

from **Abby Thomas**
Chief Ombudsman and
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write to **Financial Ombudsman Service**
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Dame Harriett Baldwin DBE MP
By email only

05 April 2024

Dear Dame Harriett,

Treasury Select Committee, 27 February 2024 – further information

Further to the evidence I gave to the Treasury Select Committee ('the Committee') on 27 February 2024 about the work of the Financial Ombudsman Service, I am writing to provide clarification of several matters, including your follow-up questions sent by the Chair of the Committee.

1. 18-month-old cases

The Committee asked for further details regarding cases over 18-months old. As of the start of April 2024, we currently have 6,324 open cases over 18 months old. This is a 21% decrease compared to the number of cases in April 2023. These cases continue to be a priority for us, and we are focused on allocating and resolving older cases in the next year.

As I explained at the evidence session, some of these cases will be non-workable due to litigation and some of these cases also relate to motor finance where we are actively working to formulate a position.

2. De-banking

The Committee asked for figures on the number of de-banking complaints in 2023/24 and how this compares to previous years. The Committee also requested further details of the types of complaint.

I have enclosed as an [Annex](#) a table of the general and restricted account closure cases, which is an update to the data previously provided to the Committee in October 2023.

Not all account closure cases relate to sensitive issues, like financial crime. Many cases we see stem from closures due to account inactivity, incomplete information in standard checks, or the bank's own commercial reasons.

Before a customer can bring their complaint to us, they first must complain to their bank and give the bank an opportunity to resolve it. We believe only a small proportion of the complaints customers raise with their banks are then referred to us, as the bank is typically able to resolve the issue to the customer's satisfaction.

To respond to the Committee's additional questions relating to SMEs, we do see complaints from SME businesses which have had their accounts closed. In October 2023 we provided the Committee with data that showed that in 2022/23, we resolved just over 300 complaints relating to account closures from business customers (micro-enterprises and 'small

businesses’). In 2023/24, we resolved 467 account closure complaints from business customers (micro-enterprises and ‘small businesses’). This increase could be due to changes in banks’ processes and behaviours but is also likely to be a result of the media interest in this issue.

We are in regular dialogue with both the FCA and HMT on measures to continuously improve the service we provide, and we are keen that all small businesses are fully aware of the service we provide at the point in time when they need us.

In line with the FCA handbook, respondent firms are required to give referral rights to the Financial Ombudsman Service in their final response letters, and we’ve worked with firms to ensure these rights are expressed clearly and prominently.

We engage with SME stakeholders through our biannual SME Advisory Group meetings which bring together trade bodies, small business representative groups and small business advisory organisations. These meetings are also attended by the Small Business Commissioner and British Business Bank.

In addition to these meetings, we meet bilaterally with SME stakeholders, including trade bodies and the small business representative groups, to discuss casework issues and to explain the service we provide small businesses in different casework areas. We seek to ensure these groups are fully equipped to direct their members and users to our service when needed.

Through these measures, we want all small businesses to know that they can come to us for a free, expert, fully independent and impartial investigation into their dispute with their financial services provider.

3. Fraud cases

The Committee asked for further explanation on apparent inconsistencies in cases, such as those included in the *Sunday Times* [article](#) from December 2023.

We assess each case on its merits, in keeping with our statutory obligations. The outcome in every complaint must turn on its own facts and circumstances.

Where a claim has been made for reimbursement under the Contingent Reimbursement Model (CRM), it firstly needs to be shown that the customer has been the victim of an authorised push payment scam. To conclude, on balance, that it is most likely a scam has occurred, we need to see convincing evidence of that. The CRM code does not apply to private civil disputes. It also contains exemptions if the matter is deemed a scam – for example if the customer didn’t have a reasonable basis for belief or they ignored an effective warning.

