

Rt Hon Nicky Morgan MP
Chair of the Treasury Select Committee
House of Commons
London
SW1A 0AA

21 January 2019

Dear Ms Morgan,

Re: Future funding model for the Financial Ombudsman Service

At the committee hearing on 15 January 2019 I said to Stewart Hosie MP that I would write with further details about the likely timeline for the Financial Ombudsman Service to bring forward specific proposals about its future funding structure. I know that Andrew Bailey will also be writing separately to you regarding mortgage prisoners.

The Financial Ombudsman Service has published its 2019/20 strategic plans and budget and is seeking responses by 31 January 2019. In this draft business plan and budget, it confirmed it did not think that 2019/20 was the right time to fundamentally change its funding arrangements. Chapter 4 of the document sets out the principles which the Financial Ombudsman Service thinks should continue to apply to its funding, and presents some options to generate discussion about what the future might look like. More information about their proposals can be found in their strategic plan and budget at www.financial-ombudsman.org.uk.

The Financial Ombudsman Service has for some time now talked about the need for sustainable funding in a post PPI world. During 2018 the Financial Ombudsman Service held roundtables for stakeholders to discuss what the future funding model might look like given the deadline for making PPI complaints coming in August 2019. It plans to consult specifically on its future funding in summer 2019, with this consultation feeding into its wider strategic proposal later in the year. The earliest opportunity post PPI that changes could be made to the model would be 2020/21.

The Financial Conduct Authority (FCA) will be in regular contact with the Financial Ombudsman Service as it develops its proposals, which will be put to the FCA Oversight Committee and Board, to ensure that these will deliver a fair and sustainable model.



Charles Randell
Chairman