



HOUSE OF COMMONS

# Treasury Committee

## Oral evidence: Work of Financial Ombudsman Service, HC 685

Tuesday 11 February 2025

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Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Chris Coghlan; Bobby Dean; Rachel Blake; John Glen; John Grady; Dame Siobhain McDonagh; Dr Jeevun Sandher.

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### Witnesses

I: Baroness Manzoor CBE, Chair, Financial Ombudsman Service; James Dipple-Johnstone, Interim Chief Ombudsman, Financial Ombudsman Service.



## Examination of witnesses

Witnesses: Baroness Manzoor and James Dipple-Johnstone.

Q1 **Chair:** Welcome to the Treasury Select Committee on Tuesday 11 February 2025. Today we are looking at the work of the Financial Ombudsman Service, sometimes shortened to the FOS, but we will try to spell that out when we talk about it today. I am pleased to welcome the chair of the Financial Ombudsman Service, Baroness Manzoor, and James Dipple-Johnstone, who is the interim chief ombudsman at the Financial Ombudsman Service.

Since we set up this hearing, the chief executive of the Financial Ombudsman Service, Abby Thomas, has left the service. That was announced last Thursday. Baroness Manzoor, I should also highlight the fact that yesterday afternoon we learned that you will be standing down at the end of your expected term in August, so this is the last time you will be in front of us as chair of the Financial Ombudsman Service. We are not tempting fate but, practically, that may be the case. I should get that on the record. We have lost two people at the head of the Financial Ombudsman Service. Baroness Manzoor, you appointed Abby Thomas, and she left last Thursday. Why did she leave?

**Baroness Manzoor:** Thank you very much for allowing us to join you this morning to describe the work that we are undertaking at the Financial Ombudsman Service. Yes, Abby Thomas has stepped down as chief executive and chief ombudsman after working at the Financial Ombudsman Service for two and a half years. We wish her well in her new career.

Q2 **Chair:** It was rather a sudden and unexpected departure. She was slated to appear in front of this committee until last Thursday. What prompted the sudden departure?

**Baroness Manzoor:** It was a mutual agreement. Abby Thomas decided to step down. It was a mutual agreement and we wish her well for the future.

Q3 **Chair:** Have either of you signed an agreement that you do not talk about this?

**Baroness Manzoor:** It is a mutual agreement. She decided to step down. There is nothing further I can add. It was a joint, mutual agreement for Abby to leave the service.

Q4 **Chair:** Is there a non-disclosure agreement on both sides in that mutual agreement that will prevent you giving us further information today?

**Baroness Manzoor:** There is no gagging clause. It is entirely a matter for Abby to speak to you, as it is for me to also speak to you today.

Q5 **Chair:** That is helpful to know. She has left. We now have Mr Dipple-Johnstone in place, but as chief ombudsman, not chief executive.



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What is the plan in the interim? When and how are you going to be recruiting a new head of the Financial Ombudsman Service, and will it be one person or two?

**Baroness Manzoor:** That is a very good question. We do have two people. We have a chief executive, Jenny Simmonds, who will take on all the enabling functions, which are HR transformation, IT and so forth. Of course, James was our deputy chief ombudsman over the last two and a half years, and on an interim basis he will take the role of chief ombudsman.

The chief ombudsman role is our statutory role, which is in FISMA. We must have a chief ombudsman; we do not have to have a chief executive. Indeed, there are many other organisations that actually split that role, which is the chief executive functions and the enabling functions on the one hand, and on the other hand the statutory role, which is the chief ombudsman. In fact, as you will know, Chair, the Parliamentary and Health Service Ombudsman actually has two roles: a chief executive role and a chief ombudsman role.

Q6 **Chair:** What is the plan going forward? Will you have two roles or one?

**Baroness Manzoor:** As you rightly stated, my second term comes to an end on 1 August, when I will step down. It is a great opportunity for the new chairman to really look at the organisation as a whole, and the roles and responsibilities. It would be a matter for him or her to take forward as to how and what they would like to do, but in the interim, for the next six to 12 months, we have every confidence in James and Jenny to move forward. As I said, they have been undertaking those roles for the last two and a half years. We have total confidence in them to deliver what we need to deliver.

Q7 **Chair:** Given that there are a lot of things we will be discussing today, and a lot of challenges for the Financial Ombudsman Service, are you concerned, despite those comments, that there will be a feeling that there is a slightly rudderless organisation? You have been chair for a while, and because you are going, in these situations people inevitably tend to look to what your yet-to-be-appointed successor might do. This is no criticism of Mr Dipple-Johnstone, but you have him as an interim. Do you think this will affect the confidence in the Financial Ombudsman Service, both from consumers and businesses?

**Baroness Manzoor:** No, absolutely not at all. As you rightly point out, I am there until 1 August. We have two very good people in terms of leadership. We have a strong leadership team. We have a strong board with a lot of expertise. No, it is certainly not rudderless. The fact that I am here and we made the announcement about me stepping down is testament to the time that we want to take to make sure that the chair appointment is the right appointment for the organisation. That independent process will start towards the end of this month.

Q8 **Chair:** Just to be clear about other members of the board, you are



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leaving on 1 August. Who are the senior board members? Where is the continuity at that level? Can the chair come from that board, or is that a matter for the process?

**Baroness Manzoor:** The process is independent. It will be advertised publicly. Anyone who wishes to apply for that role is entitled to.

**Chair:** That is including from the board. There is no time limit, in that sense.

**Baroness Manzoor:** No, absolutely not. It is entirely a matter for individuals, as in any other circumstance.

Q9 **Chair:** Some boards have limits on how long someone who has served on a board can serve.

**Baroness Manzoor:** There are limits. My personal view is that when someone has served two terms that should be it, but that is my personal view. Other board members are non-executive directors; it is entirely a matter for them, should they want to, to apply for the chairman role. It is not an appointment that is made by the board itself. This is the Financial Ombudsman Service. The appointment is made by the FCA, which recommends the appointment to the Treasury. The final appointment will actually be approved with and agreed by the Treasury Ministers.

Q10 **Chair:** Going back to the continuity on your board, who are the continuity candidates, if you like, on the board? When your successor is appointed, who will be the senior non-execs?

**Baroness Manzoor:** They are all very experienced in the role that they do. They have held other roles and responsibilities, so there is absolutely no problem. There is not one person, but we do have a senior independent director. Again, it would be a matter for the chairman as to who they think should be there to support them. Quite frankly, I have a very experienced board. We have a very good governance structure throughout the organisation. We are a very effective board, as was shown in the 2023 board effectiveness review, which said we were outstanding.

Q11 **Chair:** One of the things that we and other Committees in Parliament have looked at is the length of time it takes to make public appointments. You have two public appointments to make.

**Baroness Manzoor:** We have one at the moment.

**Chair:** There is one for your successor, and then whatever your successor decides to do. Presumably they have to go through a public appointment process for an interim, and cannot just be made permanent without a process, so there are two big public appointments. I hate to say it, but five months is quite optimistic under the current process for dealing with public appointments. Are you confident that the FCA will get this across the line in time, or do you think there will be a gap between you leaving and your successor joining?



**Baroness Manzoor:** It is entirely a matter for the FCA, but I have certainly given it good time. We will start the process, as I said, towards the end of this month. It is more than ample time to have three to four weeks advertising for the role. Of course, I do not leave until 1 August, and I would like a decent handover period. That is what I am looking forward to, to ensure that the new chairman is well versed in the areas that we want to move forward.

Q12 **Chair:** That is very commendable. With only found out that Abby Thomas was leaving on Thursday. When did you know that she was going to be resigning?

**Baroness Manzoor:** As I said, it was a mutual agreement.

**Chair:** When did you know? You have given five months' notice of your departure. With Abby Thomas we only learned on Thursday that she was leaving. Did you have more notice than that? Obviously, we understand there may be processes behind the scenes before something is announced, but it seemed sudden to us. When did you know she was resigning?

**Baroness Manzoor:** When we made the announcement. That was the formal announcement of when she was leaving.

**Chair:** But when did you find out, as chairman of the Financial Ombudsman Service, that she was going? Was it that day?

**Baroness Manzoor:** That was the announcement that we made on that day: that she would be stepping down. That was the mutual agreement.

Q13 **Chair:** That does not quite answer the question. That was the announcement that was made; when did you, as chair, know that she would be leaving? Were you negotiating her departure with her before that date?

**Baroness Manzoor:** With due respect, there is nothing that I can add to what I have already added.

Q14 **Chair:** Could you walk us through the day, then, prior to that announcement? Did you know when you woke up that morning that she would be leaving? Were you in negotiations about what would be put in the press release?

**Baroness Manzoor:** Yes, of course we were discussing it.

**Chair:** How long were you discussing it for?

**Baroness Manzoor:** Not for very long.

**Chair:** Was it days, weeks, months or hours?

**Baroness Manzoor:** We came to a mutual agreement as to when she was stepping down, and we announced that on the day that we announced it, so that was it. Of course there were discussions before that regarding the press announcement.



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Q15 **Chair:** Did you have any concerns about her performance as chief executive and chief ombudsman of FOS?

**Baroness Manzoor:** I have explored that as much as I can with you. I have said we mutually agreed that Abby would step down, and we wish her well.

Q16 **John Grady:** The normal course in these events would be that you would sign some form of compromise agreement, and that would include the agreed statement about the departure. When was that compromise agreement agreed? Was it last Friday, or was it before?

**Baroness Manzoor:** I have already stated this. There is nothing else I can add to what I have said, which is that it was mutually agreed. Abby stepped down. We mutually agreed that she was stepping down. We made the announcement. There is nothing else. I am very happy to talk about the performance of the organisation, as the Chair has just mentioned. I am happy to do that.

**Chair:** We are going around in circles a bit here.

**Baroness Manzoor:** We are, actually, but there is nothing else I can add. It would be unfair to talk about it.

Q17 **Chair:** You are in front of a parliamentary Committee. You are here to answer the questions, with respect.

**Baroness Manzoor:** I have answered the question.

Q18 **Chair:** Did you get on with Abby?

**Baroness Manzoor:** Yes. The relationships with all board members and the executive team are very constructive, very supportive and helpful. As I said, we have an experienced board, and the decisions we make are usually unanimous. Of course, I have James, who can attest to that in terms of relationships.

Q19 **Chair:** We are asking you questions, Baroness Manzoor. Mutual agreements start somewhere. It can get mutual when it becomes apparent that there is no other option. Who originally proposed that there would be a parting of company between Abby Thomas and the Financial Ombudsman Service?

**Baroness Manzoor:** It was mutually agreed.

**Chair:** Someone must have suggested it first. Did she say, "I want to go", or did you say, "I want you to go"?

**Baroness Manzoor:** Abby has stepped down from her role. We agreed a mutual agreement and she has stepped down from her role. We wish her well in her new endeavours.

Q20 **Chair:** Were you happy with her performances in that role?



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**Baroness Manzoor:** It would be wrong to talk about performance and issues like that. As I have already indicated, Abby stepped down from her role and we wish her well. There is nothing else I can add to that.

Q21 **John Glen:** I am not going to pursue this same line again, because you have said what you have said, but when you were appointed, I was involved in that appointment, as you know. You had a long record of public service in similar roles in other organisations. People will draw their own conclusions of two short tenures of chief executives but, to be constructive looking forward, could you set out what you see as the qualities needed in Abby Thomas's successor that the Financial Ombudsman Service absolutely requires at this time, in as much detail as you can?

**Baroness Manzoor:** It is lovely to see you at the other side of the table. Moving forward, it is not really a matter for me.

