



Treasury Committee

Oral evidence: The work of the Financial Ombudsman Service, HC 1219

Tuesday 14 March 2023

Ordered by the House of Commons to be published on 14 March 2023.

[Watch the meeting](#)

Members present: Harriett Baldwin (Chair); Rushanara Ali; Mr John Baron; Anthony Browne; Douglas Chapman; Dame Angela Eagle; Andrea Leadsom; Siobhain McDonagh; Anne Marie Morris.

Questions 136 - 219

Witnesses

I: Baroness Manzoor CBE, Chair, Financial Ombudsman Service; Abby Thomas, Chief Executive and Chief Ombudsman, Financial Ombudsman Service.

Examination of witnesses

Witnesses: Baroness Manzoor and Abby Thomas.

Q136 **Chair:** Welcome to the Treasury Committee evidence session on the work of the Financial Ombudsman Service. I am very grateful to you for coming in and giving us your update. Can you start by introducing yourselves?

Baroness Manzoor: My name is Zahida Manzoor and I am the chair of the financial ombudsman board.

Abby Thomas: My name is Abby Thomas. I am the CEO and chief ombudsman of the Financial Ombudsman Service.

Q137 **Chair:** Welcome, Abby. I think that you have had six months or so to settle into the role. I wondered whether you could start by sharing with the Committee what your first impressions are of a very different organisation to the ones you were working in before.

Abby Thomas: I had three first impressions and I will share them with you briefly. First, I was very impressed by the sense of purpose and mission that all the team have in the financial ombudsman. We all recognise the importance of our role and want to carry it out to the very best of our ability. That really shone through from day one.



HOUSE OF COMMONS

In addition, I felt very reassured at the quality of the work that we do. Day in, day out, we deliver fair decisions on behalf of our customers, be they consumer or business customers. That too was very reassuring to me.

I felt that we have room for improvement around our pace, which is a journey that the chair and the board had already embarked on before I started. There are points at which we could still deliver that fairness and impartiality, but in a speedier way that would be of benefit to all our customers, the consumers and the businesses.

Q138 Chair: Does the action plan that was put in place in 2021, before you arrived, resonate with you? Is that what you are implementing? Can you give us an update on the implementation of that action plan?

Abby Thomas: Yes, it resonated with me and with my new executive team as well. I have had some new team members join. We have progressed in line with its recommendations and, in some cases, sought to go a bit further and faster as well. I will comment briefly on a few elements of that action plan. The first element was to make sure our strategy was very outcome-oriented and that we are very transparent in our progress. I see that that had been accomplished before I started. There is a lot of information on our website as to how we are progressing.

The second set of recommendations was around our people. Previously, the financial ombudsman had been set up such in a way that almost anyone could be asked to work on any case. That is neither the most operationally efficient way to progress nor, perhaps, one that gives the best outcomes for customers. We have tended to move our staff into more specialist functions. For example, you might sit in a team working predominantly on pensions, consumer credit or insurance. That is well under way. There is still more work to do to really see the benefit of that new way of working, but I am pleased with the progress there.

Finally, there was a set of recommendations around the digital experience. On that front too, good progress has been made, although there is more benefit we could reap from it. Looking at our outward-facing digital experience, we have launched a portal for our business customers on a beta basis. That has been extremely well received by our business stakeholders. They think it helps them help us progress our cases more quickly.

Later in the year, we are also launching the ability for consumers to use the website to self-serve. That will enable a "channel of choice" approach for all our consumer customers, some of whom may prefer to deal with us in a more online way. I could go on. I am sure you will want me to later, but that gives a summary.

Q139 Chair: We will. We have you for probably quite a bit longer on all these topics. Thank you, Abby. That is a good intro.

Baroness Manzoor, you have been there throughout the whole period.



HOUSE OF COMMONS

You had Caroline Wayman leave, then Nausicaa was there temporarily and now Abby has been appointed. What have you and the board done to ensure those transitions have gone as smoothly as possible, because that is quite unsettling for an organisation?

Baroness Manzoor: Yes, and we must not forget that we also had the covid period for the first two years. I have to pay tribute to the tremendous great work that the staff did so that our backlogs did not grow even further than they did. That was very important.

The transition has gone really well between the chief executives. You are quite right: we had Caroline Wayman and then the interim chief executive, with Nausicaa. We have our permanent chief executive and chief ombudsman, in Abby. We also have a new team. Along with Abby, we have a new deputy chief ombudsman, a role we did not have previously. We have the chief operating director, also a role we did not have previously, certainly in my tenure. We also have the finance risk director and the HR and people director, who both started in January. Three of them started in October and two in January.

The transition and handover has gone very well. There was a long handover between Abby and Nausicaa before Nausicaa left. The board instigated the independent review. It was instigated because I felt passionately that we needed to do a lot more in the ombudsman service. What I was hearing from staff was that they were very much engaged in the new strategy and wanted new ways of working and better performance outcomes than we had, so we were aligned. Abby will say a little bit more regarding our staff surveys and how those have gone. From my perspective, they have gone very well.

Q140 **Chair:** Despite the change in the top of the organisation, you are happy with the progress of morale among the wider staff.

Baroness Manzoor: The change needed to be made, absolutely, to have the skills and expertise that we needed at the top and for management to be held accountable for the delivery of the new action plan. That is what Abby has articulated. In terms of morale, it is like any organisation. Everyone is flowing in the same way, but, when those changes begin to bite, that is when you may well see issues arising.

At the moment, we have a very engaged workforce. Our vision is very clear. It is a purposeful organisation. We want to do the right thing at the right time, with pace and value for money. We have so far made great inroads into all of those. We are on a journey, but there is a lot more still to do to implement some of those areas successfully.

Q141 **Chair:** We will be asking you more detailed questions over the course of the morning about staff. Presumably everyone worked from home during the pandemic. What percentage of people have now returned to work full time and how many people are still working from home full time?



HOUSE OF COMMONS

Baroness Manzoor: You are quite right, because those were the rules at the time of the pandemic. Overnight, people moved into working at home. Our IT department rose to the challenge.

Abby Thomas: We now have a policy of 40% office attendance, so it is four days over a fortnight. There are a couple of minor exceptions to that rule. For example, a facilities person might need to be in the office more often, but that is our general working practice.

Q142 **Chair:** That is what everyone is doing from the top down.

Abby Thomas: Yes, absolutely.

Chair: That is not just the desired minimum. That is what everyone is aiming for, to be in the office four days out of 10.

Abby Thomas: Yes, that is right. Sorry, if I may express that clearly, that is our expectation. Of course, some people choose to do more. I do more myself in the office, but our expectation is at least four days out of 10, which is the right balance for us between allowing people to collaborate, work together and learn from one another as a team, and the level of concentration and focus that casework benefits from. It is a balance that seems to suit our team.

Q143 **Chair:** Your office accommodation has shrunk to accommodate that.

Abby Thomas: Yes, that is right. We are taking advantage of lease breaks whenever we can, so we have reduced our office space quite considerably in our Docklands office and slightly in our Coventry office as well. That has given us some financial benefit but enables us to co-locate like teams as well. We have taken advantage to improve our way of working as well as just reducing the number of office desks.

Baroness Manzoor: The board meetings are all done physically. They are face to face. Although we have that, the reality is that business need comes first. Where people need to be in the office, they are in the office.

Chair: But there is still a case backlog. John, you are going to ask some more questions about it.

Q144 **Mr Baron:** Thanks for joining us. Good news of late is that your report and accounts suggested that the backlog was down from 90,000 in May 2021 to approximately 37,000 at the end of March 2022. I know, Abby, that you joined at an interesting time, when case backlog was a bigger issue. It seems to be improving. How confident are you that this improving trend will not be knocked off course by the current cost of living crisis?

Abby Thomas: I am confident. I am happy to say that we have made improvements even since those figures were published. In the last year, we were resolving 20% of our cases within three months. That has gone up to 30%. Next year, we are targeting a much more ambitious number.



HOUSE OF COMMONS

To give you the six-month figures, last year we were resolving 47%; this year it is 55%; next year, we want that to be 90%.

