



FOS Plans and Budget 2026/27

UK Finance response

Introduction

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Sent via email to: consultations@financial-ombudsman.org.uk

UK Finance is the collective voice for the banking and finance industry. Representing around 300 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

We welcome the opportunity to respond to this consultation and given the subject matter, have consulted widely across our membership to attain views from a broad range of firms, with different business models and customer bases.

Our high-level views and responses to the consultation questions are set out below and we would be happy to discuss this submission in more detail if that would be useful. Please contact Daniel.ryall@ukfinance.org.uk in the first instance to discuss further.

Executive Summary

The proposed funding changes (including the case fee rising from £650 to £680, the professional representative fee rising from £250 to £260 with the credit increasing from £175 to £180, and the CJ levy rising from £70m to £86m) make the case for a clearer explanation of why the increases are needed and what they will deliver in practice, including how additional costs will improve timeliness, quality, and reduce the case backlog.

Members report that CMC/professional representative charging is already changing behaviour, with fewer speculative submissions and fewer third-party driven escalations (particularly in unaffordable lending). However, it is still too early to be confident about the size of the effect or whether it will last, so this should be kept under review as business models adapt. Members therefore welcome the commitment to review the charging structure annually and encourage FOS to use objective measures—such as submission quality, relative uphold rates, volumes of withdrawn or abandoned cases, and indicators of meritless complaints—when assessing whether the regime is delivering the intended outcomes.

Members note that the number of affordability complaints referred to FOS could change significantly depending on FOS's approach to time-barring and the outcome of the Judicial Review, even if the overall forecast looks broadly reasonable.

There is strong support for the Modernising Redress package and the wider FCA/HMT reform direction, with a clear preference for changes that can be made

without legislation to deliver early improvements in certainty and reduce speculative complaints.

Members also welcome the move away from large, “all-at-once” technology programmes towards incremental delivery and pragmatic off-the-shelf solutions (including AI where appropriate), and support having a dedicated team to turn consultation outcomes into practical, deliverable changes.

Members see differential case fees (particularly by stage) as a useful efficiency tool that should be revisited rather than parked, especially as the case mix changes and billing simplification helps prepare systems for future fee differentiation.

On Motor Finance Commission (MFC) complaints, members expect the FCA redress scheme to reduce the number of cases reaching FOS but not remove the operational impact entirely, because residual dissatisfaction, boundary/jurisdictional cases, and bundled “add-on” complaint points (such as affordability) are likely to continue to drive escalations.

Consultation questions

1. Do you agree with the anticipated volume and trends for 2026/27?

- ▶ Members broadly agree with the projected volumes and trends for 2026/27 set out in the consultation. However, our members highlight that a small number of factors could materially change the outlook, and that the projections may be subject to volatility which should be closely monitored.
- ▶ In consumer credit (including credit cards), affordability volumes are highly sensitive to FOS’s approach to time-barring and the outcome of the Judicial Review, either of which could drive a significant change in inflows and referral rates.
- ▶ Our members also expect continued pressure from complaints linked to affordability and historic/irresponsible lending allegations, with consumer awareness and online activity sustaining elevated volumes. Members also note the potential impact of wider economic pressures on complaint volumes and patterns.
- ▶ Members would welcome further clarity on how FOS is assessing the prevalence of AI and whether it has been factored into forecasting assumptions, given the potential for AI-enabled amplification to increase complaint generation and subsequent FOS referrals. Members also emphasise the importance of ongoing monitoring of shifts in third-party representative behaviours, including any AI-enabled amplification of complaint generation.

- ▶ Finally, while non-MFC projections appear broadly sensible, some members are sceptical that MFC volumes will be as low as indicated and consider the scale of the redress scheme could generate higher referral volumes than forecast.

2. Are there any issues or trends might we see in 2026/27 which we have not included? And what impact do you think they will have on complaint volumes?

