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Response to the Financial Ombudsman Service: Our 2026/27 Plans and Budget consultation paper

About the Building Societies Association

The Building Societies Association (BSA) represents all 42 UK building societies, including both mutual-owned banks, as well as 7 of the largest credit unions. Building societies and mutual-owned banks have total assets of almost £650 billion. They hold residential mortgages of over £485 billion, 29% of the total outstanding in the UK. They are also helping 23 million people build their financial resilience, holding over £485 billion of retail deposits, accounting for 23% of all such deposits in the UK. Building societies and mutual-owned banks account for 47% of all cash ISA balances. With all their headquarters outside London, building societies employ around 52,300 full and part-time staff. In addition to digital services, they operate through approximately 1,300 branches, holding a 30% share of branches across the UK.

Executive summary

- **Timing:** We are still awaiting the publication of the outcomes from the joint FOS/FCA consultation on modernising the redress system and HM Treasury's review of the ombudsman. The options and proposals in both consultations have the potential to significantly impact the way the ombudsman operates, allocates resources and is funded. Consulting on case fee and funding changes now, before we know the outcome of the other consultations, is not sensible.

- **Case fees:** Any decision on increasing case fees for firms should be delayed until after the outcome of the FOS/FCA consultation and HM Treasury review have been published. However, professional representative case fees should immediately be increased to match firm case fees. There is no justification for professional representatives paying a lower fee compared to firms. The current arrangements are inequitable to firms.

Response

We welcome the opportunity to comment on the Financial Ombudsman Service's (FOS) proposed plans and budget for 2026/27. However, we believe that the timing of this consultation is premature given the significant regulatory reviews currently underway.

Both the joint FOS and Financial Conduct Authority's (FCA) consultation CP25/22: Modernising the redress system and HM Treasury's Review of the Financial Ombudsman Service have the potential to introduce fundamental changes to the structure and operation of FOS. For example, one option explored in HM Treasury's consultation is that the FOS merge with the FCA. If the outcome of HM Treasury's review is that a merger should take place, this would necessitate a complete rethink of the funding model and governance arrangements of the FOS. Proceeding to consult and subsequently implement the FOS plans and budget in April without clarity on outcomes of CP25/22 and HM Treasury's review risks inefficiency and unnecessary cost.

Our key points are:

1. Timing and Alignment with Regulatory Reviews

The consultation acknowledges that the outcome of changes to the redress system is not yet finalised, yet FOS has already set aside £8 million for a programme to implement changes. Given the potential scope of these changes - ranging from relatively minor adjustments through to the more radical option of merging FOS into the FCA - it is difficult to determine whether this amount is adequate. If the changes are significant, the costs could be substantially higher, and the current allocation may prove unrealistic. This further reinforces the need to wait for clarity before committing resources.

We therefore urge FOS to delay the consultation until the outcomes of the FOS/FCA and HM Treasury reviews are known. Alternatively, commit to a further consultation on the plans and budget if the HM Treasury review recommends radical changes to the FOS.

2. Professional Representative Complaints and Fees

We note that complaints from Professional Representatives (PR) have decreased significantly—from 50% in 2024/25 to 20% in 2025/26. This is in large part due to the introduction of case fees for PRs on 1 April 2025. The consultation acknowledges that the introduction of the fee has reduced the number of poorly evidenced PR complaints reaching the FOS, which presumably has had a positive impact on the resources needed to process these complaints.

While this is a welcome development, we continue to argue that professional representatives should pay the same case fee as firms. The proposed increase from £250 to £260 is not equitable or justifiable. It should be £650 - the same as for firms. This would:

- Ensure fairness and consistency in the fee structure.
- Potentially reduce the need to increase firms' fees from £650 to £680.
- Continue the downward trend of poorly evidenced, time- and resource-wasting complaints that both FOS and firms have to deal with from PRs.

3. Proposed Increase of Firms' Case Fees and the Compulsory Levy

We understand the arguments for increasing the case fee for firms to £680 and the compulsory levy to £86 million and acknowledge that this is still less than the 2023/24 fee (£750) and levy (£110 million). However, we believe there should be no change in firms' case fee or levy until we know the outcome of the FOS/FCA and HMT reviews.

As mentioned earlier, the reviews may implement changes which have a significant impact on the way the FOS functions, allocates resources and potentially how it is funded. It would therefore be prudent to wait until we know the outcome of the reviews before adjusting the fees and levy.

The only change to case fee we could support at this stage is an increase to the PR case fee to match the current case fee for firms (£650) for the reasons set out earlier.

Conclusion

The building society sector supports a fair, efficient, and sustainable redress system. However, aligning FOS's planning cycle with the outcomes of these major reviews is essential to achieving that goal. We also believe that a more equitable approach to PR fees would improve fairness and reduce unnecessary costs for all parties.