

Consumer rights, complaints and compensation

LEARNING OBJECTIVES

All your studies up to this point have been focused on developing your product knowledge, explaining how to establish customers' needs and formulate sound advice, and making you aware of the regulatory framework within which financial services businesses must operate. In other words, to put you in a position where your customers have no reason to complain. Nevertheless, sometimes things do go wrong, and this final topic covers the customers' rights and how to deal with complaints.

By the end of this topic, you should have an understanding of:

- the broad scope of the Consumer Rights Act, alternative dispute resolution and unfair contract terms;
- the range of protection that exists for financial services customers;
- the complaints procedures that financial services firms must follow;
- the role of the Financial Ombudsman Service and Pensions Ombudsman Service; and
- the Financial Services Compensation Scheme.

This topic covers the Unit 2 syllabus learning outcomes U5.1-U5.5, K2.2, and K2.5.



THINK ...

Even if you have never been involved in handling complaints relating to financial services, you will almost certainly have been dissatisfied with a product or service at some time. If you have had to make a complaint:

- were you aware of what your legal rights were in that situation?
- did the business involved respond to your complaint in a satisfactory way?

- did you have to escalate the complaint and was the process for doing this clearly explained to you?
- did you have to involve a third party such as Trading Standards, a regulatory body or the courts?

The basic principle of trying to resolve a complaint at the earliest opportunity, but escalating through various stages if necessary, applies to financial services just as it does to other consumer products and services.

25.1 Consumer rights legislation

We begin this topic by looking at consumer rights legislation that applies to all UK consumers, not specifically financial services customers.

IN BRIEF

KEY CONSUMER RIGHTS

Consumers have the right to buy products and services with confidence and have rights when things go wrong. In particular, they have the right to:

- clear and honest information before they buy;
- get what they pay for;
- be supplied with goods that are fit for purpose and services that are performed with reasonable care and skill;
- have any faults corrected free of charge, or get a refund/replacement.

25.1.1 What is the Consumer Rights Act 2015?

For many years consumer law in the UK was governed by the Supply of Goods and Services Act 1982 and the Unfair Terms in Consumer Contracts Regulations 1999 (UTCCRs). From 1 October 2015, the Consumer Rights Act 2015 (CRA) took effect, replacing and revoking the UTCCRs. The CRA applies to consumer contracts entered into from 1 October 2015 onwards and gives consumers enhanced and easier-to-understand rights that change the rules applying when things go wrong in relation to goods and services.

The CRA covers:

- what to do when goods are faulty;

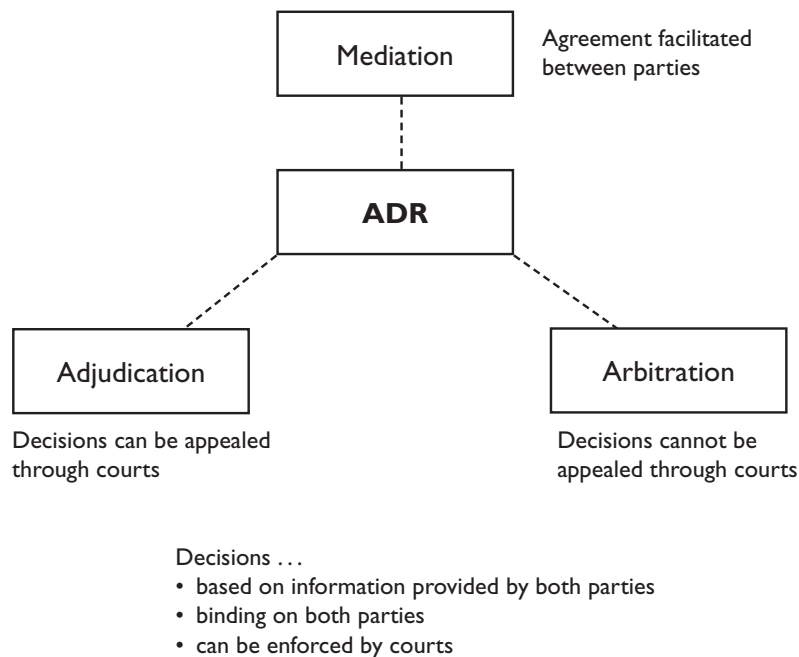
- what should happen when digital content is faulty (the first time that digital content has been covered in consumer rights legislation);
- how services should match up to what has been agreed, and what should happen when they do not;
- what should happen when goods and services are not provided with reasonable care and skill;
- unfair terms in contracts;
- greater flexibility for organisations such as the FCA or Trading Standards to respond to breaches of consumer law.

