



Consultation Paper

CP26/9**

Modernising the Redress System

March 2026

How to respond

We are asking for comments on this Consultation Paper (CP) by **11 May 2026**.

You can send them to us using the form on our [website](#).

Or in writing to:

Redress Policy and
Future Frameworks
Financial Conduct Authority
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London E20 1JN

Email:

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- an account of how we have responded to the representations.

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- if you wish your response to be treated as confidential. We will have regard to this indication but may not be able to maintain confidentiality where we are subject to a legal duty to publish or disclose the information in question.

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By responding to this publication, you are providing personal data to both the FCA and the Financial Ombudsman, including your name, contact details (including, if provided, details of the organisation you work for), and any opinions expressed in your response. We will process personal data to inform our work as a regulator and in reviewing and developing complaints-handling rules and policy, both in the public interest and in the exercise of our official authority under the Financial Services and Markets Act 2000 (FSMA). Any information you provide in response to this publication will be shared with the Financial Ombudsman to assess your response, support FCA's ongoing regulatory policy development, enable a review of existing rules and practices on complaints-handling, and enable cooperation between the FCA and the Financial Ombudsman.

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Foreword by Sarah Pritchard and James Dipple-Johnstone

A redress system works best when it is clear, simple to use and trusted – by the consumers who rely on it when something goes wrong, and by the firms expected to put things right.

We've reached the latest milestone in our joint work with the Government to modernise the redress system. The aim throughout has been to improve alignment, predictability and early engagement across the system while maintaining strong and effective consumer protection.

The proposals in this document are focused on improving how the system works in practice. That means a smoother and more effective journey for consumers when problems arise, with complaints handled promptly, and fair and fast compensation where it's due. The Financial Ombudsman Service will continue to operate independently, making decisions that are fair and reasonable in individual cases.

Greater alignment between the FCA and the Financial Ombudsman Service, alongside greater clarity on what and when to escalate new emerging issues, will provide more certainty for firms on how problems will be handled, helping them to invest, grow and compete.

We're delivering change at speed by acting now within our current powers, including a new registration stage for complaints, updated dismissal grounds and clearer guidance on the fair and reasonable test. And we'll continue to work at pace across the whole of the regulatory system to support the Government's broader reforms.

By strengthening cooperation, encouraging earlier resolution and improving transparency, we're creating a redress framework that is fairer, more proportionate and effective – one that works better for everyone and builds confidence and trust in UK financial services.

We welcome your feedback and look forward to continued engagement with stakeholders as we work together to strengthen and modernise the redress framework.

Sarah Pritchard – Deputy CEO, Financial Conduct Authority

James Dipple-Johnstone – Interim Chief Ombudsman, Financial Ombudsman Service

16 March 2026

Chapter 1

Summary

- 1.1** In November 2024, the Chancellor's Mansion House Speech launched work to modernise the redress system, followed by an FCA–Financial Ombudsman call for input (CFI).
- 1.2** The Government, FCA and Financial Ombudsman have since developed proposals to improve outcomes for consumers and provide firms with greater certainty. In July 2025, the FCA and Financial Ombudsman consulted further through CP25/22, and the Government consulted on legislative changes, confirming today that it will legislate when Parliamentary time allows.
- 1.3** Ahead of legislation, the FCA and Financial Ombudsman have identified changes possible within the existing framework. This paper sets out those measures, including initial implementation of the new referral mechanism and proposed updates to the 'fair and reasonable' test. It also serves as both a consultation on the Financial Ombudsman related proposals and a policy statement finalising elements of CP25/22. It should be read alongside the Government's consultation response on legislative reforms.

The Financial Ombudsman's consultation proposals

- 1.4** The Financial Ombudsman is consulting on proposals in Chapter 2 which cover:
- Feedback to questions 8-12 from CP25/22 on introducing a registration stage at the Financial Ombudsman.
 - Amendments to the Financial Ombudsman's grounds for dismissing a complaint.
 - Amendments to the fair and reasonable test in DISP 3.6.4R to remove reference to the Financial Ombudsman considering good industry practice and to make clear that only the standards applicable at the time of the act or omission complained about will apply.

Outcomes the Financial Ombudsman is seeking

- 1.5** The Financial Ombudsman's consultation proposals seek to ensure that:
- The Financial Ombudsman can resolve complaints more quickly and informally, leading to faster and more consistent resolutions, reduced delays and improved outcomes for all parties. The proposals will also encourage earlier redress by firms.

The FCA's final policy proposals

- 1.6** The second part of this paper is a Policy Statement. The FCA has finalised policy positions on:
- Guidance in SUP 15 clarifying when firms should report emerging issues to us, alongside Non-Handbook Guidance which includes good and poor practice examples on how firms can proactively identify and resolve redress issues (Chapter 4).
 - Rule changes for improved efficiency by the Financial Ombudsman and the Financial Services Compensation Scheme (FSCS) (Chapter 6).
- 1.7** The Financial Ombudsman have also provided feedback to questions 4-7 from CP25/22 on specific activities and complaint procedures at the Financial Ombudsman in Chapter 5.

Outcomes the FCA are seeking

- 1.8** The proposals in our finalised Policy Statement seek to ensure:
- Improved operational efficiency for the Financial Ombudsman and FSCS leading to improved outcomes for consumers and levy payers.
 - Firms better understand how to identify issues that cause foreseeable harm to retail consumers at an early stage and resolve complaints more effectively and proactively.
 - Potentially significant or emerging redress events are identified earlier and notified to the FCA promptly, so problems can be resolved swiftly and efficiently.

Who this applies to

- 1.9** Our proposals are relevant to all consumers, firms and professional representatives involved in financial services where redress may be due. The proposals and finalised policy positions will also be of interest to policymakers in other regulatory bodies, industry advisers, consultancies, academics and think tanks, experts and media commentators.
- 1.10** The Financial Ombudsman has conducted its own analysis of its proposed changes, so we do not include a Cost Benefit Analysis (CBA) of these. We do not expect the changes we are making to create significant costs as they are largely clarifications and guidance on existing rules or streamlining existing processes. So we do not include a CBA of these changes as Section 138L of FSMA does not require one where we consider there will be no increase in costs, or the increases will be minimal.

What we want to change

1.11 We want greater predictability, certainty and transparency in the redress system.

1.12 As outlined in the summary, the Financial Ombudsman is asking for views on the following:

- Amendments to DISP 3 for the Financial Ombudsman to ensure only evidenced complaints are progressed through its process.
- Amendments to the Financial Ombudsman's dismissal grounds.
- Amendments to factors taken into account as part of the fair and reasonable test in DISP 3.

Measuring success

1.13 We will assess the success of our proposals through:

- Firms notifying the FCA earlier about emerging redress issues and taking appropriate steps to provide redress or to remedy these issues.
- Earlier identification of potential Mass Redress Events (MREs) leading to consumers receiving appropriate redress more promptly without the need to go to the Financial Ombudsman, and reduced MREs.
- Lower numbers of poorly evidenced/abandoned complaints referred to the Financial Ombudsman, improving the speed of service for other customers.

Next steps

1.14 The Financial Ombudsman welcome views by 11 May 2026 on their proposals in Chapter 2. To respond to this consultation, or to contact us before responding, please use one of the methods on page 2 in the 'How to respond' section. Annex 1 provides a full list of consultation questions.

1.15 Together, we aim to publish another Policy Statement on all the proposals consulted on later in 2026. The Treasury have outlined their approach on legislative reforms in their feedback paper.

Environmental, social & governance considerations

1.16 The FCA has considered the environmental, social and governance (ESG) implications of the final rule changes and guidance and its duty under sections 1B(5) and 3B(1) (c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021. We do not consider the final rule changes or guidance are relevant to contributing to those targets.

Equality and diversity considerations

Financial Conduct Authority

- 1.17** We do not consider our final policy changes will negatively impact any groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies). We believe the final policy changes will promote better, more consistent redress outcomes for all consumers, including those more vulnerable. For instance, the non-Handbook guidance on identifying and rectifying harm includes guidance on how firms should consider the needs of more vulnerable consumers, such as tailoring any communications and providing extra support where appropriate. SUP 15 guidance clarifying when firms should report foreseeable harm or systemic issues to us includes whether the issue has a strong likelihood of affecting consumers in vulnerable circumstances. The criteria to help us assess whether an issue should be treated as a potential MRE includes similar criteria focused on the impact on vulnerable consumers.

The Financial Ombudsman Service – on consulted proposals

- 1.18** A detailed Equality Impact Assessment of the agreed policy will be conducted and published alongside the final Policy Statement.
- 1.19** The Financial Ombudsman has not routinely collected data on protected characteristics in the past, to avoid any misperception by some consumers that this information might adversely impact the Ombudsman's decision making. Only date of birth and title/pronoun are collected for each complainant, which limits the ability to assess the impact the proposed changes will have on specific groups. To help with this assessment, data has been drawn from the FCA's Financial Lives 2024 survey.
- 1.20** Specific details of the EIA for the Financial Ombudsman proposals are in Annex 2. The Financial Ombudsman welcomes feedback and evidence on how the proposals in this consultation might affect different consumer groups, including those with protected characteristics. As part of its implementation, the Financial Ombudsman proposes to start collecting data on protected characteristics in future.

Chapter 2

Financial Ombudsman proposals

Section 1 – Consultation Proposals

This section of the paper covers the relevant proposals the Financial Ombudsman are consulting on.

- 2.1** In this section, the Financial Ombudsman summarises feedback from questions 8-12 in CP25/22 on the registration stage and sets out proposals for introducing this stage to the service. We also make proposals to amend and modernise the dismissal grounds and amend the current fair and reasonable test in DISP 3. These proposals align with the Government's response to its July 2025 consultation on the Financial Ombudsman.

Feedback to CP25/22 on Registration Stage

- 2.2** Respondents to CP25/22 broadly supported introducing a new registration stage before a complaint proceeds to full investigation by the Financial Ombudsman. Many stakeholders saw value in establishing a clear checkpoint to ensure complaints are appropriately evidenced and suitable for our jurisdiction. Firms in particular welcomed measures to reduce the volume of poorly evidenced or premature complaints. Consumer groups emphasised the importance of maintaining accessibility and support – especially for consumers in vulnerable circumstances. Respondents also raised concerns about the risk of delays, the burden placed on complainants to supply evidence and the potential for this stage to become a barrier to redress without appropriate safeguards.

We asked:

Question 8: Do you agree in principle with the introduction of a new registration stage before a complaint is investigated by the Financial Ombudsman?

Feedback

- 2.3** 81% of all responses agreed with introducing a registration stage. They felt it would improve complaint quality, reduce unnecessary referrals and discourage speculative cases. They asked for clear criteria, straightforward processes, and support for people who may struggle to provide information.

- 2.4** Claims Management Companies (CMCs) and other professional representatives generally opposed the proposal. They were concerned that an extra step could discourage valid complaints, especially for vulnerable or less financially confident consumers. They stressed the need for a simple process with safeguards to protect complainants.
- 2.5** Consumer groups supported the idea as long as accessibility is prioritised. They highlighted the need for plain language guidance, inclusive design and regular monitoring of the registration stage's impact – particularly on those who may be less able to navigate the process.

Our response

Given the strong support from respondents, we intend to proceed with appropriate safeguards for accessibility and those in vulnerable circumstances. This is in line with our established policies on such matters, which are published on our website and regularly reviewed/updated.

We asked:

Question 9: Do you agree that the registration stage will help complainants preparing and submitting complaints to the Financial Ombudsman?

Feedback

- 2.6** 53% of respondents said complainants would benefit from clearer guidance on the information needed at the outset to reduce delays. By setting expectations more clearly at the beginning, they believed complainants would experience a smoother journey and fewer avoidable delays. Respondents felt minimal information requirements should not necessarily be uniform and should adapt to the product, the complaint type and the complainant's circumstances.
- 2.7** However, CMCs remained unconvinced. Their responses suggest many consumers struggle to explain their situation in formal terms and may not understand what evidence is relevant. In their view, the risk is that complaints could be rejected or held up because someone did not express something in the correct way. They also raised concerns that the process could become more demanding than intended, shifting responsibility onto complainants instead of providing support.
- 2.8** Consumer organisations recognised that the registration stage could help if the guidance is practical and written in a way that does not assume prior knowledge. 47% of respondents called for explanations that use real world examples, avoid jargon and make clear what is and is not essential. Consumer groups stressed that some people will still need help navigating the process however clear the written guidance is and urged us to build accessible support into the system from the start.

Our response

We remain of the view that a registration stage will help complainants prepare and submit complaints to us by providing greater clarity on what is needed to progress a complaint. We want to make sure the customer journey remains simple, accessible and user friendly for all customers, with appropriate support where needed and clear guidance.

We asked:

Question 10: What safeguards should there be to ensure the registration stage does not limit access to justice, particularly for vulnerable consumers?

Feedback

- 2.9** 29% of those in favour of introducing a registration stage agreed that the registration stage must not restrict access for people who already face difficulty engaging with formal complaint processes. Consumer bodies were especially clear that many of those they support struggle with paperwork, digital forms or explaining their circumstances. They stressed the need for flexible evidential expectations, options to provide information verbally and routes for staff to follow up where written evidence is hard to obtain. They also urged that the tone of communications should be straightforward and sensitive to people in distress or with anxiety.
- 2.10** Firms supported the need for safeguards and emphasised that many complainants approach us with very limited understanding of what is required. They agreed the system must be adaptable enough to take account of individual circumstances and that reasonable adjustments should be standard rather than exceptional. They also raised the issue of transparency about decisions made at the registration stage, asking for simple explanations where complaints cannot proceed immediately.

Our response

We will take account of this feedback when implementing a registration stage. We will make sure it contains appropriate safeguards and does not limit access to justice for any consumer, in line with our published and regularly reviewed policies on accessibility and vulnerability.

We asked:

Question 11: Do you agree that the Financial Ombudsman being able to pause or pass back cases at registration would improve firms' ability to manage mass redress events or emerging regulatory issues?

Feedback

- 2.11** 60% of respondents supported the idea of pausing or passing cases back because they felt it would avoid parallel handling of related issues. Firms said this would give them time to reassess their position where underlying problems are still developing. They also believed this could reduce unnecessary interactions with us while work is underway to address systemic issues. Those in favour stressed that any pause must be clearly communicated to complainants and a predictable timeframe given to avoid prolonged uncertainty.
- 2.12** Concerns centred mainly on the potential for pauses to extend the time complainants wait without clear benefit. Consumer groups noted even short delays can create significant anxiety for some consumers, particularly those already facing financial or personal difficulties. They emphasised that pauses should be tightly controlled, used only when genuinely necessary and accompanied by clear information about what will happen next. Stakeholders also asked for reassurance that complainants would not lose referral rights or be disadvantaged if deadlines shift during a pause.

Our response

In light of the feedback, we remain of the view that (subject to potential future consultation and feedback) being able to pause or pass cases back at registration will improve the ability of firms to manage MREs or emerging regulatory issues. We accept the importance of ensuring clear communications and timeframes. Relatedly, the Government has confirmed in its consultation response that it is proceeding with its proposal to enable the FCA to pause complaints at FOS while it is determining whether a regulatory response is required. This mechanism will align with the Government's plans for handling mass redress, which is set out further in its consultation response.

We asked:

Question 12: Do you agree that the Financial Ombudsman should consider differential case fees for cases in the registration stage?

Feedback

- 2.13** Many firms supported differential fees, arguing that cases which do not proceed beyond registration would require much less work and should therefore attract lower charges. They felt this could help discourage speculative complaints and better reflect the effort involved in early stage triage. Some also suggested that firms should not be charged where cases are paused or returned for further information.

- 2.14** Others, including consumer bodies and some professional representatives, were more cautious. They warned that early fees could discourage smaller firms or organisations acting for vulnerable consumers. Stakeholders emphasised that fee structures should not influence how a complaint is handled or lead to unintended barriers. Some called for transparency about how the fee model operates and what safeguards will apply.

Our response

In light of this feedback, we are currently considering the implications of the registration stage proposal on our funding model. We will consult on funding model changes in the next FEES cycle in November 2026, as part of our Plans and Budget for 2027/28.

Overview of the Financial Ombudsman's response and next steps

- 2.15** In the previous consultation (CP25/22), we explained why a formal complaint registration stage is needed. The current DISP and FEES frameworks were built for a more linear casework process. Today, complaints arrive in varying states of readiness, with our staff undertaking substantial early work on cases before they are 'converted' from enquiries into 'complaints' and ready for investigation. Existing rules do not formally recognise this preparatory stage and the support it gives consumers and firms. Cases are currently converted without all the basic information necessary for an investigation.
- 2.16** While teams often request relevant information at an early stage, the current framework does not provide a clear, rules-based checkpoint to formally apply consistent expectations of 'case readiness' before cases officially progress to investigation. This can result in significant information gaps, with cases subsequently redirected or dismissed, creating delays.
- 2.17** We have now carefully considered all feedback on introducing a registration stage. We remain in favour of making new DISP rules to implement this proposal. The feedback has helped shape the next steps set out in this consultation and we are now in a position to consult on specific DISP 3 rule changes we believe are needed to implement a registration stage.
- 2.18** The changes aim to:
- Introduce a **distinct registration stage within the casework process**, creating a clear, rules-based checkpoint (requiring updates to DISP 3). None of the proposed rule changes affect existing time limits in DISP 2 or the Government's proposal to introduce an absolute time limit for when a complaint has to be referred, while giving the FCA the ability to make exceptions to this time limit. So, these proposals do not affect either the complaint-handling or jurisdiction criteria in DISP 1 and DISP 2, which are matters for the FCA.