- ▶ Members do not, in the main, anticipate any additional novel issues for 2026/27 beyond those already captured in the consultation. However, members note that under the updated ADR regime FOS may make greater use of its powers to dismiss cases—particularly where there are ongoing court proceedings, law enforcement actions, or FCA investigations—which could affect the profile and volumes of cases progressing through FOS.
- ▶ As mentioned in response to question 1, members would welcome FOS’s view on the potential impact of AI on complaint generation and volumes, as this was not addressed, and they also note that ongoing cost-of-living pressures (potentially exacerbated by recent budget statements) could act as a continued underlying driver of lending and credit-related complaints, including attempts to recover fees, costs or reimbursement. Members also note that wider economic conditions may exacerbate affordability and customer service-related complaint volumes.
- ▶ Based on current 2025 themes, members also expect continued pressure from day-to-day account administration and customer service issues (including support options, credit file reporting and litigation activity), affordability-related requests for contract variation that cannot be accommodated, complaints linked to declined applications as lending grows, and a potential uplift in redemption-related complaints as more customers reach the end of their mortgage term.

3. Do you agree with our projection on the volume of complaints we will receive from professional representatives on behalf of consumers?

- ▶ Members broadly agree with the direction of travel and note that, since the introduction of professional representative fees, firms have already observed a reduction in third-party driven escalations and fewer speculative submissions, particularly in unaffordable lending. Members also note that referrals have fallen considerably, and that professional representatives are less able to use the threat of FOS referral as leverage to encourage respondents to accept poor conduct. Members also welcome the FOS’s

commitment to review the charging structure for CMCs annually. They encourage FOS to use objective measures—such as quality of submissions, relative uphold rates, volumes of withdrawn or abandoned cases, and meritless complaints—when assessing the effectiveness of the regime. While the current fee level remains below the parity position originally advocated by industry, members agree that charging has had a positive effect on reducing speculative referrals.

- ▶ That said, the scale of reduction remains uncertain, and some members consider the forecast ambitious when compared to the latest 2025/26 position. Volumes could rise above expectations depending on FOS's approach to time-barring and the outcome of the Judicial Review, both of which could materially affect consumer credit affordability inflows and referral behaviour.
- ▶ Wider developments, including the FCA's motor finance redress scheme, may also influence professional representative activity and create volatility in referral volumes. Members also remain mindful that third parties may reassess their business models and seek new opportunities as the landscape evolves, which could result in increased volumes in areas such as lending, scams, or novel complaint types, particularly as attention shifts away from MFC. Ongoing monitoring and flexibility in forecasting will be important to ensure that any emerging trends are identified and managed promptly.

4. What operational impact do you foresee the FCA's redress scheme for motor finance commission cases will have on our service?

- ▶ The general expectation is that the FCA redress scheme should reduce the number of MFC cases reaching FOS, but it is unlikely to eliminate operational impact entirely. Members anticipate residual volumes where consumers remain dissatisfied with a firm's redress outcome and seek escalation, as well as the potential for some out-of-jurisdiction or boundary cases to be referred to FOS notwithstanding the scheme. Members also note that FOS's ongoing engagement with firms and third-party representatives should help to mitigate these effects. Members would also expect FOS to remain closely aligned with the requirements of the FCA's redress scheme in its assessment of MFC cases, supporting swift and consistent handling. It is important to recognise that MFC complaints may often include additional complaint points, such as unaffordable lending, and consideration should be given to how these ancillary issues are addressed to avoid unnecessary delays, duplication of fees, or the proliferation of vexatious or templated complaint points. A clear and proportionate approach to handling such cases will be essential to maintain efficiency and fairness.

- ▶ Overall, members consider that the scheme should support a reduction in motor finance-related demand and, in turn, increase capacity for FOS to progress other casework and improve timeliness against its service standards.

5. Do you agree that the service standards we have set out will help our customers? Are there areas where you think we should have more focus?

