HOUSE OF COMMONS

Treasury Sub-Committee

Oral evidence: The work of the Financial Ombudsman Service, HC 703

Monday 15 January 2018

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Watch the meeting

Members present: John Mann (Chair); Rushanara Ali; Alison McGovern; Wes Streeting.

Questions 68

Witnesses

I: Caroline Wayman, Chief Ombudsman and Chief Executive, Financial Ombudsman Service; Annette Lovell, Director of Engagement, Financial Ombudsman Service.

Examination of witnesses

Witnesses: Caroline Wayman and Annette Lovell.

Q1 **Chair:** Good afternoon. Welcome to the Committee. For the record, could you introduce yourselves, please?

Caroline Wayman: Good afternoon. I am Caroline Wayman, the Chief Ombudsman and Chief Executive at the Financial Ombudsman Service.

Annette Lovell: I am Annette Lovell, Director of Engagement at the Financial Ombudsman Service.

Q2 **Chair:** Thank you for coming to Parliament. I want to start by suggesting to you that the Financial Ombudsman Service is not a very happy ship at the moment, from some of the things one can glean from the outside. It appears that staff are very unhappy, with lots of complaints. Are you happy with the state of the organisation?

Caroline Wayman: It is worth saying, perhaps, that we are in the middle of quite a significant change programme at the moment. Certainly we recognise that we have work to do in moving forward with our staff engagement. Last year in particular was really challenging, and there is probably quite a lot of context we could share around that. Absolutely we want our staff to feel valued and to really feel proud of the ombudsman service. Our survey, which is probably what you are particularly alluding to, last year showed we have some real challenges, but I think we knew that. We are very much in the heat of tackling those issues now.

Q3 **Chair:** Your own survey says that your scores on change management are lower than in most organisations. Is this because you do not know what you are doing as an organisation? Is it the kind of staff you have? Are there the wrong people in there, in your view?

Caroline Wayman: No, not at all. We have fantastic staff, but we have had a very ambitious change programme. We have been changing the heart of what we do and that can be very difficult, at the same time as managing massive uncertainty around payment protection insurance and the timescales with that. We now know that there will be a time bar but, for a very long period of time last year, we were unable to give people any sense of certainty around those things. As I said, we are also preparing the organisation for a world post-PPI, where we will need to be quite a bit smaller. The heart of what we are trying to do is trying to provide a better service for our customers. We are very encouraged by what our customers tell us about the service we are providing and how we are improving that. We still have work to do; we do not think we are there yet, but absolutely everything we have done in terms of the change has been about trying to improve things for our customers.

Q4 **Chair:** Only 9% in your Glassdoor survey approved of the CEO. What messages from staff are being missed?

Caroline Wayman: We try to talk to our staff through a range of mechanisms. Our own survey is a much broader data set than Glassdoor. One of the things that we have recognised is that through change—and everybody says it—you can never communicate enough. At times, perhaps we have not done as well with our communication as we would like. One of the big things that we are trying to do more and more, and we are hearing good things back from people about it, is to engage people more and get ideas from our people, so they can really help to feed into that. We have had to make some tough decisions. We have had to make some difficult decisions about how we need to operate into the future, recognising that consumers' expectations and our wider customers' expectations are really evolving all the time. We cannot stand still. We need to take that tough action, but I want all of our staff to feel really proud of the ombudsman service. I think we have terrific people.

Chair: Some 65 reviewers say that senior management have no idea what they are doing.

Caroline Wayman: You are talking about Glassdoor still.

Chair: Yes.

Caroline Wayman: As I said, we monitor Glassdoor.

Chair: That is a lot, is it not?

Caroline Wayman: It is a large number. It is not what we would want there to be. We have about 3,500 members of staff. One of the things we are trying to make sure is that our staff have internal channels for speaking to us about their concerns. I absolutely do not think we are where we need to be yet, but most of our staff are now looking to the future and we are very much having those conversations about what people need.

What we were able to do back in October, which helped people to be able to move forward, was set out for our mass claims staff, who are our people doing PPI and other mass claims, what the pathway looks like. Now that we know there will be a time bar, that enables us to say, "Here we are. That means we have two years or so to go, which means we can tell you what that offer looks like". Of course, like everyone else, we look into a future that is uncertain and we cannot be insulated from that uncertainty. I take this on board and do not find it easy reading when our staff feel that way about us. It is very difficult.

Q5 **Chair:** It is not easy; it is appalling reading and it is appalling compared to any other organisation. It really is off the scale compared to others, and that suggests that something is wrong.

Caroline Wayman: As I said, it very much has to be seen in the context of where we are at. We did the survey at the height of when we were making some really big changes and when we knew that we could not give people the certainty they were looking for, in terms of the next steps in PPI. The changes we have made I absolutely think are the right ones, and our customers tell us that they think we are doing better. In terms of how we are performing—so to your first question—I do not think that things are not working. We are making the improvements we need to, but it has been very tough on our people. I and the rest of the team are very committed to making those improvements, so that people really feel that again, but it has been a very bumpy ride.

Q6 **Chair:** Ms Lovell, you might be the best to comment on this. One of the accusations made is that the communications department has been posting overly positive fake reviews on Glassdoor. Is that true?

Annette Lovell: It is absolutely not true—absolutely not.

Q7 **Chair:** Perhaps we could get to the exact changes you have made. You appear to be removing specialisms from staff, so that staff are having to deal with very standardised processes for dealing with PPI, which might explain why staff dealing with very interesting cases are now dealing with a straightforward formula, day in day out, in order that you can get through that mass of PPI claims. Would that not be a reasonable description of what has been happening?

