Financial Ombudsman Service

Annual Report and Accounts

for the year ended 31 March 2024

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 2024

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Contents

About the Financial Ombudsman Service

We were set up by Parliament under the Financial Services and Markets Act 2000 to resolve complaints between financial businesses and their customers. Our role is to make an independent and fair decision based on the facts.

Our service is free for consumers, and every year over one million people contact us. We can look at complaints from individuals, small businesses and charities.

If we find a business has not treated a customer fairly, we have the power to put things right. Where we award compensation, the maximum amount we can require financial firms to pay depends on when the event happened and when the complaint was brought to us. The Financial Conduct Authority (FCA) sets our award limit and reviews it every year.

As we resolve complaints, we see the impact on people from every part of society. We regularly publish data on the complaints we handle, as well as our final decisions, and we share insights into trends to prevent further complaints arising and issues escalating.

By providing fair and timely resolutions to disputes, the Financial Ombudsman Service plays an essential role for complainants and businesses, and – as part of the wider 'regulatory ecosystem' – helps underpin confidence in financial services.

Chairman's foreword

During 2023/24, we set out to deliver significant changes to improve the service we offer to customers – both complainants and firms – and I am pleased that progress has been made on improving our customer journey, including our digital services, strategic vision, and the quality of our service.

We have improved and simplified the complaints process by developing a new optimised self-service platform to help consumers raise a new case online. We have also developed new internal productivity tools for investigators to help improve on timeliness and quality. These improvements have had a positive impact on many of our service standards, with our quality scores being above target across the year whilst achieving year-on-year improvements to our timeliness.

However, we know there is more we can do to navigate an ever-changing landscape and continue to help the service fulfil its vital role whilst facing new challenges. This includes overcoming challenges with our digital portal implementation. We are pleased with recent progress, including piloting a beta portal for firms, and we will continue to progress this as part of our three-year plan.

“During 2023/24, we set out to deliver significant changes to improve the service we offer to customers – both complainants and firms – and I am pleased that progress has been made on improving our customer journey, including our digital services, strategic vision, and the quality of our service.”

We are committed to the service we provide, and we want to ensure that we are considering the needs of all our customers and addressing industry challenges which could negatively impact our ability to help progress cases in a timely, cost-effective manner, as expected.

In recent years, there has been a significant increase in the case volumes brought to us by professional representatives, including claims management companies (CMCs). Of these cases, it is only about 20% that result in a different outcome for complainants from what was already offered by the respondent firms, prior to involvement from the Financial Ombudsman Service. I believe that to continue to provide a free service to consumers, we must reallocate our costs more fairly between those who benefit commercially from the service we provide.

In our Annual Report and Accounts publication last year, I set out our expectations to consult on our approach to charging professional representatives, following the introduction of legislation in Parliament. Since then, we have made progress on these proposals. We included initial consultation questions as part of the consultation on our 2024/25 Plans and Budget, and we launched a separate consultation on 23 May 2024 to address the level of charging. We received a lot of feedback and listened carefully to the suggestions, which were overwhelmingly supportive of our proposals. Accordingly, in late July, my Board approved the proposals for charging, subject to the required FCA approval and Parliament passing the secondary legislation. I am grateful for the support and advice we've already received from the FCA, firms, regulatory bodies, and consumer representative groups.

As part our of strategic plans and vision for a national workforce, we progressed with plans to develop our regional hubs and, as of March 2024, we have 165 full-time equivalent (FTE) colleagues based in our Manchester, Edinburgh and Cardiff hubs. The Financial Ombudsman Service team are also looking to establish a further hub in Northern Ireland.

We do believe that developing our hubs will enable us to employ a productive, talented and diverse workforce who will fully represent the needs of people throughout the UK. We are committed to improving the number of people applying for roles and achieving greater retention of these staff.

As we go into 2024/25, we know we must remain focused on providing a high-quality service in a timely manner. At the start of 2024/25, we have seen significant increases in the volume of cases and whilst we can address these in the short term, we must review our resourcing to meet this demand. We will be working with firms and the regulatory bodies to help identify themes and challenges to help us move forward as an industry.

Whilst we are committed to driving the future of the Financial Ombudsman Service, we must also recognise and celebrate the achievements reached so far. In 2025, we will be celebrating the 25th anniversary of the Financial Ombudsman Service and I'd like to thank everyone who has contributed to delivering a fair and impartial service to consumers. I look forward to the next phase of our history.

Z. Manzoor

The Baroness Zahida Manzoor CBE
Chairman

2 December 2024

Chief Executive and Chief Ombudsman's foreword

As I reach my two-year anniversary as Chief Executive and Chief Ombudsman of the Financial Ombudsman Service, I am proud of the progress we've made as an organisation.

When I joined the organisation, I was impressed with the work our people do, resolving problems on challenging and often complex issues across a wide range of products. The quality of our investigations has always been high, but we knew we needed to deliver answers for customers faster, whilst maintaining our quality.

At the start of 2023/24 we set ourselves stretching service standards to improve the experience of using our service for all our customers. In 2022/23 we started our transformation programme and made significant improvements across our key metrics, particularly around timeliness.

This year we continued to improve the service we offer, despite a significant increase in demand towards the end of the financial year. We have made year-on-year improvements across our key metrics and, critically, our quality score remains ahead of target.

> This financial year saw us implement our new operating model, which aligned our casework teams closer to industry through sector specific directorates. We also built on the success of our Manchester hub, opening further regional hubs in Edinburgh and Cardiff. These changes provide the flexibility we need to respond as a demand-led service.

Over 80% of the cases we resolved in 2023/24 were resolved within six months – a 17-percentage point improvement from 2021/22 – and we have 6% fewer cases over six months old than we did at the start of the year.

However, we have more to do. Despite year-on-year improvements, our three- and six-month resolution targets were challenging, and a significant increase in demand for our service in the second half of the year led to higher than forecast stock levels. This is the challenge we take into 2024/25.

This financial year saw us implement our new operating model, which aligned our casework teams closer to industry through sector specific directorates. We also built on the success of our Manchester hub, opening further regional hubs in Edinburgh and Cardiff. These changes provide the flexibility we need to respond as a demand-led service.

In October 2023, we ran our annual employee engagement survey. I was pleased to see our engagement score remaining at 70%, particularly given the level of change for our people during the year.

As well as reshaping our teams, our transformation programme has been focused on improving the customer journey and our internal processes. We enhanced the online complaint journey for customers, which led to a 21% increase in customer satisfaction among those who use our online complaint form. We introduced a range of tools for our people to help ensure they're able to focus on what only they can do, getting to the heart of an issue and resolving disputes for our customers. The impact of these tools on our productivity is already clear, and with enhancements and wider roll-out of these tools planned in 2024/25, I am confident we'll see continued improvements in the service we offer customers.

We continue to focus on offering value for money. Our total costs for 2023/24 were 4% below budget, and we were within 3% of our cost-per-case target. Taking account of the improvements we have made to our service, alongside our reserves and expected demand, we have been able to reduce our income from case fees and levies in 2024/25.

Looking to the future, we are operating in an increasingly complex environment, with a number of key policy challenges and new products entering the market. The Financial Conduct Authority's review into motor finance complaints means a pause on many of the cases customers have brought to us about commission on their motor finance. At the time of publishing, the Payment Services Regulator will have published their new rules on mandatory reimbursement where a fraud or scam has occurred. We continue to work with stakeholders on the embedding of the FCA's Consumer Duty, and the new government has signalled the regulation of 'Buy Now, Pay Later' products.

Key to our engagement with regulators and stakeholders is the data and insight we hold on the cases we see. The improvements we're making to our processes will continue to enhance the insight we gain and, where appropriate, can feed into the wider eco-system to improve financial services for all.

I look forward to the challenges and opportunities 2024/25 will bring. Working with our stakeholders and harnessing the knowledge and experience of our people, I am confident we'll continue to improve the Financial Ombudsman Service for the people who need us.

Abby Thomas
Chief Executive and Chief Ombudsman

2 December 2024

The year at a glance

329,642 new enquiries received

up from 282,871 in 2022/23

199,025 new cases

up from 165,149 in 2022/23

33,221 about irresponsible and unaffordable lending (19,080 in 2022/23)

27,675 complaints about fraud and scams (21,673 in 2022/23)

12,604 complaints about motor finance commission (11,446 in 2022/23)

We resolved **192,077** cases for our customers (209,471 in 2022/23)

2,242 FTE employees at the end of the year

and **466** in our flexible contractor workforce

We received complaints about **4,530** financial businesses

Operating expenditure excluding restructuring **£214.4 million**

Cost per case **£1,116**

We resolved **80%** of cases within six months

94% overall quality score for our investigations, up from 92% in 2022/23

70% overall engagement score in our people survey this year

Customer confidence in our end-to-end service was **57%**

Strategic report

Our strategic priorities for 2023/24

Abby Thomas
Chief Executive Officer and Chief Ombudsman

In our Plans and Budget 2023/24, we set out how we will deliver the service our customers need and expect, including by:

- improving our timeliness
- reducing our stock in hand, and
- ensuring our processes are as simple as possible for all our customers – consumers, small to medium enterprises (SMEs), charities and trusts, and financial businesses

To deliver this standard of customer service, we set ourselves five strategic priorities for 2023/24, which shaped our work over the year.

Strategic priority	How we delivered
Ensuring quality and timely outcomes, through measures including: • launching our new service standards • organising our casework teams into product 'verticals', such as banking and insurance • using 'intelligent automation' to enable quicker resolution • maximising stakeholder engagement to understand future volumes and complaint types	**Clear performance measures** We launched our new service standards in 2023/24. Regular monitoring of performance against these standards, at all levels of the organisation, has driven activity and organisational interventions throughout the year. Over 2023/24 our aim was to 'maintain our quality and improve our pace'. We made year-on-year improvements across almost all service standard measures – including our quality scores. You can read more about our performance against our service standards on page 20. **Structuring ourselves for success** In early 2023/24, we restructured our casework teams into product-specific directorates, completing final moves in October 2023. The new structure capitalises on colleagues' greater depth of knowledge in specific product areas, while still giving us flexibility in resourcing. It has also allowed us to simplify our roles and teams, so that people who are performing similar work are subject to the same customer expectations. Our dedicated Quality team ensures we are delivering a service our customers expect.

Strategic priority	How we delivered
	Making use of technology to support quicker case resolution To enable our caseworkers to resolve cases more quickly, we launched several tools, including: • inbound email classification, to support quick complaint allocation to the right team • auto allocation tool, to ensure new cases are allocated to a caseworker with the right skills • activity-based management tools, to ensure our caseworkers allocate their time optimally, focusing on resolving cases and developing their skills **Effective engagement** A key focus during 2023/24 was to bring engagement with businesses and other key stakeholders closer to those responsible for resolving cases. Financial businesses now have direct contact with a senior leader in each of our casework teams. This results in better sharing of insight on emerging issues and complaint demand, as well as supporting quicker responses to issues identified in cases. We also continued to engage with financial businesses, consumer groups, trade bodies and CMCs through our steering groups and at executive level. This allows us to look ahead and work through a variety of shared issues.
Building the workforce of the future • Ensuring we have the right skills and capabilities, and continuing our focus on diversity, equity and inclusion • Ensuring we have the ability to meet future demand • Developing and implementing regional hubs to maximise use of available talent • Having a clear employee proposition to be an employer of choice	This financial year was one of significant change for our people. In the first half of the year, we embedded the Target Operating Model announced in 2022/23, which saw us restructure our casework teams in to sector-specific directorates and reorganise our enabling teams to support this new model. To support this new structure and to ensure we have a flexible workforce which can respond to changing demand for our service, we have redesigned significant parts of our employee offering and journey. This includes: • setting up two further regional hub pilots, in Edinburgh and Cardiff (in addition to our Manchester hub which was set up in 2022/23) • reviewing our pay and grading of roles • refreshing our organisation’s values • resetting our performance management approach Read more about how we’ve supported our people this year in the ‘Our people’ section on page 26.

Strategic priority	How we delivered
Developing digital portals for both respondent businesses and complainants • Allowing them to 'self-serve' • Accessing or sharing information on their cases	We continue to work towards the delivery of our digital portals. During 2023/24 we made progress in the development of both portals but were faced with some challenges. As a result, we were not able to start trialling the business portal with users until early 2024/25, and our 'self-serve' capability for consumers will continue to be developed into next year. However, we have significantly improved our digital journey over the year, enabling more of our customers to 'self-serve' for aspects of their interactions with us. In August 2023, we made changes to our online complaint form that have made it easier for customers to give us the right information up front. Since introducing the changes, the number of requests for additional information we have had to make has dropped by 30%. Resolving more cases more quickly results in giving faster answers to our customers. Among those who use our online complaint form, customer satisfaction has increased by 21%. Over the year we also created a business insight dashboard, which financial businesses can use to see: • how many cases they have with us • at what stage those cases are, and • how they are performing against other financial businesses This is currently being piloted by a number of businesses. We continue to share information about our approach to complaints, so both businesses and consumers know what to expect.
Developing data and insight to improve our performance • Enhancing our forecasting and planning capability • Developing our data sharing capability • Developing our data driven prevention strategy	**Forecasting and planning capability** A key element of our new Target Operating Model was to introduce a dedicated Operational Planning and Performance team. This team monitors incoming cases to help us match supply and demand, so we can ensure we have the right people in the right place, at the right time. **A data driven organisation** To help businesses improve their complaints handling – and to help improve financial services for all – we want to share more insights from our data in a way that works for our stakeholders. In 2023/24 we focused on improving the foundations of our data collection, storage and sharing capabilities. This work will continue to be a key focus for us in 2024/25. We are ensuring we have the right environment for our data, including access to near real-time analytics. We have also invested in building our Data and Insight team and data science capability. This means we will be able to introduce a range of bespoke analytics for our people, to help them do their jobs more easily. This foundation work also sets us up for being able to share richer data with stakeholders more regularly, which is a focus of 2024/25. We also launched our data innovation work, which produced a range of exciting proofs of concepts, which we can draw on to improve our processes.

Strategic priority	How we delivered
Developing our funding model • Designing and building an updated funding model for 2024/25 • Holding a further consultation, if required	We consult on our funding model every year in our Plans and Budget. Our 2024/25 Plans and Budget saw us significantly reduce our case fee and levy. This reduction is supported by a combination of cost efficiencies, delivered and anticipated from our change programme, plus leveraging our surplus reserves. Following a consultation on our funding in 2022, in our Plans and Budget for 2023/24 we proposed to continue assessing the viability of differential case fees. In our Plans and Budget consultation 2024/25 we set out why this was not the right time to differentiate case fees, but instead to focus on improving the customer experience and reducing the funding burden for all. The Government is progressing with the Statutory Instrument laid in Parliament on 20 May 2024, which would enable us to extend our fees rules to include CMCs and certain legal professionals (professional representatives), subject to Parliamentary approval. In anticipation of being empowered to charge CMCs and certain legal professionals, by Government, as part of our 2024/25 Strategic Plans and Budget consultation, we consulted on whether and how we might best implement a charging regime for professional representatives. Further consultation on this has continued into 2024/25.

By order of the Board

Abby Thomas
Chief Executive and Chief Ombudsman
2 December 2024

Directors' report

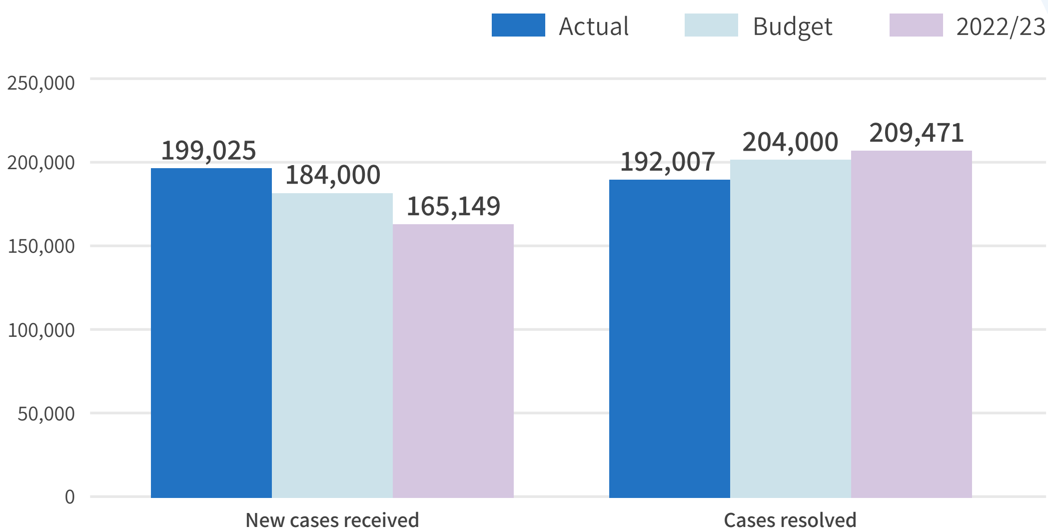
Demand for our service in 2023/24

As a demand-led service, the volume and mix of complaints we receive and resolve fluctuates in response to external events that impact financial services.

The financial year 2023/24 ended quite differently to the expectations we had set out in our plans for the year.

We received 21% more cases than in 2022/23 – 8% more than we had expected.

This increase in the volume of complaints we received required us to redeploy and retrain our people to focus on areas of higher incoming demand. While the restructure of our casework teams, and delivery of tooling to support caseworkers, helped set us up for success during the year, the process of change and the impact of regulatory and legal interventions meant we resolved 6% fewer complaints for our customers than we expected to.



Overall, we saw increases across the consumer credit, insurance and banking areas of our work. Meanwhile, complaints about investments and pensions fell.

An important development in 2023/24 was the introduction of the FCA's Consumer Duty in July 2023. Our ombudsmen and investigators focused on the impact of the Duty on complaints in their area, with collaboration across teams to ensure we are approaching issues consistently, as well as identifying and sharing key learnings – both within the organisation and with external stakeholders.

We worked with the FCA to ensure we are aligned in our understanding of the Duty and we continue to share insights with firms and other stakeholders on what we are seeing in our complaints.

Consumer credit

	2022/23	2023/24	Difference	Uphold rate 2022/23	Uphold rate 2023/24
Consumer credit	39,607	51,956	31%	41%	29%
which included:					
Motor finance commission	11,446	12,604	10%	11%	n/a*
Unaffordable and irresponsible lending	19,066	33,221	74%	43%	30%

* Due to regulatory and legal interventions progression on complaints about motor finance commission have been limited.

Motor finance commission

At the point the FCA announced its review in January 2024, we had over 10,000 complaints about motor finance commission. We continued to receive complaints after the announcement and expect to see an increase in complaints once the FCA has completed its review. The pause on complaints affected our overall uphold rate for consumer credit complaints as we are only able to close cases where it is clear there was no commission.

