

## Consultation Response

### Which? response to the Financial Ombudsman Service (FOS) 2026/27 Plans and Budget Consultation Paper

21 January 2026

#### Summary

- **The FOS must retain sufficient flexibility to be able to adapt to uncertain and fluctuating levels of demand.**
- **The FOS should closely monitor the impact that the reduction in professionally represented cases is having on consumers' access to justice, particularly for those at their most vulnerable.**
- **Modernising the redress programme presents an opportunity to future proof the service and drive efficiencies. However, reforms should not dilute consumer protections or preclude access to redress.**
- **The FOS should continue to strengthen the information it shares about case decisions to help prevent consumer harm and improve standards across the market.**
- **The FOS should build on its efforts to improve accessibility and awareness among consumers.**

#### General response

Which? welcomes the opportunity to respond to the FOS consultation on its Annual Plans and Budget for 2026/27. As the UK's consumer champion, we strongly support the fundamental role the FOS plays in providing consumers access to free, independent and effective redress when things go wrong. This is crucial to maintaining trust within the financial services market.

A well-resourced, efficient and consumer-focused ombudsman service is particularly essential in the current context of ongoing cost-of-living pressures, the introduction of innovative products which can lead to uncertainty and the increasing complexity in financial products and services.

Overall, Which? supports the FOS' focus on improving service delivery and reducing case backlogs. However, **the FOS must retain sufficient flexibility to be able to adapt to uncertain and fluctuating levels of demand.** The FOS estimates it will receive 188,000

new cases in 2026/27. Such projections are subject to material uncertainty, especially in areas where new regulatory regimes or market practices are still bedding in.

As a demand-led service, we recognise that best laid plans can be impacted by unexpected surges. Recent experience underlines the importance of a resilient and well functioning redress system. In the 2024/25 period, the FOS received over 305,000 complaints largely owing to the systemic issues within motor finance. While we do not suggest that complaint volumes will exceed current projections, a range of emerging and ongoing issues may well drive higher demand than projected. Our key areas of concern for 2026/27 include Motor Finance, Buy Now Pay Later (BNPL), Insurance, APP Fraud given the increasing use of artificial intelligence (AI) by firms and targeted support:

### Motor Finance

Which? agrees that the motor finance commission complaints will continue to drive a high volume of complaints and will no doubt have a significant operational impact in 2026/27. The aim for the FOS to resolve 60,000 complaints is a welcome but ambitious target. Close communication between FOS and the FCA will be essential to minimise duplication, mitigate delays and provide clarity for firms and consumers.

### BNPL

As BNPL becomes regulated and comes under FOS jurisdiction, we expect to see complaints reach the ombudsman stage. Given that 11 million consumers have been known to use BNPL, the FOS should be prepared to receive more than the 2,000 complaints it anticipates. The FOS should plan for an increase in complaints once regulation takes effect from July 2026 and consumer awareness as to redress options increases. We anticipate complaints to focus on unaffordable lending, credit reporting issues and administrative errors.

### Insurance

Although insurance complaints are forecasted to fall to 41,800<sup>1</sup>, Which? continues to see persistent consumer dissatisfaction with insurance claims handling, exclusions and delays.

We recommend that the FOS considers the FCA's recent complaints handling review<sup>2</sup> when assessing insurance complaints - particularly the findings on storm claims and insurers' use of cash settlements. The persistent poor practices identified include unclear policy terms, high rejection rates for storm claims and the use of cash settlements without adequate consideration of consumers' interests. The FOS should draw on the FCA's findings, as well

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<sup>1</sup> FOS (2025) Our 2026/27 Plans and Budget Consultation paper. Available from: <https://www.financial-ombudsman.org.uk/files/324699/Financial-Ombudsman-Service-Plans-and-Budget-Consultation-2026-27.pdf>

<sup>2</sup> FCA (2025) Home and travel claims handling arrangements: good practice and areas for improvement. Available from: <https://www.fca.org.uk/publications/good-and-poor-practice/home-travel-claims-handling-arrangements>

as those from our recent supercomplaint<sup>3</sup> to identify systemic issues and publish clear expectations for fair use of cash settlements in storm and other complex claims.

The FOS already publishes helpful guidance on motor issues such as motor valuations and write-offs; it should continue to apply and signpost this guidance when relevant. The FOS must also be prepared to consider complaints not covered by any FCA action.

### APP Fraud

Which? agrees that fraud will continue to drive significant referrals to the FOS. The increasing use of AI is likely to increase the sophistication of scams. We are seeing a shift towards more complex types of fraud, such as investment and romance scams. This is particularly concerning given the often high values involved, which will likely require increased investigative effort. In addition, growth in APP fraud not covered by the reimbursement scheme, such as international transfers and civil disputes, could lead to more consumers seeking redress from the FOS.

### Targeted Support

As targeted support is rolled out to consumers from April 2026, there is a risk that consumers will be unaware of their rights where any unsuitable recommendations lead to harm. The FCA estimates that around 18 million consumers could be receiving targeted support within a decade<sup>4</sup>, highlighting the scale or the potential impact. Its introduction presents new risks that should be reflected in the FOS's planning. We encourage the FOS to closely monitor the impact of targeted support on complaint volumes, feeding back to the FCA should any early trends be identified. Insight from the FOS will be essential in supporting consistent good practices from firms.

