

# Annual Report

January to  
December 2019





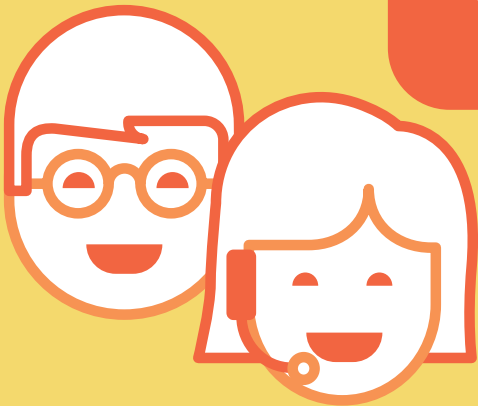
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# Welcome



Ombudsman Services was founded in 2002 to provide independent dispute resolution across a range of sectors, including energy and communications. Now in our eighteenth year, we continue to work with consumers, partners, regulators and our own people to ensure fair treatment for all.

This year's Annual Report will provide an overview of our key achievements and challenges across 2019, as well as data and insight based on consumer behaviour trends and changes we've witnessed across the energy and communication sectors.

Continuing to invest in our business; people and operations, new digital technology, a more competitive pricing model for member businesses and our first influential inaugural conference were just some of the highlights across 2019 - you can read more about these areas and other key milestones in this report.

Also, looking ahead, we've outlined our vision and key focus areas for 2020. **Quality, Relationships, People** and **Strategy** are some of these strategic focus areas for 2020 - 2021.

**Relationships**

**Quality**

**People**

**Strategy**

# Foreword from our Chair



2019 has been a year of stabilisation for Ombudsman Services following some significant changes during 2018. The new case management system we introduced last year has enabled us to resolve more cases for consumers, with more people choosing to get in touch with us using our digital channels. We're continuing to invest in this new platform to ensure that we're easily accessible to all consumers who need our service, particularly those who are harder to reach or those in more vulnerable circumstances.

We were pleased to welcome a new strategic leadership team in 2019, who've had a clear focus on improving the design and functionality of our key operations, as well as our relationship strategy. They've also developed our strategic agenda and introduced monthly Board meetings to ensure that we're maximising awareness and input from all board members.

We took a strategic decision in 2019 to focus on our core sectors of energy, communications and parking, which meant we withdrew our services from other dispute resolution sectors. A new strategic planning process was also started, which has helped us to consider new opportunities for the future.

One of the main challenges in 2019 has continued to be the financial risks caused by supplier failures in the energy sector. We've had to absorb debts caused when our member companies fail; going forward this won't be sustainable for us, so we're carrying out a full review of our pricing strategy in the energy sector for 2020 and beyond. Our new funding model includes the introduction of subscription fees, to ensure we can remain sustainable whilst being able to absorb any debts from various energy industry providers.

Looking ahead, the most significant challenge any business will face in 2020 is the impact of Covid-19. However, we're well-placed to manage this impact; we've successfully been able to facilitate remote working for all of our staff since the beginning of the outbreak. The well-being of our colleagues will continue to be a top priority and we've put measures in place to support colleagues' physical and mental health during this uncertain time. We've also proactively revised our operating model to make sure that the most appropriate service is being provided to consumers and Participating Companies (PCs) as the situation develops. This includes the prioritisation of our more vulnerable consumers who need to access our services.

Our strategic planning process and framework has identified some new possibilities and options for the long-term future. Central to these will be our core values and a focus on the role Ombudsman Services plays in society, whilst ensuring we remain relevant in an ever-changing world.

## Lord Clement-Jones CBE

Chair of the Board

# TOGETHER WE'RE

QUALITY

PEOPLE



PARTNERS

BE COURAGEOUS

CUSTOMERS

BE OPEN

# AN OMBUDSMAN



RELATIONSHIPS

PLE



COLLEAGUES

PETROL STATION

BE EMPATHETIC

REGULATORS

Ombudsman Services

Our journey to the future:  
2002 to 2020 and beyond...