The Consumer Rights Act 2015 is the first piece of consumer rights legislation to detail what should happen if a service is not provided in the manner agreed or with reasonable care and skill. Essentially, the business that provided the service must align it with what was agreed or, if this is not realistic, provide a refund.

25.1.2 Alternative dispute resolution

An aim of the Consumer Rights Act 2015 is to reduce the incidence of disagreements between businesses and consumers and to reduce the number of such disputes ending in court action. It is also hoped that the speed with which disputes are resolved will be improved and the associated costs reduced. In pursuit of these goals, the application of alternative dispute resolution (ADR) has been broadened and is now open to all business. ADR aims to help when a dispute with a consumer cannot be settled directly. The business involved in the dispute will engage the services of a certified alternative dispute resolution provider and must find out whether or not the consumer is willing to use the service.

FIGURE 25.1 ALTERNATIVE DISPUTE RESOLUTION OPTIONS



25.1.3 Unfair contract terms

The UTCCRs were revoked by the CRA, which reforms and consolidates the previous regime.

The legislation in respect of unfair contract terms applies to consumer contracts between a business and a consumer, and to any notice that relates to the rights and obligations between a business and a consumer or purports to exclude or limit a business's liability to a consumer.

The main areas covered by the legislation are as follows.

Fairness

- All terms in regulated contracts should be fair, with a contract or notice being deemed to be unfair if it causes a significant imbalance in respect of the rights and obligations of the various parties to the contract to the detriment of the consumer.
- All terms should adhere to the requirement of good faith.
- Any unfair term or notice will not be binding on the consumer unless they choose to be bound by it. Where an element of the contract is deemed to be unfair then the rest of the contract can continue to take effect, as long as this is practicable.
- Terms that may be deemed unfair include:

- disproportionately high charges where the consumer decides not to proceed with services that have yet to be supplied;
- terms allowing the business to determine the characteristics or subject matter after the consumer is bound;
- terms allowing the business to determine the price after the consumer is bound.

Transparency

- The written terms of a contract should be transparent and expressed in clear, easily understood language. If there is any doubt about the meaning of a written term, the interpretation most favourable to the consumer will be adopted.

Good faith

- A term that causes a significant imbalance between the rights and obligations of the various parties to the contract to the detriment of the consumer will be deemed to be in breach of good faith.

UNFAIR CONTRACT TERMS AND THE FCA

The FCA can challenge unfair terms in financial services consumer contracts. Specifically, it can:

- request that a firm amend or remove an unfair contract term from its future consumer contracts; and
- prevent a firm from imposing the term against existing customers by appealing to a court for an injunction.

The FCA's Unfair Contract Terms and Consumer Notices Regulatory Guide (UNFCOG), which is part of the FCA's handbook, contains information on how the FCA exercises its powers.

The FCA has also set out the following five key messages for firms to focus on:

