

FCA

Financial Services
Consumer Panel

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8 October 2025

By email: consultations@financial-ombudsman.org.uk

Dear FOS,

Financial Services Consumer Panel response to FOS Evolving our funding model.

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to provide comments on the Financial Ombudsman Service (FOS) consultation paper regarding proposals to evolve the FOS funding model.

The Panel is an independent statutory body that represents the interests of consumers of financial services including both individuals and small businesses (collectively referred to as consumers in the rest of this response). Our focus is on the outcomes and impacts to these stakeholders.

While our focus is predominantly on the work of the FCA, we will respond to consultation papers issued by other bodies if we consider it important to do so, for example, where proposals could have significant impacts on consumers.

The Panel notes that the majority of questions posed in the consultation paper are primarily aimed at firms falling within the jurisdiction of the FOS. Accordingly, we are not responding to each individual question, and are instead providing some general comments.

Broadly, the Panel can see the logic and potential benefits in the proposals set out in the consultation paper, in particular the suggestion for differential case fees based on case outcome. We agree with the long-standing principles regarding how the FOS is funded set out on page 6 of the consultation paper.

However, the Panel would urge the FOS, in conjunction with the FCA, to take particular care to consider the potential unintended consequences flowing from the implementation of a differential case fee model based on the case stage. This is the case whether implemented on its own, or in conjunction with differential fees based on case outcome.

In particular, the Panel would be concerned if a new fees regime created the incentive for some firms to try and 'game' the system by failing to properly deal with a consumer complaint in the hope that the complaint will not be taken to the FOS (and knowing that if it is, there is an opportunity to resolve it without incurring a case fee).

We note that even where reduced case fees are implemented to reflect different stages of the investigation process, this could dampen the incentives on firms to properly resolve complaints at an earlier stage of the process. For example, firms could be incentivised to make a lower offer initially (compared to the position under the current fees model) knowing there will be further opportunities to improve that offer before incurring a full case fee. This is particularly the case when viewing a proposed differential fee model alongside the proposals to implement new referral processes whereby complaints can be referred to the FCA (e.g. where they may raise issues regarding the interpretation of FCA rules or may indicate a mass redress event).

If the FOS is implementing a differentiated case fee model based on case stage, the Panel believes it is essential both the FOS and the FCA are certain that adequate safeguards are introduced to help ensure consumers are not at risk from poorer firm complaint handling processes.

If a differentiated case fee model is introduced, the Panel notes it may be worth the FOS considering whether, and if so how, it and/or the FCA can publish its views on the extent to which firms are falling short in their practices regarding the early and proper resolution of complaints, naming and shaming as appropriate.

Yours sincerely

Chris Pond

Chair of the Financial Services Consumer Panel