



**Financial
Ombudsman
Service**

Annual Report and Accounts

for the year ended
31 March 2022



**Financial
Ombudsman
Service**

for small businesses



**Claims
Management
Ombudsman**

a Financial Ombudsman service

Financial Ombudsman Service Limited

Annual Report and Accounts for the year
ended 31 March 2022

Presented to Parliament pursuant to paragraph 7A (3) of
Schedule 17 of the *Financial Services and Markets Act 2000*,
as amended by the *Financial Services Act 2012*.

Ordered by the House of Commons to be printed
21 November 2022.

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ISBN 978-1-5286-3695-7
E02801365

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

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Overview

Welcome to our 2021/22 Annual Report and Accounts. This overview presents reviews of our year from our Chairman and from our Chief Executive and Chief Ombudsman, as well as key information about our performance and work.

About us

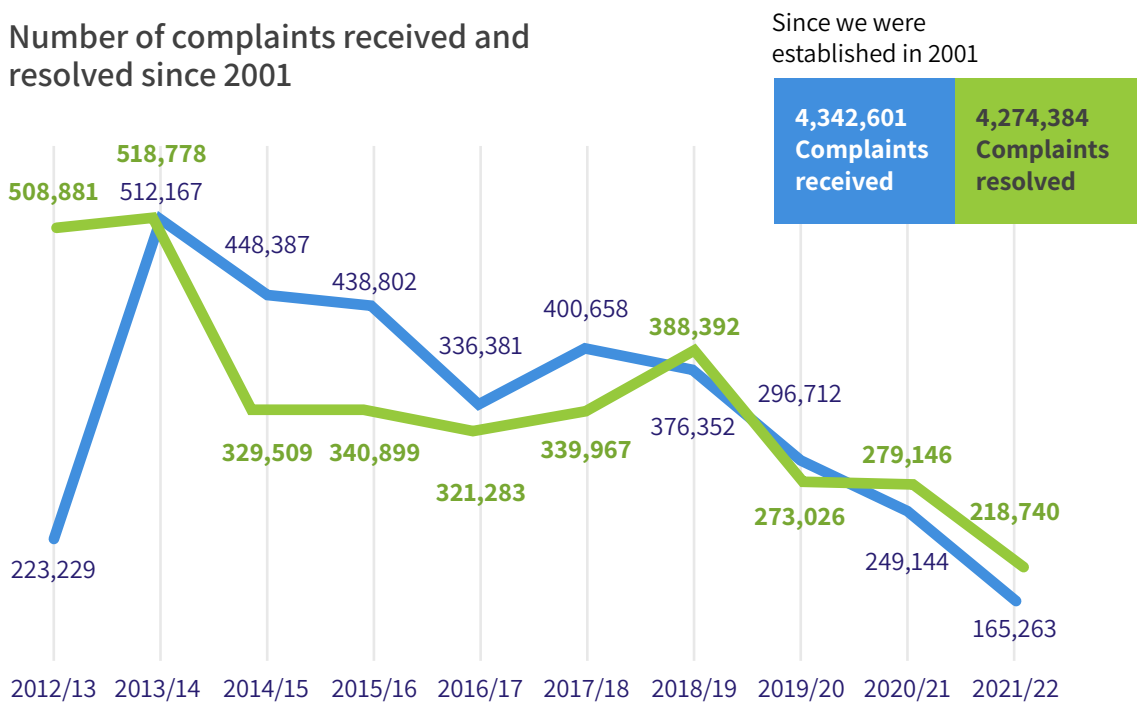
We were set up by Parliament under the *Financial Services and Markets Act 2000* to resolve individual complaints between financial businesses and their customers – fairly and reasonably, quickly, and with minimal formality. Our strategy sets out how we deliver our core statutory function, while dealing with the issues, challenges and opportunities of the time.

The amount we can award depends on when the event happened and when the complaint was brought to us. The Financial Conduct Authority (FCA) sets our award limit, and this is reviewed each year. For complaints referred to us on, or after, 1 April 2022, about

events that occurred before 1 April 2019, the highest amount we can tell a business to pay is £170,000. For complaints referred to us on or after 1 April 2022, about events on or after 1 April 2019, the highest amount is £375,000. [Our website](#) explains the types of compensation we can award and the limits that apply.

In resolving tens of thousands of complaints every year, we see the impact on people from all sorts of backgrounds and livelihoods. We share insights into complaints to prevent further complaints arising and issues from escalating.

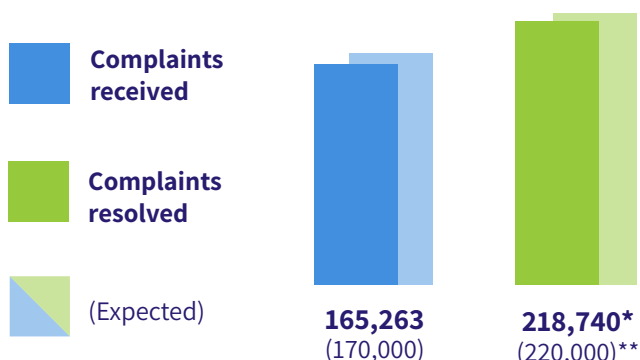
Number of complaints received and resolved since 2001



Read more about who we are, what we do and how we make decisions at financial-ombudsman.org.uk/who-we-are

Our performance at a glance in 2021/22

Overall volumes of complaints



* This figure excludes the 16,000 Amigo Loans cases we were unable to close due to an ongoing legal process outside of our control (and which were later closed in June 2022).

** This figure includes 16,000 Amigo Loans cases that are excluded from the total number of resolved cases for the reason explained in the accompanying note below.

Other performance metrics



We resolved **84%** of complaints with an informal view by a Financial Ombudsman Service Investigator (2020/21: 87%)



We published **29,318** final decisions, bringing the total to more than 280,634 decisions published since 2013 (2020/21: 28,053)



79% of the public said they would trust us (2020/21: 78%)



We had **2,541** information-sharing contacts with the Financial Conduct Authority (FCA) (2020/21: 2,742)

We upheld



39% of complaints

Key outcomes



We resolved **99%** of complaints we could progress that were older than 18 months by 31 March 2022 (target: 100%; 2020/21: untargeted)



73.4% staff retention* (target: 82%; 2020/21: 89.9%)



36% consumer satisfaction for non-upheld cases (target: 45%; 2020/21: 43%)



88% consumer satisfaction for upheld cases (target: 90%; 2020/21: 90%)



80% business satisfaction with our service (target: 80%; 2020/21: 72%)



91% of people had some awareness of us** (target: 80%; 2020/21: 90%)

* This figure includes planned redundancies. Excluding planned redundancies, it was 82.7%.

** This figure includes people who could name us without any prompting (19%) and those who, when they were told our name, said they definitely knew of us (52%) and those who said they may have heard of us (18%).

Key financials

£221.7m

our operating income
(Budget: £214.8m; 2020/21: £245.1m)

£233.6m

expenditure
(Budget: £260.2m; 2020/21: £264.5m)

£1,063

our cost per case
(Budget: £1,105; 2020/21: £1,040)



“ If recent events have taught us anything, it is that change is constant and we need to challenge ourselves about what more we can do and how much further we can go for our customers. ”

Chairman’s foreword

During 2021/22, we published an Action Plan for changing and improving, responding to an Independent Review the Board commissioned to look at what we need to do to become an effective world-class alternative dispute resolution service. The Board review was commissioned against the background of long queues that were causing unacceptable delays for all our customers, and a need to put the Financial Ombudsman Service on a financially viable footing.

We made good progress during the year across all five areas of the Action Plan and we achieved a number of service improvements, resolving more cases than we received and performing well against a range of other metrics. Our performance saw us cutting our backlog of unallocated cases by over half and making significant progress in providing answers on our oldest cases. But we recognise that our customers are still waiting too long for an answer, and the progress we have made only takes us so far.

More remains to be done to deliver sustainable improvements, most notably through our digital transformation, a new operating model and a dedicated ‘gateway’ for new enquiries and complaints. My Board and I accept the complexities at play, and the need to fully test costs and anticipated benefits, but that said, the imperative and case for change remains. Our customers deserve better – so we must push ourselves to deliver at pace – albeit safely and thoughtfully.

Of course, our future vision for the Financial Ombudsman Service goes beyond the delivery of the Action Plan. If recent events have taught us anything, it is that change is constant and we need to challenge ourselves about what more we can do and how much further we can go for our customers. For 2022/23, the Board agreed aspirational targets for pushing performance beyond the more prudent measures agreed for the budget, setting the tone for an organisation that wants and needs to stay on the front foot.

As we look ahead, we are mindful of the challenging economic environment faced by the country. This wider economic context makes it even more important for us to demonstrate that we are operating efficiently and effectively and that we respond to complaints in a timely way, giving fair and reasonable resolutions.

We have also been exploring the ‘art of the possible’ in terms of our future vision for a modern, responsive and highly regarded organisation. We have been looking at what our customers will expect and how they will want to engage with us – and through which channels. In addition, we will need to further extend our digital capability and harness technology to increase the agility and speed with which we can undertake our business and serve our customers.

We have been considering what types of cases we might expect to receive, taking into account the prevailing environment and the need to work collaboratively with other organisations with leading roles to play, recognising that we and others have a shared aim to prevent harm and detriment in the first place and to address it swiftly and fairly when it arises.

“ Our performance saw us cutting our backlog of unallocated cases by over half and making significant progress in providing answers on our oldest cases. But we recognise that our customers are still waiting too long for an answer, and the progress we have made only takes us so far.

But our vision can only be realised if we have the right people with the right capabilities and skills. We need to be the type of employer that can attract, develop, engage and retain the best people aligned to our purpose and vision. We need to keep in step with new ways of working, align our working practices with the service we provide, allow for future flexibility, and keep open our options on where we and our employees are based.

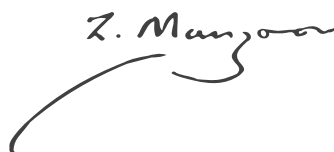
As part of our transformation, we are establishing our permanent Executive Team. We have appointed our new Chief Executive and Chief Ombudsman, Abby Thomas, our Deputy Chief Ombudsman, James Dipple-Johnstone, and our Chief Operating Officer, Karl Khan. We have also appointed our Chief People Officer, Jane Cosgrove and our Chief Finance and Risk Officer, Jenny Simmonds. These new appointments bring with them significant experience and expertise and complement the capability and skills of the existing leadership team and, together, they stand ready to drive forward our ambitious change agenda.

As I welcome the new team, I want to thank those members of the Executive Team who left during the course of the year. Whether permanent or interim, all have shown a clear and strong commitment to the Financial Ombudsman Service and the Board and I am very grateful for this commitment and for the contribution each of them has made.

I particularly want to thank Nausicaa Delfas, who led as our interim Chief Executive and Chief Ombudsman from mid-May 2021 until early October 2022. During a period of significant challenge, Nausicaa helped to set us on the right path and we are now better prepared to deliver our ambitious strategy for service improvement and operational excellence.

Finally, the thanks must, of course, extend to all the staff at the Financial Ombudsman Service for their unwavering contribution and commitment, and for all they are doing to make our goals a reality.

My Board and I have been clear in setting out our expectations for what success looks like. We have made a good start. We rose to meet many challenges in 2021/22, and I am confident that we will be equally resilient, resourceful and innovative in the year to come.



The Baroness Zahida Manzoor CBE
Chairman
9 November 2022



“ I’m honoured to lead the organisation and to ensure consumers and financial services businesses get fair, timely and efficient resolutions to complaints.

Chief Executive and Chief Ombudsman’s report

I took on the role of Chief Executive and Chief Ombudsman for the Financial Ombudsman Service in October 2022 because I believe the organisation has a critical role to play in the effective functioning of the UK economy. This is particularly important at times of economic turbulence as our service helps to maintain consumer confidence in financial markets. That is why I’m honoured to lead the organisation and to ensure consumers and financial services businesses get fair, timely and efficient resolutions to complaints.

In my first Chief Ombudsman’s report, I look back on the past year and give my expectations for the year ahead. Last year the interim Chief Ombudsman noted the challenges facing the Financial Ombudsman Service and the significant changes required to build a service fit for the future. These changes are underway. While there is much that remains to be done, I am looking forward to ensuring we deliver for all our customers.

Overview of our performance in 2021/22

Our role is to provide fair, timely and efficient resolution of complaints relating to the financial services sector. We are proud of our record of fairness and impartiality, and the quality of our decision-making. However, we have struggled over recent years to resolve cases as quickly as we would like. The number of cases awaiting resolution is critically important to us. We recognise the anxiety, and in some cases financial distress, borne by consumers when decisions are delayed. We also recognise that delays mean we cannot provide timely insight, which in turn limits the ability of the financial services sector to prevent harm to consumers.

We began 2021/22 with 163,000 cases in hand from the previous financial year. As a result, we committed to reducing the number of cases in hand by 50,000 by the end of 2021/22. I am pleased to say that we delivered on this commitment, with incoming demand of 165,000 more than offset by a total of 219,000 cases resolved during the year. But we recognise that we still have more to do: at the end of 2021/22 we had more than 110,000 cases in hand. Through our

transformation programme our aim remains to reduce this to below 50,000, which we are on track to achieve by the end of September 2022, our total stock of cases was down to 78,000.

In 2021/22 we set an ambitious target of reducing the number of workable cases unresolved for 18 months or more to zero. Our starting point was 47,551 outstanding cases. By the end of the year, the total was 9,081 cases older than 18 months. Of these, we could not progress 8,918 cases due to issues outside of our control, including ongoing judicial reviews. By the end March of 2022, this left only 163 of these workable oldest cases still open.

However, our focus on closing the oldest cases as a priority has meant that the median time to resolve every case closed in 2021/22 was 6.4 months, above the 4.2 target we had set. This contributed to deteriorating consumer satisfaction scores, most significantly where we found in favour of businesses, where consumer satisfaction dropped from 43% to 36% against a target of 45%. Scores from consumers whose cases were upheld also decreased, but by a much smaller margin, from 90% to 88% against a target of 90%.

We are disappointed to have seen any falls in our consumer satisfaction scores, but we accepted it was inevitable if we prioritised older cases as the right thing to do, regardless of the short-term impact on performance figures.



Read more about our performance against our strategic commitments in the Strategic report on [pages 13 to 16](#).

Complaints in 2021/22

Current accounts were the most complained-about financial product in 2021/22, accounting for nearly 25,000 new cases. A substantial proportion of these complaints were from victims of fraud and scams. Most related to ‘authorised’ fraud, where consumers transfer money into accounts that they believe to be legitimate. Complaints about authorised fraud increased by more than 20% to 9,370 in 2021/22, compared to 7,770 in the previous financial year. We upheld around three quarters of these complaints in consumers’ favour. We are concerned by the increasing sophistication in fraud and scams, and we have also seen the emergence of cryptocurrency scams.

Complaints about businesses’ customer service accounted for over 35,000 of the complaints we handled. Issues ranged from businesses and their customers being unable to find a way forward, and to businesses’ lack of care and attention to detail, which could have prevented complaints escalating earlier. We received just over 19,000 new complaints about historic affordable lending, showing us that this remains an important issue across the wider industry. We have continued to see high uphold rates across credit products where we see the most complaints about unaffordable lending.

Insurance complaints – which we had previously seen in higher volumes due to the impact of Covid-19 – fell in 2021/22. We saw complaints where insurers could have done more to set out clearly what their policies covered, and to enable better consumer understanding of what they were buying and what they were covered for.



Complaints about businesses’ customer service accounted for over 35,000 of the complaints we handled. Issues ranged from businesses and their customers being unable to find a way forward, and to businesses’ lack of care and attention to detail, which could have prevented complaints escalating earlier.

In investments and pensions, personal pensions were the most complained-about product in 2021/22, accounting for 2,662 of the sector’s 14,931 complaints. People told us they were recommended an unsuitable pension arrangement, or that they had been given wrong or incomplete information about a pension, meaning they lost out on income or annuity payments. Separately, after we launched our plans and budget consultation in December 2021, the FCA announced a consultation on a redress scheme for former members of the British Steel Pension Scheme.



Read more about who we are, what we do and how we make decisions at: financial-ombudsman.org.uk/who-we-are

Towards sustainability

The environment in which we operate is rapidly changing. The Covid-19 pandemic had a material impact on demand for the Financial Ombudsman, as well as causing service disruption both for us and for respondent businesses. The composition of complaints is changing. The complaints we handle are more diverse than before, and we do not benefit from the same economies of scale as when payment protection insurance (PPI) dominated our caseload.

New challenges may also emerge from the worsening economic environment and the rising cost of living. The volume of cases we see will depend on how fairly financial businesses respond to their customers' problems. We are monitoring the situation carefully and are working with firms as part of our prevention agenda.

We need to ensure that the Financial Ombudsman Service's funding is sustainable for the future, is reflective of our overall costs and is more transparent in its management of fixed costs. We aim to provide better value for money and to make significant productivity gains in our casework by April 2024 versus the 2021/22 average. We also need to build in flexibility for the future, given this uncertain environment.

Alongside those measures, we published a discussion paper on our future funding in June 2022, and summarised stakeholders' views in a feedback statement in November. We will consult on our budget for 2023/24 in December 2022 as part of our usual budget cycle. The funding options we propose to take forward from the discussion paper, based on stakeholders' feedback, will form part of the December consultation.

We have embarked on a journey to become a much more data-driven and digitally enabled organisation. We want to capture customer details and allocate cases more effectively, resolve complaints more swiftly and share our information and insight more efficiently. The work has already begun, and there is more to come – as we set out later in this report.



Read more about our data-driven, digital-powered transformation on [pages 18 and 19](#).

Our people and culture

In the short time I have been here it is evident that we have a highly dedicated and skilled workforce, without which we could not have made the gains evident in 2021/22. This will remain essential as we continue to deliver our Action Plan commitments and strategy to 2025. I am pleased to note that the staff survey of September 2021 saw overall employee engagement increase to 79% (from 74% the previous year), despite the challenges of remote working. We intend to build on this track record with a renewed focus on recruitment and learning and development for our people in 2022/23.

Diversity, inclusion and wellbeing are core to the culture and values of the Financial Ombudsman Service. Although the Service can be proud of its achievements to date, and of the independent recognition it received for its work in this area during the year, we know that there is more to do, particularly on our ethnicity pay gap. Our median, mean and bonus ethnicity pay gaps all narrowed for the second successive year in 2021, but they remain too wide and we intend to reduce them over time.



Diversity, inclusion and wellbeing are core to the culture and values of the Financial Ombudsman Service.



Read more about our work around diversity, inclusion and wellbeing on [pages 53 to 54](#), and in our [most recently published report](#).

Looking ahead

Our fundamental challenge is to maintain the fairness and impartiality of decision making that characterises our organisation while significantly improving our efficiency and achieving financial sustainability. We have made much progress in 2021/22. I look forward to working with the entire Financial Ombudsman team, as well as the wider financial services sector, to deliver our ambitious strategy in 2022/23 and beyond.

Abby Thomas
Chief Executive and Chief Ombudsman
9 November 2022

Strategic report

In this section, we set out how we performed against the strategic commitments set at the start of 2021/22. We explain how we performed against our plans, budget and Action Plan, and give an overview of the nature of complaints referred to us.



We have shared more detailed insights into the complaints we saw in 2021/22 at financial-ombudsman.org.uk/data-insight/annual-complaints-data

Our performance against our 2021/22 strategic priorities

Our strategy sets out how we intend to deliver our core statutory function of resolving complaints. It complements our vision to be:

An efficient, world-class ombudsman service, resolving financial disputes on an impartial, fair and reasonable basis. We are quick, informal and accessible to all. We enhance consumer confidence and improve financial services by sharing our insight.

To realise this vision, we gave ourselves ambitious plans for the areas that comprise the three pillars of our strategy:

- Enhancing our service
- Preventing complaints and unfairness arising
- Building an organisation with the capabilities it needs for the future

Enhancing our service

Strategic outcomes:

- We provide a timely, efficient and effective service to our customers.
- We communicate with our customers and other stakeholders openly and in the most effective way.
- We act on feedback and continuously improve customer experience.

Cost, efficiency and timeliness

Our aims	2021/22 performance	Performance against 2021/22 target	2020/21 performance
Deliver the budgeted cost per case of £1,045*	£1,034	+£11	£1,040
Median time from conversion to resolution is no more than 4.2 months	6.41	-2.21	4.41
No open cases older than 18 months by the end of 2021/22**	163	-163	N/A

* The methodology used to calculate the budgeted and actual cost per case figures for 2021/22 in this table differs from the methodology used to create the 2020/21 figure for that year's Annual Report and Accounts, and so the values are not directly comparable. More information about how we calculate our unit cost is given on [page 33](#).

** We started the year with 47,551 cases which had been with us for 18 months or more. At the end of 2021/22 we had 9,081 cases older than 18 months; we are unable to progress 8,918 of these cases due to issues outside of our control, including ongoing judicial reviews. This left 163 of these oldest cases to close against our target of zero.


Customers and quality

88% 

Customer satisfaction for upheld cases against a target of 90% (2020/21: 90%)

36% 

Customer satisfaction for non-upheld cases against a target of 45% (2020/21: 43%)

80% 

Business satisfaction against a target of 80% (2020/21: 79%)

84% 

Quality score for investigations against a target of 85%

99% 

Quality score for final decisions against a target of 85%

0.64% 

Closures result in an upheld service complaint against a target of 0.65% (2020/21: 0.66%)

89% 

Quality score for case setup against a target of 85%

How quickly we resolved complaints

	Resolved within 3 months	Resolved within 6 months	Resolved within 9 months	Resolved within 12 months	Resolved within 18 months
2021/22 all cases	20%	47%	70%	84%	96%
2020/21 all cases	44%	70%	81%	87%	96%
2019/20 all cases	56%	74%	84%	90%	93%

Where we met or exceeded our targets:

- Our cost-per-case was slightly lower than targeted. This was driven by both higher case resolutions and lower costs.
- We also made significant progress in reducing our unallocated backlog – down from 90,000 in May 2021 to approximately 37,000 at the end of March 2022. This exceeded our target of reducing the backlog by 50,000 and helped to get customers' cases to an Investigator.
- Financial business satisfaction with our service was on-target at 80%.
- We implemented a new quality framework in July 2021, with quality checklists at three important milestones: case setup, investigation, and final decisions, each with their own targets – which have mainly been met or exceeded. We also established a Quality Team, whose role is to support the organisation in analysing the results from quality checks as well as identifying areas for improvement, in either technology, process or training.
- We finished the year with 0.64% of the cases we resolved having resulted in an avoidable service complaint, which tracks with our target of 0.65%.

Where we did not meet our targets:

- Our people made a strong and sustained effort over the year to close all cases older than 18 months. We started the year with 47,551 cases which had been with us for 18 months or more. At the end of the year, we had 9,081 cases older than 18 months; of these, we were unable to progress 8,918 due to issues outside of our control, including ongoing judicial reviews. By the end of March 2022, this left 163 of these oldest cases to close, against our ambitious target of zero.
- The median time it took us to resolve a case in 2021/22 was 6.4 months, significantly above our target of 4.2 months. Our strategic focus on reducing our oldest cases affected our performance here.
- Our consumer satisfaction scores also decreased in 2021/22 – particularly in non-upheld cases, where satisfaction dropped from 43% in 2020/21 to 36% in 2021/22 (against a target of 45%). The rise in median resolution times is likely to have been a factor in the fall in consumer satisfaction performance.
- When looking at the number of cases we resolved, we fell just short of our target. However, we were unable to close 16,000 Amigo Loans cases due to an ongoing legal process outside our control. Had we been allowed to close the Amigo cases, we would have resolved 14,740 more cases than we set out in our plans.

Productivity and prevention

Improving our productivity and prevention is an important indicator of successful transformation – we said we needed to increase our productivity to remain sustainable. As part of our transformation work, we set ourselves ambitious goals and shared updates about progress in our external communications. The faster we can resolve complaints, the faster we can share insights into the issues behind them. Stakeholders share our ambitions for success in this respect and have been collaborating with us. Results such as shorter queues and better-directed complaints are indicators that our internal productivity measures and external prevention initiatives are showing signs of progress. However, overall timeliness must improve to meet our performance objectives.