Caroline Wayman: The picture of what is happening is quite complex. We are absolutely not removing specialisms, but what we are needing to do is be flexible for the sorts of problems that consumers bring to us in a given week, being able to answer those problems across a range of things that people bring to us. We have been trying not to have queues at the front end, which means that we need to be able to be flexible enough to respond to whatever things people bring to us in that given week. We have put in place a new model, which is much more responsive, trying much more to get on the telephone early on, trying to resolve things as quick as we possibly can, before they become more and more entrenched. That is quite different from how we would have worked.

Chair: That is a standard formula model.

Caroline Wayman: It is far from it, actually. In many ways, it requires greater flexibility and being able to respond. It is actually quite a big ask.

Q8 **Chair:** With respect, if you are trying to settle them early, that is not more flexibility; that is less flexibility. With another ombudsman, I have handled 2,000 cases in a period of two years, so I am very aware of how systems have had to change. Your system would very much appear to be formulaic. You have said that you were not removing specialisms. Would it be fair and accurate to say that there are fewer of your staff doing specialist work at the moment, compared to what they were doing in the past, because they have been required to do vast numbers of PPI claims using a very standard approach?

Caroline Wayman: Some of our staff have moved from doing work that they were more used to doing in the more traditional areas of our work into doing PPI claims. That is because we have a lot of PPI customers who require our help. Do we have a standardised, consistent approach to dealing with PPI cases? Absolutely we do and so we should, as well, because it is very important that people get consistent answers from us.

A lot of our staff are adapting as well. The vision is that, when someone phones us, whenever possible, they can speak to someone who can say, "Let me talk to you about that. Let me understand what the issue is"—who is able to start providing that expert input straightaway to try to get things back on track, as early as possible. Some of our cases, inevitably, are always going to be ones that take longer and require more detailed thinking. We have established a team whose role is all about looking at the more complex areas of our casework, particularly new areas of work. It is not about taking away specialisms, but of course in PPI, and in all of our work, we need to be consistent. Do we have approaches that have evolved from doing 1.6 million cases and growing? Of course we do.

Q9 **Chair:** I would like to come back to this "early resolution", which was your terminology? Early resolution means that it becomes standardised. That is not to the benefit of the consumer. If you are going for early resolution that means you are going for a standardised resolution.

Caroline Wayman: I do not think it does, respectfully.

Q10 **Chair:** Do you have a target for how many cases your staff should close every week?

Caroline Wayman: We have a number of objectives.

Q11 **Chair:** Do you have a specific target of five cases to be closed per week?

Caroline Wayman: No.

Q12 **Chair:** Do you have a specific target of how many cases to be closed?

Caroline Wayman: It varies across our different areas of workload.

Q13 **Chair:** What is the target?

Caroline Wayman: It will vary across what sort of work they are doing. At the moment in our investigation team, we are doing a range of things. It will be about three and a half, but bear in mind that they are doing lots of other things as well. We will look at objectives across a whole range of things.

Q14 **Chair:** You cannot have a weekly target of three and a half. How are you setting targets for staff in the number of closed cases they should have?

Caroline Wayman: Again, it will vary according to the area of casework.

Chair: Let us take PPI claims.

Caroline Wayman: PPI is slightly different because, at the moment, a lot of what we are dealing with is from a lot of upfront investment we have done in dealing with PPI claims. Now, for a lot of cases, it is about getting people offers that firms are now making, explaining those to them. It will be a slightly different thing. Next year, we are expecting PPI to be in the region of four cases per week or that sort of number. Of course, it is always a question of pushing ourselves to be efficient, and that is very important, but equally we have to make sure that those are realistic objectives. We also look at things like what customers tell us about our service and the extent to which they felt that they had been treated well and treated fairly. Our scores have been improving.

Q15 **Chair:** You are saying that the target is around four cases to be closed per week. Can you give us a categorical, on-the-record assurance that every single case is being treated individually, taking into account its particular and specific facts, and that it is not some kind of industrial processing approach of handling cases in bulk? Can we get that absolute assurance that each and every case is being dealt with individually, on its own facts, on its own merits, throughout your organisation?

Caroline Wayman: That is absolutely what we do. In PPI, we have very much made choices along the way to make sure that, notwithstanding the fact that we have seen huge volumes of cases about PPI, we have decision tools that help guide people, which are based on our ombudsman's knowledge being codified into decision tools to make sure we are consistent. We are still very careful to say, "What about this? What about the individual circumstances?" Absolutely, it is built into everything we do. It is all about that individual consideration. As I said, consistency is a virtue here. It is very important to be consistent, but we will look at different facts and circumstances and assess them. Of course, not every PPI policy was mis-sold. An awful lot were, and that is why we have been spending the time we have dealing with the volumes of cases, which have been unprecedented really.

Q16 **Chair:** How many adjudicators do you have?

Caroline Wayman: In total?

Chair: Yes.

Caroline Wayman: I am trying to think off the top of my head, because we have investigators now as well. I do not know if you have that figure, Annette.

Annette Lovell: Shall I just check that? I think, if we are talking about people who are handling cases, it is probably around 2,500. That would be approximate.

Chair: Are they adjudicators?

Caroline Wayman: No. In our new model—our new ways of working that we have been rolling out over the last year or so—we have a grade of case-handler called investigator. We have investigators and we have adjudicators, which are more traditional roles.

Q17 **Chair:** What is the difference between the two?

Caroline Wayman: The investigator role is quite different. A lot of our adjudicators are now working on our PPI cases, and then we have about 200 who are in what we are calling a transition pod, which is all about helping to get the new model up to speed, transferring knowledge and working closely with our investigation teams. Our investigators will be handling cases and also taking calls from members of the public.