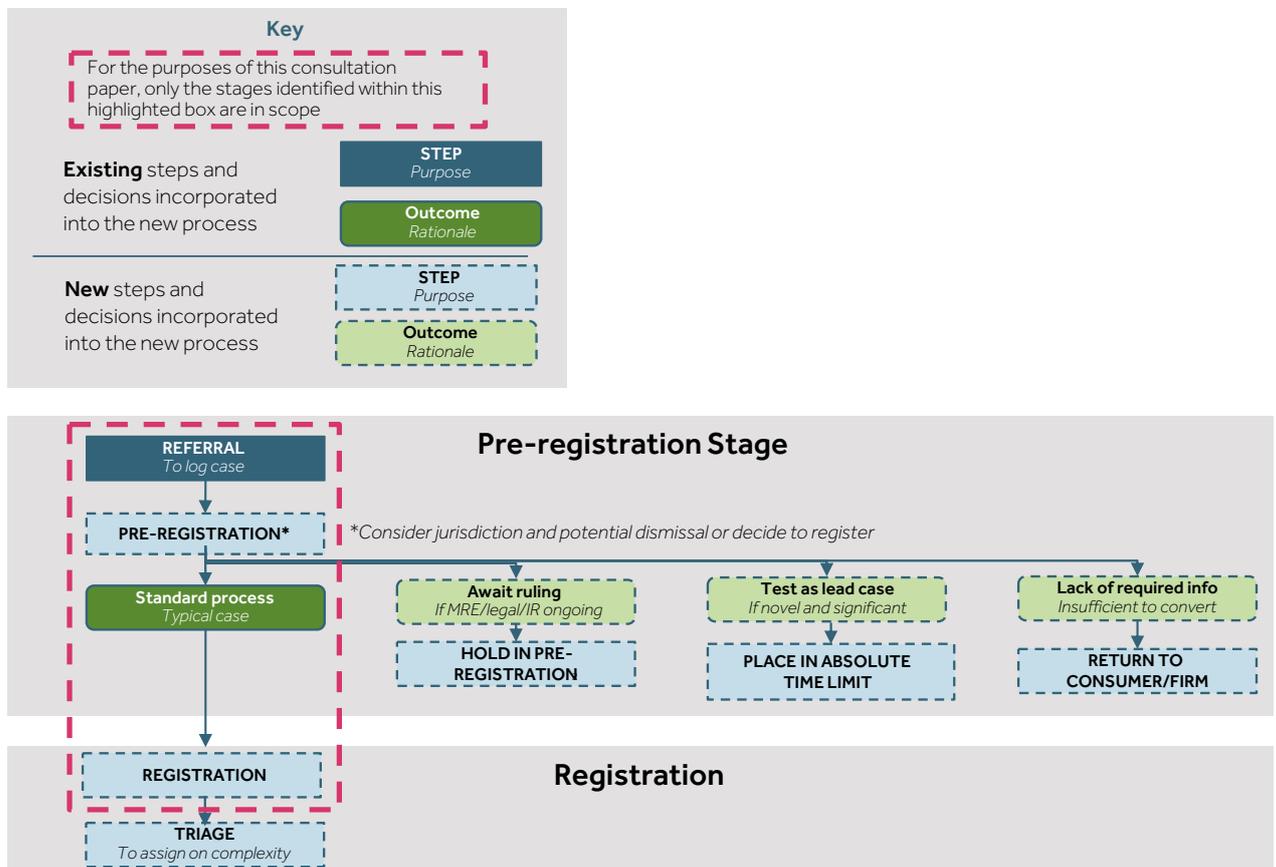
- Embed **a case readiness framework**, also in DISP 3. This will make sure only well-formed, appropriately evidenced complaints that are ready to be investigated are registered, improving operational agility and increasing transparency for all customers.
- Enable us formally to **hold cases before registration or move cases from the registered stage back to pre-registration** – for example, where cases relate to ongoing FCA regulatory action. This will give us greater agility in sequencing and routing cases in the future. This is particularly relevant in light of confirmation from the Government that it intends to proceed with the proposed legislative changes on MREs set out in its consultation.

2.19 The proposed model establishes 2 defined stages:

- A 'pre-registration stage', where early assessment and information gathering takes place, and
- A 'registration stage', where full investigation begins.

2.20 The following indicative flowchart further explains our proposed two-stage customer journey (see the section in red lines only). Please note that MREs, lead complaints, and absolute time limits are not covered in this consultation but may be the subject of a future one:

Indicative front-end casework process



Parts of this indicative front-end casework process may be subject to future legislative changes and further consultation

- 2.21** We do not expect many cases to stay in pre-registration for long as this stage is designed to help cases progress quickly where they are ready to be investigated. So the proposal is for a structured readiness check – not a long-term holding stage – supported by clear service standards and active case management. It may also be appropriate for cases to move back from the 'registration stage' to the 'pre-registration stage', for example, if the case requires regulatory input from the FCA, particularly on suspected MREs. If we ask a firm or complainant for information at the pre-registration stage, we will set clear deadlines and offer practical guidance (including support for customers in vulnerable circumstances). However, we may still move the case forward based on what we already have if necessary.
- 2.22** Proposed rules would be supported by non-exhaustive handbook guidance (subject to future consultation), updated as and when needed.
- 2.23** To support transparency and understanding, we will also publish explanatory materials – such as flowcharts and case studies – illustrating how the proposed 2 stage model (pre-registration and registration) operates across the referral to investigation journey. We have previously gathered early information about some types of complaints on a voluntary basis. But, without a formal registration stage, we cannot consistently assess case readiness across all complaint types or, subject to future consultation, potentially charge lower fees for cases resolved at the registration stage. Bringing in a rule-based registration framework will make this possible.
- 2.24** We are currently considering the implications of the registration-stage proposal on our funding model. We will consult on funding model changes in the next FEES cycle, in November 2026, as part of our Plans and Budget for 2027/28.

Overview of proposed rules and procedure – the registration stage

- 2.25** We propose to introduce an early-stage assessment to decide if a complaint is ready, and has sufficient evidence, before it can progress to the detailed investigation stage. The registration stage will help deliver proportionate and cost-effective case management. It will not change whether complaints are treated as 'referred' under existing rules nor amend jurisdictional criteria such as complainant eligibility, time limits, or territorial scope. Changes focus on the introduction of a dedicated registration section within DISP 3.
- 2.26** When an enquiry arrives, it will first enter the **pre-registration stage**. At this stage, we will carry out the early assessment and triage needed to decide whether it is ready for investigation. We will ask complainants and firms to provide specific information within set timeframes. This information will be limited to what is necessary for early assessment and will not amount to a full investigation. This stage will involve confirming jurisdiction, checking that necessary information has been provided (see next section), or closing the case if it has been withdrawn, resolved or clearly falls within one of the existing or new dismissal grounds (see below). This pre-registration stage also provides a formal point when a complaint may be held or paused, including where wider legal or regulatory issues require further consideration. For example, in multi-respondent cases or matters potentially linked to MREs. This will be the subject of future consultation, to make sure cases remain in the pre-registregistration stage until ready to progress.

- 2.27** If a complaint meets the threshold of being ready for investigation, it will progress to the registration stage, signalling that a caseworker can begin a full investigation.
- 2.28** Introducing a pre-registration stage aims to give both parties a clearer and more transparent start to their journey with us. In practice, this means we will give clear directions at the start on the key information and evidence we will always need to properly investigate a case and resolve it fairly.
- 2.29** This new stage will also mean we can identify if a consumer needs additional support or adjustments, ensuring the process remains accessible and inclusive – key feedback from the consultation. For respondent firms, the pre-registration stage introduces a clearer and more structured approach to how complaints are handled when they first come to us. In practice, this stage will involve working more closely with firms to set out, transparently and consistently, the core information that will always be needed for an investigation.
- 2.30** The pre-registration stage also complements our enhanced digital capabilities, including portals that enable parties to upload documents securely, receive prompts and stage progress in real time.

Example 1

Mr A believes he could be owed money from his credit card provider and complains to his lender, who issues a final response letter rejecting his complaint. He then refers the complaint to the Financial Ombudsman.

Currently, the complaint waits for a caseworker to pick up the case and request information. If Mr A does not respond, the case is closed as withdrawn and the firm may pay a full case fee. Under the proposed process, we would outline the information needed before assigning a caseworker. If after reasonable attempts to support Mr A, he does not respond, the case would be dismissed at pre-registration stage, which could mean a lower (or no) charge for the firm (subject to any future consultation on FEES). This ensures caseworkers focus only on complaints that are ready to be investigated, supporting faster and fairer outcomes for everyone.

Example 2

Mrs B makes a complaint to the Financial Ombudsman about an issue potentially linked to an MRE, and the firm has issued a final response letter. Under the proposed process (subject to future consultation), we could hold the complaint at the pre-registration stage while the FCA considers if a regulatory response is needed. This could mean, subject to any future consultation on FEES, that the firm does not incur a full or any case fee during this period.

Subject to a future consultation, holding or moving complaints into the pre-registration stage where they may involve a potential MRE, allows us to maintain flexibility and adapt our resourcing, while awaiting any further action or direction from the FCA on wider issues

2.31 We invite stakeholders to provide feedback on the proposed rules for introducing a registration stage, as set out in the draft instrument in the Appendix.

Question 1: Do you agree with the proposed rules to introduce a registration stage (pre-registration and registration stages), as set out in the Appendix? If not, please give evidence or reasons as to why not.

Readiness to investigate

2.32 We are seeking views on assessing case readiness in the proposed DISP 3 rules. Explaining these principles in the rules aims to make the casework process more transparent and consistent, while keeping the flexibility needed to apply them proportionately across different complaint types. The proposal is that the rules would establish a structure for case readiness and progression while the operational and technical detail would be set out in supporting guidance and refined as our approach to policy evolves. We and the FCA have jointly designed the proposed rule changes in the Appendix to establish a durable 'readiness for investigation' framework. This will provide Handbook guidance on what the Financial Ombudsman will consider when assessing readiness to progress, while allowing supporting non-Handbook guidance to be developed and updated over time in light of experience, ongoing engagement and evolving policy approaches. In practice, the assessment of whether a case is ready to be investigated aims to make sure that, at the point of registration, we have enough information to understand what the complaint is about, identify the material facts and evidence, and decide if it is ready to be progressed. This should not create a barrier to access our service or require complainants to provide overly detailed evidence at the outset in all cases. Under the proposals, complaints would be assessed in the pre-registration stage for eligibility, completeness, and if we have enough information and evidence to investigate the merits. Only complaints meeting this threshold would progress to the registration stage and be allocated to a caseworker.

2.33 Introducing a readiness assessment does not change a complainant's statutory right to have their complaint considered by us, nor create any new risk that a complaint will not

progress. Rather, it brings forward and makes more transparent existing considerations about whether a complaint can and should proceed to investigation. This will help complainants, firms and representatives better understand at an earlier stage what information is needed to resolve the complaint.

- 2.34** The framework will (subject to future consultation) also allow cases to move between stages as new information emerges. This strengthens early triage, supports more responsive case handling, particularly in systemic or potential MRE scenarios, and reduces reliance on informal processes. Feedback from the July 2025 consultation (CP25/22) and our joint policy work has led the Financial Ombudsman and the FCA to conclude that rules should avoid prescriptive evidential checklists. Instead, readiness to investigate would operate at high level in the proposed new rules, with product-specific requirements shaped through engagement with industry and consumer groups and published where appropriate.

Example 3

Ms C complains to her lender about being given a credit card that she could not afford due to existing debt. The lender rejects the complaint in a final response, and she then refers the case to the Financial Ombudsman.

Under the current process, the complaint waits in a queue until a caseworker is available. The caseworker then reviews the details and requests further information, which can add delay as the investigation cannot progress until all evidence is received.

Under the proposed new approach, we would gather the key information needed during the pre-registration stage to confirm whether the complaint is ready for investigation. The necessary information is identified and requested upfront before allocation to a caseworker.

In this example, Ms C would be asked early on for evidence about her financial circumstances at the time of lending, such as bank statements or a credit file. Once she provides this, the case will be passed to a caseworker to begin assessing its merits immediately.

This approach sets clearer expectations from the start, reduces unnecessary waiting, and enables caseworkers to progress cases more efficiently. It does not require all permutations or possibilities to be provided at registration. But it ensures the case has the key information that is usually needed for 'unaffordable lending' cases, so is sufficiently ready to be registered and investigated.

- 2.35** The information required varies by product and complaint type; a universal standard could deter complainants or prove impracticable. Instead, of a single evidential checklist, we plan to provide product-specific guidance for case readiness. See, for example, the non-exhaustive, illustrative examples of the type of evidence in DISP 3.1A.8G of the draft Rules Instrument for Registration in Annex 3. This approach offers flexibility and

clarity, allowing additional information requests during pre-registration, with cases advancing or closing based on readiness. We already make most of our information requests on a product-specific basis, with positive customer feedback about this.

- 2.36** The Financial Ombudsman and FCA propose amending DISP 3, not DISP 1, to support the structured registration stage, with details shaped through policy and engagement. The process will be tested and refined, with guidance communicated via published materials and updates. At the same time, collaboration with industry and consumer groups will ensure fairness and transparency while recognising differing evidential needs. We welcome feedback on balancing clarity for firms and accessibility for all consumers.

Question 2: Do you agree with the proposal for the Financial Ombudsman to assess whether a case is ready to investigate within the registration stage, recognising that it will develop and publish further supporting guidance to support the rules in due course? If not, please give reasons or evidence as to why not.

Question 3: Do you have any other comments, data, evidence, or suggestions regarding the proposed registration stage?

Amendments to the dismissal grounds

Overview

- 2.37** The proposed changes to the dismissal grounds follow the Government's confirmation that, when it replaces the 2015 ADR Regulations in Spring 2026, it will remove the Financial Ombudsman from the scope of that legislation. This provides an opportunity for us to provide clarity to complainants, professional representatives and firms about when we might decide not to consider the merits of a particular complaint. We consider the overall impact of this will be beneficial for complainants, firms and stakeholders, as well as make us more efficient. We will continue regularly to report key data on demand, performance, and outcome to the FCA (and also to the Secretary of State).
- 2.38** We know such changes need to be designed and implemented in a way that does not disadvantage complainants in vulnerable circumstances and ensures good access to an alternative quick and informal dispute resolution. We will address any equality gaps proactively and implement proposals that are fair and equitable for all complainants: see the EIA in Annex 2. We are actively seeking any data and evidence from respondents about the impact on vulnerability or protected characteristics.
- 2.39** We will also consult on funding model changes in the next FEES cycle, in November 2026, as part of our Plans and Budget for 2027/28.
- 2.40** We propose the following dismissal grounds. While some are new, others are modernised versions of those that existed before the requirements set out by the ADR Regulations 2015. We consider all proposed grounds are fair to all complainants (including ones in vulnerable circumstances) and will ensure the service remains fit for

purpose. They are also aligned with feedback both from CP25/22 and the Government's response to its July 2025 Review consultation on the Financial Ombudsman Service.

(1) The complaint is frivolous or vexatious.'

2.41 We currently have discretion to dismiss a complaint that we consider to be frivolous or vexatious. This is considered an essential ground for dismissal which we intend to keep.

Question 4: Do you agree that the Financial Ombudsman should retain the ability to dismiss complaints that are frivolous or vexatious? If not, please give evidence or reasons as to why not.

(2) The complainant has acted vexatiously, abusively or otherwise unreasonably in engaging with the Financial Ombudsman Service.'

2.42 We consider it necessary to add a specific ground for dismissing cases from complainants who have acted vexatiously, abusively or unreasonably. We receive multiple complaints from individuals who are frustrated with the complaint decision. The current 'seriously impair' rule in DISP 3.3.4A (5)R only covers types of complaint, not persons who impair our operational effectiveness.

2.43 We are proposing to add 'acted abusively or otherwise unreasonably', as there is often a crossover between these issues. The rule needs to be wide enough to cover different types of unacceptable behaviour which tend to disrupt fair and efficient dispute resolution.

2.44 We recognise that, by the time a complaint is referred, a complainant may be frustrated or upset and may be facing difficult financial or personal circumstances. We have a duty to ensure our staff are protected from abuse and are treated with courtesy and respect in discharging their duties. We also have a duty towards other complainants (and firms) whose cases are being delayed by vexatious, abusive or unreasonable customers.

2.45 We have issued a first-stage warning about unreasonable or abusive behaviour in over 1,300 cases since 2019. In some cases, we have had to involve the police and courts due to abuse, threats of violence or malicious communications towards our staff.

2.46 Unreasonable behaviour does not have to be abusive or unlawful to be damaging to fair and effective ADR. Some individuals refuse to cooperate with reasonable casework directions, follow normal process or comply with information requests. We have also seen cases where complainants deliberately mislead us or the respondent firm through forging documents or presenting vague and contradictory versions of events to hinder the process or manipulate the outcome.

2.47 Unreasonable behaviour also includes situations where the complainant has failed to engage with us or the respondent firm. However, we recognise that some complainants are vulnerable or make innocent mistakes. Such mistakes would not mean the complainant would be considered as having acted unreasonably or for material gain.

2.48 Handling complaints from vexatious, abusive or unreasonable complainants cost us, and potentially respondent firms, time and resource. This is why we consider it appropriate to have the discretion to dismiss complaints from complainants who have a history of acting vexatiously, abusively or otherwise unreasonably – and who refuse to comply with alternatives offered via our Unreasonable Behaviour Policy, such as communicating through a representative or dedicated channel. Because this new ground still applies to a specific complaint, there will be an opportunity for representations by individuals before any dismissal on a case-by-case basis. A dismissal will not affect their existing legal rights against a firm or operate as a lifetime bar on referrals to us.

Question 5: Do you agree that the Financial Ombudsman should be able to dismiss complaints where complainants have acted vexatiously, abusively or otherwise unreasonably? If not, please give evidence or reasons as to why not.

(3) The respondent has reviewed the subject matter of the complaint in accordance with:

- (a)** the regulatory standards for the review of such transactions prevailing at the time of the review; or
- (b)** any formal regulatory requirement, standard or guidance published by the FCA or other regulator in respect of that type of complaint.

(including, if appropriate, making an offer of redress to the complainant), unless the Ombudsman considers that they did not address the particular circumstances of the case.'

2.49 We consider reintroducing this dismissal ground is necessary for the future. Regulatory standards, guidance, or requirements have previously been implemented for various products that may have potential for financial loss and complaints. For example, the 1988 Pension Review covered cases where people were advised to opt out of occupational pension schemes. The Securities and Investment Board (SIB) and the Financial Services Authority (now FCA) established a review for sales of personal pension policies that may have been affected. The methodology for calculating compensation for the loss of guaranteed benefits was included within the Pension Review guidance. Here, we were able to dismiss complaints if we were satisfied a firm had reviewed a case in line with that guidance. Periodic guidance was issued by the SIB and FSA until 2003. In the event of similar scenarios, the reintroduction of this specific dismissal ground would provide clarity for us and our customers.

2.50 We do not consider it would be appropriate to take on cases for investigation where a firm has already reviewed the complaint in accordance with any requirements imposed by the relevant regulator. This aligns with feedback from the Government's Review and CFI that we should not act as a regulator.

2.51 This proposed dismissal ground is in relation to reviews, requirements, guidance or standards that have been put in place to prevent a specific financial harm. It is not to be

confused with consumer redress schemes under s. 404 of FSMA, where widescale harm has already occurred and needs remedying.

Question 6: Do you agree that the Financial Ombudsman should be able to dismiss complaints where the respondent has reviewed the subject matter of the complaint in accordance with (a) the regulatory standards for the review of such transactions prevailing at the time of the review; or (b) any formal regulatory requirement, standard or guidance published by the FCA or other regulator in respect of that type of complaint? If not, please give evidence or reasons as to why not.

(4) The respondent has reviewed the subject matter of the complaint and issued a redress determination in accordance with the terms of a consumer redress scheme.'

- 2.52** Consumer redress schemes to which this provision applies include firm-specific redress schemes made under s. 55L FSMA and s. 404F(7) FSMA, as well as redress schemes made under s. 404 FSMA.
- 2.53** For complaints which fail to be dealt with under a redress scheme, the Financial Ombudsman must determine these complaints in accordance with the scheme rules as a result of s. 404B FSMA. This does not prevent the Financial Ombudsman dismissing a complaint about a redress scheme where there are other reasons for the Financial Ombudsman not to consider the merits of the complaint, for example where the complaint is out of jurisdiction or vexatious.
- 2.54** An Ombudsman will still be able to consider aspects of the complaints which genuinely do not fall within the scope of the redress scheme. A discretion to dismiss in such cases would enable us efficiently to filter out between cases where a complainant fundamentally disagrees with how a firm complied with the redress scheme requirements and complaints relating to issues beyond the scope of the redress scheme.
- 2.55** This proposal will not adversely affect consumers who need to complain if a firm fails to comply with the terms of the FCA's forthcoming Section 404 redress scheme for cases about Motor Finance Commission (MFC).
- 2.56** We propose to consult on the wording as proposed, however we may revisit this dismissal ground should the Government make any changes to s404B as part of the wider reforms published today.

