

UK Finance Response to the Financial Ombudsmen Service

Creating a funding model for the future

Discussion Paper

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Introduction

- UK Finance is the collective voice for the banking and finance industry in the UK. Representing around 300 firms across the industry, we act to enhance competitiveness, support customers, and facilitate innovation.
- We welcome the opportunity to respond to the discussion paper on ‘Creating a Funding Model for the Future’ and our response addresses areas of direct interest to the banking and finance industry.

Executive Summary

- UK Finance and its members recognise the importance of the Financial Ombudsman Service (FOS) and the need for it to have a sustainable funding model. In our response below, we reference members’ support for case fees as a fair and proportionate way of ensuring firms bear the cost relative to their complaint volumes.
- We support the proposed change to the Compulsory Jurisdiction (CJ) levy to overcome fixed overheads, which is more aligned to the ‘polluter pays principle’ than the current arbitrary ratio split.
- Subject to further clarification, UK Finance members support a differentiated case fee instead of a single flat fee, as this provides the most transparent and fair way to distribute costs. It is essential that such an approach is supported by a clear, objective and transparent matrix that explains how the fee is calculated.
- Of the options set out in the Discussion Paper, UK Finance members favour the proposal for charging different case fees according to the stage the case has reached as it is simpler and minimises the risk of interpretation or challenge. The alternative, charging by ‘product’, could lead to increased debate and challenges as it relies more heavily on subjective judgement and measures which may vary year on year.
- Members were equally reticent to support a model based on case complexity as outlined in the future funding structure 2023/24 section of the Discussion Paper, noting, for example, that a complex product does not necessarily equate to a complex complaint and highlighting the challenge of establishing objective and measurable criteria, e.g. those relating to vulnerable customers.

- As part of developing a new approach based on ‘stage of resolution’, it would be helpful for the FOS to consider:
 - how a proactive, fast-track remediation process could utilise the positive lessons from the Outcome Reporting initiative, for example, the ‘mediation’ approach between the View and Ombudsman decision stages; and
 - building additional case stages into the model, for example, cases which are clearly time barred and/or outside FOS jurisdiction (i.e. will not be progressed/investigated) should logically attract a lower fee than cases which require investigation.
- Members support the principle of a two-stage funding model, i.e. a flat fee for every case, payable on submission, coupled with an additional, variable ‘top-up fee’ to be applied at the point of resolution.
- UK Finance and its members are less supportive of the proposal to introduce supplementary fees for firms which are ‘uncooperative’ on the basis that it would add and act as a form of penalty for non-compliance. Supervision is the role and responsibility of the FCA and, via the FCA DISP rules, there is already a regulatory mechanism through which firms’ poor behaviour can be addressed.
- It is important to recognise and understand the drivers behind firm’s apparent ‘non-conformance’. Often, the root cause is a fundamental misalignment between the FOS and the firm’s interpretation of the FCA regulatory requirements. Rather than penalise firms, it would be preferable, for there to be a formal requirement (which is broader in scope than the proposed Financial Services and Markets Bill statutory duty to collaborate), which requires the FOS to engage with the FCA to ensure that any interpretation of the principles-based regulation (which is by its very nature subjective) is aligned with the FCA’s policy intent. This will minimise concerns about regulatory divergence, reduce costs and lead to better consumer outcomes.
- Finally, in relation to future funding options beyond 2023/24 – in particular the charging of Claims Management Companies (CMCs), UK Finance members strongly believe that the FOS needs to capitalise on the once in a generation opportunity that the Financial Services and Markets Bill presents, by advocating for a simple amendment which would enable operational costs to be recouped from professional organisations that contribute to the FOS’ operational workload. The activity and impact of sectors such as the CMC was not considered at the time that the current charging framework was designed, and it should be recalibrated now to ensure that operational costs are recharged in a fair and proportionate manner.
- The FOS independent review and the Discussion Paper both recognise that CMCs have the ability to *“aggregate many similar cases into a batch in a manner that is not characteristic of individual complaints and that does not always apply the same rigour to the assessment of complaint viability.....[and]..... are not going to be upheld”*.
- The FCA’s consultation paper on restricting CMC Charges (CP21/1) provided further evidence which clearly illustrated the high volume, low impact business model adopted by many CMC firms. The consultation paper noted that only 8% of over 244,000 claims were successful¹. Furthermore the average cost of managing claims suggested a low level of preparatory work is undertaken – noting that the cost of managing a loan claim was £10 and a Packaged Bank Account Claim was just £22².
- UK Finance has previously raised concerns with the FCA regarding some CMC practices in relation to the submission, resolution and escalation of complaints to both Firms and the FOS.

