Paul Burstow MP
Member of Parliament for Sutton,
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HOUSE OF COMMONS
LONDON SW1A 0AA

Mr Paolo Standerwick
Mlp Ltd 17,
Station Road Belmont
SM2 6BX

Our Ref: Standerwick/290212/bel/1

29th February 2012

Dear Mr Standerwick,

With regard to our continued correspondence concerning your ongoing problems with the FOS, I have now received further correspondence from Natalie Ceeney CBE at the Financial Ombudsman Service. I have enclosed a copy for your information.

I note Ms Ceeney's letter goes into great detail about how this service works, is held accountable and claims to answer many of the questions you have asked.

However unwanted as it is I note the air of finality in Ms Ceeney's letter. I will still await other replies as the only hope of taking the matter further forward.

I will write to you again once I have received the awaited responses.

With best wishes,

Paul Burstow

Paul Burstow
Liberal Democrat Member of Parliament for
Sutton, Cheam & Worcester Park
Enclosure:letter from Natalie Ceeney, FOS

our ref **LB/CEO/reference**
your ref **Standerwick/030212/bel/4**

RECEIVED
17 FEB 2012

Financial Ombudsman Service

from **Natalie Ceeney CBE**
Chief Executive & Chief Ombudsman

write to Financial Ombudsman Service
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London
E14 9SR

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website www.financial-ombudsman.org.uk

Paul Burstow MP
234 Gander Green Lane
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15 February 2012

Dear Mr Burstow,

Your constituent, Mr P Standerwick

Thank you for your letter of 3 February.

As you say, we have been in touch on these issues before – my senior colleagues and I have also exchanged detailed correspondence with Mr Standerwick directly. So I hope you'll understand when I say that I don't believe that there is anything new I can say which Mr Standerwick has not heard already. Indeed, while Mr Standerwick seems to believe that we do not treat IFAs fairly, I believe that the statistics clearly demonstrate the contrary to be true. IFAs account for only a very small part of our complaints workload each year (less than 1.5%) and in the majority of the cases we do see, we actually find after investigation that the IFA has done nothing wrong. However, I hope it will be helpful to you if I address the issues you raise in some detail, as I hope that this will address your own concerns.

ombudsman decisions

I can assure you that Mr Standerwick's business has not been "labelled" in the way that he suggests. It may help if I explain how we work, to show why Mr Standerwick's concerns are unfounded.

The ombudsman service is a statutory service, set up by parliament, and we work in full accordance with the legislation that governs us. We were set up as a quick and informal alternative to the courts – and subject to oversight by the courts through judicial review. We have a robust process in place to resolve individual disputes and this includes the opportunity for both sides to "appeal" to an ombudsman if they disagree with an adjudicator's initial findings.

It's not unusual for an ombudsman to see cases that are similar to ones they have decided before. In fact, across our 10-year history, over half of our work has been around just three issues (PPI mis-selling, bank and credit card charge cases, and mortgage endowment complaints). It makes sense for our staff to specialise to ensure the quality and consistency of our work – in fact, the need for consistency is the main issue I hear raised whenever I ask industry colleagues what they want from an ombudsman service.

We therefore organise our staff into teams (both at adjudicator and ombudsman level) specialising in different product areas. And as many financial businesses also specialise in certain product areas, it is inevitable, and right for consistency reasons, that similar cases are viewed by similarly experienced teams.

We deal with over 200,000 complaints about thousands of financial businesses a year – and so I am afraid that Mr Standerwick's view that the same ombudsman should never decide more than one case involving any particular financial business is neither realistic nor desirable. We would need thousands of ombudsmen in place to implement such a measure – which is neither practical nor affordable. But exactly because we *are* consistent, it should be unsurprising that a similar issue, raised against a similar business, gets a similar response.

We pride ourselves on being fair and impartial. We decide each case on its own merits. I can also assure you that at no stage in our history have we *ever* had any internal targets for any of our staff to find in favour, or against, a particular business. This would go against every principle of our existence.

hearings

Mr Standerwick refers to making oral representations, which we call "hearings". The decision to hold a hearing is made by an ombudsman, though they will only do so where absolutely necessary – in situations where the complaint cannot be fairly decided based on what has already been provided by both sides in writing and over the phone.

The purpose of a hearing is for the ombudsman to get a clearer picture of the events that led to the complaint. We do not take evidence on oath, summon witnesses or cross-examine the parties – and a hearing is certainly not a mechanism for those involved in a dispute to interrogate each other. We were not set up by parliament to be a court – we were set up to be an alternative to the courts – quicker, more informal and lower cost.