Question 7: Do you agree that the Financial Ombudsman should be able to dismiss complaints where, the Financial Ombudsman is satisfied, having considered its responsibilities under s 404B FSMA, the respondent has reviewed the subject matter of the complaint in accordance with a consumer redress scheme? If not, please give evidence or reasons as to why not.

(5) The subject matter of the complaint has previously been considered or excluded under the Financial Ombudsman Service (unless material new factual evidence which the Ombudsman considers likely to affect the outcome has subsequently become available to the complainant).'

2.57 We have always had the power to dismiss a further complaint about the same subject matter which we have already considered or 'excluded' (the official term for a case that is dismissed or out of jurisdiction). There is an exception if the complainant has material new evidence that is likely to make a difference to the outcome. For example, where a respondent firm had withheld a crucial expert report or where the firm has recovered data. The material new evidence needs to have subsequently become available since we previously considered or excluded the complaint.

2.58 We want to keep this important dismissal ground to prevent multiple referrals about the same matter and ensure there is finality to proceedings. However, we propose to modify the ground to clarify that the exception will only apply if the material new evidence relates to facts as opposed to additional 'new' arguments or changes in caselaw or regulations. This is on the basis that a complainant receives an outcome that is fair and reasonable at the time of determination and not with the benefit of hindsight after the legal or regulatory landscape has shifted, or after a complainant has sought an expert report that could and should have been raised while the original complaint was still live.

2.59 So we propose amending the relevant dismissal ground to make it clear that only new 'factual' evidence will suffice if a new complaint is to be admitted on a subject matter already decided or excluded.

Question 8: Do you agree that the Financial Ombudsman should be able to bring finality by dismissing complaints where the subject matter of the complaint has previously been considered or excluded under the Financial Ombudsman Service? If not, please give evidence or reasons as to why not.

Question 9: Do you agree with the addition of 'factual' into the existing rule? If not, please give evidence or reasons as to why not.

(6) 'Issues relevant to the subject matter of the complaint have been dealt with, or are being dealt with, by a comparable complaints scheme, regulatory or law enforcement body or dispute resolutions process.'

- 2.60** This proposed ground includes dismissal powers that we have previously held or currently hold but which would be extended to cover live investigations by a regulator, law enforcement, comparable complaint schemes or dispute resolution processes. Extending the ground to cover 'issues relevant' to the complaint's subject matter will prevent us having to keep investigating multiple cases even though we have already decided on a relevant background fact. For example, where we are satisfied that an alleged fraudulent investment scheme is in fact just a civil dispute, so outside the scope of the regulator's mandatory reimbursement rules for APP fraud and scams.
- 2.61** We were established as an informal dispute resolution service with commensurate powers and processes. Our powers to obtain and examine information and evidence are limited and only cover the relevant parties to a complaint. We cannot compel third parties to provide information. Law enforcement or regulatory officials have greater legal powers than us to carry out certain investigations. Their findings could have a direct bearing on our outcomes. By not waiting on the results of such proceedings, our outcomes might not be fair and reasonable for either of the parties or could potentially prejudice future legal procedures or trials. We should be able to explain to affected complainants that we can't progress or undertake such cases unless circumstances outside our control change. If things do change, for example a successful prosecution, complainants can return to us as this may constitute new factual evidence for the case.
- 2.62** This scenario is not the same as our registration stage proposals, when we might need to 'hold' complaints while relevant factors outside our control are ongoing, such as litigation by third parties rather than the complainants. As we have a duty to take account of the law, a court's judgment in other people's litigation might affect the outcome of complaints with us, so affected cases need to be held rather than registered. By contrast, we would only dismiss cases where the subject matter of a particular complainant's actual case was also the subject matter of ongoing investigations by comparable schemes, or law enforcement, or the courts (see 7(b) below), etc.
- 2.63** Where another complaints scheme or dispute resolution process is already addressing the subject matter of a complaint, it will be rarely appropriate for us also to consider the same matter. To do so would be a duplication of investigations and could undermine the other schemes.

Question 10: Do you agree that the Financial Ombudsman should be able to dismiss complaints where the subject matter of the complaint has been dealt with, or is being dealt with, by a comparable complaints scheme, regulatory or law enforcement body or dispute resolution process? If not, please give evidence or reasons as to why not.

- (7)** The subject matter of the complaint:
- (a)** has been the subject of court proceedings such that it would be inappropriate for the Financial Ombudsman Service to consider the merits of the complaint; or
 - (b)** is the subject of current court proceedings, unless proceedings are stayed or sisted (by agreement of all parties, or order of the court) so that the matter may be considered by the Financial Ombudsman Service; or
 - (c)** would be more suitable to be dealt with by a court, arbitration or another complaint scheme or dispute resolution process; or
 - (d)** is about employment matters from an employee or employees of a respondent; or
 - (e)** is about investment performance; or
 - (f)** is about:
 - (i)** a respondent's decision when exercising a discretion under a will or private trust; or
 - (ii)** a respondent's failure to consult beneficiaries before exercising a discretion under a will or private trust, where there is no legal obligation to consult.'

2.64 Regarding (a) and (b), we have always had discretionary powers to dismiss a complaint where it has been or is the subject of court proceedings. This is a common feature of many UK ombudsman schemes. We consider these grounds to be vital ones that we intend to retain.

2.65 Regarding (c), we currently have the ability to dismiss complaints in circumstances similar to this (see DISP 3.3.4B G (1)). We consider it appropriate to retain this power. Currently, our ability to dismiss a complaint is restricted to ADR Entities under DISP 3.3.4B G (1). This proposed amended dismissal rule would enable us to dismiss a wider range of entities, where appropriate.

2.66 In the same vein, we also propose removing the requirement for consent in DISP 3.4.1R (2) for referral to another complaints scheme. If that is the best scheme to resolve the complaint, it should be possible to redirect the complaint to that scheme as quickly as possible for the benefit of all parties.

2.67 Regarding (d), we sometimes receive complaints from employees of respondent firms about the financial services and products they use. These complainants are entitled to make complaints. However, occasionally these arise from matters involving the employment relationship or employment benefits such as staff benefits an employee receives on a financial product or service. We do not consider it is appropriate for us to resolve what is effectively a dispute between an employer and its staff. That

is the function of employment tribunals. Hence the proposal to reintroduce this dismissal ground.

- 2.68** Regarding (e), many complaints that appear to be about investment performance are often actually a complaint about the suitability of the underlying investment itself. Reintroducing this pre-2015 rule is not meant to affect us taking on such complaints. However, we still receive complaints about how an investment has performed. A badly performing investment is not necessarily evidence of wrongdoing. So we propose reintroducing this ground for complaints where investment performance is the sole issue of complaint.
- 2.69** Regarding (f)(i) and (f)(ii), some respondent firms are appointed as trustees of private trusts or have executor powers under a will. The relevant trust or will document will set out the powers and responsibilities of the trustee or executor. This may include the circumstances where they can take (or not take) certain actions at their own discretion.
- 2.70** While complaints can arise about the respondent firm exercising this power, it is rarely appropriate for us to consider them. The trust/will documents set out when and in what circumstances the respondent firm has discretion. It may not be appropriate for us to consider a complaint about a respondent exercising its legitimate discretion in such circumstances. This is another pre-2015 dismissal ground that we want to reintroduce.

Question 11: Do you agree that the Financial Ombudsman should be able to dismiss complaints where the complaint has been or is the subject of court proceedings? If not, please give evidence or reasons as to why not.

Question 12: Do you agree that the Financial Ombudsman should be able to dismiss complaints that are more appropriate for court, arbitration or another complaint scheme or dispute resolution process? If not, please give evidence or reasons as to why not.

Question 13: Do you agree with reintroducing a dismissal ground for complaints about employment matters from an employee, or employees, of a respondent? If not, please give evidence or reasons as to why not.

Question 14: Do you agree with reintroducing a dismissal ground for complaints purely about investment performance? If not, please give evidence or reasons as to why not.

Question 15: Do you agree with reintroducing a dismissal ground for complaints relating to a respondent's discretion under a will or private trust. If not, please give evidence or reasons as to why not.

(8) It is a complaint which:

- (a)** involves (or might involve) more than one eligible complainant; and
- (b)** has been referred without the consent of the other complainant or complainants;

and the Ombudsman considers that it would be inappropriate to deal with the complaint without that consent.'

2.71 Many financial products and services are provided to multiple customers – for example, joint bank accounts and joint insurance policies. Some complainants are inherently made up of more than one person, such as some commercial complainants or trustees of a charity or trust.

2.72 It is not always appropriate for us to consider complaints where there is more than one eligible complainant, and where a complaint was referred without the consent of the others. Doing so could mean we are missing evidence to reach a fair and reasonable outcome; or reach an outcome that prejudices the other concerned parties. Sometimes the dispute might be between the eligible complainants. For example, a married couple may disagree over how their insurer has dealt with a potential claim, or how a bank allowed access to their joint account. It is not appropriate for us to be involved in disputes between private individuals.

2.73 We have always had the ability to dismiss complaints in such circumstances, and we consider it appropriate to keep this as a dismissal ground. Like all dismissal grounds, it is a discretionary power and would not have to be exercised if, for example, there was evidence of vulnerability such as domestic/economic abuse or coercion.

Question 16: **Do you agree that the Financial Ombudsman should be able to dismiss complaints where there is more than one eligible complainant, but they have not all consented to the complaint? If not, please give evidence or reasons as to why not.**

(9) There are other compelling reasons why it is inappropriate for the complaint to be dealt with under the Financial Ombudsman Service.'

2.74 We propose to reintroduce a ground which enables us to dismiss a complaint where there are compelling reasons to do so. This will replace the current 'seriously impair' rule, which only applies to a 'type' of complaint that would otherwise seriously impair the effective operation of our service. The new ground would give us the discretion to dismiss cases based on their individual circumstances.

2.75 Guidance in DISP 3.3.4D G, will provide a list of example situations where such compelling reasons may arise. This guidance is illustrative and not exhaustive and is included to provide an example of when we may exercise our discretion.

2.76 The proposed non-exhaustive examples are:

- (1)** the complainant has not suffered (or is unlikely to suffer) material financial loss, material distress or material inconvenience; or
- (2)** the complaint clearly does not have any reasonable prospect of success; or
- (3)** the respondent has already made an offer of compensation (or a goodwill payment) which is (i) fair and reasonable in relation to the circumstances alleged by the complainant; and (ii) still open for acceptance; or
- (4)** with knowledge of the right to refer a complaint to the Financial Ombudsman Service, the complainant has already concluded a full and final settlement with the respondent regarding the subject matter of the complaint; or
- (5)** the Ombudsman considers that the complaint is about the legitimate exercise of a respondent's commercial judgment; or
- (6)** the compensation sought under the complaint would significantly exceed the award limit in DISP 3.7.4R.'

2.77 The first example being proposed covers situations where the complainant has not suffered, or is unlikely to suffer, material financial loss, distress or inconvenience. As a not-for-profit, independent public service, we are funded through an industry levy and individual case fees (including professional representatives). We must use our funding responsibly and are committed to efficiencies and reducing the cost of the service where possible.

2.78 So we are consulting on whether we should investigate a complaint where the alleged financial losses or compensation sought are immaterial, making the cost of resolving the complaint disproportionate to its subject matter. For example, where the compensation involves only a few pence or pounds, or where there has been no financial loss, distress or inconvenience.

2.79 The second and third examples we propose involve complaints with no reasonable prospect of success, or situations where a fair and reasonable offer is still available. While most complaints require us to assess their individual merits, some are referred where it is clear that, even accepting everything the complainant says at face value, there is no reasonable prospect of the complaint being upheld. For example, complaining about the established and lawful practice of deducting an insurance policy excess. Where a complaint has no realistic chance of succeeding or an existing offer provides an appropriate resolution, it is not appropriate for us to investigate.

- 2.80** The fourth example in the proposed guidance at DISP 3.3.4D G involves situations where a complainant has accepted an offer in full and final settlement despite having referred their complaint to us. Where a complainant has accepted an offer in the knowledge that it would be a full and final settlement, there is no longer an ongoing dispute that needs to be resolved and for us to be involved. We would consider any mitigating circumstances, such as vulnerability, which could have had a bearing on the decision to accept.
- 2.81** The fifth example concerns complaints involving a respondent's commercial judgment. It is not always appropriate for us to consider these complaints. For example, if the complaint is about an insurer's reliance on objective actuarial data to assess risk when underwriting a policy, it may fall under our jurisdiction, but it is a matter of the firm's commercial judgment which risks its underwriters wish to cover or decline. If that judgment has not been exercised legitimately (e.g. unlawful discrimination or pricing that is deemed unfair under Consumer Duty), then it would not be appropriate to dismiss the complaint.
- 2.82** We propose to introduce a new example – (6) – covering complaints where the compensation sought significantly exceeds our statutory cap on money awards. This will not prevent us taking on cases just because the amount sought is over the statutory cap. We may also consider, for example, whether the additional amount is proportionally insignificant compared with the potential redress overall or whether complainants in vulnerable situations who have no viable alternative face practical limitations.
- 2.83** We can require firms to pay awards up to the statutory cap which the FCA sets and reviews, and which is automatically adjusted annually in line with inflation. Where the complainant's loss exceeds this amount, we can recommend a firm pay the balance, but we cannot require it to do so. A complainant who accepts an award for part of a bigger loss cannot, in law, sue for the remainder – and we want to avoid prejudicing a complainant's legal rights.
- 2.84** We know complainants will sometimes not be able to pursue matters through alternative routes such as the courts. Some complainants may also be willing to accept that, even if we fully uphold their complaint, there may be a discrepancy between the redress the firm is ordered to pay and the total amount in dispute. We would take that into consideration in deciding whether the case was appropriate for our service.
- 2.85** However, complaints are sometimes referred to us for very large sums and, in some cases, just to get an 'in principle' outcome to inform legal action. That is not the intended purpose of our scheme, so it might be a compelling reason to dismiss a complaint if the sums at stake are significantly greater than the statutory cap on awards.
- 2.86** This is not intended to be a complete list. Together with the other dismissal grounds, it gives a clear indication of the types of situations where there may be a compelling reason not to take on a complaint. We could review or consult on internal guidance to ensure this ground is being used appropriately and as intended.

2.87 We considered whether it would be preferable to include the grounds for proposed guidance in DISP 3.3.4D G as separate rules in their own right, rather than just guidance under 'other compelling reasons'. This was the case for certain grounds before 2015. We do not think this makes a practical difference to outcomes, but would welcome feedback on whether the 6 guidance reasons proposed above should instead be standalone dismissal rules.

Question 17: Do you agree that the Financial Ombudsman should be able to dismiss complaints for other compelling reasons? If not, please give evidence or reasons as to why not.

Question 18: Do you agree with the examples that are proposed for DISP 3.3.4D G? If not, please give evidence or reasons as to why not.

Question 19: Do you think the six examples that are proposed as guidance for other compelling reasons in DISP 3.3.4D G should instead be separate rules in their own right?

Other ADR Related Changes

2.88 Within DISP 3, there are also other changes we propose to make at the same time as refreshing the rules on ADR and dismissals. These involve the need to get the consent of the parties under the ADR Regulations and the language used within the rules. The FCA Handbook Glossary will need amending to take into account changes to rule numbering.

2.89 Proposed changes include amending the case-management powers in DISP 3.5.9 R(4) and DISP 3.5.15 R(2). This means we will be able to dismiss a case if a complainant fails to supply evidence or comply with a casehandling deadline instead of just treating it as withdrawn. This approach resolves any transitional issues for cases referred before and after the commencement date of the new dismissal grounds.

2.90 Having both options available also provides flexibility. For example, in situations where a complainant is non-responsive to deadlines and reminders, we can simply treat the case as withdrawn. But also having the right to dismiss allows us to manage the progress of cases efficiently if a complainant behaves unreasonably or vexatiously, such as repeatedly refusing consent for a case to progress to the final-decision stage. Being able to cite dismissal will give a clear signal and, in many cases, enable the case to get back on track in line with the normal customer journey. This dual approach will ensure we have the appropriate tools to manage different scenarios efficiently and fairly.

2.91 The affected rules are:

DISP rule	Reasons for change
<p>DISP 3.4.1R Referring a complaint to another complaints scheme or court, which currently requires the complainant's consent.</p>	<p>Some complaints are being dismissed under the 'seriously impair' ground but without a corresponding example in DISP 3.3.4BG that does not require the other scheme to be a comparable ADR entity.</p>
<p>DISP 3.4.2R Test cases</p>	<p>ADR Regulations required the complainant's consent before a complaint was referred to a court to consider as a test case. Before, the Financial Ombudsman can consider using this power we propose removing the need for complainant's consent but instead require the Financial Ombudsman to consider the likelihood that the parties will actually take the complaint to court. This is to mitigate the risk that a complaint is dismissed by the Financial Ombudsman but then the parties do not actually take it to court to be dealt with.</p>
<p>DISP 3.5.9R(4) Evidence</p>	<p>In 2015, because of the ADR Regulations, the Financial Ombudsman had to amend its evidential and case handling rules to remove reference to dismissal and replace this with 'treat as withdrawn and cease to consider the merits'. The Financial Ombudsman believes it should have the power to dismiss a complaint if a complainant, or their representative, refuses to comply with its reasonable case handling directions on how and when evidence should be presented.</p>
<p>DISP 3.5.15R(2) Procedural time limits</p>	<p>As above.</p>
<p>Glossary Chargeable Case</p>	<p>This aligns the references in this definition to the proposed rule numbers.</p> <p>The Financial Ombudsman will consider the implications of these proposals on its funding model and will consult on any changes in its annual Plan and Budget with a view to implementing any changes in 2027/28</p>

2.92 The draft Rules Instrument set out in the Appendix also includes the changes that we are proposing to make to other DISP 3 rules set out in the table above.

Question 20: Do you agree with the Financial Ombudsman's proposed changes to DISP 3 (as set out in the Appendix)? If not, please give evidence or reasons as to why not.

Fair and reasonable test

Overview

- 2.93** CP25/22 stated that the Government's review of the Financial Ombudsman had concluded that the fair and reasonable test should be adapted so that, where FCA rules are relevant, acting in line with those rules and their intent will mean a firm has behaved fairly and reasonably. We said that, if these proposals proceeded, we would consider short term steps – such as potential changes to our rules in DISP 3.
- 2.94** The Government has now announced, in the response to its consultation on the Financial Ombudsman, details on an adapted fair and reasonable test. As a result, we are proposing 2 targeted amendments to DISP 3.6.4R for clarity and to align with the emerging legislative direction. First, we propose removing 'good industry practice' as a relevant consideration when determining what is fair and reasonable. Some stakeholders have concerns this term can appear subjective and create uncertainty and feel removing it would reduce the risk of potential misalignment with FCA rules, guidance and standards. Second, we propose clarifying that only the standards applicable at the time of the act or omission complained of should be taken into account, responding directly to industry concerns about the potential for retrospective interpretation. Together, these changes would provide greater transparency about how an Ombudsman exercises their judgment and, in alignment with the Government's response to its consultation, support wider reforms to modernise the fair and reasonable test.
- 2.95** The changes proposed are as follows (*underlined text is new; deletions to existing text are struck through*):

3.6.4 R In considering what is fair and reasonable in all the circumstances of the case on a complaint referred to the Financial Ombudsman Service on or after [commencement date], the Ombudsman will take into account:

- (1)** what was, at the time of the act or omission, relevant:
 - (a)** law and regulations;
 - (b)** regulators' rules, guidance and standards; and
 - (c)** codes of practice, and
- (2)** ~~(where relevant to the subject matter of the complaint) what he considers to have been good industry practice at the time~~

Question 21: Do you agree with the proposed changes to DISP 3.6.4R? If not, please give reasons or evidence as to why not.

