4.21** We have several existing channels for stakeholders to engage with the WIF. These include:

- a. A dedicated FCA email address for stakeholders to make representations on the WIF Annual Report and the framework more generally.
- b. Inviting stakeholders who have raised issues to make representations at meetings or in writing after meetings.
- c. Opportunities for both firms and complainants to engage directly with the Financial Ombudsman before decisions are issued.

**4.22** We also recognise that, where it is possible and appropriate, formal or informal consultation plays an important role in helping us build the necessary evidence base for redress events where there will be significant impacts. This includes the FCA's commitment to engagement with industry and consumer groups before a formal

consultation when the FCA is considering imposing a consumer redress scheme under section 404 of FSMA.

**4.23** We are keen to explore how members of the WIF could enhance opportunities for more effective stakeholder engagement. We have today updated the WIF ToRs to enhance how we deal with key consumer and industry stakeholders who sit on independent statutory panels (the FCA's two practitioner panels and the Consumer Panel). We have amended the WIF ToRs as follows:

**4.24** WIF members will attend the independent statutory industry and consumer panels twice a year. At such meetings panel members would have the opportunity to:

- a.** Highlight potential issues that may have significant implications.
- b.** Discuss and make representations about such issues which are being managed under the WIF.
- c.** Receive and consider significant updates on such issues.
- d.** Summaries of representations made by panel members will be published in Framework Annual Reports.

**Question 26:** **Do you believe that the amendments made to the WIF ToRs will improve the ability for external stakeholders to provide input on issues where wider implications are identified, and if not, why not?**

**Question 27:** **What other improvements could be made to how we engage and communicate with stakeholders when considering issues with wider implications?**

## Chapter 5

# Next Steps

- 5.1** This Cfl closes on 30 January 2025.
- 5.2** Factors that we are likely to consider in deciding which options to prioritise from responses include:
- FCA objectives: how we can make sure the FCA acts in a way which is compatible with its strategic and operational objectives and also, as far as reasonably possible, advances its secondary objective of facilitating the international competitiveness of the UK economy and its growth in the medium to long term.
  - The Financial Ombudsman's objectives and how any proposals could assist in discharging its core statutory function under FSMA to resolve complaints quickly and informally on a fair and reasonable basis by an independent person.
  - The importance and scale of the issue highlighted both for firms and the market as a whole.
  - The likely impact on consumers and consumer protection.
  - The evidence available, including on the costs and benefits of any suggested ideas for change.
- 5.3** We intend to summarise the responses to this Call for Input and next steps, including in relation to any short-, medium- and longer-term changes to the redress system that we decide to explore further, in a publication in the first half of 2025.

## Annex 1

# list of questions

- Question 1:** Should we define what a mass redress event is? If yes, please explain how we should define it. If no, please explain how we could better identify and address mass redress events (without defining them).
- Question 2:** Do you agree with our assessment of the difficulties that mass redress events can create for firms and consumers?
- Question 3:** What other issues should we consider as part of this review?
- Question 4:** Are there any changes to the regime that we ought to consider to ensure it remains appropriate, given the shift to outcomes focused regulation?
- Question 5:** Do you agree that our proposals to better manage mass redress events can help ensure that the FCA acts in a way which is compatible with its statutory objectives, including the secondary international competitiveness and growth objective? Please explain why you agree or disagree.
- Question 6:** What, if any, further information or guidance is needed in DISP to help firms identify and proactively address harm, given the Consumer Duty?
- Question 7:** What options should we consider to ensure firms are given an appropriate opportunity to resolve complaints fairly before cases are referred to the Financial Ombudsman?
- Question 8:** Would a 2-stage process be appropriate in light of the Consumer Duty, and if implemented, how could it be effectively monitored to ensure good outcomes for consumers?
- Question 9:** What options should be considered to ensure firms and complainants resolve complaints fairly at the earliest opportunity before a final Ombudsman decision is taken?
- Question 10:** Should the rules in DISP provide different routes to redress for represented and non-represented complainants with different expectations? If so, what factors should be considered?



- Question 11:** What amendments, if any, to the Financial Ombudsman case fee rules should be considered for mass redress events?
- Question 12:** Are there additional or different considerations that the Financial Ombudsman should take into account when deciding what is fair and reasonable in all the circumstances of the case?
- Question 13:** What amendments to the dismissal grounds should be considered when the Government repeals the 2015 Regulations?
- Question 14:** Should the current time limits for referring complaints to the Financial Ombudsman be reviewed? If so, what alternative approaches should we consider that would provide an appropriate level of protection for consumers?
- Question 15:** Are there any other short to medium term changes you think should be made to the framework? Please tell us:
- a. Your thoughts on the likely costs and benefits (for firms and consumers) of each of the short to medium term options discussed above.
  - b. What the impact could be on consumers or consumer protection, or other relevant considerations such as the impact on firms, market integrity, competition and the UK's international competitiveness?
- Question 16:** Should we do more to consult each other on cases, and make our views more widely known publicly, when significant numbers of complaints on a similar issue are being made and/or interpretation of FCA rules is a key issue in the complaint?
- Question 17:** Should the Financial Ombudsman be able to pause the timescales in the DISP rules while it awaits regulatory input on the interpretation of rules?
- Question 18:** What changes to the current rules should be considered for mass redress events? Please tell us:
- a. Your thoughts on the likely costs and benefits (for firms and consumers) of each of the longer-term options discussed above.
  - b. What the impact could be on consumers or consumer protection, or on other relevant considerations such as the impact on firms, market integrity, competition and the UK's international competitiveness?

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- Question 22:** What other factors should be taken into account when determining if an issue has wider implications or the potential to become a mass redress event?
- Question 23:** Are there any other changes needed to make the WIF more effective?
- Question 24:** How effective has the WIF been in facilitating early collaboration between its members and industry on matters with wider implications?
- Question 25:** What improvements could be made to how we work under the current framework to ensure effective co-operation on matters with wider implications?
- Question 26:** Do you believe that the amendments made to the WIF ToRs will improve the ability for external stakeholders to provide input on issues where wider implications are identified, and if not, why not?
- Question 27:** What other improvements could be made to how we engage and communicate with stakeholders when considering issues with wider implications?

## Annex 2

# Abbreviations used in this paper

<b>Abbreviation</b>	<b>Description</b>
<b>ADR</b>	Alternative Dispute Resolution
<b>APP</b>	Authorised Push Payment
<b>BSPS</b>	British Steel Pension Scheme
<b>Cfi</b>	Call for input
<b>DIS</b>	Dispute Resolution: Complaints sourcebook
<b>FSCS</b>	Financial Services Compensation Scheme
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>MaPS</b>	Money and Pension Service
<b>Financial Ombudsman</b>	Financial Ombudsman Service
<b>PPI</b>	Payment Protection Insurance
<b>PR</b>	Professional representatives
<b>PRIN</b>	Principles of Business sourcebook
<b>SVR</b>	Standard Variable Rates
<b>SUP</b>	Supervision sourcebook
<b>TPR</b>	The Pension Regulator
<b>ToR</b>	Terms of Reference
<b>WIF</b>	Wider Implications Framework

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