

our ref /CEO/reference
your ref reference



Anneliese Dodds MP
House of Commons
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from **Caroline Wayman**
chief executive &
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write to **Financial Ombudsman Service**
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3rd December 2018

Dear Ms Dodds

Parliamentary question: 190951

*To ask the Chancellor of the Exchequer, with reference to the Financial Ombudsman's Annual Report 2017-18, for what reasons the Financial Ombudsman upheld the lowest rate of complaints in the last 10 years in 2017-2018. **190951***

As your recent Parliamentary Question relates to our complaints data and the Financial Ombudsman Service is operationally independent, HM Treasury has asked us to respond.

Before addressing your question, I thought it might be helpful to set out some of the background. The Financial Ombudsman Service was set up by Parliament under the Financial Services and Markets Act 2000 to resolve disputes between consumers and financial businesses quickly and with minimum formality. We deal with complaints across a wide range of issues – from pensions and investments to PPI – and decide each case on its own individual merits. If a consumer does not feel they have been treated fairly by a financial business they can make a complaint to the business. And if they are not happy with the response to their complaint, then we are able to take an independent and impartial look at it.

When a complaint is upheld by the Financial Ombudsman Service, it means that there has been a change in the outcome of the complaint since it was first brought to us. Generally speaking, this occurs when we have decided that a consumer has been treated unfairly, and we tell the business to put things right. It also takes into account situations in which

a business has already made an offer to a consumer, but we decide it should change or increase this offer to put things right.

There are instances in which a complaint is brought to the service and we feel that the business has already made an offer which we consider fair and in line with what we would have recommended. These outcomes aren't categorised as an uphold in our complaints data. So although we feel that the business may have originally made an error or treated a customer unfairly, we're satisfied in these instances that the business has already taken steps to put things right.

For the past 8 years, PPI has been the largest single area of complaints, and as you may be aware, has historically had a high uphold rate. This has been a major factor in our overall uphold rate.

The rules under which we operate are known as the DISP rules, and are set out in the FCA Handbook. These rules explain that businesses must learn from the decisions we make. We have worked very closely with businesses to ensure that their customers are treated fairly, and we have been closely engaging with the industry and with consumer groups to ensure that businesses are looking into PPI claims fairly, reasonably and in line with our own standards. As you may be aware, the Financial Conduct Authority has also been engaging with the industry on guidance for dealing with PPI complaints, setting out what it considers best practice when looking into complaints of PPI mis-selling.

As a result of our work with the industry, and the FCA's guidance, we have seen a marked improvement in the way PPI complaints are dealt with by businesses over the last few years. In an increasing number of complaints, businesses have improved their complaints handling and are offering compensation in line with what we would recommend. As you can see in the following table, this has resulted in a decrease in the number of complaints in which we ask businesses to change or increase their offer.

The below table overleaf provides details about our average uphold rates for the past fifteen years. As you can see that, if you exclude PPI complaints, the overall uphold rate for complaints about other financial products and services has been much more stable, usually in the thirty per cents, and the average uphold rate for PPI is now much more consistent with this.

financial year	PPI uphold rate	uphold rate excluding PPI	overall uphold rate	% of workload covered by new PPI complaints
2003/2004	31%	33%	33%	1%
2004/2005	29%	44%	44%	1%
2005/2006	22%	37%	37%	1%
2006/2007	25%	32%	32%	2%
2007/2008	46%	52%	52%	9%
2008/2009	89%	52%	57%	24%
2009/2010	89%	39%	50%	30%
2010/2011	66%	43%	51%	51%
2011/2012	82%	44%	64%	60%
2012/2013	65%	37%	49%	74%
2013/2014	65%	37%	58%	78%
2014/2015	62%	37%	55%	63%
2015/2016	66%	29%	51%	56%
2016/2017	52%	30%	43%	53%
2017/2018	36%	31%	34%	55%

The uphold rate continues to vary widely between businesses and between different products – in the latest quarterly data which we published, for example, it was 71% for complaints about the operation of a credit reference agency but only 11% for term assurance.

We would be very happy to meet with you to discuss this in further detail if that would be helpful.

I hope that you find this useful. This letter is being copied to John Glen MP, Economic Secretary to the Treasury, to be placed in the Library of the House of Commons.

Yours sincerely



Caroline Wayman
chief executive & chief ombudsman