Ombudsman Services

BE BALANCED



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# Together we're an Ombudsman



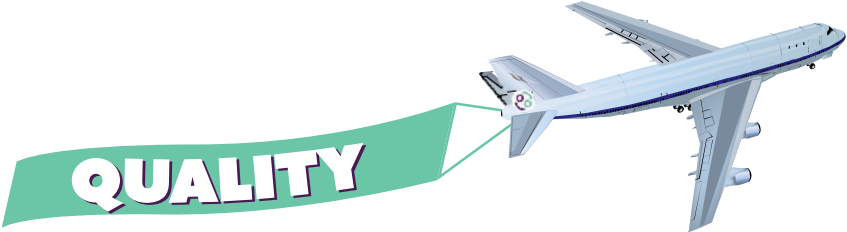
It's about what we do and why we come to work every day - our common purpose as a community of likeminded people. We think it captures the essence of who we are, the markets we operate in, the businesses we work with and the customers and communities we support. We are a people business and this shows the positive impact we can have on lives - whether as a customer, a regulator, a business or colleague.



By making decisions based on our values, this helps build relationships, creates understanding and trust. Step by step, our Ombudsman Services community will be stronger for it.

Partnerships, quality and people are three key focuses for us to ensure that we continue to grow and move forward. We play an influential role but we aren't the only ones in a position to help and that is why working with others - together we can make things better.

You can see for yourself how we bring our story and our purpose to life.





# 2020 value statements



Our values are what define us and guide our decisions as a business.



### Be Balanced

People count on us to follow fair processes and make considered decisions, based on truth, built on trust.



### Be Courageous

In an ever changing environment we trust each other to bring our best to work and aren't held back by fear of mistakes.



### Be Empathetic

We put people at the heart of our business, we need to be approachable, trusted, helpful and a human voice.



### Be Open

To stay relevant we must push ourselves forward to ask the question why and trust each other to deliver.

# Chief Ombudsman overview



Founded in 2002, Ombudsman Services provides independent dispute resolution across a range of sectors, including energy, communications, also running an appeals service in private parking. Each scheme is funded by the businesses that are signed up with us and our service is free to consumers.

We're not a watchdog or a regulator - resolving individual complaints is at the core of what we do, so we can put things right for consumers. We want to do this well, so we've continued to build relationships with communication and energy providers, government, regulators, researchers, futurists and most importantly customers. This will help to better understand their needs, whilst allowing us to influence, point out risks more effectively and to ensure fair and correct resolutions.

How do we do this? Well, being independent and impartial means we see and hear things that others don't. We're in a unique position, acting as the eyes and ears of the consumer. Bringing unique and reliable data, human perspective and meaningful insight, already we have influenced positive, meaningful change. We can flag risks with our stakeholders, in line with changes in consumer needs, market legislation, technology, as well as environmental and global shifts. Driving enhancements in these areas and the appointment of our first Managing Director, Simon Palmer in 2018 to lead such change, shows we're evolving and adapting.



Our people-focus remains one of our key values, depicted in our **'Together we're an Ombudsman'** illustration in this report. Key focus areas for us during 2019 - 2020 are **Quality, Relationships, People** and **Strategy**. By honing in on these, we can build trust to create lasting, beneficial change for consumers, businesses, our colleagues and society as a whole.

## Cost control and financial recovery

In 2019 we took a strategic decision to focus on our core sectors of energy, communications and parking, withdrawing dispute resolution services across copyright licensing and the Solicitors Regulation Authority (SRA). Our existing commercial contracts are strong and investment in a new relationship team has been an added asset.

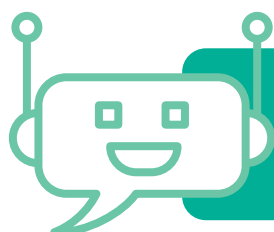
During 2018, we reported a loss of £3m+ so 2019 was a year for focused cost control and cost management, as well as introducing a more competitive pricing model with member businesses to recover this loss and break even. At the same time, we've shown an appreciation of the tough, competitive climate our member businesses and regulators operate in.

