

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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4th March 2009

Financial Ombudsman Service – Corporate Plan 2009-2010

Thank you for attending the Panel to update us on the Corporate Plan. The Panel wishes to express its full support for the plan and the ongoing work of the Financial Ombudsman service (FOS) on behalf of consumers.

We note that the plan reflects a significant increase in the budget, reflecting the anticipated increase in workload. It is predicted that the FOS will resolve 165,000 cases in 2009-10, a significant rise on 115,000 this year.

We note also that there are still around 15,000 unauthorised overdraft charges on hold, pending the decision in the High Court. Clearly if the Court case is resolved over the coming year there will be further implications for the service. We believe that it is crucial that the FOS has access to sufficient resources to provide a world class dispute resolution service.

We understand that consumers are more likely to complain during a period of economic difficulty, but the impact of this has not yet been felt. The underlying reason for this growth in complaints is poor behaviour on the part of firms – failure to treat customers fairly and comply with existing rules. Continually expanding the FOS budget is not the solution, particularly when the industry has suffered damage to its reputation and there is a need to rebuild confidence. The FSA needs to ensure that firms do comply with their existing regulatory obligations and we will be keeping a close eye on how ‘Treating customers fairly’ is embedded into core supervisory processes to achieve that.

We also expect the FSA to take regulatory action to resolve widespread consumer detriment where poor practice is common throughout the industry. We note the large rise in complaints regarding Payment Protection Insurance (PPI). The FSA has been critical of sales practices around PPI going back to 2005 and continues to find widespread poor practice despite the strong messages it has been putting out about

practices which were unacceptable. Given that a significant proportion of these cases are upheld by FOS, we believe that there is a systemic problem in relation to past sales of PPI. We support your request to the FSA to consider wider regulatory action in order that all customers are recompensed. Where there is industry-wide poor practice, it should not be the case that only customers who make complaints obtain redress. Firms should be forced to honour their regulatory obligations and compensate all customers who have experienced detriment. Until the industry can see that the regulator will take action against failure to treat customers fairly, firms will continue to engage in poor behaviour. We will reflect this in our dialogue with the FSA on PPI and on wider retail issues.

We strongly welcome the moves to increased transparency and proposals for the publication of complaint data against individual firms, including the percentage of complaints upheld. We firmly believe that transparency is an important tool in empowering consumers to make better decisions and protect their interests. We also believe that making information about firms' performance will ultimately improve compliance, as information about the firm's complaints will affect consumers perception of the brand.

A handwritten signature in black ink, appearing to read 'Adam Phillips', with a long horizontal flourish extending to the right.

Adam Phillips
Acting Chairman
Financial Services Consumer Panel