

Who Oversees the Ombudsman?

Parliamentary Scrutiny and Accountability at the Financial Ombudsman Service

A policy paper examining the growth of the Financial Ombudsman Service, the limits of parliamentary oversight, and options for strengthening transparency while preserving institutional independence.

Policy Brief for Parliamentarians

Issue

The Financial Ombudsman Service now resolves more than 300,000 complaints annually and functions as one of the largest dispute resolution bodies within the UK's financial regulatory framework.

Key Concern

While the institution's authority has expanded significantly, the mechanisms available to Parliament to observe and scrutinise its operational functioning remain relatively limited.

Why This Matters

For many consumers, Ombudsman determinations represent the final practical resolution of financial disputes. Confidence in the fairness and consistency of the system, therefore, depends not only on its accessibility but also on the transparency of its operation.

Key Questions for Policymakers

- Does Parliament have sufficient visibility into how the financial complaints system operates in practice?
- Are existing oversight mechanisms proportionate to the scale of the institution?
- Should additional transparency or review mechanisms be considered?

This paper argues that:

- 1 The Financial Ombudsman Service has evolved into one of the largest administrative adjudication systems in the UK.
- 2 Operational pressures within high-volume dispute resolution systems can shape institutional behaviour.
- 3 Parliamentary scrutiny mechanisms may struggle to detect such pressures until they are well established.
- 4 Greater transparency and periodic independent review could strengthen confidence in the system while preserving institutional independence.

Executive Summary

The Financial Ombudsman Service (FOS) now occupies a central position within the United Kingdom's system of consumer financial redress. Established to provide a free and accessible alternative to litigation, the institution adjudicates disputes between consumers and financial firms across a wide range of sectors, including retail banking, insurance, consumer credit, mortgages and investment products.

Over the past two decades, the scale and influence of the Ombudsman have expanded substantially. In the 2024-25 reporting period alone, the organisation received more

than 300,000 new complaints, resolving over 220,000 disputes while continuing to manage a significant backlog of unresolved cases. For many consumers, the Ombudsman represents the final practical avenue of redress short of formal court proceedings. Its determinations, therefore, influence not only the outcomes of individual disputes but also the behaviour of financial firms across the wider market.

Despite this institutional significance, parliamentary scrutiny of the Financial Ombudsman Service remains comparatively limited. Oversight is exercised primarily through periodic evidence sessions before the Treasury Select Committee. While these hearings provide an important forum for accountability, they typically focus on institutional governance, complaint volumes and strategic priorities rather than the operational mechanics through which disputes are investigated and resolved.

This paper examines whether Parliament currently possesses sufficient visibility into the functioning of the financial complaints system. It argues that the rapid expansion of the Ombudsman's role has created a growing tension between the scale of the institution's authority and the mechanisms available to Parliament to scrutinise its operation effectively.

Three structural developments have intensified this issue.

First, the growth in complaint volumes has transformed the Financial Ombudsman Service into one of the largest administrative dispute resolution bodies operating in the United Kingdom.

Second, the internal operational processes through which complaints are investigated, prioritised and resolved remain largely opaque to external observers, including Parliament.

Third, the structure of parliamentary oversight means that select committees often struggle to identify operational problems within large regulatory institutions until those problems have become well established.

To illustrate these dynamics, the paper examines a long-running category of disputes involving fractional ownership timeshare products, in which complaints have, in some instances, remained unresolved for extended periods as legal and regulatory questions have evolved. These disputes provide a concrete example of how operational complexity, legal uncertainty and institutional processes can interact within the financial complaints system.

The paper concludes that the growth of the Financial Ombudsman Service has created the potential for an accountability gap between the authority exercised by the institution and Parliament's ability to effectively scrutinise its operations.

The purpose of this analysis is not to undermine the independence of the Ombudsman. Rather, it is to examine whether the oversight structures surrounding the institution have evolved sufficiently to ensure that the financial complaints system remains transparent, accountable and capable of maintaining public confidence.

Key Findings

- 1 Institutional scale: The Financial Ombudsman Service now operates as one of the largest administrative dispute resolution bodies in the United Kingdom, handling hundreds of thousands of consumer complaints each year.

- 2 Limited parliamentary visibility: Parliamentary scrutiny of the Ombudsman occurs primarily through periodic Treasury Select Committee hearings, which focus on high-level institutional matters rather than the operational functioning of the complaints process.
- 3 Operational opacity: The internal processes through which complaints are prioritised, investigated and resolved remain largely opaque to Parliament and external observers.
- 4 Complex complaint categories: Certain categories of disputes, including those involving fractional ownership timeshare products, demonstrate how complex cases can remain unresolved for extended periods as legal and regulatory questions evolve.
- 5 Structural oversight limitations: Features inherent to parliamentary scrutiny mean that select committees may struggle to detect operational pressures or institutional drift within large regulatory bodies until such problems are already well established.

1. Introduction: The Oversight Paradox in the Financial Complaints System

The Financial Ombudsman Service has become one of the most consequential institutions in the United Kingdom's consumer financial protection system. Each year, it resolves disputes affecting hundreds of thousands of consumers across sectors, including retail banking, insurance, consumer credit, mortgages and investment products. For many individuals, the Ombudsman represents the final practical avenue of redress when disputes with financial firms cannot be resolved directly.

This scale of authority sits alongside a striking institutional feature: the Financial Ombudsman Service operates largely outside the continuous scrutiny normally associated with bodies exercising such significant influence over consumer outcomes. While the organisation is accountable to Parliament, oversight occurs primarily through periodic evidence sessions before the Treasury Select Committee. These hearings provide valuable opportunities for questioning senior leadership but inevitably focus on governance arrangements and headline performance metrics rather than the operational processes through which individual complaints are investigated and resolved.