The vision of what we want to provide for people is that, when they phone up, if we are able to spot that it is something we can help with straightaway, we can do that. We recognised a few years ago that some of the complaints that we deal with, needing to say, "I'm going to tell the business about your complaint and then I am going to need to put you through a bit of a process", was not really meeting the needs of our customers. Payday lending is probably the fastest-growing area of our workload at the moment and, actually, saying to a payday loan customer, "I'm going to give them eight weeks and then I'll request their file", so on and so forth, was not really going to pass muster. We recognise that what informality means today is very different from what it meant when we were established back in 2001. It is all about adapting what we do to meet those changing needs.

Q18 **Chair:** You are obviously paid by the industry itself. Going back to the difference between investigators and adjudicators, there must be a difference; otherwise, you would not have different classifications of staff.

Caroline Wayman: As I said, our investigators are working across a range of different products.

Q19 **Chair:** Which are the higher skilled: adjudicators or investigators?

Caroline Wayman: They are different skills.

Q20 **Chair:** So they are paid the same.

Caroline Wayman: No, there are differences and there are scales to go up through.

Q21 **Chair:** Which would be paid most?

Caroline Wayman: The top end of an investigator would be higher, so it is about upskilling our people.

Q22 **Chair:** What about the bottom end?

Caroline Wayman: I would have to check. They are quite similar at the entry level, I think, but quite deliberately. We have built the investigator model in a way that is intended to help our people progress through the levels. Our people are very keen to do that, but we reward people based on them doing the job ever better. That is what this is all about.

Q23 **Chair:** A linguist would say that an adjudicator is going to be a higher-skilled professional than an investigator.

Caroline Wayman: Both terms are used in our world at different times.

Q24 **Chair:** They are legalistic terms. An adjudicator suggests someone who is making decisions. An investigator suggests someone who is investigating what is happening. You are saying there is no difference in the skill base or pay between an adjudicator and an investigator.

Caroline Wayman: No, I was saying that investigator level goes up higher. We are asking quite a lot of staff in the investigator role; it is quite a big thing. The phone rings and it could be about any number of financial problems. They will be tasked with listening to what the customer has to say and having that conversation. One of the other big things we have done is to put our ombudsman at the heart of our case-handling model, and that is something we have been moving towards over the last few years. We are very much wanting our ombudsman to be at the heart of what we do. As I have said, they are just different. Traditionally, an adjudicator role would have been on the phone a lot less. In general, our processes are much more about written correspondence, exchanging long letters and things. Of course, in some of our cases that will be necessary.

Q25 **Chair:** Sometimes people like us are representing our constituents and challenging any kind of shepherding of everything into one corralled system, as opposed to the individual facts of the case. That has been my experience. There are some of us who are challenging you, but it would be useful to have a note from you on the numbers and the pay differentials. In other walks of life, a judge is paid a lot more than a detective. If an adjudicator and an investigator are being paid the same or investigators are being paid more, it suggests there is a lack of clarity on what the roles are and what different people are doing.

Caroline Wayman: It is quite clear within our system, but the parallels you are drawing are more thinking about our ombudsmen, who are our ultimate decision-makers, who can make final binding decisions. The greater differential is between an ombudsman and our case-handling grades, which are investigators and adjudicators historically. In terms of who is the senior decision-maker, it will be the ombudsman. Like I said, what we are trying to do is to get our ombudsmen to be in the heart of our teams, helping to coach those individual outcomes. I did just want to say a bit more about that, if I may, because it can be the perception that this is about one size fits all. Actually, if anything, it is quite deliberately the opposite of that. It is about trying to say what we actually need to do to try to put things right.

Q26 **Chair:** The reason why people think that is that it is clearly some of your staff's explicit perception, and they are the people doing the jobs. If they think you have moved to one size fits all and they are the ones doing the job, it is hardly surprising that people outside like ourselves might question. So far, I am totally bemused by this split between an adjudicator and an investigator. When you made these changes, was there any disagreement within your board and the senior management team about them? Did anyone argue against them? Were there many arguing against them?

Caroline Wayman: I do not think anybody was explicitly against it, but we thought very carefully before proceeding with the changes that we have made.

Q27 **Chair:** Was there a consensus for it?

Caroline Wayman: There was, yes.

Q28 **Chair:** Was nobody speaking out against it at all?

Caroline Wayman: There was a debate, as there always are in these things. There was a debate and discussion about exactly what we needed to do.

Q29 **Chair:** What were the alternative points of view to the direction of travel?

Caroline Wayman: I cannot think of a specific point and principle that anybody had, where they did not think this was the right way to go. Very much what we have tried to do is to recognise that customer needs are changing, and that means that we needed to rethink how we do things. It is a big thing to do that. We can do change programmes that sound impressive but do not actually change the heart of what we do. What we have done is to change quite significantly how we work, and that is very disruptive for people. I really wish that it had not been as difficult for our staff. That is obviously not what I would have wanted, but the direction of travel in terms of how our customers are feeding back about that is very positive. It is very important to keep hold of that.

Our staff views are evolving over time and there are different perceptions. Our investigators are very committed to the model and making the concept that we have developed absolutely brilliant, and that is working. Our customers tell us that they think this is working, so our customer satisfaction scores have improved and our timeliness has improved. Actually, we think there is more we can do, so this is all about improving things for our customers. That is difficult and, as I said, we wish that it were not so and it could have been less bumpy, but the changes are absolutely ones we needed to make.

