House of Commons

Treasury Committee

Financial Ombudsman Service: Accountability to the House of Commons

Ninth Report of Session 2024–25

HC 1184

Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Treasury, HM Revenue & Customs and its associated public bodies.

Current membership

Dame Meg Hillier (Labour; Hackney South and Shoreditch) (Chair)

Dame Harriett Baldwin (Conservative; West Worcestershire)

Rachel Blake (Labour; Cities of London and Westminster)

Chris Coghlan (Liberal Democrat; Dorking and Horley)

Bobby Dean (Liberal Democrat; Carshalton and Wallington)

John Glen (Conservative; Salisbury)

John Grady (Labour; Glasgow East)

Dame Siobhain McDonagh (Labour; Mitcham and Morden)

Lola McEvoy (Labour; Darlington)

Dr Jeevun Sandher (Labour; Loughborough)

Yuan Yang (Labour; Earley and Woodley)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the internet via www.parliament.uk.

Publication

This Report, together with formal minutes relating to the report, was Ordered by the House of Commons, on 8 July 2025, to be printed. It was published on 14 July 2025 by authority of the House of Commons.

Committee reports are published on the Committee's website at www.parliament.uk/treascom and in print by Order of the House.

Contacts

All correspondence should be addressed to the Clerk of the Treasury Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5769; the Committee's email address is treascom@parliament.uk. You can follow the Committee on X (formerly Twitter) using @CommonsTreasury.

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Introduction

1. On occasion, Committees must strike a delicate balance between delivering transparency for Parliament, the public and the media, and protecting the rights of individuals. This is such an occasion. This Report follows our *Work of the Financial Ombudsman Service* (FOS) oral evidence session on 11 February 2025 with Baroness Manzoor, Chair, FOS, and James Dipple-Johnstone, interim Chief Ombudsman, FOS, in which we scrutinised the sudden departure of the FOS's former Chief Executive Officer and Chief Ombudsman, Abby Thomas. In this Report, we have chosen to set out key points from, rather than publish, documents to place as much of our scrutiny of the FOS's operations in the public domain as possible, while respecting individuals' privacy.

Financial Ombudsman Service

2. The FOS is the UK's statutory financial services dispute resolution service. Set up in 2001, the FOS provides consumers with a free service to seek redress from financial services providers without resorting to the courts. Every year, hundreds of thousands of people contact the FOS to raise cases relating to bank accounts, insurance, loans, debt collection, mortgages, financial advice, investments and pensions and other regulated financial products.[1] Given the FOS's responsibilities, our constituents, the media and the financial services industry are intensely interested in FOS's decisions and policies.

Governance

3. The Financial Conduct Authority (FCA), the industry regulator, publishes the rules under which the FOS operates. It also appoints the FOS's Board of directors and, with the approval of the Treasury, its Chair. The FOS Board comprises non-executive directors, who do not consider individual complaints and who focus on strategy and resources. The Board appoints the FOS's Chief Executive Officer, who is also the Chief Ombudsman. It also appoints the remaining ombudsmen, who are responsible for delivering the FOS's resolution services.

1 Financial Ombudsman Service, Annual Report and Accounts, 2023–24

Parliamentary accountability

4. The FOS was established by the Financial Services and Markets Act 2000.[2] It was created by and is accountable to Parliament. In his former role as a Treasury Minister, current Treasury Committee member Rt Hon. John Glen MP set out the nature of the FOS's accountability to Parliament:

> The FOS's accountability to Parliament consists of its duties to report to Parliament and Parliament's ability to scrutinise, question and make recommendations to the FOS. Members of the board of the scheme operator which runs the FOS may be called to account in person before Parliamentary committees, including the Treasury Select Committee, and written Parliamentary questions on the FOS operations are passed directly to the FOS to respond.[3]

As Treasury Minister, Rt Hon. John Glen MP appointed Baroness Manzoor as Chair of the FOS. He therefore recused himself from consideration of this matter and Report.[4]

Treasury Committee scrutiny

5. The Treasury Committee is appointed by Parliament "to examine the expenditure, administration and policy" of the Treasury "and its associated public bodies", which includes the FOS.[5] We discharge that responsibility in relation to the FOS by conducting roughly annual oral evidence sessions with the Chair and Chief Executive Officer, alongside scrutiny through correspondence and other inquiries.