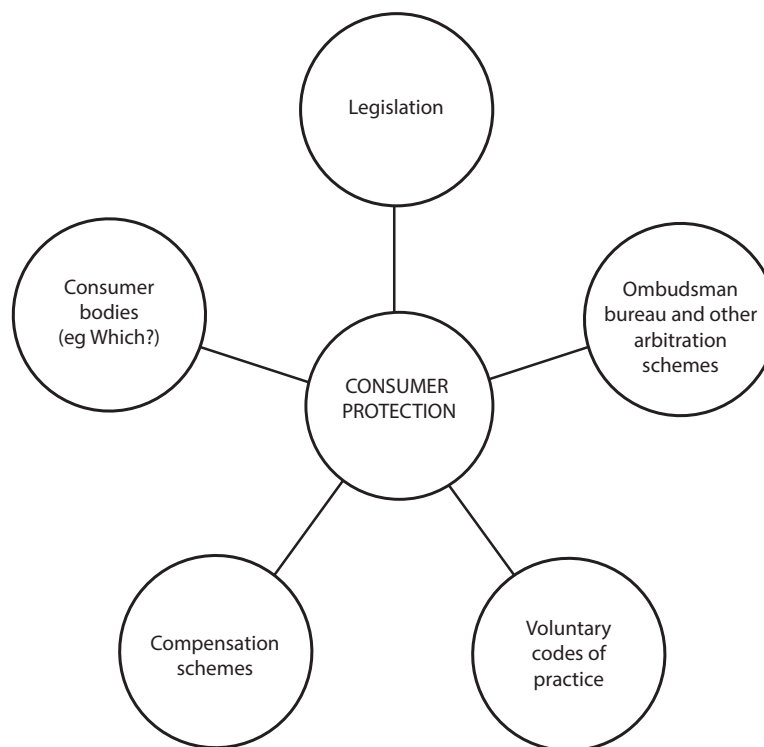
- "Firms should take into account consumers' legitimate interests in relation to contracts.
- Fairness is not contrary to the prudent management of the business, but part of it.

- Focusing on narrow technical arguments to justify a contract term that, in fact, may be unfair, risks future challenge.
- Schedule 2 to the CRA and the UTCCRs each contain an indicative and non-exhaustive list of types of terms that may be regarded as unfair. The fact that a term does not resemble any of the indicatively unfair terms listed in Schedule 2 may not in itself, remove the risk of unfairness. Firms need to assess whether a term is fair under the CRA/ UTCCRs as a whole and in the context of the particular product or service.
- Firms should take into account developments in legislation and relevant case law concerning the fairness and transparency of terms in consumer contracts.”

FCA (2023)

25.2 How are customers protected within the financial services sector?

Many financial services products are, by nature, technical and not easy for the average customer to understand; there is a reliance on the provider and the adviser to give the customer full, accurate information that is easy to understand. It is easy to see that providing a customer with a financial product that does not meet their needs has considerably more serious implications than providing them with, say, an unsuitable lawnmower. These are among the reasons why the sector is so tightly regulated.

FIGURE 25.2 CONSUMER PROTECTION WITHIN THE FINANCIAL SERVICES SECTOR

One of the FCA's operational objectives (see Topic 17) is to protect consumers of financial services and products from bad conduct. A step towards achieving this is to make it easier for customers to know how to complain when they feel that they have been badly treated by a financial institution or by an individual working in the industry. Customers who are not satisfied with a firm's response to their complaint can refer the matter to a dedicated independent ombudsman bureau. In some circumstances, customers who have lost money can receive compensation. We look at these options in further detail here.

It is important to note that consumers are expected to take some responsibility for the purchasing decisions they make – there can never be 100 per cent protection from the impact of making poor decisions. For instance, the FCA:

- makes it clear that it cannot protect investors from falls in stock market values (although it will attempt to educate consumers about the risks involved); and
- sets limits on the amounts of compensation the Financial Services Compensation Scheme can offer.

25.2.1 The role of government departments

The activities of various government departments affect firms within the financial services industry and the process of advising clients:

- HM Treasury – the government’s economic and finance ministry, maintaining control over public spending, setting the direction of economic policy and working to achieve strong and sustainable economic growth. It is the department responsible for the regulation of financial services under the direct authority of the Chancellor of the Exchequer. The Chancellor is also responsible for the Budget.
- HM Revenue and Customs (HMRC) – the UK’s tax, payments and customs authority. It collects the money that pays for the UK’s public services and helps families and individuals with targeted financial support. The self-employed and those who have further income tax to pay on their savings, capital gains or who have inheritance tax liabilities have direct contact with HMRC via the self-assessment system. Pension providers also have dealings with them, as they need to reclaim tax taken at source from personal pension contributions.
- The Department for Work and Pensions – responsible for welfare, pensions and child maintenance policy. It administers the state pension and a range of working age, disability and ill-health benefits. It also provides a useful website outlining the benefits payable and how they can be claimed: www.gov.uk/browse/benefits.
- National Crime Agency (NCA) – the role of the NCA is to protect the public by disrupting and bringing to justice those serious and organised criminals who present the highest risk to the UK. As we learned in Topic 23, it tackles money laundering, fraud, bribery and corruption, and counterfeiting of currency.

