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By email to: Geoff.Buck@dapco.co.uk

8 March 2019

Our Ref:

Your Ref:

Dear Geoff,

Increasing the award limit for the Financial Ombudsman Service

I am writing to you as a key stakeholder in the proposals we published in [Consultation Paper 18/31](#) to increase the Financial Ombudsman Service's award limit.

Following extensive deliberation, we have decided to implement our proposals in full. This includes increasing the award limit to £350,000 for complaints about acts or omissions on or after 1 April 2019, and £160,000 for complaints about acts or omissions before 1 April. The changes will take effect on 1 April.

Today we have published [Policy Statement \(PS\) 19/8](#) (enclosed), which explains our decision in more detail. It also explains our revised, significantly lower estimates of the number of complaints where between £150,000 and £350,000 compensation could be awarded and the estimated additional liability this would create for firms and professional indemnity insurance (PII) insurers.

Our PS sets out the additional analysis that retail intermediaries and professional indemnity insurers asked for. This includes on the appropriateness of the ombudsman service's approach for significantly higher value complaints, and how a £350,000 limit could affect firms' ability to obtain professional indemnity insurance (PII) for business carried on after 1 April.

In our view, the £350,000 limit should not affect the provision of PII for business carried out before 1 April. This is because complaints about pre-1 April business that are referred to the ombudsman service after 1 April will not be subject to the £350,000 limit.

The Financial Ombudsman Service

We continue to believe the ombudsman service is an appropriate body to make binding compensation awards of up to £350,000. We do not consider the ombudsman service is a significantly greater source of uncertainty for firms and insurers than the courts.

However, we recognise that some stakeholders seek more clarity about certain aspects of the ombudsman service's approach. So, shortly after our rules come into force, the ombudsman service will be publishing information about additional governance arrangements that will apply to high value complaints, and examples to help stakeholders better understand how the service would determine if a complaint referred to should be handled by the courts

Professional indemnity insurance

In our supervisory work, we have documented our concerns about certain areas of the advice market, such as defined benefit pension transfer advice. However, our results are based on targeted work and are therefore not representative of the whole market.

In relation to the £350,000 award limit, we have carried out analysis to understand the possible impact and consider this will remain a viable market for insurers who can understand risk drivers sufficiently well to properly underwrite the relevant risks. Particularly as it is a regulatory requirement for PIFs to hold PII.

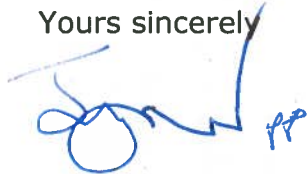
Equally, we do not think firms should face significant difficulty obtaining cover if they can demonstrate to PII insurers that they understand and manage their own exposure to potential claims.

We publish information about our view of markets that may have conduct issues and are, therefore, a concern for PII insurers. These should help insurers better understand the key risks in these markets, in addition to the information they collect from insureds themselves. We discuss our findings with the ombudsman service to ensure our views on appropriate conduct are aligned.

Next steps

We would be happy to meet with you to discuss these changes to our rules. Please contact Nadia Yasin if you would like to arrange a meeting.

Yours sincerely



JEQ HOGSON - MANAGER REGULATORY AFFAIRS

Nisha Arora

Director, Consumer and Retail Policy