**John Glen:** But you have had the most experience over six years.

**Baroness Manzoor:** No, I agree. I was going to answer that. The new chairman will obviously have his or her ideas. From my perspective, because the chief ombudsman is a statutory role, it is really important that the focus should be on understanding casework; understanding end-to-end processes; understanding how we transform the organisation; playing a key part in looking at consumer protections; being independent and impartial in decision-making; and ensuring that we have a culture within the Financial Ombudsman Service that has clear and sound foundations to build up from. We have regional hubs, and it is really important that we continue to develop those at pace. It is absolutely imperative to deal with issues at pace.

Q22 **Chair:** Baroness Manzoor, my brain is fizzing here. Every time we have asked a question about why Abby Thomas is leaving, you just say it is a mutual agreement. We are here to discuss the performance of the Financial Ombudsman Service. The departure of a senior person is significant. We have all been round the block; these things do not just happen. There might be a line about a personal reason or something. There sometimes might be reasons that are not in the public domain for good reason, but you as chair are overall responsible for making sure that the Financial Ombudsman Service delivers.

Were you concerned about performance? What was the reason behind it? Can you please just be specific about the timetable? Was this being discussed for weeks? Was it something that just happened? Was there a catastrophic event that led to this? Could you give us more information, please? You are here in Parliament to answer our questions.

**Baroness Manzoor:** I hope I am trying my best to answer those questions.

**Chair:** With respect, you have not answered the questions.



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**Baroness Manzoor:** I have answered the fact that Abby decided to step down. It was a mutual agreement.

Q23 **Chair:** Can you just walk us through it? Did you call her in for a meeting, or did she come to you and say, "I want to go"?

**Baroness Manzoor:** I have weekly meetings and twice-weekly meetings every week with different people, but particularly with the chief executive and the chief ombudsman, and that is done on a regular basis. That is not abnormal. That is normal within the organisation.

Q24 **Chair:** At any of those meetings when you were discussing performance, did you find that it was not a working relationship that could continue—if I put it in very delicate terms?

**Baroness Manzoor:** We have high standards at the Financial Ombudsman Service throughout the organisation. We have high standards in terms of what the board expectations are. All I can say is that Abby decided to step down and it was a mutual agreement.

Q25 **John Glen:** Can I follow up here? Two years after you came into position, Caroline Wayman left, and two and a half years later the next chief executive left. People looking at this organisation from outside will say, "Sometimes there is somebody who is not meeting the grade and just moves on—find a replacement—but in such a short interval of time, for such a prominent role and for somebody who has enormous professional experience at Accenture and other places, it does seem odd." We know that it is difficult to get to the heart of this, but we are trying to get to the heart of this for the public, who want to understand what is going wrong. With the best will in the world, unless we can hear a bit more, we are going to struggle to draw reasonable conclusions.

**Baroness Manzoor:** You mentioned Caroline Wayman. Caroline Wayman worked with the organisation for over 20 years.

**John Glen:** Yes, but not very long in the chief executive role.

**Baroness Manzoor:** She was chief executive and chief ombudsman for seven years, and she moved on to a senior role elsewhere, in a management consultancy company. Abby Thomas has been with the organisation for two and a half years, and we have agreed, with mutual agreement between Abby and ourselves, that she would move on. She has stepped down, and she will move on to other senior roles, and we wish her the very best in her career.

Q26 **Chair:** She stepped down. It is a big thing for someone to step down mid-job. You do not get severance pay if you just step down. That sounds like she did not go of her own volition, and that she was encouraged to leave. Am I right in drawing that conclusion? As Mr Glen said, we are going to be having to draw conclusions from what you are telling us.

**Baroness Manzoor:** She stepped down, and that was a mutual agreement.





Q27 **Chair:** She has no severance pay.

**Baroness Manzoor:** Any remuneration payments that are made, and so on, are put in our annual accounts. That is where they are highlighted. They are very transparent and very independent.

Q28 **Chair:** If you just resign from a job, you do not get severance pay. You get severance pay if there are other reasons. You have mentioned that you are here and you want to defend the high standards of the Financial Ombudsman Service. Did Abby Thomas measure up to the high standards that you expect of the service?

**Baroness Manzoor:** Do you want to talk about the performance of the Financial Ombudsman Service role? It is really unfair to talk about an individual. I do not think I can say any more.

Q29 **Chair:** I am trying different ways of asking the same question. I do not want to get heavy about what contempt of Parliament is, but you are here to answer questions to Parliament. We just want to know, basically: was she pushed or did she jump?

**Baroness Manzoor:** It was a mutual agreement. She stepped down from the role.

Q30 **Dame Harriett Baldwin:** I want to broaden this out to the discussion the Chancellor is clearly having with regulators at the moment about coming up with ways to break down barriers to growth. I want to clarify, for the record, whether the Financial Ombudsman Service is one of the 17 regulators that is having regular conversations with the Chancellor about the plans to take forward the removal of those barriers to growth.

**Baroness Manzoor:** The removal of barriers to growth and increasing competitiveness is very important.

**Dame Harriett Baldwin:** Yes. Was the Financial Ombudsman Service included in those meetings with the Chancellor?

**Baroness Manzoor:** We are not a regulator.

**Dame Harriett Baldwin:** That is fine. I am just looking for a yes or no. You are not a regulator and you were not involved in those meetings.

**Baroness Manzoor:** That is correct.

Q31 **Dame Harriett Baldwin:** You have not been asked to come up with plans for growth or removing barriers to growth for the Chancellor?

**Baroness Manzoor:** The Chancellor has called for input. We have a joint call for input that we can discuss, which is looking at improving and minimising potential regulation and looking at redress. That is overall within the regulatory family, and we are part of that. But we have not directly been called in to the Chancellor to have discussions with her. Of course, we have met with the previous Economic Secretary to the Treasury, Tulip Siddiq, to have a discussion with her.



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Q32 **Dame Harriett Baldwin:** Would the Committee be right in surmising that one of the areas of tension around the chief executive's role was perhaps to do with these plans?

**Baroness Manzoor:** No, absolutely not.

Q33 **Chair:** You mentioned that any payments would appear in the annual report and accounts. That is about 18 months away. Is there any chance that you could tell us now, rather than waiting for the annual report and accounts, if it is going to be in the public domain and you are in Parliament now answering questions to Parliament?

**Baroness Manzoor:** They will be in the public domain in due course, as is the normal course.

Q34 **Chair:** With respect, Baroness Manzoor, I have spent a decade asking questions like this. It is expected, and it is the rules, that if we are asking a question about taxpayers' money that is being spent, you do need to tell this Committee. We can wait 18 months, but now you are actually in front of us and we are asking the direct question. It would be very helpful if you could answer it. If you know there is an amount of money that is going to appear in the accounts, you really do need to tell us now, now that we are asking.

**Baroness Manzoor:** Just to be very clear, we are not talking about taxpayers' money. It is not taxpayers' money.

**Chair:** Sorry. It is funded by the industries—okay.

**Baroness Manzoor:** It is not public money.

**Chair:** Sorry, forgive me; that is my old hat tripping in. It is other people's money, nevertheless.

**Baroness Manzoor:** To be clear, the Financial Ombudsman Service is funded by a levy and polluter pay.

**Chair:** Nevertheless, it is other people's money—the levy from industries. It is those businesses that are paying. Is it money by legislation? We legislate from Parliament that there is a levy, do we not?

**Baroness Manzoor:** Yes, in terms of the levy that is paid by businesses.

Q35 **Chair:** My point is that it is other people's money. The levy is paying for this. They would want to know. I am asking the question. If it is going to appear in the accounts, that is a public document. You are in front of Parliament to answer questions. You have to answer the questions we ask. If there is an amount of money appearing in the accounts, could you please tell us what it is now? There is no reason for you not to tell us now.

**Baroness Manzoor:** I could not tell you now, because I do not quite know exactly what will be in the accounts, and so therefore it is not public.



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**Chair:** You do not know what the money will be.

**Baroness Manzoor:** No, not at the moment, because obviously we have to go through auditors.

**Chair:** It is not the whole accounts. We are asking about this particular thing.

Q36 **John Grady:** Baroness Manzoor, if I may interrupt, you have reached a mutual agreement, but you cannot say when the agreement was agreed—

**Baroness Manzoor:** No, I did not actually say—

**John Grady:** Would you please give me leave to finish, Baroness Manzoor? Now, in the ordinary course, when you reach an agreement in any large organisation you consider, identify and crystallise what the likely disclosure requirements are at the time. I struggle with the notion that you would not know whether you have to disclose this in your accounts or not.

**Baroness Manzoor:** No, with due respect, that is not what I said. What I said is that any money through our accounts will be disclosed in those accounts in the normal process. It will be open and transparent.

Q37 **John Grady:** I struggle, then, because you must have reached a view as an organisation as to what you are likely to have to disclose. Why can you not disclose this to this Committee? I am lost.

**Baroness Manzoor:** You are asking me a question regarding Abby Thomas. I have answered the question. We reached a mutual agreement and Abby decided to step down. That was a mutual agreement.

Q38 **Chair:** If you negotiated any settlement last week, you, as chair, would have signed that off. You can tell us that settlement figure now. You are in front of Parliament, and you are actually obliged to answer questions. It is a contempt of Parliament not to. I do not want to get heavy on the rules. I thought you would be aware of that.

**Baroness Manzoor:** I think I know the rules.

**Chair:** Yes, indeed, so I am surprised that you cannot just answer the question.

**Baroness Manzoor:** I am not in contempt of Parliament.

**Chair:** No, I did not say that you were. I said that if you do not answer the questions, you are in contempt of Parliament.

**Baroness Manzoor:** I am answering the question. Abby Thomas has stepped down. It was a mutual agreement.

Q39 **Chair:** The simple question, Baroness Manzoor, is this: was there a severance payment?



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**Baroness Manzoor:** We made the announcement on the day that that was reached. That was very clear. That announcement was made on the same day. Any other discussions prior to that are a matter between the individuals concerned.

**Chair:** It is a private matter but it is going to be in the accounts.

**Baroness Manzoor:** No, you asked about discussions.

**Chair:** I asked about the severance payment. You would have signed that off last week.

**Baroness Manzoor:** I have said it will be in the accounts. I have been very clear that it is not public money. It will be in the accounts and it will be very clear. There is nothing else. Seriously, if you are wanting to better understand the work of the Financial Ombudsman Service—

**Chair:** Baroness Manzoor, we would like to get into that in more detail. If we can answer these questions, we will get there.

Q40 **Dame Harriett Baldwin:** What I am hearing is that there is a severance payment, you are just not prepared to tell Parliament today what it is. I am taking away from this discussion that there is a severance payment.

**Chair:** Do you want to answer that? It was a question: is there a severance payment?

**Baroness Manzoor:** I thought that was a statement, sorry. Abby Thomas has stepped down.

**Dame Harriett Baldwin:** With a severance payment, clearly.

**Baroness Manzoor:** Anything else to do with the accounts will appear in accounts in the due process.

**Chair:** So there is a severance payment.

Q41 **Rachel Blake:** Did I hear correctly that the agreement was made on the same day that it was announced?

**Baroness Manzoor:** There were prior discussions, rightly, but yes, it was made on the same day, yes.

**Rachel Blake:** The agreement was made on the same day.

**Baroness Manzoor:** Yes.

**Rachel Blake:** I am very surprised.

Q42 **Chris Coghlan:** I assume your financial year-end is 31 March.

**Baroness Manzoor:** Yes, that is correct.

Q43 **Chris Coghlan:** You are not very far off your auditors coming in anyway. Is it possible to write to the Committee about the exact amount, if any, that you will be disclosing in your accounts in any severance payment,



given that your audit is only two months away?