25.2.2 The role of guidance services

Earlier in this section we highlighted that consumer bodies have a role to play in consumer protection. Some of these are industry-specific, such as the Money and Pensions Service (previously the Single Financial Guidance Body), whereas others have a broader remit such as Which? and Citizens Advice. We will consider each of these bodies in more detail, starting with the Money and Pensions Service.

25.2.3 The Money and Pensions Service

The Money and Pensions Service (MaPS), previously the Single Financial Guidance Body, brought three providers of government guidance together into one organisation:

- the Money Advice Service;
- The Pensions Advisory Service; and
- Pension Wise.

MaPS is an arm’s-length body sponsored by the Department for Work and Pensions, with funding through levies on the financial services industry and pension schemes.

Its mission is to help individuals to manage their personal finances as well as their circumstances allow. Its aim is to deliver a more streamlined service than the three previous providers by offering people easier access to the information and guidance they need to help them make effective financial decisions throughout their lives. The consumer-facing brand of MaPS is MoneyHelper.

MaPS (2024) has five core functions:

- **Pensions guidance:** provision of information for the public about workplace and personal pensions.
- **Debt advice:** providing people in England with information and advice on debt.
- **Money guidance:** provision of information to enhance people's understanding and knowledge of financial matters and day-to-day money management skills.
- **Consumer protection:** working with the government and the FCA to protect consumers.
- **Strategy:** working with all bodies involved in financial capability to drive significant, co-ordinated change over the longer term.

25.2.4 Which?

Which? has, for more than 60 years, championed the causes of consumers in a wide range of areas, including financial services. It campaigns to protect consumers' rights, reviews products and services, and offers independent advice on a variety of subjects.

Which? has campaigned on many occasions for fairer treatment for financial services customers, to the extent that it is now involved with the regulator in many consultations and is seen as a stakeholder on issues relating to the industry.

Which?, along with other consumer bodies including Citizens Advice, are designated to make 'super-complaints' related to the financial services sector directly to the FCA.

In many cases, the individual consumer may not be aware of a problem because they are not able to see the 'bigger picture' and so are unlikely to challenge the provider. The role of Which? is to identify such issues and take action on behalf of the consumer.

25.2.5 Citizens Advice

Like Which?, Citizens Advice has 'super-complaint' status. It provides free, confidential and independent advice to help people overcome their problems. It is a voice for clients and consumers on the issues that matter to them.

It values diversity, champions equality and challenges discrimination for everyone. Help is available online, via telephone and face-to-face.

25.3 What complaints procedures must be followed?

The FCA has rules for dealing with complaints and compensation. These rules are set out in:

- the Handbook called Dispute Resolution: complaints (more commonly referred to by its FCA reference code of DISP); and
- the Compensation Handbook, referred to as COMP, which details the rules governing eligibility under the Financial Services Compensation Scheme and the levies payable by firms.

DISP covers how complaints are to be dealt with by firms, payment providers and the Financial Ombudsman Service (FOS).

The FCA (no date) defines a complaint as “any oral or written expression of dissatisfaction, whether justified or not, from or on behalf of a person about the provision of, or failure to provide, a financial service, claims management service or a redress determination, which alleges that the complainant has suffered (or may suffer):

- financial loss;
- material distress; or
- material inconvenience”.

25.3.1 Eligibility

The FCA (2019) defines an eligible complainant as:

- a private individual, including individuals acting as personal guarantors for loans to businesses they are involved in and consumer buy-to-let consumers;
- a business with an annual turnover below £6.5m and fewer than 50 employees, or an annual balance sheet below £5m;
- a charity with an annual income of less than £6.5m when the complaint is made;
- a trustee of a trust that has a net asset value of less than £5m when the complaint is made; or
- a micro-enterprise that employs fewer than 10 people and has a turnover or annual balance sheet that does not exceed €2m.

25.3.2 Key requirements

The FCA places a significant emphasis on the fair treatment of customers, and the rules and guidance on complaint handling aim to ensure that complainants are dealt with promptly and fairly. Firms must have appropriate and effective complaints-handling procedures and make consumers aware of these procedures – this is normally done through the client agreement or initial disclosure document.

When a complaint is received, a firm must take the steps summarised in Figure 25.3.