We are absolutely committed to this. I set my stall out in terms of my three observations. This is the one area where I would like to see us deliver more certainty to our customers more quickly, while still maintaining the pace.

With regard to cost of living, it clearly is a topic that we have paid very careful attention to. We have sought responses in our consultation and in all the conversations I have with industry or consumer stakeholders. We have not seen an impact that we can specifically attribute to cost of living yet. In fact, the number of complaints that have been raised to our service has actually fallen year on year. We are keeping a very close eye on that, because we are a demand-led organisation and we may need to flex up. At present, it is not something we have observed in our casework.

Q145 Mr Baron: What you say about the cost of living is interesting. Is that because people are stoical about this, or because Government measures are getting through—help and so forth? One would have expected an increase.

Abby Thomas: I have a couple of observations. First, we should only be taking a case that the respondent businesses have had the opportunity to resolve themselves. Their complaint volumes are down year on year as well. We have heard this from companies in a number of sectors.

Secondly, anecdotally, there is a high level of demand at the moment around energy bills and concerns about the cost of energy. We see that come through in inquiry volumes. Sometimes people will approach us for help. It is not really our remit, so in that case we would signpost the complainant to seek appropriate help from another body, such as the Energy Ombudsman. We are keeping a very close eye on this, because it could be a significant trend for us.

Q146 Mr Baron: You have also been modest, because the median waiting times have been reducing as well, from just over six years to just under four, so that is also good news.¹

Can I be devil's advocate on one or two issues and tease out further detail? Your own budget consultation paper suggests that you are projecting fewer complaints in 2023-24 than in the previous year, despite there being a forecast of an increase in complaints of some 30,000. Why is there a reduction in the number of complaints resolved? That seems to be a feature of the numbers. Complaints are your bread and butter, and yet there seems to be a reduction in those numbers being resolved. Why is that?

¹ Mr Baron later clarified that he meant to say "six months", rather than "six years".



Abby Thomas: That is simply because we are much quicker now at resolving complaints in-year, as some of those figures that I quoted earlier demonstrate. There are simply going to be fewer long-dated, older complaints for us to resolve. It is a function of some of the benefit we have been able to deliver over the last year. We simply have fewer complaints waiting, ready to be served, so to speak. That has impacted the likely resolution numbers for next year. There is less for us to do, in effect.

Q147 **Mr Baron:** Okay, fair enough. In her latest report, the independent assessor stated, "The service has reduced its backlogs but still has some way to go in some areas to ensure a fast and efficient service from the start." What are you doing to improve customer experience from the start of the process? That is a key aspect of your oversight function.

Abby Thomas: Yes, absolutely. Chair, would you like to comment on the independent assessor?

Baroness Manzoor: To put it into context, the independent assessor is absolutely right. We, as a board, and the executive take the issues that she raised very much on board. If you look at how many complaints we deal with in a year and put it into context, I think that, by the end of this year, we will have dealt with 205,000 complaints that have been resolved. Within that, we get just over 4,000 complaints about our service. Of those, just over 500 go to the independent assessor, to put it into context.

The points that the independent assessor raises are valid. We have advocated that the executive team meet up—certainly two of them, the deputy chief ombudsman and the operations director—with her on a quarterly basis to ensure that they are learning and that that learning is expanded to the rest of the organisation, where improvements can be made.

Abby and I will meet the independent assessor every six months and, of course, she reports into the board. We have a management response, in terms of how the management will take forward the issues that she has raised. Invariably, there will always be cases that go to her. The number that she is upholding has decreased slightly—not much, but nevertheless it has decreased. There are lessons that we continue to learn.

Abby Thomas: For customer experience more generally, the IA would be united with me in saying that timeliness is probably the root cause behind a service complaint, where someone comes to us and says they are unhappy with our service. That shows up in two ways. First, it is very frustrating for a complainant to see their case take too long to resolve. Also, it means that there is more need for my team to make sure that they are communicating with that complainant. In some cases we do not always keep them as up to date as we would like to.



HOUSE OF COMMONS

At the moment, we are working on an approach where we are dealing with cases much more quickly, again giving certainty to those consumers or businesses much more quickly. There are simply fewer opportunities for us to need to keep the complainant updated on the status of the case.

Q148 Mr Baron: Finally, can I turn to the issue of hybrid working and so forth? What impact has the four days in 10 had on your productivity levels? I ask that because, when asking about the number of complaints resolved, there has been a reduction. When asking about improved customer experience, often those are qualities and aspects of your business that rely on the sharing of experience in order to improve. Here we are, very much in the middle of a hybrid approach to things. Are you satisfied that there is not going to be an impact on productivity and those other two areas we are looking at?

Abby Thomas: Our productivity has gone up over the course of 2022-23. We would like to see more improvement against that metric. There is a little more we can target ourselves to deliver. Over the course of the year, it has gone from two cases per case handler per week to two and a half. Most recently, we were nudging towards three. Hybrid working has not been detrimental.

We have a good approach around things like practice groups, which is where our investigators meet with ombudsmen to talk about specific issues. We have case conferences, which is where a more junior member of staff might seek support from a more senior person: "How would you deal with this particular issue?" That is what we use that time in the office for, along with other activities, such as network, staff engagement and so on.

Q149 Mr Baron: It is a bit of a mixed bag but, broadly speaking, you are heading very much in the right direction. Your experience of adopting hybrid working practices—there is a lot of interest in this post-covid, not just in Britain but globally—is very positive, is it not? In many ways, you are a beacon for the concept, although it does not suit every working practice. Have you any wider observations on that?

Abby Thomas: We find that it works for the type of work that we do, which requires, as you say, some time for socialising ideas, learning from one another, testing out arguments or suggesting what kind of evidence someone might need to seek for a particular case, as well as thinking time, where people need to just spend some quiet time looking at the case itself and working through it. It works for us. I am pleased to hear your observations, but I will stress that I think there is more we can and should be doing to serve our customers.

Baroness Manzoor: There is training and development, which is different. We need to make sure that not everything is hybrid working. To put it into context, we have a hub that takes all the inquiries from consumers. That is very much a team and is not hybrid. Not every person who works in the ombudsman service, although they have the



HOUSE OF COMMONS

opportunity, is hybrid. Where it works well is where we are undertaking investigations, but not some of our corporate functions.

Q150 **Chair:** Presumably it would be okay too if someone wanted to work full time in the office.

Baroness Manzoor: Absolutely, yes.

Abby Thomas: Absolutely, yes.

Q151 **Douglas Chapman:** Good morning. I noticed that the annual report was suggesting that staff attrition rates are very high—going up from 9.7% in 2021-22 to 26% now, in 2022-23. What do you think the underlying reason for such a churn in your staff is? What are you doing to overcome some of the difficulties there?

Abby Thomas: I should probably point out that our voluntary attrition is a bit lower than that. It is more like 18% at the moment. It is quite variable as well. In some areas of our team, we have quite low employee churn. In others, there is a bit more of a natural turnover.

There are two areas I would call out. One is IT, which, like for many other people in the country, is a very in-demand skillset and our people tend to move on a little more frequently. The second area would be at the senior investigator level, which is the last level before someone becomes a manager. As you can imagine, there is a natural drop-off, because we have fewer manager positions than we have people being managed.

We are working on it, because we would like that number to drop a little further. Our target is 15%. For me, that would be about a healthy mix of some fresh thinking, some new ideas, allowing for career mobility for people who work there, and what we have today. In common with many other organisations post pandemic, where the market became a bit frozen in terms of people moving on from their positions, we have seen that increase recently.

Q152 **Douglas Chapman:** It seems to be quite a high trend. I wondered whether, in terms of sustainability, you can keep teams going and have them efficient when there is such a high level of churn in some of these key areas that you are talking about.

Abby Thomas: We are always looking for ways to improve. We are putting a lot of thought at the moment into what you might call our employee value proposition—what makes staff join and stay at the Financial Ombudsman Service. We know that most of our staff—I think that it was 85% in the staff survey—said that they were very attracted to the purpose of the organisation. That stands us in really good stead. As I said, there is always more to do and we are working hard as a team—particularly my new chief people officer, who joined in January. This is one of her highest priorities.