We increased resources and created a dedicated team to ensure new cases are set up quickly and then progressed as far as possible at this stage. We also made use of the tools and technology delivered during the year to help us process larger volumes of information more efficiently.

We worked with professional representatives, including claims management companies (CMCs) to get a better idea of the volume of complaints we should expect. And we continue to work with financial firms to help them improve the quality of their initial complaint responses and ensure they give us all the information we need, as quickly as possible.

Unaffordable and irresponsible lending

Across the year, we saw 74% more complaints about perceived irresponsible or unaffordable lending – 33,221 new cases in 2023/24 compared to 19,066 in 2022/23. At the start of the year around 80% of these complaints were brought by appointed representatives.

In cases brought by appointed representatives, only about 20% result in a different outcome for the complainant than the one they have already been offered by the responding firm. Consumers who bring their case without representation achieve greater success, with around 32% achieving a better outcome. The increase in complaints brought by CMCs is reflected in the lower uphold rate in this area in 2023/24.

These complaints are being brought against a small number of financial businesses, which results in operational challenges for those businesses, particularly in providing us with the information we need to investigate. As well as ensuring we are appropriately resourced to handle the additional demand, we are working with financial businesses, professional representatives and the FCA on the operational challenges and to ensure that only complaints that need our involvement are escalated to us.

Timeshares

Complaints about timeshares continued to be a focus in 2023/24. Early in the financial year, a judicial review on fractional timeshares supported our decisions on these cases and meant we could progress complaints.

Due to ongoing legal action, complaints about fractional timeshares are some of our oldest cases. We also anticipate further judicial reviews to be submitted as parties on both sides of complaints seek to continue to progress their arguments. In about 70% of the cases we see for timeshares, there is a request for an ombudsman's final decision, compared to an 18% average across our consumer credit work.

Banking

	2022/23	2023/24	Difference	Uphold rate 2022/23	Uphold rate 2023/24
Banking	61,995	80,137	29%	36%	40%
which included:					
Fraud and scams	21,673	27,675	28%	45%	43%

Fraud and scams

Complaints about fraud and scams made up 35% of the banking-related complaints we received in 2023/24 – a total of 27,675 complaints and a 28% increase on the previous year.

The rise reflects, in part, the continued evolution and increasing sophistication of the tactics used by scammers. The changing nature and complexity of the circumstances we see requires us to respond quickly to developments, and to test our approach as new issues arise. To ensure we can keep up with operational and policy demands, we ensure our fraud and scams team are supported appropriately with the latest insight to ensure consistency in how complaints are considered. We continue to work with firms and third-party representatives, to share our approach to complaints. We also continue to work with the Payment Systems Regulator (PSR) with regard to the Mandatory Reimbursement Scheme introduced in October 2024.

Bank account closures

Heightened media interest around bank account closures contributed to an increase in the number of complaints we saw about bank accounts, with many people not understanding why their accounts had been closed.

Insurance

	2022/23	2023/24	Difference	Uphold rate 2022/23	Uphold rate 2023/24
Insurance	39,711	47,217	19%	30%	38%

Insurance complaints rose by about 19% across the year primarily due to a rise in complaints about pricing. In many of the cases we saw, customers were unclear about why their premiums had risen, and felt the insurer had failed to provide an adequate explanation.

We continue to work with insurers to encourage them to provide a fuller or clearer explanation for rising premiums in the first instance, so their customers do not feel the need to complain.

Mortgages, Investments and Pensions

	2022/23	2023/24	Difference	Uphold rate 2022/23	Uphold rate 2023/24
Mortgages	8,421	7,802	-7%	28%	28%

	2022/23	2023/24	Difference	Uphold rate 2022/23	Uphold rate 2023/24
Investments	7,314	4,680	-36%	30%	31%

	2022/23	2023/24	Difference	Uphold rate 2022/23	Uphold rate 2023/24
Pensions	6,683	6,653	0%	43%	49%

Mortgage lending

A significant proportion of the complaints we received about mortgages were from borrowers who were in financial difficulty and did not think their lender was treating them fairly. The backdrop to many of these complaints was the increase in interest rates, particularly affecting people coming off fixed-term mortgages.

We welcomed the introduction of the Mortgage Charter during the last year, which gave lenders the opportunity to give additional help to borrowers who were experiencing financial difficulty. And we are pleased to have seen only a small number of complaints about how lenders have supported borrowers in light of the Charter commitments. This, along with a reduction in the number of complaints we are seeing about the fairness of standard variable rates, has contributed to a slight reduction in the volume of complaints we saw last year as compared to 2022/23.

Financial Ombudsman Service
for small businesses

Small to medium enterprises (SMEs)

	2022/23	2023/24	Difference	Uphold rate 2022/23	Uphold rate 2023/24
SMEs	1,191	1,227	3%	30%	35%

During 2023/24, we saw higher numbers of complaints from small businesses about account closures, in line with increases in complaints of this type from individuals.

We also continued to see complaints about bounce back loans, mostly about administration. Cases about business interruption insurance, which were high for a few years around the pandemic, have now largely fallen away.

Despite growing interest around the requirements for, and enforcement of, personal guarantees in business lending, we did not receive many complaints about this in 2023/24.

Our operational performance in 2023/24

We set ourselves stretching targets at the start of 2023/24, in the form of our service standards. We publish our service standards, and our performance against them, on our website.

Our service standards focus on:

- the quality of our work
- our timeliness in resolving cases
- how customers experience using our service
- our efficiency

Quality

Service standard	2022/23 performance	2023/24 performance	Year-on-year change	Target for 2023/24
Overall case handling quality score	92%	**94%**	+2%	90%
% of resolutions resulting in a service complaint (about our service)	1.8%	**1.8%**	0%	1.5%

At the start of the year, we set out to improve the pace of our service while maintaining the quality. We are delighted to have improved our overall quality score, while going through a period of significant change internally.

We continue to focus on providing good service within a timeframe our customers expect.

Timeliness

Service standard	2022/23 performance	2023/24 performance	Year-on-year change	Target for 2023/24
% of enquiries resolved within 5 working days	79%	**85%**	+6%	95%
% of complaints resolved within 3 months of conversion	52%	**54%**	+2%	65%
% of complaints resolved within 6 months of conversion	78%	**81%**	+3%	85%
% of complaints within stock over 6 months old	34%	**28%**	+6%	10%
% of service complaints resolved within 10 working days	46%	**77%**	+31%	95%

It is right that we set ourselves challenging targets and we are pleased to see an improvement in timeliness over the last financial year across all measures. However, an increase in demand, the impact of ongoing regulatory and legal action particularly around motor finance commission cases, along with our operating model changes taking slightly longer to embed in early 2023/24, meant we didn't achieve our challenging targets. For example, if we exclude motor finance commission cases, 58% of cases were resolved in three months, a 5% increase year on year.

We know we have more work to do, so improving these measures will remain a priority in 2024/25, especially because we expect demand to continue rising.

Consumer experience

Service standard	2022/23 performance	2023/24 performance	Year-on-year change	Target for 2023/24
Consumer Net Easy score on our end-to-end process	n/a	**48**	n/a	50
Consumer confidence on our end-to-end process	n/a	**57%**	n/a	60%
Public awareness of our service	53%	**53%**	0%	55%

We introduced two new Customer Service measures this year, with deliberately stretching targets to support our focus on customer experience.

We narrowly missed these targets. However, they remain a key focus for 2024/25 – as is building awareness of our service with those who need us.

Efficiency

Service standard	2022/23 performance	2023/24 performance	Target for 2023/24
Cost per case	£1,063	**£1,116**	£1,092

Our cost per case was higher than our target, and higher than last year. This was mainly because:

- there were delays in realising some of the benefits of our internal restructure
- productivity was lower than usual while our restructure was taking place
- prior year cost per case benefited from a bulk closure of complaints not repeated in 2023/24 (adjusting for this, 2022/23 cost per case was £1,151)

Our stock levels

In our Plans and Budget, we set out an intention to carry forward stock of around 70,000 complaints from 2022/23 and to exit 2023/24 with stock in hand of about 47,000 complaints.

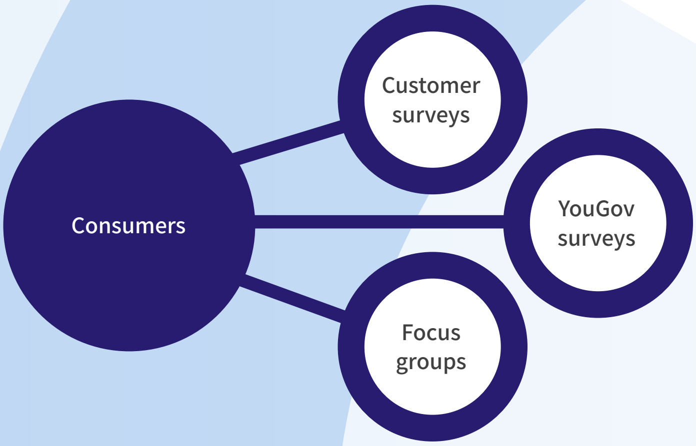
Due to regulatory interventions on motor finance complaints – as well as significantly higher incoming demand – we ended the year with stock of 83,350. This is 77% higher than we planned.

Despite an increase in overall stock levels, we made significant progress in reducing the number of cases with our service that were older than 12 months.

We started the year with around 11,200 of these cases, of which around 1,300 were cases about motor finance commission. Around 4,700 of the remaining cases were not workable, as they were subject to ongoing legal or regulatory action. We now have around 11,000 cases older than 12 months (5,500 of which are about motor finance commission), having won a number of judicial reviews during the year which unlocked a large proportion of older cases. We continue to focus on reducing the time people wait for an outcome from us on their complaint.

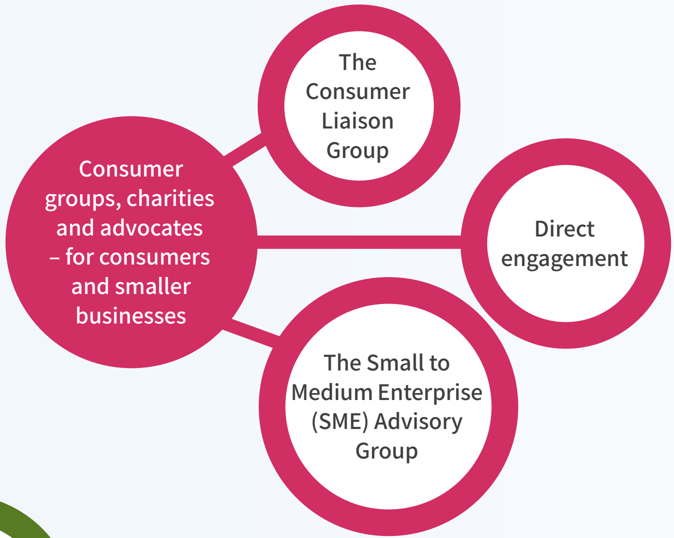
Engagement with our customers and stakeholders

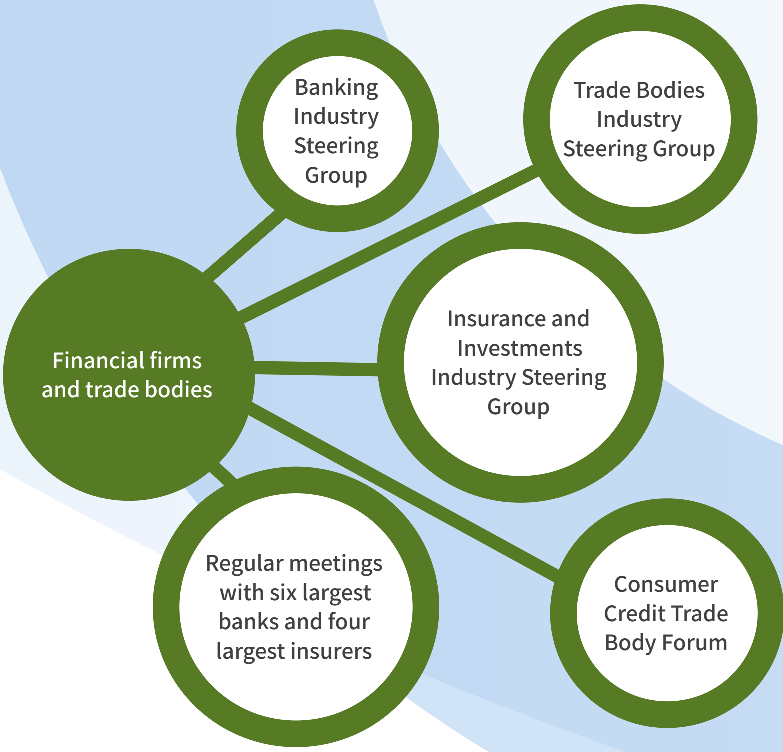
We value opportunities to share our knowledge and experience to improve the handling of customers' complaints and help inform the regulation of financial services. Equally, it is important to us to hear our stakeholders' views, insights and expertise for the continuous improvement of our service.



We want to hear the voice of the customer directly to help inform the way we provide our service. We also track overall awareness and understanding of who we are and what we do. This research helps us to understand where we might need to focus activity so that people know they can access our service when they need it.

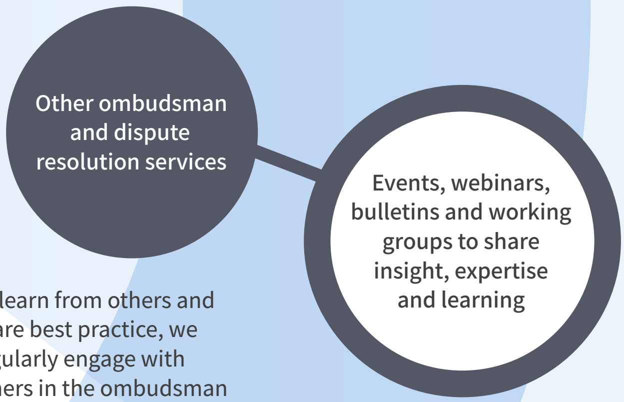
We meet consumer groups and charities, including through our regular Consumer Liaison Group, to gain feedback for improving our service. We also engage to share and improve our own awareness of the problems that consumers are experiencing with financial businesses, or issues that might be involved in or lead to complaints.





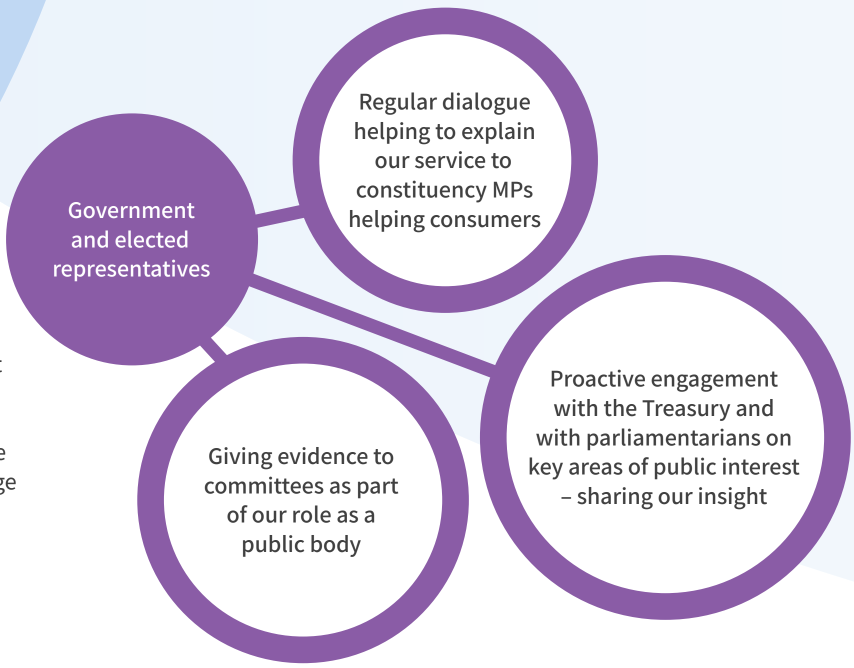
We engage regularly through a range of meetings with industry and trade bodies. We speak at industry and trade body events to share our knowledge and make sure we are aware of trends in the industry and issues affecting financial businesses across the UK. This allows us to improve our understanding of the needs of financial businesses and their customers and to explain the support we offer to help handle complaints.

We work with the professional representative sector and their trade associations to share our knowledge, engaging on key issues such as our proposals to charge professional representatives. We engage early with significant participants in the market to make sure we are aware of trends and to aid our operational efficiency.



To learn from others and share best practice, we regularly engage with others in the ombudsman and alternative dispute resolution sector.

We work closely with regulatory partners, and collectively through the Wider Implications Framework, to respond to regulation and to share insight, trends or data that could inform future regulation. We share intelligence with regulators, including the FCA and the Solicitors Regulation Authority (SRA) to help inform their supervisory and wider redress and enforcement work.



We work with HM Treasury, sharing insights about the complaints we see and the customers and businesses we help. We attend parliamentary sessions, including the Treasury Select Committee as part of our public accountability. We also engage with MPs and other elected representatives to answer questions about our work or specific queries on behalf of their constituents.

Consumers

We track how the public perceives our service through quarterly YouGov surveys across a nationally representative sample of UK consumers.

We also run regular customer surveys to explore specific aspects of our service at three stages (enquiry, investigation and case closure). In these surveys, customers have the opportunity to leave feedback, which we analyse each month.

Focus groups allow us to get a deeper understanding of how customers experience our service. This year, we carried out two focus groups with consumers who had all heard the outcome of their case within the previous three months. These were:

- an in-person session at our offices in Coventry in November 2023, and
- a virtual session in February 2024

While we learnt that customers believe we provide a fair service, these sessions also illuminated where and how we may need to address aspects of our timeliness and how we keep consumer customers up to date, which will feed into our consumer engagement plans for 2024/25.

Consumer groups

We engage with consumer groups and expert organisations across the UK. This improves our understanding of issues impacting the consumers they support.

Our Consumer Liaison Group (CLG) is made up of representatives from consumer groups and charities and the group met twice last year. We used this forum to:

- explain our approach to topical or emerging issues
- understand their key priorities for advocacy, and
- discuss particular issues consumers are facing in financial services, including issues around economic abuse and mental health

We are planning to develop this further with more frequent roundtables on specific issues that impact consumers.

Our Small to Medium Enterprise (SME) Advisory Group meets twice a year for thematic discussions at a strategic level about issues specific to the SME sector, allowing us to build relationships with the sector, gather insight and give clear messages. It is made up of experts who bring a unique perspective of the SME landscape.

Industry

Working with financial businesses helps us understand what they are seeing and the issues that may impact our service. Our senior staff frequently attend and speak at external events to exchange information and our industry groups convene regularly to discuss strategic issues, such as our funding and emerging issues.