FIGURE 25.3 COMPLAINTS-HANDLING PROCEDURE

Acknowledge	Acknowledge receipt of a complaint promptly, in writing
Investigate	Ensure complaints are investigated by a person of sufficient competence who, wherever possible, was not directly involved in the matter under complaint
Resolve	Aim to resolve complaints promptly, within eight weeks
Inform	Keep the complainant updated on progress
Advise	Advise the customer that they can refer the matter to the Financial Ombudsman Service (FOS – see section 25.4), where a resolution cannot be found within eight weeks
Provide	Provide the complainant with a final response letter, which must ‘adequately address the subject matter of the complaint’ and notify complainants of their right to approach the FOS within six months of the date of the letter if they are not satisfied

Payment services providers must give a full response to a complaint within 15 days. This can be extended to 35 days in exceptional circumstances, with a holding letter sent in the interim.

Firms are also required to:

- report to the FCA on their complaints-handling on a six-monthly basis;
- investigate the root cause of complaints and take action to prevent the recurrence of similar issues in future.

The FCA requires financial services firms to appoint an individual at the firm, or in the same group as the firm, to be responsible for oversight of the

firm's compliance with the complaints rules. The individual appointed must be carrying out a governing function. Firms are not required to notify the individual's name to the FCA or FOS but are expected to do so promptly on request.

25.3.3 Complaints resolved quickly

Firms are able to adopt a less formal approach to resolving a complaint where the complaint can be resolved by close of business on the third working day following receipt. This may apply to relatively minor service issues such as rudeness by a staff member or the misspelling of a name or address on a communication. More significant matters, such as an allegation of poor advice or mis-selling, would generally take longer to investigate.

Where a complaint can be resolved quickly in this way, there is no need for the firm to provide a final response letter. However, the firm must provide a summary resolution communication to the complainant. Situations might arise in which the firm believes the matter has been resolved, but the customer does not agree; the summary resolution communication will explain that, should the complainant remain dissatisfied, they can still refer the matter to the FOS. The format of the summary resolution communication is prescribed in DISP.

25.3.4 Root cause analysis

As well as dealing with individual complaints in a prompt, fair and consistent manner, firms are expected to put in place appropriate management controls and take reasonable steps to ensure that they identify and remedy any recurring or systemic problems, for example by investigating the root causes of complaints to identify any weaknesses in their procedures. In this way, they should be able to improve their service to customers.

RECORD-KEEPING

Firms have to keep records of all complaints. Records have to be retained for at least three years from the date a complaint is received.

Where the complaint relates to collective portfolio management services for a UCITS scheme, the minimum period for which records must be retained is five years. Where the complaint relates to MiFID business, records should generally be kept for a minimum of five years and a maximum of seven years (although there are exceptions).

25.3.5 Reporting

On a six-monthly basis, firms are required to report to the FCA the following information:

- total number of complaints received;
- total number of complaints closed:
 - within four weeks or less of receipt;
 - within more than four weeks and up to eight weeks of receipt; and
 - more than eight weeks after receipt;
- total number of complaints:
 - upheld in the reporting period; and
 - outstanding at the beginning of the reporting period;
- total amount of redress paid in respect of complaints during the reporting period; and
- the root causes of complaints and corrective action taken to prevent recurrence.

There are simplified reporting requirements where a firm receives fewer than 500 complaints in a six-month period.

Publication of complaints information

In the interests of transparency, firms are required to publish complaints information if they receive 500 or more complaints over a six-month period.

Both the FCA and FOS publish complaints data.

SUPER-COMPLAINTS

The Financial Services and Markets Act 2000 (FSMA) gives designated consumer bodies the right to make a 'super-complaint' to the FCA where they consider that there are features of a financial services market in the UK that are or may be significantly damaging the interests of consumers. The FCA super-complaints regime for financial services markets is distinct from the cross-sectoral super-complaints regime provided for in the Enterprise Act 2002.

Under the Financial Services Act 2012, designated consumer bodies, regulated persons and the FOS can make a super-complaint to the FCA.

The FCA is required to respond to a super-complaint within 90 days, setting out how it proposes to deal with the complaint and any possible actions. The FCA's response might, for example:

- announce plans to consult on an issue;
- set out a timetable for regulatory action which would allow the FOS to consider whether or not to place a hold or stay on complaints;
- explain how the FCA is already taking action to address an issue; or
- explain why it is not taking any action.