Q30 **Chair:** My staff—and I do not have many—have to specialise so that we do not have just generalities of everyone doing everything. When it comes to this kind of work, we are only talking about two people, three at most, on occasion. They specialise, and they do so in order to build up specialist knowledge, because they and I—and I have been dealing with it for a lot of years—find it complex. Your model appears to be moving towards all your staff dealing with everything, and I am struggling to see how the person who is complaining, with a specialist complaint, which is what you are going to be facing into the future, is going to get a service that is better or even as good, when you have staff who are all generalising, as opposed to being specialists in a specific area. That sounds like you are downgrading the service to the customer.

Caroline Wayman: Far from it, and it is not that we are saying everybody will do everything either, not least because that would not be terribly efficient. I have been doing it a long time too, and I absolutely agree. There are areas of our casework that we do not see all that often, so it would not be sensible to teach everybody about those particular topics. The model is still settling down, so these are all things that we think will get better and better. The way we would see it is almost as a 70:30. There are some areas of our work where we see lots and lots of cases, so we want most people to be able to deal with them. There are some things people would have as their specialism, if you will.

In areas of our work that require that depth of knowledge, we still see that. We have practice groups, which we have evolved, which support all of that. They are still looking at things in more traditional banking, investment, pensions and some of the darker recesses of our workload. It is an extreme example, but the one I sometimes use is pitch fibre pipes, which is something that we get a very small handful of cases about. It is a specialist area of insurance. It would not make sense to try to teach every investigator about that. What we need to be able to do is to teach people that they can, from first principles, investigate something, think carefully through what has happened and the extent to which people are being treated fairly and access knowledge through technology as well. There is a lot we can do there. There will be situations where we will need to say, "Actually, that one is quite specialist. The person who has the background for that would deal with it". It is not a question of everybody doing everything.

We have gotten to a stage where, for example, our insurance teams would have been specialists to the degree of the pet insurance team, the boiler insurance team and the car insurance team. When I first started investigating cases many years ago—I had to confess in the biog how many years ago—we just dealt with insurance cases actually, and we dealt with a range of them. It is about degrees of specialism. It is not a question of throwing anything away, but it is important to engage with what customers are bringing to us to be able to get to the bottom of those fairness questions.

Q31 **Chair:** You are making your case that it is required. You are making your case suggesting that you have total unanimity among the board members and the senior managers, in terms of the change as it has gone on. There are clearly issues, for whatever reason, with the staff, which are extraordinarily different from comparable organisations. They are not happy and that can happen when there is change is going on, but they are clearly not happy. It is fair to say you are banking a lot of your case on the attitude of customers. If evidence emerged that customers were not happy with the way you were dealing with cases, what would be the process for you reviewing your direction of travel?

Caroline Wayman: It is not a single moment in time. We are constantly reviewing what our customers tell us about what they think of our service and trying to respond to that and improve things, as a result of it. It is a very important barometer. When I say "customers", it is worth saying that they are obviously consumers, but they are also financial businesses.

Chair: They pay you.

Caroline Wayman: As you say, they pay the fees. We have been very encouraged by the feedback we have had.

Q32 **Chair:** When you say your customer is happy, you mean the financial service sector is very happy.

Caroline Wayman: If you do a job like mine, it is not generally the case that you could declare the whole of the financial services sector happy with us.

Chair: If they were unhappy, my experience is we would know that. They would be shouting quite a lot.

Caroline Wayman: They would probably tell you.

Q33 **Chair:** I am not hearing that. My colleagues may have picked up something different, but I am not hearing any complaints from the sector, so they are happy. For the individual person fighting for what they see as justice, if evidence emerges that they are not happy—this is my last question—what will your process be as an organisation to take on board their unhappiness? You are making great play of the fact that your feedback from them at the moment is hugely positive. I am asking, if evidence emerges that that has changed and they are not happy, how you are going to deal with that.

Caroline Wayman: As I have said, we will continue to listen to that and to respond to it.

Chair: They could expect changes, if that is the case.

Caroline Wayman: Like any organisation that does what we do, we are not an organisation that can just stand still. We have tried to move things forward in a way that our customers will respond to but, of course, in individual cases there will always be issues. We can always learn. That is part of what we are trying to do when we have issues. Things happen in the course of casework when we should absolutely be saying, "What does that tell us about how we are working and how to respond?" One of the things that we put quite a lot of stock by is the proportion of people who do not win their case but still think that we have done a decent job. That has been improving, but it is obviously very difficult. It is about thinking, through all sorts of different channels, "Is that working for people? Are we delivering what we think we should?" It is also about our own view of the extent to which we are delivering a service we are proud of. That is the measure we set ourselves: are we proud of what we have done? I do not think we will ever stand still with that. It is very dangerous for any organisation to think it can. We will continue to listen, continue to learn and continue to try to do better for our customers.

Q34 **Rushanara Ali:** Just on PPI and complaints, can I start with a question about your plans for dealing with complaints? Of the total PPI complaints you have planned to resolve in 2017-18, you planned to resolve 80% in the second half of the financial year. Can you say a bit about where you have got to and whether you are on track with that?

Caroline Wayman: Yes. If I can just say a little bit about the reason for the disproportionately high figure in half 2, it is because, up until quite late in our planning process, we were awaiting the finalisation of the Plevin guidance, which we now have in place. I am using the term "Plevin guidance" as if it is a thing everyone knows all about, and I am sure most people probably do not, so I can say more about any of that, if that is helpful. That was guidance that the regulator issued following the Supreme Court's decision in the Plevin case, which has now become a bit famous. We were waiting for that guidance and preparing to get people answers. At the moment, we are making good progress through the people who have been waiting for those answers, in terms of the Plevin part of their case. I do not know whether we will be able to get everybody done in this financial year, as in given an answer; some could go into the first quarter of the next financial year, simply because we have needed to make sure that the financial businesses are making offers that are going to be in keeping with that guidance.