Baroness Manzoor: On the flipside of that, we have a lot of people who stay at the ombudsman service for a very long time. We are talking about some of the caseworkers and the IT people. If you look back, for 15 years, I think, the attrition rate at the ombudsman service has been around about 14% to 15%.

Certainly the board is very keen that we unlock the potential of the available resources across the country. We were talking about hybrid working, particularly for investigators. There is no reason why caseworkers cannot be based in Tyneside, for instance, or anywhere else, as long as you have the ability to do the training and development. In fact, we are going to be doing a pilot around that, so it is not just based in London and the south-east in terms of the FOS.

Q153 **Douglas Chapman:** That level of attrition must also be fairly costly in terms of time to recruit, re-recruit, retrain and build teams around what your core mission is. How is that affecting the sense of togetherness within the organisation? You mentioned staff surveys. Do you do exit interviews as well to find out why people are leaving? Is it purely a market issue in terms of IT, for example, or is there something else that you can be doing within the organisation that would help retain people so you contain your costs much more, in terms of the HR function?

Abby Thomas: The main feedback we have received is that it is around more salary and promotional issues. As I said, a proportion of that slightly elevated rate of attrition is in a population where, by definition, there are fewer opportunities at the next step up than there might be at the grade they are already at. It is natural that they sometimes want to seek other opportunities.

As well, we are equipping our staff to go on to do a really wide range of roles. That financial services experience is so valuable. Yes, I acknowledge the point that you are making. It is costly to backfill, but there is a bit of benefit to it, because it enables us to flex our workforce and bring in the right skills for the cases that we are seeing too. There is a little more work to do, I think. Overall, the trend is going in the right direction.

Q154 **Douglas Chapman:** A few years ago, you introduced quality teams. Was that a direct response to the number of complaints that you had been receiving?

Abby Thomas: I know that we have a QA team. We may need a little history here.

Baroness Manzoor: The history is that we had quality assurance, but it was segmented across the different teams. The board felt quite passionately that we had an overall quality assurance framework, so we put that in place. That is the bit of history and that was why. It was not because there were lots of complaints. It was because we wanted to



HOUSE OF COMMONS

ensure the best quality we could, as well as consistency in our decision making.

Q155 **Douglas Chapman:** Does this quality team still exist?

Abby Thomas: Yes, it does.

Q156 **Douglas Chapman:** Is that going to be a long-term commitment?

Abby Thomas: Yes. They are independent as well of the direct casework teams. They sit in a different directorate so that they can, with no fear or favour, call out where they think we could be doing a little better on behalf of our customers.

Q157 **Douglas Chapman:** Does that trigger training needs and various aspects of things you need to change the business that come through the quality team?

Abby Thomas: Yes, absolutely. It operates at two levels as well. First, if you are an individual caseworker, your case will be QA'd. Secondly, if you are a manager, any cases that you work on will be QA'd, but your ability to provide a first line of defence is also looked at. Was the manager checking the quality of the case even before the QA team stepped in? It is a real area of focus for us.

Q158 **Douglas Chapman:** Do the people you have on the front line readily accept the fact that there is a QA team and respect its decision or overview of cases that people might have been working on? Is there any issue there in terms of how they might feel about a decision being made above their heads, as it were, and being passed down, or is it different from that?

Abby Thomas: I am not aware of any issues, no. I am sure that the feedback is offered in good spirit. We have a learning organisation. Everyone who works for the financial ombudsman is aware that they are working in a sector that is constantly evolving. New products are coming online. New customer case types are coming forward. We are changing as well as an organisation. That is taken in good spirit, as far as I am aware.

Q159 **Douglas Chapman:** You mentioned as well about moving some of the business on to online or self-help, almost. How do you handle things like vulnerable customers who may have difficulty following instructions online or who might not even have access to online facilities? What is your policy around that?

Abby Thomas: This is a really important question actually, because it is very important to me personally but also to all my team that we are treating vulnerable customers as well as we can. The first thing I should say is that our policy is "channel of choice." While we are expanding the means by which customers can raise cases to the Financial Ombudsman Service, it is not to the exclusion of any channel. You can still contact us by phone, post or email. That exists for consumer customers today.



The only difference is that, going forward, if you are a business or a consumer, you will be able to engage with us through a portal as well that provides a slightly more structured approach to the way that the information is presented, which will help. It will speed matters up for us, but it does not preclude anyone from using the channels they use today. That is absolutely critical to us, because we attract cases from the whole sector of UK society. We need to cater for absolutely everyone.

Baroness Manzoor: Also, vulnerable consumers can go to a specialist unit in the ombudsman office. It was something that the board felt very passionate about. This unit is made up of—correct me if I am wrong, Abby—around about 16 people. They deal with around 550 cases. They can give the due consideration to those vulnerable consumers. I am totally IT-illiterate. I hate it. If anyone asked me to upload anything, I could not do it. It is really important that we have these different channels for consumers and particularly people who are vulnerable. Our investigators get specialist training, as well as this specialist unit.

Douglas Chapman: That is reassuring. You pre-empted my final question, so thank you very much.

Q160 **Dame Angela Eagle:** Before I ask about financial sustainability, can you say a bit about the customer voice in your processes? We have talked about customer satisfaction, and I am going to ask you about that in a bit. How do you try to integrate a consumer voice into the services you provide?

Abby Thomas: We benefit a lot from engagement with consumer advocate groups, be they charities or other organisations that deal with frontline customer issues—for example, the debt advice organisations, which I speak to often, or other charities, such as Refuge and Surviving Economic Abuse. We recently had a really good panel, and we do this, I believe, quarterly, to gather representatives from major charities across the UK who can provide us with some guidance on how best to work with all our consumers but also—I refer back to the last question—to give us specific advice on how we should be treating vulnerable customers, for example, as well.

Q161 **Dame Angela Eagle:** That is integrated into your systems. It is not just you turning up for work and thinking, “I will talk to the debt advice system this week to see how things are going.” There is a definite structure of panels that you engage with on an ongoing basis, that have a right to be there and that can give you information that might be quite difficult to get on your performance, which you will listen to with respect.

Abby Thomas: We have a steering group called the consumer liaison group. We will have subgroups, which we set up if we want to receive some insight or guidance on a specific issue. For example, domestic and economic abuse has been a theme over the last couple of years, where we have sought to raise our own awareness but also make sure we are



HOUSE OF COMMONS

passing that back to the industry, because we think we have an important role to play in that.

For me personally, I started in October and I have sought to make sure that I am spending time with very knowledgeable individuals within those groups as well. It is very useful for me too. A key part of working at the financial ombudsman is always seeking to have that balance between the consumer voice and the business voice—so the two parties in most of the disputes that we are looking at.

Q162 Dame Angela Eagle: Of course, the business voices are the ones that fund you, in essence. Do you listen to them more than you listen to consumers?

Baroness Manzoor: Absolutely not.

Abby Thomas: Absolutely not—no, not at all. We have an equivalent to the consumer liaison group that I spoke about earlier. We will have steering groups that are more industry-specific. For example, the FCA operates some panels. There will be a small business practitioner panel, a large business practitioner panel and a consumer panel. We will attend all of those and subject ourselves to their scrutiny and advice as well. That is part of our budget-setting process. I do not think that there would be an opportunity for us to be overly influenced.

Q163 Dame Angela Eagle: In your budget for 2023-24, you are projecting a net surplus from the year of £5.6 million, compared to a previously budgeted deficit of £48.9 million and a deficit the previous year of £12.4 million. Why were your projections in 2022-23 so inaccurate?

Abby Thomas: There were a few reasons. Some are positive and some, honestly, are tailwinds that we have benefited from, which we might not benefit from again. The first reason is that we have become more efficient. We think that that equates to about a £13 million reduction in our cost base, while still being able to do at least the same amount of work. That would be a positive example of where we have made a good impact on value for money.

There are a couple of external factors that have benefited us as well. For example, we had a slightly higher success rate in recovering bad debts compared to our expectation. We have probably benefited a little from higher interest rates as well. Finally, we have deferred some of our transformation spend from that year into the following year, largely because, with a new executive team joining, we thought it appropriate to make sure we were investing that money in the best possible opportunities. It is a mix.