It can also carry out wider enquiries – such as internal research or public requests for information – with a view to testing the evidence. It can carry out a review of the relevant regulated firms.

25.4 What is the role of the Financial Ombudsman Service?

A customer who is dissatisfied with the actions of a firm must first complain to the firm itself, as explained in section 25.3. If the customer is still not satisfied once the firm's internal complaints processes have been completed, they can take their complaint to the Financial Ombudsman Service (FOS). Certain types of pension and aspects of pension arrangements are dealt with by the Pensions Ombudsman (see section 25.5).

FINANCIAL OMBUDSMAN SERVICE

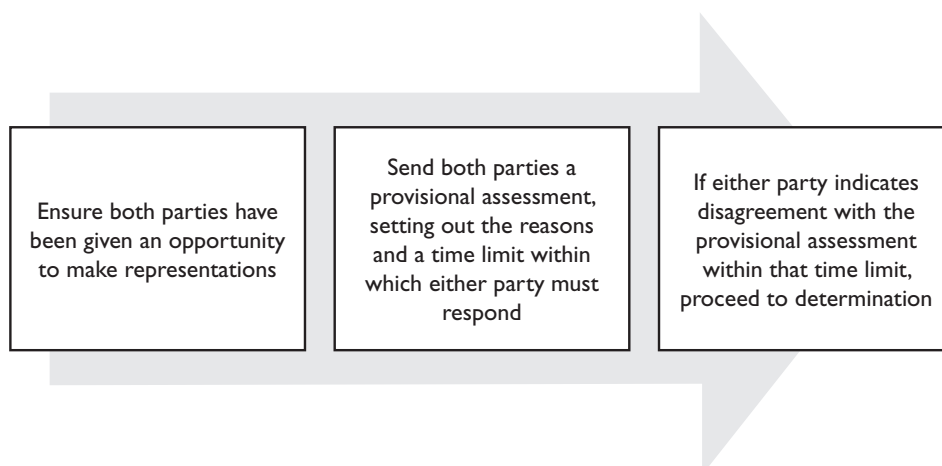
The Financial Services and Marketing Act (FSMA) 2000 provides for a mechanism under which “certain disputes may be resolved quickly and with the minimum of formality by an independent person”. The Financial Ombudsman Service took over from several existing ombudsman schemes in 2001.

The FOS is able to deal with complaints brought by eligible complainants, as defined by the FCA (see section 25.3). It does not make the rules under which firms are authorised, nor can it give advice about financial matters or debt problems. A team of assessors and adjudicators investigate and aim to resolve cases. Formal decisions are taken by senior members of staff called the ombudsmen. Their decisions are binding upon firms, but not upon customers, who have the right to take their case to court if they reject the FOS decision.

Membership of the Financial Ombudsman Service is compulsory for all organisations that are authorised under the FSMA 2000. The service is funded through a general levy on members, plus case fees for the fourth and subsequent cases per year.

The FOS attempts to resolve complaints at the earliest possible stage and by whatever means appear to be most appropriate, including mediation or investigation. The process for investigation is outlined in Figure 25.4.

FIGURE 25.4 FOS PROCESS



The FOS will determine a complaint by reference to what is, in its opinion, fair and reasonable in all the circumstances of the case, taking into account:

- the relevant:
 - law and regulations;
 - regulators' rules, guidance and standards;
 - codes of practice; and
- where appropriate, what they consider to have been good industry practice at the relevant time.

25.4.1 What are the time limits?

Complaints to the FOS must be made within six months of receiving a final response, six years of the event that gives rise to the complaint, or within three years of the time when the complainant should have become aware that they had cause for complaint, whichever is the later.

If a firm receives a complaint which is outside the time limits for referral to the FOS, it may reject the complaint without considering the merits. In a 'final

TIME-BARRED COMPLAINT

A complaint made outside the time limits for referral to the FOS; a firm may reject such a complaint, via a final response, without considering its merits.

response', the firm must explain to the complainant that the complaint is 'time barred', and indicate that the Ombudsman may waive the time limits in exceptional circumstances.