Preventing complaints and unfairness arising

We face practical challenges in measuring the impact and effect of our prevention work. These include developing systematic ways to collect and analyse new data, as well as the inherent difficulty of quantifying and qualifying counterfactuals: such as what would have happened in the absence of the prevention work? We are working to understand and address these challenges and, where possible, to develop measures that better reflect what we are doing.

Strategic outcomes:

- We share insight with businesses to improve financial services and prevent unfairness to consumers.
- We share insight with the wider financial services ecosystem to enable effective resolution of issues.
- We share insight with professional representatives, so they understand our expectations of how they use our service.
- Our insights empower consumers to know when to complain.

Our prevention targets for this year were focused on two high-level ways in which we currently assess our work: how useful businesses find our information about the causes of complaints, and the level of prompted awareness of our service. We recognise that these will not capture the full impact of our work, so give further examples of our activity below:

Prevention



- We survey businesses each year to find out how useful our insight and information resources are for them. In March 2022, 75% of businesses rated our resources as ‘very helpful’ or ‘quite helpful’.
- Prompted awareness of our service remained high throughout the year, with nine out of ten consumers (91%) having some awareness of us.
- We continued to talk to trusted partners who can help encourage people with financial complaints to come to us when they need help. Our website is now easier for people to find when they are searching for help with a financial problem, and we have also improved our telephone helpline messaging options.
- In September 2021 we introduced a complaint-checker tool on our website, to make it clear when we can help, and who to turn to if we cannot. As a result of this tool, thousands have been signposted to other organisations better placed to help them resolve their complaint.
- We continue to provide detailed guidance on our website to help financial businesses resolve complaints earlier, and our technical advice desk handled 10,739 queries over the course of the year (2020/21: 12,826).
- We worked with a range of media outlets throughout the year to share preventative messages and insight.
- We continue to work with members of the regulatory family as part of the Wider Implications Framework, which aims to address new issues or issues that impact a large number of firms or consumers.

Building an organisation with the capabilities it needs for the future

Strategic outcomes:

- We respond effectively to fluctuating demands and changes in the financial services sector.
- We attract, develop and retain people with the right skills, capabilities, and experiences.
- We use data and technology to improve our service and drive value for money.

Our new operating model and the technology sitting behind it will enable the changes we want to achieve. These changes will also help drive the shift in culture we need to see – clear leadership, accountability and empowerment to drive greater productivity and measurement.

We set ourselves ambitious operational targets in 2021/22 to progress towards the outcomes we are aiming for under this pillar of our strategy, including halving the backlog and resolving all our oldest cases.

People capability

79%



Our staff engagement score against a target of 70% (2020/21: 74%)

84%



of our staff feel included, respected and accepted within the service against a target of 85% (2020/21: 82%)

16%



of our senior managers identify as being from Black, Asian or other minority ethnic backgrounds against a target of 20% (2020/21: 18%)

45%



of our senior managers identify as female against a target of 50% (2020/21: 43%)

26.6%



Overall staff attrition against a target of 18% (2020/21: 9.7%)

2.6%



Overall lost sickness time rate against a target of 3% (2020/21: 1.8%)

Sustainability

32% 

Reduction of our premises and facilities budget against a target of 24%

59.7% 

Reduction in our carbon footprint against a target of 45%

Where we met or exceeded our targets:

- We survey our staff each year, and this year our staff engagement score increased to 79%, above our target of 70%. As we go through a period of transformation, employee engagement is essential and we will continue to focus on how we engage our people and involve them in the decisions that affect them.
- We met our strategic measure for sickness absence this year. The overall lost time rate over the financial year was 2.6%, which was 0.4% better than our target of 3%. Although this is 0.8% higher than performance in 2020/21, it should be regarded in the overall context in which Covid-19, an increase generally in mental health problems, and the relaxing of pandemic restrictions in the UK all contributed to our sickness recorded results.
- We exceeded our target to reduce our premises and facilities budget, with a decrease of 32% against a target of 24%, largely attributable to the termination of property leases during the course of the year.
- We have also exceeded the target we set ourselves in our five-year Carbon Management Plan, with a decrease of 59.7% against a target of 45%. This is a significant step towards reducing our carbon footprint.

Where we did not meet our targets:

- Our target for our senior managers identifying as being from Black, Asian and minority ethnic backgrounds was 20%, and we achieved 16%. Representation of minority ethnic colleagues in the whole organisation is 35%. Continued efforts in recruitment, targeted intervention such as our Diversifying Leadership Programme (to help increase diversity in our senior manager population), and a focused Action Plan to reduce our ethnicity pay gap form an important part of our ongoing plan to improve representation at a senior level.
- 45% of our senior managers are female, which is 5% short of our target. We have, however, improved our female representation at this level by 4% since 2019.
- We have seen our overall staff turnover increase from 9.7% in April 2021 to 26.6% by March 2022. This includes planned redundancies which were originally intended to take place in 2020/21, but mainly came into effect in the second quarter of 2021/22. Without the planned redundancies, our attrition level was 17.3%, better than our target of 18%. By the start of Q3 2021/22, attrition levels had increased to 21.3% as the country emerged from the pandemic and labour market opportunities opened. Last year's attrition figure was also lower than expected, likely to be as a result of fewer people moving jobs during the pandemic.

Transforming the Financial Ombudsman Service

– our Action Plan

A key focus for us in 2021/22 was the launch of our Action Plan. In the summer of 2021, we commissioned an Independent Review to look at what we do and how we do it. The review made recommendations for how we could change and improve for the benefit of all our customers and staff. The Action Plan we published on 2 December 2021, which took into account those recommendations, set out the strategic and operational changes we are undertaking to provide the best service in a rapidly changing environment. Our vision is for a forward-looking organisation, one that is high-performing and provides an efficient, meaningful and responsive service to our customers: financial firms, small businesses and consumers. In valuing our people, we want to be a modern employer, able to attract a truly diverse mix of talent and dedicated to innovative and flexible ways of working.

In implementing our Action Plan through our transformation programme, we have been making progress with care, assessing first the costs and then the benefits of each proposal. We know there is more to do to achieve our ambitious goals, and this plan is one that takes us into 2022/23 and beyond. Our transformation programme is geared toward delivering people, processes and systems improvements to increase our output delivery and speed up turnaround times while maintaining quality and decreasing costs. It will also deliver non-financial benefits, such as clearer direction, improved engagement both with those bringing complaints and with financial businesses, and a reduction in the number of complaints referred to the Financial Ombudsman Service.

For 2021/22, we saw an uplift of 12% in caseworker productivity as a result of our actions. This increase in productivity helped reduce our total stock of cases from 165,000 at the end of 2020/21 to 112,000 at the end of 2021/22. We estimate that a ‘steady state’ stock level target should be around 50,000 cases. In total, the operational productivity improvements that the Action Plan will deliver indicate at least a 28% gain in productivity by the end of Q4 2023/24. This scale of improvement is plausible, but the challenges of implementation cannot be underestimated.

Delivering this productivity trajectory and achieving break-even allows a more efficient cost base to be realised and ensure we maintain sufficient reserves to be financially sustainable. Our strategy is to maintain reserves of at least 3 months’ operating costs, and to break even. Through our transformation, we are increasing efficiency, which means we will resolve cases at a lower cost. On this trajectory, we will no longer run at a deficit by 2024/25.

The Action Plan details the key strategic and operational changes we proposed under five key themes. We have made progress across all of them.

A new model for a new context

Throughout 2021/22, we have been moving towards our new operating model, improving ‘operational grip’, unlocking capacity and increasing efficiency – to provide answers to our customers more quickly. Achievements include:

- Moving some phone enquiries to our Customer Help team to allow our Investigators to better focus on resolving cases. The success of this, with both our people and customers, led to us starting work to create our new Customer Connect call hub for all initial phone enquiries. This will be completed in 2022/23.
- Introducing clearer helpline options and messages on our phone lines to indicate to consumers upfront where we can – and cannot – help.
- A more focused and streamlined approach to the allocation and resolution of cases along industry sectors.
- Resolving 10,000 cases during the trial of a new high-volume team during 2021/22.
- A changed approach to training and recruitment to concentrate on areas of most need.
- A reshaped management of performance in our casework operations, with agreement on a single set of reportable metrics to drive further performance improvement.
- Continued work to design an operating model for our casework functions that is fit for the future.
- Working with industry to settle cases in the backlog proactively and pragmatically, being responsive and delivering faster answers to customers, including through our Outcome Code initiative, where we secured up to £22 million in redress within five months on complaints about a wide range of issues.

Enhanced technology and digital capabilities

The delivery of our technology strategy continued, including the conclusion of our open tender to find a new IT partner. Our new partner will support us in delivering our customer portals – improving the customer complaint journey and providing efficiencies in our process.

We have automated elements of case categorisation to increase efficiency from the very start and have continued to make updates to our case handling systems. For example, we updated our customer verification process to reduce the time it takes our people to carry out these important security checks, while not compromising on accuracy.

A renewed emphasis on communications, policy, and engagement

Working with others in the regulatory family, we published the refreshed Wider Implications Framework in January 2022, providing a formal structure for relevant organisations to work together on issues that have a wider impact across the financial services industry.

We introduced a complaint checker tool on our website to enable consumers and small businesses to see if we are the right organisation to look at their complaint; thousands have been signposted to other organisations better placed to help them.

A clearer, actionable and measurable strategy

We launched our vision and refreshed strategy, following through on our commitment to make our existing strategy more actionable and measurable. We have introduced key measures alongside each of the pillars of our current strategic thinking, to complement our change programme and provide us with key milestones to report against year on year.

A financially sustainable future

We published a discussion paper on the possible options for changes to our funding model, to gather views from stakeholders.

Our reach and our audiences

We make it easy for people to find and use our service if they need our help. Here we include more information about consumers who used us in 2021/22.

People who complained to us

All percentages shown in brackets apply to financial year 2020/21. Percentage totals may not sum to 100% due to rounding up or down.

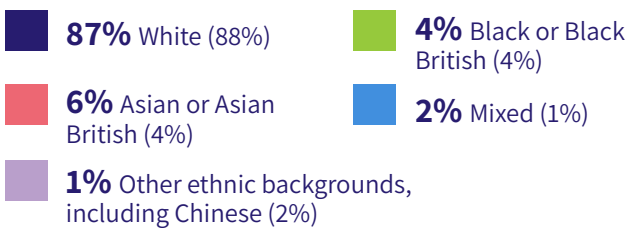
Gender

Consumer online survey: 17,530 consumers



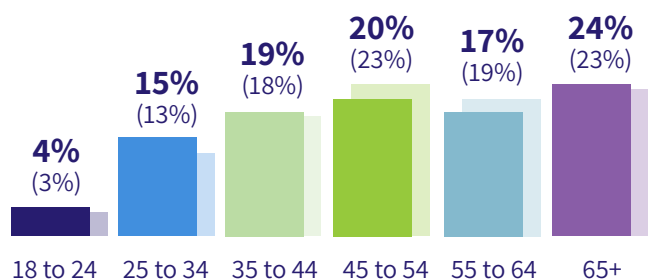
Ethnic background

Consumer online survey: 17,530 consumers



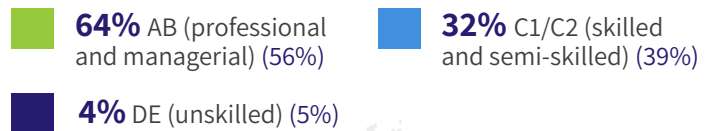
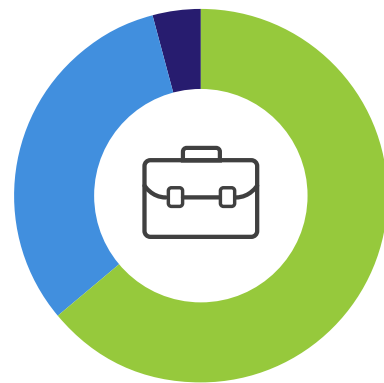
Age

Financial Ombudsman Service management information – 206,798 contacts. Excludes cases where data is other/unknown.



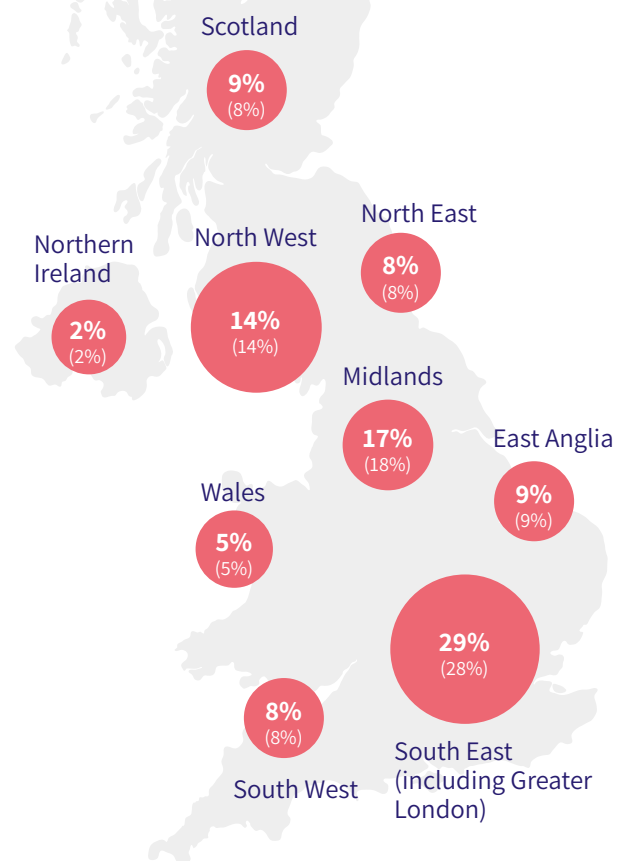
Socio-economic background

Consumer online survey: 17,530 consumers

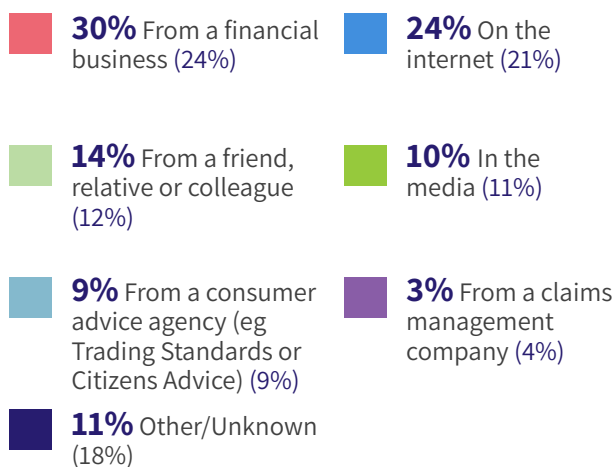
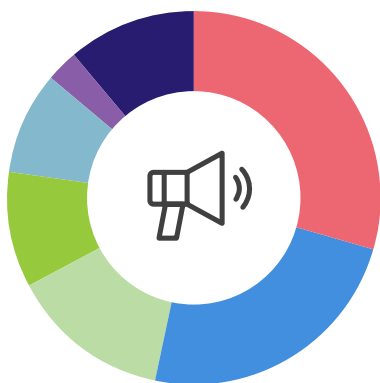


Location

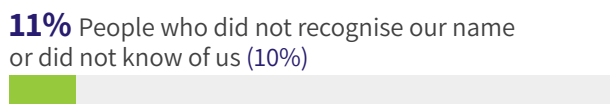
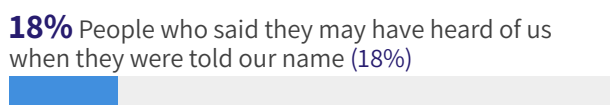
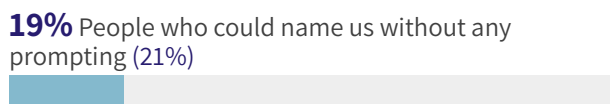
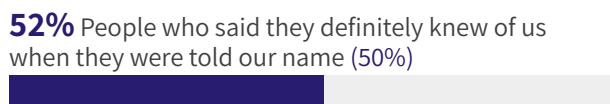
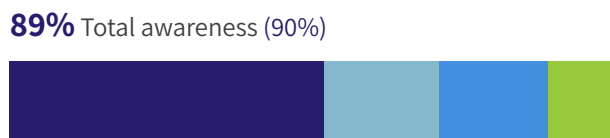
Financial Ombudsman Service management information – 206,798 contacts. Excludes cases where data is other/unknown.



How people heard about us

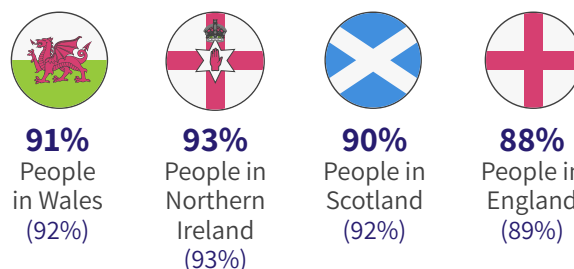
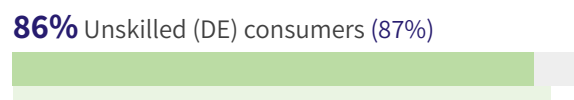
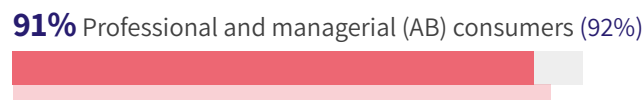
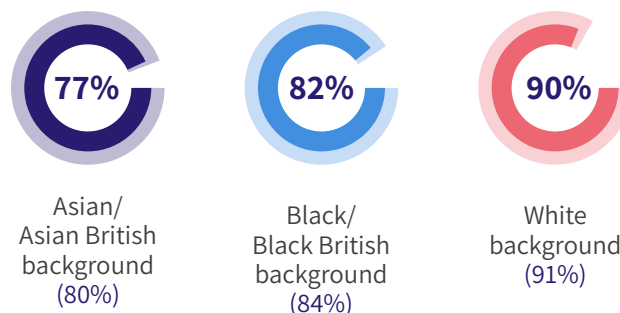
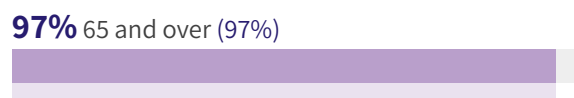
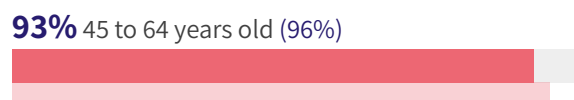
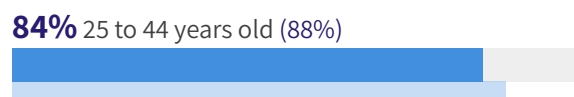
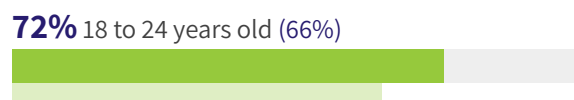


Level of awareness of the Financial Ombudsman Service



Awareness by consumer group

Online public awareness survey: carried out in June, September and December 2021, and March 2022. 8,115 responses.



Strategic risks

To manage risks appropriately, it is important we identify the top risks for the Financial Ombudsman Service and agree how to respond to them. Our risk management framework, for which the Board has overall responsibility, focuses on making sure the right people are having the right conversations about risk.

In 2021/22, the Board, Executive Team and risk owners worked collectively to articulate expectations through the management chain about our preferred level of risk in different areas. The Board also approved a different approach to presenting our risks to support Executive and Board discussions, placing the focus on the most significant risks to the organisation.

Our Executive Team sets the risk tolerance for their areas of responsibility, reviews mitigation plans and monitors risk movements. Each quarter, risk owners across the organisation review and update their risks, with the Risk and Governance Team reviewing the extent and quality of risk coverage and agreeing with the Executive Team the most significant risks for the organisation. These, and our plans to address them, are then presented for discussion to the Board and the Audit, Risk and Compliance Committee.

We continued to mitigate or resolve risks through the year and here we record our top risks at year-end, the actions taken in 2021/22 to address them, and what more we plan to do.

Thematic risks for 2021/22

Risk theme	What we did in 2021/22 to address the risk	What more we will do in 2022/23
Timeliness of complaint resolution	<ul style="list-style-type: none"> Introduced specific new initiatives to resolve more complaints faster – for example, our Outcome Code resolution initiative and the continuing work of our high-volume area. Enhanced governance and reporting for our oldest cases, making sure actions and milestones were clear and owned. While focusing on our core areas, we reduced our numbers of open cases from 162,000 to 115,000, and unallocated cases from 90,000 to 38,000. Delivered intelligent automation solutions and initiated a programme to deliver digital portals for customers and respondent firms. 	<ul style="list-style-type: none"> Improvements to the management of our phone service to release resources in areas with the highest demand and enable concentration on case resolution. Deploy contractor resource to directly support areas of high demand. Our transformation programme, initiated through our Action Plan, will lead to a revised operating model and ways of working aimed at significantly improving the speed of case resolution. Work to deliver digital portals for customers and respondent firms.
Financial sustainability	<ul style="list-style-type: none"> Our high-volume area and Outcome Code initiatives enabled lower cost resolution of cases. A range of continuous improvement activities, such as training case handlers to write concise first answers to our customers, meant we could make incremental improvements in productivity. We enhanced our forward financial planning, including our capability to produce medium-term forecasts. 	<ul style="list-style-type: none"> We are looking at our funding model for 2023/24 to ensure that it provides the basis for sustainable ongoing operation and efficiency. Our Action Plan focuses on both our financing and improved productivity measures to help us achieve operational sustainability.

Risk theme	What we did in 2021/22 to address the risk	What more we will do in 2022/23
Data breaches, cyberattacks and compliance with data protection legislation	<ul style="list-style-type: none"> • Activities and controls – guidance, training, breach reporting mechanisms, root cause analysis, remedial action and reporting to governance forums – are well established. • We undertook a gap analysis against the Information Commissioner’s Office accountability framework in 2021/22 to identify areas where we needed to improve. • We monitor ongoing cyber threats that have increased substantially following the invasion of Ukraine, and we follow advice from the National Cyber Security Centre. 	<ul style="list-style-type: none"> • The activities described to the left address any areas for improvement identified as part of the ICO accountability framework review. A major focus in 2022/23 will be enhancing our approach to Records of Processing Activity (ROPA). • New performance management process for dealing with data will be rolled out. • We continue to monitor for threats to our operation and systems.
Recruitment and retention	<ul style="list-style-type: none"> • Our pandemic response included supporting our staff during a difficult period with a combination of flexible working policies, home-working and other support mechanisms. Staff engagement in autumn 2021 was high. • As the job market strengthened, we experienced a significant increase in attrition at the beginning of 2022. In response, we re-established a programme of exit interviews to give us a better, understanding about leavers’ motivations. 	<ul style="list-style-type: none"> • Lower-paid colleagues have received increases in minimum pay bands, and we are continuing to work on our Employee Value Proposition, taking into account wider market conditions. • We are assessing the impact of potential changes to our operating model to understand what this might mean for certain roles.
Capacity to deliver transformation programme	<ul style="list-style-type: none"> • A structure for our transformation programme was agreed with workstreams and related leads were established. • A Transformation Director was appointed at the end of February 2022. They began working with operational leads to implement improvement initiatives and change plans, and to build change capacity and expertise in the organisation. • Secondees from support areas moved in to support the transformation programme. • We had a handover from Oaklin Consulting, whose recommendations formed the basis of our Action Plan and the direction of our target operating model. 	<ul style="list-style-type: none"> • We have a Transformation Team to support workstreams with a combination of both internal and external resources. • Recruitment has been initiated for roles to support technical aspects of transformation activity. • Training and mentoring to ensure we have the skills we need.
Staff engagement related to transformation changes	<ul style="list-style-type: none"> • While staff engagement was high in autumn 2021, we recognised that as we transformed, uncertainty could impact on engagement levels. • A range of communication activities included a ‘town hall’ event, senior manager updates, and multiple organisation-wide updates. • Staff were invited to help with initiatives and exploring new values. 	<ul style="list-style-type: none"> • An internal communications strategy, aligned to a detailed Transformation Plan, was developed to engage managers and staff in the change process. • Ad-hoc pulse surveys will measure engagement as we progress through transformation.