Q35 **Rushanara Ali:** Roughly, how much of it is likely to go into the next financial year and what will be the financial pressure on the FOS in doing that?

Caroline Wayman: We are just in the middle of our forecast cycle. Annette might correct me but, at the moment, we are thinking that possibly around 30,000 of the people could move to the right, as it were. We would expect to be able to get them their answers in that first quarter of the next financial year. It is obviously not what we would want.

Q36 **Rushanara Ali:** That is 30,000 out of how many who would be moved to the next year?

Annette Lovell: It would be 150,000.

Caroline Wayman: Yes, that is about right. We started the year with about 140,000 or 150,000 people who were affected.

Rushanara Ali: So 30,000 are being pushed to the next financial year.

Caroline Wayman: It is thereabouts, but we very much hope that those will be people who will be able to get an answer quite quickly. It is probably worth me saying that the vast majority, if not all, of those people have had an answer to the mis-selling complaint that they brought to us initially. What we chose to do, rather than just to stop there, was to say, "Stay with us, and we will get you a Plevin answer as well".

Q37 **Rushanara Ali:** So you will have resolved all but 30,000. In terms of workload and financial pressure on the organisation, what will be the implication of that?

Caroline Wayman: It will mean that instead of next year thinking that we will simply resolve the PPI cases that we get, we will want to add those 30,000. We are also in the middle of our consultation at the moment, so it depends a little on what stakeholders have to say. Based on our run rate, we also think that we might not see quite as many new PPI places next year as we had thought. Net, we could end up more or less in the same place in terms of resolutions. During next year, we plan to draw on our reserves in order to pay for those PPI cases, because we are very mindful of making sure that the people who created PPI are also the people who pay for PPI. We are drawing on reserves we have built up in order to pay for that.

Rushanara Ali: It should be cost-neutral then.

Caroline Wayman: We will make a deficit next year, but that is in line with our expected plans to draw on our reserves, which are sitting at a much higher point than you would normally expect.

Q38 **Rushanara Ali:** In terms of staffing, you have covered quite a lot of ground already, but what are the implications on staff in relation to this particular pressure and the 30,000 that your organisation will have to deal with next year?

Caroline Wayman: The implications are not significant in relation to that 30,000. The shift we need to make during next year is that the cases we handle will be ones that, on the whole, require a lot more individual investigation from first principles. What we have this year are cases that we have already done that for, for the main mis-selling issue. Now we are just letting them know what their Plevin offer is.

Q39 **Rushanara Ali:** In your annual report, you indicated that you built in a contingent workforce before the FCA's amendments to the rules for handling PPI complaints. Can you say a bit more about how that is going and how that will be used? How many people do you have, as part of this contingency, and where have you got to with that?

Caroline Wayman: At the moment, about 650 of our case handlers are this contingent workforce, which means they are not staff in the sense of being employed directly by us. What we have been doing over time, quite deliberately, is shifting towards a case-worker/contractor model, so that, as we come to the back end of PPI, we have fewer of our own staff affected by that uncertainty. Case handlers are ones we can let go, as and when we see what will be a pretty dramatic fall in the volume of cases, albeit we will be the last ones dealing with cases, because people have six months after the deadline to come to us. We are not now replacing adjudicators with permanent members of staff. We are shifting more towards a contractor base, which gives us that flexibility. This is something we have discussed with stakeholders, particularly the stakeholders who pay our bills. Actually, it is a model that they broadly support, although we have not had all the responses to our consultation yet.

Q40 **Rushanara Ali:** Are there any other issues that have come up for the FOS that are affected by the Plevin ruling, which you want to share with us?

Caroline Wayman: It is probably worth saying that it is quite a complex area. I expect we will still have some fairly heavy lifting in terms of individual case consideration. The judgment was about undisclosed commissions. The FCA set out some guidelines for handling them, which are very helpful, but I think we will be dealing with the nuance of exactly what they mean in individual cases. Grappling with those issues will be a feature of our caseload next year. It is pretty unprecedented to have a Supreme Court judgment about an area of our casework where so much has happened, which then pretty dramatically alters the pitch.

Q41 **Rushanara Ali:** Would either of you like to say anything more, particularly from the customer experience, about the PPI element of what you do, how that is going and what are the main pieces of feedback from people and areas for improvement?

Annette Lovell: I suppose it is worth saying that many customers who have been waiting for decisions on their complaints that have been Plevin-related have had to wait for quite a considerable amount of time.

We have taken steps to keep in touch with them and let them know when they can expect to hear from us, but it is inevitable that that amount of time will not have been something that they will have particularly welcomed. As Caroline explained, we have given them a substantive answer on the issue that they brought to us in the first place. Many of those consumers who have been affected are having to wait for a long time for their answers, but we will get them out to them as soon as we can.

Q42 **Alison McGovern:** Just continuing the focus on PPI for a moment, the FCA launched an intriguing PPI campaign in August. Could you just say what you think the impact of that was, has been or is likely to be?

Annette Lovell: When the campaign was first launched, we saw that there was a reaction from consumers. We had more consumers getting in touch with us at that time, but some of that was a reflection of the degree of press interest. It got quite a lot of coverage and quite a lot of interest. We saw a relatively small increase in the number of cases that came to us, so I do not think it has had a particularly big impact yet, but that is probably to be expected, because the campaign was aiming to get consumers to get in touch with the businesses, rather than us. We are the next point in the process. How many we get mostly depends on the way in which businesses are dealing with those complaints.