Q164 Dame Angela Eagle: You are projecting a surplus of £8.8 million in the next financial year. Might that turn into a deficit like your deficit turned into a surplus?



Abby Thomas: We are really mindful of this. We have invested a lot in our forecasting capabilities and in fact set up a dedicated forecasting function. As I laid out there, there are some positives that we can build on and rely on for next year. There are, as I said, some tailwinds too that we cannot completely be assured of either. Yes, seeking to really underpin our financial sustainability comes a close second to the timeliness and customer experience priority that I laid out earlier.

Baroness Manzoor: The board is absolutely passionate on this. Going back to the delays and the turnaround times, we have set some very stretching targets, I feel, for the executive team. To give you an idea, 95% of inquiries will be signposted or converted in five days; 90% of investigations will be resolved within three months; 90% of second-stage investigations will be concluded within six months. Those are really stretching targets.

I know that we were talking about how many cases are undertaken by individual investigators, but we are trying to move away from that and focus the new team's mind on service standards, delays, turnaround times, and the quality framework and assurance, so that we deliver on that. You are quite right, Angela, to ask about the deficit and what we may have in terms of surplus. We have a surplus this year, but next year, coming into 2024-25, it is imperative we look at the number of cases that are going to be coming into us. There may be cost of living impact that we have not seen this year.

Q165 **Dame Angela Eagle:** You are expecting an increase.

Baroness Manzoor: We may. At the moment, we are not, because the businesses are telling us that there is not going to be an increase as far as they are concerned, but we may. We do not know yet. There are other things that may affect us. We are also looking at differential budgets in terms of casework.

Q166 **Dame Angela Eagle:** The average time to resolve a case at the moment is 6.4 months and the target is 4.2 months. You say that you have made efficiency savings of £13 million. Has that affected the average time to resolve a case?

Abby Thomas: Yes. The 6.4 months was at the end of last year. As of Q3 this year, we are down to about 3.7 months. That is in Q3. Year to date, it is 5.2 months, but there was a mass closure of a number of older cases as a result of a company going into administration.

We have made progress, but I would draw attention to the very ambitious service standards that Baroness Manzoor was setting out there. In that, you hear how we can really improve our timeliness, which will improve our customer service, but also reduce our costs. If we can maintain the quality but increase our pace and be a little more efficient, that benefits all our metrics, financial and customer experience-related.

Q167 **Dame Angela Eagle:** Of course, but if you increase the pace, the quality



HOUSE OF COMMONS

can sometimes suffer. Levels of customer service satisfaction have actually gone down, have they not?

Abby Thomas: Yes, they have gone down slightly. We split out customer satisfaction by the satisfaction expressed by customers who have an upheld case versus those who have not.

Q168 **Dame Angela Eagle:** I bet I know what the ratio is.

Abby Thomas: Yes, indeed. We are actually looking to refine that measure a little bit next year. Although we will always have that element of thinking in the back of the respondents' answers, I am sure, as to how happy they are with our overall service, we want to start asking them more about, "Are you confident with our service? Did you feel that the process was well handled? Did you find the interactions with the team were appropriate?" and so on as well.

Q169 **Dame Angela Eagle:** You can see what it looks like in a quick look at your results. You have saved £13 million in the cost base, which is a good thing if you can get more productive, but the time to resolve a case is still not reaching the targets and the levels of customer service satisfaction have gone down.

Baroness Manzoor: Can I explain that a little bit? There is a little bit of difference. First, we are improving our data streams, because they were not as good as they could have been. We absolutely need to do that and that is one of the things.

Q170 **Dame Angela Eagle:** When are they going to be stabilised so we can start?

Baroness Manzoor: They will be stabilised very soon and the director of our operations is on to that. In terms of data, it is really important to say that the average times that the Committee is currently looking at were the average resolutions. We are moving to a new definition, which is real-time cohort, which is measuring end to end, as it should be, and not looking at averages, because that distorts the picture.

Q171 **Dame Angela Eagle:** You get the distortion if you have a sudden closure.

Baroness Manzoor: Absolutely, and the board certainly does not want that, so that is really important.

Abby Thomas: When we close a bunch of very old cases, it distorts our average time to resolve a case, but it also slightly distorts our customer satisfaction. You are not necessarily seeing how satisfied customers are with those cases that we have raised and closed in-year.

Q172 **Dame Angela Eagle:** How big is your backlog now, then?

Abby Thomas: At the moment, we have 29,000 cases that are unallocated. Previously, my predecessor quoted a number that I think excluded even cases that were subject to litigation or were



non-progressable. I would rather not do that. I would rather give you the number and explain, if required, how many of those we are not able to progress for reasons beyond our control. The total backlog is 29,000.

Q173 **Dame Angela Eagle:** How many cases, on average, do you get in a year?

Abby Thomas: So far this year, we have received 158,000.

Q174 **Anne Marie Morris:** Can we get on to levies and case fees? It looks like you are introducing quite a change. The compulsory jurisdiction levy and voluntary levy now are intended to reflect your fixed costs. The logic, as I understand it, is that the polluter should pay and therefore more cost should go into the individual case fees. However, it would seem that, if you actually do the numbers based upon your fixed costs, both of the levies go down, so that you are not actually applying the logic. You apply the logic, "This is what the actual cost is." If you do the numbers, it comes out that the levy should be X, but you are proposing to actually bring that levy down. Why are you doing that?

Abby Thomas: Our intent was to absorb inflationary cost increases. We believe that we should be a cost-reflective organisation and we wanted to make sure that that was reflected in the amount that we charge back. For the compulsory jurisdiction, that made a small difference. I think that we rounded it down a little. I will come back with a precise number if you wish.

For the voluntary jurisdiction, there was also a slight change of about £100,000, but not a material amount to the total. The way I think about it is that we have, effectively, frozen our levy and kept our case fee frozen for what will be the third year in a row next year.

Q175 **Anne Marie Morris:** Have you set out that calculation anywhere? If people are looking at it, they might look at this and say, "You set a formula. It then looks like you have not followed the formula." Then, if you can tweak for the future, is there credibility in this formula? If it gets tweaked every time, one begins to wonder whether you are genuinely sticking to a formula. If the point you have made is right, should it not be incorporated in the formula?

Abby Thomas: It is quite a minimal difference overall, but perhaps we could take the opportunity to write to you to lay that out in a little more detail. I would be happy to do that.

Q176 **Anne Marie Morris:** All right, that would be helpful. The consequence of all this polluter pays is that the case fees then go up. If you were in the group, you were in a happy position where you did not pay individual case fees. If you were outside, you did. We have now changed that, so that your obligation to pay kicks in a lot more quickly, whichever group you are in. Why have you done this, other than clearly to balance the books? Are you trying to incentivise a different form of behaviour and is this really the best way of doing it?



Abby Thomas: It is in line with our “polluter pays” principle, which is to reduce the number of free cases to a lower level, such that firms are incentivised to prevent cases ever reaching us. That is the intent behind it.

Q177 **Anne Marie Morris:** By putting the fee up—

Baroness Manzoor: Sorry, we have not put the fee up.

Anne Marie Morris: It has gone up by 30%.

Baroness Manzoor: No, we have not put the fee up. The fee, in terms of the £750, is the “polluter pays” principle. For three years running, it is set at that, so it has not gone up at all. In terms of the group cost, we do a consultation every year. Abby has articulated that our fee has not gone up and nor have our case fees, and it will be the three years.

In fact, the board is absolutely clear, and so are Abby and the executive team, that we will further look to reduce our core costs. Indeed, the new finance director is looking at zero-budgeting and going through things with a fine-toothed comb to ask, “What are our operating costs? What could they be? Have we revisited and re-evaluated everything?”

When you are talking about the compulsory jurisdiction and the voluntary levy, they are two different things. The reason why some people have fallen into the voluntary jurisdiction is because of Brexit. They have not met and they have not joined the scheme, so that gives them some cover by paying that additional sum. It is more about methodology and the mechanism, rather than any reality of us putting up fees. That is not the case; in fact, we have had to absorb.

That is where the £13 million comes in, because all other organisations have continued to put up their costs. Salaries go up and so on. We have not done so. We have absorbed those through efficiency savings internally. That is what Abby was alluding to. I do not know whether that is any clearer.