2021/22 complaints insight

In this section, we highlight the themes and trends in the complaints we handled in 2021/22. It draws on the more detailed insights that we shared alongside our [annual complaints data](#) in June 2022, which also includes information about the enquiries we received.

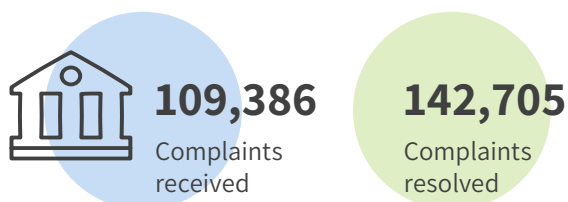
Financial product or service	Complaints received	Complaints resolved	Complaints upheld %
Banking and credit	109,386	142,705	43%
Insurance	40,242	60,001	28%
Investments and pensions	14,931	14,931	28%
Complaints about CMCs	703	1,097	30%
Other ²	1	6	-
Total	165,263	218,740³	38%
<i>Complaints from SMEs¹</i>	<i>1,338</i>	<i>1,683</i>	<i>27%</i>

- 1 Complaints from small and medium-sized enterprises (SMEs), additional to our micro-enterprise casework, are included within the figures for banking and credit, insurance, and investments and pensions.
- 2 'Other' includes complaints that had not been categorised at 31 March 2022.
- 3 This figure excludes the 16,000 Amigo Loans cases we were unable to close due to an ongoing legal process outside of our control (and which were later closed in June 2022).

Complaints insight by sector

In line with our forecast for this year, we received 40% fewer new complaints in 2021/22 than in 2020/21. This included a drop in enquiries related to PPI, Covid-19, and guarantor loans and home credit, following announcements from two of the biggest firms in that sector that they were applying in court for schemes of arrangement.

Banking and credit

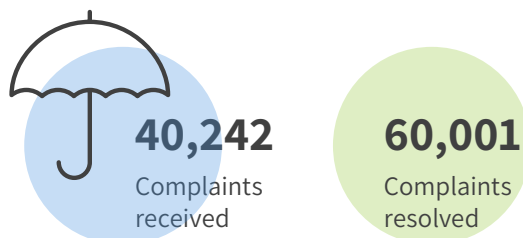


We received more than 18,000 complaints about fraud and scams across all our casework, with 17,500 within banking and, of these, 12,802 about current accounts. More than half (53%) of complaints about current accounts, banking's most complained-about product, related to fraud. Fraud and scams are areas of focus in our collaborative work with the wider regulatory family under the Wider Implications Framework. Around 44% of fraud complaints related to authorised push payment (APP) scams and we upheld over two-thirds of these complaints.

Around 15,000 complaints were about administration or customer service. We published examples and insight as part of our annual complaints data publication in June 2022.

We saw a marked reduction in complaints about unaffordable lending. As consumers face continuing financial difficulties as a result of the rising cost of living, we have reiterated banks' forbearance obligations.

Insurance

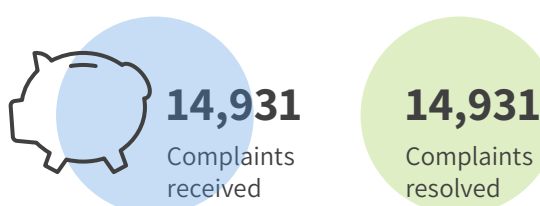


Complaints about PPI continued to tail off, as we had anticipated, from 42,040 in 2020/21 to just 5,323 in 2021/22. This trend will almost certainly continue, with just a trickle of the last PPI complaints to be expected in the year ahead.

We have seen fewer insurance complaints related to Covid-19, following the influx in 2020/21, from travel claims through to business interruption insurance.

We received 2,116 complaints about travel insurance, fewer than the 5,345 complaints received in 2019/20 before the pandemic, and a marked reduction in the 8,175 received in 2020/21. This reflects less travel during continuing restrictions, as well as policies containing clearer pandemic-related provisions and improved complaints handling by firms.

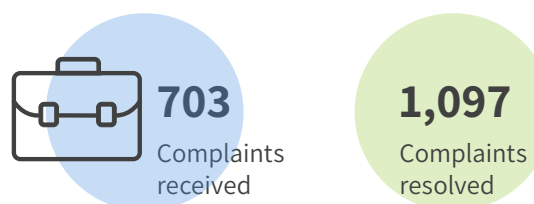
Investments and pensions



Complaints about investments and pensions can be some of our most challenging cases, often involving large sums of money. On average, these cases take the longest to resolve.

We received over 550 complaints about the British Steel Pension Scheme (BSPS) and of the cases we resolved, we upheld over 90%. We are increasing engagement (working with the FCA and the FSCS) to inform scheme members, who received unsuitable advice and transferred out of the BSPS, of their rights and options.

Complaints about claims management companies (CMCs)



Complaints about how CMCs have handled PPI claims remained our most complained-about CMC activity in 2021/22. Many of these complaints were from consumers who were unhappy about how CMCs pursued their fees.

These complaints have started to decline, mirroring the decline in PPI complaints following the FCA's deadline for making a PPI complaint.

Stakeholder relationships

We work closely with our stakeholders to shape our strategy, consult on our funding arrangements, share our complaints insight, and coordinate areas of joint working.

Working with the regulator

We are independent from the FCA and have a distinct and separate role. However, as part of the wider regulatory ecosystem, we work together closely. The FCA is responsible for a number of aspects of our service; their statutory obligations are set out in the *Financial Service and Markets Act 2000* and our wider relationship is covered in our memorandum of understanding. It approves our budget, and acts as our ‘competent authority’ regarding our obligations under the Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015 (‘ADR regulations’).

We share insight and information with the FCA, and regularly report to its Oversight Committee on issues of strategic importance, including our annual budget and performance under the ADR regulations. The information and insight we share on the themes and trends we see in complaints help inform the FCA’s supervisory work and future regulation. We also share information in regular and ad hoc meetings and through the exchange of correspondence and data, having more than 2,500 contacts during the year. The issues we engaged with the FCA about in 2021/22 included:

- Complaints about the British Steel Pensions Scheme.
- The FCA’s New Consumer Duty.
- Complaints in the mortgage sector, including cases about standard variable rates.
- Complaints about fraud and scams.
- Complaints from small business customers.
- Potential complaints about a pilot project involving ‘No Interest Loans’.
- ‘Buy now, pay later’ schemes (in advance of these being regulated by the FCA).
- Complaints about pensions.

We provide input into the FCA’s upcoming publications, consultations and rule changes as appropriate. Examples include contributing to the FCA consultation on a consumer redress scheme for British Steel Pension Scheme members, and a consultation on revising the FCA guidance for firms on how to calculate redress for unsuitable defined benefit

pension transfers. We continued to talk to the FCA about issues we were seeing as we began to receive complaints about pre-paid funeral plans as these came into the FCA’s scope in the middle of 2022.

This year we chaired our regular senior meetings with the FCA, the Financial Services Compensation Scheme, the Money and Pensions Service and the Pensions Regulator, and took the opportunity to reinvigorate the Wider Implications Framework. This provides for structured collaboration between the organisations involved, as well as giving transparency to stakeholders, through the publication of minutes of meetings, an annual review, and a central log of issues identified.

An issue that might have wider implications has the potential to have an impact across the financial services industry. The organisations that work within the Wider Implications Framework are:

- The Financial Conduct Authority
- The Financial Ombudsman Service
- The Financial Services Compensation Scheme
- The Pensions Regulator
- The Money and Pensions Service

Engaging with industry and consumer stakeholders

Our engagement with industry stakeholders is supported through three strategic industry steering groups (ISGs), held every six months with banks, trade bodies and insurers. These provide an opportunity to discuss strategic themes and future trends in complaints, to understand industry developments, and to get feedback on our service’s plans and budget. Alongside our ISGs, we have a Consumer Credit Trade Body Forum, which meets quarterly to discuss key issues and concerns in the sector, and also lead SME advisory group and consumer group forum, which usually meet twice a year, providing useful insight to us on SME and consumer issues respectively.

Section 172(1) statement

The Financial Ombudsman Service is committed to working transparently and taking account of the needs of those who use, fund and work for us, as well as having regard to a wider set of stakeholders who have an interest in what we do and how we do it. When making strategic decisions about how we can operate effectively and successfully, the Board considers views across all its stakeholders to inform its thinking and to understand the impact of any decisions it makes. Our Board has a duty to do so under Section 172 of the *Companies Act 2006*.

The table below sets out some of the principal strategic matters considered during the year and how the Board regarded the consequences and impact of these matters and associated decisions, in line with

its responsibilities under Section 172(1) (a) to (f) of the *Companies Act 2006*. More detail about these areas is provided in other sections of this report.

Strategic issue: Board-commissioned Independent Review

Background	Key stakeholders	Stakeholder engagement and Section 172(1) matters	Relevant outcome or decision
<ul style="list-style-type: none"> The Board periodically commissions independent reviews to help inform the operation or strategic direction of the Financial Ombudsman Service. This approach allows it to take account of all stakeholders and to consider its wider impact. The last periodic review was in 2021/22 and it looked at the future environment in which the service would be operating and what it meant for its customers, its people and the evolution of its operating model. Stakeholders were vital to informing the review and recommendations, and the subsequent Action Plan. 	FCA HM Treasury Businesses we cover and their trade associations Consumer representative bodies Our people	<ul style="list-style-type: none"> The Board received regular updates on the progress of the Independent Review during 2021/22, with the consultants attending Board meetings, where appropriate, including the annual strategic awaydays in September. FCA, HM Treasury, financial businesses, trade associations, consumer representative bodies and staff were consulted in the review to understand their experiences and expectations. 	<ul style="list-style-type: none"> The review recommendations and Action Plan for changing and improving the service were published in December 2021.

Strategic issue: 2022/23 plans and budget

Background	Key stakeholders	Stakeholder engagement and Section 172(1) matters	Relevant outcome or decision
<ul style="list-style-type: none"> As our costs are funded by a levy and case fees paid by financial services firms, we take their interests into account when setting our annual budget and funding approach. The Board is also mindful that the Financial Ombudsman is expected to be cost-effective, provide value for money and a quality service to customers and that these priorities are of a wider interest. <p>See pages 35 and 36 for our 2022/23 budget and plans.</p>	FCA HM Treasury Businesses we cover and their trade associations Consumers and their representative bodies Our people	<ul style="list-style-type: none"> The Financial Ombudsman's plans and budget for 2022/23 were consulted on in December 2021. In March, the Board considered the feedback received from a wide range of stakeholders on the assumptions the Financial Ombudsman had made as the basis of their plans and budget. Throughout the year and during the consultation the Financial Ombudsman engaged with a range of stakeholders to share its emerging plan and budget and to get their views. 	<ul style="list-style-type: none"> At its March 2022 meeting, the Board agreed to adopt the Financial Ombudsman's 2022/23 plans and budget, subject to formal approval by the Board of the FCA. At its March 2022 meeting, the FCA Board subsequently approved the plans and budget to take effect from 1 April 2022.

Strategic issue: Strategic and operational performance measures

Background	Key stakeholders	Stakeholder engagement and Section 172(1) matters	Relevant outcome or decision
<ul style="list-style-type: none"> Each year the Board undertakes an annual review of its strategic and underlying performance measures to ensure they remain ambitious and drive improvements. <p>See pages 13 to 16 for more detail on our performance during 2021/22.</p>	<p>FCA</p> <p>HM Treasury</p> <p>Businesses we cover and their trade associations</p> <p>Consumers and their representative bodies</p> <p>Our people</p>	<ul style="list-style-type: none"> During 2021/22, the Board reporting templates were updated to improve accountability and provide greater clarity. The Board received monthly and quarterly performance reports. As part of the process to seek Board agreement on the annual strategic measures and underlying performance measures for 2022/23, the Board undertook a number of reviews as they were being developed during 2021/22, before final sign-off on the measures. 	<ul style="list-style-type: none"> At its March 2022 meeting, the Board agreed to adopt the Financial Ombudsman's 2022/23 plans and budget, subject to formal approval by the Board of the FCA. At its March 2022 meeting, the FCA Board subsequently approved the plans and budget to take effect from 1 April 2022.

Strategic issue: Wider Implications Framework

Background	Key stakeholders	Stakeholder engagement and Section 172(1) matters	Relevant outcome or decision
<ul style="list-style-type: none"> During 2021/22, we reinvigorated the Wider Implications Framework, which formalises collaboration across the regulated sector on issues which could have a wider impact across the financial services industry. This facilitates closer working to ensure regulated businesses put consumers at the heart of what they do. 	<p>FCA</p> <p>HM Treasury and other government departments</p> <p>Businesses that the different bodies cover and their trade associations</p> <p>Consumers and their representative bodies</p> <p>Each body's people</p>	<ul style="list-style-type: none"> During 2021/22, the Board received regular updates on developments. The first Chair-level meeting was held in March 2022 and it agreed that strategic priorities were to: <ul style="list-style-type: none"> – Keep consumers' money secure. – Enable good decision-making and availability of value-for-money products and financial resilience. – Be bold and effective. 	<ul style="list-style-type: none"> The Wider Implications Framework was launched in January 2022. The Terms of Reference, log of issues and minutes of the first meetings were published on our website.

By order of the Board



Chandra Hirani
Company Secretary
9 November 2022

Our financial performance

The Financial Ombudsman Service is funded by a combination of levies, individual case fees and income from our group-account fee arrangements paid by the financial businesses we cover.

In our 2021 Action Plan, we promised to review our funding model as part of a range of activities to improve our efficiency and cost-effectiveness to deliver financial sustainability for the future. As detailed earlier in this report, following significant stakeholder engagement, we published a discussion paper on our future funding in June 2022 and our response to the feedback we received in October 2022. We will consult on proposals in our 2023/24 budget consultation in December.

Overview

We set out our plans and priorities in our 2021/22 budget consultation and resultant plans and budget. Leading features of the final financial plans include:

- Seeing us substantially conclude complaints relating to mass PPI misselling. For the last few years, we have been planning for a future without this part of our casework, which not only affected the shape and size of our service but also its funding.
- A compulsory jurisdiction levy of £96m, but with the minimum levy remaining frozen for the ninth year in a row. This was an increase of £12m on 2020/21 to ensure we were able to deliver the service people needed from us, and our wider strategic objectives, but it was lower than we had proposed in our consultation.
- An increase of £100 in our case fee to £750 for cases resolved after 1 April 2021, to help us achieve the level of funding we need and recognise the important complaints-prevention incentive the fee provides.
- Year-on-year “business as usual” costs staying flat, with a cost base of £246m, excluding one-off restructuring costs associated with the conclusion of our mass PPI casework. Including these costs, our budget cost base was £260m.
- An investment of £10m in maintaining our capacity to resolve complaints in high volumes – to support our aim to resolve 45,000 more complaints than we did in 2020/21 and 40,000 more than we expected to receive in non-PPI areas.
- A revenue provision of £22.5m in relation to case closures in the high-cost credit sector.
- Drawing further on our reserves, reflecting the need once again to absorb some of our cost to firms. Post-PPI, we had originally planned to hold reserves at around six months of operating costs, helping to avoid the need to request additional funding outside future budget cycles. We have amended our reserves policy from six to three months’ operating cost held as reserves, and plan to manage our reserves down to that level over time.

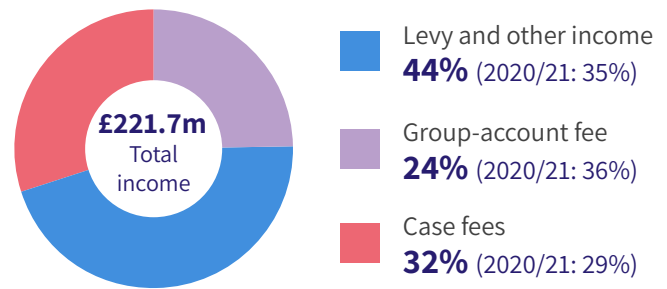
The rest of this chapter explains our financial performance in more detail, including how far our actual performance aligned with our expectations.

In summary:

- Our operating revenue was £221.7m (£245.1m in 2020/21) with a cost base of £233.6m (£264.5m in 2020/21).
- Our income and expenditure was £6.9m higher (£16.0m lower in 2020/21) and £26.6m lower (£50.0m lower in 2020/21) than budget, respectively.
- We made an operating deficit of £12.4m after tax (£19.6m in 2020/21).
- £12m of planned restructuring cost has been reallocated into 2022/23 to fund transformation.
- Total expense recognised for leaving payments in 2021/22 of £1.9m.
- Reserves of £125.4m, equivalent to 6.5 months of operating costs excluding restructuring.
- A unit cost of £1,034, against £1,045 budget (excluding investment and one-off costs).

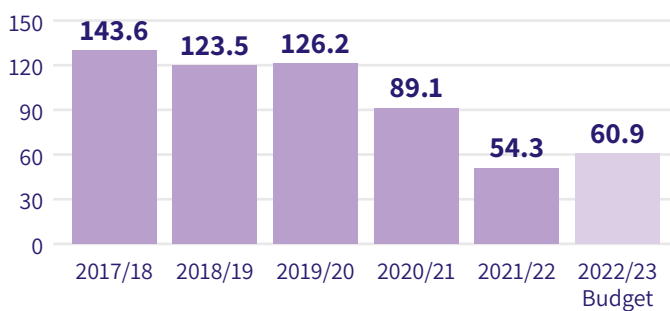
Income

The Financial Ombudsman is funded by a combination of levies, individual case fees and income from our group-account fee arrangements. Our approach to funding remained unchanged during the year.



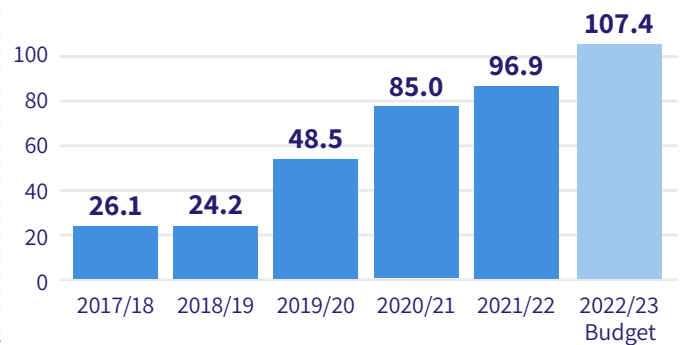
Group-account fee arrangement

Our group-account fee arrangement covers eight financial services groups – Lloyds, Barclays, HSBC, NatWest, Nationwide, Santander, Aviva and Direct Line Group – and helps provide predictability and stability in our funding. Groups' fees are calculated in advance based on their share of our overall workload, taking into account our existing 'stock' of complaints, and cases we have budgeted to deal with.



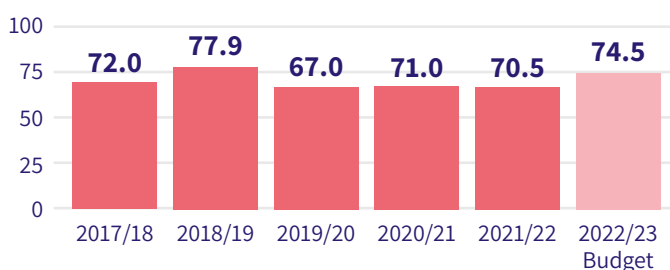
Levy and other income

The compulsory jurisdiction levy is charged and collected by the FCA according to the amount of work we expect from each industry sector. In 2021/22, our compulsory jurisdiction levy was £96m (2020/21: £84m), and £0.7m (2020/21: £1.1m) of levy income related to our voluntary jurisdiction. We also generate income from interest receivable and publications.



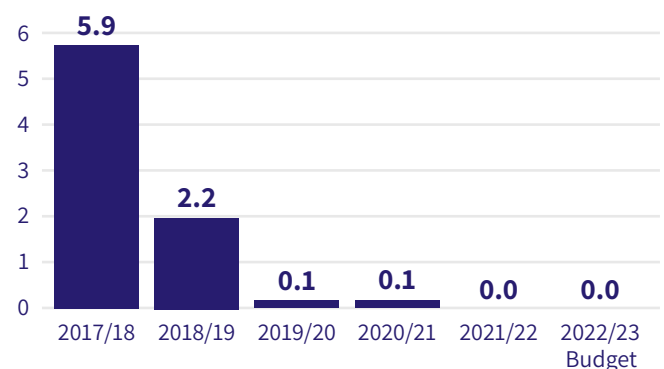
Case fees

Our case fee was £750 per case, with a free case allowance of 25 cases per firm, meaning firms outside the group-account fee arrangement were charged for the 26th and each subsequent complaint. This meant nine in ten businesses whose customers referred complaints to us did not pay any case fees at all in 2021/22.



Deferred income release

The deferred income in relation to PPI cases received between 2012 and 2014 was fully released by the end of March 2021.



Operating expenditure

Our overall spend for the year was £233.6m (2020/21: £264.5m), which was £26.6m (2020/21: £50.0m) below budget. The principal variances were:

- Restructuring costs – £12.7m less than budget. We have reallocated £12m of restructuring costs into 2022/23 to support our transformation programme.
- Operating costs – £10.8m less than budget, primarily due to lower permanent FTE, as we had a larger reduction from our PPI business restructure, and a one-off credit from a reduction in our holiday pay accrual, returning to our pre-Covid-19 policy for carrying over of leave into the new leave year (beginning 1 January 2022). In addition, we have seen lower property and facilities costs as we delayed our return to office plans following Covid-19.
- Bad debt – £3.1m less than budget. See ‘Bad debt’ on [page 33](#).

People costs

As in previous years, expenditure on people was our highest cost: approximately 80% of the total, excluding restructuring costs (81% in 2020/21).

We continued to use a workforce of contractor case handlers in addition to our permanent employees to give us the flexibility to scale up and down in response to changes in demand for our service.

Investing in our systems and technology

In line with our IT strategy, we continue to invest in technology. Our investment plans focus on strengthening our data insights capability, providing digital channels for consumers and businesses to engage with us, and exploring opportunities for automation to support efficiency. We have put in place integrated teams to manage the impact of technology on our processes, organisation design and our people.

In the last year, we concluded our finance and HR system programme and implemented market-leading software, Workday, on time and under budget. We also concluded our major regulated procurement process, appointing a partner to support our digital plans and secure the operational resilience and future development of our main business systems. We are now in the delivery phase for our consumer and business portals, increasing our accessibility to customers.

We continue to deliver our IT strategy to adopt cloud-based technologies, where appropriate, and we plan to exit our data centres by the end of financial year 2022/23. All the projects required to realise this are in progress. The strategy allows us to take the opportunities that arise from regular functional improvements from our Software as a Service (SaaS) solutions and respond to changes in demand more readily.

Our IT strategy is robust and resilient for the future, with strong partnerships with IBM and Tata Consulting Services. Responsiveness is supported by our cloud hosting of core systems, that can scale with demand. Flexibility is supported by fully remote, in-office or hybrid working arrangements. We continue to work towards improved accessibility and efficiency for our customers by investing in our portals.

Cost efficiencies

An important activity in our budgeting and forecasting cycle is to review our cost base to identify opportunities for efficiencies as well as areas for investment. With people-related costs accounting for around 80% of our cost base, and premises and depreciation charges accounting for a further 8.5%, it is important that we obtain good value for money for third-party goods and services.

Building on the savings achieved in 2020/21, we have continued to work closely with suppliers, contractors and landlords to deliver services that represent value for money. We had sufficient flexibility in our property leases to enable us to exit a further two office floors in Exchange Tower, London, together with a café. This will give us annual savings of £2.5m and our property estate is now one third smaller than it was three years ago. We aim to make additional savings in 2022/23 and beyond by releasing additional Exchange Tower floors.

