



RPC



FOS complaints newsletter

January 2025

In this second of our quarterly FOS complaints newsletters we look at recent developments which have already impacted, or are likely to impact, future developments and trends.

Our first newsletter looked at FOS complaints data which had been published since 2018 up to the end of FOS' Q1 of 2024. We now look at developments in Q2 of 2024. Notably FOS complaints data runs from April to March and so the first quarter of any year will cover April to June and the second quarter, which this newsletter focuses on, covers July to September.

We look at total complaints at FOS but also drill down to specific areas – pensions (SIPPs and pension transfers), investment advice, residential mortgages and complaints against claims management companies.



Rachael Healey
Partner



David Allinson
Partner



George Smith
Partner



Esme Watson
Senior Associate



Shauna Giddens
Associate

Contents

- 1 Trends

- 2 Total complaints referred to FOS – 2018 to 2024

- 3 Pensions

- 4 Occupational Pension Transfers (OPTs)

- 5 Advice complaints

- 6 Residential mortgages

- 7 Claims Management Companies (CMCs)

- 8 Other FOS developments
June – September 2024

- 8 Relevant RPC blogs

Trends

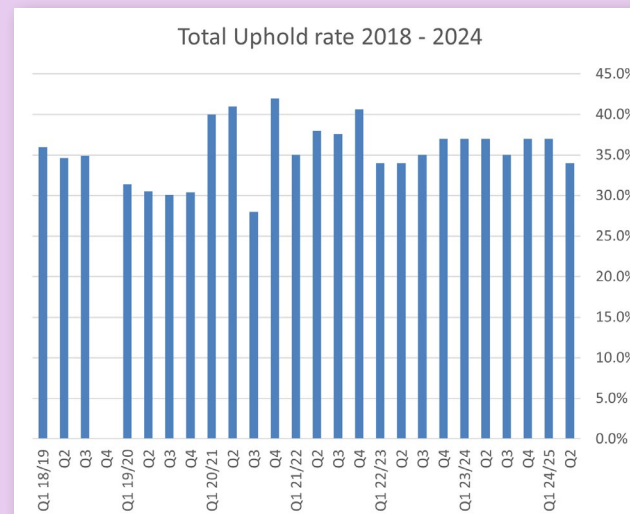
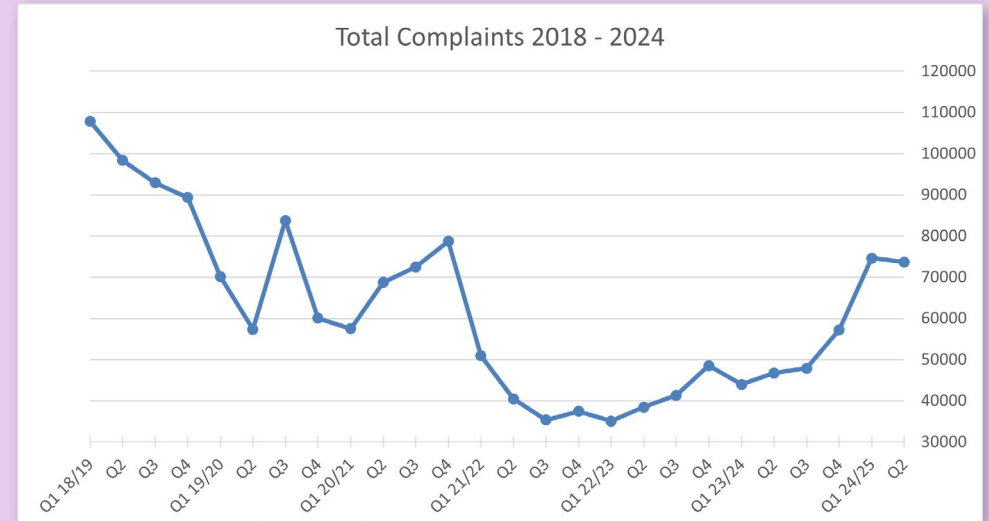
Item	Detail
<p>The complaints data in this newsletter covers FOS' Q2 (July to September) but the developments we have seen for the period October to December 2024 include:</p>	
1	<p>Vehicle finance commission</p> <p>The anticipated judgment in the vehicle finance case (Johnson v FirstRand Bank Limited) was handed down by the Court of Appeal in October 2024 renewing the attention on undisclosed commission complaints. Permission to appeal to the Supreme Court has now been granted with a hearing listed on 1 to 3 April 2025. We also had the judicial review of a FOS decision (R (Clydesdale Financial Services Ltd) v Financial Ombudsman Service Ltd) in the vehicle finance area, rejecting the bank's application for judicial review and so the FOS decision (finding against the bank) stands. Permission to appeal to the Court of Appeal has been granted.</p>
2	<p>FOS reform</p> <p>Joint Call for Input by FCA and FOS in relation to the modernisation of FOS, specifically in response to mass redress events, which was put out following the Chancellor's Mansion House speech.</p>