Where complaints involve an alleged large-scale scam with numerous investors – as is the case highlighted by the Committee – it is not unusual for new evidence or information to come to light, particularly as we receive more complaints concerning the same matter, but we can only decide a case on the evidence before us at that point.

4. Motor finance commission

The Committee asked for further data on the motor finance commission cases over 12 and 18 months old.

As of late March 2024, we have 5,307 motor finance commission open cases that are over 12 months old. Of those, 2,222 are over 18 months old.

The FCA has introduced temporary rules while it looks at how to resolve the potentially very high number of complaints around discretionary commission arrangements (DCAs). This means that firms do not have to respond to complaints involving discretionary commission and consumers have longer to bring complaints to us. The FCA's 'pause' is due to end in September 2024.

5. Staffing

The Committee requested further information on staff working on resolutions in de-banking and motor finance commission.

We currently have c.160 staff working on motor finance and de-banking cases. The number of staff working on these cases has increased in the past financial year and we are continuing to train more staff on these complaints. These staff members may not be required to work full time on these cases but are positioned to provide a further surge response if required.

6. Fractional timeshare cases

The Committee asked about the number of fractional timeshare cases which are over 12 and 18 months.

As of April 2024, we have 2,123 fractional timeshare cases that are over 12 months old. Of those, 1,645 are over 18 months old.

To confirm, we currently only have 22 unassessed cases, which means that we have issued a view on all other cases, and we are increasing the number of ombudsmen focused on resolving timeshare complaints. Typically, we would expect 80% of views (first stage assessments) to be accepted by both parties. In the timeshares category, we have found that both parties have commonly sought a decision from an Ombudsman, which means it will take longer to resolve each case.

As we publish final decisions over the coming months, we will expect both respondent firms and professional representatives to learn from our findings and, in keeping with their regulatory obligations, apply them to other similar complaints.

7. Service complaints

The Committee asked about the number of complaints received about the service we provide relative to our caseload.

1.7% of resolved cases resulted in a complaint being made about our service in both the 2023/24 and 2022/23 financial years. Although constant year on year, the higher than anticipated case volumes are in part related to the closure of some older cases waiting many years following Judicial Review rulings. We continue to work towards meeting and exceeding our service standards for service complaint responses.

8. The Independent Assessor

The Committee asked about the number of cases that the Financial Ombudsman Service has had to revisit or overturn as a result of the Independent Assessor's work. The Independent Assessor considers complaints about the standard of customer service provided and our practical handling of a case, but not the merits or final decisions made. The Independent Assessor does not have the power to overturn final decisions, but all findings or

recommendations made by the Independent Assessor about customer service complaints are reviewed by the Financial Ombudsman Service to ensure learnings are considered so we can continue to improve the standard of service we provide.

The Independent Assessor considered 519 service complaints in 2023/24 and found 35% (183) were handled satisfactorily, 27% (138) unsatisfactorily and 38% (198) with recommendations or learning points. In 2023/23, 649 service complaints were considered by the Independent Assessor, who found 35% (228) were handled satisfactorily, 25% (163) unsatisfactorily and 40% (258) with recommendations or learning points.

There has been a recent decrease in the amount of service complaint considered by the Independent Assessor following the introduction of an escalated complaints team to resolve customer service issues, with 243 complaints considered by the Independent Assessor in Q4 2023/24 compared to 373 in 2022/23.

9. Attrition rate

The Committee requested information on our attrition rate for new investigators.

On a 12-month rolling basis, our overall attrition rate for all employees is 16%. For our investigator population it is 16.6% for the same period, and for investigators with less than 12-months' service (considered to be new investigators) it is 23.2%.

Whilst this is higher than that the overall organisational and investigator turnover rates, we do not consider this to be unexpected. When recruiting for these roles, we target a specialist employment market which has been challenging in the past number of years.

Our new investigators complete a comprehensive training programme to develop the full range of skills required for the role, with a robust probation review. As a result, there is usually a higher attrition rate for the first 12 months, which ensures that those investigators who pass probation are able to demonstrate the skills and knowledge required for quality decisions and to help us maintain our high service standards for quality.