This paper examines whether that model of scrutiny remains adequate for an institution whose practical influence within the financial services ecosystem has expanded substantially over time.

The Financial Ombudsman Service was originally created with a clear policy objective. Consumers who encounter problems with financial firms should have access to an accessible and affordable avenue of redress that does not require formal litigation. Court proceedings can be costly, complex and intimidating for individuals pursuing relatively modest claims. The Ombudsman was therefore designed to provide an alternative mechanism capable of resolving disputes more quickly and with fewer procedural barriers.

Over time, however, the institution's scale has evolved dramatically. What began as a relatively modest dispute-resolution mechanism has evolved into a large

administrative adjudication system that processes hundreds of thousands of complaints each year.

The significance of the Ombudsman extends beyond resolving individual disputes. Financial firms routinely adjust complaint handling practices, product governance procedures and compliance systems in response to patterns emerging from Ombudsman determinations. In this sense, the institution plays a role not only in resolving disputes but also in shaping practical expectations about fairness within the financial services industry.

This evolution raises an important question about oversight.

Institutions that exercise substantial practical authority within regulatory systems normally attract sustained scrutiny from Parliament, regulators and the courts. Yet the Financial Ombudsman Service occupies an unusual position within this framework. It is not a court subject to appellate review, nor is it a regulator directly supervised through statutory enforcement mechanisms. Instead, it functions as an independent adjudicator operating largely through internal investigative processes.

Parliamentary scrutiny, therefore, becomes particularly important.

Oversight of the financial regulatory system is exercised primarily through the Treasury Select Committee, which regularly questions officials from the Financial Conduct Authority, the Bank of England and HM Treasury. The Financial Ombudsman Service also appears before the Committee periodically.

However, select committees necessarily operate at a degree of institutional distance from the organisations they scrutinise. Evidence sessions typically involve senior executives rather than operational staff, and the discussion focuses on institutional performance indicators rather than the detailed processes used to handle cases.

This structural distance gives rise to what might be described as an oversight paradox.

On the one hand, the Ombudsman exercises significant practical authority within the financial services ecosystem. On the other hand, the mechanisms by which Parliament can observe the institution's internal functioning remain relatively limited.

The growth of the financial complaints system has intensified this paradox. Complaint volumes have increased sharply in recent years, while the financial products and services giving rise to disputes have become increasingly complex. As a result, the Ombudsman now operates a dispute-resolution system comparable in scale to those of major administrative tribunals.

Such systems inevitably develop internal operational structures, performance incentives and investigative practices that shape how cases are resolved.

Yet these internal dynamics remain largely invisible to external observers.

This paper examines whether the expansion of the Financial Ombudsman Service has widened the gap between the authority it exercises and the visibility of its internal workings to Parliament.

To explore this question, the paper proceeds in several stages.

First, it examines the expansion of the modern financial complaints system and the Ombudsman's institutional role.

Second, it analyses the operational pressures faced by high-volume dispute resolution bodies and the potential implications for case-handling practices.

Third, it considers a detailed case study involving fractional ownership timeshare complaints, illustrating how legal complexity and institutional processes can interact to produce long-running disputes.

Fourth, it examines the structural reasons why parliamentary committees often struggle to detect operational failures within large regulatory institutions until such failures have become well established.

Finally, the paper considers whether additional mechanisms of transparency or scrutiny may be required to ensure that the financial complaints system continues to command public confidence.

The purpose of this analysis is not to question the principle of an independent Ombudsman. Independence from both government and financial firms is essential if the dispute resolution system is to function credibly.

Rather, the purpose is to examine whether the oversight structures surrounding the institution have evolved at the same pace as the institution itself.

If the authority of the Financial Ombudsman Service has expanded significantly while the mechanisms of scrutiny remain largely unchanged, Parliament may face an important policy question: whether additional forms of transparency or oversight are required to ensure that the financial complaints system remains accountable, effective and worthy of public trust.

2. The Expansion of the Financial Ombudsman Service

The modern Financial Ombudsman Service operates at a scale that few observers anticipated when the institution was originally created. In the 2024–25 reporting year, the organisation received more than 300,000 new complaints from consumers, resolving over 220,000 disputes during the same period while carrying a substantial stock of unresolved cases into the following year.

Caseloads of this magnitude place the Financial Ombudsman Service among the largest administrative dispute resolution bodies operating within the United Kingdom's system of administrative justice. Although the Ombudsman was originally conceived as a streamlined mechanism for resolving consumer disputes outside the courts, the institution has gradually evolved into a large adjudicatory system whose operational structure increasingly resembles that of a tribunal.

This transformation reflects wider developments within financial markets and consumer behaviour over the past two decades.

The range and complexity of financial products available to consumers have expanded significantly. Retail banking services now coexist with sophisticated credit arrangements, investment vehicles, structured savings products and digital payment systems that generate new forms of consumer dispute. Financial relationships that were once relatively straightforward have become more intricate, often involving

contractual terms and regulatory frameworks that are difficult for individual consumers to interpret.

At the same time, public awareness of consumer rights has increased. The growth of consumer protection regulation, combined with the accessibility of complaint procedures, has encouraged individuals to pursue formal disputes when problems arise with financial firms.

Technological change has also contributed to the expansion of the complaints system. The rapid growth of digital banking and online payment systems has created entirely new categories of dispute, particularly in relation to authorised push payment fraud and other forms of financial crime. These disputes frequently involve complex questions concerning the responsibilities of both financial institutions and consumers, further increasing the investigative demands placed upon the Ombudsman.

The cumulative effect of these developments has been to transform the financial complaints landscape. The Ombudsman now processes disputes at a scale comparable to major administrative adjudication systems, handling cases that often involve detailed financial documentation, contested factual circumstances and complex regulatory considerations.