### Professionally Represented Cases

Which? is also concerned about the potential impact that the drastic reductions in professionally represented cases may have on consumers' access to justice. The introduction of case fees has seen professionally represented cases fall from 50% to 20% of total cases<sup>5</sup>. While we support measures that reduce poorly evidenced claims, we caution that consumers should not be disadvantaged where representation is necessary, particularly those facing vulnerability or complex complaints.

**The FOS should closely monitor the impact that the reduction in professionally represented cases is having on consumers, particularly those at their most vulnerable that face barriers to navigating the complaints process directly. It is key that the FOS does not inadvertently disadvantage consumers in need of extra support.**

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<sup>3</sup> Which? (2025) Addressing poor consumer outcomes in home and travel insurance Which? Super-Complaint to the Financial Conduct Authority. Available at:

<https://media.product.which.co.uk/prod/files/file/gm-2b1b162e-6c00-42c8-a2e0-fa287f308a52-which-super-complaint-addressing-poor-consumer-outcomes-in-home-and-travel-insurance-1.pdf>

<sup>4</sup> FCA (2025) Policy Statement PS25/22 Supporting consumers' pensions and investment decisions: rules for targeted support. Available at:

<https://www.fca.org.uk/publication/policy/ps25-22.pdf>

<sup>5</sup> FOS (2025) Our 2026/27 Plans and Budget Consultation paper. Available from:

<https://www.financial-ombudsman.org.uk/files/324699/Financial-Ombudsman-Service-Plans-and-Budget-Consultation-2026-27.pdf>

Which? welcomes the proposed improvements to timeliness, including the ambition to resolve 58% within 3 months. For a long time, the length of time consumers were having to wait for a resolution was a core concern. However, speed should not come at the expense of fair, consistent and clear decision making.

**Modernising the redress programme presents an opportunity to future proof the service and drive efficiencies. However, reforms should not dilute consumer protections or preclude access to redress.**

Overall, we recognise the scale of operational challenge facing the FOS following recent periods of exceptionally high demand, particularly in relation to motor finance commission complaints. As set out in our response to the joint FCA and FOS consultation<sup>6</sup>, any improvements must go hand in hand with maintaining consistency and fairness. Reforms must maintain consumer protections and ensure individual circumstances are properly considered. We have some concerns about proposals such as the introduction of a lead complaints process. While the anticipated £20m in casework savings could be beneficial, there is a risk of over generalisation or reduced service quality if not carefully designed and implemented. Clear safeguards will therefore be essential.

**The FOS should continue to strengthen the information it shares about case decisions to help prevent consumer harm and improve standards across the market.**

Which? supports increased use of FOS insights to prevent consumer harm. We welcome the thematic guidance for firms that the FOS is considering, particularly in high harm areas such as fraud, BNPL and insurance. As stated in our previous submission to HM Treasury<sup>7</sup>, we believe there is scope for the FOS to go further. For example, the FOS could publish more detailed metrics as to why complaints are upheld to improve visibility and transparency.

**The FOS should build on its efforts to improve accessibility and awareness among consumers.**

Which? supports the FOS's continued focus on accessibility but we believe further progress is still needed. Our research from late 2024 found that nearly one in five consumers is unaware of the FOS. With the regulation of BNPL and the rolling out of targeted support, millions of consumers stand to be impacted. With the reduction in cases brought by professional representatives, it is increasingly important that consumers are aware of the FOS and know how to / are able to access its services. The FOS should be proactive in raising awareness, particularly in light of the new areas entering their jurisdiction.

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<sup>6</sup> Which? (2025) FCA and FOS joint consultation on Modernising the Redress System - Which? response. Available at:

<https://www.which.co.uk/policy-and-insight/article/fca-and-fos-joint-consultation-on-modernising-the-redress-system-which-response-aYzoY8u9UZM0>

<sup>7</sup> Which? (2025) Which? response to HM Treasury's consultation on a Review of the Financial Ombudsman Service. Available at:

<https://media.product.which.co.uk/prod/files/file/gm-e7125f70-587a-4e21-a25f-2c35a69940f4-whichresponse-to-the-hmt-consultation-on-a-review-of-the-financial-ombudsman-serviceoctober-2025.pdf>

Overall, Which? supports the direction of the FOS's latest Plans and Budget. We recognise the need to reduce backlog and modernise but caution that maintaining high service standards, access to justice and consumer confidence should remain paramount. We encourage the FOS to remain agile, foster transparency and focus on improved accessibility as these plans are delivered.

## About Which?

Which? is the UK's consumer champion, here to make life simpler, fairer and safer for everyone. Our research gets to the heart of consumer issues, our advice is impartial, and our rigorous product tests lead to expert recommendations. We're the independent consumer voice that works with politicians and lawmakers, investigates, holds businesses to account and makes change happen. As an organisation we're not for profit and all for making consumers more powerful.

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