Other Matters

In addition to the above, I would like to take this opportunity to clarify a few points that arose during the session and appear in the official transcript.

- **Q281 Dame Angela Eagle: Nobody has got a penny back yet, have they?**

The Financial Ombudsman Service has received responses from the 3 biggest lenders involved in the sale of timeshares. £3,832,531.41 has been offered so far on fractional timeshare complaints we assessed and of that, £2,414,496.85 has been paid out.

- **Q284 Dame Angela Eagle: Is that it? We are only talking about 3,500 outstanding cases.**

There are currently 2,684 open fractional timeshare cases, as of early April 2024.

- **Q316 Dr Coffey: It sounds like quite a lot of money—£30 million—to develop auto-allocation.**

Auto-allocation for Investigators was delivered as part of a wider set of solutions in 2023/24 (which included activity-based management and contingent support). The total

cost of the project was £1.1m, of which c.£400k could be attributed to Auto-allocation (spend to date).

I trust the Committee will find the information above helpful in understanding and clarifying the nature and scope of the work of the Service.

Every year we help thousands of customers, including individual consumers, small businesses, charities, and trusts. We are committed to making sure that every customer who engages with us has a better outcome or feels better informed following our involvement.

Please do not hesitate to contact me or the team if there is anything else arising from either our work or answers at the session.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Abby Thomas', with a long horizontal line extending to the right.

Abby Thomas
Chief Executive and Chief Ombudsman

Annex – De-banking cases

The volume of complaints relating to de-banking increased 11% between 2020/21 to 2021/22 and by a further 7% between 2021/22 and 2022/23. In 2023/24, this increased again by c.44%.

This is an update of the data previously provided to the Committee in October 2023. For an explanation of the different categories of data, please refer to that previous letter.

General account closure cases							
	Year *	New cases	inc. business	Resolutions	uphold rate	inc. business	uphold rate
Current account (including business current account)	2020/21	1,700		1,138	25%		
	2021/22	1,683		1,507	28%		
	2022/23	1,778	285	2,387	26%	282	28%
	2023/24	2,720	557	2,250	35%	436	36%
Savings account	2020/21	110		77	20%		
	2021/22	96		104	25%		
	2022/23	105	1	130	26%	1	
	2023/24	133	1	108	35%	1	
Electronic money	2020/21	228		100	16%		
	2021/22	276		266	23%		
	2022/23	199	23	298	25%	22	19%
	2023/24	300	48	225	44%	30	43%
Totals	2020/21	2,038		1,315	24%		
	2021/22	2,055		1,877	27%		
	2022/23	2,082	309	2,815	26%	305	27%
	2023/24	3,153	606	2,583	36%	467	36%

Restricted account closure cases				
	Year	New cases	inc. business	Resolutions (estimate)
Current account	2022/21	166		111
	2021/22	326		292
	2022/23	448		601
	2023/24	556		460

Savings account	2020/21	0		0
	2021/22	0		0
	2022/23	9		11
	2023/24	10		8
Electronic money	2020/21	51		22
	2021/22	87		84
	2022/23	86		129
	2023/24	79		59
Business current accounts	2020/21	26	26	17
	2021/22	57	57	51
	2022/23	58	58	78
	2023/24	60	60	50
Totals	2020/21	243	26	151
	2021/22	470	57	427
	2022/23	601	58	819
	2023/24	705	60	577

Total Account Closure New Cases							
	Year	New cases	inc. business	Resolutions	uphold rate	inc. business	uphold rate
	2020/21	2,281		1,466	24%		
	2021/22	2,525		2,304	27%		
	2022/23	2,683	367	3,634	26%	305	27%
	2023/24	3,858	666	3,160	36%	467	36%

*our Financial Year runs from 1 April to 31 March.