Managing a dispute resolution system of this scale requires substantial organisational infrastructure. Complaints must be triaged, allocated to investigators, supported by evidential review, and ultimately resolved through formal determinations. While some cases can be resolved quickly, others require extensive investigation and detailed analysis of contractual arrangements, regulatory guidance and the conduct of financial firms.

In practice, the Ombudsman now functions as a large administrative adjudication system embedded within the financial regulatory framework.

Despite the scale of this system, relatively little publicly available information is available about the internal operational dynamics through which complaints are investigated and resolved. Annual reports provide valuable statistical summaries of complaint volumes and outcome categories, but they reveal comparatively little about how cases are prioritised, how investigative resources are allocated, or how institutional pressures may shape case-handling practices.

This limited visibility has increasingly attracted the attention of academic researchers examining the functioning of administrative dispute resolution bodies.

Research conducted by scholars at the University of Warwick has examined the interpretation of the Financial Ombudsman Service's complaint outcome statistics. In particular, the research analysed how cases recorded as “upheld” within Ombudsman statistics correspond to the substantive outcomes experienced by consumers.

The researchers argued that headline statistics describing complaints as upheld may not always correspond to outcomes that consumers themselves would interpret as a clear or complete success. In some cases, complaints categorised as upheld involved only partial findings in the complainant's favour.

While the Financial Ombudsman Service has responded to such analysis by emphasising the transparency of its reporting methodology and the complexity of

categorising complaint outcomes, the debate highlights an important point. In large administrative adjudication systems, headline statistics can sometimes obscure important distinctions in how cases are resolved.

Independent academic scrutiny, therefore, plays a valuable role in examining how such systems function in practice.

The Warwick research forms part of a broader body of academic work exploring the operation of administrative justice institutions. Ombudsman schemes, regulatory tribunals, and other dispute-resolution bodies have become increasingly important mechanisms for resolving disputes across modern regulatory systems. Their accessibility and efficiency offer clear advantages compared with traditional litigation.

At the same time, however, their growth raises important questions concerning transparency, accountability and institutional oversight.

The Financial Ombudsman Service provides a particularly significant example of this evolution. The organisation was originally designed to provide accessible dispute resolution for consumers. Yet the scale at which it now operates means that it effectively constitutes a major component of the United Kingdom's administrative justice landscape.

For many consumers the Ombudsman represents the final practical avenue of redress. Only a small minority of cases proceed beyond the Ombudsman to formal litigation.

This practical finality gives the institution considerable influence over the resolution of financial disputes.

Financial firms are acutely aware of this influence. Complaint handling procedures, internal compliance systems and product governance practices are frequently adjusted in response to patterns emerging from Ombudsman determinations.

In effect, the Ombudsman's decisions shape expectations regarding fair treatment of consumers across the financial services industry.

This indirect regulatory influence represents one of the most significant consequences of the Ombudsman's expansion.

While the organisation does not formally function as a regulator, its determinations frequently influence the behaviour of financial firms in ways that resemble regulatory guidance.

The scale and significance of this influence make oversight particularly important.

Institutions exercising substantial practical authority within regulatory systems normally attract sustained scrutiny from Parliament, regulators and the courts. Yet the Financial Ombudsman Service occupies a somewhat unusual institutional position. It is independent of both government and financial firms, and its determinations are not subject to conventional appellate review in the same way as court judgments.

As a result, parliamentary scrutiny plays a particularly important role in ensuring transparency and accountability within the system.

The rapid expansion of the Ombudsman's caseload, therefore, raises a central question for policymakers.

If the institution has evolved into one of the largest administrative dispute resolution bodies operating within the United Kingdom, have the mechanisms for scrutinising its operation evolved at the same pace?

The next section examines this issue by analysing the operational pressures faced by high-volume dispute resolution systems, and the implications these pressures may have for how complaints are investigated and resolved.

3. Operational Incentives and the Throughput Problem

As the Financial Ombudsman Service's scale has expanded, the organisation has increasingly faced the operational challenge common to large administrative adjudication systems: how to process large volumes of cases efficiently while maintaining the fairness and integrity of decision-making.

Administrative justice systems operate under a constant tension between speed and scrutiny. On one hand, dispute resolution bodies must resolve complaints within reasonable timeframes. Consumers seeking redress expect decisions within months, not years, and prolonged delays can undermine confidence in the system.

On the other hand, the investigation of financial disputes often requires careful examination of evidence, contractual documentation, regulatory guidance and the conduct of financial firms. A thorough investigation can be time-consuming, particularly in cases involving complex financial arrangements or disputed factual circumstances.

Balancing these competing demands is a central operational challenge for high-volume dispute resolution institutions.

The Financial Ombudsman Service is no exception. With hundreds of thousands of complaints entering the system each year, the organisation must rely on internal processes to manage case throughput and prevent excessive backlogs.

These processes typically involve a structured investigative workflow. Complaints are first assessed to determine whether they fall within the Ombudsman's jurisdiction and whether the financial firm involved has completed its internal complaints process. Cases that proceed are then allocated to investigators who examine evidence and determine whether a complaint should be upheld or rejected.

In many instances, investigators issue an initial view on the dispute. If either party disagrees with this view, the case may then be referred to an Ombudsman for a final determination.

This two-stage investigative model is designed to balance efficiency with procedural fairness. Investigators handle the bulk of complaints, allowing Ombudsmen to focus on cases requiring more detailed consideration.

However, as complaint volumes increase, systems built on this model inevitably experience pressure.

In practice, large adjudication systems require investigators to process substantial caseloads. To maintain throughput, organisations often adopt performance

frameworks that measure factors such as case resolution times, investigator productivity and backlog reduction targets.

