

HM Treasury (Financial Services Strategy)
FCA (Redress Pathways and Risk Team)

By email

3 October 2025

Dear Sir/Madam,

FCA Practitioner Panel response to HM Treasury's consultation on Review of the Financial Ombudsman Service (FOS) and the FCA and FOS joint consultation CP 25/22: Modernising the Redress System

The UK's Financial Conduct Authority (FCA) Practitioner Panel (the Panel) is a statutory Panel created by the FCA with the key remit of representing the interests of practitioners of larger firms and providing input to the FCA from the industry in order to help it in meeting its statutory and operational objectives in an effective manner. Further details of the Panel are available on its website at <https://www.fca-pp.org.uk/>.

The Panel broadly supports the substance of the proposals to modernise the redress framework, including: the establishment of a statutory referral mechanism for the FOS, firms and complainants; the introduction of a time limit for referral of complaints to the FOS; and clarification of the fair and reasonable test. Alongside legislative change, which will necessarily take time to be drafted, confirmed and implemented, we are encouraged (and would continue to encourage) that work is already underway on: amendments to the MoU between the FCA and the FOS; changes to the Dispute Resolution: Complaints Sourcebook (DISP); and greater transparency regarding the decision frameworks to which the FOS works.

On specifics, we welcome the proposal to introduce a 10-year longstop within which complaints must be referred to the FOS. We are emphatically of the view that there should be no exemptions to that time limit. The Consumer Duty now provides the basis through which relevant issues should be addressed at either product design stage or through regular customer communication / engagement and iteration of the affiliated product based on that. Those expectations include firms undertaking annual product reviews which would inform any necessary changes before the end of the contract period. Holding firms to account for considerations that arise towards the end of the 10-year period that are not already undertaken by the interventions noted would be unreasonable given no firm will have perfect foresight.

We believe that including exemptions for products which there is a belief that consumers may not check regularly (e.g., pensions and some insurance products) would also be unreasonable. Firms have no power to make or require purchasers of products to review related product literature or ongoing communications related to the product they hold. Firms now have a positive obligation to make sure – at the point of product design and over time – to provide effective customer communication and engagement, taking account of observed best practice and available innovations. The FCA has all of the tools necessary to ensure that individual firms are complying with those obligations appropriately, and, so long as that is the case, customers must retain some level of responsibility for ensuring that they review the literature and communications provided to them, or ask the the providing firm or a relevant advisor to help them better understand that. Allowing that responsibility to continue to recede will neither aid customer awareness nor the innovation in product development to better suit customer needs that is required to help offset related social pressures in the UK.

We firmly believe that making the FOS a subsidiary of the FCA would be counterproductive, as it would inevitably have organisational and operational implications and direct energy away from improvements which can be made instead. We strongly encourage focus on change that can be achieved in the near future, and clear communication on what will happen and by when.

We would be happy to discuss any of these points further.

Yours faithfully,

[signed]

Matt Hammerstein
Chair, FCA Practitioner Panel