In addition, the FOS will not usually consider any complaint that is the subject of a court case.

25.4.2 What are the compensation limits?

Limits on the maximum compensation the FOS can award for complaints about acts or omissions by firms (plus interest and the complainant's reasonable costs) are set. Different limits apply depending on when the act or omission occurred and when a case is brought to the FOS.

FACTFIND

For further information on current and recent limits go to: www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation.

Awards are binding on the firm but not on the complainant, who is free to pursue the matter further in the courts if they wish. The award is not intended to punish the firm, but to restore the complainant to the financial position in which they would have been had the event complained about not taken place.

25.5 What is the role of the Pensions Ombudsman Service?

The Pensions Ombudsman Service (POS) deals with complaints and disputes relating to the running of personal and occupational pension schemes, and also with complaints about the Pension Protection Fund (PPF). Complaints relate to cases of maladministration, and complainants need to show that this has led to injustice (financial loss, distress, delay or inconvenience). Disputes are disagreements about facts or about law.

The service does not deal with complaints about the sales and marketing of pension schemes – these are the province of the FOS (see section 25.4) – or with complaints about state pensions.

Complaints and disputes can be made by a wide range of people: individuals, managers, trustees or employers. They are commonly made by:

- members or ex-members of schemes;
- spouses of members or ex-members of schemes;
- widows or dependants of members who have died;
- solicitors or others representing the interests of such people.

Complaints or disputes should first be addressed to the pension scheme's managers or trustees. If this does not result in agreement, the next step is to contact the POS.

Complaints and disputes must be communicated to the service in writing within three years of the event being complained about. Any time spent trying to resolve the matter using the scheme's internal complaints procedures is normally excluded from this time period.

A team of assessors and adjudicators review and seek to resolve cases; final, binding decisions are taken by the individual Ombudsmen, who are appointed by the Secretary of State for Work and Pensions.

An Ombudsman's decision is binding on all parties and can be enforced in the courts.

See also section 24.2 on the role of The Pensions Regulator and section 24.3 on the PPF.

25.6 The Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS) provides compensation for customers who have lost money through the insolvency of an authorised firm. The PRA and the FCA are jointly responsible for the rule-making and oversight of the FSCS and undertake regular reviews of the compensation framework.

The FSCS's costs are made up of management expenses and compensation payments. The scheme is funded by levies on firms authorised by the FCA and the PRA. Levies are split into five broad classes corresponding to the sub-schemes outlined below, and contributions are based on the class and specific activities each firm undertakes.

To qualify for compensation, a claimant must be eligible under rules outlined in the FCA Handbook. The main points are as follows:

- Compensation can only be paid when an authorised firm is in default. Claims cannot be made against the FSCS for other losses, ie losses due to negligence, poor advice or a fall in stock market values.
- Compensation can only be paid for financial loss and there are limits to the amounts of compensation payable.
- The FSCS was set up mainly to assist private individuals, although smaller businesses are also covered. Larger businesses are generally excluded, although there are some exceptions for deposit and insurance claims.
- The FSCS does not cover firms based in the Channel Islands or the Isle of Man.

25.6.1 FSCS sub-schemes

The FSCS is made up of five sub-schemes relating to different default situations and the date on which the default occurred.

DEPOSITS

This sub-scheme covers claims made against failed deposit-taking firms, for example banks, building societies and credit unions. The FSCS is triggered when a firm authorised to accept deposits by the PRA goes out of business, eg if the firm goes into administration or liquidation, and is unable to repay its depositors. The FSCS can also be involved if the PRA considers that an authorised firm is unable, or likely to be unable, to repay its depositors.

Maximum claim

Generally 100 per cent of £85,000 per person per firm, although there is cover of up to £1m for temporarily high deposit balances. The £1m limit applies to balances that are held for less than six months and provides additional protection where a person's savings are temporarily boosted by certain life events such as:

- sale of a house;
- divorce settlement;
- taking pension benefits;
- receipt of inheritance;
- redundancy payment;
- criminal injuries compensation.

To claim under the higher £1m limit, a person would have to provide proof that the money was only held temporarily as a result of a relevant life event.

DEBT MANAGEMENT

Customers with money held by debt management firms may be covered in relation to client money they held with a failed debt management firm of up to £85,000.