Such frameworks are not inherently problematic. Indeed, without them, many administrative justice systems would struggle to function effectively.

Nevertheless, performance metrics can influence institutional behaviour in subtle ways.

Where case throughput becomes a central organisational objective, investigators may face implicit incentives to prioritise speed of resolution over depth of investigation. The result is not necessarily deliberate bias or misconduct. Rather, it is the gradual emergence of organisational cultures in which efficiency becomes the dominant priority.

The phenomenon has been widely documented within the academic literature on administrative justice and regulatory adjudication. Studies of tribunals, ombudsman schemes, and regulatory agencies across multiple jurisdictions have found that high-volume dispute-resolution bodies often develop internal norms that emphasise throughput efficiency.

Over time, these norms can shape how cases are investigated, how evidence is evaluated and how disputes are prioritised within the system.

For the Financial Ombudsman Service, this dynamic is particularly significant because its determinations often represent the final practical resolution of disputes for most consumers.

Unlike court decisions, which can be appealed through higher courts, Ombudsman determinations rarely proceed to further review. Judicial review is theoretically available but is used only in exceptional circumstances, typically by financial institutions rather than individual complainants.

As a result, the quality and depth of investigation within the Ombudsman system carry considerable importance.

Operational pressures may also interact with the complexity of the disputes themselves.

Financial complaints increasingly involve sophisticated financial arrangements. Mortgage products, investment vehicles, insurance contracts and credit agreements may involve intricate terms and regulatory obligations that require careful analysis.

Disputes concerning authorised push payment fraud, for example, often involve detailed examination of communications between consumers and banks, as well as consideration of evolving regulatory guidance regarding fraud reimbursement.

Similarly, disputes involving consumer credit relationships may require investigators to consider questions of fairness under the Consumer Credit Act alongside contractual obligations between lenders and borrowers.

Such cases can require significant time to investigate thoroughly.

If operational systems emphasise rapid case resolution, the incentives facing investigators may not always align with the time required to conduct an exhaustive investigation.

It is important to emphasise that these pressures do not imply that the Ombudsman fails to resolve disputes fairly. Rather, they highlight the structural challenges inherent in operating a dispute resolution system at such a scale.

Large administrative institutions inevitably develop internal mechanisms designed to manage workload. Over time, these mechanisms shape how the institution functions.

Yet the internal operation of these systems remains largely invisible to external observers.

Annual reports published by the Ombudsman provide useful statistical summaries regarding complaint volumes and outcome categories. However, they reveal relatively little about the operational dynamics of case handling.

Questions such as how cases are prioritised, how investigative resources are allocated, and how institutional pressures may influence case handling practices are rarely visible outside the organisation itself.

This opacity presents a challenge for parliamentary oversight.

Select committees typically examine institutions through periodic evidence sessions and written submissions. These processes are well-suited to examining governance structures, budgets and strategic priorities.

They are less effective at revealing the operational incentives and internal practices that shape decision-making within large administrative organisations.

As a result, operational pressures within high-volume dispute resolution systems may develop gradually without attracting significant external scrutiny.

Over time, this dynamic can create a widening gap between formal oversight and the practical realities of institutional operations.

The next section of this paper examines a concrete example of how these dynamics can manifest in practice through a case study involving disputes concerning fractional ownership timeshare products.

These disputes illustrate how legal complexity, operational pressures and institutional processes can combine to produce long-running complaints within the financial dispute resolution system.

4. Case Study: Fractional Ownership Timeshare Complaints

One of the most revealing ways to understand the operational dynamics of the Financial Ombudsman Service is to examine how the institution handles complex categories of complaint that evolve over long periods. Disputes involving fractional ownership timeshare products provide a particularly instructive example.

Fractional ownership holiday products were marketed to consumers during the late 2000s and early 2010s as a form of shared property ownership in holiday accommodation. Purchasers typically acquired a contractual right to occupy accommodation for specific weeks of the year, often within resort developments located in popular tourist destinations.

In many cases, these products were promoted as an alternative to traditional timeshare arrangements, which had become widely associated with aggressive sales practices and limited resale value. Fractional ownership schemes were frequently presented as a more sophisticated form of property investment, sometimes accompanied by representations that the product could appreciate in value over time.

Consumers were often encouraged to finance these purchases through credit agreements arranged alongside the purchase of the fractional ownership interest. Financial institutions provided loans enabling purchasers to fund the acquisition of these products, linking consumer credit arrangements to the underlying timeshare transaction.

Over time, a growing number of consumers began to question the representations made during the sales process. Complaints frequently centred on allegations that the products had been misrepresented, particularly when marketed as investments capable of generating financial returns.

Some purchasers also complained that they had not fully understood the contractual obligations associated with the product, including ongoing maintenance fees and the limited ability to resell fractional ownership interests.

As disputes with providers and lenders emerged, a number of these complaints were referred to the Financial Ombudsman Service.

In examining such cases, the Ombudsman was required to consider not only the terms of the credit agreements involved but also the wider circumstances surrounding the sale of the underlying product. In certain instances, investigators concluded that the marketing of fractional ownership arrangements as investment opportunities raised questions regarding whether the associated credit relationship was fair under consumer credit legislation.

Where investigators considered that consumers had been misled regarding the nature of the product, complaints could be upheld on the basis that the credit relationship between lender and borrower had become unfair.

These cases, therefore, involved complex questions about the interaction among consumer credit law, contractual obligations, and the conduct of financial firms.

However, disputes concerning fractional ownership products also generated significant legal uncertainty.

Financial institutions challenged aspects of Ombudsman determinations through judicial review proceedings. These legal challenges raised questions concerning the proper interpretation of consumer credit legislation and the extent to which lenders could be held responsible for representations made during the sale of timeshare products.