**Baroness Manzoor:** Yes, I am happy to write on any matters that the Committee wishes for us to address.

**Chris Coghlan:** I understand with any severance payment that what the exact amount may be now might be slightly different to what is disclosed in the accounts, given the audit process and the accounting standards, but given you have your auditors coming in soon, perhaps you can run that by your auditor.

Q44 **Chair:** Or just to give us the figure. If you could write to us formally about this, we might get an answer.

**Baroness Manzoor:** If I am able to write in those terms, I will certainly do so.

**Chair:** We do have powers to call for people's papers and records. We will do that; we are just giving you notification.

Q45 **Dame Siobhain McDonagh:** You said our inquiry today is into the work of the Financial Ombudsman Service. We get from what you have told us so far about your chief executive leaving that it was not a question of personal competence or anything. I understand how it is hard to talk about somebody else, given that reputation is all. Given the problems or the issues you are going to face as a service, many people have suggested it might be a difference of opinion about the fee for the claims management companies. They have portrayed it as Ms Thomas being opposed to a high fee, while you felt that the fee of £250 would be correct. Is that a fair assessment?

**Baroness Manzoor:** The assessment is that the board receives papers on any new initiatives that we want to take forward. We sit with our executive leadership team and have very clear, constructive discussions. Some of them can be very proactive, supportive, and they can be challenging as well.

The reality is that the CMCs charging is very important. Again, I go back to the high standards and experienced board that we have. It is very important that we look at fairness, both in terms of consumer protections for the consumer as well as fairness in the systems in terms of our charging. Claims management companies—CMCs—and legally represented professionals charge consumers either 30% or 40% of any awards that they are awarded. Of course, we are free for any consumer to come to us. You will have seen that we have made the announcement that we will be charging from 1 April. Every year, as part of our budget and consultation, we will consult on the level and any other changes we may wish to see as an organisation.

Q46 **Dame Siobhain McDonagh:** Sorry to interrupt, but that is a fundamental change and a very big decision to make, because of the impact it will have on people who wish to make claims and often are not



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very able to do it, so they use a claim management organisation. It is very fundamental. Was that the source of difference between you, the board and Ms Thomas?

**Baroness Manzoor:** No, it was a unanimous decision. The final decision was unanimous. I do not know whether James wants to add anything—

**Chair:** It was about whether there was a decision—this was about the Abby Thomas situation.

We are now going to move on, because we do want to get into the work of the Financial Ombudsman Service.

Q47 **John Glen:** Can we turn to the caseloads at FOS? The figures seem to indicate a massive increase: 40% up in the first half of 2024 as compared to the first half of 2023. As we get into the organisation and what is going on, could you describe to us what you think is happening in terms of the caseload and where these significant increases in volumes are? Give us your take on what that means for the organisation in terms of processing so many increased volumes of complaints.

**Baroness Manzoor:** I will take the high level and then I will hand over to James, if I may. We have to remember that within that period, certainly from April to December, around 47% of them are from claims management cases. Many of them are related to the motor finance commission, and also to the higher consumer credit area as well. There is that impact, of course, but to look at the service standards within that, it goes back to one of the things that we want to ensure as a board—we are very clear about it—which is that we try to clear the older cases within our remit. We made significant progress on that, but there is a lot more work to do.

The other thing is we want to ensure that the turnaround time and the timeliness of cases is much better. At the moment, around 83% of cases will be dealt with within six months and around 44% of cases will be dealt with within three months. The board's expectations are much higher. We would like 90% of those cases to be dealt with within three months. Certainly going forward, we will have many more cases, between now and 2027-28, that we have the same timeline for delivery of only having two months, which is what the business is allowed. This is really important.

I have to stress that despite the significant number of cases that we are largely getting from CMCs, the quality and consistency of our decision making remains high. From a board's perspective, I would say that there is much further to do in terms of looking at technology, IT and artificial intelligence. We would like to see a step change in further improvements in that area.

Q48 **John Glen:** Baroness Manzoor, before you turn to your colleague, can I ask you to reflect on what is driving this increase? It is a massive increase, and any organisation dealing with such a massive increase in a



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short timeframe is going to struggle. You have helpfully given us the figures on processing times, but what is driving it? Is it heightened consumer awareness? Are firms behaving differently to previously? As the chairman, give us your take of what is going on.

**Baroness Manzoor:** Consumers who come to us come to us because consumers come to us, and there are two ways that they can come to us. One is that they come directly to us, and the vast majority do, or they can come through claims management companies.

For those claims management companies, quite frankly, we have some very good ones that have very good behaviours; there are many more, sadly, that have poor behaviours. They may be looking at regulatory gaps or highlights of reviews that the Financial Conduct Authority has undertaken, such as the motor car finance cases. The FCA undertook a review in 2019 and 2021. It banned the practices it found while it undertook that review. Of course, CMCs are seeing a window of opportunity. They are exploiting a loop that perhaps should have been closed at that time, and we are seeing a number of cases coming to us directly as a result of that.

Q49 **John Glen:** What I am trying to get at is that the demand for your service is generated by heightened consumer awareness, and also regulating the FCA's activities, sometimes in respect of historic issues—

**Baroness Manzoor:** Yes, exactly.

**John Glen:** It must be very difficult to predict how to respond when you have such moving factors influencing the inputs.

**Baroness Manzoor:** There has to be much greater clarity around the policy decisions upstream. There needs to be much greater clarity in terms of what expectations are from the businesses. There must be much greater clarity in the way that we are left to interpret the rules that are in place.

To give you some assurance, when you look at our uphold rates they generally have not moved much despite the influx of cases. That is not necessarily saying that businesses' behaviour or their service has disintegrated. It seems to have remained steady. One in three is still not a great track record, but nevertheless.

Q50 **John Glen:** What I am getting at is that if the FCA does a retrospective review of a certain commission payments mechanism or whatever, but leaves the fix ambiguous, it begs the question of how you resolve these matters plainly, clearly and unambiguously if you have an ambiguity in terms of the outcome of that evaluation. Is that a reasonable inference of what is going on here?

**Baroness Manzoor:** That is fair and reasonable. There needs to be clarity of the rules and regulations.

**John Glen:** Do you mean more than you have at the moment?



**Baroness Manzoor:** That is one of the issues for call for input, which is to look at redress across the whole system. It is right that when you have principle-based regulation, it does afford some issues both for businesses and for ourselves.

**John Glen:** It is ambiguity, which is difficult for business and consumers.

**Baroness Manzoor:** We have a fair and reasonable test at the Financial Ombudsman Service, so we are therefore looking at the evidence that is put before the Financial Ombudsman Service to say what it is that the business has done and what the documentation or evidence is that the consumer is providing. We are not a consumer champion and we are not a business champion. We act with total impartiality and independence, but it is really important that there is clarity from Government and from the FCA to businesses so that we—and we are right at the end of the scale, not at the forefront of it—are not having to interpret the rules and guidance that are being given to others.

**James Dipple-Johnstone:** To those points, there are probably three drivers of the demand that we are seeing across the services. You rightly identify that a key part of that has been the car commission cases, and they break down into two main pots. The first of the cases that we were looking at were complaints about discretionary commission agreements post the FCA's ban. It was banned in 2021, but we saw complaints in the preceding years come through. Those were the cases that we were looking at. They were part of the first pause that the FCA put in place.

There was then a Court of Appeal case that was brought by some representatives, which looked at non-DCA models. They won their case, and that generated another surge of demand of those cases.

We then have a third, smaller but growing category of cases, which is people who do not know whether they fall into one or the other category, so are not caught by the pause. They are coming through to us, and we are having to work those.

We are also seeing rises in demand in affordability of consumer credit loan cases. That is about a 30% year-on-year drive there, and sadly, about a 30% year-on-year increase on our fraud and scams work due to the increased level of fraud, scams and the complexity that we are seeing there. Those three pockets of our work are what is really driving the numbers through, but the biggest of those is the first one that you identified.

**John Glen:** That is really helpful. Thank you.

Q51 **Chair:** We are going to come into this in more detail, but do you think we are going to see a drop-off as a result of the change?

**James Dipple-Johnstone:** I would very much hope that we would see a drop-off coming through with the no-fault scheme. We have not seen





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many cases about the drop-off—probably about 100 in terms of the new PSR rules.

**Chair:** Sorry, so since the new rules came in you have only had 100.

**James Dipple-Johnstone:** Yes, in terms of complaints about that kind of APP fraud covered by the new rules. We are still seeing a lot of cases under the old system, but also failed investment cases coming through.

**Chair:** You have a lag.

**James Dipple-Johnstone:** The volume and the complexity grows, so that is a challenge.

Q52 **Dame Harriett Baldwin:** I want to dig a bit deeper into this car finance issue, because car finance is obviously such a significant part of the economy. It is so significant for consumers. Just help me out here in terms of your point of view. It was helpful to hear that there was quite a lot of caseload in this area before the FCA decided to set some clearer rules, but for this Court of Appeal case, why did consumers feel they needed to go via the Court of Appeal rather than via the ombudsman?

**James Dipple-Johnstone:** I can give you a guess as to their motivation. They will obviously speak for themselves, but we had been looking at complaints about discretionary commission agreements, the first type that we looked at, and we had upheld those. There had been an FCA pause.

Separately, some representatives had identified this other pocket of cases, and they had gone directly to the court. We are an alternative to the courts, but they had chosen to advance their cases through the courts. Obviously, the Court of Appeal judgment came back on the Johnson, Wrench and Hopcraft cases, which went through and upheld those points. Representatives then brought more cases through, and then they started coming through to us as well.

Under our jurisdiction we have an obligation both to take into account the relevant standards and regulatory codes, but also the views of the courts. It is not unusual, if the court decides something, that we then see complaints coming through about that particular issue.

Q53 **Dame Harriett Baldwin:** What impact is the current freeze having on your caseload?

**James Dipple-Johnstone:** It means we have cases that arrive with us and we have to do work on them, but until the courts clarify the position, we are not able to resolve those cases.

**Dame Harriett Baldwin:** They are in a pending tray.

**James Dipple-Johnstone:** They are pending, but what we have learned from previous cases, some of which we might come on to touch on in other lines of questioning, is that we still want to work those cases up as much as possible, so that when the court clarifies the position we can



then resolve those cases as quickly as possible. I have a team of colleagues who are gathering the information, identifying what kind of agreement is in place and putting the material together, so that we can determine those cases when the courts have clarified the position.

**Q54 Dame Harriett Baldwin:** In terms of the report we have read about the Treasury now putting in a submission to the court in the appeals process, what is the view of the Financial Ombudsman Service on that?

**Baroness Manzoor:** It is entirely a matter for the Treasury. It is not for us to comment on.

**Dame Harriett Baldwin:** You have no comment at all on that.

**Baroness Manzoor:** As I said, it is a matter for the Treasury. Like any legal process, it is its choice. As far as we are concerned, my concerns and the board's concerns are that there is consumer detriment while we have this significant pause, not only as a result of the court case that came later. We are on significant pause until December this year. Some of those consumers have been waiting a very long time to hear the outcome of their case. The sooner that these issues can be dealt with, the better. It is not in anyone's interest for them to be delayed.

**Q55 Dame Harriett Baldwin:** It is also not in any consumer's interest that the whole car finance industry shuts down on them and they are not able to access car finance. Can you give me your views on where the balance needs to be struck in terms of what we hear reported of the Treasury's points to the court about the economic impact, as we understand it, and the consumers who have suffered harm in the past?