Oral evidence session February 2025

6. The interim Chief Ombudsman appeared at our *Work of the Financial Ombudsman Service* oral evidence session on 11 February in lieu of the Chief Executive Officer, because the FOS announced five days previously that the then Chief Executive Officer and Chief Ombudsman, Abby Thomas, would be stepping down after less than three years in the role.[6]

2 Financial Services and Markets Act 2000, Schedule 1
3 Financial Ombudsman Service: Accountability PQ 145806, 31 March 2022
4 Treasury Committee, Formal Minutes, 25 February 2025
5 House of Commons, Standing Orders, Standing Order 152
6 FOS, Abby Thomas to step down as Chief Executive Officer and Chief Ombudsman of the Financial Ombudsman Service, 6 February 2025. Abby Thomas was appointed on 8 June 2022.

7. Our Chair opened by asking, “Baroness Manzoor, you appointed Abby Thomas, and she left last Thursday. Why did she leave?”[7] Baroness Manzoor replied, “It was a mutual agreement.”[8] Baroness Manzoor stuck to that line as eight different members of our Committee tried and failed to establish why the Chief Executive Officer had suddenly left the FOS.[9] Baroness Manzoor was also unwilling to disclose when the departure of Abby Thomas was agreed, whether Ms Thomas had received a severance payment and whether the former CEO had performed effectively in her role.[10]

Subsequent scrutiny

8. Given our scrutiny responsibilities to Parliament and the public, we wrote to the FOS after our session reiterating our questions about the departure of the Chief Executive Officer. We also wrote to the FCA, which has a role in the oversight of the FOS. In the interests of transparency, we published both those letters.[11]

9. Ashley Alder, Chair, FCA, provided a comprehensive reply to our questions.[12] Baroness Manzoor was less forthcoming.[13] She declined to answer the Committee’s questions, citing her “duties to safeguard the wellbeing of our employees” and “her duty to protect the interests of FOS.”[14] She also stated, “I am willing in principle to answer the questions included in your 11 February letter voluntarily, but I would ask the Committee to provide an undertaking in advance to keep this information confidential.”[15]

10. Committees cannot provide blanket undertakings not to publish evidence on matters of public interest before they have seen such evidence (which might, for example, include evidence of wrong-doing or raise an overwhelming public-interest case for publication). We were acutely conscious of the need to balance fairness for Abby Thomas against transparency, but that was and always is a judgment for us to exercise as a Committee. Erskine May, the authoritative guide on parliamentary procedure and constitutional conventions affecting Parliament, states:

7 Q1
8 Q1
9 Q1–44
10 Q1–44
11 Letter from Chair to the FOS relating to Chief Ombudsman departure and Letter from Chair to the FCA relating to Chief Ombudsman departure, 11 February 2025
12 Unpublished correspondence, FCA Chair to TSC Chair, 20 February 2025
13 Unpublished correspondence, FOS Chair to TSC Chair, 19 February 2025
14 Unpublished correspondence, FOS Chair to TSC Chair, 19 February 2025
15 Unpublished correspondence, FOS Chair to TSC Chair, 19 February 2025

Where a witness considers that the publication of oral evidence (or part of it) given in private or written evidence (or part of it) submitted in confidence would be prejudicial to the public interest (for example, on grounds of national security), or cause unwarranted distress to an individual, or would disclose matters of commercial confidentiality, or would be undesirable on similar grounds, a request may be made that the evidence in question should not be published.[16]

11. Erskine May also states that "[t]he House requires truthful evidence from witnesses".[17] On the powers of Committees, it states:

> committees, being extensions of the House, possess substantial powers to require answers to questions … Witnesses are bound to answer all questions which the committee sees fit to put to them and cannot excuse themselves on the ground that they may thereby subject themselves to a civil action or that they have taken an oath not to disclose the matter about which they are required to testify.[18]

12. If Baroness Manzoor was concerned about protecting her former employee's well-being, the appropriate course of action was to answer our questions and to request confidentiality. Our awareness of the need to balance transparency against fairness to individuals is demonstrated by our decision not to publish the replies from the FOS and the FCA.