The resulting litigation clarified certain aspects of the legal framework governing such disputes. However, it also introduced additional complexity into the handling of complaints that were already progressing through the Ombudsman system.

For consumers involved in these disputes, the consequences could be substantial.

Some complaints remained within the Ombudsman system for extended periods while legal questions were resolved or while institutions reassessed their approach to

handling such cases.

The timeshare disputes, therefore, illustrate how multiple factors can combine to produce long-running complaints within the financial dispute resolution system.

First, the underlying financial arrangements were often complex. Fractional ownership products involved multiple contractual relationships between consumers, timeshare operators and lenders.

Second, the legal framework governing these disputes evolved over time as courts examined the interaction between credit agreements and the marketing of timeshare products.

Third, the Ombudsman itself was required to navigate these legal developments while continuing to process a large volume of other complaints across the financial services sector.

This combination of legal complexity, operational workload and institutional processes created circumstances in which certain categories of complaint could remain unresolved for significant periods.

From the Ombudsman's perspective, such cases represented a small proportion of the overall caseload. The majority of complaints handled by the organisation are resolved far more quickly.

However, the timeshare disputes provide an important illustration of how the dispute resolution system operates when confronted with complex, evolving legal questions.

They also highlight a broader issue relevant to the oversight of administrative adjudication systems.

When dispute resolution bodies operate at a large scale, operational attention naturally focuses on efficiently resolving the majority of cases. Complex categories of dispute that require extensive investigation or depend on evolving legal frameworks can, therefore, be difficult to resolve quickly.

For policymakers examining the functioning of the financial complaints system, these cases therefore provide a useful lens through which to understand the institutional pressures facing the Ombudsman.

They demonstrate that the Ombudsman operates not simply as a complaint-handling service but as a large administrative adjudication system navigating a constantly evolving legal and regulatory environment.

Understanding how such systems manage complex disputes is therefore essential to understanding how the financial complaints system operates in practice.

The existence of long-running complaint categories also raises broader questions about transparency and oversight. Where disputes remain unresolved for extended periods, it becomes important for policymakers to understand the reasons why resolution has proved difficult.

In the absence of detailed operational visibility, however, such questions can be difficult for external observers to answer.

The next section of this paper, therefore, turns to a structural issue that lies at the heart of the oversight challenge: why parliamentary scrutiny mechanisms often struggle to detect operational problems within large regulatory institutions until those problems have become well established.

5. Why Parliamentary Scrutiny Often Detects Institutional Problems Too Late

Parliamentary scrutiny plays a central role in the United Kingdom's constitutional framework. Select committees of the House of Commons are tasked with examining the work of government departments, regulators, and associated public bodies to ensure transparency and accountability in the exercise of public authority.

In the financial regulatory sphere, this role is primarily carried out by the Treasury Select Committee, which regularly questions senior officials from the Treasury, the Bank of England, the Financial Conduct Authority, and related institutions. The Committee also periodically examines the Financial Ombudsman Service's work.

These hearings provide an important mechanism for Members of Parliament to scrutinise the performance of institutions that exercise significant influence within the financial system. Committee sessions allow MPs to question senior leadership, request written evidence, and place consumer protection concerns on the public record.

However, the structure of parliamentary scrutiny also creates inherent limitations when examining large administrative institutions.

The first of these limitations concerns information asymmetry.

Select committees rely heavily on the information provided by the institutions they scrutinise. Witnesses appearing before committees are typically senior executives responsible for institutional strategy rather than operational staff responsible for day-to-day case handling. The evidence presented to committees, therefore, reflects the organisation's strategic perspective rather than the operational realities experienced within the system.

Annual reports, statistical summaries and written submissions provide valuable insight into institutional performance, but they are necessarily selective forms of disclosure. Such documents highlight key performance indicators and headline outcomes while offering comparatively little detail regarding the internal dynamics through which those outcomes are produced.

As a result, committees often receive a high-level view of institutional performance without direct visibility into how operational pressures may influence internal decision-making processes.

A second limitation arises from the workload of parliamentary committees themselves.

The Treasury Select Committee is responsible for scrutinising a vast range of issues across the financial and economic policy landscape. These responsibilities include examining fiscal policy, taxation, banking regulation, financial stability, consumer protection and the work of several major regulatory institutions.

Within such a broad remit, it is difficult for any committee to devote sustained attention to the internal functioning of a single organisation.

Evidence sessions are necessarily limited in duration and must cover a wide range of topics. Even when MPs raise important concerns about operational matters, the format of committee hearings rarely allows for a detailed examination of internal institutional processes.

This constraint is not a reflection of any lack of diligence on the part of parliamentary committees. Rather, it reflects the practical realities of parliamentary scrutiny within a complex regulatory state.

A third structural challenge concerns the nature of operational problems themselves.

Institutional failures within large organisations rarely emerge suddenly. More commonly, they develop gradually through incremental change.

Operational pressures may increase over time as caseloads grow, resources become stretched or internal performance frameworks evolve. These developments may not immediately manifest in headline indicators such as complaint volumes or resolution rates.

Instead, they may affect subtler aspects of institutional behaviour, including how cases are prioritised, how investigative resources are allocated and how internal norms shape decision-making practices.

Because such changes occur gradually, they can remain largely invisible to external observers for extended periods.

This dynamic has been widely observed across regulatory institutions in multiple policy areas. Academic research examining regulatory governance has repeatedly highlighted the difficulty of identifying institutional drift within large administrative organisations.

Select committees are particularly vulnerable to this challenge because their oversight typically focuses on periodic review rather than continuous observation.