2019 saw many energy companies having to cease trading; Solarplicity's demise was key because of the debt it caused the industry and damage to trust in the sector. This has led us to rethink our funding model, and we've seen Ofgem having to step in to appoint a Supplier of Last Resort (SOLR).



## Driving digital to ensure sustainability

Investment in new technology was driven across 2019. Some examples include:



### A new chatbot feature

A quick, convenient channel of communication for customers to contact us via social media

### A new partners website

A dedicated space housing key resources for our member companies and business partners



### Investment in our Salesforce database

Protecting our intellectual property and corporate memory

### A renewed focus on cybersecurity

To ensure the safeguarding of our intellectual property and protection of our assets, systems and customer data



## Future thinking

All these initiatives have made it easier for our stakeholders to contact and maintain vital communication with us. Continued investment in evolving technology means we're better equipped to manage consumer expectations, particularly in the 24/7 'on-demand' world that we live in. It'll enable quicker, better quality service and solutions, whilst being able to adapt to changing consumer expectations to ensure a well-run, sustainable business now and into the future.

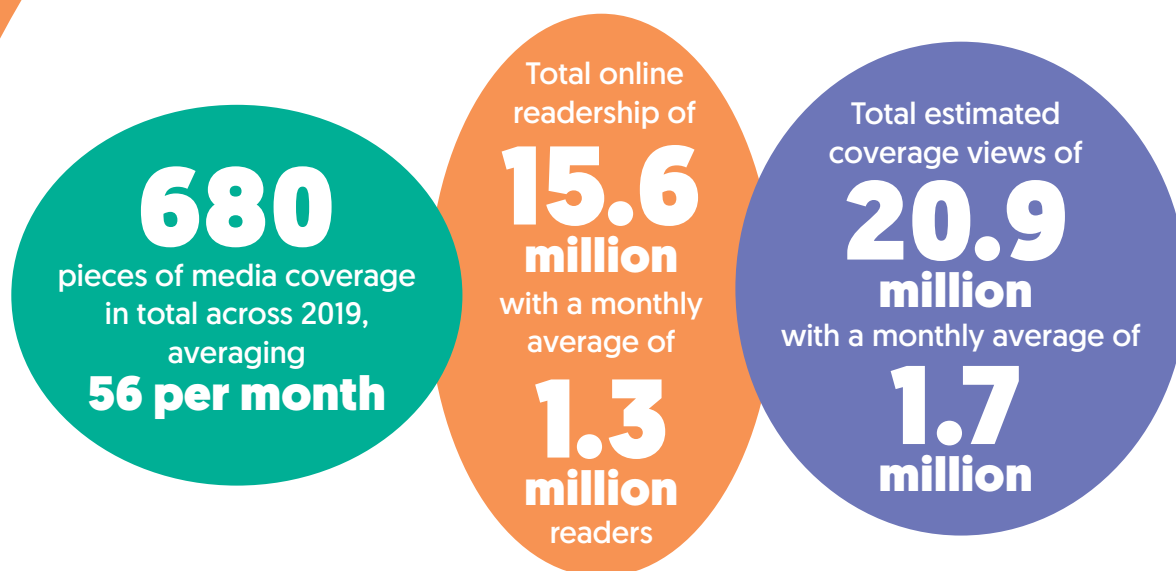
## Strategic planning

There are multi-billion pound infrastructure and innovation investments being made in the communication, energy and parking sectors. With our finger on the pulse of developments, the strategic planning our leadership team are doing will allow us to map out new opportunities and markets, whilst developing strategic options for the future.



## Industry engagement

We'll continue to engage with industry stakeholders and thought leaders. 2019 marked a successful year in terms of coverage:



## Influencing and educating

We held our first inaugural conference in 2019, featuring thought-provoking industry speakers and insightful research. We also pioneered new Implicit Attitude Testing (IAT) technology, surveying over 4,000 consumers online, digging deeper into consumer behaviour for our sixth Consumer Action Monitor (CAM) report.

