

More of the same

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The Financial Ombudsman Service recently welcomed to its jurisdiction the 80,000 businesses who hold consumer credit licences. This represents yet one more step towards the FOS becoming a one-stop financial services ombudsman scheme.

The full extent of its reach is extensive. It currently handles more than 600,000 enquiries and more than 100,000 cases a year. Its adjudicators resolve about 90 per cent of the cases by mediation or by a recommendation that both sides accept and only about 10 per cent of cases go on to an internal appeal where the case is reviewed by an ombudsman, whose formal decision is binding on the financial business, if accepted by the consumer.

On 8 May, the FOS gave evidence to the House of Lord's Select Committee on Regulators describing its relationship with the FSA and the OFT. The FOS stated that the availability of the FOS to deal with individual disputes between consumers and financial firms was the key ingredient that enables the FSA to focus its regulatory resources in a risk-based way and to move towards a more principles-based and outcome-focused set of rules.

Although independent, the FOS and the FSA co-operate to secure the efficient functioning of their statutory roles, including meeting and communicating regularly. The FOS and the FSA have established a process to deal with issues that have wider implications. The FOS and the OFT are finalising formal liaison and wider-implications arrangements along similar lines to those of the FSA.

The FSA's shift to greater emphasis on principles and on firms achieving outcomes may cause some observers to wonder how this may affect the approach taken by the FOS. It has been quick to alleviate these concerns and to clearly state that the criteria on which the ombudsman will decide complaints will not change. In other words, the FOS will retain its broad interpretation of what is fair and reasonable in the specific circumstances of the individual case.

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