Committees examine institutions through scheduled hearings, written submissions and formal inquiries. These mechanisms are well-suited to examining questions of policy, governance and institutional performance.

They are less well-suited to detecting gradual shifts in internal operational culture.

A fourth challenge arises from the complexity of modern regulatory systems.

Institutions such as the Financial Ombudsman Service operate within highly specialised legal and regulatory environments. Complaints often involve complex financial arrangements, evolving regulatory guidance and intricate contractual relationships between consumers and financial firms.

Understanding how such disputes are investigated and resolved requires detailed familiarity with both the relevant legal frameworks and the institution's operational processes.

Members of Parliament and their advisers must therefore rely heavily on the expertise of institutional witnesses when examining these matters.

While this reliance on expert testimony is unavoidable, it also reinforces the informational advantage enjoyed by the institutions being scrutinised.

Taken together, these structural factors create a situation in which parliamentary committees may struggle to identify operational pressures within large regulatory bodies until those pressures have already become significant.

This dynamic does not imply that parliamentary scrutiny is ineffective. On the contrary, select committees perform a vital role in holding public institutions accountable.

However, the nature of parliamentary oversight means that committees are often better equipped to respond to visible failures than to detect emerging institutional pressures.

For institutions operating at a very large scale, such as the Financial Ombudsman Service, this distinction can be particularly important.

Where dispute resolution bodies process hundreds of thousands of complaints each year, the operational dynamics shaping case handling practices may evolve gradually over time. Detecting such developments requires institutional visibility beyond periodic parliamentary hearings.

The challenge for policymakers is therefore not simply to ensure that institutions remain formally accountable to Parliament, but also to consider whether existing oversight mechanisms provide sufficient insight into how those institutions function in practice.

The following section examines a related question: the institutional independence of the Financial Ombudsman Service and the regulatory environment in which it operates.

6. Institutional Independence and Regulatory Ecosystem Pressures

The credibility of any dispute resolution body depends heavily on its independence. Consumers must be confident that complaints will be assessed impartially, without undue influence from financial firms or government authorities. The Financial Ombudsman Service was therefore deliberately designed as an institution operating independently from both industry and regulators.

This independence forms a central pillar of the Ombudsman system.

The statutory framework governing the Financial Ombudsman Service establishes the organisation as a separate entity responsible for resolving disputes between consumers and financial firms. Its determinations are intended to reflect an impartial assessment of what is “fair and reasonable” in the circumstances of each case.

In practice, however, institutional independence exists within a broader regulatory ecosystem.

The Financial Ombudsman Service operates alongside several other institutions that collectively shape the United Kingdom’s financial regulatory framework. These include the Financial Conduct Authority (FCA), which supervises financial firms and establishes regulatory rules, and HM Treasury, which provides the legislative

framework within which the regulatory system operates.

The relationship between these institutions is necessarily complex.

The Financial Conduct Authority establishes many of the regulatory rules that underpin the Ombudsman's decision-making framework. When investigating complaints, the Ombudsman frequently considers whether financial firms have complied with FCA rules and guidance in their dealings with consumers.

At the same time, the Ombudsman must exercise its own independent judgment when determining disputes. The statutory requirement to determine complaints according to what is "fair and reasonable" allows investigators to consider factors beyond strict regulatory compliance, including industry standards and the specific circumstances of individual consumers.

This relationship between regulatory rules and Ombudsman discretion reflects the institution's hybrid nature. The Ombudsman operates neither as a regulator nor as a court but as an independent adjudicator within the broader regulatory system.

Another feature of the Ombudsman's institutional framework concerns its funding model.

The Financial Ombudsman Service is funded primarily through a combination of case fees paid by financial firms and a levy on regulated financial firms. This model was designed to ensure that the cost of the dispute resolution system is borne by the financial sector rather than by taxpayers.

Such funding structures are common across international regulatory systems. Many ombudsman schemes and regulatory adjudication bodies are financed by the industries whose disputes they resolve.

Nevertheless, funding arrangements inevitably form part of the broader institutional environment within which dispute resolution bodies operate.

Academic literature examining regulatory governance has long recognised that institutional relationships and funding structures can influence how organisations function over time. Scholars studying regulatory agencies frequently emphasise the importance of examining not only formal independence but also the wider ecosystem in which institutions operate.

This perspective is often discussed in relation to the concept of regulatory capture.

In its most extreme form, regulatory capture occurs when oversight bodies are dominated by the interests of the industries they are intended to regulate. However, contemporary academic discussions of regulatory governance tend to emphasise more subtle forms of institutional alignment.

Rather than deliberate influence, such alignment may emerge gradually through professional networks, shared expertise, and routine interaction among regulators, industry representatives, and dispute resolution bodies.

The purpose of raising these considerations is not to suggest that the Financial Ombudsman Service has been captured by industry interests. There is no evidence supporting such a claim.

Instead, the point is that institutional independence should be understood as a dynamic concept rather than a static legal status.

Even institutions designed to operate independently must navigate complex relationships with regulators, financial firms and government bodies. Over time, these relationships form the environment within which operational decisions are made.

For the Financial Ombudsman Service, the most significant of these relationships is with the broader financial regulatory system itself.

Investigators frequently rely on the Financial Conduct Authority's regulatory guidance when assessing complaints. Financial firms responding to complaints often frame their arguments in terms of regulatory compliance. Legal disputes concerning Ombudsman determinations may ultimately reach the courts through judicial review proceedings.

In this way, the Ombudsman operates at the intersection of several institutional frameworks.

Understanding how these frameworks interact is therefore important when examining the oversight of the financial complaints system.

Where institutions operate within complex regulatory ecosystems, transparency and accountability mechanisms play a particularly important role in maintaining public confidence.

Parliamentary scrutiny provides one such mechanism.