Caroline Wayman: Businesses had planned for potentially even greater increases. One of the things that some of the banks have said to us is that they have seen a greater proportion of people coming directly to them, rather than through claims management companies, which we would all probably agree was quite a good thing. They also saw more people come to them who, it transpired, did not have a policy, which again is probably not surprising. It is of course an area where it is perfectly possible to have a policy and not know, because it could have been added without your knowledge. It was within the realms of what they planned for, as Annette said, so that did not translate into huge volumes for us.

One of the big questions for us, as we look further into the future, is the extent to which the real rush to the finish is at that final deadline. I always use handing in your self-assessment form as a measure. How many people wait until it really gets serious and it is really close, behaviourally? The FCA did quite a lot of work trying to work out what they thought the likelihood was. For us and financial businesses, trying to plan for the potential of quite a sharp rush to the finish is one of the things that we are very focused on.

Q43 **Alison McGovern:** What does that look like? My guesstimate would be that that is what people will do, so what does that mean for you?

Caroline Wayman: Much of it depends on how busy we end up next year, so therefore how sharp an increase it is. We will know a lot more during the course of next year, when we start to see how people interact, claims managers interact and financial businesses interact. Quite a large proportion of people who come forward with a complaint now will either receive compensation as a result of the mis-sale element, which is the traditional PPI complaint area, or receive some compensation because of the Plevin element. A lot fewer people will be told, "No, you are not entitled to anything". If it were just the Plevin element, the compensation would be quite a lot less in terms of pounds and pence.

What none of us knows yet is, behaviourally—and again we all have our views and will be able to see how that plays out—whether, when people are offered several hundred pounds, rather than four figures potentially, they will think, "That will do", or "No, I do not think that is fair". How that plays out will be a big thing. We are trying to make sure we are as flexible as possible so that, next year and the year after, if we need to increase we can do so.

Q44 **Alison McGovern:** Moving on slightly from PPI, clearly, PPI is not unique; it is the latest in a series of large-scale mass mis-sellings that led to a similar scale of mass complaining. If you had a crystal ball, what would you anticipate the next one to be about?

Caroline Wayman: That is a question we are asked quite a lot. Do you want to start that, Annette, and I will chip in?

Annette Lovell: I do not think that we can answer that it is this product or that product. It is quite difficult to predict in that sense. If we think about some of the things that are happening, it gives us an indication of where we will want to look for issues, as they start to arise. We were talking recently about the increasing tension that there is between the desire to provide evermore products to individual consumers and the need to ensure that consumers' privacy and data are protected. You can see that there is a potential tension there. If those things are not managed well by financial businesses, it will be a potential area of concern. That is something that we will want to look at and keep an eye on.

Alison McGovern: Data, basically.

Caroline Wayman: Yes, there are quite a few areas of our work where you see that convenience versus security is an inherent tension. Faster payments is something that, on the whole, people welcome. It is great that you are not waiting however many days for cheques to clear and things like that. It is mostly great that you can take out a loan very quickly, through a few clicks on your phone. With that greater convenience, there is also the flip side of when things go wrong, and the need to protect against things going wrong and how people use their data. That is a really interesting area, not just for big data, but just generally what we give permissions to and how everybody interacts with that. That is an area to watch.

Q45 **Wes Streeting:** One issue the Committee is considering is protection for

SMEs, particularly in their interaction with the financial industry. Andrew Bailey has suggested that extending the remit of the Financial Ombudsman Service to cover more SMEs would give them further protection. I wondered if you had any views on that proposal and whether you would welcome such an extension of your remit.

Caroline Wayman: We have obviously been talking to Andrew and the FCA about this, and we would characterise this that we stand ready to do so if it is decided that that would be agreeable. As you know, we already deal with some smaller businesses, but obviously only up to the microenterprise limits. We very much recognise, from our end of things, that it will be very difficult when we have to turn people away, as we do, when they are on the borderline or just above our limits. We are very open to exploring that.

For me, if we are to do that, it is very much about designing something that is fit for purpose to try, wherever possible, to step in earlier, not with a one-size-fits-all, but trying to help small businesses before things get really knotty and difficult. That will not always be possible, but we would want to look at the sorts of disputes that arise and what would be the best way to address them. We would want to think about whether we needed any additional specialist skills to do that. Again, we have existing knowledge and skills within the organisation of handling cases up to the limits that we have at the moment, but there would be areas that I would want to test out to think about whether we needed to expand our experience within the organisation to make sure we were properly equipped to do that.

Q46 **Wes Streeting:** Tell us about your experience with microenterprises. What has been the experience there? To what degree do you think you have added value? What differences or changes would you anticipate having to make between those kinds of microenterprises, the smallest of SMEs, and extending to the full range of SMEs?

Caroline Wayman: It partly depends how far you go with that. The further up it goes changes, one presumes, the nature of those disputes. We did some work a couple of years ago to look at the sort of features with our existing microenterprise caseload. Some of the things that were common there were very similar to the issues that consumers have, but there were some particular issues around the relationship between the small business and the bank or financial provider, and mismatched expectations sometimes around what they were and were not doing. In the most recent years, some of our caseload has been around swaps, where we have been at the end of quite a lengthy review. The financial business does its bit, then there is the skilled person review and then we are able to act. One of the things for me would be thinking about how we might be able to do so in a way that, if possible, would help to step in and get things back on track, before things become as difficult, messy and tragic as some of those cases have, in some situations.