**Baroness Manzoor:** It goes back to the point that was made by Mr Glen, which is really ensuring that the balance between regulation and consumer protection is fair, and that the regulation is effective. We need to ensure that regulation is very clear, and, where there are issues that are picked up, that those are actually dealt with very quickly. We know that we can only react to the rules and regulations that are in place. When there are complaints, therefore, they are dealt with speedily.

Indeed, if there are scheme rules to be made they need to be made speedily. We do not make any scheme rules, so this sits with the Financial Conduct Authority. It could choose to do so. In fact, I think it is considering—maybe it is one of its considerations; I am not party to that—looking at how it could make a settlement, a bit like the steel miners cases that were available, where it instigated some scheme rules so that we did not receive complaints to us directly.

**Q56 Dame Harriett Baldwin:** You mentioned that you had had a meeting with the previous Economic Secretary to the Treasury. Is that the only meeting you have had with the Treasury about this issue?

**Baroness Manzoor:** James meets very regularly with Treasury officials at a working level.



**Dame Harriett Baldwin:** And at ministerial level?

**Baroness Manzoor:** At a ministerial level, no, I have not had another meeting other than that meeting, because there was that change and the new Minister is just recently in place. Yes, I would hope to have that meeting. My experience of meeting with Ministers has been a very positive one. It is very open. It is very transparent in terms of the changes that need to be made. There are significant changes that do need to be made in the regulatory landscape.

Q57 **Dame Harriett Baldwin:** What changes is your organisation going to deliver with respect to these conversations?

**Baroness Manzoor:** We have mentioned the call for input, which is a joint consultation that has gone out from the FCA and ourselves, which is saying to anyone, including this Committee, "If you have suggestions and there are areas you think that we could improve in the wider regulatory family and the Financial Ombudsman Service, I very much welcome those, so please send them in."

There are some good things in FSMA, but looking at the Financial Ombudsman Service itself—again, it is a matter for the new chairman—one of the things that we were looking at is a one-stage process of complaint handling, so it is much easier and much simpler. We need to be able to have very clear dismissal powers so that we can dismiss cases that are not appropriate to come to the Financial Ombudsman Service. They are not as clear as they could be. Where there are mass claims, it is very important that that information is shared very quickly and is dealt with very quickly with the appropriate regulators. We are sharing those insights very quickly where we are seeing any uptake of those cases.

Q58 **Dame Harriett Baldwin:** For the record, can you rule out that the departure of Abby Thomas had anything to do with this car finance issue?

**Baroness Manzoor:** I can absolutely rule that out, yes.

Q59 **Bobby Dean:** I have a question for Mr Dipple-Johnstone. Could you give us a sense of the scale of the motor finance claims? I have met with a legal firm that tells me that they are representing up to 2,000 constituents. It expects the number of people that could claim is much higher. If you add that up across the country, is it going to be bigger than PPI if the current claims are upheld?

**James Dipple-Johnstone:** I can give you some sense of the cases that we have seen. We obviously hear a range of different views from representatives and others as to how many cases they may have waiting in the wings. The FCA would be able to give you a lot of detail about what is paused with firms, but we have over 60,000 cases with us relating to motor finance commission. It is quite a significant block of work, which is why we have put a team on to it, not just to leave it there until the courts decide what they are going to decide, but to start to prepare it so we can



move it through quickly, because we will have to be dealing with that next year and the year after.

Q60 **Bobby Dean:** Given that sense that you have from your case numbers, do you think that compares with the scale of mass redress of the PPI?

**James Dipple-Johnstone:** Obviously the service saw a lot more during PPI, but there was a wider selling of that kind of product. I would not like to guess in terms of what we saw, because I was not with the service at that time, but what colleagues tell me is that it was a slow burn, then it increased quite dramatically, and then the service cleared the work through.

What we have tried to do is learn from that event, prepare our ground, make sure we have the training in place, we can scale up our resources quickly, we understand the product, we have the legal advice and we have the digital platforms to deal with the cases, so that if they do come through to us we are able to quickly scale up so we can provide the best service we can to consumers.

Q61 **Bobby Dean:** I guess the scale of it is at the heart of the concerns the Treasury has. It is talking about the impact on the economy. I know you cannot judge what the Treasury's view is, but is there precedent for the Treasury getting involved because of a mass redress event potentially impacting the overall economy? Can we think of other occasions where the Treasury has done this?

**Baroness Manzoor:** The answer is I truthfully do not know, but of course if it is important we have to think about the ecosystem of the financial services. Dame Harriet raised a very important point, which is that we have to look at the impact of this. We must not take it as read that every case that comes to us, or indeed elsewhere, has merit. That is the other issue, and that was the distinction that James was making.

Q62 **Bobby Dean:** The point I want to get to is, "Is it really the ombudsman's responsibility to think about the impact on the motor finance industry?" Should your focus not just be about justice and whether or not there is something to be redressed? We are talking about potential collusion between lenders and sellers on a huge scale, and whether or not that is going to therefore impact that industry. Should the ombudsman's concern not just be whether or not that collusion took place and whether there should be redress for it?

**James Dipple-Johnstone:** We absolutely look at each case on its merits and the detail of the case, but what we do through processes such as this, but also our broader engagement, is we share the volume of what we are seeing, because we recognise there are wider economic impacts. We have a duty to share that information with the regulator and others so they can see what is coming through.

The call for input is absolutely about how quickly we can identify these coming through the system, so that consideration can be given to a



redress scheme without the need for everything to be escalated through the complaints process through to the ombudsman. In every single case, we are absolutely looking at the individual circumstances, those fact patterns and what is right for that consumer and that relationship.

**Bobby Dean:** We are going to come back to reforms later on.

Q63 **John Grady:** Mr Dipple-Johnstone, you mentioned the use of AI. Is AI being used in dealing with these cases?

**James Dipple-Johnstone:** It is not in deciding the cases. I will disclose that I am a former deputy information commissioner, so I have put my cards on the table there. We are looking at how automation and AI can help us with our service. That is not necessarily in terms of deciding the cases, but providing tools for our staff to work the cases through.

If I can give a couple of examples, when I arrived at the service a couple of years ago we had about 100 people using Excel spreadsheets. We were allocating cases out of our queue to individual caseworkers. Caseworkers would email Bob, "Can I have a new case?" Bob would then look at the spreadsheet and email the case back through. We have automated that process now, so as we ingest the cases, we tag them.

**Dame Siobhain McDonagh:** Does Bob still work for you?

**James Dipple-Johnstone:** Bob has been retrained on to a call centre or as an investigator. It has absolutely been about giving people better work. Bob had a thankless task in allocating these cases. The point is that what we are able to do through the tools is automatically get the case to the right person with a high degree of accuracy within a few minutes of that person requesting it, rather than waiting for it to come back.

Similarly, we are looking at whether AI can help us to review the documentation and summarise some of the documents. For example, on some of our insurance cases or our investment cases, we have hundreds and hundreds of pages of policy terms and conditions. The AI may be able to digest that a bit better and summarise it for our caseworkers.

**Baroness Manzoor:** I must say that it is at early stages, though. This is the thinking that we are doing at the moment, so I do not want to mislead the Committee to say that we are doing this. The board is very passionate. There are pluses and disadvantages to AI, but it is eyes on the casework that is important. It is early stages, but it is a great opportunity and it is quite exciting, because it lends itself to the kind of work that we do.

Q64 **John Grady:** I would imagine the public would want to know that, when it comes to the decision about their individual case, it is being looked at by a human being and they can understand the role of AI in it. Will FOS keep the public updated about precisely what AI is and is not being used for?



**James Dipple-Johnstone:** Yes, absolutely. We do that through our public notices, but we have also set up an AI governance board and an AI ethics board to make sure that we are taking in independent views. Part of our principle is transparency, so that people understand. We are not deciding the cases using AI; we are using them as tools to help us to process the cases more effectively.

**John Grady:** To be clear, by disclosure to the public what I mean is you say, "This is what AI is actually doing in a physical, step-by-step process."

**James Dipple-Johnstone:** Yes.

Q65 **John Grady:** I have one other question. Looking at the car loans overall, there are a lot of cooks and a lot of appeal routes in this world. You have common law statute and FCA rules. The FCA will make a decision, and then there is a potential for a judicial review all the way to the Supreme Court. You can make decisions and then you can be judicially reviewed. There are court claims across three jurisdictions. Then there is the question of the collective redress schemes, the complex interaction of legal duties, time bar and all the rest of it.

Is your review of the FCA going nearly far enough, or do we actually need a root-and-branch review of how this is done? It is detrimental to consumers because they have to wait ages for their decisions. It is very confusing. They have no idea what their rights are. If I was an investor in the United Kingdom, I would say, "I do not know where to start," because I might well proceed in a certain way in good faith and find myself facing vast claims in the future.

You are both extremely experienced. You are coming to the end of your term, Baroness. It would be very interesting to have both of your thoughts on whether this is just a mess that we need to start again on.

**Baroness Manzoor:** It is really important that we attract inward investment to the UK. It is really important for our economy and for the industry. I therefore passionately believe we need very clear and simple regulation, and strong, effective consumer protections. I also passionately believe that the regulator is the regulator, and it is a matter for them and Government in terms of what changes they would want to see to the regulator.

Again, to stress the answer that I gave earlier, having a simpler, straightforward regulator that is very clear for people and businesses is of paramount importance. We are two very separate organisations. The Financial Conduct Authority is the regulator. We are an independent dispute resolution scheme. It is really important that we maintain our independence and we do not get sucked into the regulator, because that is not our role. If the regulator sets the rules, they have to be appropriate. All we can do, when it has gone through the businesses and so, when we receive a case and a consumer is unhappy, is to have a very evidence-based approach to that decision making. We need to maintain



that independence and a separate ombudsman office, so it does not get sucked up into all the FCA stuff.

Q66 **John Grady:** Of course. I understand the overall regulatory architecture. I am just asking a very simple question: is the system too complex, and is it working for consumers and businesses?

**Baroness Manzoor:** It could be simplified. That is the answer that I am giving. It could be significantly simplified, yes.

Q67 **John Grady:** Mr Dipple-Johnstone, with all your other regulatory experience, it is a yes or no question: is it working for consumers and businesses?

**James Dipple-Johnstone:** You have to drive confidence and we could do it quicker. For me, it is the pace—it is particularly identifying these mass claims events early on and getting a systemic response, so people get the redress they need as quickly as possible. That will drive confidence and certainty. The system works very well for individual complaints and individual cases, but as they scale up into a mass claim-type issue, there is certainly more we can do, whether that is through PPI, the British Steel cases or now the car commission cases, to fix those systemic issues as quickly as possible.

Q68 **John Glen:** Can I clarify? Baroness Manzoor, I understand what you said about the distinct independence of the ombudsman and the service you provide. That is critical for the consumer's confidence in it, but the caseload and the activities that you are essentially given to deal with is fundamentally conditioned by decisions of the FCA.

While you are not seeking to influence that, it must be the case, surely, that you are living with the consequences of historic decisions that are not brought to a clear conclusion. They generate patterns of demand and sifting challenges for your organisation, so surely you must get somewhat frustrated with the FCA at some point about the fact that it will make a judgement and there will be an ambiguity, and there will be an implication of an ambiguity for potentially other categories.

Can more be done to assist you as an organisation to remove some of those uncertainties and give you a better view of what you have going forward? It seems to me that would be a positive thing that you would be interested in achieving.

**Baroness Manzoor:** Yes, that would be a positive. The Financial Ombudsman Service is governed by some rules called DISP rules, which are jointly agreed between the FCA and the Financial Ombudsman Service. Those rules have not been reviewed for a very long time and can be open to interpretation. That is one of the areas, as part of the call for input that we have, that we want to review.