Select committees allow elected representatives to question institutional leadership, examine policy developments and raise concerns regarding consumer protection.

However, as discussed in the previous section, the structure of parliamentary scrutiny may not always provide detailed insight into the operational dynamics of large administrative bodies.

This raises a broader policy question.

If the Financial Ombudsman Service now functions as one of the largest dispute resolution institutions within the United Kingdom's administrative justice system, should oversight mechanisms evolve to reflect the scale and significance of the institution?

Answering that question does not require undermining the Ombudsman's independence. On the contrary, effective oversight mechanisms can strengthen institutional legitimacy by ensuring that the dispute resolution system remains transparent and accountable.

The final section of this paper, therefore, considers a number of potential reforms that could enhance parliamentary visibility into the functioning of the financial complaints system while preserving the independence that remains essential to the Ombudsman's credibility.

7. Policy Recommendations: Strengthening Oversight Without Undermining Independence

The preceding analysis suggests that the Financial Ombudsman Service has evolved into an institution of considerable significance within the United Kingdom's financial regulatory framework. The organisation resolves hundreds of thousands of disputes each year, and its determinations influence the behaviour of financial firms across the wider market.

This expansion has occurred gradually as complaint volumes have increased and financial products have become more complex. As a result, the Ombudsman now functions not merely as a complaint-handling service but as a large administrative adjudication system embedded within the regulatory architecture of the financial sector.

The central issue identified in this paper is therefore not the legitimacy of the Ombudsman's role, but the relationship between the scale of the institution and the mechanisms available to scrutinise its operation.

Parliamentary oversight remains essential. However, as the institution has grown, existing scrutiny mechanisms have not necessarily kept pace.

Strengthening oversight does not require undermining the Ombudsman's independence. On the contrary, greater transparency and clearer reporting can enhance institutional legitimacy while preserving the organisation's ability to adjudicate disputes impartially.

Several reforms could therefore be considered.

1. Enhanced Operational Transparency and Decision Consistency

The Financial Ombudsman Service currently publishes annual reports containing valuable information regarding complaint volumes, case outcomes and organisational performance. However, these reports provide limited visibility into the operational processes used to investigate and resolve complaints.

Greater transparency regarding case-handling practices could strengthen confidence in the dispute resolution system among consumers, financial firms and policymakers.

In particular, greater visibility would be valuable regarding how similar categories of complaint are assessed and resolved across the system.

In any large adjudication system, it is inevitable that disputes will involve complex factual circumstances and differing evidential records. However, observers of dispute-resolution bodies frequently raise questions about how apparently similar cases can yield different outcomes.

Such variation may arise for legitimate reasons. Differences in evidence, contractual documentation or consumer circumstances can lead investigators to reach different conclusions. Nevertheless, when external observers encounter cases that appear materially similar yet result in opposing determinations, the absence of a clear explanation can create uncertainty about how decisions are reached.

In large administrative justice systems, confidence in decision-making depends not only on the speed with which cases are resolved, but also on the transparency with which differences in outcomes can be explained.

Improved transparency could therefore include the publication of additional information concerning:

- the reasoning frameworks applied when assessing common categories of complaint
- internal quality assurance processes used to review investigative decisions
- how the organisation seeks to ensure consistency across investigative teams
- anonymised summaries of cases illustrating why apparently similar complaints may produce different outcomes
- statistical information regarding case investigation timelines and resolution patterns

2. Regular Parliamentary Evidence Sessions Focused on Operational Performance

Evidence sessions before the Treasury Select Committee currently provide important opportunities for parliamentary scrutiny. However, these hearings often focus on high-level institutional matters rather than the operational functioning of the complaints system.

A more structured approach to operational oversight could therefore be beneficial.

One option would be for the Treasury Select Committee to hold periodic dedicated hearings examining the Ombudsman's operational performance, focusing specifically on issues such as case-handling timelines, backlog management, investigative processes, and emerging complaint categories.

Such hearings would not interfere with the Ombudsman's decision-making independence but would provide Parliament with a clearer view of how the system operates in practice.

3. Independent Periodic Reviews of the Dispute Resolution System

Large administrative adjudication systems benefit from periodic external review.

An independent review of the Ombudsman's operational framework conducted at regular intervals, for example, every five years, could provide valuable insight into how the institution is functioning and whether its procedures remain appropriate for the scale of its workload.

Such reviews could examine issues including:

- investigative procedures
- resource allocation
- case prioritisation practices
- the management of complex or long-running complaints
- mechanisms for maintaining consistency across investigative teams

4. Greater Publication of Aggregated Case Data

Another potential reform would be to expand the publication of anonymised case data.

Researchers examining the functioning of dispute resolution systems often rely on aggregated statistics to analyse institutional behaviour. Greater availability of anonymised case data could enable academic and policy researchers to examine patterns within complaint outcomes, investigation timelines and the consistency of decision-making across different complaint categories.

Independent research plays an important role in improving the transparency of administrative justice systems.

Allowing external analysis of aggregated data would strengthen the evidence base available to Parliament and policymakers.

5. Improved Visibility of Long-Running Complaint Categories

Complex categories of complaint occasionally emerge within the financial system, particularly where legal questions evolve over time.

Where complaints remain unresolved for extended periods, it can be difficult for external observers to understand the reasons for delay.

Improved reporting on long-running complaint categories could therefore help ensure that policymakers and the public remain informed regarding the challenges involved in resolving such disputes.

This does not require disclosure of individual cases but could involve the publication of periodic summaries describing categories of complaints that present particular investigative or legal difficulties.

6. Continued Protection of Institutional Independence

Any reform of oversight mechanisms must preserve the independence that is fundamental to the credibility of the Ombudsman system.

