

Highlights from the Financial Ombudsman Service's 2018/2019 Annual Review

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On 15 May 2019, the Financial Ombudsman Service (“**FOS**”) published its 2018/2019 Annual Review and some key messages for the industry emerge from that Review which we highlight in this post.

General Comments

The FOS has dealt with 388,392 new complaints (up 48,425 from 2017/2018). 2018/19 was the FOS' busiest year for 5 years.

One of the headlines is that complaints about consumer credit products and services grew by 89% following on from a 40% growth in 2017/18. The Chief Ombudsman, Caroline Wayman sounds a warning that it is “*vital*” that firms in the sector do not “*allow history to repeat itself*” in terms of unacceptable conduct over short term lending which has left customers with unsustainable debt (“*diligent lenders have been the exception*”)

The FOS has been investing considerably in its digital capability, to ensure it stays accessible and relevant. In particular, the FOS expects to launch a new case-handling system in 2019/2020, which will enable it to provide a more customer-orientated service. The FOS will also launch a new and more accessible website in June 2019.

The FOS has set up teams and operating models to deal with its two new jurisdictions – being, complaints from small and medium-sized enterprises, and complaints about claims management companies.

Looking forward to 2019/2020, the FOS expects to receive 460,000 new complaints (250,000 of which are expected to relate to PPI) and to resolve 510,000 complaints.

Key Finding by Category

The key findings arising from the Annual Review are as follows:

Banking and credit

The FOS received 149,933 total complaints about banking and credit in 2018/2019.

As fraud and scams have become more sophisticated, the FOS has told banks that there is a high bar to meet before they can refuse to refund customers' money. More victims are getting their money back than they would have done last year, but the FOS considers that there is still work to do. It has challenged banks to deliver "*fairer outcomes*" for fraud victims.

One of the fastest-growing types of fraud is 'authorised push payment' fraud – where people inadvertently act on fraudsters' instructions and carry out the transactions themselves.

IT failures have affected online banking, causing problems for millions of customers and generating thousands of complaints. The FOS has stressed to banks that, regardless of whether the problems are avoidable or not, they need to consider the impact on individual customers (which may be significant).

There has been a huge rise in high-cost short-term lending complaints. The FOS is concerned that businesses are failing to assess the affordability of debt, and are not learning enough from the complaints the FOS has resolved.

PPI

46% of the new FOS complaints related to PPI (down 9% from 2017 / 2018). The FOS had received 2 million PPI complaints, by January 2019.

The FOS resolved 37,000 more complaints than it received, and has resolved well over 1.9 million PPI complaints in total. The FOS upheld 21% of PPI complaints.

29 August 2019, marks the deadline for complaining to firms about PPI. However, the FOS expects to be dealing with PPI for some time to come.

Insurance

42,346 total complaints about insurance were received by the FOS in 2018/2019 and a 42% rise in buildings insurance complaints.

A significant number of long-term insurance customers have discovered that they are paying more than new customers for the same product and cover. This trend is not atypical to the insurance sector and has been seen across many industries. But the FOS is concerned that some insurers are penalising customer loyalty

Extreme weather conditions led to more people claiming on their home/building insurance. However, the FOS has found that insurance cover in this regard has not always lived up to its promise.

Investments and pensions

The FOS received 15,606 total complaints about investments and pensions in 2018/2019 (up 24% from 2017/2018).

The FOS continues to see unsuitable advice on pension transfers putting people's retirement savings at risk.

The FOS is also seeing a recurrence of poor investment advice – with people being advised to invest into risky funds, or into schemes that have turned out to be scams or fraudulent.

There have been around 40 new complaints per week about Self Invested Personal Pensions ("**SIPPs**"). Those complaints tend to be concerned with advice to obtain a SIPP, and failings in SIPP operators' due diligence.

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