

## FOS Consultation

### 2026/27 Plans and Budget

#### Submission by the Financial inclusion and Markets Centre (FIMC)

#### About The Financial Inclusion and Markets Centre

The Financial Inclusion and Markets Centre is a dedicated unit of the Financial Inclusion Centre which focuses on financial services policy and regulation, financial market reform, and evaluating the economic, environmental, and social utility of finance. The new unit also covers work evaluating the impact of developments at the intersection of finance and technology including AI.<sup>1</sup>

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<sup>1</sup> [About | The Financial Inclusion Centre](#)

## Introduction

We are pleased to submit a response to such an important consultation. For further information, please contact Mick McAteer [mick.mcateer@inclusioncentre.org.uk](mailto:mick.mcateer@inclusioncentre.org.uk)

## Summary of our submission

We are very supportive of the role of the FOS. As the consultation says, FOS is a critical part of the regulatory ecosystem. It is important that FOS retains its operational independence and has the necessary resources to fulfil its role.

We support the goal of a digital first service. But, we would urge FOS to ensure that the drive for digitalisation does not become a barrier to access to FOS. Retaining access options for consumers who are digitally excluded and/ or are not digitally capable and confident will be important.

We would very much welcome further work on awareness of rights amongst different groups of consumers, attitudes of different groups towards dealing with formal redress systems, and the barriers facing consumers with lived experience when engaging with the redress system. This work could also consider whether the current dismissal rules act against the interests of certain consumers.

We would also urge FOS and FCA to engage with civil society to better understand where the boundary of responsibility between consumers and industry should lie in an era of AI/tech/big data.

We welcome the FOS commitment on the issue of economic abuse/coerced debt and would urge FOS to continue engaging with civil society, the FCA, and industry to ensure that victim-survivors are fairly treated in the financial system.

We are not in a position to comment usefully on anticipated volumes and trends; our response focuses primarily on standards. We appreciate the challenge FOS faces in predicting volumes and allocating resources due to external events. We are pleased that FOS is aiming to maintain and improve on standards.

## Response to specific questions

### Demand

- 1. Do you agree with the anticipated volume and trends for 2026/27?**
- 2. Are there any issues or trends might we see in 2026/27 which we have not included? And what impact do you think they will have on complaint volumes?**

Unfortunately, we do not have the capacity or necessary data insights to model with any real degree of precision the likely volume and trends in complaints for 2026/27. However, we do agree with the FOS analysis of the drivers of trends for next year.

We appreciate the uncertainty FOS faces planning for case numbers due to external factors, the behaviours of the financial firms and professional representatives, the activities of the FCA, the unpredictable nature of financial innovation, and use of technology in finance which can create new opportunities for fraud and scams.

Much depends on FCA interventions in the market such as how robustly it enforces the Consumer Duty outcomes. More robust enforcement of the Duty outcomes could result in more consumers becoming aware of redressable issues.

The rise in the number of consumers using AI and tech platforms for financial planning decisions without seeking advice or information from regulated entities,<sup>2</sup> and the growth in the cryptocurrency market,<sup>3</sup> creates new sources of detriment. Importantly for FOS, we are concerned that this could result in consumers misunderstanding their rights to redress when buying financial products as a result of AI recommendations and dealing in unregulated activities. So, while FOS may not have to process actual complaints which technically do not fall within its remit, it may have to deal with larger numbers of consumers who *think* they have rights to redress.

It is difficult to evaluate the impact of buy now pay later coming into regulation in July 2026. We agree that the number of actual redressable cases is likely to be fairly low in 26/27. However, we do wonder if the act of bringing BNPL into regulation may also create an expectation amongst consumers that they can make a complaint about pre-regulation cases. Again, it is more of a perception issue.

### **3. Do you agree with our projection on the volume of complaints we will receive from professional representatives on behalf of consumers?**

We are unable to comment on the specific projections. But, we do agree with the FOS assessment of the general trend.

### **4. What operational impact do you foresee the FCA's redress scheme for motor finance commission cases will have on our service?**

This very much depends on the final structure of the MFC redress scheme, how effectively the FCA manages the scheme, the response of the industry, how engaged civil society and the media are in scrutinising the scheme, and overall consumer satisfaction with the scheme. However, if the scheme is managed effectively then we would expect a significant reduction in these complaints.

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<sup>2</sup> [Over 28 million adults now using AI tools to help manage their money - Lloyds Banking Group plc](#)

<sup>3</sup> [FCA finds crypto ownership continues to rise as it delivers plans to regulate crypto | FCA](#)

## Service standards

### 5. Do you agree that the service standards we have set out will help our customers? Are there areas where you think we should have more focus?