3	<p>Fraud and scams</p> <p>FOS' data shows that complaints about fraud and scams are at their highest level with authorised push payment scams accounting for half of the complaints. We wait to see whether this continues given the obligation on banks, under new rules introduced in October 2024, to compensate victims of authorised push payment scams up to £85,000.</p>
<p>What to look out for in the next quarter:</p>	
4	<p>Undisclosed commissions</p> <p>In light of the Court of Appeal vehicle finance judgment (above), notwithstanding the appeal to the Supreme Court, there has been a fresh spike in press coverage which we expect to mean further complaints adding to the tens of thousands of complaints already sat with FOS. The issue may be most current and pertinent in the vehicle finance area, but we could start to see complaints in other areas where commission has been paid, although we are doubtful that those will reach the same levels as those around vehicle finance. The attempt to judicially review an upheld FOS complaint has failed and we wait to see if lenders under their consumer duty obligations, start to redress undisclosed commission complaints sat at FOS involving discretionary commission arrangements irrespective of the Supreme Court challenge.</p>
5	<p>CMC case fees</p> <p>Following the FCA's consultation, a structure for charging CMCs for bringing complaints to FOS is to be implemented in early 2025. FOS suggest that only about 20% of complaints brought by CMCs result in any different outcome for complainants.</p>
6	<p>Consumer duty</p> <p>The outcome of the FCA's Ongoing Advice Review is due soon with one key area for scrutiny being the charging, and value for money, of ongoing advice fees.</p>
7	<p>Mortgages</p> <p>As interest rates are coming down, albeit slowly, complaints may materialise in respect of longer term fixed interest rate mortgages where lower rates, on a shorter term fixed interest period, may now otherwise be available to borrowers. Mortgage brokers may too be caught by a heightened interest in undisclosed commissions.</p>
8	<p>Advice</p> <p>The FCA is looking into pure protection insurance products which may increase scrutiny on the sale of such policies through mortgage brokers and IFAs.</p>

Total complaints referred to FOS – 2018 to 2024

Total complaints at FOS remain consistent save for a marked drop in occupational pension complaints.

In the second quarter of 2024/25 FOS saw:

