

# 05/10 *newsletter*



This newsletter provides a summary of PS05/10. Please see 'Who should read this paper?' below to see if PS05/10 is relevant to you.

## Financial Services Authority

## Feedback on CP05/4 FSMA 2 year Review:

## Financial Ombudsman Service procedural rules

### Why are we issuing this Policy Statement?

In this paper we – the Financial Services Authority and the Financial Ombudsman Service – are responding to questions we asked in CP05/4 about changing the FOS's procedural rules and guidance.

After considering these responses, the FOS Board (with the approval of the FSA) has made the rule changes, in the form consulted on. We set out the formal rules instrument in appendix 1.

### Who should read this paper?

This paper will be of interest to firms conducting retail business.

It will also interest consumers, because it outlines changes affecting the way the FOS handles individual cases.

## What is the background to this?

Under the Financial Services and Markets Act 2000 (FSMA), the FSA regulates and supervises providers of financial services. The FOS resolves individual disputes, as an alternative to the civil courts. As with judgments by the civil courts, some decisions by the FOS can have wider implications.

As part of the Treasury two-year review of FSMA, the Financial Secretary to the Treasury asked us jointly to consider when regulatory action by the FSA should replace decisions on individual cases by an ombudsman and whether there was a case for external appeals of ombudsman decisions.

We issued a joint consultation paper (CP04/12) in July 2004<sup>1</sup>; and published a joint feedback paper (CP05/4) in March 2005.<sup>2</sup> CP05/4 set out the results of the CP04/12 consultation, including updated arrangements for dealing with wider-implications issues. We have operated these arrangements successfully for the past six months, and have published details of our work on joint webpages.

Because of these arrangements, the FOS needed to make some consequential changes to its procedural rules and guidance. So we consulted on these in CP05/4 and after considering respondents' views, we have set out the amended rules in this paper.

## What did respondents make of our proposals in CP05/4?

Overall, respondents welcomed our arrangements for dealing with wider-implications issues and the further transparency in the relationship between the FSA and the FOS that these arrangements should provide. So the FOS Board (with the approval of the FSA) has made the rule changes, in the form consulted on. The formal rules instrument is set out in appendix 1.

## What about the wider implications arrangements?

Although the consultation was only about changes to the FOS's procedural rules and guidance, some respondents took the opportunity to comment on different aspects of the wider-implications arrangements. Some respondents reiterated points they made in their responses to CP04/12. We set out our response to that consultation in CP05/4.

Some other respondents indicated uncertainty about a few aspects of the wider-implications process set out in CP05/4. In this joint policy statement, we provide additional clarification of these aspects.

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1 [www.fsa.gov.uk/pubs/cp/cp04\\_12.pdf](http://www.fsa.gov.uk/pubs/cp/cp04_12.pdf)

2 [www.fsa.gov.uk/pubs/cp/cp05\\_04.pdf](http://www.fsa.gov.uk/pubs/cp/cp05_04.pdf)

## How is this paper set out?

In this paper, we:

- summarise the responses we received to CP05/4 and our response to them;
- clarify our updated arrangements for dealing with wider-implications issues; and
- set out the procedural rules we have made (in appendix 1).

## What happens next?

The new rules are effective from 1 October 2005.

This Policy Statement reports on the main issues arising from Consultation Paper 05/10 (FSMA 2 Year Review: Financial Ombudsman Service) and publishes final rules.

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## How can I get the full paper?

You can download the full Policy Statement from:

[www.fsa.gov.uk/pages/Library/Policy/Policy/2005/05\\_10.shtml](http://www.fsa.gov.uk/pages/Library/Policy/Policy/2005/05_10.shtml)

Or you can order hard copies of the paper:

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