TISA

Response by TISA to the FOS consultation on Evolving their Funding Model

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270 member firms involved in the supply and distribution of savings and investment products and associated services.

Our work, your influence

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **four distinct workstreams**:

1. **Consumer Protection -** *Protecting the best interests of UK consumers in their financial journeys.*
2. **Consumer Access -** *Considering issues that could directly impact access to financial products.*
3. **Effective Products -** *Examining key considerations and legislation relating to products across the investing and saving landscape.*
4. **Corporate Responsibility**
   Exploring issues that directly impact society, the environment, and the economy.

All groups focus on both strategic and technical elements of policy/regulation. We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out more about TISA here: **www.tisa.uk.com/about-tisa**

Responses to Consultation Questions

Differentiated charging

Question 1: What do you think of the proposal to differentiate case fees based on case stage, where cases closed earlier in our complaint journey would attract lower fees than those closed later in our complaint journey?

We think this proposal aligns with the FOS' long standing funding principles.

Question 2: What risks do you foresee with the introduction of differentiated case fees based on case stage? Do you feel these risks can be sufficiently mitigated?

By their very nature, most FOS complaints are more complex than a regular complaint, necessitating some time investigating. Incentivising early settlement of a case penalises proper investigation. Whilst the consultation does say that the intention is that the differentiation in fees will not be material enough to be a driver for such behaviour, the consultation also says that the changes should drive proactive settlement. These two sentiments oppose one another and there is currently insufficient detail to ascertain the potential unintended consequences that could arise from this proposal. We think it would be better to prioritise the aim of reaching a fair resolution, rather than focussing on a proactive settlement. It is essential that both consumers and firms trust that FOS will handle matters in a just and fair manner.

We note that the FOS has also indicated that this model could pose risks to FOS income. We agree that reserves and fee prices are ways in which to manage this. We would add that FOS should also consider its resourcing model: if there are less completed full reviews and assessments, then there is an argument that fewer caseworkers are required. This consideration provides a mechanism to ensure FOS' resource model aligns with their workload and cost model.

Question 3: What do you think of the proposal to differentiate case fees based on case outcome, where cases that are not upheld would attract lower fees than those cases which are upheld?

We think this proposal aligns with the FOS' long-standing funding principles, although we would add one important caveat. The differentiation should not be tied to whether the FOS finds in favour of the firm or complainant, but instead should be tied to whether the client outcome is different, or not. These two standards may lead to different results. For example. The firm offers a customer a settlement because it accepts they were at fault, the customer takes the matter to the FOS. The key determinant should be whether the FOS agrees with the settlement amount or not – rather than whether the FOS finds in favour of the firm or customer. In this example, the firm has already accepted fault, so should not be doubly penalised for doing so. If the FOS ties the differentiation to case outcome, rather than customer outcome, this could drive poor firm behaviours and lead to an increase in matters being referred to FOS. For these reasons, we propose that the proposal should be amended to differentiate case fees based on customer outcome.

Question 4: What risks do you foresee with the introduction of differentiated case fees based on case outcome? Do you feel these risks can be sufficiently mitigated?

Please see our response to question 3.

Question 5: If in favour of differentiation, do you think we should differentiate by case stage, case outcome or both?

Both should be deliverable, albeit we would need to see additional detail in order to provide a definitive answer.