

Redress & CMC Policy Team
Financial Conduct Authority
12 Endeavour Square
London, E20 1JN

30 January 2025

Dear Sir / Madam,

Call for Input: Modernising the Redress System

Thank you for the opportunity to respond to the Call for Input. We have focused our comments on the questions where we have something to add to the points raised in the report.

Summary

1. Favourable conditions for financial firms to invest and innovate is one important aspect of the conditions required for economic growth; consumer confidence is just as crucial to the growth of the UK economy.
2. We agree that the most effective way to mitigate the risk of a mass redress event is for firms to take prompt, proportionate and proactive action to identify and resolve harm.
3. The Financial Ombudsman Service's purpose, to resolve complaints on a fair and reasonable basis, as a quick and informal alternative to the courts, is a key element in underpinning consumer confidence by providing the reassurance that consumers will receive timely redress if something goes wrong.
4. An ombudsman is the most effective model to identify systemic issues and help drive improvements in services and complaint handling. The benefit for both consumers and financial firms is therefore not only in resolving disputes, but also in the increased efficiency and effectiveness in services as a result of 'getting it right first time'.

Background

5. The Ombudsman Association (OA) is the professional association for ombudsman schemes and complaint handling bodies in the UK, Ireland, the British Crown Dependencies, and the British Overseas Territories.
6. The OA's membership criteria¹ are recognised both in the UK and internationally as representing best practice. This is reflected in the UK Cabinet Office's *Guidance for government departments on setting up Ombudsman schemes*,² which addresses the point of when it is

¹ www.ombudsmanassociation.org/about-us/join-ombudsman-association

² www.gov.uk/government/publications/new-ombudsman-schemes-guidance

appropriate to use the title 'ombudsman', and in the criteria used by Companies House on when a company can use the protected term 'ombudsman'.³

7. The Vision of the OA is that throughout the public and private sectors:
- It is straightforward and simple for people to complain.
 - People making a complaint are listened to and treated fairly.
 - A complaint is dealt with quickly, fairly and effectively at the earliest stage by suitably trained staff.
 - People have access to an ombudsman in all areas of consumer and public services.
 - The learning from a complaint is used to improve services.

Q5. Do you agree that our proposals to better manage mass redress events can help ensure that the FCA acts in a way which is compatible with its statutory objectives, including the secondary international competitiveness and growth objective?

8. We welcome the importance placed on the FCA and the Financial Ombudsman Service working closely together on matters of common interest.
9. We note that the two organisations have different objectives and that these will have to be balanced to avoid a perception developing that the Financial Ombudsman Services' purpose to resolve complaints on a fair and reasonable basis, as a quick and informal alternative to the courts, is considered subservient to the FCA's statutory competitiveness objectives.
10. Favourable conditions for financial firms to invest and innovate is one important aspect of the conditions required for economic growth; consumer confidence, underpinned by timely redress if something goes wrong, is just as crucial for the growth of the UK economy.

Q7. What options should we consider to ensure firms are given an appropriate opportunity to resolve complaints fairly before cases are referred to the Financial Ombudsman? and

Q8. Would a 2-stage process be appropriate in light of the Consumer Duty, and if implemented, how could it be effectively monitored to ensure good outcomes for consumers? and

Q14. Should the current time limits for referring complaints to the Financial Ombudsman be reviewed? If so, what alternative approaches should we consider that would provide an appropriate level of protection for consumers?

11. Financial firms should always be given an opportunity to resolve any complaints first, and the majority of complaints will be resolved without the need for referral to the ombudsman.
12. In acting as a quick and informal alternative to the courts, it is important that consumers are able to access the Financial Ombudsman Service in a timely manner. Across the consumer landscape, efforts have been made in recent years to reduce the time taken for a consumer to access redress; we are not aware of any evidence to suggest that either lengthening the time it takes to access the ombudsman, or reducing access to it, would be in the interest of consumers.

³ www.gov.uk/government/publications/incorporation-and-names/annex-a-sensitive-words-and-expressions-or-words-that-could-imply-a-connection-with-government

Q15. Are there any other short to medium term changes you think should be made to the framework? Please tell us: a. Your thoughts on the likely costs and benefits (for firms and consumers) of each of the short to medium term options discussed above. b. What the impact could be on consumers or consumer protection, or other relevant considerations such as the impact on firms, market integrity, competition and the UK's international competitiveness? and

Q17. Should the Financial Ombudsman be able to pause the timescales in the DISP rules while it awaits regulatory input on the interpretation of rules? and

Q18. What changes to the current rules should be considered for mass redress events? Please tell us: a. Your thoughts on the likely costs and benefits (for firms and consumers) of each of the longer-term options discussed above. b. What the impact could be on consumers or consumer protection, or on other relevant considerations such as the impact on firms, market integrity, competition and the UK's international competitiveness?

13. We agree that the most effective way to mitigate the risk of a mass redress event is for firms to take prompt, proportionate and proactive action to identify and resolve harm.
14. As the Lady Chief Justice for England and Wales set out,⁴ the civil justice system plays three key roles in society: (1) it prevents disputes by guiding behaviour; (2) it resolves disputes without the need to resort to the courts; and (3) in the last resort, the courts determine disputes by adjudication.
15. Whereas 'simple' complaint handling focuses solely on part (2) of that model, an ombudsman aims to deliver both (1) and (2), providing an independent redress model, free at the point of use, that can drive systemic change, tackle injustice, and help organisations to perform more efficiently and effectively.
16. An ombudsman is different to the basic transactional complaint handling which simply picks a 'winner' in a dispute. Resolving an individual dispute is of course key to those individuals involved, but the real value in the ombudsman model is their role in feeding back the lessons from their work in order to help secure redress for others in a similar situation, and to improve service delivery and complaints management for the future.
17. As research in Australia has shown,⁵ every dollar spent on complaint handling by an organisation can reap a 'return on investment' of up to 5 dollars, and more so when you consider social return on investment; an ombudsman helps drive increased efficiency and effectiveness in services as a result of 'getting it right first time'. And it is in that guise, as an 'agent of change', that the Financial Ombudsman Service can play a role in rebuilding trust and consumer confidence.
18. Careful consideration will need to be given to the proposed changes, such as 'pausing' the DISP rules, to ensure they don't unintentionally undermine the value of the ombudsman system and create a scenario in which "justice delayed is justice denied".

⁴ [Speech by the Lady Chief Justice: Civil Justice Council's 12th National Forum - Courts and Tribunals Judiciary](#)

⁵ [ROI of Complaints for Public Organisations \(socap.org.au\)](#)

We are happy to provide any further information if that would be helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Donal Galligan', written in a cursive style.

Donal Galligan
Chief Executive