- ▶ Members encourage FOS to be more ambitious on timeliness and to better align expectations with the wider complaints framework and industry practice, noting that respondent firms must meet materially shorter deadlines (including 15 business days for payment services complaints and eight weeks for other complaints).
- ▶ Members also emphasise the importance of stronger early triage so that urgent or high-detriment cases are identified quickly and expedited where appropriate, and that actions to close should be progressed promptly to reduce the age of cases remaining outstanding with FOS.
- ▶ On quality, members support the focus on investigation quality but consider a 90% target insufficient and recommend a higher benchmark (for example, 95%) to align with Consumer Duty expectations.
- ▶ To protect both timeliness and quality—particularly where cases move into the Ombudsman queue—members suggest more proportionate gating at the point of Ombudsman referral, including requiring any new evidence or information to be provided upfront.
- ▶ Members also support continued expansion of the digital portal to streamline secure evidence exchange, alongside more structured insight sharing (for example, thematic outputs and clearer decision frameworks in high-friction areas—including more explicit thematic categorisation of decisions and clearer publication of legal/regulatory standards cited in determinations, to enhance predictability and ensure consistent application under Consumer Duty), and note that delivery of the wider HMT reform package—if implemented in full—should support improved service standards overall.

6. What more can we do to share insight to prevent complaints and unfairness from arising?

- ▶ Members value the existing insight channels, including the business support hub and regular engagement meetings, and note that firm-level discussions can be particularly helpful in understanding trends and relative performance. However, members consider there is scope to materially strengthen insight so it is more actionable and improves the predictability of outcomes. In particular,

published decisions and current MI can be difficult to navigate and do not consistently provide sufficient granularity by complaint type or theme to support meaningful benchmarking and targeted improvements.

- ▶ Members encourage FOS to develop richer, more thematic insight at complaint-category level, including practical examples of good and poor practice, decision guides and clearer frameworks in high-friction areas (for example fraud, affordability and vulnerability). Members would welcome more frequent thematic reviews, developed with industry input, alongside the use of lead cases for common complaint types and clearer signalling of how conclusions should be applied.
- ▶ Members also support reforms that improve transparency and consistency, including clearer alignment of the 'fair and reasonable' approach with relevant FCA Handbook requirements, and clearer articulation of where legal precedent is being applied or, where appropriate, deviated from. This reflects what HM Treasury has called for and what industry strongly supports. Members are encouraged by the updated Memorandum of Understanding and wider FOS reforms, but believe these changes need to be codified in DISP as soon as possible, and subsequently embedded in legislation to provide certainty and durability.
- ▶ To support continuous improvement, members also suggest a quarterly and/or annual insight pack that brings together key themes, emerging trends and the actions being taken to drive improvements, supported by ongoing roundtables through industry forums such as UK Finance.

7. Do you agree with our focus and approach to delivering the Modernising Redress package of reforms?

- ▶ Members are generally supportive of the Modernising Redress package and the wider reforms being developed across FOS, the FCA and HMT, and agree that the programme provides an opportunity to improve consistency and re-embed FOS's original purpose as a quick, simple and impartial dispute resolution service.
- ▶ Members note that legislative change can take time to progress. In the interim, members encourage FOS and the FCA to prioritise measures that do not require legislative amendment and can be implemented more quickly to reduce speculative complaints and provide greater certainty to respondent firms about likely outcomes. Members also endorse the establishment of a dedicated team to oversee implementation of outcomes from the various reform consultations throughout 2025, given the importance of effective delivery and the scale of the opportunity.

- ▶ Members also welcome the move away from large, monolithic technology programmes towards an incremental, continuous improvement delivery model that can deliver pragmatic capability sooner, including greater use of off-the-shelf solutions (where appropriate, including for AI) and better leveraging of platforms and technology already delivered. Overall, members consider this a sensible approach if it accelerates delivery of tangible improvements for consumers and firms.

8. Do you agree with the costs included to support the delivery of our service standards, reducing the volume of cases we have in stock and to support the stable delivery of the changes required?

- ▶ Members broadly support the costs included to deliver the proposed service standards, reduce casework in stock and enable stable implementation of the required changes. Overall, members consider the cost assumptions reasonable on the basis set out.
- ▶ Members consider the decision not to introduce further differentiation of case fees at this stage a missed opportunity. They note that differentiated fees—particularly by stage—could support earlier resolution and drive further efficiency as the case mix evolves, and encourage FOS to revisit this as part of its ongoing efficiency agenda.
- ▶ Members also note that increases in case fees and levies may have a more pronounced impact on smaller firms, and would welcome greater clarity on the rationale for increases and how these remain proportionate and aligned to service improvements. Any increases in costs should be closely tied to service improvements and kept proportionate and as low as possible.