In addition, our senior leaders – including Ombudsman Directors – regularly meet with the financial businesses that account for the largest number of cases we see. Our Chair and CEO meet their counterparts at some of the largest financial businesses twice a year, while our CEO and Deputy Chief Ombudsman meet them quarterly.

Regulatory partners

The Financial Ombudsman has an important part to play in helping to manage issues which could have a wider impact across the financial service industry. Exchanging our data, insight and expertise with others in the regulatory eco-system helps inform wider decision making. Some examples of engagement in 2023/24 included:

- working with the FCA to share information on complaints about mortgage standard variable rates (SVR) and about motor finance and to address these issues
- attending events with the FCA, FSCS and Money and Pensions Service about the British Steel Pension Scheme (BSPS) redress scheme
- attending industry and consumer events with the FCA (and UK Finance) to support the implementation of the Consumer Duty
- working with the FCA and the FSCS to support consumers owed redress because of failings by self-invested personal pensions (SIPPs)

Other ombudsman and dispute resolution services

We are a member of the Ombudsman Association (OA), the domestic ombudsman association for the UK, Ireland, British Overseas Territories and British Crown Dependencies with 66 members. Additionally, we are a member of the International Network of Financial Services Ombudsman Schemes (INFO-Net), a global network of financial services ombudsman with 58 members. Through these relationships we share insight through their websites, newsletters, events, webinars, annual conferences and working groups.

Membership also enables us to learn from others and share best practice, providing insight on operational challenges which are similar, including:

- improving customer experience
- handling complaints from vulnerable customers
- the use of technology in complaint handling, and
- facilitating the smooth flow of information from respondent businesses

Additionally, this forum provides useful horizon scanning and insight, for example on:

- the use of AI, and
- new regulation

This year we continued to meet with The Pensions Ombudsman and the Legal Ombudsman around our respective work. Our ombudsman relationships help to maintain and enhance our reputation with firms, industry trade bodies and more widely.

Consultations

Consultations are a valuable opportunity to ask stakeholders about specific points to guide our next steps. We also use them to build relationships by following up with firms, consumer groups and trade bodies and other stakeholders to discuss the issues raised.

We began this financial year by publishing a feedback statement on temporary changes to outcome reporting in our business-specific complaints data. And, as part of our 2024/25 Plans and Budget Consultation Paper, we asked about proposals to charge professional representatives in the UK. To support this, we engaged bilaterally and through roundtables with a range of stakeholders, including professional representatives, claims management companies, financial businesses and trade bodies as well as consumer groups and other professional bodies. We also raised awareness about the consultation through newsletters, media and direct communications.

More about how we work with other organisations.

Our people

Our people are essential to the delivery of exceptional customer experiences and fair, timely outcomes. To help us provide the best possible service, our colleagues must reflect the people we are here to serve. We want to recruit and retain the best talent. And we are creating a continuous learning culture for our people, to build expertise and ensure we are on top of trends and innovation.

This year, we:

- enacted the transformation proposals we outlined in 2023, by implementing our new casework operating model to align all areas of our casework with sector-focused directorates
- began a review of our reward strategy, starting with pay and grading structures
- continued to build a flexible and national workforce, so we can respond more efficiently as demand for our services changes

We are grateful to our people for the flexibility and responsiveness they have shown in adapting to change and ensuring our values are built into all that we do. This year we engaged with staff to restate these values, which set out how we play our PART through Purpose, Ambition, Respect and Trust.

Jane Cosgrove
Chief People Officer

Playing our PART

Purpose **Ambition** **Respect** **Trust**

Successfully implementing our new operating model

This year, we changed our enabling teams and casework structure, successfully implementing and embedding the new casework operating model developed and launched in 2023. Sector-focused directorates, new Policy, Planning and Performance and Customer Service teams ensure consistency of approach across all areas of our casework.

The new structure means caseworkers are more familiar with the products consumers are complaining about and puts financial businesses in direct contact with senior casework leaders. This supports engagement, better insight sharing and quicker responses to the issues identified in cases we are seeing.

In addition, we reviewed our Information Technology team and Business Information, Data and Insight roles and restructured our Communications, Policy and PA support teams.

These changes ensure our enabling functions are set up to support our casework team structure and enable us to deliver on our data and insight ambitions.

Reviewing our reward strategy

To recognise good performance and encourage people to develop careers with us, we have introduced a clearer, simpler approach to pay and reward which is externally competitive and internally fair.

As part of this process, we sought feedback from all colleagues and communicated regularly on progress and outcomes.

To develop a consistent pay and grading framework for all teams in the organisation, we introduced seven professions, with an emphasis on development, which will form the basis of career pathways. We also completed a full market analysis of our roles and pay in comparable organisations.

In January 2024, we announced our new pay and grading structure which was implemented from April 2024. We also reiterated our commitment to the living wage plus 10%.

Building a flexible and national workforce

Following last year's successful pilot of a regional hub in Manchester, we expanded the trial in 2023/24 to include hubs in Edinburgh and Cardiff. As part of our long-term workforce strategy to leverage skills from across the country, we plan to open a Belfast hub in 2024/25, meaning we will have a hub of casework staff in each devolved nation by the end of the financial year 2024/25. Meanwhile, our Customer Call Hub in Coventry provides a dedicated and efficient front-end service, freeing up investigators to focus on resolving cases and providing an improved service to people who need our help.

Our challenge is to respond to the additional demand we anticipate, while bringing down our stock levels and improving our timeliness. A more national workforce allows us to be more flexible and gives us access to a greater talent pool. We continue to assess different ways to recruit and retain our staff so that we can build our capability to deal with surges in demand. We will build on the work done this year to explore various resourcing routes, to ensure an appropriate mix of flexible and permanent resources, including growing and leveraging our regional hubs, so that we can recruit to the required levels and bring in the appropriate skills.

To support this, we started work to redesign our learning and development offering to upskill our people, including data literacy and leadership capabilities, in 2023/24. As this work continues, it will help us build a more agile workforce.

Supporting our people

Throughout 2023/24, the Financial Ombudsman underwent significant organisational change that affected people in every part of the organisation.

Internal communication

We have a number of channels we use to communicate with our people, to ensure they remain informed about our work and progress against our organisational objectives. As well as our intranet, information cascades and in-person meetings, colleagues can meet with the Executive Team as part of monthly huddles to ask questions and hear updates. To support our transformation programme, we have change champions across all our business areas.

We have introduced quarterly senior leadership sessions and an annual leadership conference. These sessions provide an opportunity to focus our leaders on our strategic objectives, provide an update on our financial position and the factor impacting that – as well as key people, policy and process updates. These sessions are designed to provide our leaders with the tools, information and skill needed to effectively lead their teams with confidence.

Colleague involvement and consultation

The Information and Consultation Council (ICC)

Information & Consultation Council

The ICC is a consultation forum of elected representatives from across the Financial Ombudsman. As the employee voice of the organisation, it meets regularly with senior leadership and Executive Team members. In addition to feedback channels open to our people, the ICC play a key role in sharing the employee voice with senior leaders, feeding into key decisions which impact our people.

In 2023/24, the ICC played an instrumental role as we embedded our new operating model and reviewed our reward strategy, providing invaluable feedback throughout the process. We engaged with the ICC throughout the annual pay review process, including the overall pay package for 2023/24 and the organisational bonus payment. We engaged with the committee through a working group at key stages of developing and implementing our new pay and grading structure, explaining the impact for colleagues affected by the changes.

Annual colleague engagement survey

Our annual survey allows colleagues to share views anonymously and forms the basis of our people strategy and group people plans. The response rate this year of 69% is consistent with last year. We maintained an overall engagement rate of 70% despite significant organisational change. Senior leaders worked with their respective teams and the ICC to review findings and create targeted action plans based on survey findings.

Employee networks

Our 15 employee networks are voluntary groups that come together through shared identity or life experiences. They create supportive environments and find ways to bring people together through events and knowledge sharing. Our networks play an important role in keeping the Financial Ombudsman Service a diverse and inclusive workplace.

Our employee networks

Cancer support group
Carers' network
Embrace
Christian fellowship
Enable Be you Neurodiversity
Enable Be you
Hindu network
Jewish network
Women's network
Muslim network
OutRight
Parents' network
Sikh network
Sports & social committee
Mental wellbeing network

Recruitment and retention

- Voluntary turnover fell over 2023/24, ending the year at 12.6%, against a target of 15%, and reducing month on month for the last six months.
- Overall staff turnover was 23.4% (2022/23 was 23.4%) due to our restructure and the implementation of our new Target Operating Model.
- Time lost to employee sickness was 2.8%, equivalent to 6.5 days for each full-time equivalent (FTE) employee.
- Our programme of external recruitment included setting up three regional hubs with a fixed-term workforce of over 150 case handlers.

Speaking up

We encourage colleagues to speak up if they are concerned about wrongdoing at work and provide several ways for them to do so. Our partnership with an external whistleblowing service, enables colleagues to raise concerns anonymously at any time. We record any approaches, safeguarding colleagues' anonymity, made through the whistleblowing service, or escalated to the colleagues who lead 'speak up' investigations.

Over the reporting period we had ten reports raising concerns. Each report is reviewed and forwarded to the Audit, Risk and Compliance Committee. The results of any required investigations are also reported to the Audit, Risk and Compliance Committee.

Diversity and inclusion

To give customers the best service, we need to reflect the communities we serve. So, we have been working towards ambitious targets for diversity, inclusion and wellbeing (DIW) since 2016 and reporting pay gap and representation data since 2017.

We publish data about gender and ethnicity pay gaps annually on our website.

In 2023/24 we developed and launched our new DIW strategy: 'Together we Thrive'. It has four key action-oriented pillars based on feedback from colleagues and our understanding of the diversity, equity and inclusion landscape and how it is progressing. These are:

- conscious inclusion
- diverse perspectives
- equity by design
- proactive wellbeing

This builds on progress from the previous three-year strategy and highlights how everyone should to play their PART – in line with our values – by taking responsibility for diversity, inclusion and wellbeing.

To support the 'equity by design' pillar, we focused on helping colleagues to identify opportunities in their own work and decision-making to reduce bias and expand equity. We piloted our approach with 100 colleagues and plan to roll this out to all senior leaders in 2024/25.

Workplace adjustments

We are proud to be a Disability Confident Leader, the highest accreditation, supporting applicants with a disability or long-term condition throughout our recruitment process. When advertising our roles, we set out clear minimum criteria alongside key application information, on our website. We have a responsive Talent Acquisition team, who are available to all candidates should they want a confidential discussion and/or to put reasonable adjustments in place for the recruitment process. The team follow up with applicants to ensure that we managed the process effectively and to identify ways to improve.

For our colleagues, we have a comprehensive workplace adjustment policy which is available for everyone, including those who have become disabled during their employment with the organisation. The policy enables colleagues to request a review of their working arrangements, including physical adjustments, such as ergonomic equipment and assistive technology – as well as requesting flexible working patterns. It also ensures that information is only shared as needed and in the most appropriable way. Our workplace adjustment partner provides assessments to ensure appropriate adjustments and training are in place.

We continue to work closely with the Business Development forum and our own employee networks to provide tailored support for colleagues with disabilities. In addition, we have reviewed our people policies to reflect feedback from our people on creating an inclusive approach.

Our operational impact

Corporate and social responsibility

We recognise that we have an impact on the world, from our people and community, to how we procure goods and services and how we recycle and reuse. Our Corporate Social Responsibility (CSR) steering group meets regularly to ensure our CSR strategy is on track.

Environmental, social and governance

Diverted **48 TONNES** of waste from landfill through our suppliers

Recycled just over **37 TONNES** of waste

in our London office through our landlord at Exchange Tower where we contributed to just over 30% of this, based on the floors we occupy in a tenanted building.

Recycled **6,432kg** of paper, saving **107** trees

and received 162,894 business files electronically, up 32% compared to last year.

Reduced business travel by **6%**, compared to last year. In December 2023, we removed our company electric van therefore no further 'fleet' or transport is managed by us.

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Consumed **1,610,047kWh** of electricity across our buildings, a reduction of 11% compared to last year.

Continued to keep our people informed around environmental initiatives, campaigns and raising awareness throughout the year – through a variety of communications activities.

Carbon management

Since 2012, we have been analysing and reducing our carbon usage. Our Scope 2 carbon emissions have reduced by 5% in 2023/24. We are proud that over the past five years, our Scope 2 emissions have reduced by 70% on where they were in 2018/19. This is principally due to our property consolidation but is also partially due to the decarbonisation of the electricity grid in the UK.

To build on what we have already achieved, we are planning to go further in 2024/25. As well as investing in our buildings we will develop our first net zero transition plan, following the Transition Plan Taskforce Disclosure Framework.

Workspace

In 2024/25 we will invest in LED lighting for our head office in London. which will significantly reduce energy costs and carbon emissions.

We are also looking at rationalising our workspace, to be better sized for our working practices, and investigating how we can capture emissions associated with the hybrid model and remote working. Actions in progress:

- consolidating our workspace across fewer floors
- delivered a lease break opportunity in Summer 2024
- developing carbon emission capture modelling

Procurement

Our procurement approach sees us requesting that key suppliers must:

- pay their staff at least the Living Wage Foundation's living wage
- undertake a biannual questionnaire that covers areas such as modern slavery, equality, diversity, and inclusion as well as ethical and environmental standards

When going out to tender, we use appropriate ESG selection criteria to score suppliers. We also discuss sustainability, environmental, economic and social policies with our key suppliers as part of our ongoing contract management processes.

We work with suppliers who support our environmental values. For example, we have closed our physical IT datacentres and moved all of our systems to the cloud to reduce energy usage.

Additionally, during 2023/24 we started evaluation of our Scope 3 emissions, identifying in particular where we can reduce such emissions from purchased goods and services as this will have the greatest impact. We will continue development of our Scope 3 emmission reduction strategy during 2024/25.

Performance

Performance		2023/24	2022/23	2021/22	2020/21	2019/20
Electricity*	Kilowatt hours	1,610,047	1,813,991	1,620,564	2,083,881	3,414,541
	CO_2e kg using government CHG emission factors	333,399	350,790	344,094	485,836	872,757
Travel**	Travel mileage amounts	22,761	24,139	8,858	2,802	17,147
	CO_2e kg using government CHG emission factors	6,273	6,781	2,485	786	4,951
Per employee	CO_2e kg using average headcount	115	144	128	167	315
Paper consumption	Sheets of paper	0.5m	0.3m	1.1m	1m	3.6m
	Scanned correspondence – number of pages	0.8m	0.7m	0.6m	0.8m	3.3m

* Based upon energy consumption data provided by our landlords in Coventry and London.

** Mileage amounts include taxi bookings with third parties for business travel and business mileage claimed via expenses. Emissions factor based upon a medium car unknown fuel. Increased mileage in the last two years reflects the creation of the regional hubs.

Social responsibility

We supported Kidney Research UK as our charity partner for a two-year period that ended on 30 April 2024. Managed by our 'Giving Something Back' committee we raised over £20,000 for kidney research through supporting Kidney Research UK's various charity events. Our employees have selected Sands as our new charity partner through to March 2026. Sands is the UK's leading charity working to save babies' lives and support bereaved families.

Health and safety

Under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013, we reported one injury to the Health and Safety Executive. Two minor accidents also occurred.

We supported:

123 assessments to ensure our people were working safely in the office

46 virtual assessments for people working at home

7 enhanced assessments

28 new and reviewed personal emergency evacuation plans

38 workplace adjustments including by providing equipment, specialist assessments and support and guidance

We also:

- kept colleagues up to date with relevant guidance and reminders through our intranet
- tested our drinking water to ensure its quality

We trained:

5 new first aiders, taking us to 40 across the organisation

541 health and safety inductions for new colleagues

We reviewed:

- Our health and safety statement and policy
- Health and safety risk registers supporting the governance structure, which we updated
- Our e-learning modules including fire marshal, manual handling and working at height courses
- Fire risk assessments for our offices, working with our building managers to ensure continuous safety
- Our generic risk assessments including Display Screen Equipment, Expectant Mothers, Working at Height and Manual Handling, and Control of Substances Hazardous to Health (COSHH)

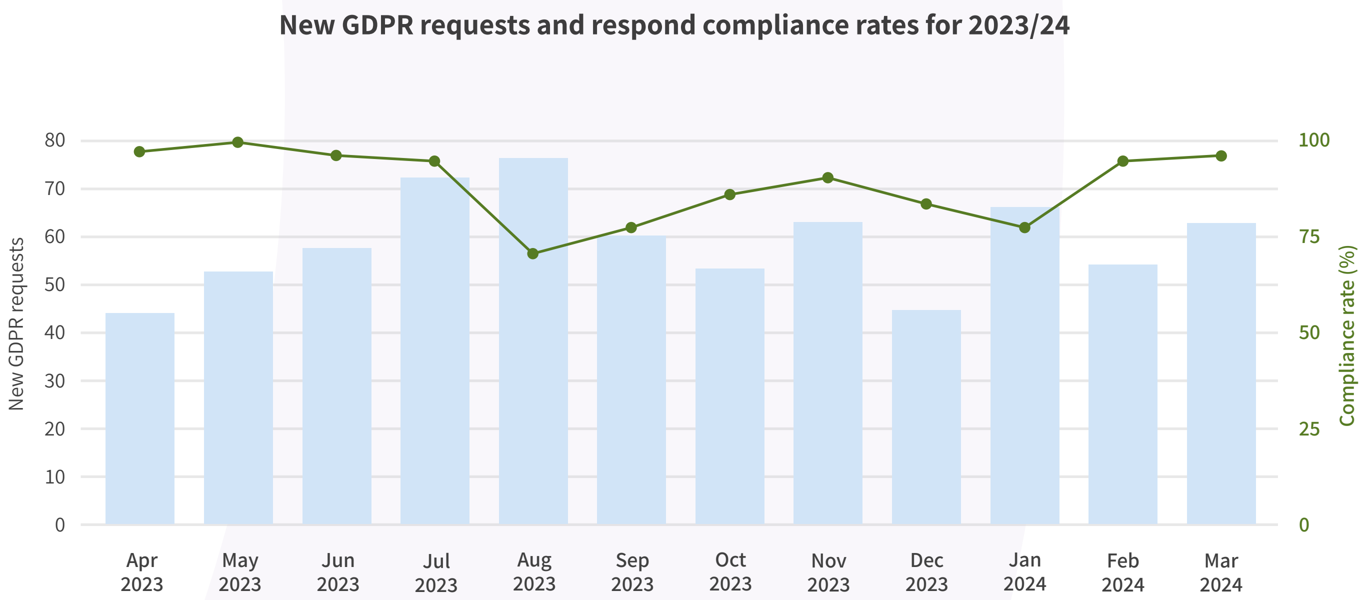
Handling personal data and FOI requests

The Financial Ombudsman Service is covered by the Data Protection Act 2018 and the General Data Protection Regulation (GDPR). This places legal obligations on us, as a data controller, when we hold and process personal information about individuals.