Chapter 3

Improved predictability, consistency and outcomes

Section 2 – Policy statement

In this following section of the paper, the FCA and Financial Ombudsman outline feedback to questions in CP25/22. The FCA also details final policy positions on proposals.

- 3.1** This chapter looks at how we can ensure greater predictability, consistency and certainty in redress outcomes for firms and consumers. We also address the feedback to Question 1 in CP25/22 about how the FCA defines Mass Redress Events (MREs).

Process for the Financial Ombudsman to seek the FCA's view on its regulatory requirements

- 3.2** The FCA and Financial Ombudsman always try to work closely to assist the Financial Ombudsman in understanding FCA requirements and applying them consistently when considering complaints. We also collaborate on issues that could have wider implications across the financial services industry through the Wider Implications Framework (WIF). Last July, we updated our Memorandum of Understanding (MoU) to set out enhanced cooperation mechanisms when we identify an issue with wider implications or a possible MRE. The Government has announced that it will legislate, when Parliamentary time allows, to formalise this cooperation through a referral mechanism which feeds into the broader programme to modernise the redress system. As with amendments to the fair and reasonable test, operationalisation of our amended MoU signals the direction of travel and is consistent with the proposed statutory changes.

Transparency around the approach to Ombudsman decisions

- 3.3** In their Review of the Financial Ombudsman Service, the Government consulted on proposals to make the Financial Ombudsman's approach to resolving cases more transparent. The Government proposed to place a requirement on the Financial Ombudsman to publish quarterly thematic guidance on how particular types of case are investigated and how they would expect to see the relevant FCA standards applied to these cases. The FCA and Financial Ombudsman welcome feedback on these plans, which the Government has confirmed it is taking forward. The FCA and Financial Ombudsman will set out next steps on the reports in due course.

“Read across rules”

- 3.4** We have received feedback from firms that the DISP guidance on factors firms may take into account when considering complaint (sometimes referred to as the “read-across rules”) can in practice result in individual Ombudsman decisions being perceived as setting binding expectations. Firms are concerned that this can in effectively create new standards without going through the FCA’s formal policymaking and consultation processes. They argue that this can blur the boundary between the FCA’s role as rule-maker and the Financial Ombudsman’s role as an alternative dispute resolution body, reduce predictability and legal certainty, and lead to standards being applied beyond their intended scope, particularly in principles-based or novel areas. Firms also highlight the operational and cost burdens associated with aligning complaint-handling processes to evolving Ombudsman approaches, and the risk that expectations develop incrementally through Ombudsman decisions in areas where there has been limited FCA policy engagement or oversight.
- 3.5** We recognise the need to consider the operation of the “read-across” rules carefully in the context of the wider package of redress reforms. Our intention is therefore to return to this issue in a later publication, once there is greater clarity on how the read-across rules interact with other elements of the reform programme. In particular, further assessment will be needed of how our rules and guidance operate alongside proposals on thematic reporting and lead complaints, and whether those reforms address some of the underlying concerns around transparency, predictability and alignment. Ahead of any legislative change, the FOS and the FCA will work with the Government to consider how greater clarity could be provided, including the role of thematic reports in helping firms understand the FOS’s approach, rather than relying on individual decisions, and consider how soon this clarity could be provided.

Defining mass redress events

- 3.6** In CP25/22, we proposed to define and identify potential MREs against 6 criteria, all commonly identified in past MREs. We chose the criteria based on experience and considering respondents’ views to our [Call for Input](#) published in November 2024. We did not propose to set rigid thresholds or set how many criteria must be met for a problem to become an MRE. Instead, we emphasised the need to exercise reasonable judgement when assessing issues against the criteria to identify if an emerging MRE exists.
- 3.7** The criteria we proposed were:
- a.** Affects a high number of consumers.
 - b.** Has a significant impact on individual consumers, including those in vulnerable circumstances.
 - c.** Is likely to lead to a high redress bill.
 - d.** Results in a significant number of firms being unable to meet their redress liabilities.

- e. Leads to a high number of Financial Ombudsman complaints.
- f. Is driven by a systemic/repeatable failing that damages confidence in the financial system.

3.8 We asked:

Question 1: Do you agree with the proposed criteria for considering whether an issue is an MRE?

Feedback

- 3.9** There was broad support for the proposed criteria, with nearly 90% of respondents, including both industry and consumer representatives, giving some level of agreement. Overall, stakeholders felt the criteria provided a reasonable starting point that reflected key characteristics seen in previous MREs. A broad range of respondents welcomed the flexible, non-prescriptive approach. They acknowledged the need for a framework capable of adapting to diverse firm issues and market contexts, including differences in firm size, characteristics and consumer profile.
- 3.10** Some respondents, including regulatory consultancies, were concerned that the absence of rigid thresholds or examples could lead to the FCA applying the criteria inconsistently, particularly when considering issues involving smaller firms or more niche products. Conversely, others such as consumer groups tended to support the lack of rigid thresholds.
- 3.11** Respondents suggested a range of ideas to refine or expand the criteria, including:
- a. Adding references to firm and sector concentration;
 - b. Considering explicitly the timing of issues (for example, whether they are historic or recently emerged), and including more forward-looking aspects to better capture emerging or growing risks
 - c. Acknowledging areas of legal uncertainty
 - d. Recognising the potential for political or media attention to increase consumer harm.
 - e. Ensuring that both firm and Financial Ombudsman complaints are considered.
 - f. Clarifying that 'systemic or repeatable failing' should be a primary factor but not limited solely to breaches of FCA rules.
- 3.12** Some respondents, including industry representatives, called for more illustrative examples and internal guidance to support consistent application of the criteria. They suggested this would be particularly useful for borderline or more complex cases and could help case assessors consistently interpret terms such as 'high redress bill' or 'significant impact'.
- 3.13** Several respondents representing specific sectors asked for clarification on how the definition applies to certain types of harm or sector-specific contexts, requesting further clarification on its practical application. Other stakeholders, typically consumer groups and MPs, asked what role other affected stakeholders beyond firms could play in flagging issues to the FCA as potential MREs emerge.

Our response

We welcome the strong support for our proposed approach to defining MREs. We have decided to proceed with our proposed definition, with some changes.

As we explained in CP25/22, the criteria aim to be flexible to different scenarios, proportionate, and forward-looking, enabling us to more easily identify actual and emerging potential MREs at an early stage and take any necessary, effective actions swiftly before harm occurs. We will take account of firm size, market context and specific consumer characteristics.

We know the importance of a consistent and informed approach when assessing whether issues may indicate an actual or potential emerging MRE. To help achieve this, we have developed a new MRE-specific operational process. We have also developed internal guidance on the MRE definition for case assessors, to standardise and ensure a more efficient and effective response to MREs. We will keep this, as well as the definition's criteria, under review as we continue to apply it in practice to new cases across sectors.

Additionally, in its [consultation response](#), the Government set out its intention to ensure that the FCA has more flexibility when assessing MREs and determining the appropriate regulatory response. The Government has confirmed it will legislate to achieve this by making it easier for the FCA to intervene in MREs by:

- a. enabling the FCA to pause complaints handling timelines that apply to firms and consumers without public consultation;
- b. enabling the FCA to direct the FOS to pause complaints determinations, and refer relevant complaints at the Financial Ombudsman back to firms for them to consider under the terms of a section 404 FSMA redress scheme; and
- c. simplifying the threshold conditions at section 404 FSMA that must be met before the FCA can impose an industry-wide redress scheme.

We agree that 'systemic or repeatable failing' is an important consideration and will play a key role in our assessment of potential MREs. However, other criteria will also be relevant depending on the circumstances, and we do not plan to prioritise certain criteria over others. This criterion is not limited only to breaches of FCA rules, as some MREs may occur through broader market or conduct issues. To stay consistent with the phrasing we have finalised in SUP15 guidance for firms (see Chapter 4 below), we are amending this part of the criteria to focus on 'systemic or recurring failings' rather than 'systemic or repeatable failings'.

To address other feedback received, we have amended the criteria to:

- Explicitly refer to issues affecting a high number of firms, or multiple firms with significant market share within a sector or across sectors (rather than only focusing on the number of consumers affected).
- Include consideration of a high number of complaints at firm and Financial Ombudsman level, rather than just the latter.
- Recognise the specific role that complex legal issues can play in leading to potentially significant redress impacts for firms.

The new criteria in full are:

- a.** Affects a high number of consumers, high number of firms or affects multiple firms holding a significant market share within a sector or across sectors.
- b.** Has a significant impact on individual consumers, including those in vulnerable circumstances.
- c.** Leads to a high redress bill.
- d.** Results in a significant number of firms being unable to meet their redress liabilities.
- e.** Leads to a high number of complaints at firms and the Financial Ombudsman.
- f.** Is driven by a systemic or recurring failing that damages confidence in the financial system.
- g.** Involves complex or uncertain points of law with significant redress implications.

We believe these changes successfully address the feedback we received. The new definition otherwise already considers other key factors respondents raised, such as the timing of failings (historic vs recently arising issues) and the role of political or media attention in increasing risks to firms. We believe these changes will help to ensure the definition remains robust as we begin to apply it, helping us identify and resolve potential MREs earlier.

We value the role that all stakeholders play in flagging issues indicating a potential MRE, be it firms or consumer representatives. We will continue to engage with all affected stakeholders as necessary when assessing potential MREs.

Chapter 4

Firms identifying, reporting and rectifying harm effectively

- 4.1** In this chapter we address the responses to questions 2 and 3 of CP25/22. These were about firms' proactive identification and reporting of potential systemic or recurring issues or foreseeable harm to retail consumers, with the aim of making sure these issues are rectified effectively.

Further examples of good and poor practice on identifying and rectifying harm and how to proactively provide redress

- 4.2** In CP25/22, we proposed publishing non-Handbook guidance and examples of good and poor practice to help firms better understand how they can identify and proactively rectify redress issues in line with pre-existing guidance (at DISP 1.3.6G mainly) and principles (Principle 6 and the Consumer Duty, including PRIN2A.2.5R and PRIN2A.10).

- 4.3** We asked:

Question 2: Do you agree with the guidance provided in Annex 4 of this consultation paper, for how firms can proactively identify and rectify potential issues?

Feedback

- 4.4** Most respondents, including firms, large banks, trade bodies and consumer groups supported the proposed guidance, recognising its aim to support proactive identification and remediation of harm. Respondents generally considered the guidance proportionate and well-aligned with the Consumer Duty principles, valuing the flexibility it offers in how they respond to harm. Several respondents suggested we should work to ensure consistent application of relevant DISP and PRIN provisions by firms in practice, especially when carrying out proactive redress exercises.
- 4.5** A minority of respondents felt the guidance was too simplistic and lacked nuance or proportionality for smaller firms and specific markets. Some firms considered the good practice examples to be too binary and requested closer alignment with the expectations set out under the Consumer Duty.
- 4.6** Respondents also requested greater clarity on specific issues such as on when an opt-in approach to redress exercises could be appropriate, whether we could specify a set of de minimis thresholds or when to notify the FCA. Some respondents also suggested we provide sector-specific guidance or examples specific to smaller firms.
- 4.7** Many respondents asked that the FCA commit to reviewing the guidance regularly, with suggestions to develop new examples in collaboration with industry in the future.

- 4.8** A few respondents highlighted the importance of ensuring that non-Handbook guidance is easy to find and clearly signposts other pieces of relevant guidance.

Our response

We welcome the strong support from respondents and have made minor amendments to the guidance to address their comments and recommendations. These include:

- Adding reference to SUP 15 guidance, which gives additional details on when firms should inform the FCA of potential recurring or systemic redress issues.
- Adding additional details and a poor practice example to the guidance on opt-in approaches, to help firms understand our expectations.
- Amendments to clarify the guidance or address minor drafting issues.

We emphasise that the guidance is relevant to small and large redress exercises, regardless of firm or sector size. So, the guidance and examples are also proportionate and relevant for small firms.

We have not set out a de minimis threshold for redress exercises. The nuances of each redress exercise mean there is no single appropriate minimum threshold. Setting out a general threshold risks suggesting support for blanket approaches which do not consider individual circumstances. It can also lead to consumers suffering the same type of harm being treated differently. This can happen where breaches extend over a long period of time, or where a financial loss can still be meaningful to the consumer, but a firm deems the cost of running a redress scheme higher than the value of redress. These issues may be more relevant for customers in vulnerable circumstances.

The costs of redress schemes can be minimised in other ways which do not involve the firm refusing to pay compensation despite wrongdoing. Approaches such as simplified redress schemes, automated process or early identification and resolution of problems can all reduce costs.

Best practice remains to provide redress, when it is due, in all cases without a de minimis threshold to ensure all affected consumers are included. De minimis thresholds should remain exceptional. They should only be used where there is robust evidence or where a firm acts quickly through a pragmatic and simplified redress scheme, for cases involving minimal loss to the consumer.

We would like to emphasise that the guidance and good practice examples are not meant to outline a prescriptive process. The examples are not part of the guidance but provide high-level illustrations of situations or processes that have led to good outcomes in practice. Firms have discretion to adapt their approach, provided they take appropriate action to rectify harm or give consumers a reasonable opportunity to get redress.

We have published the finalised guidance document on our [website](#). It includes links to other relevant guidance and rules. We added further reference to the new SUP 15 guidance finalised here. We continue to look at providing further guidance or updating the examples from time to time to further help firms' understanding of how to deal with proactive redress schemes

Collecting data on emerging redress events/notifications for firms, including PRs

- 4.9** In CP25/22 we proposed new guidance to clarify when firms should report redress issues to the FCA under SUP 15. We included criteria, and some thresholds for when firms should do this. Where the thresholds are not met but firms still think there is an issue to report, we said we would expect the firm to do this. We explained the criteria and thresholds need to be appropriate to a wide variety of firms (in size and business model) and aim to ensure relevant emerging issues are reported promptly, without creating a disproportionate burden.
- 4.10** The criteria we proposed were that firms should report an issue where it:
- a.** Affects a high number of consumers (>40% of the firm's consumers from the affected product line or service), or
 - b.** Has a high potential redress bill, if complaints are upheld by the firm, the Financial Ombudsman or the courts (>£10m or 50% of the firm's annual revenue from the affected product or service line), or
 - c.** Has led to a significant spike in consumer complaints, or
 - d.** Leads to concerns that redress that could be due if the complaints were upheld, either via the firm, the Financial Ombudsman or the courts, may adversely affect the firm's capital adequacy or solvency, or
 - e.** Affects multiple consumers and has a significant impact on each individual consumer (>£10k loss per consumer on average).
- 4.11** We asked:

Question 3: Do you agree with the additional guidance proposed at SUP 15.3.8G for when firms are expected to report serious redress risks or issues to the FCA?

Feedback

- 4.12** Respondents of all types broadly supported our aim to improve firms identifying and reporting emerging redress events through SUP 15 notifications, recognising the importance of timely and proportionate reporting to the FCA.

- 4.13** Many smaller firms were concerned the proposed thresholds may be too high. For example, a £10m total redress bill and 40% of adversely affected customers of the firm. This could potentially lead to underreporting or delayed reporting of significant issues. Respondents called for the thresholds to be proportionate, scalable and adaptable to firm size, sector, and business model. Some suggested lower thresholds tailored to smaller firms or where vulnerable consumers are involved.
- 4.14** Larger firms generally found the proposals aligned with their existing reporting processes but asked for more guidance on the subjective criteria.
- 4.15** A range of industry stakeholders, law firms and regulatory experts requested clearer criteria and potential examples to help firms report consistently. In particular, clarifying terms such as 'significant spike in complaints' and 'product line'. Trade associations and insurers wanted more guidance tailored to firms in their sectors, covering debt purchasers, credit unions, and insurance products. There were also questions about how the guidance applied to professional representatives, and requests for more clarity on where the reporting obligation lies where a third party has caused the harm.
- 4.16** Consumer advocacy groups and public bodies advocated for more transparency and greater firm accountability through potential mandatory reporting via SUP 15. They also suggested there should be specific timeframes to notify the FCA once an issue has been identified, for example within 5 business days.

Our response

We welcome the strong support for our SUP 15 guidance proposals.

We have decided to proceed but make the following amendments to new SUP 15.3.8G(4), partly in response to feedback received:

- Amending 'significant total financial sum' (sub-paragraph (b)) so it refers to a court upholding a 'claim' from a complaint made against the firm, rather than a 'challenge'.
- Amending 'high number of complaints' (sub-paragraph (d)) to clarify this is about a comparatively high number of complaints 'received' by the firm.
- Amending the references to 'product line' so they refer to the FCA Handbook glossary definition of a 'product' instead; and amending the guidance so it refers to 'financial service or product' for consistency.
- Amending the further guidance and thresholds now at SUP 15.3.8AG to clarify that 'significant total financial sum in redress' (sub-paragraph (b)) refers to 50% of the firm's annual revenue for its last financial year from the financial service or product involved.
- Introducing new guidance at SUP 15.3.8BG to clarify the scope of 'a comparatively high number of complaints' (sub-paragraph (d)). This clarifies it involves an increase in complaints relative to the size of the firm and the number of customers it has, compared to the number of complaints previously reported by the firm to the FCA via DISP 1.10. This demonstrates potentially recurring or systemic problems in the firm's provision of or failure to provide a financial service or product.

- Amending sub-paragraph (a) to say that firms should report on issues that 'may lead', rather than only issues 'likely to' lead to negative impacts. This is to ensure the FCA is sighted on relevant emerging issues as early as possible. This also aligns (a) with the rest of the criteria in SUP 15.3.8G(4).
- Amending the guidance so it refers to the FCA glossary definition of a 'customer', rather than a 'consumer', except for sub-paragraph (e) relating to 'substantial financial loss' and the connected threshold guidance at SUP 15.3.8CG which will continue to apply to individual consumers only. This is because issues may be relevant to report to the FCA where they affect other types of customers (for instance small businesses, microenterprises, trustees), not just individual consumers. Following implementation and as we assess incoming reports, we will consider whether we should expand this criterion to align with the rest of the guidance by including a reference to customers of a firm who do not count as 'consumers'. If we decide such a change is appropriate, we will consult in a future publication before implementing.

Based on the evidence available at the time and taking reasonable steps to get any further evidence they may need, firms should use their judgement (and seek advice if unsure) to decide whether to report issues that may indicate a recurring or systemic problem which the FCA would want to know about. This applies even where the associated threshold is not met, for instance any borderline issues or issues that otherwise fall below the threshold. This is because the new guidance aims to be proportionate, as per Principle 11, and adaptable to different sizes and types of firm, including smaller firms and those who deal with more vulnerable consumers (as noted in CP25/22).