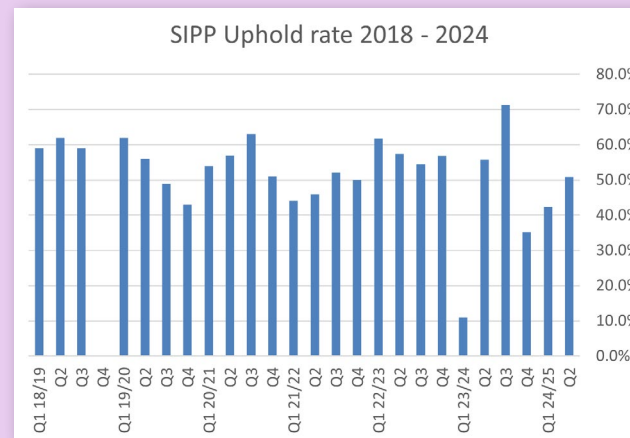
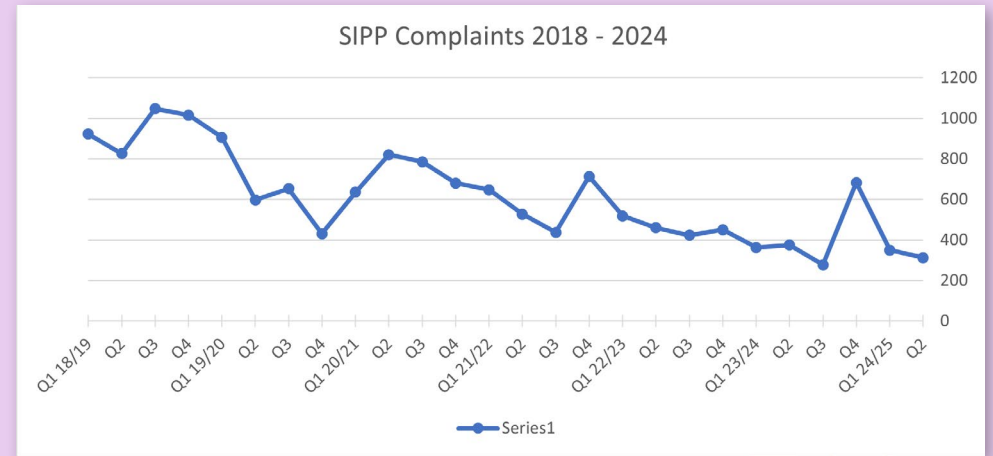
- **Total new complaints:** 73,692 (consistent with Q1 but significantly higher than the 46,716 complaints made in Q2 2023/2024)
- **Average uphold rate (excluding PPI):** 35.5%
- **Most complained about products:** There is no change to the trend over the last 5-6 years which has seen the highest number of complaints about credit cards, hire purchase (motor) and current accounts.



Pensions

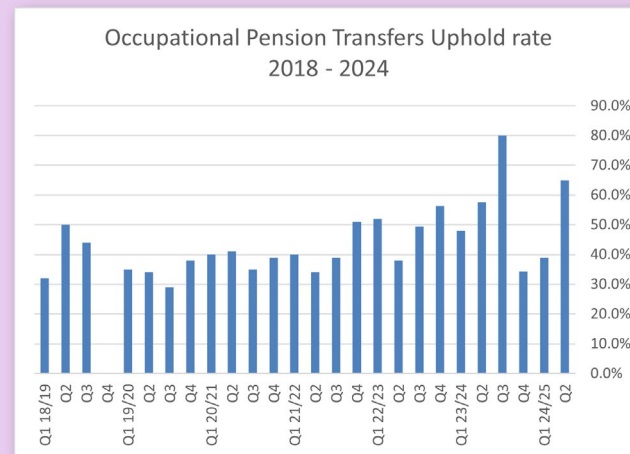
SIPPs

- In Q2 of 2024/2025, there were 313 new cases with an average uphold rate of 50.9% (up from 42.4% in Q1 and 35.2% in Q4 of 2023/2024).
- In the same period, Q2 of 2023/2024 there were 375 new cases with an average uphold rate of 55.8%.
- There has certainly been a drop in complaints about SIPPs in 2024/2025 but the average uphold rate remains steady (46.65% for Q1 and Q2 and 43.33% for the year 2023/2024).



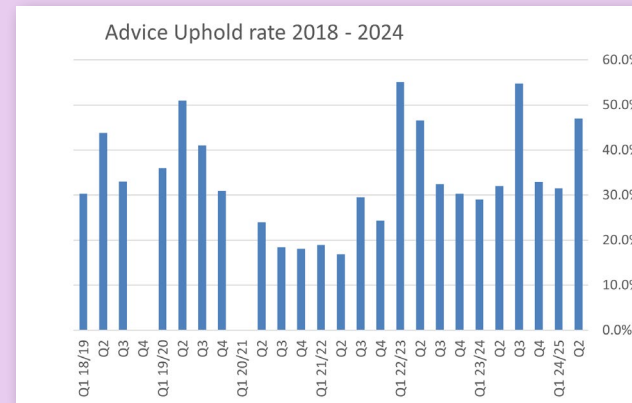
Occupational Pension Transfers (OPTs)