The amount and type of personal information we process varies, depending on the individual circumstances of a complaint and why we are processing personal information. You can find out more about our handling of personal data on our website.

Personal information

In 2023/24 we received 705 Subject Access Requests. The graph below sets out the requests received by month, and our compliance against the ICO target of responding to requests in one calendar month.



Improving our FOIA response time

The Financial Ombudsman Service has been subject to the Freedom of Information Act (FOIA) since November 2011. Our publication scheme provides a guide to the information available without a specific written request. We also publish statistical information about the requests we handle and how we respond.

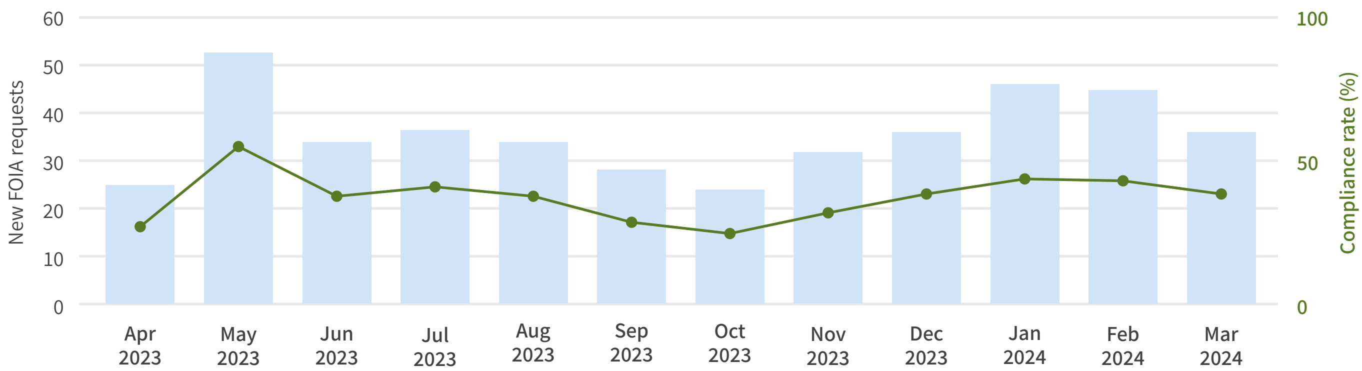
In December 2023 we advised the Information Commissioners Office (ICO) of the challenges we were facing in responding to FOIA requests. These challenges were primarily brought about due to resource limitations in the relevant team.

Following engagement with the ICO about the underlying reasons for the delays, the Commissioner reached the view that our request-handling practices did not conform to Part 4 of the Section 45 Freedom of Information Code of Practice, issued by the Cabinet Office in July 2018. The ICO issued a Practice Recommendation regarding our FOIA compliance in January 2024.

Working with the ICO, we drew up an action plan to improve our timeliness and have since implemented several process improvements. By the end of the year, 82% of FOIA requests had been responded to within the 20-day target set by the ICO. This improvement has been sustained into 2024/25, with 100% compliance achieved in June 2024.

In 2023/24 we received 432 Freedom of Information requests. The graph below shows the requests received each month, and our FOIA compliance rate, against the ICO target of responding to requests within 20 days.

New FOIA requests and respond compliance rates for 2023/24



See Statistics about our FOIA requests and our responses on our website.

Modern slavery

We consider the inherent risk of modern slavery and human trafficking occurring in our business to be low. Nonetheless, we take our responsibility to identify and effectively respond to any incidents of modern slavery and human trafficking very seriously.

See our Statement under The Modern Slavery Act 2015 on our website.

Financial report

The Financial Ombudsman Service is funded through a combination of case fees and levies paid by the financial businesses we receive complaints about. You can find out more about how we are funded on our website.

Each year we consult publicly on our proposed Plans and Budget. We publish our final Plans and Budget following approval from the Financial Conduct Authority (FCA).

Our budget is managed by our Executive Team, with oversight from our Board. Our Executive Investment Committee provides oversight and approval of key expenditure, within the delegated levels of approval authority agreed by the Board.

Jenny Simmonds
Chief Finance and Risk Officer

Overview

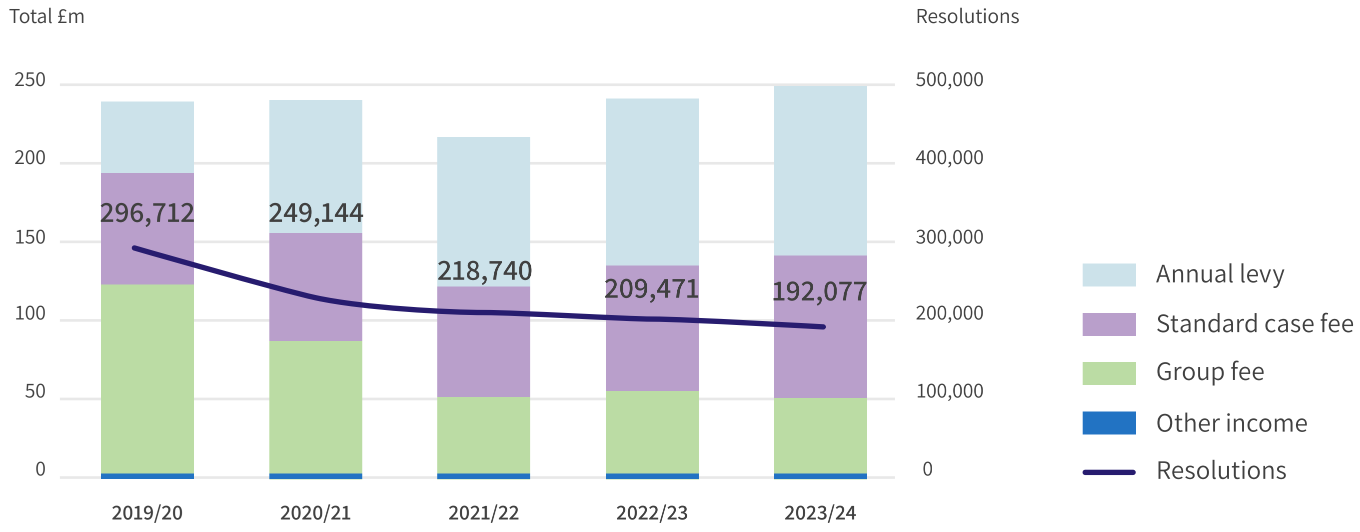
We set out our plans and priorities in our 2023/24 Plans and Budget.

This chapter explains our financial performance. A summary of our key financial metrics is set out in the table.

	2022/23 Actual £m	2023/24 Budget £m	2023/24 Actual £m	2023/24 vs Budget £m	2023/24 vs 2022/23 £m
Operating revenue	246.3	244.5	250.9	6.4	4.6
Operating expenditure (excl restructuring)	(222.8)	(222.8)	(214.4)	8.4	8.4
Restructuring costs	(8.0)	(11.0)	(7.7)	3.3	0.3
Total operating expenditure	(230.8)	(233.8)	(222.1)	11.7	8.7
Surplus	18.2	15.4	35.6	20.2	17.4
Reserves	125.5	140.9	158.3	17.4	32.8
Reserves – months of operating expenditure	6.8	7.6	8.9	1.3	2.1
Unit cost (£)	1,063	1,092	1,116	(24)	(53)

Income

The funding structure remained unchanged in 2023/24 compared to the previous year.



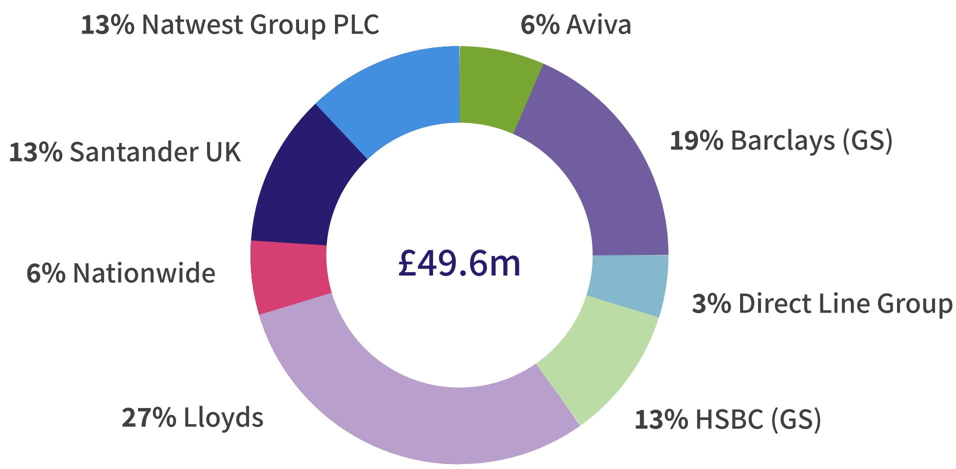
Group-account fee arrangement

Our group-account fee arrangement covers eight financial services groups: Lloyds, Barclays, HSBC, NatWest, Nationwide, Santander, Aviva, and Direct Line Group. This remains the same as last year. This arrangement helps us to predict, and therefore plan, our funding and gives us some stability.

Group-account fees are calculated in advance, based on their share of the overall complaints we expect to resolve. This takes into account our existing stock of complaints and complaints we have budgeted to deal with. At the end of the year, we calculate an adjustment for a firm if the actual volume of resolved complaints is more than 5% higher or lower than budgeted.

This group-account fee funding arrangement accounted for 33% of our total volume of resolved complaints this year (2022/23: 33%) and represented 35% of our total case fee income (2022/23: 42%).

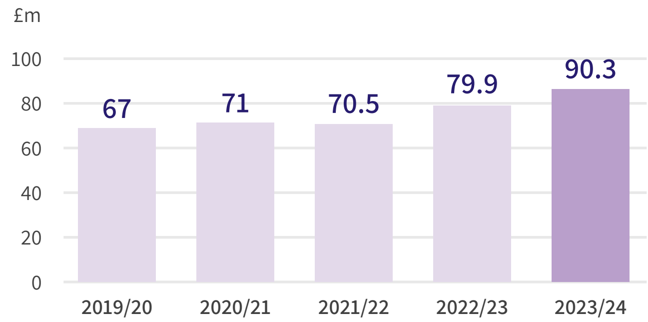
Income from group-account fee firms totalled £49.6m. This was £0.7m lower than budget due to the year-end true-up for five firms that were outside the 5% tolerance, and £9.1m lower than 2022/23 due to the lower volume of resolved complaints and the true-up threshold being 15% in 2022/23 rather than 5%.



Case fees (non-group)

Our fee was £750 a case. Each financial business receives three free cases as year. This meant we charged firms outside the group-account fee arrangement for the fourth and each subsequent complaint. Six in ten businesses, whose customers referred complaints to us, did not pay any case fees at all in 2023/24.

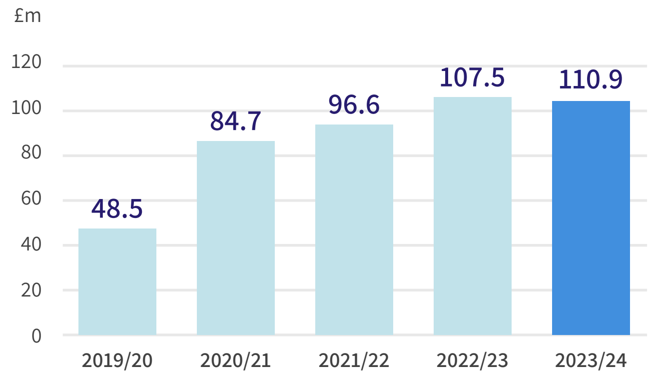
The volume of resolved complaints for firms outside the group-account arrangement was 8,412 cases lower than budget. However, case fee income of £90.3m was £2.7m higher than budget due to a higher percentage of cases being chargeable than was anticipated, together with an accrual for the dividend we expect to receive from the Amigo scheme of arrangement during 2024/25. Income is £10.4m higher than 2022/23 due to a lower level of de-recognised income from firms going into administration before work could be invoiced.



Levy

The FCA collects the compulsory jurisdiction levy according to the amount of work we expect from each industry sector. We bill the voluntary jurisdiction levy based on a minimum levy and tariff rates.

In 2023/24 the total levy income was £110.9m, of which our compulsory jurisdiction levy was £110.0m against a budget of £106m (2022/23: £106.7m). This increase was primarily from insurers, who reported higher complaint volumes to the FCA, to which the tariff are applied. Our voluntary jurisdiction income was £0.9m, which is £0.5m higher than budget and marginally up on last year.



Operating expenditure

Our total operating expenditure (including restructuring) for the year was £222.1m, which is £8.7m lower than 2022/23 and £11.7m lower than budget.

Restructuring and one-off transformation costs

In 2023/24, restructuring and one-off transformation costs totalled £7.7m. This includes:

- £1.3m of costs to complete projects commenced in 2022/23 such as Target Operating Model costs
- £4.4m to deliver key casework efficiency tools, including activity-based management and auto-allocations capability, as well as building the foundations for future intelligent automation tools and continued build of our online portals
- £1m on commencement of our Customer First and data quality improvement programmes
- £1m impairment associated with the development of our online portals as we have experienced delays, and so all costs incurred have not truly contributed towards the creation of this asset

Operating expenditure, excluding restructuring and one-off transformation costs

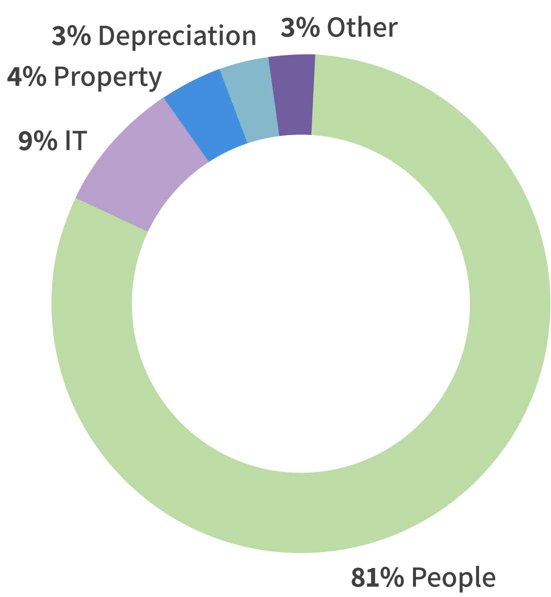
Against budget, costs were £8.4m lower due to:

- £3.2m from a review of the accounting policy for intangible assets in 2022/23 which reduced the 2023/24 amortisation charge, the impact of which was not reflected in budget due to the timing of implementation
- £2.5m from a lower annual organisation bonus earned – 78% of total bonus awarded in relation to performance against select service standard targets
- £2.4m from one-off credits in respect of health insurance, service charge and dilapidation provision
- lower spend in IT and office costs offsetting caseworker FTE costs, which were higher than budget

Against 2022/23, operating expenditure is £8.4m lower with £4.3m of inflationary cost increases from payroll and IT costs offset by:

- £6.5m lower staff costs because we employed fewer casework FTE due to productivity improvements and lower complaint volumes
- £3.2m saved from property costs
- £2.6m of other cost reductions across IT and lower FTE across our other enabling functions

Mix of operating expenditure (excluding restructuring and one-off transformation costs)



People costs

As in previous years, expenditure on people was our highest cost at 81% of the total, excluding restructuring costs.

We continued using contracted case handlers as well as permanent employees to allow us to scale up and down in response to changes in demand.

We increased our spend on contractors by £15.2m against our original budget, primarily in casework, to drive output while we implemented our new organisational model.

Systems and technology costs

Our IT investments provide the core infrastructure and services required to both run our day-to-day operations securely, and to provide the foundations from which we continuously improve operational efficiency for our customers. Our key systems being:

- casework management, the foundation system being Microsoft 365
- workforce management, with Workday in place to do this

We incurred IT spend of £16.0m – on cloud costs, managed services, licences and maintenance – which was in line with our 2022/23 spend of £16.3m.

We are adopting cloud-based technologies where appropriate and exited our data centres in Q1 of 2023/24. This allows us to benefit from regular functional improvements from our 'software as a service' (SaaS) solutions and to respond to changes in demand more readily.

Cloud hosting of our core systems can scale with demand, which also helps us to be more responsive. The IT infrastructure and equipment we have enables us to offer fully-remote, in-office or hybrid working arrangements, which gives flexibility in working arrangements to our staff.

Property costs

We have had a reduction in our property-related costs compared to 2022/23, driven by exiting four floors in Exchange Tower, London, in March 2023 and one in Friargate, Coventry, in October 2022.

Bad debt

In our 2023/24 budget we made allowances for a specific provision of £2m for de-recognised income – our case fees are shown net of this provision.

The total impact on the financial statements for 2023/24 of de-recognised income was £0.6m and bad debt cost was £0.2m. This is offset by the recognition of £2m dividend expected from the Amigo Loans scheme of arrangement.

Overall, this is £3.3m lower than budget and £16.9m higher than 2022/23, which included £12m de-recognised income for Amigo Loans.

Unit cost

The unit cost of resolving a complaint is:

- our total operating expenditure – excluding significant one-off costs, such as those relating to restructuring as part of our transformation programme
- divided by the total number of complaints we resolve in the year

Our cost per case has now stabilised and started to reduce as we deliver on our transformation agenda to drive efficiencies and cost savings, including a new casework operating model.

In 2023/24, our cost per case was £1,116 – 2% higher than budget and 5% higher than our reported unit cost per case of £1,063 in 2022/23. However, excluding the one-off impact of mass case closures, our unit cost per case was £1,151 in 2022/23, and so our underlying unit cost per case in 2023/24 was 3% lower.

Reserves

Our closing reserves for the year finished at £158.3m against a budget of £140.9m because of the surplus from continuing operations in the year.

As set out in our Plans and Budget for 2024/25, we have revised our reserves policy to target our end-of-year reserves to be between three to five months of operating expenditure. We had reserves cover of 8.9 months of operating expenditure at the end of 2023/24. In anticipation of having reserves in excess of our policy, we reduced our case fee from 1 April 2024 to £650 and our levy income to £70.5m.

We believe this to be a sustainable position as we expect to deliver cost efficiencies, from our transformation investments and other operational improvements, to ensure that in future years our income and costs are matched at reduced effective levels.

Cash management

We review our cash balances daily and update our forecasts quarterly. Our closing cash balance on 31 March 2024 was £221.6m – £18.9m higher than at the end of the previous financial year. The increase was driven primarily by the surplus for the year.

In accordance with the investment strategy approved by the Audit Risk and Compliance Committee, on 31 March 2024 we had £188m invested:

- between seven institutions
- for periods of up to five months
- at rates between 5.25% and 5.61%

In addition, we had £30m on overnight deposit with one of the seven institutions at a rate of 5.20%.

