

Financial Ombudsman Service - SME Threshold Review

We thank you for your time spent taking this survey.
Your response has been recorded.

Below is a summary of your responses

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Financial Ombudsman Service SME threshold review - call for input

To respond to the call for input, please complete this form.

The responses to the survey will be one of the data sources we take into account when reviewing whether the thresholds for SMEs to be able to refer complaints to the Financial Ombudsman Service continue to be in an appropriate place according to our policy objective. That policy objective is to provide access to the Financial Ombudsman Service to SMEs that we think are likely to have insufficient resources to resolve disputes with financial services firms through the legal system.

The survey asks you some summary questions, and then allows you to provide a more detailed response to explain your thinking.

An automatic download of your responses will be provided when you click 'Submit' to lodge your response.

Kind Regards

Sarah Fortt

**Redress & CMC Policy Supervision,
Policy & Competition – Consumers & Competition**

Submitting your input

Your response to the call for input is to be made through this form

Your response to the call for input is to be made through this form.
You do not have to complete the response at a single sitting. You can go back and review your response.

But, it is **important that you do **NOT** click 'Submit' until you have finalised your responses and wish to lodge your response. Once this is done, you cannot go back into the survey response. You will need to contact us to regain access.**

To simply come out of the response document at any point, just click out using your browser button (X) top right.

Once you have clicked submit, and lodged your response, you will be able to download and print a copy of your response.

Thank you.

We look forward to receiving your views.

Do you think the current size thresholds for SMEs to be able to refer a complaint to the Financial Ombudsman Service are appropriate?

- Yes
 No
 Not sure

Do you have a view on what the threshold criteria should be?

- Yes**
 No
 Not sure

What do you think the thresholds should be?

What benefit would come from the thresholds you suggest?

What is the impact or disadvantages of the current thresholds?

It is essential that the threshold should be raised, at least to the level to encompass those small businesses covered by the BBRs scheme, namely a turnover threshold of £10m. Not only would this simplify the system for smaller businesses by combining the two possible routes for redress into one, but it would also fill the gap in support for companies of between £6.5m and the current BBRs limit of £10m when the BBRs scheme closes at the end of 2023. It would also be beneficial to a wider range of business customers because FOS covers disputes against a wider number of business banking providers than the current voluntary BBRs scheme. While there is an urgency to at least aligning the FOS threshold with the current BBRs threshold, we also see no reason why it should not be higher. Indeed the

2018 Walker Review suggested that in due course a higher threshold of up to euro 50 million euro should be considered, with a corresponding increase in the maximum payable compensation. We would therefore welcome a deeper investigation by the FCA into an appropriate mechanism for determining what the cut-off point in terms of size for small businesses being able to bring cases to FOS in future. One option for consideration would be to immediately align the thresholds with the Companies House definition of a 'small' business which is comparable to the current BBRs thresholds, and then, by a specified date, lift this to the definition of a 'medium-sized' business, which is comparable to the upper threshold identified in the Walker Review. At present, the definition of a 'small' business according to Companies House is any two of: a turnover of £10.2 million or less; £5.1 million or less on its balance sheet; 50 employees or less. The definition of a 'large' business under the 2006 Companies Act is over 250 staff, and either its annual turnover exceeding £36m or its balance sheet total exceeding £18m. However the UK government also uses the EU definitions in relation to its procurement activities, which gives a definition of a 'Medium' sized company of under 250 staff with a turnover of under € 50m and a balance sheet of under € 43m (BEIS small and medium enterprises action plan: 2022 to 2025, published 26 January 2023).

Have there been changes to the way SMEs operate that you think we should take into account when considering whether the current thresholds are set at the appropriate level?

- Yes
 No
 Not sure

Do you think that the Financial Ombudsman Service's remit should be extended to enable it to consider complaints from SMEs that are currently considered too large?

- Yes
 No
 Not sure

Please provide the reason for your answer?

As described above, we support an immediate extension of the FOS remit to encompass all 'small' businesses, with a commitment to extend this further to 'medium-sized' businesses by a specified future date, for the following reasons:
* The BBRs scheme is scheduled to close, opening up a gap for a dispute mechanism for companies of turnover between £6.5m and £10m * The BBRs scheme, being voluntary, does not cover all providers of business banking-type services so discriminating against some SMEs that use alternative providers * The Walker review recommended a higher threshold in the longer term, once the capacity of FOS had been built up. * It is not reasonable to expect that SMEs of any size should have to pay for legal advice for a dispute with their financial service provider.

Are you aware of any unintended consequences that have arisen from the extension of the Financial Ombudsman Service's jurisdiction? e.g. in 2018 some interested parties were concerned it could lead to a reduction in access to finance for SMEs.

- Yes
 No
 Not sure

Thinking about complaints made by SMEs since 1 April 2019, in your experience has ...

	Yes Yes	No No	Not sure Not sure
Complaints handling by financial services firms improved?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
The number of complaints about financial services firms reduced?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Outcomes for SMEs who seek to resolve disputes with financial services firms improved?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
The quality of services offered to SMEs improved?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Are you responding to this Call for Input as ...

- Firm
- Firm Representative
- SME
- SME Representative
- Other**

UK-wide trade body, mainly but not exclusively representing SME company directors

RESPONDENT DETAILS

Person and organisation details

Name of person completing the response

Organisation/Firm name

Email contact address

Position/Role in the organisation

Are you willing for your response to be made public?

- Yes
 No

IMPORTANT

Stop and Review

Do NOT 'Submit' until you have reviewed your responses and are ready to lodge them.

Once submitted, you cannot re-access your responses.

Ready to lodge your responses - press, Submit

To exit and return later, click out of the browser, with 'X' top right.

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