Overall, FOS does provide very helpful and insightful data on financial services and its operational performance. We welcome the service standards FOS has included (and those set out in the Annual Report) and agree that these will help customers and aid accountability.

In terms of areas where there could be more focus, we think it could be helpful if the FOS presented performance against relevant standards, where available, at each part of the 'customer journey'. In the latest Annual Report, FOS provides a very helpful diagram of the customer journey broken down into the various stages.<sup>4</sup> Presenting the available FOS data grouped along these stages could provide a useful performance tracker.

More generally, access to effective consumer redress depends on:

- i. consumer awareness of their rights including rights to redress;
- ii. consumer awareness of and propensity to engage with the redress system;
- iii. how accessible and usable the system is;
- iv. how effective that system is in ensuring consumer interests are fairly represented throughout the redress journey; and
- v. the operational efficiency of the system.

As ever, we are particularly interested in the experiences of marginalised, excluded, and vulnerable consumers. We would very much welcome additional insights into how different consumer groups experience the redress system. Although not related to standards, we would suggest that FOS could consider how it provides more data focus and insights on how well the system serves specific groups eg. consumers on lower incomes, consumers in different regions of the UK, and consumers with particularly difficult cases such as victim-survivors of domestic abuse/coerced debt.

We would highlight that the customer journey begins before consumers actually engage with FOS, not from the first point of contact. So, it would be helpful if FOS provide more regular insights into the barriers that limit the willingness and ability of different groups of consumers to engage with FOS before they enter the system and the experience of different users once in the system. This is where methods such as harnessing the insights of 'people with lived experience' or 'experts by experience' can be beneficial. Obtaining these insights could help FOS enhance performance standards by ensuring these are more relevant to the lived experience of consumers.

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<sup>4</sup> [Financial Ombudsman Service Annual Report and Accounts 2024-25 ACC](#)

Moreover, engaging more actively with people with lived experience can help improve the design and accessibility of systems; after all they are the people using the system. This could also provide further insights into how different parties perceive issues of fairness which could enhance how consumer interests are represented through the redress customer journey.

## **6. What more can we do to share insight to prevent complaints and unfairness from arising?**

We appreciate the effort FOS already takes to engage and share insight with stakeholders; although we would point out it does have four formal industry engagement groups (the Banking Industry, Insurance, and Trade Body Steering Groups and Consumer Credit Trade Body Forum) and one consumer engagement group (the Consumer Liaison Group).

FOS is an essential part of the regulatory ecosystem, not just resolving complaints when things go wrong, but as part of the feedback loop and providing thought leadership that can help improve and maintain standards in the financial services industry. It plays an important preventative role in financial services. So, for the most part, on stakeholder engagement it is a question of doing more of the same with greater balance given to formal consumer engagement.

It is not clear from FOS publications how it engages with people with lived experience or experts by experience – see above. Of course, consumer advocates can provide useful insights into evidence of unfairness in retail financial services. However, this could be complemented by insights from people who have experienced consumer harm first hand and who are deterred from using the redress system. This would also help FOS (and the FCA) develop a more rounded appreciation of how unfairness is perceived by consumers as opposed to industry and professional consumer advocates.

We would very much welcome additional thematic work and more active deliberations with consumer advocates on a number of issues:

- As mentioned above, we are concerned about the growth in the use of AI and, more generally, tech platforms in financial decision making and the distribution of high risk and complex financial products, both regulated and unregulated. We think this merits greater deliberation on where the boundary of responsibility should lie between consumers, regulators, FOS, and the financial services industry for preventing harm in this new, riskier and more complex environment.
- We are encouraged by the work FOS does on economic abuse including providing very informative information to victim-survivors and businesses,<sup>5</sup> and engaging with representatives on the Consumer Liaison Group.<sup>6</sup> We would welcome FOS and FCA

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<sup>5</sup> [Economic and domestic abuse: Financial Ombudsman Service – Financial Ombudsman service](#)

<sup>6</sup> [Consumer Liaison Group meeting minutes - June 2025](#)

undertaking further work on this issue including exploring what more firms could do to minimise the financial and emotional harm caused by economic abuse/coerced debt eg. what is the impact of county court judgments (CCJs) arising from economic abuse/ coerced debt on victim-survivors, and what more can be done to address this.