Total interest received over the year amounted to £9.6m – a further substantial increase from £3.9m in 2022/23 and £0.3m in 2021/22.

Creditors' payment terms

We have a policy to pay creditors within agreed terms.

Our 2024/25 budget

Our strategic plans include complaint trends and how we are planning to develop and resource our service. Our budget is subject for approval by the Financial Conduct Authority (FCA), which publishes details of our fees on its website.

Find out more about our Strategic Plans and Budget for 2024/25 on our website.

By order of the Board

Jenny Simmonds
Company Secretary
2 December 2024

Governance

2023/24 Board membership

How Board members are appointed

We are a statutory dispute resolution scheme set up under Part XVI and Schedule 17 of the Financial Services and Markets Act 2000 (as amended). We work on a not-for-profit basis.

The FCA appoints our Board of Directors and our Chairman with the approval of HM Treasury.

The recruitment process for non-executive positions is open and transparent. This includes running advertisements in the national media. We make appointments as an equal opportunities employer, in accordance with 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 2024, the Board consisted of seven Non-Executive Directors.

See more about how we are governed on our website.

Baroness Zahida Manzoor CBE
Chairman
Appointed 2 August 2019

Shrinivas Honap
Non-Executive Director
Appointed 30 September 2021

Nigel Fretwell
Non-Executive Director and Senior Independent Director
Appointed 30 September 2021

Sarah Lee
Non-Executive Director
Appointed 4 January 2021

Bill Castell
Non-Executive Director
Appointed 12 October 2020

Ruth Leak
Non-Executive Director
Appointed 1 April 2021
Term expired 31 March 2024

Jacob Abboud
Non-Executive Director
Appointed 1 April 2021

Warren Buckley
Non-Executive Director
Appointed 23 September 2024

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 served 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. If a Non-Executive Director wants to resign before their term of office ends, they must give at least three months' notice in writing, both to the Chairman and to the FCA.

Conflicts of interest

We maintain and regularly review a register of conflicts of interest. Before a new Non-Executive Director is appointed, and during their tenure, they must seek the Chairman's authorisation for any other roles they 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.

Under the Companies Act 2006, if a conflict of interest arises, which the Board considers manageable, they can approve an appointment subject to whatever limits and conditions the Board considers appropriate.

The 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 '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
- be an ambassador for the Financial Ombudsman Service and role-model our culture, values and commitment to diversity and inclusion

Board meetings

The Chairman is responsible for leading the Board, and the Chief Executive and Chief Ombudsman is responsible for providing leadership across the Financial Ombudsman Service with the Executive Team.

The Chief Executive and Chief Ombudsman, and other members of the Executive Team, attend Board meetings at the Chairman's invitation. This enables the Board to benefit from non-executive and executive insight.

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 where the Board and committees receive assurance over the year, including issues relating to performance, management of corporate risks, and the effectiveness of internal systems and controls.

Minutes of all our Board meetings are published on our website.

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.

The table below shows each Board member's meeting attendance. The figures below include Board meetings and any sessions where the Board discussed long-term strategic plans and short-term strategic objectives.

Board Member	Meetings attended
Baroness Zahida Manzoor	10/10
Jacob Abboud	9/10
Bill Castell	9/10
Nigel Fretwell	9/10
Shrinivas Honap	10/10
Ruth Leak	10/10
Sarah Lee	10/10

Board sub-committee meetings

In addition to the Board meetings, there are four Board sub-committees. The Board is satisfied that the combined knowledge and experience of all committee members enable each committee to fulfil its responsibilities effectively.

The Chair of each committee updates the Board on its activities.

The table below shows the role and responsibility of each sub-committee and each Board member's meeting attendance at sub-committee meetings.

Audit, Risk and Compliance (ARAC)

Areas of responsibility

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

Total meetings: 5

Members and meetings attended:

Shrinivas Honap (Chairman)	5/5
Jacob Abboud	3/5
Bill Castell	5/5

Main business in 2023/24

- Reviewing the risk management framework and its implementation
- Advising the Board on its risk appetite and monitoring compliance with it
- Reviewing all risks, and mitigation thereof
- Reviewing the work undertaken by the internal auditors and ensuring their plans address organisational risk against an agreed terms of reference
- Overseeing preparation of the annual accounts

Remuneration and People

Areas of responsibility

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

Total meetings: 6

Members and meetings attended:

Nigel Fretwell (Chair)	6/6
Baroness Zahida Manzoor	6/6
Sarah Lee	6/6

Main business in 2023/24

- Agreeing the annual pay review for all staff and the Executive
- Agreeing the annual performance payments for all staff and the Executive
- Reviewing the evolving People Strategy and considering the revised framework
- Reviewing human capital initiatives and people-related performance
- Reviewing the Diversity, Inclusion and Wellbeing policy
- Reviewing and supporting implementation of the new Target Operating Model
- Considering future workforce planning needs

Transformation

Areas of responsibility

- Oversight of the portfolio of work to deliver our transformation agenda
- Key deliverables and benefits from the changes, and progress against programme milestones and other metrics
- Risks to delivery
- Additional investments identified as important, for discussion and approval, in order to deliver on the strategy of the organisation

Total meetings: 6

Members and meetings attended:

Jacob Abboud (Chair)	6/6
Shrinivas Honap	6/6
Ruth Leak	6/6

Main business in 2023/24

- Monitoring the progress of work on significant technology and change programmes, such as the digital portal and intelligent automation
- Reviewing proposals for a new casework operating model and the planned impact on ways of working, process efficiency and tooling requirements
- Reviewing the transformation programme key risks, mitigating actions and benefits realisation
- Agreeing the transformation programme scope, phasing and budget, both for the current year and future years

Nomination

Areas of responsibility	Main business in 2023/24
• Board composition • Board sub-committees • Organisational design and leadership structure • Chief Executive and Chief Ombudsman appointment • Executive and other relevant appointments	• Agreeing appointments to the Ombudsman Panel • Agreeing the appointments of the Chief Executive and Chief Ombudsman, Chief Operating Officer, Deputy Chief Ombudsman, Chief Finance and Risk Officer and Chief People Officer • Agreeing changes to the Board sub-committee framework and to the Committee • Agreeing the appointment of the Senior Independent Director

Total meetings: 6

Members and meetings attended:

Baroness Zahida Manzoor (Chair)	6/6
Jacob Abboud	6/6
Bill Castell	6/6
Nigel Fretwell	6/6
Shrinivas Honap	6/6
Ruth Leak	6/6
Sarah Lee	6/6

You will find more information about our Board and committee meetings on our website.

Statement of corporate governance arrangements

The Financial Ombudsman Service is committed to maintaining robust levels of governance assurance commensurate to the size, scale and complexity of business operations. The Financial Ombudsman Service has developed its governance framework over time, driven by legislation and direction from the FCA. We are not required to follow the UK Corporate Governance code, though we do draw upon it where relevant to help inform best practice in certain areas.

Our governance structure is broadly aligned to the Wates Corporate Governance Principles 2018 for large private companies. We have summarised below how the Financial Ombudsman Service's governance framework aligns to the Wates Principles.

Wates principle	Definition	How we meet it
Purpose and leadership	An effective Board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.	The Board's role is to provide strong leadership and direction that sets our strategy, discusses our operational approach and performance, and holds the Executives and the organisation to account. The Board is led by the Chairman, and its Non-Executive Directors come from diverse backgrounds to provide cross-cutting skills and expertise. Our statutory purpose is clear and we endeavour to carry out our duties in line with our published values and overriding strategy of ensuring that all our customers and stakeholders receive a better outcome or are better informed because of our work and their interactions with us. The Board understands our statutory purpose and, after focusing on the evolution of our strategy, values and culture in 2022/23, successfully oversaw delivery of progress on our transformation programme and implementing the new casework operating model in 2023/24.

Wates principle	Definition	How we meet it
Board composition	Effective Board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual Directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the company.	The Board membership is diverse in professional backgrounds and balanced in terms of gender. The size of the Board is guided by the scale and complexity of the service. The Chairman brings a wealth of experience and has been in post for five years. She refreshed the composition of the Board in 2020/21. The Board comprises both longer-serving and newer members. They have, amongst other things, expertise in dispute resolution, change management, strategy and public policy. All Non-Executive appointments and reappointments are subject to FCA approval. Our tenure policy specifies that Non-Executives are appointed for an initial period of three years and reappointments are staggered. We share our succession plans with the FCA's Oversight Committee. The Board's composition and its sub-committees are periodically reviewed by our Nominations Committee.
Director responsibilities	The Board and individual Directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.	The Board and Executive Directors have a clear understanding of accountability and responsibilities with their roles at Board and sub-committee level. Nigel Fretwell serves as Senior Independent Director to the Board. Terms of reference, policies and procedures for the Board and its sub-committees are reviewed on a periodic basis to ensure that they continue to support effective decision-making. Members of the Board also serve as Chairs and members of the relevant sub-committees. Every member has a chance to participate and contribute. Sub-committee terms of reference are subjected to annual review and can be set up on a time-limited basis and closed where needed or where they have been superseded by permanent executive appointed and other key meetings. The Chairs of the Committees update the Board on the Committees' activities, and the minutes are also noted at full Board meetings. More about the Board of Directors and our sub-committees
Opportunities and risk	A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, establishing oversight for the identification and mitigation of risks.	The Board is supported by the Audit, Risk and Compliance Committee and the Transformation Committee to ensure that opportunities and risks are identified, regularly reviewed, and appropriate mitigations and improvements are made. The internal audit function is run in-house with a programme of work, agreed by ARAC and the Board, that focuses on areas of higher risks and identifies areas of control that could be improved. The Board receives regular communications from the Internal Audit team and receives an interim report every six months. Regular strategic work is undertaken by the Board, for example: • there are four strategy days a year • the strategic three-year plan (and beyond) is regularly reviewed and refreshed • zero-based budgeting identifies value-for-money cost efficiencies, and • our external funding models are reviewed and consulted on annually
Remuneration	A Board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	In line with our commitments to equality, diversity and inclusion, the Board has delegated the remuneration strategy for our people to the Remuneration and People Committee. Additional oversight for Board and Executive terms and conditions is provided by the Nominations Committee, which is attended by the whole Board.

Wates principle	Definition	How we meet it
Stakeholder relationships and engagement	The Board Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	The Board has meaningful engagement with a range of stakeholders and has regard to their views in decision making. Our organisation meets with HM Treasury once or twice a month and with the wider regulatory family at least quarterly. The Chairman and other Non-Executive Directors attend the FCA Oversight Committee three times a year, alongside members of the Executive. The Chairman also attends Parliamentary Committees when invited – about twice a year on average. The Board acts on feedback and actively seeks opportunities to engage with all stakeholders. The Chairman and Executive have dedicated teams that support effective internal and external stakeholder engagement at all levels. We encourage feedback from, and regularly engage with, the authorised firms within our jurisdiction, industry steering groups, wider members of the regulatory family (such as the FCA and FSCS), and with politicians (through correspondence and attendance at Treasury Select Committee and House of Lords Financial Services Regulation Committee) and with HM Government. The Stakeholder and Regulatory Liaison team manages relationships with key external stakeholders in the regulatory family, as well as with trade bodies, charities, the advice sector and consumer groups. The Media team manages relationships with media organisations, to ensure our work is represented fairly in the media. Where necessary, they also contribute to briefings and crisis management. The Private Office handles case-related and other correspondence from complainants, MPs and other key stakeholders that is addressed to the CEO and/or Chairman. We take a proactive approach to helping to educate, support and empower our colleagues to thrive. The Executive and Board engage closely with staff by: • reading feedback from the monthly employee Information and Consultation Council meetings • visiting regional hubs • analysing the annual staff engagement survey • taking part in huddles, floor-walks, video blogs, senior leaders' meetings and engagement days, and • sending out intranet and email circulars

Performance evaluation

We follow good governance practice and periodically commission external Board effectiveness evaluations.

An external Board Effectiveness review was carried out by Liz Cross, Founder and Managing Director of The Connectives, and reported its findings in July 2023. Her evaluation was informed by a desk top review of relevant papers and documents, individual meetings with members of the Executive Management team and Non-Executive Directors, and attendance at the Board and Board sub-committee meetings to observe proceedings.

Overall, the review found a wide range of evidence to support the judgement of good Board effectiveness at the Financial Ombudsman. The review suggested triennial independent reviews as undertaken in most public service sectors, to be complemented by annual in-house reviews and appraisals.

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 Board is satisfied that it has acted in a way that is most likely to promote the success of the Financial Ombudsman in performing its statutory role. In doing so, they have had regard, amongst other things, to the following.

Sub-section of s.172 a-f	Intro and example detail	Where you can read more about this
The likely consequences of any decision in the long term	Through regular strategic work, such as strategy days and strategic plan reviews, as detailed in our statement of corporate governance arrangements, the Board takes account of how long-term decisions impact the service, its customers and stakeholders. We prioritise sustainable transformation and improvements, financial resilience, and stability – ensuring the organisation remains well-equipped to deal with future challenges, such as changes in complaint volumes or external shift in the political, legal or regulatory landscapes that may have an impact on the organisation.	Information about how we have set and progressed our strategic priorities can be found on page 12 of this report. Financial information and details of our reserves can be found on page 35.
The interests of the company's employees	Our people play a key role in our ability to deliver a high-quality service successfully. It is important therefore that they are updated regularly on matters affecting them, our work and the organisation, so that they share the strategic vision, our values and culture – as well as understand how we anticipate and deal with demand for our service. Through the communication and consultation methods outlined in our statement of corporate governance arrangements, we actively engage with our people, running initiatives to support them through change, as well as with their work life balance and wellbeing, learning and professional development.	'Our People' section outlines our internal communication, staff engagement and consultation activity for the year, and how we supported our people through change in 2023/24.

Sub-section of s.172 a-f	Intro and example detail	Where you can read more about this
The need to foster the company's business relationships with suppliers, customers and others	The Board believes in maintaining strong, open and transparent relationships with all our suppliers, customers, and stakeholders through the methods and channels we outline in our statement of corporate governance. We aim for high and ethical standards of business conduct and work hard to retain our reputation as a trusted and reliable organisation with fairness and equity at the heart of everything we do.	We share details of the way we engage and work with our customers, stakeholders, colleagues and suppliers throughout this report: • our customers and stakeholders on page 22 • 'Our People' section on page 26 • our suppliers on page 31
The impact of the company's operations on the community and the environment	We publish information, in this report and on our website, that outlines what social responsibility and sustainability means to us and how we will meet our commitments on four key principles.	We share information about our operational impact on page 30.
The desirability of the company maintaining a reputation for high standards of business conduct	Upholding high standards of business conduct is central to our operations. We strictly adhere to our policies on ethics, compliance, modern slavery, and corporate governance to ensure integrity in all our dealings. Training and monitoring help maintain these standards across the organisation.	We share information about our operational impact, including relevant corporate policies, on page 30.
The need to act fairly as between members of the company	We do not have shareholders because we are a non-profit private company limited by guarantee that is carrying out a statutory public function. Nevertheless, we ensure that our stakeholders and customers' best interests are at the forefront of all decision-making.	We set out how we consult and engage with stakeholders on page 22.

Throughout 2023/24, the Board has engaged with the above principles in a meaningful way through its monthly Board and sub-committee meetings, ensuring that all decisions are made with a balanced consideration of the interests of all stakeholders.

This approach is critical for promoting the long-term success of the Financial Ombudsman Service as an efficient and cost-effective forum for alternative dispute resolution.

Risk and assurance

Good risk management helps us meet our strategic objectives and deliver a better service.

Our Risk and Assurance team works with colleagues to identify risks, understand their potential causes and consequences, and agree actions to address them. This approach is underpinned by our organisational risk appetite, which:

- sets out the level of risk in different areas that the Board and Executive find acceptable, and
- highlights where we may have to make trade-off decisions

Risk framework

Our strategy and objectives

Our corporate risks are linked to our strategic objectives. Our risk management process helps us identify and put in place adequate controls. We use several mechanisms to ensure we are addressing the biggest risks to our strategy and objectives.

- **Risk identification:** with the Executive Team and Board in annual sessions and as required elsewhere.
- **Risk analysis:** to explore what might cause each risk to occur, how likely it is to occur, and the potential impact it might have on our objectives.
- **Risk response:** identifying how to make a risk less likely or reduce its impact before deciding our response.
- **Review and resolution:** to decide our tolerable risk according to our organisation's wider risk appetite and further actions we can take.

Our top risks

We tracked eight top risks throughout 2023/24 with different degrees of progress made on bringing the level of risk exposure in line with our risk appetite (see next page).

Looking ahead to 2024/25, a key challenge will be around the much-increased volume of complaint activity we saw signs of in Q4 2023/24. We will need to continue to deliver on efficiency improvements, and be able to recruit efficiently for the skills needed, to meet our target service standards.

Our top risks in 2023/24

Risk: H High M Medium L Low
Risk appetite: Above Within Below

Risk	Risk movement and rationale
Service standards **Strategy area:** Customers, 'Better outcome or better informed'; our service is accessible and easy to use **Risk:** If we do not maintain clear standards and focus on the quality of our service – including the fairness of our answers and how we meet customer needs – we may not maintain confidence in our service	M Risk reduced to medium at year end Within our risk appetite at year end Timeliness improved and confidence above target We improved accountability for service delivery by setting up our new directorate structure in operations and setting out clear service standards. To support improved performance, we set clearer expectations around performance management, supported by a range of new tools – including auto allocation and Activity Based Management – so we could better monitor progress and identify areas for more focus. We also resolved several policy issues that were preventing progression of groups of complaints. These measures meant that by year end we had improved our timeliness while retaining our quality, though an increased forward demand challenge was starting to become evident which could see the risk increase above appetite again.
Funding regime **Strategy area:** Value for money **Risk:** If we cannot demonstrate value for money by reducing our cost per case while maintaining the quality of our service, we may lose support for the funding we need	H Risk reducing but remains at high Above our risk appetite at the year end The transformation programme, and other initiatives, needs to fully deliver the efficiencies and savings planned over the three-year period Our restructure enabled us to identify and address areas where costs could be reduced, and objectives could be delivered more efficiently. We improved our controls around expenditure through the establishment of an Executive investment committee and commenced a Zero-Based Budget initiative which started to deliver savings in 2023/24. We were able to lower both our case fee and levy to industry for the 2024/25 financial year, due to our cost per case being on a declining trajectory and the high level of reserves currently held. Plans to continue to reduce the risk in 2024/25 centred on improved benefits tracking of transformation activity and an enhanced approach to contract management and deal shaping to achieve value for money on major contracts.