¹ FCA CP21/1 Restricting CMC charges for financial products and services claims – Page 94 Table 1: Summary Statistics (Jan 2021)

² FCA CP21/1 Restricting CMC charges for financial products and services claims – Page 12 Para 2.15 and Table 4 (Jan 2021)

The escalation of cases which have no merit has a financial impact on UK Finance members, as all cases submitted to FOS are chargeable. The current imbalance needs to be addressed and our preference would be for the CMC to pay the fee unless the case is upheld.

- If the FOS waits until 2023/24 (as suggested in the Discussion Paper), the opportunity to put in place a fair, proportionate, future proof legislative framework will have been missed.

Response to the Funding Model Questions

Our key principles

Q1: Do you agree with how we suggest building on our current principles and are there any other factors we should take into account?

- UK Finance and its members agree with and are supportive of the updated funding principles.
- The FOS has an important role to play within the financial services ecosystem and members recognise that to fulfil its role, the FOS needs to be placed on a sustainable footing which breaks even financially.
- The funding model should incentivise firms to minimise the number of complaints submitted to the FOS.
- Members believe case fees provide the most transparent and fair way to distribute costs ensuring all firms pay fees relative to the complaint volumes that they are responsible for.
- However, the current legislative framework, which restricts charges to the 'respondents' (in order to make the service free to the consumer), has the impact of constraining the FOS's ability to distribute the costs in a manner which is aligned to the funding principles i.e. fair and proportionate. The legislative framework should be flexible enough to enable FOS to recoup operational costs from all firms that contribute to the service's workload.
- UK Finance members strongly believe that the FOS needs to capitalise on the once in a generation opportunity that the Financial Services and Markets Bill presents, by advocating for a simple amendment which would enable operational costs to be recouped from professional organisations that contribute to the FOS' operational workload. The activity and impact of sectors such as the CMC was not considered at the time that the current charging framework was designed, and it should be recalibrated now to ensure that operational costs are recharged in a fair and proportionate manner.
- Amending both the funding model and legislative framework, would enable the FOS to seek recompense (i.e. the case fee) from Claims Management Companies (CMC) rather than the financial services firm, where the case is not upheld. This should apply irrespective of which regulatory body authorises the CMC (i.e. the Financial Conduct Authority (FCA) and/or the Solicitors Regulation Authority (SRA)). Further detail is provided in our response to Question 11.
- It is important that the fees reflect the cost of the case, but any new model must be aligned with the FOS funding principle 'simple to administer', and minimise the risk of interpretation/challenge. It is for this reason that our members favour a 'process based' rather than a 'complexity based' charging structure which may be more subjective.
- Since the budget cycles/financial years for many firms are from January to December, and do not align with FOS/ Tax Year approach (i.e. many firms' budgets are set before the FOS issues its consultation), it would be helpful if the FOS could provide:
 - a rolling 5-year funding forecast which provides firms advanced notice of potential funding increases; and

- greater disclosure and transparency on the Transformation Programme including any capex requirements, the cost benefit analysis associated with any planned investment spend and the tracking of expected efficiencies and financial savings which should be reflected in future funding requests.

Options for a future funding structure: 2023/24

Q2: Do you agree with our option of changing the CJ levy to recover fixed overheads?

- UK Finance and its members agree that changing the CJ Levy to recover fixed overheads would create greater transparency and stability in the levy.
- Members believe that this is a sensible proposal, as it is better aligned to a 'polluter pays model' than the current arbitrary ratio split.
- Noting that initial projections suggest that operational costs may increase above the 2022/23 £106m, which already includes a £10m uplift required to fund the transformation programme, it is important that firms have:
 - sight of the detailed cost base on which the levy is determined;
 - sight of the anticipated operational and capex costs over a five-year trajectory, so that they can factor these projected costs into their own financial planning; and
 - the reassurance that any investment made is achieving the expected productivity gains and that future FOS fees (levy and case fees) reflect the cost savings achieved.
- In addition to the amount of the basis on which the levy is determined, considerations should also be given to how the levy costs are distributed. Members are supportive of a firm's complaint volume having a direct impact on its share of both the levy and the case fees. This would act as a double incentive for firms to reduce the volume of complaints escalated to FOS.