Firms should notify the FCA immediately when they become aware of an issue, as per SUP 15.3.1. If a firm fails to report an issue when it is clear it should have done, the FCA would be able to take appropriate supervisory or enforcement action. Where firms identify an issue outside the scope of SUP 15, they should consider our finalised non-Handbook guidance, which aims to help firms identify and rectify redress issues (see start of Chapter 4 above).

SUP 15 applies to all firms in scope, including Lloyd's members, managing agents, brokers, and cover holders. It applies to whichever business firms in any sector carry out (whether business to business or business to consumer). Responsibility for reporting lies with the authorised firm accountable for handling complaints, rather than a third party. For CMCs and PRs, SUP 15 reports would relate to their own complaints handling, rather than issues they are seeing at other firms they are dealing with. We will continue to collect evidence from SUP 15 notifications to help indicate if additional guidance for specific sectors may be needed in future. If it is, we will consult in a future publication before making further Handbook changes.

We believe these changes will help make sure emerging redress issues (including those indicating potential MREs) are identified and reported in a more timely, proportionate and consistent manner, supporting earlier FCA intervention where necessary. This should lead to improved outcomes for firms, consumers and other market participants. We will implement the new guidance on 1 June 2026, to give firms enough time to consider how it may affect their processes.

Chapter 5

Financial Ombudsman activities and complaint procedures

- 5.1** In this chapter we address the feedback to questions 4-12 in CP25/22 about specific activities and complaint procedures at the Financial Ombudsman and how to improve them.

Financial Ombudsman 'Lead Complaints' process

Overview

- 5.2** Respondents broadly supported the introduction of a formalised lead complaints process. Firms, trade bodies and several consumer groups recognised its potential to make the handling of novel and significant issues more consistent and efficient. However, support was conditional on the process being underpinned by clear and transparent criteria for deciding when a matter is appropriate for lead complaint consideration, robust governance, and clearly defined time limits. Respondents emphasised the importance of strong oversight by the FCA and the Financial Ombudsman to ensure firms do not use the mechanism to defer or avoid resolving complaints. They also highlighted the need for appropriate safeguards for consumers – particularly those in vulnerable circumstances – where related complaints may be paused. A minority of stakeholders, particularly those representing fraud victims, did not support the proposal, saying it could introduce harmful delays or add unnecessary complexity.

- 5.3** The Financial Ombudsman asked:

Question 4: Do you support the introduction of a 'lead complaints' process to address novel and significant complaint issues?

Question 5: Do you think that the lead complaints process will achieve its intended benefits?

Feedback

- 5.4** 80% of the organisations that responded to the question overall said they support introducing a 'lead complaints' process to address novel and significant complaint issues.

- 5.5** 77% of the organisations that responded supported the idea of pausing related complaints during the review of a lead case. They also emphasised the importance of clear decision-making and improved consistency. This included the need for defined criteria for identifying 'novel and significant' issues. Respondents also stressed the importance of ensuring the approach remains proportionate and sensitive to sector-specific contexts. A smaller number of stakeholders, notably those representing fraud victims, opposed the proposal on the basis that it could introduce delay and complexity for consumers.
- 5.6** Respondents generally agreed that, if implemented well, the lead complaints process has the potential to deliver its intended benefits. Firms highlighted that resolving a lead complaint upfront could create a coherent framework for handling similar cases, reducing duplication. This could speed up redress for other consumers and reduce the volume of unnecessary referrals to the Financial Ombudsman. Consumer groups also recognised the potential for greater clarity and fairness, emphasising the importance of clear communication – particularly where related complaints are paused – and supporting the publication of lead decisions to strengthen transparency and trust.
- 5.7** At the same time, 13% of respondents stressed that the effectiveness of the process will depend on its design, the timeliness of lead case resolution and the safeguards in place to ensure transparency and prevent misuse. Strong governance and clear time limits were seen as essential to avoid unnecessary delays or unintended barriers to redress.
- 5.8** The Financial Ombudsman asked:

Question 6: Do you agree that firms should be allowed to pause related complaints while lead cases are under investigation in the lead complaints test process?

Feedback

- 5.9** Stakeholders generally supported allowing firms to pause related complaints during the investigation of a lead case. However, many respondents stressed that pausing must not become open ended, and that firms should keep customers informed about the reasons for the pause and expected next steps. Some consumer groups highlighted the importance of building in optout pathways in cases where pausing could cause hardship. They also emphasised the need for additional protections for consumers in vulnerable circumstances. Clarity on how paused complaints interact with case fees and escalation rights was also raised.
- 5.10** The Financial Ombudsman asked:

Question 7: What safeguards should there be to ensure the lead complaints process is not used to delay or avoid complaint resolution?

Feedback

- 5.11** All respondent groups were clear they expected robust safeguards to be in place to prevent misuse of the process. Many emphasised the importance of clear timelines for investigating and resolving lead complaints, together with regular review checkpoints and transparent communication with complainants whose cases are paused. Again, many respondents also highlighted the need for additional protections for vulnerable consumers, including mechanisms to prevent harm where pausing would be inappropriate. Respondents repeatedly stressed the value of regulatory oversight. They called for active monitoring by the FCA and the Financial Ombudsman, record-keeping by firms and transparent reporting on paused cases. Respondents supported strict eligibility criteria to ensure the process is applied only to issues that are genuinely novel and significant.

The Financial Ombudsman's response and next steps

- 5.12** The Financial Ombudsman welcomes the engagement and support for introducing a formalised lead complaints process. The feedback recognises the benefits of a structured mechanism, while also highlighting the importance of clear criteria and strong governance. As outlined in Chapter 2, the Financial Ombudsman proposes introducing a registration stage in the casework process which will enable it to pause related complaints during the review of a lead case.
- 5.13** The Financial Ombudsman will consider safeguards and its operational implications, such as fixed time limits, potential optout rights and additional protections for consumers in vulnerable circumstances. The Financial Ombudsman notes the concerns raised about the potential for delay and complexity. These points underline the need for a carefully calibrated framework that balances efficiency with fairness and provides clarity and assurance for all parties.
- 5.14** Throughout this work, the Financial Ombudsman will maintain flexibility to reflect sector-specific circumstances and ensure ongoing monitoring and evaluation supported by stakeholder engagement. The aim is to create a fair, efficient and transparent process that helps resolve systemic issues in a timely way.
- 5.15** Over the coming months, the Financial Ombudsman will work with stakeholders to refine the design of the lead complaints process. We will focus on producing clear criteria for identifying novel and significant issues, setting proportionate governance and oversight arrangements, and developing a time-bound pausing framework with appropriate safeguards, particularly for consumers in vulnerable circumstances. The Financial Ombudsman will also define consistent communication standards and consider how best to report lead decisions for transparency. This development work will inform whether subsequent rule changes are required. The Financial Ombudsman may consult again in partnership with the FCA to ensure the final framework is fair, effective and capable of delivering timely and consistent outcomes.

Chapter 6

Other changes to improve Financial Ombudsman and FSCS operational efficiency

- 6.1** In this chapter, we address the feedback to questions 13-17 from CP25/22. This follows our review of the Dispute Resolution Sourcebook (DISP) and the Compensation Sourcebook (COMP).
- 6.2** These changes aim to improve the Financial Ombudsman and FSCS's operational efficiency. They should benefit both consumers and firms who pay these bodies' levies.

DISP changes

- 6.3** In CP25/22, we proposed 3 changes to the Dispute Resolution Sourcebook (DISP) in the FCA Handbook. These changes aimed to improve the Financial Ombudsman's operational efficiency. We also said these changes should benefit consumers, as well as the firms who pay towards the Financial Ombudsman's levy.
- 6.4** The amendments to DISP we proposed were:
- a.** Adding guidance at DISP 1.4.4AG to clarify DISP 1.4.4R by illustrating how respondents could meet their obligation to fully cooperate with the Financial Ombudsman. For instance, complying with the Financial Ombudsman's appropriate directions on evidence or information which it needs to assess a complaint. This should improve firms' understanding of their obligations, reducing the likelihood of delays and other barriers to the Financial Ombudsman getting the evidence it needs.
 - b.** Amending DISP 1.6.1R to require respondents to provide, when acknowledging complaints, information about the deadline they have to send the complainant a Final Response Letter (FRL). Providing this information would avoid complainants unnecessarily referring premature complaints to the Financial Ombudsman. The Financial Ombudsman currently refers thousands of these complaints back to the respondent firms (28,000 in the financial year 2024/25). It would also help respondents comply with their duty to provide appropriate explanations in FRLs.
 - c.** Clarifying that the proposed changes also apply to Gibraltar-based firms passporting services into the United Kingdom, where relevant.

We asked in CP25/22:

Question 13: Do you agree with the proposed changes to DISP to improve the Financial Ombudsman's operational efficiency?

Feedback

- 6.5** Respondents supported the proposed changes (80% agreed, with fewer than 5% opposed), recognising the intent to improve operational efficiency, clarity, and consistency in complaints-handling at firms and the Financial Ombudsman.
- 6.6** Most firms across sectors considered the proposals proportionate and aligned with the Consumer Duty. Larger firms suggested the proposals largely codify existing good practices so may be unnecessary for them.
- 6.7** Consumer groups and law firms tended to support our drive for efficiency and clarity and aims to align with the Consumer Duty. However, they stressed that operational improvements must not undermine fairness to consumers during complaint-handling or restrict access to redress (especially for vulnerable consumers).
- 6.8** Firms, trade bodies and regulatory experts such as consultancies welcomed clarification of our expectations around how firms should cooperate with the Financial Ombudsman. They particularly welcomed the emphasis on guidance around 'reasonable steps' rather than a strict legal requirement such as rule, which is more inflexible by nature. Some smaller firms had concerns about the proportionality of some of the Financial Ombudsman's evidence requests and the operational burdens these can create. There were calls to make sure these requests remain targeted and proportionate. Some firms also asked for clarification on how commercial confidentiality and data-protection requirements interact with these requests, and proactive obligations for firms to cooperate with the Financial Ombudsman when new relevant evidence comes to light.
- 6.9** There was broad support for requiring firms to include the expected deadline for responding to the complaint in initial complaint acknowledgement letters. Respondents agreed this should reduce consumer confusion and premature referrals to the Financial Ombudsman. However, some firms raised concerns that providing a meaningful FRL date at the outset may not be feasible and could mislead consumers. These firms recommended more tailored provisions or exemptions for such business models.
- 6.10** Respondents who gave views overwhelmingly supported our clarification that DISP, including the proposed changes to it in CP25/22, also applies to Gibraltar-based firms passporting services into the UK.

Our response

We welcome the broad support for the proposed DISP changes and are proceeding with all of them, subject to minor changes to DISP 1.6.1R:

- We have simplified the wording for clarity.
- We have introduced additional guidance at DISP 1.6.1BG to deal with the specificity of the Society of Lloyd's multi-stage complaints process. The guidance clarifies that firms following this process will meet this requirement by providing information about the timelines involved in Lloyd's complaint procedures. This will be sufficient for those firms to comply with the DISP 1.6.1R change.

Firms concerned that providing an FRL date in complaint acknowledgement letters may lead to consumer confusion or misinterpretation could consider additional wording clarifying that this is the latest date for them to send an FRL. An example could be for non-complex complaints which are unlikely to need 8 weeks to respond to.

We have finalised the other proposed changes to DISP without further amendments. However, we address certain points raised in the feedback below:

- Firms should cooperate with the Financial Ombudsman by taking reasonable steps to provide information it appropriately requests under s.231 of FSMA. In some circumstances, confidentiality restrictions on certain information may apply, which has led to firms refusing to provide this information in some cases. However, the Financial Ombudsman can accept information in confidence and preserve confidentiality, including for commercially sensitive information, personal data and other types of confidential information, where it considers this appropriate (DISP 3.5.9R(2)). It also aims to make sure information requests are targeted and proportionate. Firms are encouraged to be transparent with the Financial Ombudsman, including if they have any concerns or identify any problems when seeking to comply with information requests. This enables the Financial Ombudsman to reach a fair and informed decision on cases following its investigation.
- On proactive obligations on firms to cooperate with the Financial Ombudsman, we consider it good practice for firms that get or discover new information that would be useful for the Financial Ombudsman's investigation, to send this on promptly. The Financial Ombudsman's 'sections for business' [webpage](#) addresses this directly.

DISP applies to Gibraltar-based firms authorised to carry on regulated activities in the UK under the Financial Services and Markets Act 2000 (Gibraltar) Order 2001. The amendments to DISP 1.1.3R(3) and DISP 1.1.3BG are for clarification only and do not change the scope of DISP for these firms.

These changes aim to clarify and reinforce good practice, not impose disproportionate, new burdens on firms. We believe the changes will help achieve more efficient, transparent and fairer complaints-handling, benefiting firms and consumers.

The DISP 1.4.4R change and DISP 1 changes clarifying applicability to Gibraltar-based firms will take effect from the date of this publication (17 March 2026). This is because these are clarifications and do not require system changes at firms. The DISP 1.6.1R change will take effect from 1 June 2026, to give firms time to update complaint letter templates as needed.

COMP changes

6.11 In CP25/22 we proposed 4 amendments to the Compensation sourcebook (COMP) to improve FSCS's operational efficiency. The amendments would streamline FSCS processes, removing blockers that can lead to higher operational costs that are ultimately met by levy paying firms.

6.12 We asked respondents for feedback on the following questions:

Question 14: Do you agree with the proposed amendments to COMP 4 and COMP 12A to simplify the list setting out who is and who is not eligible to make a claim to the FSCS?

Question 15: Do you agree with the proposed amendments to COMP 6.3.4R to enable the FSCS to determine a relevant person in default, where they are not co-operating with the FSCS, or where personal circumstances prevent them from cooperating?

Question 16: Do you agree with the proposed amendments to COMP 11.2 to give FSCS greater discretion over where compensation is paid under specific circumstances as described in that provision?

Question 17: Do you agree with the proposed amendments to COMP 12.2.10R and the additional factors listed in COMP 12.2.11R that FSCS must take into account, when considering if a claimant is eligible?

Feedback

6.13 A large majority of respondents, including large retail banks, trade associations and consumer bodies, supported our proposals. Many acknowledged the challenges FSCS currently face and agreed the proposed changes will improve FSCS's efficiency when dealing with claims.

6.14 Many saw the current framework in COMP 4 and 12A as overly complex for setting out who is and is not eligible to make a claim to FSCS. This is especially the case for consumers in vulnerable circumstances or those with lower financial literacy. Stakeholders welcomed the proposed changes as clarifying eligibility.

6.15 Respondents supported our proposed changes to COMP 6.3.4R to enable FSCS to determine a relevant person in default where they are not cooperating. One trade association said FSCS should seek an authorised representative when a person's circumstances prevent them from cooperating. However, where such a representative is in place, this would remove the need for FSCS to rely on this proposed discretion.

A small minority of stakeholders were also concerned about FSCS prematurely declaring someone in default when an individual is slow in responding. FSCS's [website](#) gives more information on its default policy.

- 6.16** The proposed changes to COMP 12 were welcomed as a way to improve efficiency and speed up payment to consumers. Respondents recognised that FSCS should be able to rely on investigations by another regulatory body when considering a claim's eligibility. Some firms had concerns this could lead to FSCS overpaying compensation which would contribute to a higher levy. However, a consumer group asked whether this could lead to consumers receiving less redress.
- 6.17** Some respondents suggested that FSCS should routinely publish data on its use of the proposed discretions. This reflected the general plea from stakeholders to ensure that FSCS's discretions remain appropriate, particularly for COMP 6.3.4R and 11.2.
- 6.18** The majority of stakeholders supported the changes to COMP 11.2 which aim to give FSCS greater discretion over where compensation is paid under specific circumstances. These stakeholders agreed the changes would ensure consumers receive compensation quickly, in a way which best suits their needs and interests, especially where a third party or an alternative recipient is better placed to receive the compensation. There was some concern from consumer groups that the power was too wide and that the suggested safeguards are not strong enough. Here, FSCS must take reasonable steps to ensure that any amount paid is in the benefit of the claimant.

Our response

We welcome the strong support for our proposed changes to COMP.

Some respondents were not sure whether our proposed changes to COMP 4 and 12A would change who is eligible for FSCS protection. We want to emphasise that the proposals are not intended to change eligibility but will enable FSCS to resolve certain types of valid claims more efficiently. This will benefit consumers through swifter payment of redress and help participant firms through lower expenses, supporting them to focus more on other areas such as improving their services or growth.

On proposals to amend COMP 11.2 over when FSCS pays compensation, our consultation paper highlighted 2 examples of where this discretion could be considered, based on FSCS experience. These are where there is a scheme of arrangement or a special administration in place. As is already the case, FSCS would carefully consider any additional scenarios which arise in the future before deciding on whether to exercise the discretion.

We understand stakeholders' concern about ensuring FSCS only use these discretions in appropriate circumstances and the corresponding calls for transparency. FSCS will consider providing an update on the use of the COMP 12 discretion in its annual report. As is already the case, where consumers are unhappy with FSCS's decision on a claim, they can lodge an appeal. FSCS's [website](#) gives more detail on its appeals policy, which changed on 17 February 2026.

Based on the feedback received, we will finalise the COMP proposals without change.

Chapter 7

Feedback on the Cost Benefit Analysis (CBA)

- 7.1** In CP25/22, in line with the requirements set out in section 138I of the Financial Services Act 2012, we presented a CBA on our proposed changes relating to modernising the redress system. The analysis was based on our own qualitative assessment of the identified costs and benefits of the proposed rules, as well as a quantification of the identified costs where it was reasonably practicable to do so.
- 7.2** In CP 25/22 we asked the following questions:
- Question 18:** Do you agree with our assumptions about the sizes of the compliance and legal teams involved in familiarisation and gap analysis, and with our treatment of costs associated with changes to firms' complaint acknowledgment letters?
- Question 19:** Do you agree with our analysis of the costs and benefits of these proposals?
- 7.3** Most respondents agreed that our proposals will benefit both industry and consumers. The majority of firms agree that benefits will outweigh costs. Some firms suggested that we have underestimated the familiarisation costs. Some firms suggested that we omitted costs related to systems and process changes or the costs of re-training needed as a result of our intervention. One firm mentioned that additional touch points may create extra costs for complaint handling that the CBA hasn't considered. Despite this, the majority of these firms still believe that the policy will be net beneficial.
- 7.4** A few firms asked for more information in how we estimate the number of compliance professionals required for firms to familiarise themselves with our changes and how we broke down different sectors and sizes of firm.
- 7.5** One response noted that it did not believe the CBA adequately considered the impact the policy may have on consumers, noting the benefits seem to accrue to firms, FOS and the FCA. They argue that the CBA was missing estimates of complaint volumes, increase in resolution times and changes in uphold rates and compensation amounts.

Our response

Where firms have requested more information on how we determine firm sizes and compliance staff estimates we refer them to our published statement setting out how we conduct CBAs.

We disagree that we need to take account of process change and training costs created by our intervention. Firms should already be carrying out the activities reidentified in this CP and the good and poor practice guides provide clarity on existing obligations; they do not create new ones. Therefore, the costs of ensuring adequate systems, process and training associated with these activities are something firms should already be incurring and are not new obligations placed on firms due to this intervention. As such, we have decided not to estimate new costs in these areas.

We disagree that the benefits only accrue to firms and the regulators. For example, the intervention will reduce the time it takes for consumers to receive compensation. However, given the difficulty in estimating the impact of mass redress events before they have happened, we decided it was disproportionate to estimate consumer benefits of these proposals.

