



Association of Mortgage Intermediaries response to FOS's plans and budget for 2013/2014

This response is submitted on behalf of the Association of Mortgage Intermediaries (AMI). AMI is the trade association representing over 80% of UK mortgage intermediaries.

Intermediaries active in this market act on behalf of the consumer in selecting an appropriate lender and product to meet the individual consumer's mortgage requirements. Our members also provide access to associated protection products.

Our members are authorised by the Financial Services Authority (FSA) to carry out mortgage and insurance mediation activities. Firms range from sole traders through to national firms and networks with thousands of advisers.

We would like to thank the Financial Ombudsman Service (FOS) for the opportunity to respond to this consultation paper.

Overall aims and the plans FOS has outlined for the coming year (2013/2014)

AMI supports the changes FOS has made to its funding structure. Increasing the number of free cases offered to smaller firms is something that AMI has long called for. An increase from three to 25 free cases would appear to be set at the right level.

Whilst this change will certainly benefit directly authorised firms we believe that the treatment of networks should also be considered further by FOS. Within a network small Appointed Representatives (ARs), will not benefit from any such increase as it is only the network themselves that will see the 25 free cases. We ask FOS to consider how the free cases increase could be extending to cover ARs.

It is right that the large banking groups help to fund FOS's reserves given that it is these types of firms that contribute, mainly, to the need for FOS to increase its reserves fund.

Given the relative short term nature of the PPI issues it is essential that FOS's staffing structure is appropriately flexible to adapt to changes in its staffing requirements. This was previously the reason why FOS employed relatively expensive short term contractors. However, in light of the expected continuing

level of PPI cases arriving at FOS we believe that the move to employ new staff on a three year contract meets the right balance for all parties.

FOS has cited the continuing economic environment as a contributing factor to the level of complaints it continues to receive. We would call upon FOS to give further consideration to the impact that the actions of Complaint Management Companies (CMCs) have on the level of complaints FOS receives. Clearly the 'free' service that FOS offers to consumers is used as a mechanism to build margin into CMCs' business model. This is an unfortunate unintended consequence of the legislation in FSMA 2000 and its interpretation by regulators and FOS. Although the Ministry of Justice's regulation of CMCs has resulted in some improvement in the way they operate, our members remain concerned that there are still some CMCs who routinely submit complaints to FOS without prior scrutiny and/or cases that could legitimately be considered as frivolous and vexatious.

We continue to see large banking firms at the top of FOS's published complaints data tables. We remain concerned that some larger firms may still be using FOS as an outsourced complaint handling service, which through the levy leads to higher costs being incurred by the industry as a whole.

Furthermore we call upon FOS to provide some review of the outcomes from publishing this data, set against the reasons for publication set out in FOS's policy statement 'publication of complaints data: next steps'¹. It is important to establish whether the publication of this data has resulted in a material change in stakeholders' behaviours?

In addition, we continue to be supportive of National Audit Office review of FOS. It is essential that such reviews take place to ensure that FOS offers value for money to consumers and the industry.

FOS's proposals to increase the case fee

Historically we have been supportive of FOS decision to freeze the case fee over the last four years. We fully accepted that whilst FOS was able to do this on a short-term basis it was inevitable that at some point in the future we would see a rise take place.

We welcome the fact that FOS has only increased the case fee from £500 to £550 per case. In addition, we support that this is combined with the increase in free cases. This means that many small firms, which would have been impacted by such an increase, will benefit instead from the uplift in free cases prior to any case fee increase being incurred.

¹ http://www.financial-ombudsman.org.uk/publications/policy-statements/complaint_data_sep08.html

FOS's proposals to increase the levy

As with the case fee increase we are grateful that FOS had already given an indication that it would not be able to freeze the levy for a fifth consecutive year.

It is essential that the group charging structure is in place to ensure that any increases to FOS's reserves is met by those largest users of FOS and not by smaller firms who have little or any involvement with FOS.

Volumes of non-PPI cases FOS expects to receive

FOS has often been criticised for the time it takes to resolve its cases. The forecast is for the current timeframes for resolving cases to remain into next year. As with last year's budget FOS still plans to resolve more non-PPI cases than it receives. This should in time help to reduce the overall waiting times for these cases over time.

Mortgage intermediaries continue to only represent a very small percentage of FOS's complaints. We see no reason to challenge FOS's estimates on the number of cases it expects to receive.

Volumes of complaints about PPI sales

AMI members do have some exposure to the PPI market, almost solely through the sale of the regular premium policies. However, in the context of the PPI case numbers FOS receives, our members' level of exposure is relatively light. As such, any view on the expected number of cases from mortgage intermediaries is likely to have a negligible effect on the overall figures, given that they are so dominated by the level of complaints deriving from the large banking groups.

We are generally in broad agreement with FOS's estimates. Therefore, we have not commented further on the figure FOS has placed on the number of PPI cases it expects to receive in 2013/2014.

AMI
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