Q3: Do you agree with our proposal for simplifying the Voluntary Jurisdiction (VJ) levy?

- UK Finance and its members agree with the proposal to simplify the levy, if it will reduce the cost of calculating it, and in doing so positively impact the overall cost base.

Q4: Should we retain our single, flat case fee or do you support a differentiated case fee model?

- As a general approach, UK Finance members support a differentiated case fee instead of a single, flat fee, as this provides the most transparent and fair way to distribute costs ensuring firms pay fees relative to the complaint volumes that they are responsible for.
- Members made the following observations.
 - The differentiated fee structure needs to be simple to minimise the risk of interpretation and/or challenge.
 - Application of fees (irrespective of the charging model adopted) needs to be based on a clear, non-subjective, transparent matrix and the FOS needs to be able to explain the basis for all fees applied to any individual case.
 - Moving to a more complicated fee charging process model will result in practical implications for FOS and firms regarding accurate budget planning and reconciliation of more detailed invoices.
 - Firms have previously raised concerns about the challenges involved in reconciling cases and this will come into sharper focus if a variable fee structure is introduced. Consideration will need to be given as to how end to end reconciliation processes can

be improved for the benefit of all stakeholders, as improving these processes will be critical to minimising the administrative burden and preventing case fees increasing to cover the costs of additional staff required to deal with fee disputes and queries.

- Members are concerned that cases which require multiple information requests and discussions, could lead to a case being classified as complex and therefore be subject to a higher case fee, when the case could have been settled/finalised earlier.
- To bring any new model to life, it would be helpful if the 2023/24 Business Plan and Funding Consultation could include Case Studies that demonstrate how a case would be classified under each approach under the new model and what the resultant fee would be as this will enable firms to understand the impact of any proposed approach.

Q5: Do you agree that we should charge different case fees according to the stage the case has reached before it is resolved? Do you consider this would create any unhelpful incentives?

- UK Finance members believe this proposal has some merit and support the rationale and principle for charging different case fees according to the stage the case has reached, and the resources involved to investigate and resolve.
- Members favour a 'process-based' charging structure rather than a 'complexity-based' one, as it is simpler and minimises the risk of interpretation/challenge.
- This is because a model based on the stage of resolution has the merit of being based on fact, making it a more objective and less judgemental metric than the other proposed options i.e. 'complexity of case and product type'. Members have concerns that these approaches could lead to increased debate and challenges, as they rely more heavily on subjective judgement and/or measures which may vary year on year.
- Any model predicated on stage of resolution would need to be supported by consistency of investigator decisions and point of resolution to prevent differential treatment of cases which are challenged and escalated to the Ombudsman, resulting in increased costs for the firm due to factors outside their control (e.g. inexperienced investigator, training need).
- Whilst a differentiated case fee model may encourage earlier resolution which would be beneficial to the consumer, consideration should be given to this potentially driving the wrong behaviours. The model should not discourage or penalise firms for challenging a decision where they fundamentally disagree with the approach taken by FOS. Equally, it should not encourage firms to settle complaints financially with customers, where redress is not due.
- Additionally, members are concerned that not meeting deadlines set by FOS (which can be challenging for firms to achieve) may result in a case being escalated to the next stage unnecessarily, resulting in increased costs for the firm.
- In developing a new approach based on 'stage of resolution', members would encourage FOS to consider how a proactive, fast-track remediation process which builds on the positive lessons from the Outcome Reporting initiative could be incorporated. A 'mediation' approach between the View and Ombudsman decision stages could be beneficial for all parties, particularly where it is likely that the complaint will result in a not upheld outcome.
- Members are also of the view that there is a strong case for building additional case stages into the model, for example, cases which are clearly time barred and/or outside FOS jurisdiction (i.e. will not be progressed/investigated) should logically attract a lower fee than one the FOS does have to investigate.
- Finally, as a point of context, it is important to note that firms may wish to allow complaints to proceed to adjudicator and ombudsman decisions to gain insight from FOS' approach and/or because the firm wishes the matter to be formally resolved. Therefore, it is important that if the

FOS adopts this model, it recognises that there are valid reasons for firms avoiding early resolution.

Q6: Do you agree that we should vary case fees according to the type of product the complaint relates to? If you agree, do you think we should also introduce fees that are chargeable according to case stage?