We used the Standardised Cost Model to estimate firms' costs, and our CBA considers all the costs raised by firms attributable to this intervention. We note that some firms and some sectors may have costs above or below our average figure. In response to feedback, we are updating our costs to consider the time it takes firms to familiarise themselves with the full length of all documentation published by the FCA. As a result, our estimate of familiarisation costs have increased from £34.6m to £41.8m. Our methodology is set out below.

Table 1 Assumptions used in familiarisation cost modelling

Size of firm	Large	Medium	Small
Number of firms	250	1,500	45,830
Number of Full Time Equivalent (FTE) compliance staff assumed to read PS per firm	20	5	2
Average hourly cost of compliance staff time	£68	£63	£52
Average reading speed, words per minute	100		
Average number of words per page	300		
Number of pages to be read	70		

7.6 The FCA estimates the costs to firms of performing a gap analysis using the SCM's 'Standard' scenarios. It assumes that the gap analysis will require reading 38 pages of rules, guidance (handbook and non-handbook) and, examples of good and bad practice. The assumptions used in modelling the costs of gap analysis are summarised in the table below.

Table 2 Assumptions used in gap analysis cost modelling

Size of firm	Large	Medium	Small
Number of firms	250	1,500	45,830
Size (FTE) of legal team (or equivalent) reading legal text	4	2	1
Days per team member to review 50 pages of legal text	4	3	1
Average hourly cost of legal team (or equivalent) time	£79	£74	£70
Numbers of pages to be read	38		

- 7.7** Together, these assumptions imply a total one-off familiarisation and gap analysis costs of £41.8m. This is equal to a cost of £879 per firm.
- 7.8** While we have revised our familiarisation cost estimates upwards in response to stakeholder feedback, we agree with the majority of respondents and remain of the view that our proposals are proportionate. In reaching this conclusion, we have carefully balanced the anticipated costs to firms with the expected benefits to firms, consumers and the wider market.
- 7.9** When conducting our proportionality assessment following the revision of our cost estimates, it is essential to also consider the qualitative benefits that, while not readily quantifiable, are expected to arise from these proposals. The more efficient processes attributable to this intervention will deliver more timely, efficient and consistent outcomes and, reduced harm from poor complaints handling for consumers in a mass redress event and they will also reduce uncertainty for firms and lead to reduced Financial Ombudsman case fees.
- 7.10** This is why, even after revising our cost estimates, we consider the benefits of our intervention to still outweigh the costs.
- 7.11** Due to changes in the estimated costs we have updated our calculation of the Equivalent Annual Net Direct Cost to Business (EANDCB). The EANDCB is a measure used to estimate the annualised cost to businesses of complying with new regulatory requirements, considering both one-off and ongoing costs (where relevant). **We now estimate the EANDCB to be £4.9m, up from £4m in CP 25/22.**

Annex 1

Questions in this paper

- Question 1:** Do you agree with the proposed rules to introduce a registration stage (pre-registration and registration stages), as set out in the Appendix? If not, please give evidence or reasons as to why not.
- Question 2:** Do you agree with the proposal for the Financial Ombudsman to assess whether a case is ready to investigate within the registration stage, recognising that it will develop and publish further supporting guidance to support the rules in due course? If not, please give reasons or evidence as to why not.
- Question 3:** Do you have any other comments, data, evidence, or suggestions regarding the proposed registration stage?
- Question 4:** Do you agree that the Financial Ombudsman should retain the ability to dismiss complaints that are frivolous or vexatious? If not, please give evidence or reasons as to why not.
- Question 5:** Do you agree that the Financial Ombudsman should be able to dismiss complaints where complainants have acted vexatiously, abusively or otherwise unreasonably? If not, please give evidence or reasons as to why not.
- Question 6:** Do you agree that the Financial Ombudsman should be able to dismiss complaints where the respondent has reviewed the subject matter of the complaint in accordance with (a) the regulatory standards for the review of such transactions prevailing at the time of the review; or (b) any formal regulatory requirement, standard or guidance published by the FCA or other regulator in respect of that type of complaint? If not, please give evidence or reasons as to why not.
- Question 7:** Do you agree that the Financial Ombudsman should be able to dismiss complaints where, the Financial Ombudsman is satisfied, having considered its responsibilities under s. 404B FSMA, the respondent has reviewed the subject matter of the complaint in accordance with a consumer redress scheme? If not, please give evidence or reasons as to why not.

- Question 8:** Do you agree that the Financial Ombudsman should be able to bring finality by dismissing complaints where the subject matter of the complaint has previously been considered or excluded under the Financial Ombudsman Service? If not, please give evidence or reasons as to why not.
- Question 9:** Do you agree with the addition of 'factual' into the existing rule? If not, please give evidence or reasons as to why not.
- Question 10:** Do you agree that the Financial Ombudsman should be able to dismiss complaints where the subject matter of the complaint has been dealt with, or is being dealt with, by a comparable complaints scheme, regulatory or law enforcement body or dispute resolution process? If not, please give evidence or reasons as to why not.
- Question 11:** Do you agree that the Financial Ombudsman should be able to dismiss complaints where the complaint has been or is the subject of court proceedings? If not, please give evidence or reasons as to why not.
- Question 12:** Do you agree that the Financial Ombudsman should be able to dismiss complaints that are more appropriate for court, arbitration or another complaint scheme or dispute resolution process? If not, please give evidence or reasons as to why not.
- Question 13:** Do you agree with reintroducing a dismissal ground for complaints about employment matters from an employee, or employees, of a respondent? If not, please give evidence or reasons as to why not.
- Question 14:** Do you agree with reintroducing a dismissal ground for complaints purely about investment performance? If not, please give evidence or reasons as to why not.
- Question 15:** Do you agree with reintroducing a dismissal ground for complaints relating to a respondent's discretion under a will or private trust. If not, please give evidence or reasons as to why not.
- Question 16:** Do you agree that the Financial Ombudsman should be able to dismiss complaints where there is more than one eligible complainant, but they have not all consented to the complaint? If not, please give evidence or reasons as to why not.

- Question 17:** Do you agree that the Financial Ombudsman should be able to dismiss complaints for other compelling reasons? If not, please give evidence or reasons as to why not.
- Question 18:** Do you agree with the examples that are proposed for DISP 3.3.4D G? If not, please give evidence or reasons as to why not.
- Question 19:** Do you think the six examples that are proposed as guidance for other compelling reasons in DISP 3.3.4D G should instead be separate rules in their own right?
- Question 20:** Do you agree with the Financial Ombudsman's proposed changes to DISP 3 (as set out in the Appendix)? If not, please give evidence or reasons as to why not.
- Question 21:** Do you agree with the proposed changes to DISP 3.6.4R? If not, please give reasons or evidence as to why not.

Annex 2

Financial Ombudsman Equality Impact Assessment

Financial Ombudsman Service

Registration Stage

1. The Financial Ombudsman already requires parties to provide certain information needed to progress and investigate complaints. The proposed registration stage intends to ensure the right information is provided to us from the outset to prevent delays. Although the type of information needed will differ depending on the nature of the complaint, all similar types of complaints will be subject to the same criteria. We do not envisage the proposals could give rise to any direct discrimination.
2. We recognise that complainants with protected characteristics may find it more difficult to meet these requirements. We provide a range of communication channels, support, guidance, online tools and portals to support complainants through the complaint journey. We will continue to develop these further for the implementation of the registration stage. Further, the rules also allow for a case to be progressed to the registration stage where we consider that an investigation is necessary. This provides flexibility where a complainant may be prevented due to a particular protected characteristic from providing the relevant information and evidence required. As such, we do not believe these proposals are likely to have a negative impact on complainants with protected characteristics. As set out elsewhere in the consultation paper, we welcome feedback on balancing clarity for firms and accessibility for consumers (especially those in vulnerable situations).
3. The same assessment applies to proposals relating to MREs where all complainants will be treated consistently with tailored support where necessary. Further consultation on MREs will include consideration of the impacts on consumers.

Grounds for Dismissal

4. We consider that the proposals for dismissal grounds will have no direct impact on complainants with protected characteristics.
5. The power to dismiss a complaint is a discretionary case-management tool, not a jurisdictional bar. We will assess each case on its individual facts, including any relevant protected characteristics of the complainant. The complainant will have the opportunity to explain why a dismissal may be inappropriate and we will consider whether a particular case should be fully investigated despite the existence of potential dismissal grounds.

6. Regarding complainants who behave vexatiously, abusively or unreasonably, we will first consider alternative communication channels for complainants where appropriate. We are mindful that the presence of protected characteristics may influence how complainants present information. Dismissing a case due to a complainant's behaviour would be a last resort in the most extreme cases and would not affect the complainant's existing legal rights against the respondent firm.
7. We will continue to consider the equality and diversity implications of our proposals during the consultation period and will revisit them when making the final rules, having considered any feedback received. In the meantime, we welcome comments regarding equality and diversity considerations. We will evaluate the changes annually and make any amendments required.

Fair and Reasonable test

8. The proposed change to the Fair and Reasonable test will be applied uniformly to all complaints from a future date (to be determined). Therefore, it will not be retrospective.
9. The proposal to remove 'good industry practice' is unlikely to have an impact on complainants with protected characteristics. Accordingly, it is not expected there will be any direct discrimination from changes to the Fair and Reasonable test.

Legislative and Regulatory Reform Act 2006 (LRR)

10. The FCA has had regard to the principles in the LRR and the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance. The FCA considers that our proposals are transparent, accountable, proportionate and consistent.
11. For example, the good and poor practice guidance for firms on identifying and rectifying harm aims to clearly and succinctly clarify our current expectations for firms, by including good and poor practice examples around identifying and rectifying harm arising from redress issues. The FCA anticipates this guidance will help ensure greater consistency, accountability and higher standards in how firms address redress issues. The FCA has also drafted the guidance considering other connected guidance, for example non-Handbook good and poor practice guidance previously published by the FCA on how firms can adhere to the Consumer Duty.
12. Similarly, the Handbook guidance clarifying SUP15 notifications includes criteria to help firms determine serious redress-related issues they should report early to the FCA. The FCA has designed the criteria to be proportionate and adaptable to different sizes and types of firm.

Annex 3

List of non-confidential respondents

ABCUL

ACSO (Association of Consumer Support Organisations)

Aegon UK

Allegiant Finance Services Limited

Allianz

Amazon EU S.a.r.l UK Branch

AMI (Association of Mortgage Intermediaries)

Arthur J. Gallagher

Ashurst LLP

Association of Consumer Support Organisations

Association of Financial Mutuals (AFM)

Association of Member Directed Pension Schemes

Association of Mortgage Intermediaries

Barclays

BIBA (British Insurance Brokers' Association)

Bryan Cave Leighton Paisner LLP

BSA (Building Societies Association)

Bupa

Bupa Insurance Limited (BINS)

Bupa Insurance Services Limited (BISL)

Burges Salmon

CCTA (Consumer Credit Trade Association)

Chartered Insurance Institute (CII)

Citizens Advice Scotland

Claims Management Association (CMA)
CLLS Regulatory Law Committee
Consumer Council for Northern Ireland (CCNI)
FCA Consumer Panel
Consumer Scotland
Co-op Funeral Care
Consumer Credit Trade Association
Domestic & General Insurance
Energy Ombudsman
Enhance Support Limited Solutions
Experian
Fair4All Finance
FCA Practitioner Panel
Financial Inclusion and Markets Centre
Financial Services Consumer Panel
FLA (Finance & Leasing Association)
Gallagher Insurance Brokers Ltd
Hargreaves Lansdown
Highclere Financial Services Ltd
HSBC UK Bank Plc
Innovate Finance
International Underwriting Association (IUA)
Investment Association (IA)
Investment & Life Assurance Group
Jencap Partners
Key Group
Lloyd's Market Association (LMA)

London Market Group (LMG)

Lowell

Markerstudy Insurance Services Ltd (MISL)

Money Saving Expert (MSE)

National Trading Standards

NHS Credit Union

NewDay

NFDA (National Franchised Dealers Association)

Ombudsman Association

Practitioner Panel

Personal Investment Management & Financial Advice Association (PIMFA)

Quilter

Refundee

Santander UK

Simplybiz

St James' Place SJP

Solicitors Regulation Authority (SRA)

StepChange Debt Charity

threesixty

Society of Lloyds

The Association of Consumer Support Organisations (ASCO)

The Association of Financial Mutuals (AFM)

The British Insurance Brokers' Association (BIBA)

The Consumer Council for Northern Ireland

The International Underwriting Association of London (IUA)

The Investments Association (IA)

The Ombudsman Association

The IFA Corporation (TIFAC)

The Right Mortgage (TRM)

The Transparency Task Force

The Trust Alliance

TheCityUK

TISA (Tax Incentivised Savings Association)

UK Finance

Vanquis

Vitality

West Bromwich Building Society (WBBS)

Which?

Yorkshire Building Society

Annex 4

Abbreviations used in this paper

Abbreviation	Description
ADR	Alternative Dispute Resolution
CBA	Cost Benefit Analysis
CFI	Call for Input
CMC	Claims Management Company
COMP	Compensation Sourcebook
CP	Consultation Paper
DISP	Dispute Resolution Sourcebook
EIA	Equality and Impact Assessment
ESG	Environmental Social and Governance
EST	Economic Secretary to the Treasury
FEES	Fees Manual Sourcebook
FCA	Financial Conduct Authority
FRL	Final Response Letter
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act
LRRA	Legislative and Regulatory Reform Act 2006
MFC	Motor Finance Commission
MoU	Memorandum of Understanding
MRE	Mass Redress Event
PR	Professional Representative

Abbreviation	Description
PRA	Prudential Regulatory Authority
PRIN	Principles for Business
PS	Policy Statement
SIB	Securities Investment Board
SUP	Supervision Manual
WIF	Wider Implications Forum

Appendix 1

Draft Handbook text

MODERNISING THE REDRESS SYSTEM INSTRUMENT 2026**Powers exercised by the Financial Ombudsman Service Limited**

A. The Financial Ombudsman Service Limited:

- (1) makes and amends the scheme rules and guidance relating to the complaint handling procedures of the Financial Ombudsman Service;
- (2) makes and amends the rules and guidance for the Voluntary Jurisdiction; and
- (3) fixes and varies the standard terms for Voluntary Jurisdiction participants,

as set out in the Annexes to this instrument, in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000:

- (a) section 227 (Voluntary jurisdiction);
- (b) paragraph 8 (Information, advice and guidance) of Schedule 17 (The Ombudsman Scheme);
- (c) paragraph 14 (The scheme operator's rules) of Schedule 17;
- (d) paragraph 18 (Terms of reference to the scheme) of Schedule 17; and
- (e) paragraph 20 (Voluntary jurisdiction rules: procedure) of Schedule 17.

B. The making and amendment of the rules and the fixing and varying of the standard terms by the Financial Ombudsman Service Limited, as set out in paragraph A above, is subject to the consent and approval of the Financial Conduct Authority.

Consent and approval by the Financial Conduct Authority

C. The Financial Conduct Authority consents to the making and amendment of the scheme rules and approves the making and amendment of the Voluntary Jurisdiction rules and the fixing and varying of the standard terms by the Financial Ombudsman Service Limited, as set out in the Annexes to this instrument.

Commencement

D. This instrument comes into force on [*date*].

Amendments to the Handbook

E. The Glossary of definitions is amended by the Board of the Financial Ombudsman Service in accordance with Annex A to this instrument.

F. The Dispute Resolution: Complaints sourcebook (DISP) is amended by the Board of the Financial Ombudsman Service in accordance with Annex B to this instrument.

Notes

G. In the Annexes to this instrument, the notes (indicated by "*Editor's note:*") are included for the convenience of readers but do not form part of the legislative text.

Citation

H. This instrument may be cited as the Modernising the Redress System Instrument 2026.

By order of the Board of the Financial Ombudsman Service Limited
[*date*]

By order of the Board of the Financial Conduct Authority
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

pre-registered stage the stage to which a *complaint* referred to the *Financial Ombudsman Service* is be allocated as set out in *DISP* 3.1A.2R or *DISP* 3.1A.9R(2).

registered stage the stage to which a *complaint* referred to the *Financial Ombudsman Service* is allocated as set out in *DISP* 3.1A.3R, *DISP* 3.1A.6R or *DISP* 3.1A.9R(1).

Amend the following definitions as shown.

chargeable case any *complaint* referred to the *Financial Ombudsman Service*, except where:

- (a) the *Ombudsman* considers it apparent from the *complaint*, when it is received, and from any *final response*, *summary resolution communication* or *redress determination* which has been issued by the *firm* or *licensee*, that the *complaint* should not proceed because:

...

- (iii) the *Ombudsman* considers that the *complaint* should be dismissed without consideration of its merits under ~~DISP 3.3.4 R~~ or ~~DISP~~ DISP 3.3.4AR(2) to (5) or DISP 3.3.4CR(2) to (9) (Dismissal of complaints without consideration of the merits); or

- (b) the *Ombudsman* considers, at any stage, that the *complaint* should be dismissed under ~~DISP 3.3.4 R (2)~~ or ~~DISP~~ DISP 3.3.4A R (1) or DISP 3.3.4CR(1) on the grounds that it is frivolous or vexatious; or

...

Annex B

Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new section, DISP 3.1A, after DISP 3.1 (Purpose, interpretation and application). The text is not underlined.

3.1A The pre-registered and registered stages

- 3.1A.1 R A *complaint* that has been referred to the *Financial Ombudsman Service* will be dealt with under either the *pre-registered stage* or the *registered stage*, and this chapter applies to *complaints* on both stages.
- 3.1A.2 R A *complaint* that is referred to the *Financial Ombudsman Service* on or after [*Editor's note: commencement date*] will be allocated to the *pre-registered stage* until such time as the *Ombudsman* allocates it to the *registered stage*.
- 3.1A.3 R A *complaint* that was referred to the *Financial Ombudsman Service* before [*Editor's note: commencement date*] will be allocated to the *registered stage* unless and until the *Ombudsman* allocates it to the *pre-registered stage*.
- 3.1A.4 G While a *complaint* is on the *pre-registered stage*, the *Ombudsman* may take such steps as the *Ombudsman* considers appropriate to decide whether the *complaint* is ready for investigation.
- 3.1A.5 G The steps the *Ombudsman* may take while the *complaint* is on the *pre-registered stage* include, but are not limited to:
- (1) giving directions under *DISP* 3.5.8R;
 - (2) dismissing the *complaint* under *DISP* 3.5.9R(4) or *DISP* 3.5.15R(2);
 - (3) treating the *complaint* as withdrawn and ceasing to consider the merits if the complainant accepts an offer by the *respondent* which is in full and final settlement of the *complaint*;
 - (4) deciding whether the *complaint* is or is not out of jurisdiction under *DISP* 3.2.5R or *DISP* 3.2.6R; and
 - (5) dismissing the *complaint* under *DISP* 3.3.4AR or *DISP* 3.3.4CR.
- 3.1A.6 R The *Ombudsman* will allocate the *complaint* to the *registered stage* once the *Ombudsman* is satisfied that the *complaint* is ready to be investigated.

