

By email

24 June 2025

Dear Sir/Madam,

Financial Ombudsman Service: Consultation on interest applied to compensation awards

The Panel welcomes the opportunity to respond to this consultation.

We support **Option C**: adopting a tracker rate tied to the Bank of England's average base rate plus 1%. There is clear rationale for this approach noting that:

- **Alignment with market conditions:** A tracker rate tied to the Bank of England's average base rate plus 1% better reflects current market realities. This ensures that compensation interest awards remain fair and proportionate, avoiding potential over - or under - compensation that can arise from the current fixed 8% rate.
- **Enhanced fairness for all parties:** Option C strikes a balance between ensuring that complainants are adequately compensated for the loss of funds and avoiding placing an undue burden on firms. This balance is particularly important in today's economic climate, where interest rates are significantly lower than 8%.
- **Consistency and predictability:** A tracker rate would be simple and transparent for both consumers and firms to understand and apply. Tying it to an average base rate ensures that short-term market fluctuations do not create uncertainty or administrative complexity.
- **Future-proof and dynamic:** Unlike a static rate, Option C naturally adjusts over time as market rates change, ensuring ongoing fairness without the need for frequent reviews or further consultations.

We also support the recommended approach to implementation, applying the new rate to complaints referred to the FOS from the implementation date onward. This is fair and avoids retroactive changes that could disrupt existing cases.

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

Yours faithfully,

[signed]

Will Self
Deputy Chair, FCA Smaller Business Practitioner Panel