## Insight and data

We have reliable, insightful data and a unique perspective - which we've provided in the form of consultations, reports, discussions and influence of policy change.

Some examples include:

- **Addressing mis-selling of energy brokers**

Helping influence policy change to protect the microbusiness retail market who seem to face the same issues as domestic customers.



- **The road to net zero**

We're entering a new world of connected homes and connected vehicles, with smart technology, sophisticated algorithms and intuitive add-ons. Features like this are at the heart of achieving net zero targets and will make way for a highly connected society and economy. We'll play our part in connecting businesses with regulators, government and consumers. Our work with Heat Trust has helped highlight complaints related to heat network energy providers. Consumer demand for renewable energy indicates trust in the sector and is a growth area we'll be focusing on.

- **Mobile phone account security**

We've held workshops and liaison panels focused on investigating cases related to customer account security and establishing the correct identity of mobile phone accounts.

- **Contributing to Ofcom's 'Fairness for Customers' plan**

We're working with partners like Ofcom to ensure customers are treated fairly, creating positive change and reducing customer detriment. Providing clear, well-reasoned and well-explained decisions, will ensure transparency and fairness.

Helping more businesses reach the right decision with data and insight before a complaint manifests, will empower them to predict and prevent customer complaints.

## Consumer trust

All of this can't work without trust, so great service, great execution and a strong customer focus today will instil stronger consumer trust - a value that we regard highly. Customer focus starts internally, so we ourselves need great service and customer focus to get quality right.

We're developing our own internal service capabilities to better serve our vulnerable customers; we've facilitated regular debate by hosting quarterly workshops, bringing together key influencers and enlightening thinkers to showcase what's new, what's available and what's possible.

Trust becomes even more important when you're asking consumers to do something new; the success of new initiatives like website chatbots will be a test of consumer trust. Current uptake of low carbon energy solutions indicates high levels of trust.

We all have a role to play; our internal culture of togetherness was clear this year with regular townhall messages, quarterly all-staff events and regular sessions our leadership team, providing colleagues with access and opportunity to ask questions and voice their views. Reward and recognition schemes such as our People Awards and industry speaker talks has created a sense of inclusion and value - because **together we truly are an Ombudsman.**



## POPLA

POPLA is an independent appeals service for parking charge notices issued on private land. It provides an independent service which is free to all motorists who want to appeal against a parking charge notice. The 2019 POPLA annual report showed we received record numbers of appeals and our first complaints were accepted in Scotland and Northern Ireland (NI). We also did some successful joint PR with the BPA around the review of their Code of Practice.

## Challenges and looking ahead to 2020

The most significant challenge any business will face in 2020 is the impact of Covid-19. We trust we're equipped to manage this impact; our staff have been able to work remotely since the beginning of the outbreak. We revised our operating model to make sure appropriate services are available to consumers, particularly those who're vulnerable, as well as Participating Companies (PCs), as the impact changes.

Looking ahead, we'll continue to listen to, support and engage regularly with all our people to make sure we truly are a customer centric business now and into the future.

## Matthew Vickers

Chief Executive and Chief Ombudsman

# Consumer Action Monitor



We published our sixth annual Consumer Action Monitor (CAM) report in 2019.

## What is the CAM report?

The CAM report contains valuable data and insight outlining consumer attitudes to customer experience and complaint handling of companies within the energy and communications sectors.

The most comprehensive, multi-sector survey of its kind in the UK; it's recognised as an industry-leading tool customer, providing us with valuable insight. The focus for 2019's report was Implicit Attitude Testing (IAT), technology, millennials and vulnerability.

## How does it work?

We commissioned over 4,000 online interviews with consumers across Britain, over half of whom admitted to suffering in silence rather than contesting a poor product or customer service. Despite this significant increase in a reluctance to complain, the number of actual complaints made, per person, rose to 4.2 over the year. This suggests that a culture of complaining became firmly embedded among people who decided to complain about their poor treatment.



2019 was the year where consumers showed more confidence in vocalising their complaints; whether it was criticising a company on social media, directing the complaint back to their supplier, or escalating it to a third party for a more formal resolution.

