BEIS consultation: Reforming competition and consumer policy

Building Societies Association response

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Building Societies Association

Introduction

The Building Societies Association (BSA) represents all 43 UK building societies, as well as 6 credit unions. Building societies have total assets of over £448 billion and, together with their subsidiaries, hold residential mortgages over £342 billion, 23% of the total outstanding in the UK. They hold over £316 billion of retail deposits, accounting for 18% of all such deposits in the UK. Building societies account for 38% of all cash ISA balances. They employ approximately 43,000 full and part-time staff and operate through approximately 1,380 branches.

We welcome the opportunity to respond to the Department for Business, Energy & Industrial Strategy (BEIS) consultation *Reforming Competition and Consumer Policy Driving growth and delivering competitive markets that work for consumers*.

Our response

BEIS's consultation covers a wide range of proposals linked to the Government's "Build it back better" strategy. The BSA recognises the merit of the strategy and many of the proposals, however, we do not think it is appropriate to comment on issues which do not directly impact our sector. We have therefore limited our response to focus on only one of the proposals; namely, speeding up consumer access to Alternative Dispute Resolution (ADR) schemes (3.79 to 3.84 of the consultation paper and question 66).

The specific proposal as set out in 3.82 of the consultation paper is to halve the 8 week upper limit currently permitted before a consumer can bring a complaint to an ADR. We believe this proposal would apply to the Financial Ombudsman Service (the FOS), which settles complaints between consumers and businesses that provide financial services.

Our response to this proposal is set out in our answer to question 66 below -

Q66. How can regulators and government balance the need to ensure timely redress for the consumer whilst allowing businesses the time to investigate complex complaints?

A66. We do not think it would be sensible to apply a blanket requirement halving the current 8 week upper limit to all ADR schemes. Doing so would not reflect the many differences between the ADR schemes and the nature of the complaints they handle.

The Government states it "*…recognises that there are some complaints that are complex and may take businesses longer to resolve and that referring a complex case into the ADR process prematurely before the facts are established could introduce delay later in the process. It is also important that cases are fully investigated by businesses before a third party intervenes, especially in markets where a single ADR body is investigating complaints in a large market or in markets in which disputes tend to be more complex. In these instances, there may be value in the business having more time to resolve the complaint, provided there is constructive engagement."(*3.83)

We would argue that financial service complaints are frequently complex and require time to properly investigate. For example, mortgage complaints may involve multiple third parties, such as brokers, firms, surveyors and estate agents in addition to the customer.

It must also be recognised that complaint handling times will be influenced heavily by incoming volumes. These volumes can be (and often are) driven by external factors outside firms' control, such as Claims Management Company (CMC) activity.

As the Government recognises in 3.83 of the consultation paper, there is a danger that reducing he upper limit would result cases being referred to the FOS prematurely and introducing delay later in the process. This later delay would cause consumer harm and, we believe, would have significant resource implications for the FOS. The unintended result could be to effectively turn the FOS into an outsourced complaints department for financial firms.

We understand and support the intention behind the Government's proposal, but we would urge caution. Rather than applying a 4 week limit on all ADR schemes, we believe it would be sensible for the relevant regulators to consult further. The Financial Conduct Authority (FCA), together with the FOS and Payment Systems Regulator, would be best placed to determine whether or not the current 8 week limit for financial services complaints remains appropriate. The FCA should consult with relevant stakeholders, including building societies, before any changes to the limit are made.

The BSA would be happy to be involved in any future consultation relating to the Government's proposal.

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The Building Societies Association (BSA) is the voice of the UK's building societies and also represents a number of credit unions.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £435 billion, and account for 23% of the UK mortgage market and 17% of the UK savings market.