INVESTMENTS

The FSCS is triggered when a firm authorised to advise on or arrange investments goes out of business, and is considered by FSCS to be unable, or likely to be unable, to pay claims made against it. This will generally be because the firm has stopped trading and has insufficient assets to meet claims, or is insolvent.

Maximum claim

100 per cent of £85,000 per person per firm.

HOME FINANCE

FSCS can provide protection if a mortgage firm is unable, or likely to be unable, to pay claims against it. FSCS is triggered when a firm authorised to advise on or arrange mortgages by the FCA goes out of business, eg if the firm goes into administration or liquidation.

Maximum claim

100 per cent of £85,000 per person per firm.

INSURANCE COMPANIES

This sub-scheme covers claims for compensation that arise following the failure of an authorised insurer (life and general).

Maximum claim

- For all long-term insurance and for certain types of general insurance, compensation is 100 per cent of the value of the policy with no upper limit. (Policies with 100 per cent protection include long-term and general insurance that provide benefits on death/disability only.)
- Where a long-term policy includes a savings as well as a protection element, the protection element has 100 per cent protection.
- Annuities that are being used to provide an income also receive 100 per cent protection.
- If the insurance is compulsory (such as employers' liability cover or motor insurance), the figure is 100 per cent of the whole amount.
- For other types of insurance the compensation limit is 90 per cent of the claim with no upper limit.

INSURANCE BROKERS

The FSCS will safeguard policyholders if an authorised firm is unable, or likely to be unable, to pay claims against it, eg if it has been placed in provisional liquidation or administration.

Maximum claim

Compensation is 90 per cent with no upper limit.

**THINK AGAIN ...**

Now that you have completed this topic, how has your knowledge and understanding improved?

For instance, can you:

- describe the options for alternative dispute resolution under the Consumer Rights Act 2015?
- summarise the main areas covered by the legislation relating to unfair contract terms?
- explain who is an 'eligible complainant' according to the FCA definition?
- summarise the steps that a firm must take when it receives a complaint?
- describe the roles of the FOS, the Pensions Ombudsman Service and the FSCS?

Go back over any points you don't understand and make notes to help you revise. Then test your knowledge.

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Test your knowledge

Use these questions to assess your learning for Topic 25. Review the text if necessary.

Answers can be found at the end of this book.

- 1) In situations where alternative dispute resolution is being used, which of the following options allows for appeal through the courts?
 - a) Arbitration.
 - b) Mediation.
 - c) Adjudication.
 - d) Conciliation.
- 2) In summary, in what circumstances is a contract or notice deemed to be unfair?
- 3) Which of the following would **not** be classed as an eligible complainant according to the FCA's definition?
 - a) A private individual.
 - b) A business with an annual turnover below £6.5m and fewer than 50 employees, or an annual balance sheet below £5m.
 - c) A charity with an annual income of less than £6.5m when the complaint is made.
 - d) Trustee of a trust that has a net asset value of less than £6.5m when the complaint is made.
- 4) Which of the following is a step that must be carried out when a firm receives a complaint, if it cannot be resolved within three working days?
 - a) Call the complainant to discuss the matter.
 - b) Advise the customer that they can refer the matter to the FSCS.
 - c) Refer the complaint to an individual in an FCA governing function.
 - d) Ensure the complaint is investigated by a person of sufficient competence, who, where possible, is not someone directly involved in the matter under complaint.

- 5) Within what period of time does the FCA expect firms to resolve the majority of complaints?
- 6) Once a firm has completed its procedures for resolving a complaint, it must always issue the complainant with a final response letter. True or false?
- 7) For how long must records of complaints involving MiFID business be retained by the firm?
 - a) One year.
 - b) Three years.
 - c) Five years.
 - d) Indefinitely.
- 8) Within what time limits must a complaint be made to the Financial Ombudsman Service?
- 9) Which organisation is responsible for dealing with complaints relating to the sale of pension products?
 - a) The Financial Ombudsman Service.
 - b) The Pensions Ombudsman Service.
 - c) The Money and Pensions Service.
 - d) The Financial Services Compensation Scheme.
- 10) What is the maximum permissible compensation payable by the FSCS for a term assurance policy that provides £100,000 cover over a 20-year term?