In answer to one of your colleagues' questions regarding what we would like, the reality is there are some elements that may be parliamentary that will need to be changed by statute. There are others where we can



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move very quickly to modify and change those DISP rules in the way that we are operated, or indeed how we interpret, so there is clarity about what those rules say and how we interpret them.

Q69 **Chair:** Can you tell us how long ago they were reviewed?

**Baroness Manzoor:** It was around 2017.

**James Dipple-Johnstone:** Yes, it is about that kind of vintage, which is why this is a great opportunity to look at the whole system. As you say, the responsibility for the FCA and the firms is to deal with issues up front, because nothing comes through to us until it has been modified.

Q70 **Chair:** To be clear, they were agreed between the FCA and the Financial Ombudsman Service. You mentioned Parliament; would there be a need for legislation? Are you envisaging radical change?

**Baroness Manzoor:** I am always a great believer that if you need to make change to bring about the improvements, let us do it.

**Chair:** Do you think there might be a need for legislation? It is just that there is a completely different timetable once you start putting things through Parliament.

**Baroness Manzoor:** Not everything needs legislation, but some things might. It depends on how radical we want to be. We have the opportunity to be quite radical. Some of it will need legislation, but it does not all hang on legislation. There are lots of very quick wins that we could do very quickly from the regulator and ourselves.

**Chair:** Thank you; that is very helpful.

Q71 **Dame Siobhain McDonagh:** I have been contacted on behalf of Paul Carlier, who is a whistleblower, and he says that in 2016 he submitted a claim to the Financial Ombudsman Service, in which he provided evidence proving the unlawful and widespread use of the incentivised commission arrangements that are at the heart of what is now the car finance scandal. That is eight or nine years ago. I understand that he made a formal complaint to your service on 31 December 2024 about the ombudsman's poor handling of his 2016 complaint. Are you aware of this complaint? Do you have any ideas about it? Do you know why his original complaint was refused?

**James Dipple-Johnstone:** Just on the basis of those dates—I do not know the individual circumstances and exactly the kind of commission agreement that was in place—but from our look at the cases, the discretionary commission model was banned in 2021. We have seen complaints coming through since then. I would have to look at the individual case and respond separately, but we would certainly look at every case on what is known at the time the complaint is put. We would determine it on the basis of the facts of what is known at that point.

**Chair:** We do not take individual cases in this Committee, so it will be





general points. Are there any other general points?

Q72 **Dame Siobhain McDonagh:** It is a general point that a long time before 2024 and 2025 there were people saying, "Hang on a minute. This is a problem." You have made a lot about the fact you are undertaking inquiries into individual complaints, but if you see something that you know might come down the track and cost billions of pounds to compensate, what is your responsibility to inform the FCA? I know as an MP that when I do my advice surgery, I often know what is coming down the track for the council before they do, so I will go and see them and say, "This is an issue. Can you have a look at it?"

**James Dipple-Johnstone:** Yes, we similarly have responsibilities to flag where we see issues that may give rise. For us, that is the challenge. It is being able to identify, from the individual case, that this might cause a bigger concern. Often that is through the volume we start to see and how quickly that builds up, which is why in the call for input we are very much looking at how we identify mass claims earlier on in the process.

We do a lot of work with representatives and with respondent firms to understand what they are seeing coming through, so we can understand if a short-term rise in what we are seeing is indicating a bigger problem, or whether it is just a short-term rise that will then tail off. That is part of the challenge of the system, but that is why it needs a system response.

Q73 **Dame Siobhain McDonagh:** Lastly, did the FCA at any time since 2016 put pressure on your service, or indicate or direct you as to how it wanted you to deal with unlawful incentivised commission arrangements?

**James Dipple-Johnstone:** No.

**Chair:** Thank you very much. To be clear, we do not take individual cases, but Dame Siobhan was obviously using that as an example to raise the wider point.

**Baroness Manzoor:** Can I come back to that? The FCA has put a pause so that we cannot actually investigate those. That is not pressure, but—

**Dame Siobhain McDonagh:** That is pretty brutal.

**Chair:** Indeed, and then you have 6,000 waiting on the books, or being actively worked on while you are waiting.

Q74 **Chris Coghlan:** Baroness Manzoor, we have seen so far that there is an awful lot going on. There is a 40% increase in cases, the car finance scandal, fraud is up 30%, and you told us that the board's expectation is you will have 90% of cases dealt with within three months. You are at 44% right now, so why am I seeing a headcount cut of 5% on 2022, 2023 and 2024?

**Baroness Manzoor:** I am sorry if I misled. It is 70% we are expecting to be undertaken in three months, and 90% within six months.



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**Chris Coghlan:** It is almost at 40% right now, so you almost have to double your performance.

**Baroness Manzoor:** Yes. The reality is that we are a reactive organisation, sadly, in terms of the numbers of complaints that are coming to us. We want to work with value for money as well. We have to have sufficient work within the organisation.

The reality is that when I started we had an independent commissioned review that took place. The case workers that we had could deal with any cases, so there were significant backlogs. We implemented vertical directorates that were quite specific. To put it in NHS terms, if you are going to have heart surgery, you had people who knew about heart surgery, rather than the general practitioner that was going to do the heart surgery. That has worked very well. It has worked very well for businesses and it has worked very well for the organisation.

You asked a previous question about the levels of PPI, and before that some of these people were involved with PPI. We have refined our training and development for our case workers. We are moving onwards and upwards to make sure we have the right skill base within the Financial Ombudsman Service—to the question that was asked by Mr Grady—that have the technical expertise and experience that we are seeking as well.

**James Dipple-Johnstone:** If it helps to reassure you, last year we had about 2,700 colleagues. We will end this year with around 3,300. We expect to slightly grow again next year. We have been increasing resources, but I can send you the details in terms of our staffing. As we have made efficiencies in our enabling services, we have also been moving colleagues into case work from enabling services.

Q75 **Chris Coghlan:** Your expectation is that 73% will be met within three months.

**James Dipple-Johnstone:** Yes, in future years. We are not going to meet it this year.

Q76 **Chris Coghlan:** Why have you been cutting your pay costs at a higher rate than you are cutting headcount? Why have you been reducing pay, given the increase in caseloads and that you are not meeting your performance standards right now?

**James Dipple-Johnstone:** I can send you the detail, but we have been recruiting a lot of new people who join us at the bottom of our pay scale, so that might be a factor as part of that.

Q77 **Chris Coghlan:** Are there areas where complaints are actually falling?

**James Dipple-Johnstone:** Yes, we are thankfully seeing some areas where we are seeing fewer complaints. We are seeing fewer complaints coming through in some of our investment and pension products. We are seeing some fewer insurance complaints coming through. Through



cross-skilling some of our colleagues, we have been able to move those people onto areas of demand, but it does sadly take some time to retrain people to move across.

**Baroness Manzoor:** The number of cases coming is not the success factor that we as a board look at. We look at quality, turnaround times, timeliness and age profile. That is the qualitative factor. We have to remember our uphold rates, despite the numbers of cases that are coming to us. We have to disaggregate the data and get better diagnostics, to say, "Are we upholding complaints on substantive issues, where we really are saying to the banks, the insurers or anybody else, 'You have this totally wrong and you need to do something else,' or are we upholding some of that on distress and inconvenience because it is process driven, it does not alter that, and it is a bit of, 'Sorry, they did not do this. They had a typo in your name,' or something like that?"

If you look at our uphold rates over the years, they have not significantly changed. There may be differences in products—we mentioned fraud and scams—so within the different directorates there are some ups and downs, but overall we are upholding about the same number of complaints, anything between 34% to 36%.

We have to be careful that we are not suggesting that we have major failings in our businesses, because, again, it goes to the point that we want to give confidence. It is great that individuals, consumers and anybody else can come to the Financial Ombudsman Service and they know that their complaint will be heard fairly, impartially and independently, but it also gives confidence to the businesses. Consumers do not think we do enough and businesses think we are a consumer champion, so we have it right when we get hit on both sides.

The reality is that giving that confidence is really important. When we are talking about these numbers, we have to be very careful that we are not talking about a systemic problem with our businesses either.

Q78 **Rachel Blake:** I would like to start talking about authorised push payment fraud, which is something that is awful when it happens to you. It can be really disabling and disempowering for people, and can be quite connected to worries that I certainly have about financial inclusion and confidence in using some of these products. In 2016 the Payment Systems Regulator became aware of this and established a voluntary scheme, which I understand got up to about a 73% claim rate. Since then, there has been a scheme that everybody has to support. What has happened to the number of complaints that have come to you for authorised push payment fraud?

**James Dipple-Johnstone:** Yes, we absolutely recognise those challenges. In terms of what we have seen, we have seen a rise in demand for the service in terms of APP fraud. What we are also seeing is more complexity coming through. We previously used to see maybe a single transfer. We now might see two or three transfers, including a



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cryptocurrency exchange, or through a family member or through a separate account. Year on year we have seen about a 30% rise coming through. We have a higher uphold rate in many of those cases. On some of the fraud and scams, it is a percentage in the mid-forties rather than the usual 37% or 38%. On some of the unauthorised ones, the uphold rate is closer to 60%.

**Q79 Rachel Blake:** I am interested that you are getting more now that we have a compulsory scheme, because you would have thought that a compulsory scheme would actually reduce your overall complaints. What has gone wrong with the compulsory scheme?

**James Dipple-Johnstone:** I should just explain that we see a bit of a delay between things changing and cases coming through. Obviously, as the scheme has come through in October of last year, people would have to have something go wrong. They would then have to make a complaint, and that complaint would have to be dealt with. They would then have a period of time to bring them through to us. We have seen a relatively small number of cases come through so far—about 100—but we will obviously monitor the situation very closely to see how many cases are coming through.

**Q80 Rachel Blake:** Your argument is that you think that that is a flow-through from when the level of the incidents were increasing, then we got to 7 October with the compulsory scheme, and you think it will tail off?

**James Dipple-Johnstone:** We are watching it very carefully to see if it tails off, but we are also seeing other types of fraud that are not covered by the scheme. If it is a failed investment-type scam that is not covered by the scheme, they might be impacted, and we might still see those coming through. I should explain that not all of the frauds and scams we see are covered by that scheme.

**Q81 Rachel Blake:** Could you tell us a bit more about the ones that are not?

**James Dipple-Johnstone:** I can absolutely write to you with all of the detail in terms of the different kinds. Some investment schemes, some card payments and some banking products are not covered by that scheme.

**Q82 Rachel Blake:** How can we be confident that a scheme is robust? Who is monitoring the number of claims that are paid under the compulsory scheme? We have your complaints going up, but we do not have full visibility at the moment about the number of claims that are being paid back by the payment services. How can we have confidence that there is fairness for consumers?

**James Dipple-Johnstone:** My understanding is the PSR and the industry are monitoring the cases going through the scheme. I am obviously happy to share with the Committee anything we see in terms of the data going through. We did a lot of work in anticipation of the rule



changes. We are very interested in tracking what is coming through, how it is coming through and what kinds of issues people are complaining about, and I would be happy to share what we have with you.

**Q83 Rachel Blake:** It was not one of your top five complained about incidents last year, so what proportion is it?

**James Dipple-Johnstone:** About half of our banking complaints now involve fraud and scams.

**Q84 Rachel Blake:** We have current accounts, credit cards, and then three categories of motor finance, so would it come after that?