The Procurement Team has achieved efficiency savings of £1.2m, mainly as a result of effective competition and cost-avoidance measures on a wide range of goods and services. Savings have primarily been secured across IT licence contract renewals and tenders.

Bad debt

In our 2021/22 budget, we made allowances for bad debt-related expenses of £3m and a specific provision of £22.5m for income de-recognised due to the risk of two businesses entering into an insolvency process prior to final invoices being issued. The total impact on the financial statements of income de-recognised and bad debt cost for the 2021/22 financial year was approximately £13.4m. Income de-recognised of £13.5m related primarily to one of the businesses

entering 17,800 cases into a scheme of arrangement in August 2021. The bad debt credit of £0.1m was due to the receipt of dividends from businesses that had gone into administration in 2019/20 of £0.7m partially offset by bad debts of £0.6m. The second scheme of arrangement was not finalised until May 2022. The impact of this delay has been included in our budget for 2022/23.

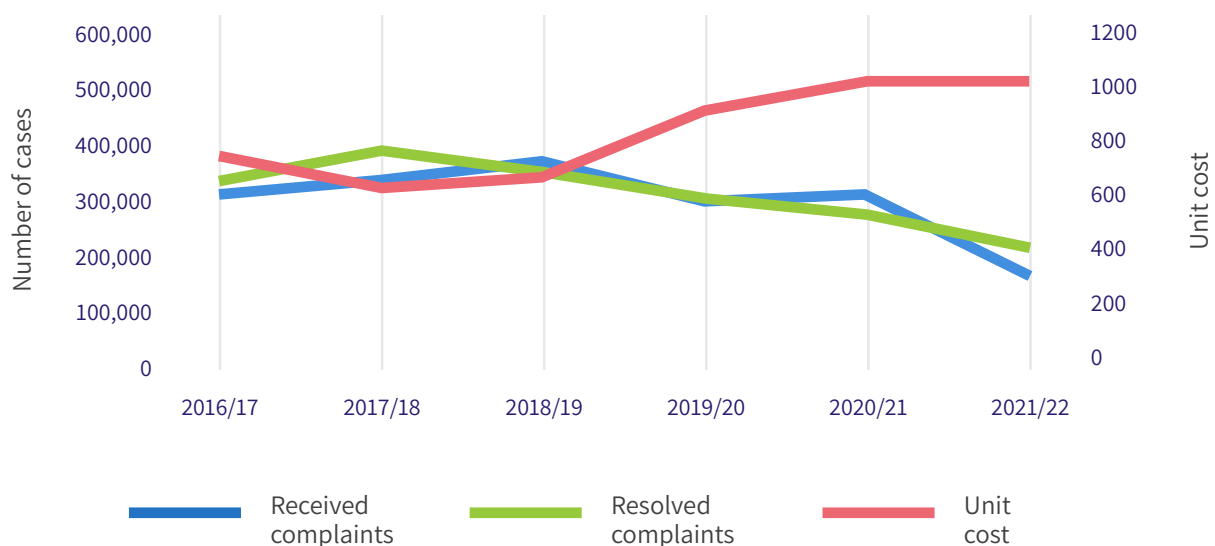
Unit cost

Unit cost against complaints resolved and received

We calculate the unit cost of resolving a complaint by dividing our total running costs (excluding financing costs, bad debts and significant one-off costs, such as those relating to restructuring) by the total number of complaints we resolve in the year. It is not in itself an adequate measure of efficiency, because it is impacted by a range of influences often outside of our control. These include the mix of casework we receive, the factors determining how easily that casework can be progressed, and whether we can take advantages of economies of scale (as with PPI). Over the years, PPI volumes have been reducing. This has led to the

average resolution time for cases increasing, which has in turn increased our cost-per-case.

In 2021/22, our cost-per-case was 4% lower than budget. We received fewer PPI cases than budgeted, but the non-PPI cases we received were in line with budget. As a result, we resolved fewer PPI cases than we budgeted for. For non-PPI cases, even though we could not close 16,000 cases due to a business's scheme of arrangement being delayed, we still managed to meet our budget.



* The methodology used to calculate the actual cost per case figures for 2021/22 in this table aligns to the methodology used in previous Annual Report and Accounts, but differs from the methodology used for the budget and actual cost per case figures for 2021/22 on [page 13](#) which also excludes costs of contingency and IT investment.

Reserves

Under our long-standing reserves strategy, we used the funds we received from a special PPI levy (2011/12) and supplementary PPI case fees (2012/13 and 2013/14) to help us gear up our PPI operations and provide stability in the context of volatile demand. Eventually, these reserves were to absorb the costs associated with the winding down of our PPI operations, and to set ourselves up to be efficient and cost-effective in a post-PPI world. This strategy has resulted in a multi-year financial story, moving from a surplus in the early years to a deficit in the latter years. Our closing reserves for the year finished at £125.4m against a budget of £88.7m as a result of the lower deficit from continuing operations in the year, together with a lower final salary pension scheme.

Cash management

We review our cash balances daily and update our forecasts on a quarterly basis. Our closing cash balance on 31 March 2022 was £152m, £41m lower than at the end of the previous financial year. The reduction was driven by lower compulsory jurisdiction levy income received in respect of the levy for 2022/23 towards the end of the year of £38m (2020/21: £55m).

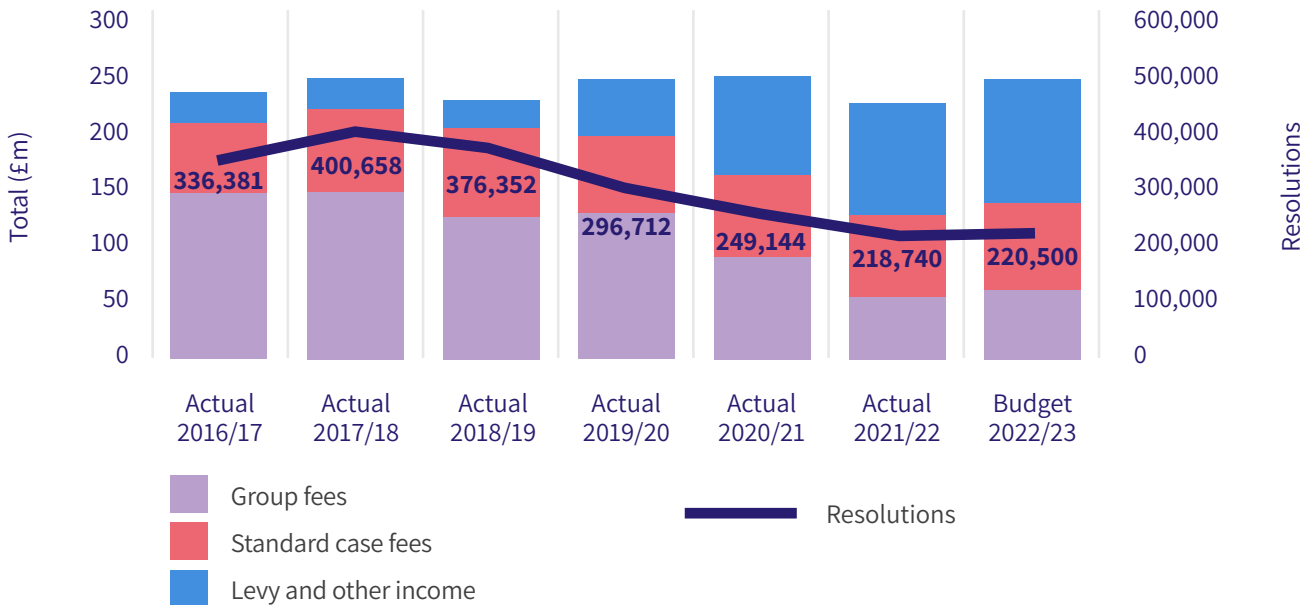
In accordance with the investment strategy approved by the audit committee, on 31 March 2022 we had £132m of our funds invested between nine institutions for periods of up to four months at rates between 0.14% and 1.25%, and £10m overnight. Total interest received over the year amounted to £0.3m (£0.6m in 2020/21).

Creditors' payment terms

We have a policy to pay creditors within agreed terms.

Outlook

Operating income against complaints resolved



Our 2022/23 budget

Following approval of our budget by the FCA, our final arrangements for 2022/23 involved for firms:

- A compulsory jurisdiction levy of £106m. The increase of £10m over 2021/22 will be used to fund the transformation programme.
- Our case fee will stay at £750 for cases resolved after 1 April 2021.
- Reducing our free case allowance for individual firms from 25 to 3, to pre-PPI levels and in line with the 'polluter pays' approach. We still expect that seven in ten firms whose customers complain to us will pay no case fees.
- No change to our group-account fee arrangement, which is made up of eight large business groups, but their free case allowance will be reduced from 50 to 15.
- Freezing the minimum levy paid by the smallest firms we cover for the ninth year in a row.
- A voluntary jurisdiction levy of £0.7m. We explained in our budget consultation what the end of the UK's transition period for leaving the EU would mean for VJ participants going forward. 0.25% of our budget expenditure will relate to our voluntary jurisdiction.

For our budget, this meant:

- Productivity in casework: a 7% improvement in underlying productivity year-on-year and investing an additional £14m in contingent case handlers to reduce our queues, while continuing to look for opportunities to resolve cases faster.
- Continuing our investment in digital and technology in line with the IT strategy, with a focus on completing the existing portfolio of change and delivering on our digital strategy. With increasing technological capability comes increased IT and digital costs, as we have more tools and services to maintain. We will see depreciation costs from capital investments, and some dual running costs during project transitions. Replacement systems are paid for by annual subscription and will have an ongoing annual cost.

- A provision of £3m for bad debts and £4m for contingency costs, which is at the same level as our 2021/22 budget, but lower than the amount held in previous years.
- Reallocation of £12m of the £14m restructuring budget into 2022/23 and providing for an additional £6m to invest in proposed changes arising from our Action Plan. Resulting in a total pot for investment in the transformation programme of £18m.
- Drawing further on our reserves, but by the end of 2022/23 we expected to have approximately three months' operating costs held as reserves – in line with our target level of three months' operating costs.

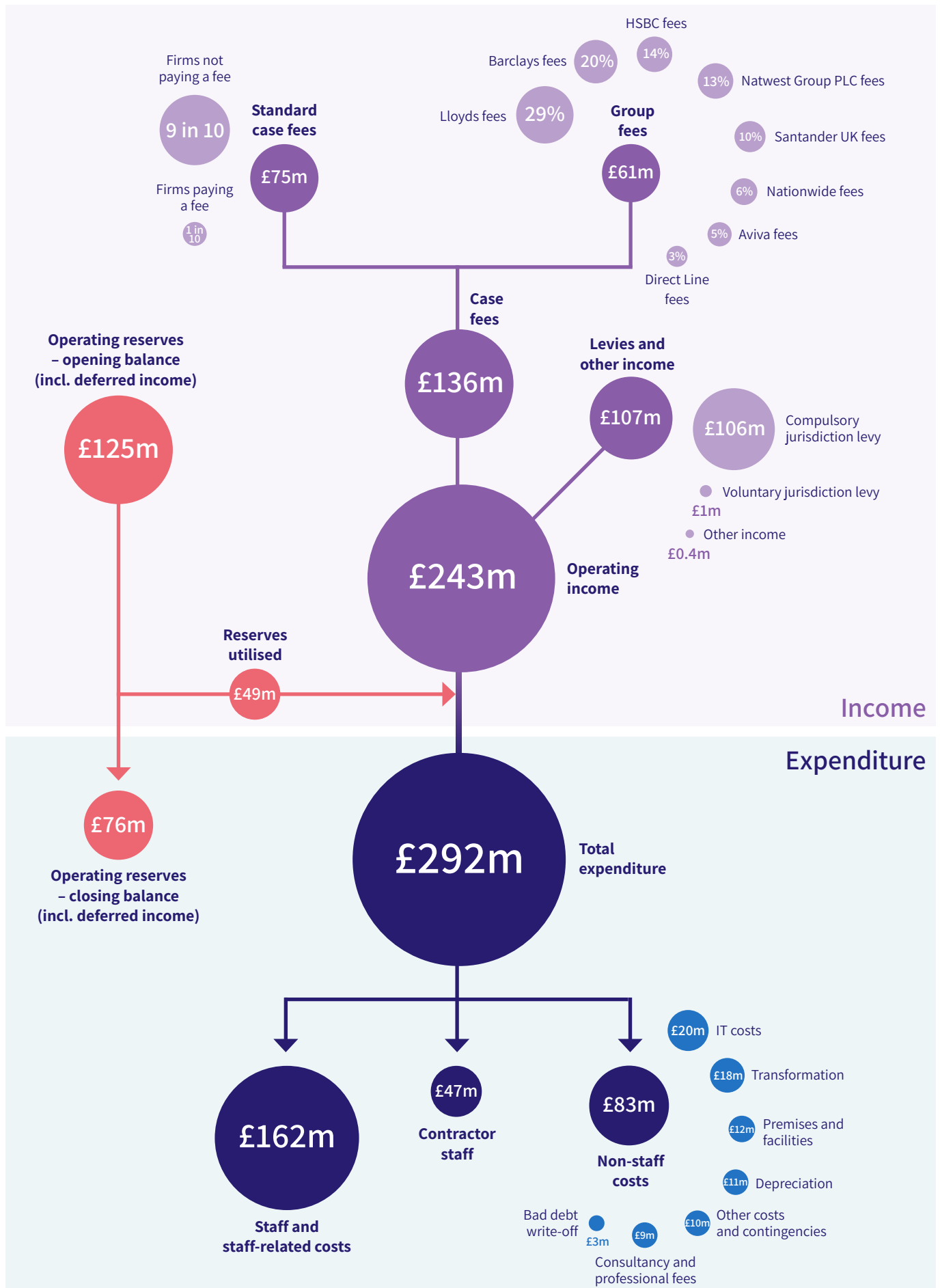
Despite our ongoing focus on efficiency and cost saving, and the increase we anticipate in productivity, we expect that our unit cost will rise in 2022/23 – as we see a further rebalancing of resolutions away from mass complaints such as PPI to a different case mix including more complex complaints, and as we invest in delivering our Action Plan.

By order of the Board



Chandra Hirani
Company Secretary
9 November 2022

The financial flow of our resources in 2022/23



Figures rounded to the nearest million.

Directors' report

This report covers a range of wider information about our operations – including our environmental impact and sustainability, our approach to diversity, inclusion and wellbeing, the learning and development we offer, how we engage with our people, and how we manage data.

Diversity, inclusion and wellbeing

We remain committed to attracting and developing people from a wide range of backgrounds. We want to reflect the diversity of our customers and the population as a whole. We believe that being diverse and inclusive means that we can better understand people's different perspectives and backgrounds, which is fundamental to our job of resolving financial complaints.

We aim to be one community where everyone feels able to contribute, flourish and succeed.

Building on our progress against our diversity, inclusion and wellbeing Action Plan, in 2021/22 we:

- Published our fifth annual report on diversity, inclusion, and wellbeing.
- Published our ethnicity pay gap for the second time. Based on an April 2021 snapshot date, our median pay gap was 14.9% (2020: 16.1%).
- Further narrowed our gender pay gap to a median of 5.5% (2020: 6.2%).
- Achieved the highest accreditation in the Disability Confident scheme and the London Mayor's Good Work Standard.
- Achieved a gold award in Stonewall's Workplace Equality Index.

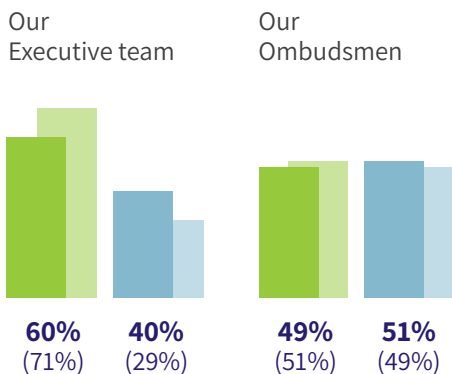
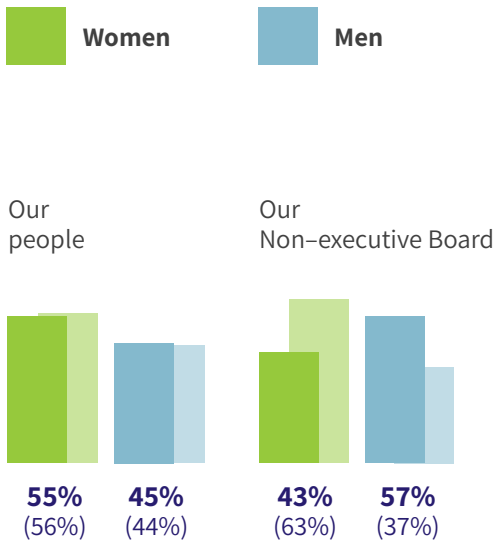


Read more about our diversity, inclusion and wellbeing commitments and actions in our most recent report and on [our website](#)

Our diversity in 2021/22

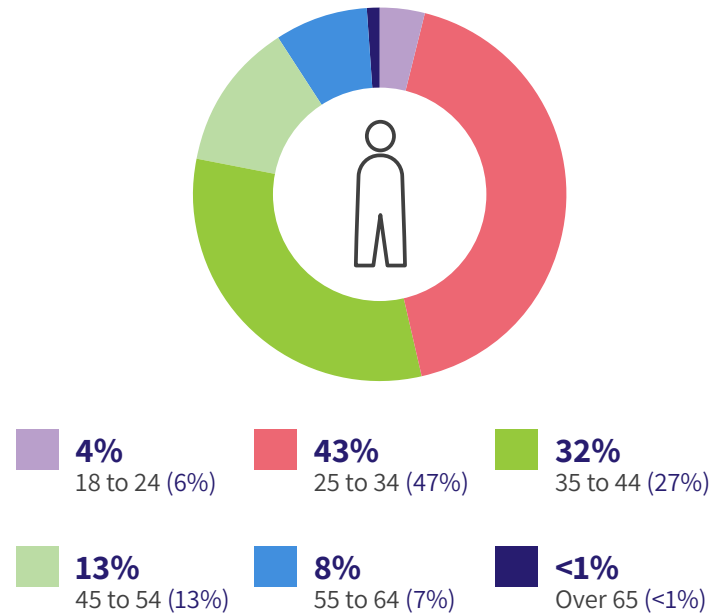
At the end of 2021/22 (2020/21):

Gender split

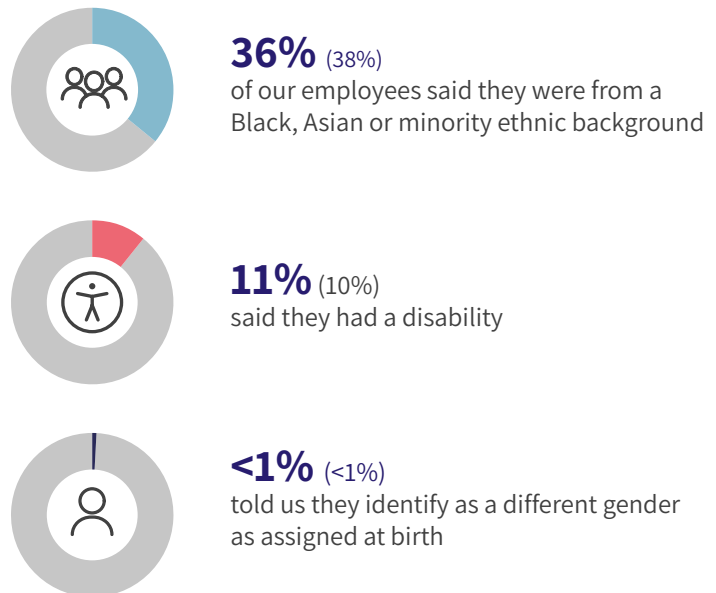


21% of our people had completed diversity records* (2020/21: 72%)

Ages ranged from 18 to 68



Our people



* This is the percentage of staff who answered all diversity questions on ethnicity, disability and gender identity. The reason the disclosure rate is substantially lower than in 2020/21 is that we adopted new HR back-office software this year and were not able to transfer all our diversity data seamlessly to the new system. Some diversity data and questions differed between the two systems, and we also added a non-binary option to our gender identity question. High disclosure rates in previous years have enabled us to draw insights from our organisational make-up and push forward our diversity, inclusion and wellbeing agenda. Work is underway to bring the rate back up, via all-staff communications planned through the year and through support from our employee networks.

Health and safety

Our health and safety management systems and processes performed well, in our offices and when safeguarding our people working at home. In the reporting period, all our offices remained Covid-secure in line with government and Health and Safety Executive (HSE) guidelines.

In 2021/22, we reviewed our health and safety policy and statement and adjusted it as government guidance changed, keeping our people well informed throughout. In addition, we:

- Reviewed our Covid-19 risk assessment, adapting it first to 'Working Safely with Covid', and later to 'Living Safely with Covid'.
- Had our health and safety management system, policies and practices externally audited by PHSC Ltd, achieving a positive score of 92%.
- Introduced blended learning (in a combination of face-to-face and virtual training) for our first aiders.
- Provided additional personal protective equipment to our first aiders and other staff carrying out special duties.
- Completed and reviewed fire risk assessments in close collaboration with our office building managers.
- Modified our e-learning modules to include training for managers, fire marshals and for manual handling and working-at-height training.

Sickness absence

By focusing on wellbeing and absence management, we met our strategic measure for sickness absence this year. The overall lost time rate at the end of this year was 2.6% – equivalent to 6.7 days lost per person and ahead of our target of no more than 3%.

Our overall lost time rate was 0.5 percentage points higher in 2021/22 than in the year before. Sickness absence was lower than normal in 2020/21 owing to lockdowns, social distancing and remote working. As these factors receded, we reminded staff about our sickness policy, had return-to-work conversations, and recorded data against our targets.

Benefits and financial wellbeing

We offer a wide range of benefits to make our employees' money go further, improve health and wellbeing, and help protect them from financial hardship in times of need or crisis.

We provide life assurance, critical illness cover, income protection, personal accident cover, private medical insurance, and a virtual GP service as core benefits. We also offer optional benefits, including travel and dental insurance, a cycle-to-work scheme, childcare voucher and technology schemes, a will-writing service, and the option to flex some core benefits.

Our pension for all employees is non-contributory up to 12% of pensionable salary (depending on age), and for those who choose to contribute, this is matched up to a further 3% of pensionable salary. We offer financial education sessions, and regular pension and retirement workshops throughout the year.

Corporate social responsibility

Ever since we were established, our people have come together to give back to our local communities and support our charity partners. These activities have been coordinated by our employee-led Giving Something Back Committee.

We are proud of having raised over £32,000 during our partnership with Papyrus, a charity focused on preventing young suicide. Our relationship with Papyrus was due to come to an end in April 2021, but we extended our usual two years to three to allow for the impact that the pandemic had on our opportunities for fundraising. In November 2021, we began the process to find our new charity partner and announced our new charity partnership with Kidney Research UK on 30 May 2022.

In the last year, we updated our volunteering policy in response to staff feedback to include volunteering in Coventry. Under the revised policy, anyone who volunteers through Voluntary Action Coventry may ask for time off to do so.

We continue to work with East London Business Alliance (ELBA), giving our people opportunities to volunteer in the local community. Staff donated to ELBA's toy appeal, and our donations bought 42 toys, worth £641.65, for children in East London whose circumstances meant they may not otherwise have received a Christmas gift.

Learning and development

As we transform our organisation, leadership development has been a particular focus this year. Through assessments and emotional intelligence profiles, we have helped senior leaders gain insight into their own leadership styles, helping them foster collaborative engagement and wellbeing. 87% of eligible leaders took part in our externally facilitated Leadership Resilience Programme.

Data storytelling training was provided to various teams across the service, allowing them to explore the most effective ways to use and understand their data.

Our call-handling training was redesigned as we moved towards our new casework operating model and made greater use of dedicated call-handling teams, freeing up investigators' time to focus on resolving cases.

We also undertook a routine review of our suppliers, as part of our commitment to achieving good value and ensure our suppliers remain aligned with our goals and values, including diversity and sustainability.