Order to submit papers and records

13. Like all departmental Committees, we possess the power to "send for persons, papers and records".[19] Following Baroness Manzoor's refusal to answer our questions both on the record and in correspondence, we exercised that power on 25 February 2025.[20] We ordered the FOS to submit:

> The severance agreement between Abby Thomas and the Financial Ombudsman Service Limited;
>
> Any confidentiality or non-disclosure agreement negotiated between Abby Thomas and the Financial Ombudsman Service Limited;
>
> The full financial package, if any, related to the departure of Abby Thomas;

16 Erskine May, para 38.40
17 Erskine May, para 38.31
18 Erskine May, para 38.36
19 House of Commons, Standing Orders, Standing Order 152
20 Treasury Committee, Formal Minutes, 25 February 2025

The minutes of the Financial Ombudsman Service Limited Board meetings held on 8 and 12 January 2025, and any informal notes taken at those meetings;

The minutes of any Financial Ombudsman Service Limited Board meetings yet to be published; and

The formal notification by the Financial Ombudsman Service Limited Chair to the Financial Conduct Authority in December 2024 that discussions were taking place that were likely to lead to the departure of Abby Thomas from the Financial Ombudsman Service.[21]

The FOS promptly complied in full with the terms of the Order. And, following that disclosure, Baroness Manzoor answered our questions in a letter.[22]

14. The documents supplied by the FOS clarified the FOS Board's decision-making in relation to Abby Thomas's departure. We observed that fundamental disagreements about FOS strategy, management and operations between, on the one hand, Abby Thomas and, on the other, the FOS Board and Chair led confidence to collapse on both sides. This collapse in confidence covered a broad range of issues and was not driven by a single event or topic. The mutual collapse in confidence led the FOS Board to dismiss Abby Thomas.

House of Lords Members leading public bodies

15. In her letter of 19 February, Baroness Manzoor advanced the argument that "as a member of the House of Lords, I cannot be required either to attend before the Committee, or to answer its questions (whether orally or in writing)."[23] Baroness Manzoor repeated that argument in a subsequent letter on 25 February 2025.[24] Although this argument was strictly true, because House of Commons Committees have no powers of compulsion in relation to Members of the House of Lords (and vice versa), it was unnecessary and disrespectful. Our questions did not engage the House of Lords. Baroness Manzoor's membership of the House of Lords was incidental to our scrutiny, which exclusively concerned her responsibilities as Chair of the FOS, and our powers could, as shown by our summons, be directed

21 Treasury Select Committee, Formal Minute, 25 February 2025
22 Unpublished correspondence, FOS Chair to TSC Chair, 25 February 2025
23 Unpublished correspondence, FOS Chair to TSC Chair, 19 February 2025
24 Unpublished correspondence, FOS Chair to TSC Chair, 25 February 2025

at other parts of FOS. Erskine May states that “A Member of the other House may be mentioned in debate in relation to their activities in another capacity”, which applies to Baroness Manzoor’s role as FOS Chair.[25]

16. **CONCLUSION**

Public bodies, such as the FOS, are accountable to both Houses of Parliament. Any Member of the House of Lords who accepts a leadership role in a public body must also accept that such roles come with House of Commons scrutiny.

25 Erskine May, para 21.24, Footnote 10

Formal minutes

Tuesday 8 July 2025

Members present

Dame Meg Hillier, in the Chair

Dame Harriett Baldwin

Rachel Blake

Chris Coghlan

John Grady

Lola McEvoy

Dame Siobhain McDonagh

Financial Ombudsman Service: Accountability to the House of Commons

Draft Report (*Financial Ombudsman Service: Accountability to the House of Commons*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 16 read and agreed to.

Resolved, That the Report be the Ninth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Tuesday 15 July at 9.45 am.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Tuesday 11 February 2025

Baroness Manzoor CBE, Chair, Financial Ombudsman Service; **James Dipple-Johnstone**, Interim Chief Ombudsman, Financial Ombudsman Service Q1–171

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2024–25

Number	Title	Reference
8th	Lifetime Individual Savings Account	HC 607
7th	Re-appointment of Nikhil Rathi as Chief Executive of the Financial Conduct Authority	HC 912
6th	Acceptance of cash	HC 324
5th	Appointment of Ric Lewis as Chair of the Crown Estate	HC 683
4th	Appointment of Niamh Moloney to the Prudential Regulation Committee	HC 783
3rd	Appointment of David Soanes to the Prudential Regulation Committee	HC 776
2nd	Appointment of Andrea Enria to the Prudential Regulation Committee	HC 775
1st	The Office for Value for Money	HC 521
1st Special	SME Finance: Government Response	HC 517