We would also want to think about our procedures. We are set up by Parliament to be informal, and that is within the statute. Inherently, we want to be as informal as we can, but we would need just to think about whether or not we needed to have any additional powers. I do not think we would in terms of compelling evidence and the like, but there must be a point where, if it is in need of cross-examination of witnesses and the sorts of procedures that a court would provide, then actually court is probably still the right place. If we are asked to take that on, then we would want to look at the sorts of disputes that arise with small businesses, start from first principles and talk to lots of stakeholders—ideas are very welcome—about what would fit the bill to design something that is going to be fit for the future.

Q47 **Wes Streeting:** Going back to your first reply then, you said you stand ready. I am not sure, having listened to your answers, whether that necessarily implies a willingness or appetite to extend your remit. How would you characterise your appetite to have your remit extended?

Caroline Wayman: If we can help, we would be very happy to, because we recognise that for individual consumers, court is not something that they see themselves as being able to access or are able to access. Being able to provide a free service to consumers is something I am very passionate about. Being an advocate for the ombudsman model for a moment, I would say that the thing about an ombudsman model is that people do not have to have representation. They can come along and just tell their story. That is very powerful and is something very valuable. Ultimately, it is a matter for others to judge but, if we can, we would be very keen to help.

Q48 **Wes Streeting:** There would be resource implications for the reasons you have outlined, in terms of a need to rethink not only some of your processes but also particular capabilities and expertise that would need to be brought in.

Caroline Wayman: Across our ombudsmen panel, we have a really broad range of skills and experiences. Depending on the extent of any extension, we would need to think about the sorts of issues they would bring in and what that would mean in terms of the background skills and experience that we would need. Of course, there would be a volume implication, and I suppose the presumption most people start from is that they might be more complex, on average, than the sorts of cases that we deal with every day, albeit not all of them. Sometimes, just because it is about a transaction that is about a lot of money, if you can get to grips with the inherent complaint early and understand some of the complexities quite quickly, you can resolve it pretty sharp-ish as well.

Q49 **Wes Streeting:** In your latest annual review, you said you received just over 4,500 complaints from small businesses. Some 75% of these complaints related to banking, so I wondered what were the most common complaints from smaller businesses related to banking. Following on from that, what elements of banks' treatment of smaller businesses do you think warrant further scrutiny, by this Committee or by others?

Caroline Wayman: That is a good question, and I am trying to think of the headline topics in terms of what we have seen. A proportion of those will have been about interest rate hedging products and fixed-rate loans. That would have been a reasonably significant feature.

Annette Lovell: Many of them will have been fairly straightforward issues about how an account is managed. There is a broad range.

Caroline Wayman: There is quite a broad range.

Chair: Perhaps we could get a note from you with some statistics on that. We like lots of detail because we are boring people.

Caroline Wayman: We would be very happy to do that.

Chair: Can we have some nice detail?

Wes Streeting: Speak for yourself, Chair. No, I think that would be very helpful.

Caroline Wayman: We would be very happy to do that. We can send you a copy of the report we did a couple of years ago as well, which gives a bit of an insight with a better answer than the one I gave you to your first question.

Q50 **Wes Streeting:** It certainly helps us to focus our spotlight. Finally, I wondered what your views were on introducing a duty of care for financial firms towards their business customers. You might imagine how this could be particularly attractive in terms of making them think a bit more about their duty of care, particularly towards SMEs. I wondered if you had a view or the service had a view.

Caroline Wayman: It is important to recognise that they already have quite a few duties, in law and in regulation. That is not to say that they do not need more. As well as looking at the specifics of the legal requirements and the detail of conduct of business rules and things, the FCA principles actually give quite a lot of steer on broader fairness concepts that should be employed. I suppose my answer is that I certainly would not think it was a bad thing, but it is important for people not to think that there are not quite important things already. Sometimes we have to remind financial businesses that the principles are there, are overarching and have an impact across a large proportion of what they do.

Q51 **Wes Streeting:** Do you think that these issues have been adequately addressed by the FCA's review of business banking, or do you think there are some areas where further investigation and consideration are required?

Caroline Wayman: I do not think there is anything specific I would want to draw the Committee's attention to. I am sure that the FCA, like us, wants to continue to monitor that, as you are alluding to. Recognising that and making sure there is somewhere for small businesses to go when they have disputes, when court might not be the option for them, is one of the things the FCA is thinking about.

Q52 **Chair:** When was the last time your organisation criticised the FCA?

Caroline Wayman: I do not know. We work very closely with the FCA.

Chair: That is a clear answer.

Caroline Wayman: Genuinely, our relationship with the FCA is a very positive one. We try to work collaboratively. We try to provide them with information.

Q53 **Chair:** We know that. I was just asking. On cases that are referred to ombudsmen and ombudswomen, is the trend that more cases are being referred to them or fewer? Will that trend continue into the future?

Caroline Wayman: Again, it varies quite a lot across our caseload. Our referral rates to ombudsmen are pretty low for things like PPI. It tends to be higher for our higher-value disputes.

Q54 **Chair:** What is the overall trend?

Caroline Wayman: I think it is pretty stable at the moment, off the top of my head. I do not think it is markedly increasing or decreasing.

Q55 **Chair:** Do you envisage that changing in the future?

Caroline Wayman: Over time, we would hope that it would reduce, because part of what we are trying to do in having our ombudsmen at the heart of our casework teams is to help to ensure that that ombudsman knowledge is at the heart of things, such that things that might have gone to an ombudsman might not need to if the ombudsman can help to give a good steer early on. Again, that is something that we have been working towards for a number of years. Our ombudsmen have been working closely with our case handling teams to try to improve that.

