



**Financial
Ombudsman
Service**

from **Caroline Wayman**
chief ombudsman &
chief executive

write to **Financial Ombudsman Service**
Exchange Tower
London
E14 9SR

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

Sent by email

24 July 2018

Dear Nicky,

I am writing further to our appearance before your Committee to discuss the work of the Financial Ombudsman Service and, in particular, our response to the independent review carried out by Richard Lloyd. During the session you asked for more information about the work that has been carried out for the Financial Ombudsman Service by PwC.

In 2014/15 the service conducted a competitive procurement exercise via the ConsultancyOne framework to select a consultancy partner to support us on a change programme that we envisaged taking approximately three years. PwC were the successful partner following a tender exercise.

PwC provided support on a range of activities related to the changes that were being made. The costs of this work were paid between the financial years 2014/15 and 2017/18¹ at a total cost of £9.5m (inclusive of VAT) and were spread across five phases of work – linked to the structure and progress of the changes taking place. At the time of appointing PwC the service was able to negotiate a 15% discount on the ConsultancyOne rates resulting in a saving over the life of the contract of £1.7m.

In addition in 2016/17 PwC were tasked with developing a performance management methodology for the new operating model. This was implemented in mid-2016 and the embedding phase lasted for around 18 months. The contract for this work was estimated at £4.6m (including VAT). The methodology was adapted to be more focussed on the ombudsman service's own way of working and values following feedback from our teams, and we negotiated a final fee for this work of £3.6m (including VAT).

¹ Plus a payment in June 2018, which is included in the total cost of £9.5m.

And, in addition to supporting our change programme, PwC also worked on a range of different initiatives at the service over the same financial years (2014/15 to 2017/18). We spent a further £1.3m (including VAT) with PwC over that period to deliver a further eight pieces of work, which included the implementation of a budgeting and forecasting tool (£0.6m) and HR support services (£0.3m).

We are planning to publish our progress with regards to the recommendations made in the independent report by the end of the year, as discussed. I hope that this provides you with all the relevant information, but as ever if there are any areas where we can provide any further assistance, please do not hesitate to let me know.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Wayman', followed by a horizontal line.

Caroline Wayman
chief ombudsman and chief executive