Risk	Risk movement and rationale
Employee proposition **Strategy area:** Our people, professional expertise **Risk:** Our employee proposition may be insufficient to recruit and retain the calibre of staff we need to deliver on our strategic priorities	H Risk remains at high Within our risk appetite at year end, but aiming to reduce risk further during 2024/25 Good engagement and retention of employees, but significant future scaling challenge We were able to recruit casework roles successfully through a new regional hub model. Many promotion opportunities became available to existing staff through our restructure. We refreshed our approach to pay and grading to ensure consistency, fairness and to provide clarity around progression. Attrition was below target. Key priorities for 2024/25 are to make enhancements to our recruitment processes and develop career pathways.
Engagement and adoption **Strategy area:** Our people **Risk:** If colleagues do not understand and support the case for change, we may not be able to successfully adopt the changes and realise the planned benefits	H Risk remains at high Within our risk appetite at year end but aiming to reduce risk further in 2024/25. Further changes to processes, systems and tooling planned for 2024/25 We delivered a comprehensive programme of employee engagement at all levels, including communicating our refreshed strategy, values and transformation initiatives. We used our employee council (ICC) extensively to gain feedback and help minimise risks of lack of understanding. Staff engagement, as measured by our independently run surveys, remained pleasingly high given the level of change in the organisation during the year. However, the amount of change that we are asking our employees to adopt is high, and there are many change activities that need to be carefully sequenced and effectively executed to deliver target outcomes in line with our strategy. We will continue to focus on explaining the benefits of planned change to our people into 2024/25.
Transformation capabilities **Strategy area:** Value for money; our digital journey **Risk:** If we do not have well resourced, highly capable transformation capabilities that work in a coordinated way, we will not deliver our ambitious transformation plans which will result in an inefficient and less effective service	M Risk reduced to medium Within risk appetite and at target level at year end Investment in transformation team capability and capacity In addition to the enhanced governance now in place for investment decisions and cost management, we conducted a skills review covering our change management capabilities. A restructure and recruitment of unfilled roles followed to ensure we have the appropriate level of skills, experience and capacity to manage our investment programme effectively. At year end, the team was largely established with improvements also made to our portfolio, programme and project management processes. Other areas of risk we will continue to address in 2024/25 include delivering on planned benefits from transformation activity and ensuring engagement and adoption by end users supports this.

Risk	Risk movement and rationale
Online portal **Strategy area:** Our digital journey **Risk:** If we do not successfully and safely launch our online portal, we will miss opportunities to provide better customer service and enhance efficiency, and may lose the confidence of our stakeholders	H Risk remains at high Above our risk appetite target at year end Whilst there have been delays with implementing the portal, which delays delivering efficiencies and an improved customer experience, our core activity can continue without it in place Our plan to deliver a digital portal was significantly delayed in 2023/24. We commissioned an external delivery assurance partner to provide an independent view of challenges and provide recommendations on how to best mitigate. We operated enhanced Executive and Transformation Committee oversight to ensure status was always clear along with any decisions that needed to be made, plus tight contract and project management to keep costs under control. At year end, a revised plan for delivery in 2024/25 was in place.
Secure and resilient systems **Strategy area:** Our data **Risk:** If our systems are not secure and resilient, we may suffer unplanned outages or suffer a cyber-attack – which could significantly impact our customers, staff or our ability to deliver our statutory purpose	H Risk remains at high Above our risk appetite at year end There will always be a high inherent level of cyber-security risk, but we can further mitigate it with appropriate measures in place In addition to our existing measures (threat mitigation, penetration testing, vulnerability management, timely patching etc) we undertook detailed threat analysis to support our plans for implementing a Security Operations Centre, which will provide enhanced security tooling and 24/7 monitoring – due to be fully implemented in 2024/25.
External environment **Strategy area:** Improved financial services **Risk:** If we cannot swiftly identify and respond to changes in our external environment, we may not shape the agenda or have the appropriate operational capacity in place. This may result in us either not achieving our statutory objectives or having changes imposed on us	H Risk remains at high Above our risk appetite at year end Tolerable risk level reduced from high to medium in 2024/25 We refreshed our Executive Policy committee members and terms of reference. We brought together more internal and external insight and put in place clearer organisation ownership of policy and established a new Stakeholder and Regulatory Liaison team. We continued to work with the regulatory family through the Wider Implications Framework and improved our links into key external bodies, providing opportunities for early discussion of key issues. Nevertheless, there remains a high level of emerging issues and considerations in the financial services ecosystem that could have significant impact on our ability to fulfil our statutory purpose and/or provide our target customer experience. In 2024/25 we will continue to work on embedding agreed engagement strategies within our casework directorates, to ensure we are addressing external changes well.

Risk and assurance process: key improvements

In the first part of 2023/24, we focused on ensuring our risk analysis was reflective of our new structure and priorities, while deepening the reach of our risk framework. Our focus for 2024/25 is to further build on this so that we continue to mature the risk and assurance process within our organisation.

Key improvements in 2023/24	2024/25 plans for further improvement
Deeper risk identification and analysis with new Executive Team Restructured the risk schedules for enabling functions and newly created areas – in particular, our new operational casework directorates	Implementing and embedding a risk partnering approach with each functional area – to better understand and support active risk management in different areas
Tracked risks owned by the teams who were disbanded as part of the restructure, to ensure continued ownership	Deep dives on challenging areas of risk using bowtie methodology to draw out more clearly: • key causes • preventative actions • impacts and mitigations
Worked closely with our new in-house Internal Audit team to exchange insights	Procuring and implementing tooling to enhance our approach to risk management, jointly with our Internal Audit team
Developed a framework for implementing key risk indicators (KRIs) with a more objective measurement of our risk exposure	Developing KRIs to support our judgements and action-planning in relation to top risks

The Independent Assessor

Our Independent Assessor (IA) considers complaints from consumers and businesses about the level of customer service we have provided – such as complaints about delays or whether the tone in correspondence issued was appropriate. The IA cannot comment on whether it was right for us to uphold or reject a consumer's complaint about a business.

The IA is appointed directly by the Board, and the role is governed by formal terms of reference. The current IA, Dame Gillian Guy CBE, was appointed in October 2020 and her term renewed in October 2023.

The IA regularly meets:

- the Chairman of the Board and the Chief Executive and Chief Ombudsman
- members of the Executive Team and senior managers responsible for customer service, and
- relevant staff from the Financial Ombudsman

This allows her to discuss the themes and insights from cases she sees, lessons to be learned and actions to help improve service.

The Financial Ombudsman received 3,401 service complaints in 2023/24, which represents 1.8% of the 192,077 cases that we resolved. The Independent Assessor reviewed 522 cases where the complainant referred their complaint to her. Dame Gillian made recommendations on 38% of the complaints she reviewed, which was 2% lower than the previous year. The largest area of complaint by customers (42%) was around 'outcome'.

Dame Gillian found that in 95% of cases, where she classified a case as unsatisfactory, this was due to failures in standards of service or communication. Key recommendations included that the Financial Ombudsman Service should enhance its use of internal case tracking tools to ensure appropriate case progression, to improve service standards; and for communication improvement, to ensure customers were kept up to date on case progression and any delays.

Dame Gillian's feedback is always valuable, and we have accepted all her recommendations this year. We've also implemented several measures including:

- creating a new dedicated Customer Complaints team to proactively work with customers to resolve their complaints and provide enhanced support, guidance, and training for casework colleagues
- improved our management information, insight and reporting, to enable leaders to better understand key drivers behind complaints
- proactively contacting customers with older cases, to address service concerns
- improving how we support customers with accessibility and vulnerability needs by investing in the development of our people's skills. This comprehensive training programme is being delivered throughout 2024/2025 In partnership with the Money Advice Trust
- undertaking an internal audit of our service complaints arrangements, which highlighted structural and process changes we could make to improve. These recommendations are being taken forward

Wider digital and process improvements we've made are targeted at improving case progression, helping our people focus on resolving customer cases quickly and providing clear reasoning for our decisions – as well as improving the way customers can interact with our service through channels which work for them. These changes will improve the service we offer our customers.

You will find both the Independent Assessor's annual report and our Management response on our website.

Internal audit

Internal audit provides assurance on the Financial Ombudsman Service's governance, risk management and internal controls.

The internal audit service comprises the Head of Internal Audit and in-house team, supported by an outsourced internal audit provider. The Head of Internal Audit has direct rights of access to the Chair of the Board, the Audit, Risk and Compliance Committee Chair and the Chief Executive. The Head of Internal Audit participates in every Audit, Risk and Compliance (ARAC) Committee meeting to update on the plan and report on key controls, and briefs the Board twice a year on key trends and findings arising from the audit work.

Internal audit completed a risk-based internal audit programme for 2023/24 in compliance with the Internal Audit Charter and the Public Sector Internal Audit Standards. The scope of the programme included assurance on financial, operational and programme controls, including early engagement in new and developing activities across the Financial Ombudsman Service. Audit work is supplemented with regular checks and reporting on the implementation of internal audit recommendations. The Head of Internal Audit's 2023/24 annual internal audit opinion provided a 'moderate' assurance on governance, risk management and internal controls, as some improvements are required to enhance the adequacy and effectiveness of governance, risk management and internal controls.

External audit

The Comptroller and Auditor General, Head of the National Audit Office (NAO), was appointed as our external auditor by the Financial Services and Markets Act 2000. The NAO liaises directly with internal audit as appropriate. The NAO attends the ARAC meetings and has direct access to the Chair of the ARAC to discuss financial reporting matters.

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, Risk and Compliance Committee, the Chair of the Remuneration Committee, the Chair of the Transformation Committee, the Chair of the Quality Committee (to 31 March 2023 only) and the Senior Independent Director. Fees paid to Non-Executive Directors will remain unchanged in 2024/25. 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* (fees are audited)

Board member	Note	Total fees for year ended 31/03/24	Expenses** for year ended 31/03/24	Total fees for year ended 31/03/23	Expenses for year ended 31/03/23
Baroness Zahida Manzoor		£75,000	£1,073	£75,000	£837
Bill Castell		£24,500	£450	£24,500	£190
Sarah Lee	1	£24,500	£157	£29,500	-
Jacob Abboud	2	£29,500	£200	£29,500	-
Ruth Leak	3	£24,500	£3,928	£29,500	£2,898
Nigel Fretwell	4	£29,500	£1,116	£29,500	£746
Shrinivas Honap	5	£29,500	£1,708	£29,500	£1,664
Total		**£237,000**	**£8,632**	**£247,000**	**£6,335**

* 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 (not all Directors live local to London) and have been properly incurred. Expenses reflect amounts actually incurred. Additional associated income tax and National Insurance liabilities are paid over in line with HM Revenue and Customs guidelines.

Notes

1. Sarah Lee's fee for 2022/23 includes an additional fee as the Senior Independent Director.
2. Jacob Abboud's fee includes an additional fee for chairing the Transformation Committee.
3. Ruth Leak left the Board when her term expired on the 31/03/24. Her fee for 2022/23 includes an additional fee for chairing the Quality Committee. The Quality Committee ceased to operate from 1 April 2023.
4. Nigel Fretwell's fee includes an additional fee as Senior Independent Director and for chairing the Remuneration Committee.
5. Shrinivas Honap's fee includes an additional fee for chairing the Audit, Risk and Compliance Committee.

Our Independent Assessor, Dame Gillian Guy, was paid at a rate of £106,500 for four days a week (2022/23: £106,500). During the period, she received pension contributions of £12,780 (2022/23: £12,780) and other benefits amounting to £2,359 (2022/23: £3,086).

Executive remuneration

The remuneration packages for members of the Executive Team comprise base salary, an executive bonus (up to 5% of salary), pension scheme, flex benefit allowance and an enhanced benefits package.

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 pensionable salary. For employees who choose to do this, the employer makes a matched contribution to the scheme of 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. There are further details about the cost of the pension scheme in note 22 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. These 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 salary sacrifice benefits available under the flexible benefit plan.

Remuneration and benefits for the Executive Team (audited)

Executive Team member	Notes	Salary	Bonus*	Pension**	Taxable benefits***	Total for year ended 31/03/24	Total for year ended 31/03/23
Abby Thomas	1	£286,659	£10,920	£42,000	£1,183	£340,762	£160,994
James Dipple-Johnstone	2	£185,309	£7,020	£21,600	£2,855	£216,784	£103,338
Karl Khan	3	£185,055	£7,020	£27,000	£3,110	£222,185	£105,738
Jenny Simmonds	4	£184,610	£7,020	£21,600	£2,797	£216,027	£49,954
Jane Cosgrove	5	£184,610	£7,020	£27,000	£2,797	£221,427	£40,031
Owen Brace	6	£99,507	£1,571	£13,566	£849	£115,493	-
Yvette Bannister	7	£127,974	£1,685	£18,373	£2,871	£150,903	£143,764
Nicola Wadham	8/15	£185,441		£8,436	£1,156	£195,033	£196,748
Julia Cavanagh	9/15						£61,805
Caroline Nugent	10/14/15						£214,009
Rae Stewart	11						£34,614
Colin Douglas	12						£119,416
Carys Williams	13						£112,731
Total		**£1,439,165**	**£42,256**	**£179,575**	**£17,618**	**£1,678,614**	**£1,343,142**

* Bonus comprises amounts accrued at 31 March 2024 in respect of both the executive and staff bonus schemes. Owen Brace and Yvette Bannister are in the staff bonus scheme, not the executive bonus scheme.

** 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 described above.

*** Taxable benefits represent the gross (pre-tax) value of benefits, whether cash or non-cash, that UK income tax is charged on. The figures in this column include certain employee benefits taken up by Executive Directors, as explained in the 'Other benefits' section above this table.

Notes

1. Abby Thomas took up the position of Chief Executive and Chief Ombudsman on 3 October 2022.
2. James Dipple-Johnstone took up the position of Deputy Chief Ombudsman on 3 October 2022.
3. Karl Khan took up the position of Chief Operating Officer on 3 October 2022.
4. Jenny Simmonds took up the position of Chief Finance and Risk Officer on 5 January 2023.
5. Jane Cosgrove took up the position of Chief People Officer on 23 January 2023.
6. Owen Brace took up the position of Director of Communications on 3 July 2023. His full year equivalent salary is £130,000.
7. Yvette Bannister is contracted to work for a four-day week. Her annual FTE salary is £154,975.
8. Nicola Wadham left the Financial Ombudsman on 18 August 2023. Her salary for 2023/24 included leaving payments totalling £111,808 which comprised £39,231 redundancy and £72,577 pay in lieu of notice.
9. Julia Cavanagh left the Financial Ombudsman on 19 June 2022.
10. Caroline Nugent left the Financial Ombudsman on 30 September 2022. Her salary for 2022/23 included leaving payments totalling £97,971 which comprised £60,000 for loss of office, £37,971 redundancy and £42,507 for a period of gardening leave which commenced on 28 June 2022.
11. Rae Stewart left the Financial Ombudsman on 30 June 2022.
12. Colin Douglas left the Financial Ombudsman on 20 January 2023.
13. Carys Williams left the Financial Ombudsman on 7 October 2022.
14. Executive Directors are required to seek approval for, and declare, any other non executive positions they hold. Caroline Nugent was on the Board of the Chartered Institute of Personnel and Development (CIPD) until her date of leaving; and this was a non-fee-paying position.
15. Julia Cavanagh, Caroline Nugent and Nicola Wadham elected to allocate £10,000 per annum of the employer pension contribution into the pension scheme. The remaining employer contribution was paid as a non-pensionable cash supplement. The combined value of these amounts pro rata is calculated as 13% of the pensionable salary. Both amounts are included under 'Pension' in the table above.

Executive Team interim appointments (audited)

Chandra Hirani took up the position of interim Chief Financial Officer on 1 June 2022 until 4 January 2023 and was paid an acting up allowance at a rate of £20,000 per annum. Total paid in the year to 31 March 2023 was £13,282.

Becky Willis took up the position of interim HR Director on 15 March 2022 until 22 January 2023 and was paid an acting up allowance at a rate of £20,000 per annum. Total paid in the year to 31 March 2023 was £19,251 which included £914 paid in April 2022 in respect of March 2022.

Phillipa Cook took up the position of interim Director of Communications on 23 January 2023 until 2 July 2023 and was paid an acting up allowance at a rate of £20,000 per annum. Total paid in the year to 31 March 2024 was £6,668.

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 2022/23 amounted to £199,800.

Simone Ferreira joined the Executive Team as Interim Chief of Staff on secondment from the Financial Conduct Authority on 16 August 2021. She left the Financial Ombudsman on 31 March 2023. Fees payable to the Financial Conduct Authority for 2022/23 amounted to £273,360.

Executive Team contractors (audited)

Rick Farrow joined the Executive Team as Interim IT Delivery Director on 2 October 2023, initially as a third-party contractor until 5 April 2024, and was then employed on a fixed-term contract from 6 April 2024 to 11 October 2024 at a salary of £150,000 per annum. Costs as a contractor for 2023/24 amounted to £156,948 including agency fees and VAT.

Executive Team expenses

Expenses incurred by, or on behalf of, members of the Executive Team				
Executive Team member	**Travel**	**Accommodation and subsistence**	**Professional subscriptions**	**Total for year ended 31/03/24**
Abby Thomas	£878	£449	-	£1,327
James Dipple-Johnstone	£1,187	£1,135	-	£2,322
Jane Cosgrove	£297	£317	£232	£846
Jenny Simmonds	£207	£484	£450	£1,141
Karl Khan	£1,083	£1,900	-	£2,983
Owen Brace	£584	£75	-	£659
Nicola Wadham	£95	£187	-	£282
Yvette Bannister	-	£147	£337	£484
Total	**£4,331**	**£4,694**	**£1,019**	**£10,044**

Expenses incurred by, or on behalf of, Executive Team interim appointments*				
Executive Team member	**Travel**	**Accommodation and subsistence**	**Professional subscriptions**	**Total for year ended 31/03/24**
Phillipa Cook	£63	£127	-	£190
Total				

* Expenses incurred during the interim appointment period only.

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 does not include compensation for loss of office either.

The remuneration of the highest-paid Director in the financial year 2023/24 was an annual rate of £287,842 (2022-23, actual £283,780). In 2023/24, zero (2022/23, zero) employees received remuneration in excess of the highest-paid Director. Remuneration ranged from £22,153 to £287,842 (2022/23, £21,936 to £283,780).

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
2023/24	7.76	6.50	4.39
2022/23	7.55	6.46	4.52

* 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 total workforce (excluding highest-paid Director*)

	25th percentile		Median – 50th percentile*		75th percentile*	
Year	Total Pay and benefits	Salary component of pay and benefits	Total Pay and benefits	Salary component of pay and benefits	Total Pay and benefits	Salary component of pay and benefits
2023/24	£37,097	**£33,115**	£44,313	**£44,000**	£65,250	**£65,250**
2022/23	£37,611	**£33,000**	£43,925	**£43,925**	£62,750	**£62,750**

* For 2023/24 the figures shown for the 75th percentile relate to contingent workers who do not receive any employment benefits (2022/23: 50th and 75th percentiles).