Mr Standerwick appears to suggest that we should hold hearings as a matter of course, but it is important to remember that we are an organisation which handles more than a million enquiries and over 200,000 cases a year. So holding a hearing in every complaint referred to us would result in cases taking much longer – and becoming more expensive – to resolve. That certainly does not sit well with our statutory duty to resolve cases quickly and with minimum formally – and would inevitably involve financial businesses like Mr Standerwick's paying considerably more in case fees and levies.

time-bars

As you know, consumers generally need to make complaints within certain time limits and we do apply these appropriately. The time limits we and financial businesses all work to are set by the FSA, and not by us. The rules can, however, be complex and we will therefore consider each case very carefully before reaching a decision. Sometimes businesses and consumers argue extensively about whether or not their case is in our jurisdiction – and we need to consider both sides of an argument.

Some argue that we should also have an overall "long-stop". Again, this is an FSA rule, and not one set by us. This is yet another issue that has been looked at very closely over the years – including through public consultation by the FSA who has consistently rejected the proposal. This reflects the fact that financial products are "intangible" and can be of a very long-term nature. Indeed, Lord Hunt of Wirral – a senior financial-services lawyer and former government minister – in his independent review of our service in 2008 also concluded that the introduction of a 15-year "long-stop" would be untenable in terms of treating customers fairly.

frivolous and vexatious complaints

Under our rules, if we consider a consumer's complaint to be "frivolous and vexatious", we simply dismiss the case without considering its merits – and we do not charge the financial business a case fee. In fact, last year we decided that 1,447 of the 164,899 complaints we settled could be categorised in this way. But just because a consumer might not present a coherent and reasoned argument does not necessarily mean that the complaint should not be investigated further – and similarly, just because we might not uphold a complaint does not automatically mean it is "frivolous and vexatious".

our qualifications and experience

We are very proud of the people we have here at the ombudsman service. As you might expect, we have accountants and lawyers working for us, as well as former IFAs, insurance and mortgage brokers, bankers, trading standards officers and stockbrokers. However, our adjudicators and ombudsmen are appointed to resolve disputes – and not to give financial advice, underwrite insurance policies or conduct banking transactions. This is why we do not agree that our adjudicators and ombudsmen should have exactly the same professional qualifications as the employees or owner of the business involved in the complaint.

We strongly believe that what makes a good adjudicator or ombudsman is the ability to listen to all sides of the story, weigh up arguments and arrive at decisions fairly and impartially. This is why we think the skills required of us are more akin to those of judges and magistrates – who focus their training and development on judging skills and legal expertise.

We believe in putting knowledge and expertise at the heart of everything we do. Our experts in specific areas have, as part of their role, the responsibility to codify and share their expertise and supervise those with perhaps less specialist knowledge. Our adjudicators receive strong professional leadership and have access to a wealth of legal and financial services expertise within the ombudsman service – supplemented by regular in-house clinics, mentoring sessions, briefings and seminars – which help us share knowledge and learn from what we do. In addition to this, we have also been working with Queen Margaret University, to develop an externally-accredited training programme for adjudicators. This will enable them to continue to build on the three months they spend on our intensive academy-programme when they first join us.

Ultimately, if either side is dissatisfied with an adjudicator's opinion, they can of course ask for the case to be reviewed entirely afresh by an ombudsman. Indeed, given that our ombudsmen provide final and legally-binding decisions – and as they act as our professional leaders – we publish summaries of their experience and qualifications on our website.

independent reviews of the ombudsman service

The ombudsman service voluntarily undergoes an independent external review every three years. The first review in 2004 – by Bristol University's Personal Finance Research Centre – looked at our case-handling procedures and systems, and our performance in terms of quality, consistency, process and value. The second review, carried out by Lord Hunt, looked at the accessibility and transparency of our service.

Mr Standerwick has suggested that the way we work should be independently audited. I can tell you that, as part of our programme of external reviews, we recently asked the National Audit Office (NAO) to look at our efficiency. Following a six-month assessment by the NAO of our operations, its report was published in January 2012 (www.financial-ombudsman.org.uk/news/updates/nao-report.htm).

As you will be aware, the Financial Services Bill, which was introduced into Parliament in January, includes a provision which would require the National Audit Office to audit the ombudsman service annually.

Overall

I hope that my answers above address the matters you have raised. But I want to end by focusing on the issue that Mr Standerwick raises around his transcripts of conversations.

Mr Standerwick has repeatedly raised with the media his allegations that some transcripts he made of conversations he had with an adjudicator at the ombudsman service five years ago bring our service into disrepute. I would point out that this adjudicator left our service four years ago under a redundancy programme, and subsequently started working professionally with Mr Standerwick. We do not believe that there is any merit in the allegations now – nor did we when they were first made.

I hope this lengthy reply is helpful. Of course, my previous offers to meet you to talk through the work of the ombudsman service are still open, should you wish to meet me at any time in the future.

Yours sincerely

Natalie Ceeney
chief executive & chief ombudsman

cc Mark Hoban MP
Andrew Tyrie MP