

Financial Ombudsman Service reform to deliver fast and impartial complaint resolution

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The Financial Ombudsman Service (FOS) will undergo the most significant package of reforms since its inception.

- Landmark reforms will return the Financial Ombudsman Service to its original role as a fast, impartial complaints body
- Changes will improve consistency and alignment with the Financial Conduct Authority, benefiting consumers and firms
- Legislation will deliver the most significant reform of the FOS since it was established

The Financial Ombudsman Service (FOS) will undergo the most significant package of reforms since its inception.

The government will today confirm it is set to legislate to restore clarity to the financial services redress system and provide greater certainty for consumers and firms, ensuring the FOS is fit for the future.

The reforms will return the FOS to its original role as a simple, impartial dispute resolution service that resolves complaints quickly and effectively, while ensuring it operates within a clearer and more predictable framework alongside the Financial Conduct Authority (FCA).

The government is acting decisively to reform the redress system to unlock investment, support innovation, and boost the competitiveness of the UK financial services sector.

The announcement comes as part of the government's response to a public consultation held last year that sought views on how to address concerns that, in a small but significant minority of cases, the FOS has acted as a quasi-regulator. The government heard through the review and consultation that this was creating uncertainty for consumers and businesses that was holding back investment.

Economic Secretary to the Treasury Lucy Rigby said:

These reforms to the Financial Ombudsman Service will make redress clearer, more consistent and easier to navigate.

By setting clearer boundaries, we are restoring confidence in the system and ensuring it works fairly and predictably for consumers and businesses alike.

Legislation will be brought forward when Parliamentary time allows to reform the legislative framework that governs the FOS - strengthening consistency in decision making, improving regulatory coherence with the FCA, and providing greater certainty for consumers and the financial services firms they rely on. The government has confirmed it will legislate to:

- Adapt the 'Fair and Reasonable' test used by the FOS to determine cases, setting out that where firms have met their obligations under relevant FCA Rules, they must be found to have acted fairly and reasonably by the FOS.
- Introduce a referral mechanism between the FOS and the FCA to require the FOS to seek a view from the FCA where the FOS considers there may be ambiguity in what FCA rules require, or where it considers an issue raised may have wider implications across the financial services industry.
- Introduce an absolute time limit of 10 years for bringing complaints to the FOS, while giving the FCA the ability to make exceptions to this time limit.
- Make structural changes to the FOS to provide greater consistency in decision making by giving the Chief Ombudsman overall responsibility for FOS determinations.
- Make it easier for firms and consumers to understand and learn from FOS decisions by introducing a requirement for the FOS and FCA to publish regular thematic reports which provide useful information and clarification on how the FOS will consider certain types of complaint, including types of complaint covered by FCA rules.
- Ensuring the FCA, as part of its responsibility for setting the regulatory response to mass redress events, has the tools it needs to respond to these events quickly and effectively, in the small number of cases where such an intervention is appropriate.

The consultation response also confirms that the FOS will not be made a subsidiary of the FCA.

Sarah Pritchard, Deputy Chief Executive at the FCA, said:

We want a system that delivers fair compensation fast, while providing greater certainty to businesses so they have the confidence to invest, grow and compete. We're acting at pace to change what we can within our current powers, ahead of the Government's wider reforms.

James Dipple-Johnstone, Interim Chief Ombudsman at the Financial Ombudsman Service, said:

The financial sector has changed significantly since the Financial Ombudsman was set up 25 years ago, which is why we are driving forward changes to transform the redress system. We are laying the foundations for an agile, responsive and modern service which is fit for the future and has the confidence of consumers and firms alike.

The consultation, which ran for 12 weeks from July to October 2025, received hundreds of responses from a wide range of stakeholders, including consumer groups, financial services firms, trade associations, academics and individuals. These proposals will provide consumers with greater consistency and predictability around how the financial services redress framework operates and will not water down consumer protections.

Ahead of the changes taking effect the FOS and FCA have outlined separate proposals that will speed up complaint resolution, and better help firms in the short term to resolve customer issues and escalate major or emerging redress issues earlier.

<https://www.gov.uk/government/news/financial-ombudsman-service-reform-to-deliver-fast-and-impartial-complaint-resolution>