- 3.1A.7 G The *Ombudsman* may be satisfied that the *complaint* is ready to be investigated where there is sufficient evidence or information to enable the *Ombudsman* to proceed to consider:
- (1) whether the *complaint* is within the jurisdiction of the *Ombudsman* under *DISP* 3.2;
 - (2) whether the *complaint* ought to be dismissed under *DISP* 3.3.4AR or *DISP* 3.3.4CR; or
 - (3) what is fair and reasonable in all the circumstances of the case under *DISP* 3.6.4R.
- 3.1A.8 G Examples of the type of evidence or information that the *Ombudsman* may consider sufficient under *DISP* 3.1A.7G may include (but are not limited to):
- (1) details of the *complaint*;
 - (2) a copy of the *respondent's* response under *DISP* 1.6.2R; and
 - (3) in a *complaint* concerning:
 - (a) the terms of a contract, a copy of the relevant contract;
 - (b) the provision of advice, any details or documentation relating to that advice;
 - (c) a disputed transaction, documentation showing the details of the transaction, its authorisation and details of the *respondent's* relevant fraud prevention procedures, as well as the complainant's account of what happened in relation to the transaction;
 - (d) a *contract of insurance*, the relevant policy documents, and where relevant, details of any claims made;
 - (e) lending, documentation or other details relating to the original lending decision; and
 - (f) affordability, details of the complainant's financial position at the relevant time.
- 3.1A.9 R The *Ombudsman* may at any time (and as many times as the *Ombudsman* considers appropriate):
- (1) allocate a *complaint* from the *pre-registered stage* to the *registered stage*; and
 - (2) allocate a *complaint* from the *registered stage* to the *pre-registered stage*.

- 3.1A.1 G 0 The *Ombudsman* may allocate a *complaint* from the *registered stage* to the *pre-registered stage* where, for example, the *Ombudsman* considers that the *complaint* is or may be affected by regulatory action.

Amend the following as shown.

3.3 Dismissal without consideration of the merits ~~and test cases~~

...

Grounds for dismissal

- 3.3.4 R ~~The *Ombudsman* may dismiss a *complaint* referred to the *Financial Ombudsman Service* before 9 July 2015 without considering its merits if the *Ombudsman* considers that:~~
- (1) ~~the complainant has not suffered (or is unlikely to suffer) financial loss, material distress or material inconvenience; or~~
 - (2) ~~the *complaint* is frivolous or vexatious; or~~
 - (3) ~~the *complaint* clearly does not have any reasonable prospect of success; or~~
 - (4) ~~the *respondent* has already made an offer of compensation (or a goodwill payment) which is:~~
 - (a) ~~fair and reasonable in relation to the circumstances alleged by the complainant; and~~
 - (b) ~~still open for acceptance; or~~
 - (5) ~~the *respondent* has reviewed the subject matter of the *complaint* in accordance with:~~
 - (a) ~~the regulatory standards for the review of such transactions prevailing at the time of the review; or~~
 - (b) ~~[deleted]~~
 - (c) ~~any formal regulatory requirement, standard or guidance published by the *FCA* or other regulator in respect of that type of *complaint*;~~

(including, if appropriate, making an offer of redress to the complainant), unless he considers that they did not address the particular circumstances of the case; or
 - (5A) ~~the *respondent* has reviewed the subject matter of the *complaint* and issued a *redress determination* in accordance with the terms of a *consumer redress scheme*; or~~

- (6) ~~the subject matter of the *complaint* has previously been considered or excluded under the *Financial Ombudsman Service*, or a *former scheme* (unless material new evidence which the *Ombudsman* considers likely to affect the outcome has subsequently become available to the complainant); or~~
- (7) ~~the subject matter of the *complaint* has been dealt with, or is being dealt with, by a comparable independent complaints scheme or dispute resolution process; or~~
- (8) ~~the subject matter of the *complaint* has been the subject of court proceedings where there has been a decision on the merits; or~~
- (9) ~~the subject matter of the *complaint* is the subject of current court proceedings, unless proceedings are stayed or sisted (by agreement of all parties, or order of the court) so that the matter may be considered by the *Financial Ombudsman Service*; or~~
- (10) ~~it would be more suitable for the subject matter of the *complaint* to be dealt with by a court, arbitration or another complaints scheme; or~~
- (11) ~~it is a *complaint* about the legitimate exercise of a *respondent's* commercial judgment; or~~
- (12) ~~it is a *complaint* about employment matters from an employee or employees of a *respondent*; or~~
- (13) ~~it is a *complaint* about investment performance; or~~
- (14) ~~it is a *complaint* about a *respondent's* decision when exercising a discretion under a will or private trust; or~~
- (15) ~~it is a *complaint* about a *respondent's* failure to consult beneficiaries before exercising a discretion under a will or private trust, where there is no legal obligation to consult; or~~
- (16) ~~it is a *complaint* which:

 - (a) ~~involves (or might involve) more than one *eligible complainant*; and~~
 - (b) ~~has been referred without the consent of the other complainant or complainants;~~
 and the *Ombudsman* considers that it would be inappropriate to deal with the *complaint* without that consent; or~~
- (16A) ~~it is a *complaint* about a pure landlord and tenant issue arising out of a *regulated sale and rent back agreement*; or~~

(17) ~~there are other compelling reasons why it is inappropriate for the *complaint* to be dealt with under the *Financial Ombudsman Service*. [deleted]~~

3.3.4A R The *Ombudsman* may dismiss a *complaint* referred to the *Financial Ombudsman Service* ~~on or after 9 July 2015~~ without considering its merits if the *complaint* was referred to the *Financial Ombudsman Service* on or after 9 July 2015 but before [*Editor's note: commencement date*] and the *Ombudsman* considers that:

...

3.3.4B G Examples of a type of *complaint* that would otherwise seriously impair the effective operation of the *Financial Ombudsman Service* for the purposes of *DISP* 3.3.4AR(5) may include:

3.3.4C R The *Ombudsman* may dismiss a *complaint* referred to the *Financial Ombudsman Service* on or after [*Editor's note: commencement date*] without considering its merits if the *Ombudsman* considers that:

- (1) the *complaint* is frivolous or vexatious; or
- (2) the complainant has acted vexatiously, abusively or otherwise unreasonably in engaging with the *Financial Ombudsman Service*;
or
- (3) the *respondent* has reviewed the subject matter of the *complaint* in accordance with:
 - (a) the regulatory standards for the review of such transactions prevailing at the time of the review; or
 - (b) any formal regulatory requirement, standard or guidance published by the *FCA* or other regulator in respect of that type of *complaint*;
(including, if appropriate, making an offer of redress to the complainant), unless the *Ombudsman* considers that the *respondent* did not address the particular circumstances of the case; or
- (4) the *respondent* has reviewed the subject matter of the *complaint* and issued a *redress determination* in accordance with the terms of a *consumer redress scheme*; or
- (5) the subject matter of the *complaint* has previously been considered or excluded under the *Financial Ombudsman Service* (unless the *Ombudsman* considers that material factual new evidence which is likely to affect the outcome has subsequently become available to the complainant); or
- (6) issues relevant to the subject matter of the *complaint* have been dealt with, or are being dealt with, by a comparable complaints

scheme, regulatory or law enforcement body or dispute-resolution process; or

- (7) the subject matter of the *complaint*:
- (a) has been the subject of court proceedings such that it would be inappropriate for the *Financial Ombudsman Service* to consider the merits of the complaint; or
 - (b) is the subject of current court proceedings, unless proceedings are stayed or sisted (by agreement of all parties, or order of the court) so that the matter may be considered by the *Financial Ombudsman Service*; or
 - (c) would be more suitable to be dealt with by a court, arbitration or another complaints scheme or dispute resolution process; or
 - (d) is about employment matters from an employee or employees of a *respondent*; or
 - (e) is about investment performance; or
 - (f) is about:
 - (i) a *respondent's* decision when exercising a discretion under a will or private trust; or
 - (ii) a *respondent's* failure to consult beneficiaries before exercising a discretion under a will or private trust, where there is no legal obligation to consult; or
- (8) it is a *complaint* which:
- (a) involves (or might involve) more than one *eligible complainant*; and
 - (b) has been referred without the consent of the other complainant or complainants;
- and the *Ombudsman* considers that it would be inappropriate to deal with the *complaint* without that consent; or
- (9) there are other compelling reasons why it is inappropriate for the *complaint* to be dealt with under the *Financial Ombudsman Service*.

3.3.4D G Examples of other compelling reasons why it would be inappropriate for the *complaint* to be dealt with under the *Financial Ombudsman Service* may include (but are not limited to):

- (1) the complainant has not suffered (or is unlikely to suffer) material financial loss, material distress or material inconvenience; or

- (2) the *complaint* clearly does not have any reasonable prospect of success; or
- (3) the *respondent* has already made an offer of compensation (or a goodwill payment) which is:
 - (a) fair and reasonable in relation to the circumstances alleged by the complainant; and
 - (b) still open for acceptance; or
- (4) with knowledge of the right to refer a complaint to the *Financial Ombudsman Service*, the complainant has already concluded a full and final settlement with the *respondent* regarding the subject matter of the *complaint*; or
- (5) the *Ombudsman* considers that the *complaint* is about the legitimate exercise of a *respondent's* commercial judgement; or
- (6) the compensation sought under the complaint would significantly exceed the award limit in *DISP* 3.7.4R.

...

3.4 Referring a complaint to another complaints scheme or court

3.4.1 R The *Ombudsman* may refer a *complaint* to another complaints scheme where:

- (1) he considers that it would be more suitable for the matter to be determined by that scheme; ~~and~~
- (2) ~~the complainant consents to the referral.~~ [deleted]

Test cases

3.4.2 R The *Ombudsman* may, ~~with the complainant's consent~~, cease to consider the merits of a *complaint* so that it may be referred to a court to consider as a test case, if:

...

3.4.3 G Factors that the *Ombudsman* may take into account in considering whether to cease to consider the merits of a *complaint* so that it may be the subject of a test case in court include (but are not limited to):

...

- (6) any representations made by the *respondent* or the complainant, including but not limited to, the likelihood that the *respondent* or the complainant will refer the merits of the *complaint* to a court to consider as a test case; and

...

3.5 Resolution of complaints by the Ombudsman

...

- 3.5.4 R If the *Ombudsman* decides that ~~an investigation is necessary, he will then:~~ a complaint in the pre-registered stage is ready to be investigated or considers that an investigation is necessary, the *Ombudsman* will allocate it to the registered stage and:

...

...

Evidence

...

- 3.5.9 R The *Ombudsman* may:

...

- (4) dismiss a complaint or treat the *complaint* as withdrawn and cease to consider the merits if a complainant fails to supply requested information.

...

Procedural time limits

...

- 3.5.15 R If a complainant fails to comply with a time limit, the *Ombudsman* may:

...

- (2) dismiss the complaint or treat the complaint as withdrawn and cease to consider the merits.

3.6 Determination by the Ombudsman

Fair and reasonable

...

- 3.6.4 R In considering what is fair and reasonable in all the circumstances of the case, on a complaint referred to the *Financial Ombudsman Service* before [Editor's note: commencement date], the *Ombudsman* will take into account:

- (1) relevant:

- (a) law and regulations;
 - (b) regulators' rules, guidance and standards;
 - (c) codes of practice; and
- (2) (where appropriate) what he considers to have been good industry practice at the relevant time

3.6.4A R In considering what is fair and reasonable in all the circumstances of the case, on a *complaint* referred to the *Financial Ombudsman Service* on or after [*Editor's note: commencement date*], the *Ombudsman* will take into account what was, at the time of the act or omission, relevant:

- (1) law and regulations;
- (2) regulators' rules, guidance and standards; and
- (3) codes of practice.

REDRESS REFORMS INSTRUMENT 2026

Powers exercised by the Financial Conduct Authority

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance);
 - (4) section 213 (The compensation scheme);
 - (5) section 214 (General);
 - (6) section 226 (Compulsory jurisdiction); and
 - (7) paragraph 13 (the FCA’s rules) of Part III (The Compulsory Jurisdiction) of Schedule 17 (The Ombudsman Scheme).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. Part 1 of Annex C and Annex D come into force on 17 March 2026.
- D. Annex A, Annex B and Part 2 of Annex C come into force on 1 June 2026.

Amendments to the Handbook

- E. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Supervision manual (SUP)	Annex B
Dispute Resolution: Complaints sourcebook (DISP)	Annex C
Compensation sourcebook (COMP)	Annex D

- F. The FCA approves the Voluntary Jurisdiction rules and guidance made and amended, the standard terms for Voluntary Jurisdiction participants fixed and varied, and the scheme rules made and amended by the Financial Ombudsman Service, as set out in paragraph G below.

Powers exercised by the Financial Ombudsman Service Limited

- G. The Financial Ombudsman Service Limited:
- (1) makes and amends the rules and guidance for the Voluntary Jurisdiction and fixes and varies the standard terms for Voluntary Jurisdiction participants to

incorporate the changes made by the FCA as set out in Annex C to this instrument; and

- (2) makes and amends the rules and guidance for the Voluntary Jurisdiction, fixes and varies the standard terms for Voluntary Jurisdiction participants, and makes and amends the scheme rules and guidance relating to the complaint handling procedures of the Financial Ombudsman Service, to incorporate the changes to the Glossary of definitions as set out in Annex A to this instrument,

in the exercise of the following powers and related provisions in the Act:

- (a) section 227 (Voluntary jurisdiction);
- (b) paragraph 8 (Information, advice and guidance) of Schedule 17;
- (c) paragraph 14 (The scheme operator's rules) of Schedule 17;
- (d) paragraph 18 (Terms of reference to the scheme) of Schedule 17; and
- (e) paragraph 20 (Voluntary jurisdiction rules: procedure) of Schedule 17.

- H. The making and amendment of the Voluntary Jurisdiction rules and guidance, the fixing and varying of standard terms, and the making and amendment of scheme rules by the Financial Ombudsman Service Limited, as set out at paragraph G, is subject to the approval of the FCA.

Notes

- I. In the Annexes to this instrument, the notes (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text

Citation

- J. This instrument may be cited as the Redress Reforms Instrument 2026.

By order of the Board of the Financial Conduct Authority
26 February 2026

By order of the Board of the Financial Ombudsman Service
23 February 2026

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text.

Amend the following definition as shown.

complaint ...

- (2) (in *DISP*, except *DISP* 1.1 and (in relation to *collective portfolio management*) in the *consumer awareness rules*, the *complaints handling rules* ~~and~~, the *complaints record rule*, ~~and~~ in *CREDS* 9 ~~and~~, in *SUP* 12 and in *SUP* 15) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a *person* about the provision of, or failure to provide, a financial service, *claims management service* or a *redress determination*, which:
- (a) alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience; and
 - (b) relates to an activity of that *respondent*, or of any other *respondent* with whom that *respondent* has some connection in marketing or providing financial services or products or *claims management services*, which comes under the jurisdiction of the *Financial Ombudsman Service*.

...

Annex B

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

15 Notifications to the FCA

...

15.3 General notification requirements

...

Communication with the appropriate regulator in accordance with Principle 11

...

15.3.8 G Compliance with *Principle 11* includes, but is not limited to, giving the *FCA* notice of:

...

- (3) any action which a *firm* proposes to take which would result in a material change in its capital adequacy or solvency, including, but not limited to:

...

- (d) significant trading or non-trading losses (whether recognised or unrecognised); and

- (4) any circumstances that a *firm* considers:

- (a) may adversely impact at least 40% of the *customers* of a financial service or *product* that the *firm* provides or may provide to those *customers*;
- (b) may lead to the *firm* paying a significant total financial sum in redress if the *firm* or the *Financial Ombudsman Service* upholds a *complaint* made against the *firm*, or a court upholds a claim relating to a *complaint* made against the *firm*;
- (c) may lead to the *firm* paying financial sums in redress that will negatively impact the *firm's* capital adequacy or solvency;
- (d) has led, or may lead, to a comparatively high number of *complaints* received by the *firm* in relation to a financial service or *product*; or

(e) may lead to substantial financial loss for two or more consumers of a financial service or product.

15.3.8 G The FCA would consider there to be a ‘significant total financial sum’ in redress under SUP 15.3.8G(4)(b) if it appears a firm will need to pay from an affected financial service or product either:

- (1) £10 million or more; or
- (2) 50% of the firm’s annual revenue for the firm’s last financial year in respect of that financial service or product.

15.3.8 G The FCA would consider there to be a ‘comparatively high number of complaints received by the firm’ under SUP 15.3.8G(4)(d) where, taking into account the size of the firm and the number of customers it has in relation to any financial service or product:

- (1) it records an increase in the number of complaints received in respect of that financial service or product as compared to the number of such complaints received in the firm’s previous report provided to the FCA in accordance with DISP 1.10; and
- (2) this increase, in the opinion of the firm, demonstrates potentially recurring or systemic problems in its provision of, or failure to provide, a financial service or product.

15.3.8 G The FCA would consider there to be ‘substantial financial loss’ under SUP 15.3.8G(4)(e) if it appears that an individual consumer would lose more than £10,000.

...

Annex C

Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Part 1: Comes into force on 17 March 2026

1 Treating complainants fairly

1.1 Purpose and application

...

Application to firms

1.1.3 R ...

(4) [deleted]

(5) The following provisions apply to a Gibraltar-based firm as they would have applied had they been made (as amended) before IP completion day:

(a) DISP 1.4.4AG; and

(b) DISP 1.6.1R.

1.1.3A D ...

1.1.3B G GEN 2.3 has the effect of preserving provisions as they applied to Gibraltar-based firms immediately prior to IP completion day. DISP 1.1.3R(5) ensures that the provisions listed in DISP 1.1.3R(5)(a) and (b) apply as amended after IP completion day to those Gibraltar-based firms subject to DISP 1 under GEN 2.3.

...

1.4 Complaints resolution rules

...

Co-operating with the Financial Ombudsman Service

1.4.4 R ...

1.4.4A G Full co-operation with the Financial Ombudsman Service includes, as appropriate, complying with directions on evidence or requests for information from the Financial Ombudsman Service required to assess a complaint.

...

Part 2: Comes into force on 1 June 2026

1.6 Complaints time limit rules

Keeping the complainant informed

1.6.1 R On receipt of a *complaint*, a *respondent* must:

(1) send the complainant a prompt written acknowledgement providing:

(a) early reassurance that it has received the *complaint* and is dealing with it; and

(b) a statement explaining that the *respondent* will send:

(i) in the case of an *EMD complaint* or a *PSD complaint*:

(A) a final response within 15 *business days* of its receipt of the *complaint*, in accordance with *DISP* 1.6.2AR(1); or

(B) in exceptional circumstances, a holding response within 15 *business days* of its receipt of the *complaint* and a final response within 35 *business days* of its receipt of the *complaint*, in accordance with *DISP* 1.6.2AR(2); or

(ii) in the case of any other *complaint*, a written response within 8 weeks of its receipt of the *complaint*, that being either a final response in accordance with *DISP* 1.6.2R(1) or a written response in accordance with *DISP* 1.6.2R(2); and

...

1.6.1A G ...

1.6.1B G Where the *complaint* is due to be dealt with through the *Lloyd's complaint procedures*, and consistently with *DISP* 1.1.7R, the *respondent* will be able to satisfy the requirement at *DISP* 1.6.1R(1)(b) by including information about the timelines applicable under the *Lloyd's complaint procedures*.

...