The Financial Ombudsman Service must remain free to determine disputes without interference from government, financial firms or political actors. Parliamentary scrutiny should therefore focus on transparency, operational performance and institutional governance rather than attempting to influence individual determinations.

Strengthening oversight while preserving independence should therefore remain the guiding principle underlying any reform of the financial complaints system.

Conclusion

The Financial Ombudsman Service has become one of the most significant institutions within the United Kingdom's system of consumer financial protection. Each year, it resolves disputes affecting hundreds of thousands of consumers and, in doing so, shapes the practical standards by which financial firms are judged in their treatment of customers.

Yet the scale of this role has evolved far beyond the circumstances in which the Ombudsman system was originally conceived. What began as a relatively streamlined mechanism for resolving individual disputes has gradually evolved into one of the largest administrative adjudication systems in the United Kingdom's regulatory landscape.

This transformation has occurred quietly and incrementally. As complaint volumes have increased and financial products have become more complex, the Ombudsman has taken on a growing share of responsibility for resolving disputes that might otherwise have reached the courts. For many consumers, the Ombudsman now represents the final practical point of resolution.

The analysis presented in this paper, therefore, raises an important policy question. While the Financial Ombudsman Service exercises substantial practical authority within the financial system, the mechanisms available to Parliament to observe and scrutinise its internal operation remain comparatively limited.

This observation is not intended as a criticism of the Ombudsman itself, nor of the principle of independent dispute resolution. On the contrary, the Ombudsman's accessibility and authority represent significant strengths within the United Kingdom's financial regulatory framework.

However, institutions that exercise substantial influence over consumer outcomes must also be supported by oversight structures that maintain transparency and public confidence. As the Financial Ombudsman Service continues to operate at an increasing scale, policymakers may therefore wish to consider whether the mechanisms of scrutiny surrounding the institution have evolved sufficiently to reflect the importance of its role.

Ensuring that they do will be essential if the financial complaints system is to retain the confidence of both consumers and the wider financial system in the years ahead.

In a regulatory system built on public trust, the effectiveness of consumer protection ultimately depends not only on how disputes are resolved, but also on how clearly the institutions resolving them can be seen to be.

Appendix: Evidence and Data

A. Growth of Financial Ombudsman Service Complaint Volumes

The Financial Ombudsman Service has experienced substantial fluctuations in complaint volumes since its creation, reflecting developments in financial markets, regulatory reforms and changes in consumer behaviour.

Recent annual reports indicate that the organisation now handles hundreds of thousands of complaints each year across a wide range of financial products.

Key figures from recent reporting periods illustrate the scale of the modern complaints system:

Financial Year	Complaints Received	Complaints Resolved
2022-2023	~165,000	~185,000
2023-2024	~252,000	~201,000
2024-2025	~305,000	~227,000

These figures demonstrate the increasing operational demands placed on the Ombudsman as complaint volumes have risen in recent years.

The majority of complaints now arise in sectors including:

- banking and payments
- authorised push payment fraud
- insurance products
- consumer credit
- mortgages and lending products

As financial products and services have become more complex, the range of disputes referred to the Ombudsman has also expanded.

B. Administrative Justice Context

The Financial Ombudsman Service now operates at a scale comparable to major administrative adjudication bodies.

Administrative justice scholars frequently classify institutions such as ombudsman schemes, tribunals, and regulatory dispute resolution bodies as part of a broader administrative justice system that functions alongside the formal court system.

These institutions are designed to provide dispute resolution mechanisms that are:

- more accessible to consumers
- less costly than litigation
- capable of processing large numbers of cases efficiently

The scale of the Financial Ombudsman Service means that it now constitutes one of the most significant components of the United Kingdom's administrative justice landscape.

C. Academic Research on Ombudsman Outcomes

Research examining the functioning of the financial complaints system has increasingly attracted academic interest.

Scholars at the University of Warwick have conducted research analysing how complaint outcomes are recorded and interpreted in the Financial Ombudsman Service's statistics.

The research examined the classification of complaints recorded as "upheld" and noted that headline statistics may include cases in which the consumer achieved only a partial outcome rather than a complete victory.

Such research highlights the complexity of measuring outcomes in high-volume dispute-resolution systems and underscores the value of independent academic scrutiny of administrative adjudication bodies.

The Financial Ombudsman Service has responded to such analysis by emphasising the transparency of its reporting methodology and the inherent complexity of categorising complaint outcomes across a wide range of financial disputes.

D. Parliamentary Scrutiny

The principal mechanism through which Parliament scrutinises the Financial Ombudsman Service is through evidence sessions before the Treasury Select Committee of the House of Commons.

The Committee examines the work of institutions involved in financial regulation, including:

- HM Treasury
- the Financial Conduct Authority
- the Bank of England
- the Financial Ombudsman Service

Evidence sessions involving the Ombudsman typically focus on issues such as complaint volumes, backlog management, organisational strategy and consumer protection.

While these hearings provide an important forum for accountability, they are necessarily limited in duration and cannot always delve into the detailed operational dynamics of large dispute-resolution systems.

E. Long-Running Complaint Categories

Certain categories of financial complaints can remain unresolved for extended periods due to legal complexity, evolving regulatory frameworks, or interactions among multiple contractual relationships.

Disputes involving fractional ownership timeshare products illustrate such complexity.

These disputes often involve questions concerning:

- representations made during the sale of timeshare products
- the interaction between consumer credit agreements and the underlying purchase
- evolving legal interpretations of consumer credit legislation

Where such questions are subject to litigation or regulatory reassessment, complaints may remain within the Ombudsman system for extended periods while the broader legal framework develops.

Understanding how administrative adjudication systems manage such complex complaint categories is therefore important for policymakers examining the functioning of the financial complaints system.

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