- In Q2 of 2024/2025, there were 87 new cases with an average uphold of 65% (up from 38.9% in Q1 but broadly consistent with an average uphold rate of 54.95% for 2023/2024).
- In the same period, Q2 of 2023/2024 there were 196 new cases with an average uphold rate of 57.5%.
- This category does not necessarily capture all occupational pension transfer complaints being that complaints regarding advice to transfer out of defined benefit schemes may fall under the advice complaint category.



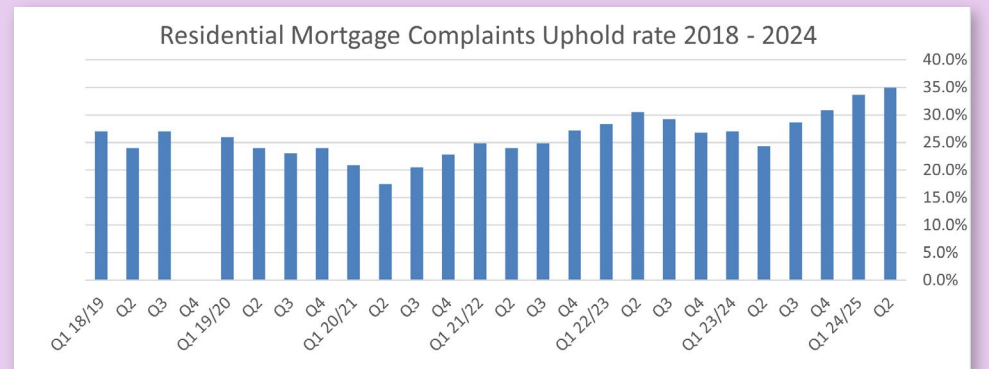
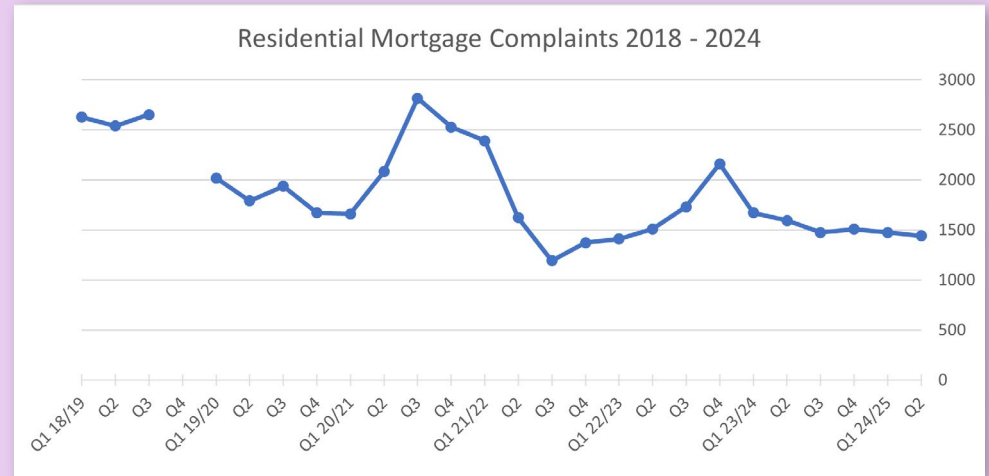
Advice complaints

- In Q2 of 2024/2025, there were 274 new cases with an average uphold of 47% (up from 31.5% in Q1).
- In the same period, Q2 of 2023/2024 there were 290 new cases with an average uphold rate of 32%.
- Advice complaints remain relatively steady albeit there was a notable increase in the uphold rate in Q2 of 2023/2024 (from 30% to closer to 50% compared to the previous quarter). It is unclear if this was linked to any particular investment or investment product.