Q178 **Anne Marie Morris:** It is helpful none the less. I understand now that you freeze it for three years and then you review it. Is there a formula or mechanism that is clear to the public as to how you go about that? Despite that, 30%—I know we have inflation issues—is still quite a hike.

Abby Thomas: We have frozen the case fee and the levy going into next year. We will be putting any further plans out to consultation next year as well. We will be consulting on two areas. One is our overall costs and budget plans. As Baroness Manzoor mentioned earlier, we are also looking at the opportunity to differentiate our case fees, which is something that would benefit both consumers and business customers.

In practice, that would mean offering a lower case fee where we are able to resolve a case more quickly. That is something many of our



HOUSE OF COMMONS

stakeholders have asked us to consider, and we have been doing some work on that in the background prior to consultation.

Anne Marie Morris: It would be coming down if it is less work, rather than at risk of going up.

Abby Thomas: Yes, absolutely.

Q179 **Anne Marie Morris:** Okay, so people at least know where the ceiling is. You did say in your answer, Baroness Manzoor, that you were looking to manage the unit cost down. How are you proposing to do that?

Baroness Manzoor: We continue to be much more efficient as an organisation. As I have just mentioned, we are looking at zero budgets throughout the organisation. What are our fixed costs? We talked about our estate earlier on, where we are releasing some of our office space. We are looking at new ways of working. Certainly, the board expects much higher productivity while ensuring both that we are consistent and that we have the quality assurance programme in place that delivers that.

We have also started looking at mathematical modelling in terms of quality assurance. We can check a percentage of cases. To go back to your question, Mr Chapman, we are ensuring that we have that in place to deliver consistent quality assurance that is totally independent. We are doing that through proper statistical modelling.

All of that will help, but there is one other thing we are totally passionate about and totally engaged with: we continue to progress in improving turnaround times. Service standards are pivotal, and that is why we have set the stretching service standards. I am confident and, more importantly, Abby should be confident—she has to deliver them—that we will deliver them for consumers and businesses.

At the end of the day, these are those businesses' clients. They want to serve those clients; they want them back. We want to offer a very independent and impartial service. That was long-winded, but the answer is yes.

Q180 **Anne Marie Morris:** I have one final question. What is the impact going to be of the inclusion of funeral plans and buy now, pay later?

Abby Thomas: I will talk to those. Funeral plans have come into our jurisdiction. We have received very few cases. In the region of 60 cases have been brought to our service. Buy now, pay later is not within our regulatory perimeter at the moment. That is something that is being worked on at present.

On a preliminary basis, we have started talking to the FCA around how we might seek to take buy now, pay later cases and what considerations we would have to put in place. For example, the FCA has offered to work with us on what that could look like so we have a joined-up approach



HOUSE OF COMMONS

with the industry. For now, funeral plans are cases that we currently deal with. Buy now, pay later may come later.

Q181 **Chair:** Can I just ask how much of a pay rise you have awarded this year to people staying in the same role?

Abby Thomas: On pay rises this year, I am afraid I do not have that to hand. I would need to take that away and give you that information. I joined after the pay award period, so I would need to check that.

Baroness Manzoor: Do you mean 2023-24 or 2022-23?

Chair: I mean the year we are about to start, 2023-24.

Baroness Manzoor: We have not yet had that board meeting. We are about to discuss that.

Chair: Okay, thank you. Let us know when you have made a decision, if you could.

Q182 **Rushanara Ali:** Good morning. Most of my questions are about customer complaints against the FOS. We have seen the share of complaints due to adequacy of investigation increase from 13% in 2020-21 to 35% in 2021-22. The independent assessor, Gillian Guy, notes that adequacy of investigation is "the single most complained about issue and possibly the most concerning as investigating complaints is the very core of the service's function and legitimacy."

I will just pick out some of the things that she referred to about communication: not informing customers in detail why cases have been put on hold; not responding to emails promptly and, at times, not at all; not returning customer calls; the tone of telephone calls; timeliness; a failure to request evidence and information needed at the same time; multiple case handlers being allocated; needing to start the investigation afresh; and, on occasion, cases being too long with ombudsmen without any visible progression.

These issues are echoes of things I have come across with the FOS for years. I have been on this Committee for a number of years in multiple Parliaments. Time and again, your predecessors—predecessor chairs and predecessor CEOs—have assured us you would get a grip on these issues. You have not. What can you say about that and what are you going to do to get a grip?

Baroness Manzoor: I think we have got a grip, but I recognise the comments you have read out. They will not entirely go away, but I can say, as chair of the board, that we are totally sighted on these. The team has action plans in place to deliver on them.

You have to look at the reality of the numbers and put it into context as well. As I said earlier on, this year we will deal with around 205,000 resolutions. The numbers there are from 550 cases. You are looking at a



HOUSE OF COMMONS

subset. That is not to say we are not taking it very seriously. We are. It is very regrettable, and we are very sorry when things do not go—

Rushanara Ali: Okay, Baroness Manzoor—

Baroness Manzoor: Please do let me finish—

Rushanara Ali: No, I am asking the questions, with respect.

Baroness Manzoor: I was answering your question.

Q183 **Rushanara Ali:** Well, you can finish answering it in a second, but I just wanted to add something. Your predecessors assured us that, when the FOS took on additional responsibilities, which the Government asked the FOS to do, the FOS was in good shape and in a good position to deal with those. They said that the very point you are making right now, about the volume of work, would not be an issue.

Those were not your comments, but they were the comments of your predecessors. You are now telling me that is exactly one of the issues. If you could take that into account and respond, I would be very grateful.

Baroness Manzoor: I am taking it into account. We have made a difference. We can demonstrate quite clearly the improvements that have been made. You have heard about that through the hearing. Abby, do you want to go into a bit more detail?

Abby Thomas: To elaborate a little on the Baroness's point, I do not think she was implying that the fact we have 205,000 resolutions means we can afford to let our standards slip.

Baroness Manzoor: No, absolutely not.

Abby Thomas: There is a very small number of cases that have been referred to the independent assessor. I would call out that the percentage deemed to be satisfactory by the independent assessor, who is genuinely independent, has gone up in the last year. There are some positives there.

Q184 **Rushanara Ali:** Are you clutching at straws?

Abby Thomas: We should get quicker. We absolutely need to be quicker on average, so that many of the points you are calling out around timeliness, communication and multiple hand-offs occur far less frequently. If I may say so, I think the chair and I are united in thinking that we will never have no complaints, but we should see a significant improvement in our handling.

Baroness Manzoor: It is regrettable when things go wrong. We are talking about consumers. These are consumers who are affected. Of course, where we can make a difference, we want to make a difference. Of course, the organisation wants to learn from its mistakes.



HOUSE OF COMMONS

I spoke earlier on about the quality assurance programme. We spoke earlier about the mathematical modelling for doing spot checks. Abby spoke earlier about the different lines of defence. These are all areas that we have strengthened. We have strengthened training. We need to know we do not have lulls in hand-offs, but we cannot promise that you will never get an issue.

Q185 **Rushanara Ali:** I am sorry. With respect, I am not asking you to promise never to have complaints.

Baroness Manzoor: I am saying that I could not sit here and promise that. I just want to assure you that we take it very seriously. I hope you will also see that we have made significant progress in quite a number of areas, too.

Q186 **Rushanara Ali:** Part of the problem is that you are relatively new to the FOS. Some of us have observed the commitments and promises that your predecessors have made. Yes, you are quite legitimately pointing out that there are some additional pressures. There was a major inquiry into the FOS. There was a discussion about whether the FOS was fit for purpose. I served on this Committee at the time. We were reassured that it would be.

You are right: consumers are suffering. Our constituents are suffering. These are questions I have asked in the past. What else does the FOS need in order to address some of the outstanding issues? That is what I am trying to get to. This has been going on for years, since long before you joined the FOS, with respect.

I would really appreciate a focus on what else can be done so customers, consumers, can have a better experience. You are the last line of defence when people have gone from pillar to post after having had poor treatment by the services that should be treating them well. Your organisation is their only hope, ultimately.