**James Dipple-Johnstone:** It is probably after that in terms of the volumes that we are seeing. So far this year, we have seen about 26,000 complaints coming through on APP.

**Q85 Rachel Blake:** Are you resourced to cover those, if you see the complaints going up and we do not have full visibility of the success of the compulsory scheme?

**James Dipple-Johnstone:** Yes. We have done some retraining. We have moved people on to that. We have done 21,000 resolutions so far this year, so we are slightly behind where we would want to be, but we will be looking to catch up. That is one of the areas that we are putting more resources into to free up particularly decision-making capacity to help customers through those cases.

**Q86 Rachel Blake:** How are you communicating with the Payment Systems Regulator about the compulsory scheme? If the compulsory scheme is not working and is not driving up that number of successful claims, the complexity of complaints is going to go up, and you may or may not be resourced to do it.

**James Dipple-Johnstone:** Yes, absolutely. We will be sharing information on the volumes that we are seeing come through. The team meet regularly with their counterparts there, but also in industry, to share insight from what is coming through. We have done a lot of work in preparation for the rule change, such as holding workshops and explaining our approach and what we are expecting to see, and we will continue to do that going forward.

**Q87 Rachel Blake:** How long might an ombudsman case on one of these take?

**James Dipple-Johnstone:** We would aim to get through them as quickly as possible, because people are in quite distressed circumstances, having lost their money, but the same service standard would apply. We would aim to get through 70% within three months of the case being received, and 90% within six months.

**Q88 Rachel Blake:** Do you have a breakdown of how these are being dealt with? The emotional experience of being defrauded in this situation is



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acute, and you need to have confidence and pace. Do you have a breakdown of that?

**James Dipple-Johnstone:** I could write with you the details of that. Do you mean in terms of the APP fraud in particular?

**Rachel Blake:** Yes, the APP fraud in particular.

**James Dipple-Johnstone:** Yes, absolutely.

**Baroness Manzoor:** You asked earlier about some of the changes. The consumer credit legislation is very outdated, and also very complex. Parliament needs to look at that, because it is outdated, and there are moves to undertake some work in that area. It is very complicated and complex for consumers, because some areas are covered and some are not. Unless you are a really savvy consumer, you do not know what is covered by fraud, so how would you know?

The other thing is that, whether you are an ordinary consumer or not, you go to a bank and it says that they are regulated by the FCA. Not all activities that that bank provides are regulated by the FCA, so it is almost looking at what I call educating the consumer in these events as well, but also putting in the proper safeguards, because that adds to the complexity of how we are expecting people to navigate. Having simpler navigation trees, if you like, is important, so that the consumer has not only rights but key responsibilities too, which, of course, is part of the FSMA as it currently stands. It is great that we have the PSR doing this work, and so on, but, equally, there are some really important responsibilities that individuals have to safeguard and to shop around, as well as in terms of clarity of legislation.

Q89 **Rachel Blake:** Are you saying that the PSR has not kept up to speed with the fraudsters?

**Baroness Manzoor:** No, not at all. I am saying that Government need to take an active interest in looking at the consumer credit legislation that needs to be updated, and we need to go further to ensure that it is simplified and that all frauds and scams, wherever they happen, come in line.

Q90 **John Grady:** Just to quickly pick up on the Consumer Credit Act—something that has been troubling me for some time, so I am in agreement—it does not really cover all the modern methods of payment that are coming up. I suspect that what you are saying, ultimately, is that it forms part of that picture that Mr Glen and I have been discussing, of the need to have a root-and-branch review of how consumer finance is regulated.

**Baroness Manzoor:** Yes, I agree.

Q91 **Rachel Blake:** What I am trying to get at is how we have confidence. You say that there needs to be a reform of the Consumer Credit Act. We know that the voluntary scheme got to about 73% of claims. What would



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be a reasonable number of claims to be approved by payment services?

**Baroness Manzoor:** We should get none, if it is working effectively.

**Rachel Blake:** You should get no complaints.

**Baroness Manzoor:** We should get no complaints if the system is working, but no system is perfect. I always work towards the fact that we should not have an ombudsman service, not because it is not needed, but because it should not exist, because the regulations are very clear and the businesses are doing their role. At the end of the day, it is their customers. They are not our customers. I often say to the chairmen and the chief execs that I meet, "These are your customers, not ours." If they want to be competitive within the system, their service standards need to be very good.

I am just adding to that sentiment, but yes, I would like to think that we receive no complaints about fraud and scams, but sadly the reality is that the UK seems to be a magnet for significant amounts of fraud and scams. As James has already said, they are getting more and more complicated, so we have to get better at it. That includes fraud and scams, the Home Office, the regulators, and everybody else. It is not a single solution, but we are at the end of all of this. We are proactive, but perhaps some of our legislation that is outdated can be simplified, so that everything comes into focus and can be addressed.

Q92 **Rachel Blake:** There is a bit more information that would be useful to know about the claims. Are there any particular categories of payment service that are coming forward in terms of complaints to the ombudsman?

**James Dipple-Johnstone:** There is no category of payment service to single out. We do publish details in terms of which companies we are getting stuff through on, and what the uphold rate is. What tends to happen is that where something bubbles up, we try to identify what the issue is, share that learning quickly, and engage with the sector to share that learning. The complexity means that it takes a little bit longer each time to get back through.

Q93 **Rachel Blake:** Specifically on the authorised push payments, are there any types of provider that are bubbling up?

**James Dipple-Johnstone:** There is nobody who I would like to single out individually. They all rise and fall, depending on what is going on within the particular company, but I can write with all the details, if that would be helpful, perhaps with a breakdown of the top 10.

**Rachel Blake:** That would be helpful.

Q94 **Bobby Dean:** Baroness Manzoor, you made quite a shocking statement there. You said that the UK is a magnet for frauds and scams. Is that based on an international comparison of sorts? Are we much worse than others? Do you know of any international comparisons that we can look



at?

**Baroness Manzoor:** It is not a shocking statement. It is shocking in the sense that perhaps it is easier because of push payments that we had, which enable things to be made easier. For instance, banks have told me that there are consumers who say, "It is my money and I want to send it now." They had a certain period of time to send that money, wherever it went. It is really important that friction is added, by which I mean delay.

Q95 **Bobby Dean:** My question, if I may, is whether we are worse than other European countries, for example, or the US?

**Baroness Manzoor:** I have not seen any latest figures, but in the last figures that I saw it seemed that yes, in Europe, we have a significant number of fraud and scams in this country.

Q96 **Dame Siobhain McDonagh:** This causes so much distress to so many constituents, and is a great driver in the use of cash and the need for face-to-face banking, because people are so terrified of being scammed. I want to fully understand some of the rules. Somebody might be scammed by being told that their account is unsafe, and the person on the phone, principally, sets up a new account for them in their name and gives them the details. They make a test payment and then put more money in. It is a kind of safe scam. Are people covered when they make complaints to you about that? The account is in their name and they, to a certain extent, have control over it, but somebody else has set it up for them for a fraudulent reason.

**James Dipple-Johnstone:** Very sadly, we see a wide variety of scam types coming through to us, including complaints of that type. Similarly, we get complaints where somebody has had their credit or payment card and their PIN compromised, and somebody has then gone to the cashpoint and cleared their bank account. People have purchased things online and the products have not been delivered. We see a wide variety of frauds and scams coming through, and we can look at all of those.

**Dame Siobhain McDonagh:** So you would not split hairs on that particular one.

**James Dipple-Johnstone:** The benefit of an ombudsman scheme is that we have a fair and reasonable basis for the circumstances that the individual consumer finds themselves in.

**Baroness Manzoor:** We also have to make sure that the consumer has some responsibility in terms of when the banks are contacting them, and so forth. When you are scammed, it is very regrettable, it is very sad, and it is appalling. I have seen the distress that that causes some people, and that is very unfortunate. At the same time, I would say to any consumers that they should send money with caution. Ring your bank up personally, and make sure that you read what somebody is saying. Do not go with the emotional view. I am talking about romance scams and





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scams like that, which happen on a much more regular basis than you think.

**Q97 Dame Siobhain McDonagh:** The decline in the number of bank branches accelerates that. The banks in Mitcham town centre were forever chatting to customers who they knew to say, "Please do not send this money. They are ripping you off," but very vulnerable people do not have that same access now. Let us be absolutely clear: we assume that it is all older people, but that is not the case at all. Lots of younger people get scammed as well.

**Baroness Manzoor:** Yes, absolutely. The internet plays a role, and that comes back to looking at legislation in terms of exactly what is happening on the internet and on social media. I am an old person, but the reality is about tweeting or all these other platforms that are around. What is Parliament doing to regulate those aspects of selling or mis-selling, or misrepresentation? We need to go faster and further in that arena too.

**Chair:** Baroness Manzoor, you have unwittingly given a trailer to our inquiry on influencers.

**Baroness Manzoor:** I am so sorry.

**Chair:** No, we are thinking along the same lines.

**Q98 Dame Siobhain McDonagh:** It has to be a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a consumer into transferring funds. Most scams are never passed to the police or to any other regulator. Do you require that, or require it to be investigated in order to say, "Yes, that is dishonest and deceitful"?

**James Dipple-Johnstone:** No. We will look, on a fair and reasonable basis, at the circumstances in which the complaint is put. We would encourage people to report to Action Fraud and to the police as quickly as possible, because that helps the system overall to learn what is going on, but we would not make it a requirement of our service to have complained to the police first.

**Q99 Dame Siobhain McDonagh:** There is an upper limit of £85,000.

**James Dipple-Johnstone:** Under the no-fault scheme, yes.

**Baroness Manzoor:** That is another interesting thing. The PSR's upper limit is £85,000. Our upper limit has gone up recently to £430,000. If I go to the business, and the upper limit is £85,000, if you lose, say, £100,000, there will be this view that, "You can have £85,000 back," if they agree that you have been defrauded, but you can come to our service and we can go up to £430,000. That is what I mean about regulations being joined up.

For me as a consumer, I think, "I can go there and get £85,000, but I can come to you and get £430,000, so why are you not £85,000 as well? What difference does it make?" We do not get many complaints up to



that level, but that is not the point. The point is that we need that joined-up thinking of what level it should be. In my view—and thank you to the Chair, as this may be my last appearance—it is really important that there is consistency in terms of what we are setting out, whether it is a call for input or the wider regulatory system.

Again, even though we do not get many complaints at that level, it is really important that consumers are aware that it is £85,000, but then there is duplication of effort and time between businesses and ourselves. We have not had many cases; we have had very few.

**James Dipple-Johnstone:** We do not get many at the upper level, but we do get some.

**Baroness Manzoor:** Why do we need an upper level? Because the reality is, if you have been defrauded out of £1 million or £1, and you feel affected by that, given that is not about the amount, why is that important?

Q100 **Chair:** Are you suggesting no upper limit?

**Baroness Manzoor:** Yes. Why not? If you have been defrauded out of £1 million or £1, that could be systemic. If we want to root out problems in the system, then why does it matter? Surely the definition of fraud and scams is really important, as well as what the consumer did or did not do, which goes back to consumer accountability. If they ignored all the warnings from the businesses and ignored all the issues, but still went ahead and sent money, why should the bank or business be held accountable? Equally, why should the consumer, if they have lost whatever sum of money, be held accountable if the banks have got it wrong?

Q101 **John Glen:** Can we turn to the highly topical issue of growth? In the Mansion House speech, the Chancellor said that the Treasury had been working closely with the FSA and the FOS to develop a new agreement. When Dame Harriett Baldwin asked you earlier, you said that you had not had direct contact.