We dug deeper with the CAM this year, keen to understand the emotional drivers that influence consumers to decide whether and how to complain.

Through pioneering technology called Implicit Attitude Testing (IAT), we were able to delve into the consumer's mind to understand what they really thought, what motivates and satisfies them and what makes them unhappy.

We gained new, key insights, including the stark reality that people complaining just want a quick and easy solution to their problem, suggesting customer loyalty can be saved by offending businesses.

IAT enabled us to paint a more in-depth picture of the complex modern consumer and generate a more accurate and honest understanding of the ever-changing complaints landscape.



We also established that complaining is not perceived to be a waste of time, and perhaps in contrast to our aspirational mission, consumer complaints are not about to disappear for a long time.

Deeper, meaningful insight into the data also provided an opportunity to look beyond the stats, helping to transform customer experiences and empower businesses to develop long-term trust with their customers.

In 2019 we focused on three key themes:

1. The impact of, and expectations around, new technology.
2. Millennial attitudes and how generations approach complaints.
3. The need for businesses to recognise and address consumers in vulnerable circumstances.

You can [read the 2019 CAM report on our website](#).

## Headline findings included

Complaints increased from **2.5** to **4.2** per head year on year

...yet many complaints are still not taken directly to businesses

**62%** of millennials say complaining fills them with dread, with

**38%** instead choosing to complain on social media

**70%** of vulnerable consumers are suffering in silence by not acting on their complaint - a higher proportion than the population in general



# 2019 highlights



Total initial contacts across energy and communications

# 156,884\*

\* Figures refer to contacts that fell inside and outside terms of reference and those potential terms of reference.

## 44%<sup>†</sup> for the energy sector

38% increase from 2018

## 13%<sup>†</sup> for the communications sector

2% increase from 2018

<sup>†</sup> Figures refer to contacts that fell inside our terms of reference only.

## How contacts got in touch

(across both energy and communications sectors)



# 27% phone



# 73% written

### Breakdown of what's in written:



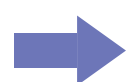
## 2% letter



## 5% email



## 60% web form



## 6% other

We also received over

# 84,000

 appeals in our private parking appeals service

### Key milestones and challenges:

#### Energy market failures

2019 was a year pitted with energy companies that ceased trading, which exposed us to bad debt, leading us to rethink our funding model.

We've worked with consumers to ensure the Supplier of Last Resort (SOLR) policy was correctly applied to ensure customers didn't lose their energy supply or credit on their account.

#### Improving services for vulnerable customers

Whilst we work to develop our own in-house service capabilities, we've facilitated regular debate with quarterly workshops, bringing together key influencers and enlightening thinkers to showcase what's new, what's available and what's possible to help our more vulnerable customers.

#### Commitment to climate change

Amongst other nations, the UK have signed up to ambitious targets to reduce climate change; we support these and want to ensure sustainable energy to benefit future generations. Offering insight with our data and research will help make this a possibility.

#### Parking On Private Land Appeals (POPLA)

The 2019 POPLA annual report showed record numbers of appeals. We launched the service in Scotland and NI and worked with the British Parking Association (BPA) to review and update of their Code of Practice.

# Employee engagement



## Our people

We're encouraging our people to be the best version of themselves and investment in their training and development is something we take seriously. 2019 saw the launch of **LinkedIn Learning** and we supported **Learning at Work Week** to help encourage individual learning. Our involvement and initiatives like this are hoped to attract and retain talent going forwards.

## Flexible working, flexible options

Many of our colleagues have the opportunity to work flexibly. Flexible working has been proven to benefit physical and mental wellbeing, as well as productivity. Our aim is that the beneficial impact will help us continue to offer an exceptional service to our consumers and wider stakeholders.

Our Employee Assistance Programme continued this year giving colleagues and their families free access 24/7 to help and support through UNUM.

A new 'Dress for your day' dress code was also introduced after listening and working with colleagues.