Average percentage change in the remuneration of the total workforce from 2022/23 to 2023/24 (excluding highest-paid Director*)		Percentage change in the remuneration of the highest-paid Director* from 2022/23 to 2023/24	
Salary and allowances	Performance pay and bonuses	Salary and allowances	Performance pay and bonuses
2.49%	(8.87%)	1.43%	n/a – Nil in 2022/23

* The Chief Executive Officer was the highest-paid Director during the year in 2022/23 and 2023/24. The basic pay for the Chief Executive Officer did not increase from 2022/23 to 2023/24. The increase in total pay is primarily due to a bonus for 2023/24 whereas there was no bonus for 2022/23.

The changes in the pay ratios compared to the previous year are consistent with our expectations and reflect the application of our Recognition and Reward Policy.

The increase in salary and allowances is due to the pay increase in 2023/24 offset by the impact of not paying a cost-of-living payment in 2023/24 (a one-off cost of living payment of £1,000 was paid to employees earning below £50,000 in 2022/23). The decrease in performance pay and bonuses is due to a lower bonus paid in 2023/24 compared to 2022/23.

Exit packages (audited)

Exit packages by cost band	2023/24 number (redundancy – compulsory*)	2023/24 number (other**)	2022/23 number (redundancy – compulsory*)	2022/23 number (other**)
Less than £2,000	1	15	-	17
£2,001 to £5,000	5	10	-	10
£5,001 to £10,000	25	6	2	3
£10,001 to £25,000	125	11	4	6
£25,001 to £50,000	29	4	-	2
£50,001 to £100,000	1	2	2	-
£100,001 to £125,000	2	1	2	-
Total	188	49	10	38
Total payments (£)	**£3,609,933**	**£664,944**	**£464,728**	**£225,455**

* Compulsory redundancy payments include any associated payments, for example, pay in lieu of notice.

** 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 in 2023/24. Amounts totalling £61,747 have been provided for at 31 March 2024 for leavers in 2024/25 (31 March 2023: £3,642,257 for leavers in 2023/24).

The highest payment made during the year was £112,654 (2022/23: £122,062). The total charged within the financial statements for 2023/24 relating to exit packages is £748,602 (2022/23: £4,332,440).

Statement of responsibilities and disclosure of information to auditors

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 surplus or deficit 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 Ombudsman has statutory powers granted under the Financial Services and Markets act 2000 to raise fees on an annual basis to finance its operations, subject to approval by the FCA.

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 2024/25 which show year-end reserves of £103m and £140m in the bank at 31 March 2025. These surplus reserves, along with the statutory powers to raise further funding if required, mean that the financial statements have accordingly been prepared under the going concern accounting convention.

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 whether the court rules in their favour or not.

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
- 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

Jenny Simmonds
Company Secretary

2 December 2024

The Certificate and Report of the Comptroller and Auditor General to the members of the Financial Ombudsman Service Limited and 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 2024 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 2024;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity 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 the 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 2024 and its surplus 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 HMT directions issued 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 (UK) (ISAs (UK)), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 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.

My evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included consideration of the Financial Ombudsman Service's funding arrangements and assessment of whether any conditions exist which may cast significant doubt on its ability to continue to operate.

My key observations were that funding is secured by statutory fees and levies raised by the Financial Ombudsman Service, or via the Financial Conduct Authority, and that no events or conditions exist which may cast significant doubts on its ability to continue operations. This includes HM Government's announcement after the reporting date but before the issue of these financial statements on the future role of the Financial Ombudsman Service and the scheme it operates.

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 certificate.

Other information

The other information comprises the information included in the Annual Report but does not include 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.

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 HM Treasury directions issued under the Financial Services and Markets Act 2000.

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

- 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; and
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

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 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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Financial Ombudsman Service from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006 and are in accordance with the accounts direction given by HM Treasury under the Financial Services and Markets Act 2000;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, in accordance with the Companies Act 2006 and accounts direction given by HM Treasury under the Financial Services and Markets Act 2000; and
- 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, 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 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Financial Ombudsman Service's accounting policies, key performance indicators and performance incentives.
- inquired 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 on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of 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 compliance with the Companies Act 2006 and the Financial Services and Markets Act 2000.
- inquired of management, the Financial Ombudsman Service's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant external specialists, including actuarial experts 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, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Financial Ombudsman Service's framework of authorities and other legal and regulatory frameworks in which the Financial Ombudsman Service operates. I focused 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 employment, pensions and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit, Risk and Compliance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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 expenditure and income 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
7 December 2024

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 2024

	Notes	31/03/24 £000	31/03/23 £000
Continuing operations			
Revenue	4	**250,872**	246,297
Administrative expenses	5	**(222,055)**	(230,817)
Operating surplus		**28,817**	15,480
Finance income	6	**10,925**	5,019
Finance costs	6	**(1,729)**	(1,576)
Surplus before income tax		**38,013**	18,923
Corporation tax expense		**(2,377)**	(709)
Surplus for the year from continuing operations		**35,636**	18,214

Statement of other comprehensive income for the 12 months ended 31 March 2024

	Notes	31/03/24 £000	31/03/23 £000
Surplus for the year		**35,636**	18,214
Other comprehensive (expense):			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	22	**(2,785)**	(1,935)
Total other comprehensive (expense)		**(2,785)**	(1,935)
Total comprehensive income for the year		**32,851**	16,279

All operations are continuing.

Statement of changes in equity

	Notes	31/03/24 £000	31/03/23 £000
Accumulated surplus brought forward		**125,488**	109,209
Surplus for the year		**35,636**	18,214
Total other comprehensive (expense) for the year		**(2,785)**	(1,935)
Accumulated surplus carried forward		**158,339**	125,488

Statement of financial position as at 31 March 2024

	Notes	31/03/24 £000	31/03/23 £000
Non-current assets			
Property, plant and equipment and right of use assets	9	**20,967**	25,620
Intangible assets	10	**4,287**	4,205
Trade and other receivables	11	**1,280**	641
		26,534	30,466
Current assets			
Trade and other receivables	11	**37,778**	37,153
Short-term deposits	12	**68,000**	57,000
Cash and cash equivalents	13	**153,607**	145,692
		259,385	239,845
Total assets		**285,919**	270,311
Current liabilities			
Trade and other payables	14	**101,467**	112,906
Lease liabilities	15	**4,708**	4,697
Provisions for other liabilities and charges	17	**932**	4,065
Current corporation tax liability		**1,300**	469
		108,407	122,137
Non-current liabilities			
Trade and other payables	14	**261**	324
Lease liabilities	15	**13,508**	18,212
Provisions for other liabilities and charges	17	**3,663**	3,584
Net pension liability	22	**1,741**	566
		19,173	22,686
Total liabilities		**127,580**	144,823
Total equity			
Accumulated surplus		**158,339**	125,488
Total equity and liabilities		**285,919**	270,311

The notes on pages 72 to 95 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 70 to 71 were approved by the Board of Directors on 2 December 2024, and are signed on behalf of the Board of Directors by:

Z. Manzoor

The Baroness Zahida Manzoor CBE
Chairman
2 December 2024

Company number: 03725015

Statement of cash flows for the 12 months ended 31 March 2024

	Notes	31/03/24 £000	31/03/23 (restated)* £000
Cash flows from operating activities			
Cash inflow from operations		**18,028**	57,189
Corporation tax paid		**(1,546)**	(344)
Net cash inflow from operating activities		**16,482**	56,845
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(14)**	(277)
Purchase of intangible assets	10	**(1,111)**	(2,340)
(Increase) in short-term deposits	12	**(11,000)**	(42,000)
Interest received		**9,051**	3,125
Net cash (used in) investing activities		**(3,074)**	(41,492)
Cash flows from financing activities			
Lease liability payments – principal	15	**(5,493)**	(6,779)
Movement in long-term borrowings		**-**	-
Net cash (used in) financing activities		**(5,493)**	(6,779)
Net increase in cash and cash equivalents	13	**7,915**	8,574
Cash and cash equivalents at beginning of the year	13	**145,692**	137,118
Cash and cash equivalents at end of the year	13	**153,607**	145,692

* These prior year figures have been restated by an immaterial amount to enable a more appropriate comparison to those presented in the current financial year.

Notes to the statement of cash flows for the 12 months ended 31 March 2024

	Notes	31/03/24 £000	31/03/23 (restated*) £000
Surplus for the year from operations before financing and corporation tax		**28,817**	15,480
Adjustment for:			
Depreciation – property, plant and equipment and right of use assets	9	**5,890**	7,493
Amortisation – intangible assets	10	**444**	205
Impairment – intangible assets	10	**960**	-
Reclassification – property, plant and equipment and right of use assets	9	**-**	23
Loss on disposal of tangible assets	9	**8**	95
Loss on disposal of intangible assets	10	**9**	-
(Decrease)/increase in provisions		**(4,009)**	2,399
Defined benefit pension costs	22	**(1,600)**	(1,600)
Changes in working capital			
(Increase) in receivables		**(691)**	(8,464)
(Decrease)/increase in payables		**(11,800)**	41,558
Cash inflow from operations		**18,028**	57,189

* These prior year figures have been restated by an immaterial amount to enable a more appropriate comparison to those presented in the current financial year.

Notes to the financial statements for the 12 months ended 31 March 2024

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 consist of our Non-Executive Directors who 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 Articles 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. Material 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 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 a 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)

The Financial Ombudsman considers the performance obligation for the annual levy to be the provision of a dispute resolution service to firms within its jurisdiction. For both jurisdictions, performance obligations are satisfied over the course of the year during which the regulated activity takes place. Levy income is recognised over the same year. The Financial Conduct Authority collects the compulsory jurisdiction levy on behalf of the Financial Ombudsman. Levies due from large firms are invoiced on account, in advance of the financial year to which they relate, typically in February. The remainder of the firms, along with any on account true-ups are invoiced between July and October. Payment terms are 30 days.

Group fees

Group fees are calculated as an annual charge for each group (see page 36) 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 performance obligation for each group fee arrangement is therefore the resolution of a specified volume of dispute cases. The group fee mechanism makes provision for a year-end adjustment if a group's casework resolutions are 5% higher or lower than the original estimate for any individual group. The impact on revenue of this adjustment is recognised in the year over which the related services are provided. Group fees are invoiced quarterly in advance, payment terms are 30 days. When required, the refund or additional amount due following the year-end adjustment is invoiced or credited in the following year.

Standard case fees

For the years 1 April 2022 to 31 March 2024 businesses that fall outside the group fee arrangement were required to pay a standard case fee of £750 upon closure of the fourth chargeable complaint referred for investigation to the Financial Ombudsman and each subsequent complaint in any one financial year.

Case fees become chargeable when we convert a case. We recognise the revenue when we have met our performance obligation of issuing a view and then bill the case in the month after the case has been closed. Payment terms are 30 days.

IFRS 15 dictates that revenue should be recognised once performance obligations have been satisfied – as such, a year-end adjustment is made to revenue to reflect fees for cases where our performance obligations have been met, but we have not billed.

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

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 within the surplus or deficit for the year.

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.

The current property leases relate to two buildings partly occupied by the Financial Ombudsman, Exchange Tower in London and Friargate in Coventry. Various floors were exited in the year, see note 19 for more detail. The Financial Ombudsman also leases items of equipment, all with terms of under five years.

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 72 to 95.

Disclosure	Notes
The nature of our leasing activities	2, 19
Calculation of discounted cash flows	3
Movement in right of use assets	9
Movement in lease liabilities	15
Maturity analysis of contracted undiscounted lease liabilities	15
Dilapidation provisions	17
Lease commitments	19

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 criteria are met.

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.

The assets are valued at their historic cost less amortisation and, where applicable, impairment. The 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 5 years
Internally generated software	Over 3 to 5 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.

Financial instruments

Trade receivables

Trade receivables are recognised initially at amortised cost. The Financial Ombudsman has applied the simplified approach to impairment of financial assets by providing for expected credit losses on trade receivables as described by IFRS 9. This requires the use of lifetime expected credit loss provisions for all trade receivables.

These provisions are based on an assessment of risk of default and expected timing of collection, estimated by reference to past default experience, adjusted as appropriate for current observable data. Trade receivables are reviewed periodically, and specific allowances are made where evidence indicates that an outstanding debt has become uncollectable. Allowance losses are recorded within administrative costs in the statement of comprehensive income.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

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

IFRS 16 (Leases) 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 provisions for dilapidations and restructuring (see note 17). 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 errors

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

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 £Nil (2023: £2,020k) (see note 10) have been capitalised as additions during the year. 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.

Leases – as outlined in IFRS16, 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 requires one to assume 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. There are no further break options in the remaining leases.

Management conducted an assessment of each lease considering the prevailing conditions, i.e. future demand for our services, 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 2023/24. Management will conduct a similar lease assessment exercise to look at our position each year with the next dilapidations review due in early 2027.

The majority of the property leases contain provisions for rent reviews. The lease liabilities include the impact of all rent increases agreed as part of rent reviews which took place in the current and prior years. The final rent review effective from 31 August 2024 confirmed the current rent would remain unchanged for the remaining period of the leases.

The Financial Ombudsman uses the Public Works Loan Board (PWLB) Standard rates to calculate the discounted cash flows on the remaining lease terms. Rates are set using the prevailing rate at commencement of a lease and only reassessed if required to by IFRS16.

The Financial Ombudsman believes PWLB 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.

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 22) 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.

4. Revenue

	Notes	31/03/24 £000	31/03/23 £000
Annual levy		**110,884**	107,530
Standard case fees			
Gross fees		**89,219**	79,788
Movement in credit note provision		**(69)**	(185)
Movement in general casework stock		**1,138**	256
Group fees			
Gross fees		**49,568**	58,625
Other income		**132**	283
		250,872	246,297

5. Administrative expenses

5.1. Expenses by nature	Notes	31/03/24 £000	31/03/23 (restated*) £000
Staff payroll costs	7	**138,880**	151,495
Contractor and temporary staff costs**		**41,587**	35,889
Other staff costs		**1,777**	2,430
Consultancy and other professional costs		**2,139**	699
Lease rentals		**1,073**	1,082
Other premises and facilities costs		**6,983**	7,398
IT managed services		**2,928**	3,461
Project costs		**5,148**	6,391
Software licences, maintenance, and other IT costs		**13,119**	12,816
Depreciation and amortisation	9, 10	**6,334**	7,698
Loss on disposal of fixed assets	9, 10	**17**	95
Impairment of fixed assets	10	**960**	-
Bad debts		**184**	209
Other costs		**811**	1,039
		221,940	230,702

* Contractor and temporary staff costs have been reduced by £781k and Project costs have been increased by £781k to align with FY23/24 categorisation

** Contractor and temporary staff costs are shown net of £1,261k costs capitalised as internally generated software costs (2023: £988k). Transformation/restructuring costs of £7,728k (2023: £8,048k) are included within this table but are excluded from our cost per case calculation. More detail can be found on page 38.

5.2. Auditors' remuneration	Notes	31/03/24 £000	31/03/23 £000
External audit fee			
National Audit Office		**115**	115
Total of notes 5.1 and 5.2		**222,055**	230,817

The National Audit Office has not provided any other services to the Financial Ombudsman other than external audit.

6. Finance and income costs

	Notes	31/03/24 £000	31/03/23 £000
Finance income			
Bank interest		**9,624**	3,946
Interest on net defined benefit asset	22	**1,301**	1,072
Interest from sub-lease		**-**	1
Total finance income		**10,925**	5,019
Finance costs			
Interest on lease liabilities		**(438)**	(516)
Interest on net defined benefit liability	22	**(1,291)**	(1,058)
Other interest payable		**-**	(2)
Total finance costs		**(1,729)**	(1,576)
Net finance income		**9,196**	3,443

7. Employees

7.1. Employee benefit expense	Notes	31/03/24 £000	31/03/23 £000
Payroll costs			
Wages and salaries		**100,318**	102,941
Overtime and queue reduction schemes		**2,446**	5,670
Staff Bonus Scheme		**3,854**	5,200
Leaving payments		**706**	4,317
Social security costs		**11,752**	13,154
Apprenticeship levy		**526**	541
Other employer's pension costs – money purchase scheme	22	**12,969**	12,956
Flexible benefit costs		**6,396**	6,824
Staff costs capitalised as internally generated software costs		**(87)**	(108)
		138,880	151,495
Other employer's pension costs – defined benefit scheme			
Included in interest payable	22	**1,291**	1,058
Total employment costs		**140,171**	152,553

7.2. Monthly average number of people employed	Notes	31/03/24 number	31/03/23 number
Ombudsmen		**357**	354
Case-handlers		**1,207**	1,371
Other		**799**	757
		2,363	2,482

8. Board remuneration

The Board consists entirely of Non-Executive Directors. Board remuneration payable to Directors during the year amounted to £237,000 (2023: £247,000). The Chairman, who is also the highest-paid Director, was paid at a rate of £75,000 per annum (2023: £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 (up to 31/3/23 only) were paid at a rate of £29,500 per annum (2023: £29,500) and the other Directors were paid at a rate of £24,500 per annum (2023: £24,500). Further details are provided in the remuneration report on page 57.

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

	Right of use assets £000	Leasehold improvements and premises fees £000	Computer equipment £000	Furniture and equipment £000	Work in progress* £000	Total £000
Cost						
At 1 April 2022	**49,345**	**2,960**	**901**	**4,576**	**30**	**57,812**
Additions	265	-	277	-	-	542
Transfers	-	-	7	-	(7)	-
Reclassifications	-	-	-	-	(23)	(23)
Disposals	(6,012)	(253)	(164)	(2,541)	-	(8,970)
At 31 March 2023	**43,598**	**2,707**	**1,021**	**2,035**	**-**	**49,361**
Additions	1,231	-	14	-	-	1,245
Transfers	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Disposals	(12)	-	(7)	(325)	-	(344)
At 31 March 2024	**44,817**	**2,707**	**1,028**	**1,710**	**-**	**50,262**
Accumulated depreciation						
At 1 April 2022	**19,380**	**1,688**	**836**	**3,219**		**25,123**
Charge for the year	6,808	192	83	410	-	7,493
Disposals	(5,955)	(253)	(164)	(2,503)		(8,875)
At 31 March 2023	**20,233**	**1,627**	**755**	**1,126**	**-**	**23,741**
Charge for the year	5,345	183	95	267		5,890
Disposals	(12)	-	(6)	(318)	-	(336)
At 31 March 2024	**25,566**	**1,810**	**844**	**1,075**	**-**	**29,295**
Net book value						
At 31 March 2024	**19,251**	**897**	**184**	**635**	**-**	**20,967**
Net book value						
At 31 March 2023	23,365	1,080	266	909	-	25,620

* Work in progress comprises items not yet assigned as an asset.