On the question of timeliness, the independent assessor notes, "It cannot be right that a customer has to wait lengthy periods (on some occasions over a year) to be told their case does not fall within the service's remit." Why is it taking, in some cases, up to a year for the FOS to check whether a case falls within its remit? Is there a specific systemic problem that is leading to it taking up to a year?

Abby Thomas: It is very rare that a jurisdiction question would take so long, but some of the cases relating to whether a matter is something we can look at are among the more complicated and long-running ones. They do take a long time.

Q187 **Rushanara Ali:** Do you know how many cases take over a year?

Abby Thomas: Yes. We have approximately 13,000 cases that take more than a year.

Q188 **Rushanara Ali:** That is 13,000 households or lives. Do you have much more qualitative information about those cases and how these delays



HOUSE OF COMMONS

might be affecting them? As you can imagine, if you were a business or an individual waiting for a complaint to be resolved, you could face further financial detriment because the FOS was not able to deal with your case or tell you where you stand for over a year.

Abby Thomas: Yes, so 7,500 of those cases—there or thereabouts—are subject to legal proceedings. In some cases, the companies involved have gone into a scheme of administration and we have had to place those cases on hold. I still think there is more we could do to bring that number down. That is part of the service standards that Baroness Manzoor spoke to earlier.

When we look at those cases, there is not a particular pattern beyond the fact that that many of them are impeded by matters beyond our control. I would like to reassure you that we genuinely take every case on its own merit. We do really think about the customers who sit behind those cases.

When I do floor walks, when I meet with my team in huddles or when we have our leadership team events, we never do anything other than start with the customer and talk about how it feels for them and how we could get better.

Q189 **Rushanara Ali:** Could you write to us with more details on those 13,000?

Abby Thomas: Yes.

Rushanara Ali: You mentioned the 7,500 involved in legal proceedings and the other ones. What do you plan to do and how do you plan to get those processed? That would be very helpful. Could you give us some indication—you will need to anonymise it—of the issues you are dealing with so we can understand why it is taking so long?

Abby Thomas: Yes, I would be happy to. In fact, we can share the report we prepared for the board. This is absolutely an area of focus for the board too, and rightly so. I agree with the fundamental point. It is not appropriate to leave customers waiting for an answer, be they consumers or businesses.

Q190 **Rushanara Ali:** My final question is related to the insurance market. One of the things here—I have personal experience of this, and it has come up in relation to the car industry and a range of other areas—is around undervaluing what an insurance claim should be.

You have multiple players when it comes to insurance: the broker, the insurance company, the loss adjusters and sometimes another intermediary that makes payments. Things can get lost in translation, and you can get extensive delays, which can cause problems. When a complaint is made, they will have up to eight weeks to respond. It is not always clear whether you will get a letter—I forget what it is called—so you can take it to the FOS.



HOUSE OF COMMONS

Even before somebody goes to the FOS, multiple organisations are involved where failures can occur. Have you looked at that sector and how it is affecting people, given the different contractors involved with insurance claims?

Abby Thomas: Yes. There are two parts to the question. First, on the motor valuation side, that is a topic our insurance team has picked up with a range of the insurers we work with to understand their perspective and provide some guidance on how they might better deal with those complaints at source or, better still, prevent those complaints from occurring.

There is an unusual element to our regulatory perimeter, which is that we are not able to deal with complaints related to credit hire companies, which is sometimes the case in this. If a vehicle or something is being put out for repair, we would absolutely expect the insurer to make that abundantly clear to the consumer.

Q191 **Rushanara Ali:** What about household insurance? A company will have two or three organisations involved. The insurance company will have the broker, the loss adjuster and the institution that then has to make the payment. They are not taking responsibility, as they are required to, I understand, in terms of what happens in that supply chain, linked to the customer. The customer can have a really bad experience, and it can take months and sometimes well over a year before an organisation will process a complaint.

The problems can come at different levels within the sector, but the insurance company will just pass the buck for others to deal with it, not take responsibility and keep sending people back to the loss adjuster or whoever, who can often be part of the problem.

Abby Thomas: The minimum we would expect is that the insurer makes it absolutely clear to a consumer taking out a policy exactly what they are covered for and where that coverage entitles them to refer a case to the Financial Ombudsman Service. There are some instances in the supply chain you described where we are not able to help, because it falls outside our jurisdiction.

Rushanara Ali: Yes, I have raised this with this FCA.

Q192 **Andrea Leadsom:** Good morning. I would like to go through a couple of specific case studies around the treatment of complaints by customers, but this is my overall question: is what you can do right now sufficient to give redress to customers?

The first example I want to give to you is one we have exchanged letters on recently, Abby. In effect, it is a person who has raised a complaint against their bank over the way their mortgage arrears were treated. I have gone through chapter and verse. Having met that individual, heard their side of the story and then seen in great detail the independent assessor's assessment of what went on, it seems to me perfectly feasible



for the bank to have done everything to the letter of the rules or the law, but for the consumer to have misunderstood, to have heard one thing on the phone but then received something else in writing, and therefore for their case to be not agreed with by the FOS. That consumer then goes away thinking, "I have missed these opportunities." Very specifically, with regard to the credit rating of the individual, they were told, "Don't worry; it will all be fine," but the letter from the bank said, "We will be marking arrears on your account."

Do you do enough? Should you do more? Could you do more to say to banks, "You are doing what you have to do in these cases, but it is very misleading for the customer"? Particularly if that customer is trying to get a mortgage, having arrears on their account inevitably means they will not be able to get another mortgage. Should you or could you be doing more to say to banks, "If you are going to put arrears on an account, there must be much more of a red flag. It cannot just be part of a long, generic standard letter. You must point out to them, in headlines, 'Be aware that your credit rating is going to be affected by these arrears'"?

Abby Thomas: First of all, thank you for sharing that example. I will not comment on the specific case, but, picking up on the themes you are raising here, as a service one of our key questions is, "Does the consumer understand the product or service they are taking on, the obligations and, in some cases, the risks that it might incur for them at a later date?" We do a lot of work with industry to keep them apprised of our findings in that area. That will only increase as banks move towards the new consumer duty, where consumer understanding is a core pillar.

Yes, we absolutely would expect that that information is made available in a very digestible and understandable format, and that some consideration is given to the fact that different consumers might have different needs.

Q193 **Andrea Leadsom:** To build on that very specifically, you talk to the banks and so on. They send out this long, boring standard letter, which would make any of us go, "Ah, bin." Do you have the powers to say them, "That is not good enough. Although, yes, technically you did warn them, in reality they did not see it because it was part of a standard letter"? Can you say to the banks, as a whole, "This is not good enough. You have to change this and upgrade the warning. It has to be flagged in a much better way"?

Abby Thomas: Our powers are not prescriptive in that manner. That is probably more of an FCA question. I absolutely can assure you that banks pay very close attention to our decisions and embed them into their practices very often. When I meet banking representatives or in the steering group format I described earlier, they will often say to us, "What do you think about this particular case? What learnings are there? What should we be doing differently?" There is a clear incentive for them to learn from our findings and improve their practice, not just for that one



HOUSE OF COMMONS

consumer who has raised the case to us but for others who might be in the same position.

Baroness Manzoor: Could I just add to that? This is something the team does very well. If we see trends, such as the example you have given, we will make sure we have that discussion with the bank, the insurer or whoever so they learn from it. That is part of our preventative agenda: sharing our insights, with the view that banks and others will take heed so we do not get similar examples.

Where we see that those issues perhaps need to be relayed to the FCA, we do have a duty of co-operation. In fact it is going to be put in legislation now in the new Bill, but we do that voluntarily anyway. There is this wider regulation working group, which looks at those kinds of issues. Where there is a pattern, and issues have emerged with bank X over a number of cases, we do not need a formal power to do that. We do that, and we do currently do it.

Andrea Leadsom: Yes, I am not in any way criticising the FOS. I am asking you whether you have enough powers, and you are telling me you do not.

Baroness Manzoor: No, I understand that.

Q194 **Andrea Leadsom:** That is all very well, but these letters that are absolutely standard just carry on. In effect, your preventative measures are not working.