Apprenticeships

This year, we continued our early careers apprenticeship programmes, adding a career path apprenticeship 'team leader/supervisor' pilot for existing staff.

In 2021/22, 15 people started new apprenticeships. 21% of our early careers apprentices from our second cohort which started in January 2021, were confirmed in new roles in our service, ahead of completing their apprenticeships.

As an organisation with more than 250 employees, we are in the scope of the Government's public sector apprenticeship target regulations, which means that we needed to aim to employ at least 2.3% of our workforce as new apprenticeship starters from 1 April 2021 to 31 March 2022. This year we were unable to extend sufficient apprenticeship opportunities to meet the target. At the end of March 2022, 15 or 0.5% of our 2,943 employees were new apprenticeship starters.

Our challenge continues to be that there is no suitable national apprenticeship standard setting out the skills, knowledge and behaviours for our Investigators' development. This year, therefore, we have focused on developing our overall apprenticeship offer on career path apprenticeships.



Read more about our approach to [apprenticeships](#) on our website

Employee engagement

Our change programme, built on the Action Plan, as well as the improvements to our intranet, have helped our people feel more in touch. Business change projections and day-to-day developments affecting individuals are now more easily accessed than ever before. Against a backdrop of a more visible senior leadership team and newly introduced ways to keep colleagues informed, our overall engagement score in the September 2021 survey showed that 89% welcomed change and were willing to adapt and innovate. This score represented a significant increase, 44% having been the previous year's result.

Environmental performance and sustainability

During 2021/22, due to the pandemic, we operated predominantly remotely for a second year. This has affected our environmental performance and sustainability. Some of the measures we typically report here – relating to our offices – look much lower for the past two years.

We continue to work with the Carbon Trust now that our five-year carbon management plan has ended, and we are reviewing our progress to see how we performed against our carbon target reduction of 45%. In addition, we are baselining and reviewing our data in relation of our direct and indirect emissions to set out our strategy for our route to net zero.

Features from 2021/22 include:

- Continuing to work through our five-year carbon management plan, exceeding our target of a 45% reduction from our 2017 baseline and achieving 59.7% reduction by April 2022.
- Reducing our physical office presence in London.
- Completing the removal of printers across our properties and replacing them with a small number of multifunctional devices, helping us cut electricity usage and paper wastage.
- Continuing to contact our customers digitally over the past couple of years, reducing the use of paper, printer toners, envelopes and postage costs.
- Reusing furniture and appliances following the closure of one of our cafés in London.
- Continuing to support our people working remotely by providing used office chairs and IT equipment through our IT portal.

- Continuing to encourage our customers to contact us by email where possible or to use our online complaint form, reducing the emissions associated with producing, sending and processing post.
- Introducing a desk-booking tool that allows us regularly to review our properties in terms of desk occupancy, helping to drive our property strategy.
- A Pure Green certificate was awarded to our London building for its 100% use of energy generated by wind, solar or hydro-renewable schemes.
- Receiving 122,200 business files electronically.

In 2022/23, we will:

- Reduce further our physical office presence in line with our property strategy.
- Set out our strategy to get to net zero to support the wider climate change agenda.
- Progress our digital transformation programme for better interaction with our customers.

Following the roll out of smarter working and the adoption of a hybrid approach, with staff typically working four days a fortnight in the office, 35,000 sq. ft. was released from our London portfolio during 2021/22, reducing our property footprint by a further 14% compared to 2020/21.

As we are tenants in both our properties in London and Coventry, we have received the performance figures below from our landlords at Exchange Tower in Tower Hamlets and our Friargate office in Coventry.

Property performance

Electricity	2021/22	2020/21	2019/20	2018/19
Non-financial indicators (kWhs)	1,620,564	2,083,881	3,414,541	3,944,364
Financial indicators (excl. VAT)	£232,811	£328,051	£481,889	£491,371

Business travel

Personal mileage amounts	2021/22	2020/21	2019/20	2018/19
Mileage	8,858	2,802	17,147	37,751
CO ₂ e kg*	2,569	813	5,034	11,083

* CO₂ calculated using the National Energy Foundation formula.

Paper consumption

	2021/22	2020/21	2019/20	2018/19
Sheets of paper	1.1m	1m	3.6m	12.85m
Cost of paper	£1,145	£1,018	£17,729	£60,648
Scanned correspondence – number of pages	0.6m	0.8m	3.3m	4.7m

Our waste

We contributed 40% of 72 tonnes of waste recycled by our landlord at Exchange Tower (35 tonnes in 2020/21, when we contributed 50%).

Recycling	Energy recovery	Landfill
52.5% (2020/21: 56.8%)	47.5% (2020/21: 43.2%)	0% (2020/21: 0%)

We recycle confidential papers and written correspondence we receive through our suppliers, which resulted in 11.4 tonnes of paper recycled.

	2021/22	2020/21	2019/20	2018/19
Paper recycled (kg)	11,364	6,937	216,910	264,380
Waste diverted from landfill (cubic metres)	26	16	894	1,131

Sustainable procurement

We annually review our suppliers' compliance with the *Modern Slavery Act 2015* (MSA). Our main suppliers are required to complete an annual due diligence questionnaire. This includes questions to ensure that they have the same high standards that we do, to ensure that they comply with legal obligations for corporate social responsibility, and to ensure they are contributing to a sustainable and fairer world.

As part of our tender evaluation and supplier selection processes, we ask suppliers about their sustainability policies and procedures, as well as their corporate social responsibility (CSR) initiatives.

This year we are reviewing our standard suite of contracts to make sure they are up to date with all legislation, including the *Equality Act 2010*, the *Social Value Act 2013*, the *Modern Slavery Act 2015*, and the *Data Protection Act 2018*.

Handling personal data fairly and responsibly

This year we implemented new processes and tools for managing individual rights, making more effective use of technology, and increasing our permanent dedicated team. We improved our overall annual compliance rate for subject access requests from 23% in 2020/21 to 46% and steadily worked on reducing the number of requests in our pipeline.

We have also made it easier for consumers to understand how we use their personal data in our updated complaint forms and user-friendly privacy notice, which has been summarised in an animated video. In addition, we now process the personal information our customers give us on a 'public task' basis. We feel this better reflects our role as a public authority resolving complaints quickly and with minimum formality.

Freedom of information

We received 390 freedom of information requests (FOI) in 2021/22 (2020/21: 455). We responded to 61% of these within 20 working days, compared to 88% the previous year. Our annual compliance rate decreased due to turnover in experienced people. We are working to bring our FOI compliance back onto a more sustainable footing, and have continued to publish information on our website about the number of FOI requests we receive and respond to each quarter.

By order of the Board



Chandra Hirani
Company Secretary
9 November 2022

Governance

As a company limited by guarantee, the Financial Ombudsman Service is committed to maintaining the highest standards of corporate governance in line with best practice.

Members of our Board are appointed under Schedule 17 of the *Financial Services and Markets Act 2000* – which provides that “the Chairman and other members of the Board must be persons appointed, and liable to removal from office” by the FCA. In the case of the chair, the appointment must also be approved by HM Treasury. The legislation also provides that “the terms of their appointment must be such as to secure their independence”. The recruitment process for Non-executive positions is open and transparent, and this includes running advertisements in the national media. We make appointments as an equal opportunities employer, in accordance with the principles

of fairness and impartiality, and our commitment to diversity and inclusion.

Under our articles of association, the Board must consist of a minimum of three Directors. On 31 March 2022, the Board consisted of seven Non-Executive Directors. Members of the Board are required to complete an annual declaration about their current interests and those of people connected with them, and to confirm that those interests do not conflict with their position as a Director of the Financial Ombudsman Service.

Find further information on Board membership during 2021/22 on [page 44](#) and conflicts of interest on [page 46](#).

Board membership during 2021/22

More detail about our Board members' background and experience is available on [our website](#).
Board members in post as of 31 March 2022 are highlighted in colour in the accompanying graphic.



**Baroness
Zahida Manzoor CBE**

Chairman

**Appointed 2 August 2019
Term expires 2 February 2023**



Bill Castell

Non-Executive Director

**Appointed 12 October 2020
Term expires 11 October 2023**



Shrinivas Honap

Non-Executive Director

**Appointed 30 September 2021
Term expires 29 September 2024**



Jacob Abboud

Non-Executive Director

**Appointed 1 April 2021
Term expires 31 March 2024**



Sarah Lee

Non-Executive Director

**Appointed 4 January 2021
Term expires 3 January 2024**



Nigel Fretwell

Non-Executive Director

**Appointed 30 September 2021
Term expires 29 September 2024**



Ruth Leak

Non-Executive Director

**Appointed 1 April 2021
Term expires 31 March 2024**



Graham Brammer CBE

Non-Executive Director

**Appointed 1 September 2020
Term ended 30 June 2021**



Heather Lauder

Non-Executive Director

**Appointed 1 September 2020
Term ended 31 July 2021**

Secretariat support

The Company Secretary and Board Secretary support the Board, its sub-committees and the Executive Team, and ensure all relevant procedures are followed.

The strategic role of the Board

The *Companies Act 2006* requires Directors to act in a way that they consider would be most likely to promote the success of their company. Directors are also expected to exercise reasonable care, skill and diligence.

The role of the Board of the Financial Ombudsman Service is to:

- Ensure that the Financial Ombudsman is properly resourced and able to carry out its work effectively and independently.
- Agree the strategic direction of the Financial Ombudsman and its key commitments.
- Oversee and monitor the Financial Ombudsman's operational and financial performance.
- Appoint the Chief Ombudsman and the panel of ombudsmen under paragraphs 4 and 5 of Schedule 17 of the *Financial Services and Markets Act 2000* (which the Board has delegated to the Chairman, apart from in the case of the appointment of the Chief Ombudsman).
- Appoint the Independent Assessor – who deals with complaints about the level of customer service we provide in our work resolving consumers' complaints about financial businesses.
- Approve the draft budget each year for recommendation to the FCA.
- Approve (with the FCA) appropriate rules in the Dispute Resolution: Complaints (DISP) and Fees Manual (FEES) sections of the FCA's Handbook.
- Prepare and approve an annual plan that sets out how resources will be used.
- Approve the Annual Report and financial statements.

The Board is made up entirely of Non-Executive Directors. All members of the Executive team attend Board meetings on the invitation of the Chairman. The Board combines Non-executive and executive insight to govern the Financial Ombudsman Service effectively.

The Chairman ensures that the Financial Ombudsman Service has a clear strategy and direction with effective management for its current and future needs. She leads the Board and ensures it meets its statutory and corporate responsibilities and is effective in its corporate decision-making.

The Chairman provides oversight to ensure the information provided to the Board is of sufficient accuracy and quality, including the clarity of content and the purpose and action required. The Chairman has an important role in role-modelling the Financial Ombudsman Service's culture and values and its commitment to diversity and inclusion, as well as acting externally as an ambassador for the Financial Ombudsman Service. The Chairman and Chief Executive and Chief Ombudsman meet weekly to discuss the operation and development of the Financial Ombudsman Service. The Chairman meets other members of the Executive Team on a one-to-one basis at regular intervals, as well as meeting with staff across the service throughout the year.

The Chief Executive and Chief Ombudsman is responsible for delivering the Financial Ombudsman Service's strategy and overseeing performance against key strategic objectives. The role involves leading the Executive Team in making and implementing operational decisions, and ensuring that the Board has high quality, clear, timely and accurate information about operational and financial performance. The Chief Executive and Chief Ombudsman is responsible for providing leadership across the Financial Ombudsman Service, and together with the Chairman, the Board and the Executive Team, role-modelling the Financial Ombudsman Service's culture and values.

The Chairman and the Chief Executive and Chief Ombudsman set Board agendas in advance, ensuring an appropriate balance between strategic matters and operational and assurance business. The Schedule of Matters Reserved for the Board sets out the key areas upon which the Board and committees receive assurance during the course of the year – including issues relating to the performance, management of corporate risks and the effectiveness of internal systems and controls.

Board meetings

Discussions on key strategic issues during 2021/22 continued to focus on the steps the Financial Ombudsman Service needs to take to change and improve. Over recent years our casework and operations have been dominated by PPI, and we are now at a turning point as that work comes to an end (having comprised around 80% of our work at its peak), and as we emerge from operating during the pandemic.

Bringing down customer waiting times and backlogs is at the forefront of our casework plans for this year, and the Board has been clear in setting out its expectations for improvement.

In 2020/21, the Board commissioned an Independent Review to look at our ability to meet our strategic objectives. The review assessed the future environment in which we would be operating and what this meant for our customers, our people and the evolution of our operating model. During 2021/22, we published our Action Plan to meet the recommendations from the review and deliver a transformative agenda. Our plans will ensure we can make the step change needed to ensure we are a service that is fit for the future and delivering value for money. See [pages 18 and 19](#) for further detail on the Independent Review and our Action Plan and see [pages 27 and 28](#) for on the principal strategic matters considered during the year and how the Board had regard to the impact of these matters, in line with its responsibilities under Section 172(1) (a) to (f) of the *Companies Act 2006*. Minutes of all our Board meetings are published on [our website](#).

Conflicts of interest

Under the *Companies Act 2006*, the Board can authorise any potential conflicts of interest that may arise and impose whatever limits or conditions it considers appropriate. A register of conflicts is maintained and reviewed regularly to keep all the details up to date. Before a new Non-Executive Director is appointed, and during their tenure, they must seek the Chairman's authorisation for any other roles they undertake, or wish to undertake, to ensure there are no conflicts of interest. Non-Executive Directors must also flag any potential conflicts as they arise during their tenure on the Board.

Tenure policy

Under our Articles of Association, Non-Executive Directors may serve a maximum of ten years; in the case of the Chairman, this ten-year period includes any time during which they acted as a Non-Executive Director. Non-Executive Directors are appointed for an initial period of no more than three years – or no more than five years in the case of the Chairman. Unless a Non-Executive Director resigns before the end of their term of office, their period of office finishes at the end of the term.

A Non-Executive Director who wants to resign before their term of office would otherwise be due to end must give at least three months' notice in writing, both to the Chairman and to the FCA.

Performance evaluation

An internal evaluation survey was carried out in March 2022. It focused on the main Board and was completed by Non-Executive Directors and the Executive Team. The feedback from the survey did not highlight any matters of particular concern or surprise, and acknowledged effective Board and Executive contributions, as well as the diversity and the breadth of the skills and capabilities of the Non-Executive Directors. In terms of the areas of focus, the feedback was reflective of a point in time, with a refreshed Board, a degree of change at Executive level; and against the backdrop of a clear imperative to significantly improve operations. There was a degree of consensus about the need to better balance the focus between operational and strategic matters. However, there was an acceptance that this could only happen once Non-Executive Directors could reach a point of assurance, which to a large extent, would flow from evident and sustainable service improvements.

Opportunities to reflect on the Board evaluation feedback included the Board's strategic awaydays in September 2022, as well as an independently facilitated workshop, repeating a previously successful one on joint Non-executive and executive working. In relation to the latter, the timing will take account of Board and Executive changes.

Indemnity of Directors

Directors' and officers' liability insurance cover is in place for Non-Executive Directors. Subject to the provisions of UK legislation, the company's Articles of Association provide an indemnity for Non-Executive Directors for any costs that they may incur in defending any proceedings brought against them that arise from their positions as Non-Executive Directors. This applies if they are acquitted or if the court rules in their favour.

Corporate governance

Under changes introduced in the *Financial Services Act 2012*, the Comptroller and Auditor General are responsible for the audit of our annual accounts. Like the other members of our regulatory family, the Financial Ombudsman is subject to an annual accounts direction from HM Treasury.

The company has no share capital and no shareholders – and we exercise our right under the *Companies Act 2006* not to hold annual general meetings. Our Non-Executive Directors are not submitted annually for re-election.

Time commitment and attendance at Board meetings

On average, the Chairman spends two to three days each week on Financial Ombudsman business. The time commitment of other Board members amounts to around two to three days each month, though much more time has been spent on Financial Ombudsman matters during 2021/22, reflecting a period of significant change. The Executive Team is grateful to the Chairman and Board members for the additional time they give to support our strategic development and transformation.

In the table below, each Board member's meeting attendance is given as a share of the number for which they were in post. The figures below include Board meetings and any Board planning sessions during which the Board discussed the long-term strategic plan and short-term strategic objectives.

Board members	Meetings attended
Baroness Zahida Manzoor (Chair)	9/9
Jacob Abboud	9/9
Graham Brammer	3/3
Bill Castell	8/9
Nigel Fretwell	4/4
Shrinivas Honap	3/4
Heather Lauder	4/4
Ruth Leak	9/9
Sarah Lee	9/9

Board committees

Audit, Compliance and Risk Committee

The committee considers matters relating to:

- **Financial reporting**
- **Internal controls and risk management**
- **Compliance, whistleblowing and fraud**
- **Internal audit**
- **External audit**

Total meetings: 5

Audit, Compliance and Risk Committee members	Meetings attended
Graham Brammer (Chair until May 2021)	2/2
Jacob Abboud (Chair from May 2021 to November 2021)	4/4
Shrinivas Honap (Chair from November 2021)	2/2
Bill Castell	5/5

The Board is satisfied that the combined knowledge and experience of the Audit, Risk and Compliance Committee members ensures that it can fulfil its responsibilities effectively. Other internal attendance is by invitation and as appropriate to the business being discussed. The National Audit Office (NAO) and the Financial Ombudsman's Internal auditors also attend the meetings.

During the year, the Committee's main business included:

- Reviewing assumptions and detail of the 2022/23 draft budget ahead of it being presented to the Board for consideration.
- Reviewing corporate risks.
- Updating the delegation of authority arrangements covering procurement and investment delegations.
- Reviewing reports undertaken by the internal auditors.
- Reviewing financial, accounting and other relevant policies.
- Agreeing and monitoring the development of a new risk-appetite framework.
- Agreeing the objectives of the Internal audit plan and the in-house plan for the year.
- Receiving the 2020/21 external audit and overseeing the preparation, and then reviewing the 2020/21 Annual Report and Accounts.

The Chair of the Committee updates the Board on the Committee's activities, and the minutes are also shared.

Remuneration and People Committee

The Committee considers matters relating to:

- **Remuneration strategy**
- **Executive and employee remuneration**
- **People strategy**
- **Employee proposition**
- **Talent management**

Total meetings: 4

Remuneration and People Committee members	Meetings attended
Heather Lauder (Chair until July 2021)	2/2
Nigel Fretwell (Chair from November 2021)	2/2
Baroness Zahida Manzoor	4/4
Sarah Lee	4/4

Other internal attendance is by invitation, and as appropriate to the business being discussed.

During the year, the Committee's main business included:

- Agreeing the annual pay review, for all staff and the Executive Team.
- Agreeing the annual performance payments, for all staff and the Executive Team.
- Reviewing performance management trend analysis.
- Reviewing proposals for a new Employee Reward strategy from 2023/24.
- Agreeing recommendations in relation to benefits arrangements.
- Reviewing the People Strategy and progress against it and considering proposals for a revised future strategy.
- Reviewing Human Capital Initiatives and people-related performance indicators.
- Reviewing attrition levels and considering the risks and mitigating actions.
- Reviewing talent and succession planning.
- Considering the future flexible working proposition.

The Chair of the Committee updates the Board on the Committee's activities, and the minutes are also shared.



Full terms of reference for each committee are available on [our website](#).

Quality Committee

The Committee consider matters relating to:

- **Performance against defined quality measures and targets**
- **Effectiveness and consistency of casework processes**
- **Consumer and business satisfaction**
- **Service complaints and the remedial actions**

Total meetings: 1

Quality Committee members	Meetings attended
Ruth Leak (Chair)	1/1
Shrinivas Honap	1/1
Sarah Lee	1/1

Other internal attendance is by invitation, and as appropriate to the business being discussed.

Having been established during the year, the Committee's main business included:

- Agreeing Committee's role, remit and purpose.
- Reviewing the current Quality Assurance Framework and agreeing to review it.
- Reviewing the current end-to-end casework process.
- Reviewing customer feedback, surveys and service complaints.
- Reviewing service complaints and lessons to be learned, including from the findings of the Independent Assessor.

The Chair of the Committee updates the Board on the Committee's activities and the minutes are also shared.

Transformation Committee

The committee considers matters relating to:

- **The portfolio of work to deliver the Action Plan for change**
- **Key deliverables and benefits from the changes, and progress against programme milestones and other metrics**
- **Risks to delivery**

Total meetings: 1

Transformation Committee members	Meetings attended
Jacob Abboud (Chair)	1/1
Nigel Fretwell	1/1
Ruth Leak	1/1

Other internal attendance is by invitation, and as appropriate to the business being discussed.

Having been established during the year, the committee's main business included:

- Guiding the development of an Integrated Plan covering the portfolio of programme work.
- Considering the developing design of the casework Target Operating Model and agreeing the broad principles and objectives.
- Reviewing the key programme risks and mitigating actions.

The Chair of the Committee updates the Board on the Committee's activities and the minutes are also shared.



Full terms of reference for each committee are available on [our website](#).

Nomination Committee

The Committee considers matters relating to:

- **Board composition**
- **Board sub-committees**
- **Organisational design and leadership structure**
- **Chief Executive and Chief Ombudsman appointment**
- **Executive and other relevant appointments**

Total meetings: 6

Nomination Committee members	Meetings attended
Baroness Zahida Manzoor (Chair)	6/6
Jacob Abboud	6/6
Graham Brammer	2/3
Bill Castell	5/6
Nigel Fretwell	2/2
Shrinivas Honap	2/2
Heather Lauder	4/4
Ruth Leak	6/6
Sarah Lee	6/6

Other internal attendance is by invitation, and as appropriate to the business being discussed.

During the year, the committee's main business included:

- Agreeing the appointment of the interim Chief Executive and Chief Ombudsman.
- Reviewing and agreeing the recommendations from the Independent Review of Board sub-committees and the governance arrangements.
- Agreeing board sub-committee membership.
- Reviewing the executive-level leadership structure and agreeing the job profiles and recruitment approach for specific roles.

The Chair of the Committee updates the Board on the Committee's activities and the minutes are also shared.



Full terms of reference for each committee are available on [our website](#).

The Independent Assessor

Our Independent Assessor (IA) considers complaints from consumers and businesses about the level of customer service we have provided, rather than whether it was right for us to uphold or reject a consumer's complaint about a business. The role of the IA is a Board appointment, and its remit is governed by formal [terms of reference](#). The current IA, Dame Gillian Guy CBE, was appointed in October 2020.

The IA meets the Chairman of the Board and the Chief Executive and Chief Ombudsman on a regular basis. The IA also meets regularly with other Non-Executive Directors and members of the Executive Team, as well as other relevant staff from the Financial Ombudsman, to discuss the themes and insight from the cases she sees, the lessons to be learned and the actions to address poor service.

Over the financial year, we received 4,131 service complaints – the equivalent of 1.89% of our overall resolutions (218,740). The Independent Assessor (IA) went on to review 568 of those service complaints (0.26% of our resolutions). The IA's [2021/22 annual report](#) was published on our website in July 2022, together with our [management response](#).

Internal audit

As part of our “three lines of defence” model, we contract out our Internal audit function, and in 2021/22 RSM Risk Assurance Services delivered the third year of its audit plan, continuing to operate as our Head of Internal audit. Internal audit is responsible for reviewing the risk management activities of various business areas, taking an independent view of the operational effectiveness and efficiency of our internal controls. Audit findings include an overall assurance assessment of significant findings, including associated risks.

The audit plan for 2021/22 was presented to and agreed at the April 2021 Audit Committee. The plan included 14 reviews across the following areas:

- Management, governance, and oversight.
- Casework operations and supporting operations.
- Service-wide, risk-focused thematic reviews.
- Information technology operations and applications.
- Key corporate and support functions.

The reviews conducted were a mixture of audit reports and advisory reviews. Notable areas of focus included implementation of Workday; an audit of our approach to dealing with service complaints; a follow-up review of the governance and controls around our IT strategic planning; and substantial advisory reviews looking at our approach to managing and monitoring casework performance, and our organisational governance.