Annex D

Amendments to the Compensation sourcebook (COMP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

4 Eligible claimants

...

4.2 Who is eligible to benefit from the protection provided by the FSCS?

4.2.1 R An *eligible claimant* is any *person* who at any material time:

- (1) did not come within *COMP 4.2.2R*; or
- (2) did come within *COMP 4.2.2R*, but satisfied the relevant exemption in *COMP 4.3* ~~or *COMP 4.4*~~.

[Note: See *COMP 4A.2.2G* about special cases in *COMP 12A.1* (Trustees and pension schemes) and *COMP 12A.3* (Collective investment schemes).]

Persons not eligible to claim unless *COMP 4.3* applies (see *COMP 4.2.1R*)

4.2.2 R This table belongs to *COMP 4.2.1R*

(1)	<i>Firms</i> (other than a <i>sole trader firm</i> ; a <i>credit union</i> ; a trustee of a <i>stakeholder pension scheme</i> (which is not an <i>occupational pension scheme</i>) or <i>personal pension scheme</i> ; a <i>firm carrying on the regulated activity</i> of operating, or winding up, a <i>stakeholder pension scheme</i> (which is not an <i>occupational pension scheme</i>) or <i>personal pension scheme</i> ; or a <i>small business</i>); in each case, whose <i>claim</i> arises out of a <i>regulated activity</i> for which they do not have a <i>permission</i>) and <i>overseas financial services institutions</i>
(2)	<i>Overseas financial services institutions</i> [deleted]
...	
(4)	Pension and retirement funds, and anyone who is a trustee of such a fund. However, this exclusion does not apply to:
(a)	a trustee of a <i>personal pension scheme</i> or a <i>stakeholder pension scheme</i> (which is not an <i>occupational pension scheme</i>); or
(b)	a trustee of an <i>occupational pension scheme</i> insofar as members' benefits are <i>money purchase benefits</i> ; or

	(e)	insofar as members' benefits are not <i>money-purchase benefits</i> , a trustee of an <i>occupational pension scheme</i> of an employer which is not a <i>large company</i> , <i>large partnership</i> or <i>large mutual association</i> .	
...			
(7)	<i>Directors of the relevant person in default</i> or, in respect of a claim against a <i>successor in default</i> , directors of any <i>successor</i> or directors of the <i>relevant person</i> . However, this exclusion does not apply if:		
	(a)	(i)	the <i>relevant person in default</i> is a mutual association which is not a <i>large mutual association</i> and the <i>directors</i> do not receive a salary or other remuneration for services performed by them for the <i>relevant person in default</i> ; or
		(ii)	in respect of a <i>claim</i> against a <i>successor in default</i> , the <i>relevant person</i> or a <i>successor</i> , to whichever the directorship relates, is a mutual association which is not a <i>large mutual association</i> and the <i>directors</i> do not receive a salary or other remuneration for services performed by them for the <i>relevant person</i> or a <i>successor</i> , as applicable; or
	(b)	(i)	the <i>relevant person in default</i> is a <i>credit union</i> ; or
		(ii)	in respect of a <i>claim</i> against a <i>successor in default</i> , the <i>relevant person</i> or a <i>successor</i> , to whichever the directorship relates, is a <i>credit union</i> .
...			
(9)	<i>Bodies corporate</i> in the same group as the <i>relevant person in default</i> or, in respect of a <i>claim</i> against a <i>successor in default</i> , <i>bodies corporate</i> in the same group as a <i>successor</i> or the <i>relevant person</i> , as applicable, unless that <i>body corporate</i> is:		
	(a)	a trustee of a <i>stakeholder pension scheme</i> (which is not an <i>occupational pension scheme</i>) or a <i>personal pension scheme</i> (but in each case if the trustee is a <i>firm</i> it will only be an <i>eligible claimant</i> if its <i>claim</i> arises out of a <i>regulated activity</i> for which it does not have a permission); or	
	(aa)	a trustee of:	
		(i)	an <i>occupational pension scheme</i> in relation to members' benefits which are <i>money-purchase benefits</i> ; or

	(ii)	(unless (i) applies) an <i>occupational pension scheme</i> of an employer which is not a <i>large company</i> , <i>large partnership</i> or <i>large mutual association</i> ; or
	(b)	carrying on the <i>regulated activity</i> of operating or winding up a stakeholder pension scheme (which is not an <i>occupational pension scheme</i>) or <i>personal pension scheme</i> .
...		
(13)		<i>Large companies</i> , <i>large partnerships</i> and <i>large mutual associations</i>
(14)		<i>Large partnerships</i> [deleted]
...		
(19)		<i>Large mutual associations</i> [deleted]
...		

...

4.3 Exceptions: Circumstances where a person coming within COMP 4.2.2R may receive compensation

...

Protected investment business

4.3.9 R ~~A person is eligible to claim compensation for claims made in connection with *protected investment business* if, at the date at which the *relevant person* (or, where applicable, a *successor*) is deemed to be in default, he: [deleted]~~

- (1) ~~came within category (14) of COMP 4.2.2 R and he does not exceed the limits for a *body corporate* which qualifies as a small company under section 247 of the Companies Act 1985 or section 382 of the Companies Act 2006 as applicable; or~~
- (2) ~~came within category (19) of COMP 4.2.2 R.~~

Trustees of pension schemes

4.3.10 R A person is eligible to claim compensation for *claims* where they are a trustee of:

- (1) a *personal pension scheme*;
- (2) a *stakeholder pension scheme* (which is not an *occupational pension scheme*);

(3) an occupational pension scheme insofar as members' benefits are money-purchase benefits; or

(4) an occupational pension scheme insofar as members' benefits are not money-purchase benefits; and the employer is not a large company, large partnership or large mutual association.

4.3.11 R A body corporate in the same group as the relevant person in default is eligible to claim compensation for claims where they are:

(1) a trustee of a stakeholder pension scheme (which is not an occupational pension scheme) or a personal pension scheme, provided that if the body corporate is a firm its claim arises out of a regulated activity for which it does not have permission;

(2) a trustee of an occupational pension scheme in relation to members' benefits which are money-purchase benefits;

(3) trustees of an occupational pension scheme of an employer which is not a large company, large partnership or large mutual association; or

(4) carrying on the regulated activity of operating or winding up a stakeholder pension scheme (which is not an occupational pension scheme) or a personal pension scheme.

Insert the following new chapter, COMP 4A, after COMP 4 (Eligible claimants). All the text is new and is not underlined.

4A Eligibility special cases

4A.1 Application and purpose

Application

4A.1.1 R This chapter applies to the *FSCS*.

4A.1.2 G This chapter is also relevant to those who may wish to bring a *claim* for compensation.

Purpose

4A.1.3 G In some cases, *claims* may be brought by one *person* for the benefit of another *person* or group of *persons* who they have legal obligations towards, such as a trustee for the benefit of beneficiaries. In these situations, it is appropriate that the *FSCS* treats the *claim* as having been made by each of the *persons* who will benefit from the *claim*. The purpose of this chapter is to set out the circumstances where these situations arise.

4A.2 Look throughs

- 4A.2.1 R If a claimant has a *claim* as a *person* in column A of the table in *COMP* 4A.2.3R, the *FSCS* must treat the corresponding *person* in column B of that table as having the *claim* not the *person* in column A.
- 4A.2.2 G For the purposes of this section, note the *rules* and *guidance* for other special cases in *COMP* 12A.3 (Collective investment schemes).
- 4A.2.3 R This table belongs to *COMP* 4A.2.1R.

	A	B
(1)	Trustee of an <i>occupational pension scheme</i> or trustee or <i>operator</i> of, or the <i>person</i> carrying on the <i>regulated activity</i> of winding up, a <i>stakeholder pension scheme</i> (which is not an <i>occupational pension scheme</i>) or <i>personal pension scheme</i>	Member or member scheme (or, where relevant, the beneficiary of any member) insofar as the members' benefits are <i>money-purchase benefits</i>
(2)	Bare trustee	Beneficiary
(3)	<i>Nominee company</i>	Beneficiary
(4)	Personal representative	Estate the personal representative is administering
(5)	Agent	<i>Principal</i>
(6)	<i>Firm</i> with a <i>claim</i> under <i>COMP</i> 3.2.4R	<i>Customer</i>
(7)	<i>Friendly society</i>	Member

- 4A.2.4 R The *FSCS* must:
- (1) only pay compensation to or on behalf of a *person* listed in column B of the table in *COMP* 4A.2.3R if that *person* is an *eligible claimant*; and
 - (2) not pay compensation separately to a *person* listed in column A of the table in *COMP* 4A.2.3R unless that *person* has a *claim* as an *eligible claimant* in a capacity other than that listed in column A of that table.

- 4A.2.5 R Where this chapter applies, the *FSCS* must take reasonable steps to ensure that any amount paid to a *person* in column A of the table in *COMP* 4A.2.3R is, in each case:
- (1) for the benefit of the corresponding *persons* in column B of the table in *COMP* 4A.2.3R if that *person* is an *eligible claimant*; and
 - (2) no more than the amount of the loss suffered by the corresponding *persons* in column B of the table in *COMP* 4A.2.3R.

4A.3 Trusts, pension schemes and collective investment schemes

- 4A.3.1 R If any group of *persons* has a *claim* as:

- (1) trustees; or
- (2) *operators* of, or as *persons* carrying on the *regulated activity* of winding up a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme* (or any combination thereof),

the *FSCS* must treat them as a single and continuing *person* distinct from the *persons* who may from time to time be performing those roles.

- 4A.3.2 R Where the same *person* has a *claim* as:

- (1) a trustee for different trusts or for different *stakeholder pension schemes* (which are not *occupational pension schemes*) or *personal pension schemes*; or
- (2) the *operator* of, or the *person* carrying on the *regulated activity* of winding up different *stakeholder pension schemes* (which are not *occupational pension schemes*) or *personal pension schemes*,

the *FSCS* must treat the *claim* in respect of each trust, scheme or fund as being the *claim* of a separate *person*, unless the *claim* relates to a single pooled investment failure impacting multiple trusts, schemes or funds.

- 4A.3.3 R Where the claimant is a trustee and some of the beneficiaries of the trust are *persons* who would not be *eligible claimants* if they had a *claim* themselves, the *FSCS* must adjust the amount of the overall *claim* to eliminate the part of the *claim* which, in the *FSCS*'s view, relates to any beneficiary who would not be an *eligible claimant*.

- 4A.3.4 G The look through in relation to *pension schemes* in *COMP* 4A.2.3R(1) means that:

- (1) where a member's benefits are *money-purchase benefits*, the *FSCS* will treat any *claim* as though it was made by the member whether the *claim* is made by the individual member or the trustee of the *pension scheme*; and

- (2) where a member's benefits are not *money-purchase benefits*, no look through will apply and the *FSCS* will consider any *claim* owed to either the trustee of the *pension scheme* or an individual member on its own merits.

4A.4 Joint claims

- 4A.4.1 R Subject to *COMP* 4A.3.2R, if 2 or more *persons* have a joint beneficial *claim*, each of those *persons* is taken to have a *claim* for their share, and in the absence of satisfactory evidence as to their respective shares, the *FSCS* must regard each *person* as entitled to an equal share.
- 4A.4.2 R If 2 or more *persons* who are carrying on business together in partnership have a joint beneficial *claim*, the *claim* is to be treated as a *claim* of the partnership.

4A.5 Foreign law

- 4A.5.1 R In applying *COMP* to *claims* arising out of business done with a *branch* or *establishment* of the *relevant person* outside the *United Kingdom*, the *FSCS* must interpret references to:

- (1) *persons* entitled as personal representatives, trustees, bare trustees or agents, *operators* of *pension schemes* or *persons* carrying on the *regulated activity* of winding up *pension schemes*; or
- (2) *persons* having a joint beneficial *claim* or carrying on business in partnership,

as references to *persons* entitled, under the law of the relevant country or territory, in a capacity appearing to the *FSCS* to correspond as nearly as may be to that capacity.

Amend the following as shown.

6 Relevant persons and successors in default

...

6.3 When is a relevant person in default?

...

- 6.3.4 R The *FSCS* may determine a *relevant person* to be *in default* if ~~it is satisfied that~~ a *protected claim* exists (other than an *ICD claim*), and:
- (1) the *FSCS* is satisfied that:
- (a) the *relevant person* cannot be contacted at its last place of business and that reasonable steps have been taken to

establish a forwarding or current address, but without success; ~~and~~

- (b) the relevant person, or its directors or former directors, have failed to comply with a request for information from the FSCS or otherwise failed to deal with the FSCS in an open, co-operative and timely way; or
- (c) the relevant person, or its directors or former directors, are facing personal circumstances such that the FSCS reasonably believes that they are unable to deal with the FSCS in an open, co-operative and timely way; and

- (2) there appears to the FSCS to be no evidence that the *relevant person* will be able to meet *claims* made against it.

...

Scheme manager's power to require information

- 6.3.9 R For the purposes of ~~sections~~ section 219(1A)(b), (d) and ~~(f)~~ (e) of the *Act* (Scheme manager's power to require information) whether a *relevant person* is unable or likely to be unable to satisfy *claims* shall be determined by reference to whether it is *in default*.

...

11 Payment of compensation

...

11.2 Payment

To whom must payment be made?

- 11.2.1 R If the FSCS determines that compensation is payable (or any recovery or other amount is payable by the FSCS to the claimant), it must pay it either
A to the claimant; or if the FSCS so decides, as directed by the claimant to any other person on such terms and on such conditions as the FSCS thinks fit, unless COMP 11.2.2R, COMP 11.2.2AR or COMP 11.2.2CR apply applies.

- 11.2.1 R When paying compensation to a person other than the claimant in accordance with COMP 11.2.1AR, the FSCS must take reasonable steps to ensure that any amount paid:

- (1) benefits the eligible claimant; and
- (2) is no more than the amount of loss suffered by the eligible claimant.

- 11.2.1 G Factors that the FSCS may consider in determining who to pay compensation to under COMP 11.2.1AR include, but are not limited to,
C

any direction given by the claimant, and what the FSCS reasonably considers is in the claimant's best interests.

- 11.2.1 G COMP 3.2.2R permits the FSCS to pay compensation to a person who
D makes a claim on behalf of another person where certain conditions are
satisfied. This includes payment to the personal representatives who make
a claim on behalf of the deceased (see COMP 3.2.3G(1)). COMP 11.2.1AR
permits the FSCS to pay compensation to any other person who it
considers should receive the compensation. For example, this may be to a
funeral services provider directly where the funeral services provider has
incurred expenses in providing funeral services under the funeral plan
contract and is yet to be reimbursed.

...

Collective investment scheme claims

- 11.2.2 R ~~Where a claimant has a claim that falls within COMP 12A.3.1R, the FSCS~~
A ~~may pay any compensation to: [deleted]~~

- (1) ~~the participants and not to the claimant; or~~
- (2) ~~the collective investment scheme and (where different) not to the claimant; or~~
- (3) ~~any combination of the above.~~

- 11.2.2 G ~~As a result of COMP 12A.3.1R, the FSCS must try to ensure that the amount~~
B ~~paid is no more than the amount of the loss suffered by the participant.~~
~~[deleted]~~

Protected funeral plan business claims

- 11.2.2 R ~~Where a claimant has a protected funeral plan business claim the FSCS may~~
C ~~pay compensation (and any recovery or other amount payable by the FSCS to~~
~~the claimant) to any other person on such terms and on such conditions as it~~
~~thinks fit. [deleted]~~

- 11.2.2 G ~~COMP 3.2.2R permits the FSCS to pay compensation to a person who makes~~
D ~~a claim on behalf of another person where certain conditions are satisfied.~~
~~This includes payment to the personal representatives who make a claim on~~
~~behalf of the deceased (see COMP 3.2.3G(1)). COMP 11.2.2CR permits the~~
~~FSCS to pay compensation to any other person who it considers should~~
~~receive the compensation. For example, this may be to a funeral services~~
~~provider directly where the funeral services provider has incurred expenses in~~
~~providing funeral services under the funeral plan contract and is yet to be~~
~~reimbursed. [deleted]~~

...

12 Calculating compensation

...

12.2 Quantification: general

...

Settlement of claims

- 12.2.10 R (1) The *FSCS* may pay compensation without fully or at all investigating the eligibility of the claimant and/or the validity and/or amount of the *claim* notwithstanding any provision in this sourcebook or *FEES* 6 to the contrary, if ~~in the opinion of the *FSCS*:~~ considers it reasonable to do so.
- (a) ~~the costs of investigating the merits of the *claim* are reasonably likely to be disproportionate to the likely benefit of such investigation; and [deleted]~~
- (b) ~~(as a result or otherwise) it is reasonable in the interests of *participant firms* to do so. [deleted]~~
- (2) ~~This rule does not apply with respect to *claims* that are excluded by article 3 of the *Investor Compensation Directive*. [deleted]~~

12.2.11 R In determining whether to exercise its discretion under *COMP* 12.2.10R, the *FSCS* must take into account:

- (1) whether, in the opinion of the *FSCS* based on the information available to the *FSCS* at the time the determination is considered, the costs of investigating the merits of the *claim* are reasonably likely to be disproportionate to the likely benefit of such investigation, having regard to the need to minimise those costs and burdens and allocate them efficiently and proportionately; and
- (2) the need to preserve public confidence in, and the efficient and effective operation of, the compensation scheme.

...

12A Special cases

COMP 12A.1 (Trustees and pension schemes) and COMP 12A.2 (Personal representatives, agents and joint claims) are deleted in their entirety. The deleted text is not shown but the sections are marked '[deleted]' as shown below.

12A.1 Trustees and pension schemes [deleted]

12A.2 Personal representatives, agents and joint claims [deleted]

Amend the following as shown.

12A.3 Collective investment schemes

12A.3.1 R (1) If a claimant has a *claim* in its capacity as a *collective investment scheme*, or anyone who is an operator, depository, manager or trustee of such a scheme, and the conditions in (2) are met:

- (a) the *FSCS* must treat the *participant* or *participants* as having the *claim* and not the claimant;
- (b) ~~COMP 12A.1.6R and COMP 12A.1.7R apply, reading “trustee” as “collective investment scheme, or anyone who is an operator, depository, manager or trustee of such a scheme”, “trust” as “collective investment scheme” and “beneficiary” as “participant”. [deleted]~~

...

12A.3.2 R Where the claimant is a *collective investment scheme* or an operator, depository, manager or trustee of such a scheme, and some of the *participants* are *persons* who would not be *eligible claimants* if they had a *claim* themselves, the *FSCS* must adjust the amount of the overall *claim* to eliminate the part of the *claim* which, in the *FSCS*'s view, is a *claim* for those beneficiaries.

12A.3.3 R The *FSCS* must try to ensure that any amount paid to:

- (1) the *collective investment scheme*; or
- (2) the operator, depository, manager or trustee of the *collective investment scheme*,

is, in each case:

- (3) for the benefit of *participants* who would be *eligible claimants* if they had a *claim* themselves; and
- (4) no more than the amount of the loss suffered by those *participants*.

COMP 12A.4 (Foreign law) and COMP 12A.5 (Claims arising under COMP 3.2.4R) are deleted in their entirety. The deleted text is not shown but the sections are marked '[deleted]' as shown below.

12A.4 Foreign law [deleted]

12A.5 Claims arising under COMP 3.2.4R [deleted]

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