- Subject to further clarity on how the FOS would determine the level of complexity and the cost of different complaint/product types, UK Finance members are less supportive of this option, noting the following:
 - The product/complaint type matrix must be clear and based on transparent, accurate time/cost assessments. This will minimise individual case handler judgement, which could result in inconsistent fees being applied to similar cases and could also lead to increased fee disputes.
 - Consideration would need to be given to how multi-product complaints and/or complaints which incorporate 'cross-cutting themes' such as fraud and scams and/or vulnerability would be handled – for example would a complaint with a basic and complex product automatically attract the fee attributable to the complex product?
 - The model should recognise that whilst the underlying product may be complex, the complaint itself may be simple and quick to resolve.
 - The matrix and/or measures would need to be reviewed annually, to take into account emerging complaints and other developments which may vary year on year.
- Members stated it would be helpful to see a matrix of the criteria, proposed products/services and associated costs to fully assess the proposal and its impact so that an informed view can be determined.
- In the absence of the detail outlined above, members believe that the variable fee structure should remain in its simplest form, i.e. escalating fees based on the following stages of resolution: complaints out of FOS jurisdiction, FOS investigated and resolved, and FOS cases referred to Ombudsman.

Q7: Do you agree with reducing the margin of 15% to 5% and removing the free case allowance in group fee account arrangements?

- Our members agree with the FOS' proposal to amend the group account fee arrangements.
- Reducing the margin from 15% to 5% and removing the free case allowance, seem sensible, but will require FOS to produce accurate, timely complaints forecasts which can be agreed with Group Account Members.

Q8: Do you agree that an initial fee at conversion will protect us and levy payers from the risk of not recovering costs for completed work?

- The FOS proposes that minimising the risk of firms cross-subsidising other firms' non-payment of fees, would be achieved through the introduction of a two-stage funding model, i.e. a flat fee for every case, payable on submission, coupled with an additional, variable 'top-up fee' to be applied at point of resolution.
- Our members agree with the principle of this approach, but there are practical implications associated with this twin track approach that should be considered.
 - Whilst members would prefer not to pay a fee for any cases falling outside FOS jurisdiction, they recognise that undertaking an initial check requires operational resource which needs to be funded. In these circumstances, members feel it would

be appropriate for these cases to attract a lower initial fee which reflects the actual operational costs.

- Consideration needs to be given as to when the initial fee should become payable as if fees are charged before the FOS has undertaken an initial 'validity' review, it could lead to refunds being required at a later point. This would be particularly important in situations where cases submitted by CMCs are deemed to have no merit. As noted above, in these situations, UK Finance members are of the strong view that the CMC should pay the fee and the financial organisation should not be charged.
- A two-stage invoicing process adds an additional administrative burden on firms in terms of reconciling invoices and has the potential to lead to increased queries. To mitigate this risk, the FOS will have to provide detailed, accurate reports which facilitate quick identification and reconciliation of individual cases to support firms.

Q9: Do you agree that a time limit of 12 months to claim for overpayment of fees provides firms with a sufficient opportunity to make any claim for repayment?

- Members believe that 12 months provides a sufficient opportunity to make a claim, however, this will only be viable on the current fee structure.
- Any new fee structure is going to take time to embed and will lead to additional queries in the short-term. Changing the fee structure at the same time as the time limit would result in practical challenges for firms.
- Members suggested the option of initially reducing the time limit to 18 months, with a view to reduce this to 12 months in the future once the funding model has reached a 'steady state'. Staging the reduction in this manner, enables any issues to be identified and managed appropriately.
- For sake of clarity, any changes to DISP should be restricted to the 'time-frame' and not the point at which the clock starts ticking – which is currently when the fee is paid. If a two-stage invoicing process is introduced, then the point at which the 'top up' fee is paid should be used as the starting point of the claims period, not the initial fee.

Q10: Do you agree that we should include the data that results from any new fee structure as part of the quarterly report we publish on our website?

- Members believe that this approach would provide a greater level of insight and transparency, and would be a key measure of success for any new structure.

Ideas for future funding beyond 2023/24

Q11: Do you have evidence to demonstrate problematic behaviours from CMCs and do you think a charge from the Financial Ombudsman Service would prevent them?

- The Financial Ombudsman Service 2021 Periodic Report developed by Oaklin Consulting, rightly identifies that CMCs have the ability to “*aggregate many similar cases into a batch in a manner that is not characteristic of individual complaints and that does not always apply the same rigour to the assessment of complaint viability. Whilst providing a viable service to consumers, a side effect of this approach can be the creation of high volumes of enquiries that are within the jurisdiction of the Financial Ombudsman Service, but that are not going to be upheld*”
- The FCAs consultation paper on restricting CMC Charges (CP21/1) provides further evidence which clearly illustrates the high volume, low impact business model that many firms adopt.