The Audit Committee continues to monitor the implementation of agreed actions arising from Internal audit reports, with RSM Risk Assurance Services conducting follow-ups with action owners. Requested evidence of implementation findings are rated medium and above. Following the enhancement of in-house monitoring approaches to action delivery, there was excellent compliance with implementing actions to agreed timescales, with no exceptions reported to the Audit, Risk and Compliance Committee in 2021/22.

Internal audit opinion

The Head of Internal audit provides an annual opinion based on the work undertaken each financial year. This is based on an assessment of the adequacy and effectiveness of our governance, risk and control environment, and whether these are sufficient to help us achieve our commitments. The Head of Internal audit's opinion was that the Financial Ombudsman Service has an adequate and effective framework for risk management, governance and internal control.

External audit

The Comptroller and Auditor General, head of the NAO, was appointed as our external auditor in April 2013 under the *Financial Services Act 2012*. The NAO liaises directly with Internal audit as appropriate. The NAO attends our audit committee and has direct access to the chair of the audit committee to discuss financial reporting matters.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. They have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company, and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial accounts.
- Prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that:

- Are sufficient to show and explain the company's transactions.
- Disclose with reasonable accuracy, at any time, the financial position of the company.
- Enable them to ensure that the financial statements comply with the *Companies Act 2006* and are in accordance with the accounts direction given by HM Treasury under paragraph 7(5) of Schedule 17 to the *Financial Services and Markets Act 2000*.

The Directors have general responsibility for taking whatever steps are reasonably open to them to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

Going concern

The Directors are satisfied that the Financial Ombudsman Service is in a position to meet its obligations as they fall due, and is therefore a going concern. We have prepared budgets and cash flows for 2022/23 and 2023/24, which show year end reserves of £102m and £92m in the bank at 31 March 2023, reducing to £89m and £72m respectively by 31 March 2024. The financial statements have accordingly been prepared under the going concern accounting convention.

Statement of disclosure of information to auditor

Each Director confirms that:

- To the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- They have taken all steps a Director might reasonably be expected to have taken, to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Chandra Hirani
Company Secretary
9 November 2022

Remuneration report

Board members' fees

The Board consists entirely of Non-Executive Directors who do not participate in the reward, pension or benefit schemes that we run for our employees.

The fees paid to Directors are not specifically related to individual or collective performance, and Directors are not entitled to compensation for loss of office.

Non-Executive Directors' fees are set annually by the FCA and adopted by the Board. The Remuneration Committee considers and approves executive remuneration.

The Chairman received an annual fee of £75,000. A fee of £24,500 was paid to each of the other Non-Executive Directors and an additional fee of £5,000 was paid to the Chair of the Audit Committee, the Chair of the Remuneration Committee, the Chair of Transformation Committee, the Chair of the Quality Committee and the Senior Independent Director. Fees paid to Non-Executive Directors will remain unchanged in 2022/23. Apart from the small increase for the new Chair in 2020/21, fees have been unchanged since April 2012.

In this report, the disclosures on Board fees, remuneration, expenses, benefits for the Executive team, pay multiples and exit packages have been audited. Other disclosures have not been audited.

Fees and expenses for the Board* (audited)

Board member	Notes	Total fees for year ended 31/03/22	Expenses** for year ended 31/03/22	Total fees for year ended 31/03/21	Expenses for year ended 31/03/21
Baroness Zahida Manzoor		£75,000	£343	£75,000	£62
Gerard Connell	1	-	-	£20,688	£62
Alan Jenkins	2	-	-	£26,399	£62
Jenny Watson	3	-	-	£28,232	£62
Diana Warwick	4	-	-	£10,208	-
Sienne Veit	5	-	-	£10,208	-
Heather Lauder	6	£9,833	£227	£15,542	£365
Bill Castell	7	£24,500	£28	£11,622	-
Graham Brammer	8	£6,542	-	£15,795	£107
Sarah Lee	9	£28,250	-	£5,968	-
Jacob Abboud	10	£29,083	£131	-	-
Ruth Leak	11	£26,583	£2,420	-	-
Nigel Fretwell	12	£14,428	£654	-	-
Shrinivas Honap	13	£14,428	£1,004	-	-
Total		£228,647	£4,807	£219,662	£720

* Table only contains Board members who accrued or received fees in the respective reporting periods.

** In line with the articles of association, the directors are entitled to be paid travel, hotel and other expenses which are reasonable and have been properly incurred. Expenses reflect amounts actually incurred. The associated income tax and National Insurance liabilities are paid over in line with HM Revenue and Customs guidelines.

Notes

- 1 Gerard Connell's fee included an additional fee for chairing the audit committee. Gerard Connell left the Financial Ombudsman on 12 December 2020.
- 2 Alan Jenkins' fee included an additional fee as the Senior Independent Director. Alan Jenkins left the Financial Ombudsman on 22 February 2021.
- 3 Jenny Watson's fee included an additional fee for chairing the remuneration committee until 31 December 2020. Jenny Watson left the Financial Ombudsman on 31 March 2021.
- 4 Diana Warwick left the Financial Ombudsman on 31 August 2020.
- 5 Sienna Veit left the Financial Ombudsman on 31 August 2020.
- 6 Heather Lauder joined the Financial Ombudsman on 1 September 2020. Heather Lauder's fee includes an additional fee for chairing the remuneration committee from 1 January 2021 to 31 July 2021. Heather Lauder left the Financial Ombudsman on 31 July 2021.
- 7 Bill Castell joined the Financial Ombudsman on 12 October 2020.
- 8 Graham Brammer joined the Financial Ombudsman on 1 September 2020. Graham Brammer's fee includes an additional fee for chairing the Audit Committee from 12 December 2020 until 30 April 2021. Graham Brammer left the Financial Ombudsman on 30 June 2021.
- 9 Sarah Lee joined the Financial Ombudsman on 4 January 2021. Sarah Lee's fee includes an additional fee as the Senior Independent Director from 1 July 2021.
- 10 Jacob Abboud joined the Financial Ombudsman on 1 April 2021. Jacob Abboud's fee includes an additional fee for chairing the Audit, Risk and Compliance committee from 1 May 2021 to 31 October 2021 and for chairing the Transformation Committee from 1 November 2021.
- 11 Ruth Leak joined the Financial Ombudsman on 1 April 2021. Ruth Leak's fee includes an additional fee for chairing the Quality Committee from 1 November 2021.
- 12 Nigel Fretwell joined the Financial Ombudsman on 30 September 2021. Nigel Fretwell's fee includes an additional fee for chairing the Remuneration Committee from 1 November 2021.
- 13 Shrinivas Honap joined the Financial Ombudsman on 30 September 2021. Shrinivas Honap's fee includes an additional fee for chairing the Audit, Risk and Compliance committee from 1 November 2021.

Our current Independent Assessor, Dame Gillian Guy, was paid at a rate of £106,500 for 4 days a week (2020/21: £106,500). During the year, she received salary of £106,500 (2020/21: £46,423), pension contributions of £12,780 (2020/21: £5,571) and other benefits amounting to £3,705 (2020/21: £1,234). Dame Gillian Guy joined the Financial Ombudsman on 26 October 2020.

Our former Independent Assessor, Amerdeep Somal, was paid at a rate of £105,966 for 4 days a week in 2020/21. During 2020/21, she received salary of £54,647, pension contributions of £7,683 and other benefits amounting to £1,933. Amerdeep Somal left the Financial Ombudsman on 22 September 2020.

Executive remuneration

Remuneration packages for members of the Executive Team comprise a salary, a reward scheme, pension benefits and other benefits including healthcare insurance. Until and including the 2020/21 financial year, executive remuneration comprised base salary, flex allowance, enhanced benefits package, pension (or cash equivalent at 13%) and salary at risk, the latter being a portion of base salary that was withheld during the year and then paid as 'bonus' at the end of the financial year, subject to an assessment of each individual's performance relative to the achievements of the wider service. The expected level of payment (which is equivalent to the amount withheld) was 15%, with up to an additional 5% available at the discretion of the Remuneration Committee for exceptional performance.

In July 2021 the Remuneration Committee agreed to consolidate the 15% expected salary at risk amount into executive base salaries for the year 2021/22 and agreed to a discretionary bonus of up to 5% for the financial year 2021/22 as it was felt to be more appropriate and in line with trends in executive remuneration across the sector.

Salaries

Salaries for members of the Executive Team are reviewed annually by the remuneration committee. Any increases reflect changes in responsibility, inflation, market movements and individual performance.

Pensions

Members of the Executive Team are eligible to join the non-contributory defined-contribution FCA pension scheme, which is open to all employees except Non-Executive Directors. The employer makes a core contribution to the scheme calculated as a percentage of salary linked to age, at the rates in the table below. In addition, employees can make extra contributions from their flexible cash benefit allowance and salary up to a maximum of 40% of their salary. For employees who choose to do this, the employer makes a matched contribution to the scheme up to 3% of the employee's pensionable salary.

There is an alternative cash arrangement of 13% for those employees on higher salaries, including the Executive Team, who want to leave the pension scheme and who have fixed protection from HMRC. This alternative arrangement was introduced as a result of the reduction in the tax-free pension allowances that became effective from 6 April 2016. There are further details about the cost of the pension scheme in note 26 to the financial statements.

Age	Contribution rate
16 to 29	8% of pensionable salary
30 to 34	10% of pensionable salary
35 and over	12% of pensionable salary

Other benefits

Members of the Executive Team are eligible to take part in the flexible benefit arrangements, which are open to all employees except Non-Executive Directors. The Executive Team arrangements include life assurance, income protection cover, critical illness cover, personal accident insurance, health screening,

virtual GP and a private medical insurance plan, including family cover. All employees – including the Executive Team – receive an £800 cash benefit allowance each year, which they can spend on other benefits available under the flexible benefit plan.

Remuneration and benefits for the Executive Team (audited)

Executive Team member	Notes	Salary*	Pension**	Other benefits***	Total for year ended 31/03/22	Total for year ended 31/03/21
Caroline Wayman	1/2/3	£11,121	£1,630	£761	£13,512	£478,375
Julia Cavanagh	2/4	£209,405	£27,223	£14,479	£251,107	£244,798
Annette Lovell	1/5	£128,756	£4,671	£1,677	£135,104	£202,549
Caroline Nugent	1/2/6	£164,542	£20,815	£8,434	£193,791	£187,941
Richard Thompson	7	£252,352	£13,140	£5,167	£270,659	£198,650
Nicola Wadham	2	£161,000	£20,930	£8,410	£190,340	£184,581
Garry Wilkinson	8	£364,015	£19,989	£7,724	£391,728	£207,193
Rae Stewart	9	£83,686	£12,167	£3,282	£99,135	-
Deborah Oliver	10	£17,457	£1,887	£720	£20,064	-
Colin Douglas	11	£4,435	£532	-	£4,967	-
Carys Williams	12	£4,140	£497	-	£4,637	-
Total		£1,400,909	£123,481	£50,654	£1,575,044	£1,704,087

* Salary cost for 2021/22 comprised base salary only. For 2020/21 salary cost comprised base salary including salary at risk.

** Pension cost comprises employer pension contributions paid to the pension scheme on behalf of the individual together with any payments made to the individual in lieu of pension following the changes in pension legislation described above.

*** Other benefits comprise the cost of providing core benefits through the flexible benefits scheme. Benefits provided include personal accident insurance, life assurance, private medical insurance, income protection and flex benefits.

Notes

- 1 Executive Directors are required to seek approval for, and declare, any other Non-executive positions they hold. Caroline Wayman became a member of the Board of Governors at Nottingham Trent University in September 2020. She was a Non-Executive Director at the Crown Prosecution Service (CPS), holding the role of Senior Independent Director. Caroline was also Chairman of their nominations and governance committee. The role paid a fee of £13,040 per annum. All these positions continued until her date of leaving. Annette Lovell was a lay Member of the Office for Legal Complaints (OLC). Her appointment was originally for three years to 28 February 2021 and continued from 1 March 2021 to her date of leaving. The role paid a fee of £10,000 a year. Caroline Nugent was on the Board of the Chartered Institute of Personnel and Development (CIPD) until her date of leaving; this was a non-fee-paying position.
- 2 Caroline Wayman, Julia Cavanagh, Caroline Nugent and Nicola Wadham (from 1 April 2021) elected to allocate £10,000 of the employer pension contribution into the pension scheme. The remaining employer contribution is paid as a non-pensionable cash supplement. The combined value of these amounts is calculated as 13% of the pensionable salary. Both amounts are included under “pension” in the table above.
- 3 Caroline Wayman left the Financial Ombudsman on 18 April 2021. Her salary for 2020/21 included leaving payments accrued at 31 March 2021 totalling £184,258 which comprised £120,473 for pay in lieu of notice and £63,785 for loss of office.
- 4 Julia Cavanagh left the Financial Ombudsman on 19 June 2022.
- 5 Annette Lovell left the Financial Ombudsman on 30 June 2021. Her salary for 2021/22 included leaving payments totalling £89,830 which comprised £35,932 for pay in lieu of notice and £53,898 for loss of office.
- 6 Caroline Nugent left the Financial Ombudsman on 30 September 2022.
- 7 Richard Thompson left the Financial Ombudsman on 5 November 2021. His salary for 2021/22 includes leaving payments totalling £161,492 which comprised £142,854 for loss of office and £18,638 for a period of gardening leave which commenced on 1 October 2021.
- 8 Garry Wilkinson left the Financial Ombudsman on 4 March 2022. His salary for 2021/22 includes leaving payments totalling £234,158 which comprised £171,990 redundancy, £20,000 for loss of office and £42,168 for a period of gardening leave which commenced on 13 December 2021.
- 9 Rae Stewart joined the Financial Ombudsman on 1 September 2021 on an interim basis and left on 30 June 2022.
- 10 Deborah Oliver joined the Financial Ombudsman on 1 November 2021 on an interim basis and left on 8 December 2021.
- 11 Colin Douglas joined the Financial Ombudsman on 21 March 2022 on an interim basis.
- 12 Carys Williams joined the Financial Ombudsman on 21 March 2022 on an interim basis and left on 7 October 2022.
- 13 Chandra Hirani took up the position of interim Chief Financial Officer on 1 June 2022.
- 14 Abby Thomas took up the position of Chief Executive and Chief Ombudsman on 3 October 2022.
- 15 James Dipple-Johnstone took up the position of Deputy Chief Ombudsman on 3 October 2022.
- 16 Karl Khan took up the position of Chief Operating Officer on 3 October 2022.

Executive Team secondments (audited)

Nausicaa Delfas joined the Executive team as interim Chief Executive and Chief Ombudsman on secondment from the Financial Conduct Authority on 17 May 2021. She left the Financial Ombudsman on 7 October 2022. Fees payable to the Financial Conduct Authority for 2021/22 amounted to £259,239 excluding VAT.

Simone Ferreira joined the Executive Team as Interim Chief of Staff on secondment from the Financial Conduct Authority on 16 August 2021. Fees payable to the Financial Conduct Authority for 2021/22 amounted to £142,062 excluding VAT.

Executive Team expenses

Expenses incurred by, or on behalf of, members of the Executive Team (audited)*

Executive Team member	Travel	Accommodation and subsistence	Entertaining	Professional subscriptions	Total for year ended 31/03/22
Julia Cavanagh	-	£235	-	£400	£635
Caroline Nugent	-	£171	-	£216	£387
Total	-	£406	-	£616	£1,022

* No expenses were incurred in the year by Caroline Wayman, Colin Douglas, Annette Lovell, Deborah Oliver, Rae Stewart, Richard Thompson, Nicola Wadham, Garry Wilkinson or Carys Williams.

Expenses were also incurred by secondees as part of their secondment to the Financial Ombudsman Service from the Financial Conduct Authority.

Expenses incurred by, or on behalf of, Executive Team secondees (audited)

Executive Team member	Travel	Accommodation and subsistence	Entertaining	Professional subscriptions	Total for year ended 31/03/22
Nausicaa Delfas	£309	-	-	-	£309
Simone Ferreira	£238	-	-	-	£238
Total	£547	-	-	-	£547

Pay multiples (audited)

This section shows the relationship between the remuneration of the highest-paid Director and the remuneration of employees at the 25th, 50th and 75th percentile of pay and benefits of our total workforce. The 50th percentile is also known as the median, the midpoint of our range of salaries. For these purposes, total remuneration includes basic salary, bonuses and taxable benefits. It does not include pension contributions or cash in lieu of pension contributions. To keep comparisons consistent, it also does not include compensation for loss of office. The remuneration of the highest-paid Director in the financial year 2021/22 was £223,884 (2020/21, £262,962). In 2021/22, zero (2020/21, zero) employees received remuneration in excess of the highest-paid Director. Remuneration ranged from £23,944 to £223,884 (2020/21, £24,352 to £262,962). Total workforce means all permanent and contingent members of staff.

Ratio of the remuneration of the highest-paid Director* to the remuneration of the total workforce (excluding highest-paid Director):

Year	25th percentile pay ratio	Median (50th percentile) pay ratio	75th percentile pay ratio
2021/22	6.49	5.21	3.79
2020/21	7.79	6.32	4.32

* For the purpose of this note and the two below, Director refers to both Non-Executive Directors and members of the Executive Team but does not include FCA secondments.

Pay and benefits of the total workforce at the 25th, 50th and 75th percentile of pay and benefits of the workforce (excluding the highest-paid Director):

Year	25th percentile – Total pay and benefits	25th percentile – Salary component of pay and benefits	Median (50th percentile) – Total pay and benefits	Median (50th percentile) – Salary component of pay and benefits	75th percentile – Total pay and benefits	75th percentile – Salary component of pay and benefits
2021/22	£34,508	£30,901	£42,941	£39,038	£59,040	£54,773
2020/21	£33,755	£28,923	£41,614	£36,782	£60,876	£56,044

Average percentage change in the remuneration of the workforce from 2020/21 to 2021/22 (excluding highest-paid Director):

Salary and allowances	Performance pay and bonuses
1.53%	-20.28%

Percentage change in the remuneration of the highest-paid Director from 2020/21 to 2021/22:

Salary and allowances	Performance pay and bonuses
-14.86%	0%

The changes in the pay ratios compared to the previous year's pay ratios are consistent with our expectations and reflect the application of our Recognition and Reward Policy. The reduction in total salary and benefits within the 75th percentile was due to a reduction in our contingent workers and the blend of day rates they were paid. The total pay and benefits of payrolled employees at the 75th percentile was £51,924 in 2021/22 versus £51,932 in 2020/21. The reduction in performance pay and bonuses is due to a one off payment of £500 paid to all employees to support them during the Covid pandemic paid in 2020/21 and the removal of the salary at risk component of the Executive Team's remuneration in 2021/22. The Chief Financial Officer was the highest paid Director during the year, in 2020/21 the Chief Executive Officer was the highest paid Director explaining the reduction in salary and allowances for the highest paid Director and the reduction in the pay ratios at each percentile.

Exit packages (audited)

Exit packages by cost band	2021/22 Number (redundancy – compulsory*)	2021/22 Number (other**)	2020/21 Number (redundancy – compulsory*)	2020/21 Number (other**)
Less than £2,000	-	4	-	9
£2,001 to £5,000	4	25	-	43
£5,001 to £10,000	14	48	-	8
£10,001 to £25,000	52	56	1	6
£25,001 to £50,000	37	11	4	4
£50,001 to £100,000	14	6	1	6
£100,001 to £125,000	-	-	-	2
£125,001 to £150,000	1	1	-	1
£150,001 to £200,000	-	2	-	-
Total	122	153	6	79
Total payments	£3,317,851	£2,527,035	£212,249	£1,126,757

* Compulsory redundancy payments include any associated payments, for example, pay in lieu of notice. The majority of these payments relate to the winding down of the PPI operations.

** Other exit packages comprise payments in respect of voluntary redundancy, non-redundancy severance payments and pay in lieu of notice.

The table above comprises the exit packages for leavers for 2021/22. Further amounts totalling £Nil have been accrued at 31 March 2022 for leavers in 2022/23 (31 March 2021: £3,953,519 for leavers in 2021/22). The highest payment made during the year was £191,990 (2020/21: £135,927). The total charged within the financial statements for 2021/22 relating to exit packages is £1,891,367 (2020/21: £5,292,525).

By order of the Board



Chandra Hirani
Company Secretary
9 November 2022

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of the Financial Ombudsman Service for the year ended 31 March 2022 under the *Financial Services and Markets Act 2000*. The financial statements comprise the Financial Ombudsman Service's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Income, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the Financial Ombudsman Service's affairs as at 31 March 2022 and the company's deficit for the year then ended; and
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the *Companies Act 2006* and HM Treasury directions under the *Financial Services and Markets Act 2000*.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Financial Ombudsman Service in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Financial Ombudsman Service's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Financial Ombudsman Service's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises information included in the annual report, but does not include the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration Report to be audited has been properly prepared in accordance with the *Companies Act 2006*.

In my opinion, based on the work undertaken in the course of the audit:

- the Strategic Report and the Directors' Report been prepared in accordance with applicable legal requirements; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Financial Ombudsman Service and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law and the accounts direction issued by HM Treasury under the *Financial Services and Markets Act 2000* are not made; or
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for:

- The preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view.
- Internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- Assessing the Financial Ombudsman Service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the *Financial Services and Markets Act 2000*.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- The nature of the sector, control environment and operational performance including the design of the Financial Ombudsman Service's accounting policies.
- Inquiring of management, the Financial Ombudsman Service's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Financial Ombudsman Service's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Financial Ombudsman Service's controls relating to the *Companies Act 2006* and the *Financial Services and Markets Act 2000*.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Financial Ombudsman Service for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and posting of unusual journals. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Financial Ombudsman Service's framework of authority as well as other legal and regulatory frameworks in which the Financial Ombudsman Service operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Financial Ombudsman Service. The key laws and regulations I considered in this context included the *Companies Act 2006*, *Financial Services and Markets Act 2000* and the *Financial Services Act 2012*.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
15 November 2022

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statements

Statement of comprehensive income for the 12 months ended 31 March 2022

	Notes	2022 £000	2021 £000
Continuing operations			
Revenue	4	221,692	245,083
Administrative expenses	5	(233,554)	(264,472)
Operating (deficit)		(11,862)	(19,389)
Finance income	6	1,073	1,402
Finance costs	6	(1,529)	(1,586)
(Deficit) before income tax		(12,318)	(19,573)
Corporation tax expense		(49)	(59)
(Deficit) for the year from continuing operations		(12,367)	(19,632)

Statement of other comprehensive income for the 12 months ended 31 March 2022

	Notes	2022 £000	2021 £000
(Deficit) for the year		(12,367)	(19,632)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	26	3,531	(5,582)
Total other comprehensive income/(expense)		3,531	(5,582)
Total comprehensive (expense) for the year		(8,836)	(25,214)

All operations are continuing

Statement of changes in equity

	Notes	2022 £000	2021 £000
Accumulated surplus brought forward	24	134,214	159,428
Total comprehensive (expense) for the year		(8,836)	(25,214)
Accumulated surplus carried forward	24	125,378	134,214

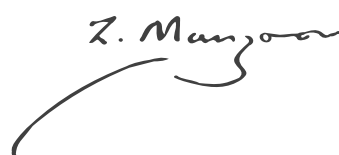
Statement of financial position as at 31 March 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	9	2,724	3,224
Right of use assets	10	29,965	37,134
Investment In sub lease	11	131	253
Intangible assets	12	17,164	14,253
Trade and other receivables	13	50	673
		50,034	55,537
Current assets			
Trade and other receivables	13	24,235	21,721
Short-term deposits	14	15,000	67,000
Cash and cash equivalents	15	137,118	126,107
		176,353	214,828
Total assets		226,387	270,365
Current liabilities			
Trade and other payables	16	65,553	88,620
Lease liabilities	17	6,441	6,345
Provisions for other liabilities and charges	19	1,608	1,941
Current corporation tax liability		105	56
		73,707	96,962
Non-current liabilities			
Trade and other payables	16	822	649
Lease liabilities	17	22,697	29,009
Provisions for other liabilities and charges	19	3,537	4,248
Post-employment benefits	26	246	5,283
		27,302	39,189
Total liabilities		101,009	136,151
Total equity			
Accumulated surplus	24	125,378	134,214
Total equity and liabilities		226,387	270,365

The notes on [pages 67 to 91](#) are an integral part of these financial statements.