9. Do you support our proposal to:

a. increase our case fee and CJ levy for respondent firms?

b. increase the case fee for professional representatives?

c. not to increase our VJ levy for respondent firms?

- ▶ Members understand the rationale for a relatively modest increase in the case fee and CJ levy, and do not hold strong objections provided any uplift is proportionate (for example, linked to inflation and underlying unit costs) and supports delivery of the service improvements set out in the consultation. However, members emphasise that respondent firms would prefer increases to be kept as low as possible, particularly while firms have limited ability to manage the risk of FOS case fee exposure, and therefore see the case for fee uplifts being progressed in tandem with wider redress reforms that improve certainty and control over outcomes.

- ▶ Members support the introduction and increase of case fees for professional representatives, but question why professional representatives' fee liability is not set on a more equivalent footing to respondent firms. Members note that professional representatives ultimately control which cases are referred to FOS and, consistent with the stated 'polluter pays' intent, consider that professional representatives should face a comparable level of financial risk to deter speculative referrals.
- ▶ Some members highlight that the current £2,000 monetary allowance now sits below the value of three free full-value cases and will continue to erode in real terms if case fees rise while the allowance remains static. Members therefore recommend indexing this allowance to case fee movements, or reviewing it annually, to maintain parity over time.
- ▶ Members also encourage FOS to introduce a differentiated, lower case fee for new MFC cases once the FCA redress scheme is in place. Under a prescribed scheme, the residual MFC cases reaching FOS are likely to be narrower in scope—typically limited to assessing whether firms have correctly followed or applied the scheme rules—meaning FOS's role and resource requirements should be materially lower than for fully contested cases.
- ▶ In this context, members would also welcome clarity on the case fee that will apply to existing stock of MFC complaints (Q4) where the final resolution is expected to align with the FCA's prescribed scheme. As these cases are likely to be resolved through a spreadsheet-based process—similar to the approach used for PPI—without the need for FOS to issue individual views, members believe it is important that FOS reflects the reduced handling effort and applies a proportionate fee. Members suggest that a £250 case fee would appropriately reflect the streamlined, scheme-aligned process for these stock cases.

10. Do you support our proposed budget for 2026/27?

- ▶ Members are broadly supportive of the proposed budget for 2026/27 and, where they commented, agree with the overall direction set out in the Plans and Budget.
- ▶ However, members raise concern about the proposal to increase the scope of quarterly billing in advance. Members consider this could unnecessarily complicate billing and increase the risk of inaccuracies, and it is not clear from the consultation material what problem this change is intended to solve or what outcomes FOS is seeking to achieve. Members therefore encourage FOS to set out the rationale and expected benefits more clearly, and to consider whether the change is needed given the potential operational and reconciliation impacts.

11. Do you feel we are offering value for money? If not, where do you think we could improve?

- ▶ Members are broadly of the view that FOS can offer value for money where it delivers timely, predictable and consistent outcomes, and note that continued operational improvements (including use of the respondent portal) should help to improve efficiency and engagement over time.
- ▶ However, members highlight a number of areas where value for money could be strengthened. In particular, members encourage FOS to explore ways to remove or reduce case fees where cases are resolved at an early stage, including where complaints are withdrawn or are clearly time-barred, as charging in these circumstances can feel disproportionate. Members also reiterate that where FOS uses its inquisitorial remit to change the scope of a complaint, the respondent should be given the opportunity to address the new point with the customer directly before the case is upheld by FOS, which could support earlier resolution and avoid unnecessary handling and cost.
- ▶ Members also suggest reviewing whether marginal monetary uplifts by adjudicators, in cases already upheld by firms with appropriate redress, deliver material consumer benefit, noting that small adjustments can unintentionally drive escalation or necessitate formal outcome changes despite prior acknowledgement and remediation.
- ▶ Finally, members reiterate that more thematic insight—including clearer examples of good and poor practice—would support predictability and reduce avoidable friction, further improving overall value for money.

12. FEES Rules: do you agree with our proposal to withdraw the planned change to the definition of ‘relevant business’ and maintain the current definition? If not, why not?

- ▶ Members support the proposal to withdraw the planned change to the definition of ‘relevant business’ and to maintain the current definition. Members have no further material comment.

END