The consultation paper notes that only 8% of over 244,000 claims were successful³ and the average cost of managing claims suggests a low level of preparatory work – noting that the cost of managing a loan claim was £10 and a Packaged Bank Account Claim was just £22.

- This kind of activity impacts the FOS’s operational ability to focus resources on cases where customers have a valid complaint, increases waiting times for all consumers and unfairly raises consumer expectations for those that have submitted a complaint which has no merit. It also impacts financial services firms both operationally and financially as they must respond to FOS information requests and pay the full £750 fee.
- Our members have noticed increased CMC activity following the introduction of the FCA compensation/fee cap which took effect from the end of March 2022.
- With regard to a charge, CMCs (and law firms) currently have no disincentive to advancing complaints to the FOS through automated processes, regardless of prospects of success. This is very different to a court claim where there is a cost risk associated with advancing claims, particularly where it is unreasonable to have done so (in which case the court can award costs against the third party, rather than directly against a customer who may have been unaware of the third party's conduct). Applying a similar charge would ensure CMCs and law firms carefully consider the merits of FOS escalation. If the charge could only be levied against the CMC/law firm, and regulations stipulate the fee cannot be passed on to the customer, there is no risk that this could act as a barrier to complaints being appropriately escalated.
- Our members recognise that there are instances where customers may need the support of an independent third party and therefore do not want to prevent cases going to FOS however, since the end of PPI, some of our members have raised concerns with regard to CMCs, for example, CMCs adopting a templated, bulk approach and escalating a case to FOS at the same time as filing litigation.
- We suggest that the FOS could also have an impact on the quality and volume of complaints (and therefore efficiency, speed of outcome and value for money for the customer) by applying greater scrutiny to a complaint (made by a third party) prior to a conversion (therefore pre-charge). This should include an assessment of generic versus specific complaint points.
- Following consultation with members, UK Finance has raised concerns with FCA regarding CMC practices and their approach to escalating complaints to FOS and/or raising complaints initially.
- Some members believe that a charge per complaint (regardless of outcome or quality) at FOS would encourage third parties to put greater due diligence around their escalations to FOS.
- However, our preference would be for the CMC/law firm to pay the fee unless the case is upheld. Where the case has merit and is upheld, it is fair and reasonable that the financial services firm is invoiced for the case fee.
- If this is not possible, we would ask that consideration be given to increasing the Levy for regulated CMCs that have high uphold rates.
- Our members acknowledge that charging CMCs and law firms requires legislative change and strongly believe this change should be taken forward by the FOS now.
- The FOS needs to capitalise on the once in a generation opportunity that the Financial Services and Markets Bill presents, by advocating for a simple amendment which would enable operational costs to be recouped from professional organisations that contribute to the FOS’ operational workload. The activity and impact of sectors such as the CMC was not

³ FCA CP21/1 Restricting CMC charges for financial products and services claims - Table 1: Summary Statistics (Jan 2021)

considered at the time that the current charging framework was designed, and it should be recalibrated now to ensure that operational costs are recharged in a fair and proportionate manner.

- If the FOS waits until 2023/24 (as suggested in the Discussion Paper), the opportunity to put in place a fair, proportionate, future proof legislative framework will have been missed.

Q12: Would you like us to consider introducing differentiated fees based on case complexity in future? How should complexity be defined and how could fees based on complexity be applied most effectively?

- In broad terms, our members consider that the model should be simple and minimise the risk of interpretation and challenge. They have a preference for a 'process-based' rather than a 'complexity-based' charging structure and would not currently support a proposal to introduce differentiated case fees based on case complexity.
- The proposal outlined in the discussion paper appears complicated and would require robust and objective criteria that could be applied effectively and consistently (as recognised by FOS in paragraph 10, page 12), in order to avoid protracted case fee disputes and the unnecessary associated costs for FOS and the firm.
- The definition of such criteria presents several challenges, for example:
 - How would a customer's vulnerability be assessed?
 - What consideration and weighting would be given to the nature of the customer's vulnerability, the presence of multiple vulnerabilities?
 - How would the FOS assess if these characteristics have a bearing on the merit of the complaint?
- As noted previously, a complex product does not necessarily equate to a complex complaint.
- The complexity of a case should not be predicated on the involvement of professional parties, as this could exacerbate the existing challenges faced by firms when dealing with complaints submitted by CMCs as noted above in our response to Question 11.
- Equally, whilst emerging cases which have wider implications and/or 'test' an important point of law may require additional resource until such time as an approach is determined, subsequent cases may not meet the 'complex' threshold and so consideration needs to be given as to how these initial costs are distributed fairly across test and future complaints.