I could give you countless other examples. There is another example of a small business where its bank said, "You are in difficulty. Let us appoint someone to come in and consult on your business." Two years down the line, the person brought in to consult has become a director. It turned out they were playing golf with the business manager in the bank, who put them in contact and so on. "Nothing to see here, nothing wrong there." Again, the FOS found that the bank had done nothing wrong. The individual who lost their business is just left with that sense of frustration.

My own view is that your best efforts are not getting anywhere. The banks are not listening. Abby, you said that would be a matter for the FCA. Can you explain how? They came in last week and they said it was a matter for the FOS.

Abby Thomas: The banks do listen to us. That is why our complaints rate has been dropping year on year. It is partly as a result of better behaviour on the part of banks, insurance companies and so on.

As Baroness Manzoor described, if we wish to escalate something to the FCA, we have the wider implications framework, which is a published meeting where we pick on particular areas of concern for us, the FCA, the FSCS, MaPS and the Pensions Regulator. If we see something we think is systemic, that would be the first forum in which we call it out. There is regular working-level contact as well.



Q195 **Andrea Leadsom:** Again, I am not disputing that you are doing best efforts. I am disputing that it is effective. What we are seeing constantly at constituency surgery level is banks simply sending out a standard letter, which you do not really notice because it is not really flagged to you. Then, when you call, some customer service adviser says, "Don't worry about it. It is just a standard letter." Our constituency cases are peppered with people saying, "They told me not to worry about it," but suddenly they find they have lost their home, their business or whatever.

It is not working. Whatever you are doing, I am asserting to you, is not working. Do you need more powers? Is it entirely clear? Does the FCA have to act on your systemic recommendations? Are all of your investigators routinely reporting, "This customer is saying this generic letter did not stand out to them"? Are you taking that up the chain? Do you have sufficient powers?

Abby Thomas: I will take the question about whether our investigators routinely report. We capture the information in a single system. At the moment, the way we flag that information up to the FCA is through our working-level contacts.

I would like to look at opportunities to share our data in a timelier way so we can have that early-warning signal in place. If we see a particular product type, particular complaint type or even particular firm that had an elevated number of complaints compared to what we would expect, I would like that to be systematised in a way it is not today. That is a real opportunity for us, as we use digital technology to structure our data.

In terms of the powers we have, we have a very significant impact on industry. This is what I hear from my industry stakeholders on a regular basis. I feel we are impactful there. There is always more that could be done, but there is no particular power I wish I had today in order to be more impactful.

Q196 **Andrea Leadsom:** Addressing the very specific point I have raised, a customer had their credit file marked with arrears and was told on the phone, "Don't worry. Your account is on hold." In the letter they had received they were told, "Your account will be marked with arrears," but they were specifically told on the phone, "Don't worry. That is just a generic letter." What action have you taken on that to make sure that can never happen again?

Abby Thomas: If such a case were to be brought to us—

Andrea Leadsom: It was.

Abby Thomas: If we were to find in favour of the consumer—

Q197 **Andrea Leadsom:** Yes, but you did not. What you said was that the bank did as it should because it sent a generic letter out. You have commented on all of those facts. It is true that the customer was told, "Don't worry. It is a generic letter. Your account is on hold." It is true



that the bank sent out a letter saying, "We will mark the arrears."

The customer assumed that what they were told was correct, when in fact the opposite was correct. That has risked them losing their home, since they cannot now remortgage because of the arrears on their account. What specific systematic action have you taken to ensure banks cannot do that in the future?

Abby Thomas: The systematic action you are describing is the new consumer duty. This is one of the key components of the new consumer duty. Consumer understanding has to be present in every part of the chain from sale through to product onboarding and service. That is absolutely essential. It is genuinely extremely distressing to hear of cases like this. The consequences can be so very severe for the individual consumers, but that is the particular harm the new consumer duty is suited to address.

The new consumer duty is a very significant industry-wide change, but it is really underpinned by the same principles the Financial Ombudsman Service works to today, which is always to treat your customers in a fair and reasonable way.

Q198 **Andrea Leadsom:** It is your opinion, then, that this new consumer duty will require banks to flag very explicitly, not in a generic letter, if someone's credit file is going to be marked in arrears.

Abby Thomas: I cannot talk to the specifics of how the new consumer duty will be implemented.

Andrea Leadsom: That is what I am getting at.

Abby Thomas: There is absolutely a requirement that banks, insurers and all parties in the financial services sector are very clear and have put due thought and attention into the type of communication that would work for that particular customer, not just taking a generic approach but being mindful of the fact that different customers have different needs.

Again, to bring it back to our role, which is to resolve disputes on a case-by-case basis, that is what we are already seeking to do, one case at a time.

Q199 **Siobhain McDonagh:** I want to look at the authorised push payment regime you are going to be adopting. I just wondered how many authorised push payment scam cases you expect to receive in the first year of the Payment Systems Regulator's new mandatory reimbursement regime.

Abby Thomas: We hope to see fewer cases than we see today. That is the point of the scheme. This year we have received about 10,000. That is a year-on-year increase from the prior two years as well, so there is clearly room for improvement. We are anticipating that the changes that will be made, should the proposals go ahead as currently planned, will mean that fewer complaints come to our service because the mandated



HOUSE OF COMMONS

reimbursement element means the complaint should be dealt with within the first 48 hours.

Realistically, based on our past experience of new regulation coming in, we expect that there may be more cases up front around what this really means in practice, some of the definitions in place and so on. Yes, overall we hope it reduces that number, because, like everyone, we wish to see fewer complaints.

Q200 Siobhain McDonagh: Do you not think that the hot potato has been thrown your way, given that the Payment Systems Regulator has not defined what gross negligence is? In order for compensation not to be given, you have to reach that threshold. Given that they are the regulator, would it not be reasonable to think they would define it rather than you defining it?

Abby Thomas: The PSR has in fact invited us to a working group on gross negligence. It is a concept we use, not frequently but often enough, in the context of authorised fraud. It is not a concept that is new to us. We will continue to work with the PSR to make sure we are aligned with its thinking on this when it comes to implementation.

Q201 Siobhain McDonagh: Once there is a clear definition of gross negligence, do you expect the number of authorised push payment scam-related complaints to decrease?

Abby Thomas: Yes. Overall, we should see greater activity on the part of both sending and receiving banks because it will be in their interest to not allow a complaint to come to the Financial Ombudsman Service.

Q202 Siobhain McDonagh: It all seems so definite. As a consumer, you will get your money back if this happens. I suspect you might see an increase in the number of complaints. People will be more incensed by the fact that their bank does not support them.

Abby Thomas: In the event that mandatory reimbursement is not complied with, given the level of press attention and awareness of this important potential regulatory change, I am expecting that more consumers will be aware. If I look at the current landscape, a consumer can receive quite different treatment depending on whether their bank, for example, subscribes to the CRM code or has some other practice in place with regard to reimbursing customers.

This gives clarity, but, yes, we need to work very closely with the PSR to make sure that, as it further develops the regulation, we are implementing it in the way it intended.

Q203 Siobhain McDonagh: There is a lot of shame about being scammed, allowing yourself to be scammed or allowing these things to happen. There are a whole load of people out there who just do not talk about it because they are angry with themselves. If the procedure is more definite, I suspect it will encourage more people to come forward.



Abby Thomas: I agree. Anecdotally, many in the team we have in the Financial Ombudsman Service that focuses on fraud and scams would say exactly that. The conversation alone can be quite difficult because consumers can feel deeply distressed by the experience they have been through. I would hope that having that consistency will make life a little easier for those consumers who have been through that experience.

Q204 **Siobhain McDonagh:** Your data for 2021 showed that you ruled against firms 73% of the time on authorised fraud disputes. Is that high relative to other complaint areas?

Abby Thomas: Yes, that is very high. I am happy to say that that has reduced, but probably not to the levels we would want to see. In 2022-23, it has reduced to 54%. That is still high, though, compared to our average. Yes, more could be done.

Q205 **Siobhain McDonagh:** Is that 20% drop because you are being more effective in getting banks and companies to live up to their responsibilities?

Abby Thomas: I would like to think we have had a positive part to play, but I would call out, in fairness, industry changes as well. Confirmation of payee has really made a significant difference. As that expands further, it will help more.