I just wonder, given your significant experience of dealing with businesses, what they say to you. We will come on to the consumer side as well, but what do they say to you about what needs to change in terms of the rules to allow more growth to come from their industry?

What has been put to me is that in, for example, the sub-prime retail SME sector, which is an important sector—with higher-cost lending, but one that we need to have—people are not investing, because of the options to go back over lending advice given over many years. An 8% interest is levied on the sum borrowed, and it is chilling investment in those sectors.

Do you recognise that depiction of the chilling effect of the rules as they are at the moment? In the context of what the Government are trying to



do with growth, what would you suggest happens to change things?

**Baroness Manzoor:** There is not much that I would disagree with in terms of what you have articulated. It is quite right that we look at the 8%, because businesses have mentioned that. We have had the responses to the call for input and are going through the views of what businesses and others are saying to us about what needs to change.

I recognise that they want simplicity in terms of regulation, and simplicity and clarity about the interpretation of what the rules mean for them, as well as how we deal with cases thereafter. What they have said is that they want to see less but more effective regulation. Of course, that is not a matter for the Financial Ombudsman Service, but for the FCA and others, but you asked me what businesses say to me.

They also say that we do not have to be—you will have heard this—a quasi-regulator through the decision-making that we do on our casework, and we take that very seriously. I have asked all chairmen and chief execs, if there are any concerns, to write to me directly on any particular issues that they are concerned about. I have not received one letter in connection with that, but I recognise that where there is a gap and we have to decide on the merits of particular cases, that is a difficulty when you have principles-based regulation, because they do not have the clarity. They are looking for tramlines in terms of, "This is what you want us to do," either from the Government or the FCA, and, "This is what we have done," but then perhaps the interpretation is not clear for them. There is a different interpretation, and you are coming along and perhaps interpreting it differently. That clarity within the system is very important.

Q102 **John Glen:** As you will have anticipated, we had the chief exec of the FCA come here a few weeks ago, or probably a few months ago. He drew out the distinction with a US model, where it is very rules-based and, to put it crudely, they get on with it more quickly, but, if they do not get it right, six months later, they come down very hard on them. We have this principles-based thing, which is generally seen as a virtue. In your experience, the ambiguity of the interpretation of those principles surely has a chilling effect on business. It does not work out very well, does it?

**Baroness Manzoor:** It depends on which business you are talking about. When you have a lot of regulation, or you are over-regulated, investors may, of course, move to areas where there is not the same type of regulation. It is very important that we attract that inward investment into the UK by not being seen as an over-regulated and uncompetitive industry, so I agree with that sentiment.

Q103 **John Glen:** Can I ask about the effect of this ongoing uncertainty around car finance? The Treasury has talked about the need for proportionate compensation, but presumably the uncertainties there will also have a negative effect on the number of companies that are prepared to get involved in car financing. Do you recognise that?



**Baroness Manzoor:** Wherever there is greater risk and you are open to different interpretation, if you were a small to medium-sized business, of course you would think very carefully as to which areas you would want to invest in. That is why there needs to be clarity in terms of the roles and responsibilities of regulators, wherever they are, whether it is in the finance sector or, indeed, in the national health service, which is another area that I am very familiar with.

In my personal experience, over-regulation, ambiguity and a lack of clarity are not the best way forward for investors. Organisations and Government are working very hard, as you were in your time as Chief Secretary to the Treasury and as EST, to ensure that we do have that competitiveness and that growth agenda in our economy. I am absolutely delighted that the Government are pursuing that agenda, because it is in the interests of not only UK plc but of each one of us individually.

Q104 **John Glen:** Can you clarify what is happening between yourselves and the FCA in terms of an input to the Government's and the Chancellor's process of review? Can you tell us what is happening?

**Baroness Manzoor:** I very much supported the Chancellor's statement, and she is absolutely right and moving forward on that. With Treasury support, we have gone out with a call for input, which is this consultation that we have put out, with lots of very open questions, for businesses and, indeed, anybody else who wishes to, to feed into. I have offered the opportunity for the Select Committee to do so too, should they wish.

That consultation publicly closed at the end of January, and we are going through those responses with the FCA. I am interested to hear what the FCA's plans are regarding the call for input from its perspective as well, but it is a joint call for input. I and my board, and my leadership team, are very clear in terms of what our expectations are for the ombudsman service, but we will look at the responses very carefully.

I do not suspect there will be anything significantly new in terms of what has been said and we have known about for some time. James, you probably know what the next steps are.

**James Dipple-Johnstone:** Our intention is to bring forward detailed proposals as part of a consultation on DISP rule changes in June. That is our next target. There will be some things that we can do more quickly, which are just about the ways that we work, which we would like to get on with, having listened to the views. The next formal stage is at the mid-year point, when we will be setting out the proposals that we are taking forward. If there is anything that needs legislation, that might be, as you have alluded to, a longer-term thing.

**Baroness Manzoor:** Let us do something radical, guys. Why not? If we do not, what is the point?

**Chair:** It is great having people like Baroness Manzoor on their last visit



to the Committee, because you say exactly what you think.

Q105 **Dr Sandher:** What do you guys see your role as in terms of enforcing competitive markets and, indeed, growth in the broader scheme of things?

**Baroness Manzoor:** We are a complaints handling body, and our role is to look at the complaints that come to us from consumers. We need to do that well and to be operationally fit for purpose. That is what the board and the leadership team are working towards. We need to improve our turnaround times. We need to ensure that we are giving an excellent service, and that we maintain those standards and embrace new technology to aid, help and support the many committed staff that we have working within the organisation. That is our remit. We are set up by statute. We are governed by Financial Services and Markets Act, which was updated in 2023, and we will continue to do that.

Some of the views that you have heard from me are generic views in terms of regulation and how we make the system work better, but our remit and purpose must be to ensure that we are an independent, fit-for-purpose, modern and accessible ombudsman service.

Q106 **Dr Sandher:** So greater enforcement on your side means greater clarity of rules by which everybody operates, which means, to our mind, more competitive industries and growth. Would that be a fair summation of where you are or what your view of yourself as?

**Baroness Manzoor:** Yes.

**James Dipple-Johnstone:** I would probably add within that the confidence that, if something goes wrong, there is an ombudsman there that can help you put it right.

Q107 **Dr Sandher:** If you are doing your job correctly, would you expect to see fewer claims—that is, businesses react proactively to what you are doing, so that there are fewer claims on your side?

**Baroness Manzoor:** Yes, absolutely.

**James Dipple-Johnstone:** Like any ombudsman, we would like to see fewer cases coming through to us because they could be resolved at local stages. With the mass claims piece, that is absolutely where the system as a whole can really learn to get things put right for us.

Q108 **Dr Sandher:** Within the growth strategy as a whole, then, your message for today is that tougher action on your side will help to create more growth. Is that a fair summation of your view?

**Baroness Manzoor:** No, that is not quite what we said—not tougher action on our side. We can only review the cases on the evidence before us, and can only give the outcomes related to those individual cases. That is what we are set up to do, but a by-product of having an independent, strong and effective ombudsman service is important,



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because it gives confidence to investors and others, and particularly consumers—who, at the end of the day, are the ones who buy the products and the services of our financial industry—that if something goes wrong, it is not going to be dealt with by the regulator, but by an independent organisation.

That would and should give confidence to investors too, if they are not marred up with what they would sometimes see as red tape, and we need to remove some of the bureaucracy that exists in the system.

**Q109 Yuan Yang:** I have some questions around debt collection and how FOS deals with vulnerable customers. First, on debt collection, I note that before the pandemic your organisation warned about aggressive customer service tactics in debt collection, and sometimes breaches of confidentiality from debt collectors. Given that the pandemic has left many more indebted, what has been the trend over the last few years on debt collection?

**James Dipple-Johnstone:** We have continued to see complaints as you describe, but also administration. In the credit space, it has been mainly about affordability. It is about whether the debt was affordable in the first place. That is the most significant type, and the growing type of complaint that we are seeing coming through.

**Q110 Yuan Yang:** In terms of the tactics for debt collectors and bailiffs, for example, do those kinds of complaints come to you, and is there any trend that you are seeing pre-pandemic to now?

**James Dipple-Johnstone:** I am not aware of any trend that we are seeing, but we do get complaints about debt management companies and debt collection.

**Q111 Yuan Yang:** In terms of the data that you collect on debt collection as well as APP fraud and various other scams that you deal with, do you collect data on the protected characteristics of complainants, and other demographic data, to help to understand which groups are more at systemic risk from this kind of abuse?

**James Dipple-Johnstone:** We have not historically, but we will going forward. That is one of the changes that we have been putting in place to get better insight out of the cases that we are seeing.

**Q112 Yuan Yang:** Could you say a bit more about what will change going forward and what has led to that change?

**James Dipple-Johnstone:** Part of what has led to that change has been us wanting to have better insight in terms of who is complaining, who is using the service and how we are determining cases, and making sure that our service is accessible for all. Part of that has been about the value of the data and being able to share, with industry and the regulator, what is coming through the complaints process.

**Q113 Yuan Yang:** That is great to hear. When will that start happening, and



will you publish this for all to see as well?

**James Dipple-Johnstone:** We will be publishing our data, because it is part of our dataset. We have to collect it first, so as we start to collect it over the coming year, we will be able to share that with you more.

**Baroness Manzoor:** The data is one issue, absolutely, and we do need clarity of who is coming and why. I do not mean to be derogatory, but they are not all white, middle-class, old men who have lots of time. That is not the case. We need to make sure that we are reaching out to all communities with greater diversity, so that we can ensure that everyone receives the free service that we offer and that no one gets capped off from organisations such as CMCs.

In terms of vulnerability, we have a very good programme of training and development for all our caseworkers to ensure that they understand that vulnerability comes in different forms for consumers. Last year, I had someone very eminent who had been defrauded out of significant sums of money. He was a nervous wreck. He was a national speaker. He just could not deal with it. He felt that he had been stupid, and all of those things that sap your confidence in this.

For me, vulnerability is that you are vulnerable to that particular situation. I know that James and the leadership team have put in a good system of ensuring that caseworkers are trained effectively to better understand and recognise vulnerabilities, and to address them accordingly, as best as we can.

Q114 **Yuan Yang:** On the point about training, I wanted to ask about economic abuse, and particularly domestic and financial abuse. The FCA, for example, recommends that financial firms have specialist teams dealing with this kind of abuse. I was wondering whether the FOS also has its own in-house specialist teams.

**James Dipple-Johnstone:** Yes, we do. We have had good links in with Surviving Economic Abuse and other charities working in that space. As Baroness Manzoor has explained, we have recently put all 2,000 caseworkers through refresher training on vulnerability, through the Money Advice Trust. We have introduced a new vulnerability recording system. We also have what we call our supporting our customers practice group, which is colleagues who have additional training, experience and skills, and who work on priority cases with people who are especially vulnerable. We similarly have an additional support network also helping customers.

Q115 **Yuan Yang:** Do you have your own in-house team dealing with this kind of abuse?

**James Dipple-Johnstone:** We have specialists and people who focus on those, and they will review the decisions before they go out the doors. They are not dealing just with that kind of case, but with a wide range of



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cases. If a case raises that kind of issue, their colleagues can refer to them to get some advice.

Q116 **Yuan Yang:** Are those specialists who you have in-house trained to deal with economic abuse in domestic abuse cases as well?

**James Dipple-Johnstone:** They will have had some training to support them. I can write with the details, if that would be helpful, in terms of what they do. I am happy to.

Q117 **Bobby Dean:** We have spoken a bit about the principles of the reforms that you put forward in the joint call for input with the FCA. I want to try to rattle through some of the specific reforms proposed, the first one being the removal of the option to appeal to an ombudsman. How many or what proportion of appeals are currently overturned by an ombudsman?