10. Intangible assets

	Computer software and licences £000	Internally generated software £000	Work in progress £000	Total £000
Cost				
At April 2022	**246**	**650**	**828**	**1,724**
Additions	-	-	3,415	3,415
Transfers	-	2,020	(2,020)	-
Disposals	(61)	-	-	(61)
At 31 March 2023	**185**	**2,670**	**2,223**	**5,078**
Additions	-	-	1,495	1,495
Transfers	-	-	-	-
Disposals	(108)	-	-	(108)
Impairments	-	-	(960)	(960)
At 31 March 2024	**77**	**2,670**	**2,758**	**5,505**
Accumulated amortisation				
At April 2022	**193**	**536**	-	**729**
Charge for the year	23	182	-	205
Disposals	(61)		-	(61)
At 31 March 2023	**155**	**718**	-	**873**
Charge for the year	21	423	-	444
Disposals	(99)	-	-	(99)
At 31 March 2024	**77**	**1,141**	-	**1,218**
Net book value at 31 March 2024	**-**	**1,529**	**2,758**	**4,287**
Net book value at 31 March 2023	30	1,952	2,223	4,205
Net book value at 31 March 2022 (restated*)	53	114	828	995

* Following a review of the work in progress account, £960k was impaired in respect of the balance brought forward at 31 March 2023 relating to the Digital Portal. The work in progress balance at 31 March 2024 comprises £1,260k for Intelligent Automation and £1,498k for Digital Portal.

11. Trade and other receivables

	31/03/24 £000	31/03/23 £000
Trade and other receivables due within one year		
Trade receivables	**5,049**	4,753
Less: provision for bad debts	**(996)**	(1,122)
Less: provision for credit notes	**(814)**	(745)
Trade receivables – net	**3,239**	2,886
Prepayments	**5,942**	5,152
Other receivables	**3,029**	2,386
Due from the Financial Conduct Authority	**8,066**	13,291
Accrued income	**17,502**	13,438
Trade and other receivables due within one year	**37,778**	37,153
Trade and other receivables due after more than one year		
Prepayments – after more than one year	**1,280**	641
Trade and other receivables due after more than one year	**1,280**	641

12. Short-term deposits

	31/03/24 £000	31/03/23 £000
Short-term Treasury deposits	**68,000**	57,000
Short-term deposits	**68,000**	57,000

As at 31 March 2024, the Financial Ombudsman held Treasury deposits with a maturity of between three and five months with six institutions (31 March 2023: six).

13. Cash and cash equivalents

	31/03/24 £000	31/03/23 £000
Cash at bank and in hand	**3,607**	27,692
Short-term Treasury deposits (deposits with a maturity of less than three months)	**150,000**	118,000
Cash and cash equivalents	**153,607**	145,692

As at 31 March 2024, the Financial Ombudsman held Treasury deposits with a maturity of less than three months with seven different institutions (31 March 2023: seven).

14. Trade and other payables

	31/03/24 £000	31/03/23 £000
Trade and other payables due within one year		
Trade payables	**9,009**	3,794
Other taxes and social security	**2,975**	3,434
Deferred income		
Compulsory Jurisdiction levy billed in advance	**76,110**	79,160
Other creditors	**699**	908
Accruals		
Employee related	**8,463**	13,910
Casework and temporary staff	**413**	3,894
Other	**3,798**	7,806
Trade and other payables due within one year	**101,467**	112,906
Trade and other payables due after more than one year		
Accruals	**261**	324
Trade and other payables due after more than one year	**261**	324

15. Lease liabilities

	31/03/24 £000	31/03/23 £000
Lease liabilities – due within one year		
Property	**4,608**	4,301
Equipment	**100**	396
Lease liabilities due within one year	**4,708**	4,697
Lease liabilities – due after more than one year		
Property	**13,471**	18,082
Equipment	**37**	130
Lease liabilities due after more than one year	**13,508**	18,212

Movement in lease liabilities in the year	Property £000	Equipment £000	Total £000
Total discounted liabilities at 1 April 2023	22,383	526	22,909
Discounted additions in the year	-	338	338
Rent reviews and changes in lease terms	-	-	-
Interest in the year	363	13	376
Disposals in the year	-	-	-
Adjustments in the year	64	22	86
Repayments in the year	(4,731)	(762)	(5,493)
Total discounted liabilities at 31 March 2024	**18,079**	**137**	**18,216**

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 31/03/24 £000	Other 31/03/24 £000	Premises 31/03/23 £000	Other 31/03/23 £000
Payments due				
Not later than 1 year	**4,963**	**79**	4,665	428
Later than 1 year and not later than 5 years	**13,510**	**37**	15,279	132
Later than 5 years	**532**	**-**	3,725	-
Total contracted undiscounted cash flows	**19,005**	**116**	**23,669**	**560**

16. 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, Risk and Compliance 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 £68,000k (2023: £57,000k) and other liquid assets of £153,607k (2023: £145,692k) that are expected to readily generate cash inflows for managing liquidity risk.

d) Interest rate risk

Interest rate risk is the risk that a change in interest rates will reduce the value of an investment or asset or increase the cost of borrowing.

The Financial Ombudsman has a positive cash position so it is not exposed to the increased cost of borrowing. In line with our investment policy we place fixed term deposits via auction ensuring we maximise the amount of interest we receive whilst not introducing other risk.

16.1. Financial instruments by category

Trade receivables are recognised initially at amortised cost applying the simplified approach to impairment of financial assets by providing for expected credit losses on trade receivables as described by IFRS 9. This requires the use of lifetime expected credit loss provisions for all trade receivables.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

16.2. 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 is £1,151k (2023: £1,626k).

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	31/03/24 £000	31/03/23 £000
Balance brought forward	**745**	560
Change in provision for the year	**69**	185
Balance carried forward	**814**	745

(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	31/03/24 £000	31/03/23 £000
Balance brought forward	**1,122**	1,359
Change in provision for the year	**(126)**	(237)
Balance carried forward	**996**	1,122

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.

17. Provision for liabilities

17.1. Provision for dilapidations

	31/03/24 £000	31/03/23 £000
Provision brought forward	**3,953**	5,145
Payments in the year	**(15)**	(217)
New provision in the year	**895**	-
Provision released in the year	**(362)**	(1,030)
Interest accrued during the year	**62**	55
Provision carried forward	**4,533**	3,953

The provision for dilapidations at 31 March 2024 reflects the recommendations made following property reviews in February 2024 and the provision at 31 March 2023 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	31/03/24 £000	31/03/23 £000
South Quay Building*	**-**	10
Exchange Tower	**870**	297
Friargate	**-**	62
	870	369

* The provision for South Quay Building has been released in the year.

Due after one year	31/03/24 £000	31/03/23 £000
Exchange Tower	**3,540**	3,479
Friargate	**123**	105
	3,663	3,584

17.2. Provision for restructuring costs

Due within one year	31/03/24 £000	31/03/23 £000
Provision brought forward	**3,696**	-
Payments in the year	**(3,634)**	-
New provision in the year	**-**	3,696
Provision carried forward	**62**	3,696

The provision for restructuring costs at 31 March 2023 was calculated with reference to a number of staff roles which were expected to face compulsory redundancy during 2023/24. The majority of payments were made in 2023/24 leaving two outstanding amounts at 31 March 2024. These were paid in April 2024.

17.3. Provisions summary

Due within one year	31/03/24 £000	31/03/23 £000
Dilapidations	**870**	369
Restructuring	**62**	3,696
	932	4,065

Due after one year	31/03/24 £000	31/03/23 £000
Dilapidations	**3,663**	3,584
	3,663	3,584

18. Financial commitments

As at 31 March 2024 there were no capital commitments contracted for but not provided (31 March 2023: £Nil).

19. Property and other lease commitments

The Financial Ombudsman leases its operating premises. The remaining length of these leases varies from under one year up to six years. These leases are renewable at the end of the lease period at a market rate.

Details of the terms of the leases of the premises as at 31 March 2024 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	September 2024 (3 leases)	n/a
			April 2025 (1 lease)	n/a
			August 2029 (9 leases)	n/a
Friargate	3	October 2017	October 2027	

The Financial Ombudsman also leases various items of equipment, plant and machinery under operating agreements which are excluded from the right of use asset 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.

20. Related party transactions

a) 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.

b) 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 £174k for the year ended 31 March 2024 (2023: £158k).

c) At 31 March 2024 the balance due from the Financial Conduct Authority is £8,066k (2023: £13,291k). This balance has been included in 'trade and other receivables' (see note 11).

d) The Financial Conduct Authority bill the Financial Ombudsman administration charges in respect of the pension scheme. The charge for the year ended 31 March 2024 was £720k (2023: £600k).

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 credit for the year ended 31 March 2024 was £1k which related to the 2022/23 year (2023: charge £520k).

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.

g) Between May 2021 and March 2023 two secondees from the Financial Conduct Authority held positions on the Financial Ombudsman's Executive Team. More details, alongside disclosure of key management personnel compensation, can be found in the remuneration report.

Other than disclosed above, there were no related party transactions during the year (31 March 2023: Nil).

21. Losses and special payments

Due within one year	31/03/24 £000	31/03/23 £000
Losses	**1,283**	972
Recoveries relating to previous year losses	**(2,054)**	(527)
Special payments	**485**	344
Total	**(286)**	789

Losses in 2023/24 includes a £960k impairment relating to the development of the portal asset. There were no firms included in 'Losses' where the balance written off in the year was over £300k (2022/23: Amigo Loans £372k).

In 2023/24 and 2022/23 the Financial Ombudsman received and recognised dividends from firms where write-offs had been included in losses in previous years. In 2023/24 we made an accrual to recognise the debtor for one firm where the recovery will be greater than £300k (Amigo Loans £2,047k), we expect to receive the dividend in full during 2024/25 (2022/23: one firm Casheuronet UK LLC £516k).

22. 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 corporate board of trustees which is legally separate from the sponsoring employers. The Trustee is responsible for the investment policy with regard to the assets plus the day-to-day administration of the Plan. The trustee Directors must always act in the best interest of the members and other beneficiaries

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.

The FCA is the principal employer of the Plan and retains ultimate responsibility for payment of any debt due in event of a wind-up. The Financial Ombudsman is an associated employer and would be liable for payment of a debt should we cease to participate, calculated in line with section 75 debt provisions. Our understanding is that any surplus can, ultimately, be returned to the principal and associated employers on wind-up, but there's currently no agreement in place that sets out how this would be achieved.

In the unlikely event that the FCA cease to participate in the scheme as the Principal Employer and the Financial Ombudsman continues to participate in the Plan, the FCA would be charged a debt on their obligations in the Plan. In this theoretical scenario there is then a risk that the Financial Ombudsman remains as the sole employer to the Plan and becomes responsible for the assets and liabilities. However, before this event there are many options that the Financial Ombudsman could take to avoid this happening, thus ensuring they are only responsible for paying for any debt related to their liabilities only.

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

The defined benefit obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 64% of the liabilities are attributable to deferred pensioners and 36% to current pensioners. 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 2024 there are 76 deferred members (31 March 2023: 79) and 52 pensioners (31 March 2023: 51).

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 16 years reflecting the approximate split of the defined benefit obligation between deferred members (duration of 18 years) and current pensioners (duration of 11 years).

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

Analysis of defined benefit obligation by membership category	31/03/24 £000	31/03/23 £000
Deferred members benefits	**18,438**	19,201
Pensioner members benefits	**10,372**	8,625
Total defined benefit obligation	**28,810**	27,826

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 2022 and showed a deficit of £82,500k which includes both the Financial Ombudsman's and the Financial Conduct Authority's participation in the plan. The Financial Ombudsman paid deficit contributions of £1,600k over the year. The trustees and the Financial Conduct Authority agreed a revised recovery plan and schedule of contributions, dated 21 March 2024. This states that contributions in respect of the Financial Ombudsman's participation in the plan would be reduced to £1,067k in the year to 31 March 2025 and then increase back to the previous level of £1,600k from 1 April 2025, which is then expected to continue at this level until 31 March 2027. Along with investment returns from return-seeking assets, these contributions are expected to make good this shortfall by 31 March 2027. The next funding valuation will be carried out at 31 March 2025, at which point 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	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. The plan holds a proportion of its overall assets in growth assets (equities and property) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term.
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 trustees insure certain benefits which are payable on death before retirement.

Other risks

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. This only allowed the rules of contracted-out schemes in respect to benefits to be altered where certain requirements were met. The decision was appealed and the original decision was upheld. However, there is potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments. The Trustee has informed us that they believe the relevant requirements were complied with, but are working with legal advisors to consider steps to be taken following the Court of Appeal's decision.

Consequently, as there are currently no known impacts to the final salary section, no adjustment has been made to the defined benefit obligation to allow for this ruling. The Financial Ombudsman, the Financial Conduct Authority and the Trustees will continue to monitor the situation as case law in this area evolves.

GMP equalisation

An estimate of the additional liabilities in respect of the October 2018 ruling on GMP Equalisation was first 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 2024 continues to make allowance for these liabilities, consistent with last year.

We have determined that the impact of the second 2020 GMP Equalisation ruling on prior transfers has no material impact on the estimated liability and has been excluded from calculations.

Reporting at 31 March 2024

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 2024, 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	31/03/24 % p.a.	31/03/23 % p.a.
Discount rate	**4.8**	4.7
Retail price index (RPI) inflation	**3.2**	3.4
Consumer price index (CPI) inflation	**2.7**	2.8
Excess pension increases	**3.0**	3.1
Post 88 GMP pension increases	**2.1**	2.2

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

The main demographic assumptions are set out below:

Main demographic assumptions		31/03/24 Years	31/03/23 Years
Life expectancy for member aged 60 at the balance sheet date	Males	**28.2**	28.3
	Females	**30.1**	30.1
Life expectancy at age 60 for member aged 40 at the balance sheet date	Males	**29.6**	29.7
	Females	**31.5**	31.5

Main demographic assumptions	2024	2023
Mortality base table adopted	SAPS S3 light tables for normal health retirees with a scaling factor 100%	SAPS S3 light tables for normal health retirees with a scaling factor 106%
Mortality future improvements adopted	Future improvements assumed to be in line with the CMI 2022 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 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%
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. Equity funds are invested in quoted items. Property, bought-in annuity policies and infrastructure are not invested in quoted items. The LDI portfolio includes gilts and gilt based derivatives to hedge some of the interest rate and inflation risk associated with the liabilities. The derivatives used to achieve this can be unquoted, and the plan's exposure will change over time. The value of the derivatives (and other unquoted assets) is not expected to be material in the overall context of the plan assets. 'Other' relates to cash deposits.

Asset allocation	Value at 31/03/2024 £000	Value at 31/03/2023 £000
Equity	**3,025**	2,412
Property	**683**	941
Liability driven investment funds (LDI)	**18,378**	19,240
Bought-in annuity policies	**1,310**	1,329
Infrastructure	**3,502**	3,169
Other	**171**	169
Total market value of assets	**27,069**	27,260

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	Year ending 31/03/2024 £000	Year ending 31/03/2023 £000
Fair value of plan assets	**27,069**	27,260
Present value of defined benefit funded obligation	**(28,810)**	(27,826)
Net pension (liability) recognised on the statement of financial position	**(1,741)**	(566)

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 31/03/2024 £000	Year ending 31/03/2023 £000
Financing cost Interest on net defined benefit (liability)	**(10)**	(15)
Pension amount recognised in the statement of comprehensive ncome	**(10)**	(15)

Re-measurements in other comprehensive income	Year ending 31/03/2024 £000	Year ending 31/03/2023 £000
Returns on plan assets below that recognised in net interest	**2,370**	14,095
Actuarial (gains) due to changes in financial assumptions	**(972)**	(13,100)
Actuarial (gains) due to changes in demographic assumptions	**(618)**	(1,426)
Actuarial losses due to liability experience	**2,005**	2,366
Total amount recognised in the statement of other comprehensive income	**2,785**	1,935
Total amount recognised in the statement of comprehensive income and other comprehensive income	**2,775**	1,920

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

	Year ending 31/03/2024 £000	Year ending 31/03/2023 £000
Opening defined benefit obligation	**27,826**	39,388
Interest cost on defined benefit obligation	**1,291**	1,058
Actuarial (gains) on plan liabilities arising from changes in demographic assumptions	**(618)**	(1,426)
Actuarial (gains) on plan liabilities arising from changes in financial assumptions	**(972)**	(13,101)
Actuarial losses on plan liabilities arising from experience	**2,005**	2,366
Net benefits paid out	**(722)**	(459)
Closing defined benefit obligation	**28,810**	27,826

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

	Year ending 31/03/2024 £000	Year ending 31/03/2023 £000
Opening fair value of plan assets	**27,260**	39,142
Interest income on plan assets	**1,301**	1,072
Re-measurement (losses) on plan assets	**(2,370)**	(14,095)
Contributions by the employer	**1,600**	1,600
Net benefits paid out	**(722)**	(459)
Closing fair value of plan assets	**27,069**	27,260

Actual return on plan assets is set out below:

	Year ending 31/03/2024 £000	Year ending 31/03/2023 £000
Interest income on plan assets Re-measurement (losses) on plan assets	**1,301** **(2,370)**	1,072 (14,095)
Actual return on plan assets	**(1,069)**	(13,023)

Analysis of amounts recognised in statement of other comprehensive income:

	Year ending 31/03/2024 £000	Year ending 31/03/2023 £000
Total re-measurement (losses)	**(2,785)**	(1,935)
Total (losses)	**(2,785)**	(1,935)

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	(1,741)	13	(432)	(2,160)
Following a 0.1% increase in the inflation assumption	(1,741)	13	(434)	(2,162)
Following a 1% decrease in the discount rate	(1,741)	146	(4,815)	(6,410)
Following a 1% increase in the inflation assumption	(1,741)	97	(3,553)	(5,197)
Following a one-year increase in life expectancy	(1,741)	53	(786)	(2,474)

The sensitivity information shown has been prepared using the same method 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 and a 1.0% 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 £12,969k (2023: £12,956k) represents contributions payable to the plan by the Financial Ombudsman at rates specified in the rules of the defined contribution scheme.

23. Events after the reporting period

The rent review for our leases at Exchange Tower concluded in August 2024, it was agreed that there would be no increase in rent.

On 17 October 2024, the Government has published a consultation setting out its plans for regulating the Buy Now, Pay Later market, which includes providing access to our service for consumers of these products.

On 13 November 2024, the FCA announced it will consult on extending the time firms have to respond to consumer complaints about motor finance where non-discretionary commission was involved, and for consumers to refer them to our service. An extension of the pause would impact the number of cases we receive about this issue and our ability to resolve these cases.

On 14 November 2024, we issued a joint Call for Input with the FCA, seeking feedback from stakeholders on how we can modernise the financial services redress framework, and the ways of working between the Financial Ombudsman and the FCA.

A Statutory Instrument giving us the power to charge Professional Representatives who use our service has progressed through Parliamentary stages and is expected to be made law in December 2024. Subject to final approval from the FCA and our Board, we expect to be able to charge Professional Representatives in the new financial year.

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

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