Q56 **Chair:** How do you define client or customer vulnerability? What are your criteria for defining customer vulnerability?

Caroline Wayman: We have talked about this before. We think it is very important to recognise that vulnerability is not just about protected characteristics or about particular features of an individual. It can be situational. What we try to teach our people, both in terms of induction and ongoing—we have just done some work with the Money Advice Trust helping our investigators in this territory—is to try to recognise that we can all be vulnerable at different points in time—perhaps as a result of bereavement. It is not a question of just saying, "Here is that category. Those people are vulnerable". It is very much trying to provide a service that is about being able to have a conversation with somebody. That is a big thing.

Q57 **Chair:** Do you have written criteria for how your staff assess customer vulnerability?

Caroline Wayman: We do not have a single definition.

Annette Lovell: No, we do not. What happens is that, when people join the organisation, that forms a part of their induction and training, so that they understand it is something that is important to us.

Chair: You do not have a specific written set of criteria.

Annette Lovell: We have lots of guidance, advice and information that are available to staff. We also have individuals with lots of experience, who would be able to provide support and assistance.

Q58 **Chair:** How many of your customers are illiterate?

Annette Lovell: I am afraid I do not know the answer to that.

Q59 **Chair:** Does anybody know?

Annette Lovell: I do not know the answer to that, off the top of my head.

Chair: Does anybody in the organisation know?

Annette Lovell: We go to quite considerable lengths to make sure that individual consumers can communicate with us in the way that they want to communicate with us. It would be fairly straightforward for us to access that.

Q60 **Chair:** When there is a complaint against, say, a bank that is exactly what they say was mis-selling—telephone mis-selling, for example. That is what they always say, so you are saying the same thing as the potential transgressor.

Annette Lovell: Sorry, I was trying to answer your question of how many.

Q61 **Chair:** I am asking whether that assessment is made. Is an assessment made, for example, of the literacy of the customer?

Annette Lovell: What would happen is that, when the case-worker first spoke to a consumer, they would try to identify if the consumer had particular communication needs.

Q62 **Chair:** How would they know, if you are using telephone-based exchange increasingly, that there is a literacy issue?

Annette Lovell: In some circumstances, it might be straightforward, in terms of asking people. We would have conversations with them about how they want to communicate with us.

Q63 **Chair:** So you ask people whether they are illiterate.

Annette Lovell: I doubt that we would do it quite in those terms, but we would certainly ask people how they want to communicate with us. Consumers do, for example, say that they do not want to do anything in writing with us. Some consumers only want to communicate electronically; some only want to communicate via phone. We will accommodate those needs.

Q64 **Chair:** Just finally, coming back to something you said earlier on, Ms Wayman, when you described the industry as being customers, it is not part of your statutory remit that they are customers. Your customers are those who complain to you, it would seem to me. Are you not confusing what your roles are? They are the people who are being complained against. If you have an equivalence of who customers are, does that not suggest a change of approach in favour of the people who are paying for you, as opposed to those who are complaining about those who are paying for you? How can the industry that funds you possibly be described as your customer? Where does that come from, because it is not in the statute?

Caroline Wayman: People use different terminology at different times, do they not?

Q65 **Chair:** I am talking about what you used. You described them as customers. Do you want to change that? I am giving you the opportunity to change that, if you want.

Caroline Wayman: No, I stand behind that.

Chair: That is your definition.

Caroline Wayman: We sit in the middle. That is the point, really. We are not a consumer champion. It is not our job to advance the cases of the individual. What we are doing is providing a level playing field and what we are trying to do is provide fairness to both parties. You are absolutely right that it is about individual consumers bringing complaints to us, which we think about, assess and investigate. Those are complaints against a financial business. There is absolutely no question of us shifting in terms of that core impartiality. That is absolutely the core of everything that we do but, equally, we recognise the importance of trying to meet the needs of everybody who interacts with our work. We are obliged to be fair in our outcomes to businesses, as well as consumers; absolutely we are. Sometimes, when we are describing people who use our service or are subject to our service, we will use the generic term "customers" to encompass both. Most of the time, we talk about consumers and we mean people who complain to us, and we talk about businesses, who are the people complained against. There is no question of our impartiality, in my mind.

Q66 **Chair:** Justice and fair remedy are not about balancing; they are about justice and fair remedy if something has been done wrong.

Caroline Wayman: Yes, and it is about balancing the evidence to decide whether it has. As well as the absolute objectivity of that answer being correct, it is about how we explain that to both parties. We have always, at times, struggled to reach some of the smaller businesses, like the IFA community—they do not see much of our work. We try very hard now, so that they feel that they are listened to as well and can have conversations with us. We are trying not to live in an ivory tower.

Q67 **Chair:** On that point, I have a very final question. Would I be right to presume, because you do not live in an ivory tower and, to quote you, were "set up to be informal", that you would be happy if I was to turn up—it might be that others in the Committee want to come with me—and have some informal sessions with your staff to hear what their views are?

Caroline Wayman: We would always be delighted to welcome any members of the Committee to come and see what we do. We would always be happy to do that.

Q68 **Chair:** If that happened we—I say "we"; it may be the royal "we" but I have no idea—would have proper, impartial, unbiased and nicely balanced access to your staff.

Caroline Wayman: For sure, and we would be delighted.

Chair: That is helpful.

Rushanara Ali: I have been to visit.

Caroline Wayman: I was going to say that Rushanara has been to visit before. We were grateful for that, being a local to us.

Chair: You have offered to send us some information. We would be pleased to receive that. Thank you for coming to Parliament today.