The company is exempt from the requirement of part 16 of the *Companies Act 2006* as stipulated in schedule 17, s.7A of the *Financial Services and Markets Act 2000*.

The financial statements on [pages 65 and 66](#) were approved by the Board of Directors on 9 November 2022, and are signed on behalf of the Board of Directors by:



The Baroness Zahida Manzoor CBE
Chairman
9 November 2022

Company number: 03725015

Statement of cash flows for the 12 months ended 31 March 2022

	Notes	2022 £000	2021 £000
Cash flows from operating activities			
Cash (outflow)/inflow from operations		(27,452)	20,929
Corporation tax paid		-	(160)
Net cash (outflow)/inflow from operating activities		(27,452)	20,769
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(614)	(903)
Purchase of intangible assets	12	(5,712)	(2,962)
Decrease/(increase) in short-term deposits	14	52,000	(21,000)
Interest received		217	802
Net cash from/(used in) investing activities		45,891	(24,063)
Cash flows from financing activities			
Lease liability payments – principal		(6,860)	(9,503)
Lease liability payments – interest		(568)	(663)
Movement in long-term borrowings		-	-
Net cash used in financing activities		(7,428)	(10,166)
Net increase/(decrease) in cash and cash equivalents	15	11,011	(13,460)
Cash and cash equivalents at beginning of the year	15	126,107	139,567
Cash and cash equivalents at end of the year	15	137,118	126,107

Notes to the statement of cash flows for the 12 months ended 31 March 2022

	Notes	2022 £000	2021 £000
(Deficit) for the year from operations before financing and corporation tax		(11,862)	(19,389)
Adjustment for:			
Depreciation – property, plant and equipment	9	943	933
Depreciation – right of use assets	10	7,146	8,610
Amortisation – intangible assets	12	2,801	2,510
Interest expense – lease liabilities	17	568	663
Interest expense – dilapidations provision	19	72	111
Loss on disposal of tangible assets	9	171	-
Loss on disposal of intangible assets	12	-	50
(Decrease) in provisions		(974)	(310)
Defined benefit pension costs	26	(1,600)	(1035)
Defined benefit pension past service costs		-	-
Changes in working capital			
(Increase)/decrease in receivables		(1,823)	1,259
(Decrease)/increase in payables		(22,894)	27,527
Cash (outflow)/inflow from operations		(27,452)	20,929

Notes to the financial statements for the 12 months ended 31 March 2022

1. Status of the company

Financial Ombudsman Service Limited (the “Financial Ombudsman”) is a company incorporated and domiciled in the United Kingdom under the *Companies Act 2006* and is a company limited by guarantee with no share capital (company registration no: 03725015). The members of the company have agreed to contribute £1 each to the assets of the company in the event of it being wound up, as detailed in the Company’s Memorandum of Association.

The nature of the Financial Ombudsman’s operations is set out in the Strategic Report.

The address of its registered office is Exchange Tower, London, E14 9SR.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention in accordance with International Accounting Standards in conformity with the requirements of the *Companies Act 2006* and those parts of the *Companies Act 2006* applicable to companies reporting under IFRS.

The financial statements are also prepared in accordance with provisions of any applicable HM Treasury Accounts Direction under paragraph 7(5) of Schedule 17 to the *Financial Services and Markets Act 2000*.

The financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Financial Ombudsman operates. A summary of the principal accounting policies is set out below.

Revenue recognition

The intent under-pinning the design of the Financial Ombudsman’s funding model is to charge on a basis that is transparent and fair, where firms pay broadly in proportion to their share of the Financial Ombudsman’s workload. Group fees and case fees are designed to achieve that aim. Case fees are charged on a fixed basis irrespective of the time and costs incurred relating to the specific case. Costs directly incurred in dealing with cases are expensed as incurred.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered. Under IFRS 15, there are five criteria that need to be met in order for revenue to be recognised:

- identify the contract and customer;
- identify the performance obligations;
- determine the transaction price;
- allocate the transaction price to the performance obligations; and
- recognise revenue when the performance obligations are satisfied.

Sources of revenue

Annual levy

Each business that comes within the jurisdiction of the Financial Ombudsman is required to pay an annual levy based on the permissions given to that firm by one of:

- the Financial Conduct Authority (for the Compulsory Jurisdiction); or
- the Financial Ombudsman (for the Voluntary Jurisdiction).

For both the Compulsory and Voluntary Jurisdictions performance obligations are satisfied over the course of the year. Therefore, levy income is recognised in the period to which the levy relates.

Group fees

The members of the group fee arrangement remained unchanged and comprised of Lloyds Banking Group, NatWest Group, Barclays Banking Group, HSBC Group, Aviva Group, Direct Line Group, Santander Group and Nationwide Group. Group fees are calculated as an annual charge for each group on the basis of their estimated proportion of the total work carried out by the Financial Ombudsman, with reference to recent usage volume patterns. The group fee mechanism makes provision for a year end adjustment if a group’s new PPI case volumes exceed the original budget estimate by more than 15% and if general casework resolution activity is 15% higher or lower than the original estimate for any individual group. The component of the fee relating to resolved general casework and resolved PPI activity is recognised in the period charged as it represents a fee for work conducted within the year and is not directly connected with individual performance obligations.

Income relating to the supplementary fee component of the group fee was more closely associated with individual cases. As such we have released the income in the month in which the case was resolved. The majority of these cases were resolved in 2020/21 and the remaining revenue was released. We now recognise all group fee revenue in the year it is billed.

Standard case fees

For the year 1 April 2021 to 31 March 2022, businesses that fall outside the group fee arrangement were required to pay a standard case fee of £750 upon closure of the twenty-sixth chargeable complaint referred for investigation to the Financial Ombudsman and each subsequent complaint in any one financial year. IFRS 15 dictates that revenue should be recognised once performance obligations have been satisfied. From 1 April 2022, businesses are required to pay a standard case fee of £750 upon closure of the fourth chargeable complaint referred for investigation.

For cases in progress at the end of the year, an adjustment is made to revenue to reflect instances where our performance obligations have been met, but we have not billed. In past years the uncertainty around our PPI workload meant there was less certainty around whether PPI cases would close shortly after we had made our first assessment or whether additional work would be required. As a result, we only recognised revenue once our performance obligation of resolving and closing the complaint had been fulfilled. At 31 March 2022, the PPI workload had reduced to such an extent that we were able to treat the cases as general casework and as such the adjustment made to revenue included all cases in progress at the end of the year.

Supplementary case fees

The supplementary case fee was designed to collect sufficient funds to manage the costs associated with handling the unprecedented high volumes of PPI cases over multiple years. Businesses that fell outside the group fee arrangement and had chargeable PPI complaints referred to the Financial Ombudsman were required to pay a supplementary case fee for the twenty-sixth and all subsequent complaints formally taken on for investigation in the two financial years 1 April 2012 to 31 March 2014. The supplementary case fee was set at £350 for the two years 1 April 2012 to 31 March 2014. From 1 April 2014, the supplementary case fee has been set at £0.

These fees were treated in a similar way to PPI case fees and recognised in the month when our performance obligations were met, and the cases are resolved. The vast majority of these cases have now been resolved and we released the remaining revenue in 2020/21.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated so as to write off the cost less estimated residual value on a straight-line basis over the expected useful economic lives. The principal lives used for this purpose are:

Leasehold improvements and premises fees	Over the remaining period of the lease
Computer equipment	Over three years
Furniture and equipment	Over three to five years
Fixtures and fittings	Over the remaining period of the lease
Motor vehicles	Over four years
Right of use assets	Over the remaining period of the lease

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific assets to which it relates, and the cost of the item can be measured reliably. The carrying amount of the replaced part is written off. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals or retirements of an asset are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in the income statement.

Right of use assets

IFRS 16 "Leases" deals with accounting for leases and requires companies to take account of future lease commitments by recognising the asset and the liability on their balance sheets. IFRS 16 came into effect for accounting periods beginning on or after 1 January 2019 and replaced IAS 17 "Leases". The standard includes criteria for identifying a lease. Paragraph 9 states that 'a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration'. Applying paragraph B9, to meet the definition of a lease the customer

must have both the right to obtain substantially all the economic benefits from use of an identified asset throughout the period of use and the right to direct the use of the identified asset throughout the period of use.

The standard specifies how companies should recognise, measure, present and disclose their leases and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Financial Ombudsman has applied the following practical expedients:

- At 1 April 2019 we applied the transition requirements to those leases that were previously identified as leases under IAS 17 and IFRIC 4 “Determining whether an arrangement contains a lease”;
- We did not apply the requirement to recognise lease liabilities with a remaining lease term of less than 12 months as at 1 April 2019. The Financial Ombudsman continued to recognise the lease payments in respect of these leases as an operating expense; and
- Initial direct costs were excluded from the measurement of the right-of-use asset at the date of initial application.

We did not use the practical expedient of using an assessment of onerous leases as an alternative to performing an impairment review at the application date.

The current leases relate to two buildings partly occupied by The Financial Ombudsman, Exchange Tower in London and Friargate in Coventry. The Walbrook leases in London came to an end on 30 November 2020 and 31 March 2021. The Friargate lease comprising of two floors ends in October 2027 with a break clause in October 2022. We exited one of the floors on 1 October 2022. For Exchange Tower, with a lease for each floor, there are a number of end dates, the latest being in August 2029. Leases for Exchange Tower and Friargate also include rent review dates. See note 22 for more detail. The Financial Ombudsman also leases items of equipment and a van, all with terms of under five years.

From 1 April 2020 we have included an additional Exchange Tower lease as an investment in a sub-lease. The Financial Ombudsman has sub-let this floor until 23 February 2023. The head lease ends on 23 March 2023. Prior to 1 April 2020 we accounted for this arrangement as a rental expense and rental income. The net impact of the change in accounting treatment was not material. See note 11 for more detail.

There are a number of equipment leases which have been excluded as they are “low value” (defined as being less than \$5,000). Costs are not material and are included in ‘lease rentals – other’ disclosed in note 5.

The following table shows the various disclosures required under the standard with a cross-reference to the relevant note to the financial statements on [pages 68 to 91](#).

Disclosure	Notes
The nature of our leasing activities	2, 22
Potential exposure to future cash flows not reflected in the lease liabilities	3
Calculation of discounted cash flows	3
Leases not included in the right of use calculations	2
Movement in right of use assets	10
Movement in lease liabilities	17
Maturity analysis of contracted undiscounted lease liabilities	17
Dilapidation provisions	19
Lease commitments	22

Intangible assets

In accordance with IAS 38 “Intangible assets”, costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design, developing and testing of identifiable and unique software products controlled by the Financial Ombudsman are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future benefits to the Financial Ombudsman;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Only costs that are directly attributable to bringing the asset to working condition for its intended use are included in the measurement of the intangible asset. These costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management.

Intangible assets are amortised on a straight-line basis over their expected useful lives, with the expense reported as an administration expense in the income statement. The expected useful lives for intangible assets are:

Computer software and licences	Over five years
Internally generated software	Over two to seven years

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates.

When software is not an integral part of the related hardware, it is treated as an intangible asset.

Other development expenditure that does not meet the above criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Impairment of property, plant and equipment, right of use assets and intangible assets

During the financial year the Financial Ombudsman reviews the carrying value of its property, plant and equipment, right of use assets and intangible assets to determine whether there is any indication that those assets have suffered any impairment in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment.

The recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment is immediately recognised as an expense.

When an impairment subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment

been recognised for the asset in prior years. A reversal of an impairment is immediately recognised as income. Prior impairment losses are reviewed for possible reversal at each reporting date.

Financial instruments

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method where felt appropriate. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that an asset is impaired. The allowance recognised is measured as the difference between an asset's carrying value and the estimated future cash-flows deriving from the continued use of that asset, discounted if the effect is material.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, where felt appropriate.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Leasing

From 1 April 2019, the Financial Ombudsman has applied the accounting standard, IFRS 16 "Leases". This standard requires companies to take account of future lease commitments by recognising the asset and the liability on their balance sheets. The majority of the Financial Ombudsman's leases are covered by this standard. However, there are some short term and low value leases that are being treated as operating leases and payments made will be charged to the income statement on a straight-line basis over the period of the lease.

Provisions

The company exercises judgement in measuring and recognising a number of provisions – for bad debts and credit notes (see note 18.2) and for dilapidations (see note 19). The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

The Financial Ombudsman is part of the FCA's HMRC-approved pension plan which is open to permanent employees (the 'plan'). The plan was established on 1 April 1998 and has both a defined benefit (final salary) and defined contribution (money purchase) section. The final salary section was closed with effect from 1 April 2010 to future accruals.

Money purchase scheme (defined contribution)

The money purchase section of the plan is a defined contribution plan where the Financial Ombudsman pays contributions at defined rates to a separate entity.

Payments to the money purchase section of the plan are recognised as an expense in the income statement, as they fall due. Prepaid contributions are recognised as an asset to the extent that a cost refund or reduction in future payments is available.

Final salary section (defined benefit)

The final salary section of the plan is a defined benefit plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on rate of accrual, age, years of service in the plan and compensation.

The net liabilities of the final salary section of the plan are calculated by deducting the fair value of the assets from the present value of its obligations and they are disclosed as a non-current liability on the balance sheet.

The obligation of the final salary section of the plan represents the present value of future benefits owed to employees in respect of their service in prior periods. The discount rate used to calculate the present value of those liabilities is the market rate at the balance sheet date of high-quality corporate bonds having maturity dates approximating to the terms of those liabilities. The calculation is performed by a qualified actuary using the projected unit credit method at each reporting date.

Actuarial gains and losses arising in the final salary section of the plan (for example, the difference between actual and expected returns on assets, effects of changes in assumptions and experience losses arising on scheme liabilities) are recognised in full in the statement of other comprehensive income in the period they are incurred.

Past service cost (including unvested past service cost) is recognised immediately in the income statement.

Changes in accounting policy and disclosures:

a) New standards, amendments and interpretations adopted by the company

No new standards, amendments or interpretations were adopted in the year.

b) New standards, amendments and interpretations not yet adopted

There are no IFRS or IFRIC interpretations that are not yet effective but would be expected to have a material impact on the Financial Ombudsman.

3. Significant accounting judgements, estimates and assumptions

Accounting judgements

In the process of applying the Financial Ombudsman's significant accounting policies as described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimates, which are explained below):

- **Revenue** – in accordance with IFRS 15 income can only be recognised once performance obligations have been satisfied. We have determined that only one performance obligation exists in relation to standard case fees, that being the resolution of a case.
- **Intangible assets** – under IAS 38, internal software development costs of £5,712k (2021: £2,962k) have been capitalised as additions during the period. Internally-generated software is designed to support the Financial Ombudsman carry out its statutory functions. These functions are particular to the Financial Ombudsman, so this internally-generated software has no market value. Management have made judgements over the service potential and expected benefits of the assets. These expected benefits relate to the fact that such software allows the Financial Ombudsman to carry out its functions more efficiently than before by using alternative approaches. It will also make it easier to develop and maintain the software.
- **Leases** – we adopted IFRS 16 during the 2019/20 accounting period. As outlined in the standard we are required to account for future lease commitments by recognising a right of use asset and the corresponding liability arising over the term of the lease.

The standard assumes that if a lease contains a break clause, the break will be exercised unless it is reasonably certain that the break clause will not be exercised. The service has seven leases that contain such clauses.

Management conducted an assessment of each lease considering the prevailing conditions, i.e. future demand for our services, the roll out of smarter working, our goal of maximising utilisation of our office space, the anticipation of more home working and the financial implications of breaking each lease. This included the impact of a review of dilapidation liabilities carried out in 2020/21. Management will conduct a similar exercise to look at our position each year.

The majority of the property leases contain provisions for rent reviews. The lease liabilities at 31 March 2020 included the impact of all rent reviews which took place in that year and included annual increases up to the next rent review. For the majority of these leases the next rent review will be on 31 August 2024.

We carried out a sensitivity analysis at 31 March 2022 looking at the impact on cash outflows for the remaining leases in place at 1 September 2024 assuming rent increase of 5%, 10% and 15%.

Percentage	Current cash outflow £000	Rent increase £000	Revised cash outflow £000
5%	13,631	682	14,313
10%	13,631	1,363	14,994
15%	13,631	2,045	15,676

The Financial Ombudsman is using the Public Works Loan Board (PWLB) Standard rates to calculate the discounted cash flows on the remaining lease terms. The Financial Ombudsman believes this is the most appropriate proxy for the incremental borrowing rate. Our funding is based on statute (the *Financial Services*

and Markets Act 2000) and it is reasonable to assume that the Financial Ombudsman would be able to meet its loan repayments over the period of any loan. The Financial Ombudsman carried out a sensitivity analysis at 31 March 2022 looking at other proxies for the incremental borrowing rate, as follows.

Proxy	Right of use assets £000	Lease liabilities £000	Net impact £000
Public Expenditure System (PES)	28,164	27,974	190
Bank of England base rate	28,164	27,924	240

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below:

- Defined benefit pension obligations** – the quantification of the pension deficit is determined on an actuarial basis based upon a number of assumptions made by the Directors (as listed in note 26) relating to the discount rate, inflation and retail price index (RPI), future pension increases and life expectancy. Any changes in these assumptions will impact the carrying amount of the pension obligation.
- Provision for bad debts** – under IFRS 9 we use the expected loss model which means we recognise potential bad debts at the point we recognise the receivable.
- Provision for credit notes** – the provision for standard credit notes is calculated with reference to the historical volume of invoices and credit notes and the supplementary provision is calculated based on the volumes of cases in particular categories where there is a likelihood of credits being requested and approved for those cases. The vast majority of cases that were charged a supplementary case fee have now been resolved and we released the remaining provision in 2020/21.

4. Revenue

	Notes	2022 £000	2021 £000
Annual levy		96,577	84,671
Standard case fees			
Gross fees		70,477	70,633
Movement in credit note provision		(18)	(49)
Movement in general casework stock		45	378
Supplementary case fees			
Movement in deferred income		-	51
Group fees			
Gross fees		54,313	89,031
Release from deferred income		-	76
Other income		298	292
		221,692	245,083

5. Administrative expenses

5.1. Expenses by nature	Notes	2022 £000	2021 £000
Staff payroll costs	7	149,650	166,074
Contractor and temporary staff costs*		37,039	47,961
Other staff costs		2,326	3,114
Consultancy and other professional costs**		6,011	5,822
Lease rentals: premises		687	1,073
Lease rentals: other		76	122
Other premises and facilities costs		8,127	11,914
IT managed services		4,079	4,065
IT running costs		13,368	10,837
Depreciation and amortisation	9, 10, 12	10,890	12,053
Loss on disposal of fixed assets	9, 10, 12	577	78
Bad debts		(147)	585
Other costs		785	676
		233,468	264,374

* Contractor and temporary staff costs are shown net of £915k costs capitalised as internally generated software costs (2021: £308k).

** Consultancy costs are shown net of £Nil costs capitalised as internally generated software costs (2021: £2,241k).

5.2. Auditors' remuneration	Notes	2022 £000	2021 £000
External audit fee			
National Audit Office		86	98
Total of notes 5.1 and 5.2		233,554	264,472

The charge for 2020/21 includes £22k in respect of the 2019/20 audit. The National Audit Office has not provided any other services to the Financial Ombudsman other than external audit.

6. Finance and income costs

	Notes	2022 £000	2021 £000
Finance income			
Bank interest		282	584
Interest on net defined benefit asset*		788	812
Interest from sub-lease		3	6
Total finance income		1,073	1,402
Finance costs			
Interest on lease liabilities		(640)	(769)
Interest on net defined benefit liability*		(882)	(817)
Other interest payable		(7)	-
Total finance cost		(1,529)	(1,586)
Net finance (costs)/income		(456)	(184)

* The figures for 2020/21 were netted off to show £5k for “interest on net defined benefit liability”. For 2021/22 the 2020/21 figures have been grossed up to £812k for “interest on net defined benefit asset” and £817k for “interest on net defined benefit liability”.

7. Employees

7.1. Employee benefit expense	Notes	2022 £000	2021 £000
Wages and salaries		116,620	130,795
Social security costs		12,570	14,454
Apprenticeship levy		493	421
Other employer’s pension costs – money purchase scheme	26	13,433	13,994
Flexible benefit costs		7,279	6,705
Staff costs capitalised as internally-generated software costs		(745)	(295)
		149,650	166,074
Other employer’s pension costs – defined benefit scheme Included in interest payable	26	882	817
Total employment costs		150,532	166,891
7.2. Monthly average number of people employed	Notes	2022 no.	2021 no.
Ombudsmen		372	382
Case-handlers		1,427	1,525
Other		904	999
		2,703	2,906

8. Board remuneration

The Board consists entirely of Non-Executive Directors. Board remuneration payable to Directors during the year amounted to £228,647 (2021: £219,662). The Chairman, who is also the highest paid Director, was paid at a rate of £75,000 per annum (2021: £75,000) the Senior Independent Director, the Audit Risk and Compliance Committee Chair, the Remuneration Committee Chair, the Transformation Committee Chair and the Quality

Committee Chair were paid at a rate of £29,500 per annum (2021: £29,500) and the other Directors were paid at a rate of £24,500 per annum (2020: £24,500). Further details are provided in the remuneration report on [page 53](#).

No payments were made on behalf of any of the above Directors in respect of pension plan contributions and no Directors are accruing any benefits within the pension plan.

9. Property, plant and equipment

	Leasehold improvements and premises fees £000	Computer equipment £000	Furniture and equipment £000	Work in progress £000	Total £000
Cost					
At 1 April 2021	3,259	1,143	4,603	161	9,166
Additions	-	-	584	30	614
Transfers	-	78	83	(161)	-
Disposals	(299)	(320)	(694)	-	(1,313)
At 31 March 2022	2,960	901	4,576	30	8,467
Accumulated depreciation					
At 1 April 2021	1,776	832	3,334	-	5,942
Charge for the year	195	322	426	-	943
Disposals	(283)	(318)	(541)	-	(1,142)
At 31 March 2022	1,688	836	3,219	-	5,743
Net book value at 31 March 2022	1,272	65	1,357	30	2,724
Net book value at 31 March 2021	1,483	311	1,269	161	3,224

The fair value of property, plant and equipment does not materially differ from the carrying amount of property, plant and equipment disclosed above.

10. Right of use assets

	Property leases £000	Equipment leases £000	Van lease £000	Total £000
Cost				
At 1 April 2021	52,070	1,757	12	53,839
Additions	-	226	-	226
Movements and changes in lease terms	157	-	-	157
Disposals	(4,792)	(85)	-	(4,877)
At 31 March 2022	47,435	1,898	12	49,345
Accumulated depreciation				
At 1 April 2021	16,240	459	6	16,705
Charge for the year	6,539	605	2	7,146
Disposals	(4,386)	(85)	-	(4,471)
At 31 March 2022	18,393	979	8	19,380
Net book value at 31 March 2022	29,042	919	4	29,965
Net book value at 31 March 2021	35,830	1,298	6	37,134

The fair value of right of use assets does not materially differ from the carrying amount of right of use assets disclosed above.

11. Investment in sub-lease

	2022 £000	2021 £000
At 1 April 2021	253	-
Initial recognition of investment	-	372
Less: rental income	(125)	(125)
Add: interest income	3	6
At 31 March 2022	131	253

The Financial Ombudsman holds a sub-lease for part of one floor of Exchange Tower with a lease expiry date of February 2023. The head lease ends on 23 March 2023. From 1 April 2020 we have accounted for the sub-lease under IFRS 16 by creating a new asset category "Investment in sub-lease". Prior to 1 April 2020, we had accounted for the rent on the head lease as "lease rentals – premises" disclosed in note 5 and the income arising was accounted for as "other income" and included in the figure disclosed in note 4.