**James Dipple-Johnstone:** We want a wide range of views. We are not saying that this should happen. We just want views. At the moment, about 7% or 8% of our cases go through to an ombudsman decision. In terms of those decisions, it is a similar percentage, at about 18% or 19%, where we get a different outcome, but it varies product by product. Some products will be at that level. For example, on some of our affordability cases, where we have had a long-standing approach, they are single-figure overturn rates.

**Bobby Dean:** Did you say 7% or 8%, and then 18% or 19%?

**James Dipple-Johnstone:** Yes, for some of the products.

Q118 **Bobby Dean:** Do you have an estimate for how many of these would not be able to be heard under the new rules?

**James Dipple-Johnstone:** It depends on the framing of the rules and if that is something that we put forward. We could, for example, look at a subset, such as where new evidence has come forward or where there is a new area of complaint, or we could just continue the present system. We have not got to the point of doing estimates of what the impact would be.

**Baroness Manzoor:** If I could add to that, from an external point in, nobody thinks in terms of, "We have a two-stage process," and what it means. When somebody writes to us, there is a complaint and they want it to be dealt with quickly and informally and so forth. This is an internal process that has been built up over the years. We could do this. This is one of the quick wins that we were talking about, which is that over 80% of the views that we have are fair.

Q119 **Bobby Dean:** There is a proposal about allowing people to go to an ombudsman only if they present new evidence or there is a factual inaccuracy. I am trying to work out how many cases would fall by the wayside if that was to be the rule. What percentage of cases would you estimate would not be able to pass that threshold?





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**James Dipple-Johnstone:** We have not worked through those estimates yet, because we have not moved on to that stage of the process. We just want views. That was one of the issues that was raised with us.

**Baroness Manzoor:** Can I just add to that? That is an important point, because we do have consumers who come in again and again, because they think that you have not listened to them when the investigations have been fair and reasonable, and they just do not like the outcome. My view is that unless you have new evidence, or the ombudsman service has got something totally factually wrong, it is a part of natural justice that you do go to the ombudsman.

At the moment, the issue is that every consumer has the right to go to the ombudsman, even though they have gone through the first stage, yet the overturn rate at that second stage is so nominal and, therefore, the advantages to the consumer are not that great. The numbers are not going to be great, and it is not going to be any different because, factually, we have not got it right. We do have a very comprehensive system in place that checks after we have undertaken a case. Perhaps you could say a few words around that, James.

**James Dipple-Johnstone:** We do have a peer review process, but we are never infallible, so it is always there as something that we are mindful of. We want to get the right answers for people.

Q120 **Bobby Dean:** The central concern would be that when people go to an ombudsman, they expect a decision to be heard by an ombudsman, but they are not always going to be, and you might be reducing the number of people who get to access that.

We also have the two-stage complaints process. You say in your documentation that it was abolished in 2011 due to its abuse by firms. Basically, they had an incentive to not deal with a complaint properly on the basis that most people would not follow up. You have also said that you do not see any strong arguments for that to change. Why is it being proposed this time?

**James Dipple-Johnstone:** We want a wide range of views. These are things that we hear people's concerns about, and we want to get as wide a range of views as possible.

**Bobby Dean:** When you say "people's", are these firms' concerns?

**James Dipple-Johnstone:** It is firms and consumer groups, in terms of them feeling they have not been heard properly by the business that they have complained about. For example, in the information rights space, it is not unusual to have an internal review before you then go to the next tier. We wanted as wide a range of views as possible, so we have put a number of proposals out there to garner views. You could, equally, say that lots of people want their case resolved as quickly as possible, so



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more stages might add more delay, so we just want to balance those views.

Q121 **Bobby Dean:** I am going to keep rattling through. I was struck, Baroness Manzoor, when you spoke earlier about claims management companies. You seem to have a fairly negative view of them. You said that that they sometimes look for windows of opportunity that they are looking to exploit. What proportion of claims management company claims do you think are meritless? Do you have an estimate on that?

**Baroness Manzoor:** I said that there are some very good claims management companies—

**Bobby Dean:** You did but the overall—

**Baroness Manzoor:** Let me correct that. There are some very good claims management companies. I will restate that.

**Bobby Dean:** What is the proportion of bad versus good ones?

**Baroness Manzoor:** When you look at our numbers and our uphold rates, 47% or thereabouts—correct me, if I am wrong, James—of our casework from April to December last year was from claims management companies. If you then look at the uphold rate of the cases, which is where we found issues, that is significantly lower where we found a problem than it is if consumers came to us directly, where the uphold rate was around 37%. That is a big difference.

I am always concerned that, where there is a free, accessible and simple service, consumers should and do have the right to come to us directly. Many of these claims management companies go out recruiting people. It is like windfall. They cherry-pick. It is not a consumer saying, “I need your help.” There may be some, but I do not know.

Q122 **Bobby Dean:** You are saying “many”, so you are saying that the proportion that are bad are in the majority.

**Baroness Manzoor:** James can answer this question. I can see him just thinking, “Oh, gosh. What is my chairman going to say here?” but the reality is that there are some. I can think of one.

**Bobby Dean:** What I am trying to get at is whether it is “some” or “many”, and the proportion.

**Baroness Manzoor:** Let me give you an example, because it is important. Without giving the company’s name, we had a CMC that had around 2,500 cases. They went to this small business and said, “Deal with them.” Clearly, that volume of cases were not evidence-based, fully worked up cases, and so on. Some of them perhaps were cut and pasted from others. They landed on this small business. The reality is that they could not deal with those cases in-house. They do not have the staff. What did that particular CMC do? It brought it to the ombudsman service,



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and some of those consumers will not even know that they have a complaint with the ombudsman service.

**Bobby Dean:** I want to understand the problem that you are trying to outline.

**Baroness Manzoor:** I am going to hand over, because I do not know the exact figure.

Q123 **Bobby Dean:** Can I ask a follow-up question before that? I will get to the point sooner if I can. If it is some, it would seem to me more sensible that the remedy is to be reporting these bad operators to the SRA and to get them dealt with accordingly.

**Baroness Manzoor:** We do.

**Bobby Dean:** If it is a majority, maybe we do need to look at wider reform. What is your engagement with the SRA when you report the bad firms? Or are there just too many of them?

**James Dipple-Johnstone:** We refer to the SRA. We refer to the FCA for firms that are registered with them. We also refer to the Bar Standards Board, because we have seen some firms move, through a process of arbitrage, to different regulators. The uphold rate for represented cases is about 28% across the period that Baroness Manzoor was describing, which is lower than people coming to us directly, who achieve around 37% to 38%.

We see a mixed bag of practice. We see a number of firms operating at scale at the upper end, where they send us many thousands of cases in very short order. We also see some really high-quality representatives operating in some specialist areas of claims management. We see some solicitors who advocate on family matters, and have done for many years, and we have really good-quality outcomes from those cases.

What we want to do is to have a fairer funding model as well as to encourage the due diligence from the cases that we have already looked at, so that firms select cases that are more likely to win rather than just send in speculative cases.

Q124 **Bobby Dean:** The proposal is a £250 fee, which I guess you are assuming will eliminate this behaviour. It could also impact on the claims management company industry. The question about proportion is crucial, because if you end up damaging the CMC industry overall, and therefore damaging consumers' ways of holding financial firms to account, when you could have just rooted out the rogue operators, would that not be a better outcome?

**Baroness Manzoor:** All CMCs have 10 free cases, and that covers 82% or thereabouts of CMCs in the business. The reality is that most will still be covered, but they will ensure that the cases that they bring to the ombudsman service are done with appropriate documentation and so on. We have been talking about fraud and scams. Why would we expect a



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lesser standard from others when we want to look at the evidence? We are an evidence-based organisation.

To a question that was asked by your colleague Ms Yang, 92% of people with a vulnerability come directly to the ombudsman service, not through CMCs, so we have to bear that in mind.

As we said, there is a real impact on business that we have not discussed, which is when some of them flood businesses with thousands of complaints. They themselves can be put out, because they still have to pay us our fee of £650. That is just the way the polluter pays principle works. Those 2,500 complaints that I was talking about earlier would attract a bill of £650 times 2,500. What would it be? I am sorry; my maths is not very good.

That goes to the point that Mr Glen was making. We want vibrant small to medium-sized businesses, but, where some CMCs act in that way, it can put those businesses out. That reduces the number of organisations that are out there to provide other, very effective services that those companies may be providing, so we need to take that into consideration.

**Q125 Bobby Dean:** I have one final specific reform point, if I can. Some consumers will see CMCs as a lifeline, because they are time-poor and do not have the legal expertise to match up against the might of the financial industry that they are coming up against. It is important to say that. As an example of that, you are also looking to dismiss collective complaints on what are called failed investments. I have heard people complain that this is bank lobby speak for investment fraud, and they want to call it failed investments because that reduces their liabilities. Do you have any concerns about failed investments being mistaken for investment fraud?

**James Dipple-Johnstone:** We also hear them defined as civil disputes or as scams. Some of them are just scams, frankly. What we would like is to focus on cases that we can resolve. There are some categories of cases in this space that, frankly, are being investigated by organisations such as the FBI or the Serious Fraud Office, or by law enforcement. They are not necessarily amenable to a lay ombudsman service to be investigating alongside those kinds of law enforcement agencies. We want to make sure that we have the cases that we can determine and help, rather than trying to do the job of other agencies, given the complexity of some of those cases.

**Q126 Bobby Dean:** The bar for a law enforcement agency is going to be extremely high, though. Would it not support an investigation if FOS was to make a verdict on those cases too?

**James Dipple-Johnstone:** It is where we can make a verdict. I cannot request information from overseas. I cannot get that kind of material. We are not that kind of investigative body. We want to make sure that we can focus on those cases, in line with our statutory purpose as an



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informal alternative to the courts, rather than as a law enforcement agency.

**Q127 Chair:** Can I thank our witnesses very much indeed? Today, we have heard a lot about Abby Thomas's departure from the Financial Ombudsman Service, and were told repeatedly by Baroness Manzoor that it was a mutual decision. We also heard from you that Ms Thomas is not subject to a non-disclosure agreement. You did refuse to tell us, Baroness Manzoor, about Abby Thomas's settlement or severance payment—whatever you want to call it—despite the fact that it will be published in your accounts in due course. You did agree to write to us about this. Can you confirm when you will get us a letter on that?

**Baroness Manzoor:** It will be as soon as I am able to do so.

**Q128 Chair:** Thank you. We also heard some interesting points about the future of the system, particularly around authorised push payment fraud claims, when we were just delving into the detail there with Ms Blake. They were still increasing rapidly and were very complex, and we do not yet know, really, what the impact of the new scheme will be.

We also heard from you, Baroness Manzoor, that it is really important that consumer compensation thresholds should be consistent between the Financial Ombudsman Service, the Financial Conduct Authority and the fraud reimbursement scheme.

One of the moments in the room was when you said that there should not be a limit for consumer redress. Can I just confirm whether that is your personal opinion, or is that an official position from the Financial Ombudsman Service?

**Baroness Manzoor:** That is my personal opinion. Fraud is fraud.

**Chair:** I just wanted to make it clear, because it might be your last time in front of us. Can I thank you both very much indeed, Baroness Manzoor, chair of the Financial Ombudsman Service, and James Dipple-Johnstone, interim chief ombudsman? The transcript of this session will be available on the website, uncorrected, in the next couple of days, with thanks to our colleagues at Hansard. Thank you very much indeed.