- As mentioned above, we would very much welcome further work on awareness of rights amongst different groups of consumers, attitudes of different groups towards dealing with formal redress systems, and the barriers facing consumers with lived experience when engaging with the redress system. This work could also consider whether the current dismissal rules act against the interests of certain consumers – see below.

## Costs

### **7. Do you agree with our focus and approach to delivering the Modernising Redress package of reforms?**

We note that, in response to the Government confirming that it will revoke the ADR Regulations and replace them with a new regime, FOS says this will present an opportunity to revise the current dismissal rules.

This is a worrying time for access to redress. As we set out in our response to the consultations on reforming the redress regime and FOS,<sup>7</sup> we are very concerned that the reform proposals could compromise the operational independence of FOS and give firms and industry lobbies greater opportunities to: i. delay consumer access to redress and/or reduce firms' liability for redress, and ii. influence the direction of financial services policy and regulation eg. on the interpretation of the FCA's Consumer Duty and resolution of mass redress events.

Care must be taken that revising the dismissal rules does not further undermine the effectiveness of FOS from the consumer perspective. We hope FOS will consult widely and fully on any such considerations to ensure that any revision does not adversely affect certain groups of consumers. This is where engaging with consumers with lived experience could be beneficial for helping FOS establish consumer understanding of the dismissal rules.

FOS will be better placed to understand the internal benefits of the pivot from large technology initiatives to incremental continuous improvement. But, this does seem to make sense.

With regards to the use of AI, of course it should be deployed to enhance process efficiency where it can add value and can be trusted. We would urge FOS to exercise caution over the deployment of AI in actual assessment of cases and decision making given the well

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<sup>7</sup> [Consultations on reforming the redress regime and FOS | The Financial Inclusion Centre](#)

documented concerns about the integrity and accuracy of AI generated outcomes. The application of AI should not be prioritised at the expense of fairness and integrity in the system.

More generally, while we support the goal of a digital first service, we would urge FOS to ensure that the drive for digitalisation does not become a barrier to access to FOS. Retaining sufficient access options for consumers who are digitally excluded and/ or are not digitally capable and confident will be important.

Similarly, we would urge FOS to undertake further evaluation of the potential impact of 'self-service' solutions on groups of consumers with very different levels of digital and financial capability and confidence. Again, this is where engaging people with lived experience could help.

**8. Do you agree with the costs included to support the delivery of our service standards, reducing the volume of cases we have in stock and to support the stable delivery of the changes required?**

Unfortunately, we are not in a position to respond to this question.

**Funding**

**9. Do you support our proposal to: a. increase our case fee and CJ levy for respondent firms? b. increase the case fee for professional representatives? c. not to increase our VJ levy for respondent firms?**

Yes, we support all three proposals.

**10. Do you support our proposed budget for 2026/27?**

We are unable to comment on the actual size of the proposed budget. But, we do agree with the basis on which the proposed budget is calculated.

**11. Do you feel we are offering value for money? If not, where do you think we could improve?**

Assessing value for money provided by Ombudsmen schemes (and financial regulators) is a real challenge. Operational value for money could be done by comparing inputs and outputs and by using benchmarks including international comparators. However, we do not have the resources to undertake this type of research.

It is even more difficult to evaluate whether Ombudsmen schemes (and financial regulators) offer value for money in terms of achieving optimal outcomes for consumers with a given amount of financial and human resource. This would require an assessment of the consumer outcomes rather than FOS operational outputs. This in turn would require some sort of assessment of whether FOS has made the right decisions in the circumstances for

example through audits of samples of cases. It would also involve an evaluation of the evidence of detriment in the market, estimating the quantum of detriment, and comparing this with the redress obtained by affected consumers.

Moreover, the value provided by FOS comes not just from ensuring complaints are handled properly and consumers obtain redress, the *ex post* role. As mentioned, FOS is an integral part of the regulatory and consumer protection ecosystem. It clearly plays an important disciplining role in the market and, in doing so, it also plays an *ex ante* role in anticipating and preventing detriment. But, again, it would be very difficult to try to quantify the value of this *ex ante* role.

Nonetheless, despite the limitations of the evidence base, given our experience of other redress systems, we do feel that the UK FOS offers value for money and acts as a very positive force on the behaviours of the financial services industry.

**12. FEES Rules: do you agree with our proposal to withdraw the planned change to the definition of 'relevant business' and maintain the current definition? If not, why not?**

Yes, for now. We would welcome further consideration of this given the blurred boundary between retail consumers and SMEs/ microbusinesses.

**This marks the end of our submission.**

**Financial Inclusion and Markets Centre (FIMC)  
January 2026**