Residential mortgages

- In Q2 of 2024/2025, there were 1,442 new cases with an average uphold of 35% which closely matches Q1 in which there were 1,475 complaints with an average uphold rate of 33.6%.
- In the same period, Q2 of 2023/2024 there were 1,596 new cases with an average uphold rate of 24.3%.
- As noted, we may see an uptick in the number of residential mortgage complaints given consumers may have buyer's regret if they fixed in to higher interest rates at the end of 2022/early 2023 post the mini-budget and increase in interest rates as we see interest rates continue to reduce, but the data as yet is not showing that this risk materialising.



Claims Management Companies (CMCs)

FOS has not published any data for complaints against CMCs for Q2 which may be because the volumes are low (with 38 in Q1) – FOS typically does not publish data where the complaints total under 30 for the given quarter.

Numbers are relatively low with a sharp year on year decline from over 1,300 in 2019/2020 to just 195 in 2023/2024.



Other FOS developments

June – September 2024

- FOS' data shows that complaints about fraud and scams are at their highest level (9,091 in Q2) which is a significant increase from 6,264 in Q2 2023/2024 and is even higher than Q1 (8,734). Notably authorised push payment scams make up over half of the complaints in Q2 (4,956).
- Complaints about credit cards and current accounts are also at their highest quarterly volumes with 22,366 new credit card complaints and 9,186 current account complaints which again is a significant increase on Q2 in 2023/2024 which were 4,505 and 7,880 for credit cards and current accounts respectively.
- FCA's call for input on modernising the redress system, which closes on 30 January 2025, including (1) whether to introduce a definition of mass redress events, (2) the reintroduction of a 2-stage complaints procedure, (3) limiting the ability of both respondent firms and consumers being in a position to request a final ombudsman decision and (4) introduction of a long-stop at FOS – <https://www.fca.org.uk/publications/calls-input/modernising-redress-system>
- Annual Report for Year Ended 31 March 2024 – (i) sets out the creation of a dedicated team to deal with the influx of vehicle finance commission complaints, (ii) overall complaints in 2023/2024 were up 21% on the previous year with the number of complaints resolved down 9% (iii) the impact of the Consumer Duty was a focus across all complaints and will continue to be going forward.
- Redress – a new webpage (<https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-investment-complaints>) has been created by FOS to better explain its approach to redress calculations for different types of complaint (eg investments complaints and mortgage complaints) and to reflect different factual findings about the complainant (eg what level of risk appetite the FOS deem a complainant to have had). This perhaps nothing new in substance but provides a more fixed position for complainants which may harden the scope for negotiated settlements that veer from FOS' approach.

Relevant RPC blogs

Title	Date
FCA provides guidance for Lifetime Mortgage Providers	06 November 2024
City Minister supports imposition of FOS case fees for CMCs	11 November 2024
Dear CEO Letter to SIPP operators as a follow-up to the consumer duty	13 November 2024
The Modernisation of FOS	19 November 2024
FCA reveals crypto regulation roadmap as ownership continues to surge	27 November 2024
FCA sets out its strategy for 2025-2030	03 December 2024
Financial Conduct Authority to hold roundtable discussion with IFAs to test simplified advice	03 December 2024
Competing interests – phase two of the 'Name and Shame' proposal	05 December 2024
Key takeaways from the FOS' annual report and accounts	12 December 2024
FCA updates its perimeter report	13 December 2024
FCA publishes guidance on firm compliance with the consumer duty when it comes to complaints and root cause analysis	31 December 2024

Note: gaps in the data result from (a) FOS not publishing Q4 complaints data until 2019/2020, and (b) FOS not publishing data for categories where there are 30 complaints or less. This means that for some areas the data is not perfect. Also FOS' categorisation of products has not always remained consistent and again this may result in some small anomalies. The fact that there is a delay between complaints referred to FOS and uphold rates means that there is not a clear correlation between a spike in complaints and a spike in uphold rates – you can expect a slight drag in the data .

rpclegal.com