12. Intangible assets

	Computer software and licences £000	Internally-generated software £000	Work in progress* £000	Total £000
Cost				
At 1 April 2021	246	15,922	2,962	19,130
Additions	-	-	5,712	5,712
Transfers	-	6,902	(6,902)	-
Impairments	-	-	-	-
Disposals	-	-	-	-
At 31 March 2022	246	22,824	1,772	24,842
Accumulated amortisation				
At 1 April 2021	147	4,730	-	4,877
Charge for the year	46	2,755	-	2,801
Disposals	-	-	-	-
At 31 March 2022	193	7,485	-	7,678
Net book value at 31 March 2022	53	15,339	1,772	17,164
Net book value at 31 March 2021	99	11,192	2,962	14,253

* Work in progress comprises direct staff costs and sub-contractor costs used to develop software for the Financial Ombudsman's use. When the asset is ready for use, the associated costs are transferred from work in progress to the appropriate asset category. The additions in the period of £5,712k comprise £3,932k for Workday, £722k for data warehouse, £540k for e-File, £209k for telephony, £137k for IaaS datacentre, £164k for customer survey system and £8k for data quality tool. Costs totalling £6,902k were transferred from work in progress to internally-generated software in the year (Workday £6,813k and data quality tool £89k). The £15,339k net book value at 31 March 2022 includes two material assets – the Phoenix casework system development with £8.8m net book value and remaining useful life of 4.0 years and the Workday finance and HR system development with £6.4m net book value and remaining useful life of 6.7 years.

13. Trade and other receivables

	2022 £000	2021 £000
Trade and other receivables due within one year		
Trade receivables	5,816	4,690
Less: provision for bad debts	(1,359)	(1,024)
Less: provision for credit notes	(560)	(542)
Trade receivables – net	3,897	3,124
Prepayments	5,996	7,904
Other receivables	2,424	244
Accrued income	11,918	10,449
Trade and other receivables due within one year	24,235	21,721
Trade and other receivables due after more than one year		
Prepayments – after more than one year	50	673
Trade and other receivables due after more than one year	50	673

14. Short-term deposits

	2022 £000	2021 £000
Short-term Treasury deposits	15,000	67,000
Short-term deposits	15,000	67,000

As at 31 March 2022, the Financial Ombudsman held Treasury deposits with a maturity of greater than three months with two institutions (31 March 2021: five) for periods between three and four months, all maturing in July 2022.

15. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	10,118	48,107
Short-term Treasury deposits (deposits with a maturity of less than three months)	127,000	78,000
Cash and cash equivalents	137,118	126,107

As at 31 March 2022, the Financial Ombudsman held Treasury deposits with a maturity of less than three months with ten different institutions (31 March 2021: six) for periods between one and three months maturing between 1 April 2022 and 24 June 2022.

16. Trade and other payables

	2022 £000	2021 £000
Trade and other payables due within one year		
Trade payables	4,706	2,023
Other taxes and social security	3,178	3,390
Deferred income		
Compulsory Jurisdiction levy billed in advance	37,941	54,477
Other creditors	557	581
Accruals	19,171	28,149
Trade and other payables due within one year	65,553	88,620
Trade and other payables due after more than one year		
Accruals	822	649
Trade and other payables due after more than one year	822	649

17. Lease liabilities

	2022 £000	2021 £000
Lease liabilities – due within one year		
Property	5,706	5,780
Equipment	732	562
Van	3	3
Lease liabilities due within one year	6,441	6,345
Lease liabilities – due after more than one year		
Property	22,458	28,305
Equipment	239	701
Van	-	3
Lease liabilities due after more than one year	22,697	29,009

Movement in lease liabilities in the year

	Property £000	Equipment £000	Van £000	Total £000
Total discounted liabilities at 1 April 2021	34,084	1,264	6	35,354
Discounted additions in the year	-	227	-	227
Rent reviews and changes in lease terms	100	-	-	100
Interest in the year	551	17	-	568
Disposals in the year	(245)	(6)	-	(251)
Repayments in the year	(6,326)	(531)	(3)	(6,860)
Total discounted liabilities at 31 March 2022	28,164	971	3	29,138

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table below. Amounts exclude VAT.

Maturity analysis – contracted undiscounted cash flows

	Premises 2022 £000	Other 2022 £000	Premises 2021 £000	Other 2021 £000
Payments due:				
Not later than 1 year	6,060	649	7,727	570
Later than 1 year and not later than 5 years	16,605	359	21,892	721
Later than 5 years	7,064	-	9,818	-
Total contracted undiscounted cash flows at 31 March 2022	29,729	1,008	39,437	1,291

18. Financial instruments

Financial risk management

Financial risk management is carried out by the Financial Ombudsman's central finance department under policies approved by the Board to minimise potential adverse effects of risks on the Financial Ombudsman's financial performance. The Financial Ombudsman's investment policy provides written principles covering market, credit and liquidity risk.

a) Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

The Financial Ombudsman's financial instruments do not expose it to market risks. In line with the Financial Ombudsman's investment policy, investments are only made through sterling fixed term deposits, which are not subject to price or foreign exchange risk. Furthermore, the Financial Ombudsman's operations are carried out in sterling and there is no exposure to foreign exchange from currency exposures. The Financial Ombudsman does not have borrowings and therefore is not exposed to cash flow and interest rate risk in respect of borrowings.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

The Financial Ombudsman is exposed to credit risk through its cash and short-term deposits with financial institutions and credit exposure to customers through outstanding receivables. The Financial Ombudsman monitors credit ratings daily to ensure the banks continue to meet our investment criteria. On an annual basis, the counterparty list is reviewed, revised and presented to the Financial Ombudsman's audit committee for approval. To further manage credit risk, the maximum total principal that can be invested in a single counterparty or multiple counterparties that are under common ownership is based on Standard & Poor's rating of the counterparty. The Financial Ombudsman monitors the collection of receivables from its customers, the ageing of debts and the industry sectors they operate in.

c) Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities.

The Financial Ombudsman monitors its cash balance on a daily basis. Cash flow forecasting is performed and monitored on a monthly basis to ensure the Financial Ombudsman has sufficient liquid cash to meet its operational needs. Surplus cash held above that needed for operating purposes is held on call or in short-term deposit accounts with financial institutions in line with the Financial Ombudsman's investment policy. Such cash is only invested in sterling investments with approved financial instruments.

At the reporting date, the Financial Ombudsman held money market funds of £15,000k (2021: £67,000k) and other liquid assets of £137,118k (2021: £126,107k) that are expected to readily generate cash inflows for managing liquidity risk.

18.1 Financial instruments by category

As at 31 March 2022, trade and other receivables, short term-deposits and cash and cash equivalent balances of £176,403k were classified as loans and receivables (2021: £215,501k).

As at 31 March 2022, trade and other payables of £95,513k were classified as loans and payables (2021: £124,623k).

Balances are recognised at their amortised costs and are held as level 1 financial instruments.

18.2 Credit quality of financial assets

Credit quality of financial assets

The fair value of the trade and other receivables, cash at bank and short-term deposits and borrowings is equivalent to the amortised cost balances presented in the financial statements.

The total of past due receivables are £3,785k (2021: £3,075k).

The Financial Ombudsman makes provision for impairment as follows:

(a) Provision for credit notes – this is calculated with reference to the past 12 months actual credit notes issued.

Movement in the Financial Ombudsman’s provision for credit notes is as follows:

Movement in the Financial Ombudsman’s provision for credit notes	2022 £000	2021 £000
Provision brought forward	542	492
Change in provision for the year	18	50
Provision carried forward	560	542

(b) Provision for bad debts – the ledger is reviewed for bad and doubtful debts using the expected loss model.

Movement in the Financial Ombudsman’s provision for bad debts is as follows:

Movement in the Financial Ombudsman’s provision for bad debts	2022 £000	2021 £000
Provision brought forward	1,024	1,081
Change in provision for the year	335	(57)
Provision carried forward	1,359	1,024

The carrying amount of the receivables is all denominated in pounds sterling.

The creation and release of provision for impaired receivables have been included in ‘administrative expenses’ in the income statement (note 5).

Amounts are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Financial Ombudsman does not hold any collateral as security.

19. Provision for liabilities

	2022 £000	2021 £000
Provision brought forward	6,189	5,299
Payments in the year	(752)	(199)
New provision in the year	(364)	978
Interest accrued during the year	72	111
Provision carried forward	5,145	6,189

This note refers to provision for dilapidations only. The provision for dilapidations at 31 March 2022 and 31 March 2021 reflects the recommendations made following property reviews undertaken by external consultants in 2021. Provisions exist for all the properties we currently occupy as set out below.

Due within one year	2022 £000	2021 £000
Independent House*	1,030	1,030
South Quay Building*	10	27
Walbrook House	-	117
Exchange Tower	473	767
Friargate	95	-
	1,608	1,941

* Discussions are continuing with the landlords for Independent House and South Quay Building, until they are concluded the review by the external consultants remains management's best estimate.

Due after one year	2022 £000	2021 £000
Exchange Tower	3,434	4,053
Friargate	103	195
	3,537	4,248

20. Financial commitments

As at 31 March 2022 there were no capital commitments contracted for but not provided (31 March 2021: £Nil).

21. Events after the reporting period

There are no other events after the reporting period that require disclosure. These financial statements were authorised for issue on the date certified by the Comptroller and Auditor General.

22. Operating lease commitments

The Financial Ombudsman leases its operating premises. The remaining life of these leases varies from between 1 and 8 years. These leases are renewable at the end of the lease period at a market rate. The Financial Ombudsman also has a sub-lease for a part floor in Exchange Tower. The Financial Ombudsman also leases various items of equipment, plant and machinery under operating agreements.

From 1 April 2019, the Financial Ombudsman adopted IFRS 16 “Leases” whereby right of use (ROU) assets have been created and the total discounted lease liabilities are included in the balance sheet. There are a small number of leases which are excluded from the ROU calculation and will continue to be accounted for as lease rentals.

The expenditure classified as lease rentals is charged to the income statement during the year and is disclosed in note 5.

Details of the terms of the leases of the premises as at 31 March 2022 were as follows:

Building	Floor	Start of current lease	End of lease	Future break clauses
Exchange Tower	Various	Various between March 2013 and April 2020	March 2023 (3 leases)	N/A
			September 2024 (1 lease)	N/A
			April 2025 (1 lease)	April 2023
			March 2029 (1 lease)	March 2023 and March 2025
			August 2029** (11 leases)	September 2019 to August 2024* September 2024 to August 2029*
Friargate	2	October 2017	October 2027	October 2022***
	3	October 2017	October 2027	October 2022

* Two leases in the Exchange Tower premises include variable break clauses.

** We exercised the lease breaks on levels ET1 10 and ET2 11 – our liabilities ceased on 21 May 2021.

***We exercised the lease break on Friargate floor 2 – our liabilities ceased on 1 October 2022.

23. Related party transactions

- The Financial Conduct Authority is required under various statutes to ensure the Financial Ombudsman can carry out its functions. The Financial Conduct Authority has to ensure that the terms of appointment of the Directors secure their operational independence from the Financial Conduct Authority. Accordingly, the Financial Ombudsman is not controlled by the Financial Conduct Authority but considers it to be a related party.
- The Financial Ombudsman entered into an agency agreement with the Financial Conduct Authority whereby, with effect from 1 April 2004, the Financial Conduct Authority collected tariff data, issued levy invoices and collected levy monies on behalf of the Financial Ombudsman, at a cost of £172k for the period ended 31 March 2022 (2021: £168k).
- At 31 March 2022 the net balance due to the Financial Conduct Authority is £37,941k which includes payments received for the 2022/23 levy (2021: £54,477k). This balance has been included in “trade and other payables” (see note 16).

d) The Financial Conduct Authority bill the Financial Ombudsman administration charges in respect of the pension scheme. The charge for the period ended 31 March 2022 was £543k (2021: £406k).

e) The Financial Conduct Authority bill the Financial Ombudsman administration charges in relation to their employees that have been seconded to the Financial Ombudsman. The charge for the period ended 31 March 2022 was £440k excluding VAT (2021: £Nil).

f) The Financial Conduct Authority is a party to the lease agreements for Exchange Tower as guarantor of performance from 1 September 2014 for a lease term of 15 years.

Other than disclosed above, there were no related party transactions during the year (31 March 2021: nil).

24. Accumulated surplus

	2022 £000	2021 £000
Accumulated surplus before net pension liability	125,624	139,497
Net pension liability	(246)	(5,283)
Accumulated surplus after net pension liability	125,378	134,214

25. Losses and special payments

	2022 £000	2021 £000
Losses	472	643
Recoveries relating to previous year losses	(954)	-
Special payments	761	1,020
Total	279	1,663

For 2021/22 there are no firms included in "Losses" where the balance written off in the year was over £300k (2020/21: one firm – Elevate Credit International £452k).

In 2021/22 the Financial Ombudsman received a number of dividends from firms where write-offs had been included in losses in previous years. One of these dividends was over £300k – Casheuronet UK LLC £662k.

26. Pension costs

Introduction

The Financial Ombudsman is part of the Financial Conduct Authority's (FCA) HMRC-approved pension plan open to permanent employees. The pension plan was established on 1 April 1998 and has both a defined benefit (final salary) and defined contribution (money purchase) section. The plan is administered by a separate board of trustees which is legally separate from the company. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Since 1 April 2000, all employees joining the Financial Ombudsman have been eligible only for the defined contribution section of the plan. On 1 April 2010 the defined benefit section of the plan closed and those members who were previously earning final salary benefits had the option to earn future benefits under the defined contribution section. Members with a defined benefit pension are entitled to annual pensions on retirement at age 60, the majority of which increases with RPI inflation, subject to a cap of 5% per annum. Benefits are also payable on death and following other events. No other post-retirement benefits are provided to these employees.

Profile of the plan

Defined contribution scheme

The Financial Ombudsman's core contributions (ranging from 8% to 12% of the employee's pensionable salary) to the defined contribution section depend on the employee's age. The defined contribution section is part of a flexible benefits programme and members can, within limits, select the amount of their overall benefits allowance that is directed to the pension plan. The Financial Ombudsman will pay matching contributions up to a maximum of 3% of the employee's pensionable salary.

Defined benefit scheme

Independent actuarial advice has been obtained in order to calculate the share of the assets and liabilities of the FCA plan relating to those present and past employees of the Financial Ombudsman.

The defined benefit obligation includes benefits for deferred members of the plan and current pensioners. At 31 March 2022 there are 81 deferred members (31 December 2021: 86) and 47 pensioners (31 December 2021: 44).

The following table provides an analysis of the defined benefit obligation:

Analysis of defined benefit obligation by membership category	2022 £000	2021 £000
Deferred members benefits	28,359	32,747
Pensioner members benefits	11,029	9,782
Total defined benefit obligation	39,388	42,529

The plan duration is an indicator of the weighted-average time until benefit payments are made. For the plan as a whole, the duration is around 19 years reflecting the approximate split of the defined benefit obligation between deferred members (duration of 22 years) and current pensioners (duration of 13 years).

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was carried out by a qualified actuary as at 31 March 2019. To correct the funding deficit, the Financial Ombudsman is paying deficit contributions of £1,600k per annum and is expected to continue paying at this level until 31 March 2027. Along with investment returns from return-seeking assets, this contribution is expected to make good this shortfall by 31 March 2027. The next funding valuation is due no later than 31 March 2022, at which progress towards full-funding will be reviewed.

Risks associated with the plan

The plan exposes the Financial Ombudsman to a number of risks, the most significant of which are set out below:

Asset volatility	<p>The defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit.</p> <p>The plan holds a material proportion of growth assets (equities and property) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets has been reduced over the year and continues to be monitored to ensure it remains appropriate given the plan's long-term objectives.</p>
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the plan's defined benefit obligation for accounting purposes, although this will be partially offset by an increase in the value of the plan's bond holdings.
Inflation risk	The majority of the plan's defined benefit obligation is linked to inflation, and higher inflation leads to a higher defined benefit obligation (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). Some of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the defined benefit obligation.

Risk management

The Financial Ombudsman and the plan's trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes a significant proportion of growth assets (equities and property) which, though expected to out-perform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets has been reduced over the year and continues to be monitored to ensure it remains appropriate given the plan's long-term objectives. The trustees insure certain benefits which are payable on death before retirement.

GMP equalisation

In past years, the Financial Ombudsman has made reference to a contingent liability in relation to the equalisation of Guaranteed Minimum Payment (GMP). GMP is the minimum pension which a United Kingdom occupational pension scheme has to provide for those who were contracted out of the State Earnings Related Pensions Scheme (SERPS). SERPS was a UK Government pension arrangement, to which employees and employers contributed between 6 April 1978 and 5 April 2002, when it was replaced by the State Second Pension.

Where pension schemes have members with a GMP, the GMP accrual rate for females is generally higher than for males which has caused unequal benefits between males and females.

2018 court case

Guaranteed Minimum Pension ("GMP") is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A High Court case concluded on 26 October 2018 which confirmed that GMPs need to be equalised.

An estimate of the additional liabilities in respect of GMP Equalisation was allowed for in the 31 March 2019 balance sheet defined benefit obligation and was recognised in full as a past service cost.

There are no updates to this estimate and the defined benefit obligation at 31 March 2021 continues to make allowance for these liabilities, consistent with last year.

2020 court case

A further court case was heard in 2020 concerning whether historic statutory transfer values paid out of the plan before 2018 need to be equalised. The court ruling, made on 20 November 2020, confirmed that all transfers with GMPs built up between 17 May 1990 and 5 April 1997 need to be equalised.

The 2018 ruling covered the current members in the plan at that time. The 2020 ruling concerns a different population of former members that have transferred out, meaning the 2020 equalisation is a further additional liability to be recognised.

The additional liabilities brought about by this second ruling have been estimated as around £2k. The approach taken when calculating this cost is extremely prudent and we would expect the real cost to be lower than £2k. This additional liability is considered not material and therefore excluded from the calculations.

Reporting at 31 March 2022

The calculations are based on an approximate valuation of the benefits payable in respect of the Financial Ombudsman's members of the final salary section of the plan at 31 March 2022 based on data and financial conditions at the same date. These benefits include retirement pensions and non-lump sum benefits on members' death. The present value of the defined benefit obligation was measured using the projected unit credit method.

The principal assumptions agreed by the Board and used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

Main financial assumptions	31/03/2022 % p.a.	31/03/2021 % p.a.
Discount rate	2.7	2.1
Retail price index (RPI) inflation	3.6	3.3
Consumer price index (CPI) inflation	2.9	2.6
Excess pension increases	3.4	3.2
Post 88 GMP pension increases	2.3	2.1

The financial assumptions reflect the nature and term of the plan's liabilities.

The main demographic assumptions are set out below:

Main demographic assumptions		31/03/2022 Years	31/03/2021 Years
Life expectancy for member aged 60 at the balance sheet date	Males	28.6	28.6
	Females	30.5	30.4
Life expectancy at age 60 for member aged 40 at the balance sheet date	Males	30.0	30.0
	Females	31.8	31.7

Main demographic assumptions	31/03/2022	31/03/2021
Mortality base table adopted	SAPS S3 light tables for normal health retirees with a scaling factor 100%	SAPS S1 light tables for normal health retirees with a scaling factor 100%
Mortality future improvements adopted	Future improvements assumed to be in line with the CMI 2021 projections model with an addition to improvements of 0.5% p.a. and a long-term rate of improvement of 1.25%	Future improvements assumed to be in line with CMI 2019 projections model and a long-term rate of improvement of 1.25%
Cash commutation	Members assumed to exchange 17.5% of their pension for a cash lump sum at retirement	Members assumed to exchange 17.5% of their pension for a cash lump sum at retirement

The plan assets are invested in the following asset classes. All assets have a quoted market value in an active market.

Asset allocation	Value at 31/03/2022 £000	Value at 31/03/2021 £000
Equity	3,315	4,686
Property	1,336	2,042
Liability driven investment funds (LDI)	32,486	22,065
Diversified funds	-	4,707
Bought-in annuity policies	1,791	1,893
Other	214	1,853
Total market value of assets	39,142	37,246

There are no deferred tax implications of the above deficit as corporation tax is only payable by the Financial Ombudsman on activities not directly related to its statutory activities.

The plan assets do not include any of the Financial Ombudsman's own financial instruments, nor any property occupied by, or other assets used by the Financial Ombudsman.

The amounts recognised in the statement of financial position are set out below:

Reconciliation of funded status to statement of financial position	Value at 31/03/2022 £000	Value at 31/03/2021 £000
Fair value of plan assets	39,142	37,246
Present value of defined benefit funded obligation	(39,388)	(42,529)
Net pension liability recognised on the statement of financial position	(246)	(5,283)

The amounts recognised in comprehensive income are set out below:

Breakdown of amounts recognised in the statement of comprehensive income and the statement of other comprehensive income	Year ending 31/03/2022 £000	Year ending 31/03/2021 £000
Financing cost:		
Interest on net defined benefit liability	94	5
Pension expense recognised in the statement of comprehensive income	94	5

Re-measurements in other comprehensive income	Year ending 31/03/2022 £000	Year ending 31/03/2021 £000
Returns on plan assets (in excess of) that recognised in net interest	(570)	(907)
Actuarial (gains)/losses due to changes in financial assumptions	(3,061)	6,900
Actuarial (gains)/losses due to changes in demographic assumptions	(43)	243
Actuarial losses/(gains) due to liability experience	143	(654)
Total amount recognised in the statement of other comprehensive income	(3,531)	5,582
Total amount recognised in the statement of comprehensive income and other comprehensive income	(3,437)	5,587

Changes in the present value of the defined benefit obligation during the year are set out below:

	Year ending 31/03/2022 £000	Year ending 31/03/2021 £000
Opening defined benefit obligation	42,529	35,814
Interest cost on defined benefit obligation	882	817
Actuarial (gains)/losses on plan liabilities arising from changes in demographic assumptions	(43)	244
Actuarial (gains)/losses on plan liabilities arising from changes in financial assumptions	(3,062)	6,900
Actuarial losses/(gains) on plan liabilities arising from experience	143	(654)
Net benefits paid out	(1,061)	(592)
Closing defined benefit obligation	39,388	42,529

Changes to the fair value of plan assets during the year are set out below:

	Year ending 31/03/2022 £000	Year ending 31/03/2021 £000
Opening fair value of plan assets	37,246	35,083
Interest income on plan assets	788	812
Re-measurement gains on plan assets	569	908
Contributions by the employer	1,600	1,035
Net benefits paid out	(1,061)	(592)
Closing fair value of plan assets	39,142	37,246

Actual return on plan assets is set out below:

	Year ending 31/03/2022 £000	Year ending 31/03/2021 £000
Interest income on plan assets	788	812
Re-measurement gains on plan assets	569	908
Actual return on plan assets	1,357	1,720

Analysis of amounts recognised in statement of other comprehensive income

	Year ending 31/03/2022 £000	Year ending 31/03/2021 £000
Total re-measurement gains/(losses)	3,531	(5,582)
Total gains/(losses)	3,531	(5,582)

Sensitivity to key assumptions

The key assumptions used for IAS 19, which outlines the accounting requirements for employee benefits, are discount rate, inflation and mortality. If different assumptions were used, this could have a material

effect on the results disclosed. The increase to the net pension liability as a result of changes to the assumptions used is set out below:

	Current value £000	Change in asset £000	Change in defined benefit obligation £000	New value £000
Following a 0.1% decrease in the discount rate	(246)	24	(777)	(999)
Following a 0.1% increase in the inflation assumption	(246)	23	(765)	(988)
Following a 1-year increase in life expectancy	(246)	79	(1,344)	(1,511)

The sensitivity information shown has been prepared using the same approach used to adjust the results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous years. The sensitivity showing the impact of a 0.1% decrease in the discount rate reflects a change in assumptions, rather than a change in underlying bond yields, and therefore does not allow for the impact on plan assets, other than annuities held by the plan.

Money purchase section (defined contribution scheme)

The total expense recognised in the income statement £13,433k (2021: £13,994k) represents contributions payable to the plan by the Financial Ombudsman at rates specified in the rules of the defined contribution scheme.

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ISBN 978-1-5286-3695-7
E02801365