Q13: Would you like us to consider offering discounts for cases resolved in batches in future, or do you think that fees based on the stage a complaint reaches would have the same impact? What would be an appropriate minimum and maximum number of complaints to form a batch?

- Members support this proposal as it provides an additional incentive for firms to resolve cases quickly where a batch approach has become possible.
- However, members also stressed the importance of looking at cases on an individual basis and noted care would need to be taken to ensure that such approach would not encourage cases being put on hold in order to reach a volume of complaints that could be put through the process, as this could result in consumers experiencing protracted waiting times.
- To mitigate the risk above, our members agree that a batch should be a percentage of the total cases that a business has with FOS and state that the minimum should be 10 complaints.
- Members would like to understand how such an approach would work alongside the BAU process and differentiated funding model, and further detail would be welcomed. This should include consideration of how 'disputes' would be resolved should the application of the criteria on a certain case not be agreed between parties.

- In terms of the fee applied, members stated they should also be able to get a discount if a firm takes back a batch of FOS cases following an initial decision and before FOS has investigated the remainder of cases. For these cases, members were of the view that the fee applied should be proportionate to the work undertaken by FOS.
- Taking back cases and the firm re-reviewing them in the light of FOS precedent avoids the problems of the FOS having to decide what is a batch, could substantially reduce the FOS's workload, whilst enabling the firm to share in the reduced cost and providing an incentive for taking back cases.
- Finally, as with the Outcome Reporting initiative, consideration would need to be given to how any cases resolved via the 'batch process' are reported.

Q14: Would you like us to introduce supplementary fees for firms which are uncooperative and how do you define 'uncooperative'?

- UK Finance and its members generally define 'uncooperative' as refusing to provide or delaying the provision of key information on a case, refusing to accept decisions which aren't in a firm's favour and refusing to respond to queries or requests for further information during the investigation process.
- The supplementary fees appear to be designed to act as a form of penalty for non-compliance and members have two significant concerns with this proposal.
- Supervision is and should remain, the role and responsibility of the FCA. The FCA's DISP rules clearly require firms to cooperate with the FOS through covering procedural delays and failure to provide information, therefore there is already a regulatory mechanism through which firms' poor behaviour can be addressed. The FOS should escalate any concerns with firms' conduct to the FCA through existing channels.
- Secondly, it is important to recognise and understand the drivers behind firm's apparent 'non-conformance'. Often, the root cause is a fundamental misalignment between the FOS and the firm's interpretation of the FCA regulatory requirements.
- Rather than penalise firms, it would be preferable, for there to be a formal requirement (which is broader in scope than the proposed Financial Services Bill statutory duty to collaborate), which requires the FOS to engage with the FCA to ensure that any interpretation of the principles-based regulation (which is by its very nature subjective) is aligned with the FCA's policy intent. This will minimise concerns about regulatory divergence, reduce costs and lead to better consumer outcomes.

Ideas we have considered but are not proposing to take forward

Q15: Do you agree that these options should not be taken forward or should we reconsider any of them – and if so, why?

- The funding model should be proportionate and distribute costs fairly, based on a principle of 'polluter pays'.
- Members welcome the fact that the FOS has discounted the proposal to remove the three free case allowance. Members are strongly against this proposal as it would disproportionately impact smaller firms' operating costs, which have already been subjected to increased costs of up to £16,500 p.a., as a result of the reduction in fee free cases implemented in the 2022/23 financial year.
- It would also increase FOS' operating costs (that all firms bear), given the disproportionate administration involved in issuing invoices and chasing payment from firms that are subject to less than four cases a year.

In closing, UK Finance and its members understand that the future funding model is an important issue as it underpins the viability and sustainability of the FOS. It also has a significant impact on our members and we would welcome continued engagement so that we can support the FOS in the development of its policy proposals, as well as our members as they implement any necessary changes.

If you have any questions relating to this response, please contact Kevin Ennis, Principal Vulnerability Policy at kevin.ennis@ukfinance.org.uk

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