Q206 **Anthony Browne:** I have a couple of follow-up questions on the scams issue. As I understand it, you are not constrained by law, but you have to do what is fair and reasonable in all circumstances. There might be cases with scams where you think it is fair and reasonable that people are compensated even if, under the new requirements, they are not.

For example, the new regime, as it is currently down in the legislation, does not cover on-us fraud, where the fraudster's bank is the same bank as the victim's. Any natural justice would say that, if the fraudster is at your bank, you should get compensated just as much as you would if they were at another bank. Is that something where you might make a decision that you should compensate on-us fraud?

Abby Thomas: You are correct to observe that we are strictly bound not only to the law. We always take the law into account, but on top of that we look at regulation and industry best practice at the time.

With regard to on-us payments, we have discussed this with the PSR and at the previous Committee meeting I attended as well. We would be able to exercise the fair and reasonable test against the bank's treatment of an on-us payment that might fall outside the scope of this specific new regulation as well.

Q207 **Anthony Browne:** People might be able to get compensation if they went to you.

Abby Thomas: That could still be available to the consumer, yes. They could still raise a case to us on those grounds.



Q208 Anthony Browne: The regulations that are going through are based on the regulations of the Faster Payment Service. It does not cover CHAPS, which is for big payments when you buy a house. You could still have house purchase fraud, which has happened to a constituent of mine, who lost the whole value of the house because somebody intercepted the emails and gave a separate email address. The sums of money might be too big for you, but presumably you could apply the same fair and reasonable test to CHAPS payments.

Abby Thomas: Yes, we absolutely could. You are right. A house purchase or a very high-value investment would be outside of our remit, but for smaller sums of money, yes, it would be absolutely appropriate to bring those to us.

Q209 Anthony Browne: Lastly, I do not want to push you to make up your regulations here, but the threshold that has been proposed is £100. If you are defrauded of £99 under these new regulations, you would not get any compensation. Presumably you might decide that, if somebody is defrauded of £99, it is fair and reasonable that they get compensation, since they would have got compensation if it had been £100.

Abby Thomas: That is a matter we would like to discuss with the PSR to understand why it set the limit at that level. It is important to take heed of what the regulator is setting out as good practice. I know the PSR said it hoped banks would take a pragmatic approach to those sub-hundred pound sums as well. We get fairly few complaints at that level—not none.

Q210 Anthony Browne: Do people find that it is not worth going through the hassle of complaining?

Abby Thomas: Yes, typically we see higher values in play. Again, that is something we would like to discuss more with the PSR as its consultation and reform progresses.

Q211 Anthony Browne: The rest of my questions are going to be about your changing workload. You used to do—I refer to my historic register of interests—a lot of PPI work. It was by far the biggest part of your work for a while, and it has gone down massively because of the PPI deadline. Is that being replaced by anything? Do you find that claims management companies are prodding you for other forms of business from their point of view?

Abby Thomas: Two years ago, 44% of our volume came from PPI cases. That has now dropped to a very low number. It is below 1%. Our case mix has definitely changed.

With it, the number of cases represented by claims management companies or perhaps SRA-regulated law firms has also dropped. Most recently, for the last two years it was hovering around the 17% mark. Prior to that it would have been more like 30%. Yes, we have seen that drop, but there are still areas where we are much more likely to see a



HOUSE OF COMMONS

case raised by a professional representative. Fraud and scams is definitely a good example of that.

Q212 **Anthony Browne:** The claims management companies are moving into that area.

Abby Thomas: Yes, fraud and scams. Particularly in the last three months, we have seen quite an influx of cases. This is something we monitor. While we recognise the right of a consumer to seek help in raising a case if they wish, it would be entirely free to that consumer if they came directly to us. We always try to stress that. If you come directly to the Financial Ombudsman Service, you can keep whatever compensation we award.

Q213 **Anthony Browne:** You can keep the whole lot. You do not have to give a third of it to the claims management company. That is interesting. What type of complaints are you seeing from SMEs? Is that mix changing?

Abby Thomas: To be honest, we do not see large volumes of complaints from SMEs. They are largely around loans and in some cases account access. Previously we had seen issues that came out of the pandemic around bounce back loans and so on, but that has really dropped away now.

Q214 **Anthony Browne:** You will not necessarily know, but I was wondering whether the low level of complaints from SMEs is because they do not have much to complain about, because the threshold for turnover is so low that there will not be that many in that area, or because they do not know they can go to you, because they are businesses rather than individuals.

Abby Thomas: The definition of an SME is quite narrow, compared to other definitions of an SME I have seen before, which sometimes go up to much higher headcount levels. We are always keen to ensure that everybody knows how to reach us and where we can help. We have commissioned some market research on this at the moment to make sure our awareness is good across all the sectors we serve. That would include small charities and trusts as well as SMEs. We are looking at that, particularly as we go into next year.

Q215 **Anthony Browne:** Crypto-assets has been a growth area in recent years, and the Government are currently legislating on it. There is a big philosophical debate about whether it should be caveat emptor—it is all a big Ponzi scheme and people can throw their money away if they want—or whether we need consumer and, indeed, investor protection in that area. Given that the regulation is not set yet, are you getting complaints in that area?

Abby Thomas: We see crypto mentioned most commonly in the area of investment scams. Of all our fraud cases, investment scams are about 6%. It is very likely that the nature of the fraudulent investment is described as crypto. It is the bait the fraudster is using to entice the



HOUSE OF COMMONS

consumer. Other than that, it is not within our perimeter at the moment. I could not comment more broadly on more genuine crypto issues, but, yes, today we see it as a fraud type.

Q216 **Anthony Browne:** It is a fraud that happens to be crypto as opposed to an actual crypto trade.

Abby Thomas: Yes.

Q217 **Anthony Browne:** If crypto does become regulated, it could fall within your remit, presumably. Do you have any concerns about that?

Abby Thomas: No. Again, it is at a very early stage for us, but we have started talking to the FCA about how we might best support customers who raise crypto cases to us. The FCA has recruited some specialists in this area and has kindly offered to share that expertise with us. We will be working together on it, should we move towards implementation.

Q218 **Anthony Browne:** Earlier you were asked about funeral plans, which is another area for which you have responsibility. You said there have been very low levels of complaints. Are the complaints you do have about the payments for funeral plans or what you get as a result of having paid for it? Is it about the funerals themselves?

Abby Thomas: I am afraid I will have to come back to you with a little more detail on those particular cases. It is only about 60 cases so it is quite hard to draw conclusions. I am happy to share what we are seeing so far.

Q219 **Anthony Browne:** If you could, it would be interesting to know what the themes are. Again, as an MP I have had a few complaints about that sort of thing.

Going back to scams, we have had various hearings on this. The FCA has started trying to make sure those people advertising FCA-regulated products, including investments, are FCA-regulated companies themselves. That is a very welcome development. From your cases, are there patterns you see? Are there things that regulators or, indeed, companies, whether financial services or online, could do to stop scams that they are not doing?

Abby Thomas: That is probably more a matter for the FCA. I know there is a legislative agenda around some of these topics. We do see the trend you have observed, which is a very enticing-looking advert online that is promulgated through a Facebook group or another online platform. I could not comment further than that.

Chair: Just in conclusion, then, Baroness Manzoor, during your time at the FOS you have overseen an improvement journey and brought in a new chief executive to deal with that. As a Committee, we welcome that improving trend.



HOUSE OF COMMONS

Abby, in terms of the year to come, when you are back in front of us, we will expect to continue to see that improving trend. There have been improvements, but we would want to continue to see those improvements. We did flag up our concerns about the high level of turnover of people in the organisation. We were a bit surprised that you did not know how much you were hoping to increase pay by this year, but you are going to share that with us.

I know that you are taking on a lot of new responsibilities over the next year. We have mentioned the recent acquisition of funeral plans. You are going to write to us with more information on that. With the consumer duty and the impact that is going to have on your caseload, as well as push payments, crypto and buy now, pay later, there are quite a few things coming down the line. As a Committee, we are expecting to continue to see you making improvements in how you deal with our constituents' casework.

Thank you very much for your time today. We look forward to the follow-ups and to seeing continued progress when we next see you.