## Reward and recognition

We pride ourselves on driving a high-performance culture where we recognise our colleagues' contributions. We do this with competitive reward packages and a range of flexible benefits.

Helping our colleagues get into the festive spirit, in December we held a Christmas fayre and fancy-dress competition. Our senior leadership team were also able to show their appreciation for our hard-working colleagues by serving them Christmas lunch. We were proud to hold our second annual People Awards and relaunched our recognition scheme, SHINE. It provides immediate feedback on a digital recognition wall for everyone in the business to see and is the tool used to collate the voting in our end of year awards.

Throughout the year we have a monthly Star of the Month award, quarterly CEO awards and ten big prizes at the end of the year. On average over 300 recognitions or thank you's are given every month to colleagues. Aware that our colleagues may not be aware of everything available to them as a valued colleague, we took more steps to communicate our benefit package and how best to access them.

## Employee engagement

There was a continued focus on listening to and engaging our employees with a range of initiatives. Some examples include:

- Listening sessions led by our CEO and MD with every colleague across the business.
- Four Town Hall business updates.
- A variety of speaker events with special guests.
- A second annual people survey in association with Great Place To Work was shared with colleagues.



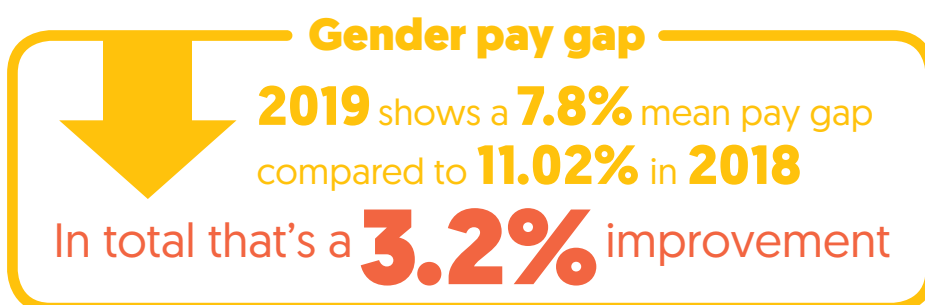
## Equality and Diversity

We're committed to equality of opportunity and respect for diversity, with our Board taking a close interest in these areas. As an equal opportunities employer, we're passionate about creating and ensuring we have a diverse and inclusive place to work, with equality and fairness at the core of our values, our policies and our everyday work.

We've continued to embed diversity and inclusion into business activity, bringing to life our commitment that **'Together we are an Ombudsman'**.

Regarding gender and equal pay in 2019, our data shows a 7.8% mean pay gap - a 3.2% improvement since 2018 when it stood at 11.02%. Every year we continue to close the gender pay gap.

Fairness and transparency in our recruitment processes, career opportunities and how we manage the salaries of our colleagues are other areas that we champion. We benchmark our standards against external industries so that our salaries and benefits are competitive to similar roles in other organisations.



## Warrington Foodbank

We were proud to support Warrington Foodbank as our local charity of the year during 2018 and 2019.

Cake sales, dress-down days and food collections were just some initiatives that colleagues organised, not to mention **food donations which weighed in at more than a whopping tonne!**

In total over **£5,000** was raised, which covered costs to ensure the delivery van could make vital deliveries to help local people out of food poverty and hardship. Additional Easter and Christmas collections were also organised to ensure local children received gifts at these times.

The foodbank is a cause that our colleagues feel passionately about; our work with them has helped to build stronger relationships with the local community.



# Customer experience



In 2018, we shared two of our main priorities for 2019 - 2020: quality and our relationships. To support these priorities, we worked on improving the customer experience.

## Customer surveys

With permission from our regulators and business partners, in 2019 we stopped our customer surveys so that we could review and update the process; to get both qualitative and quantitative results. The updated surveys went live in Q1 2020.

We chose 'Upland Rant & Rave' as our approved partner and provider of the business to consumer survey platform. The platform allows us to survey at multiple points throughout the customer complaint journey and features industry-leading analytical tools and real-time feedback to identify vulnerability, as well as sentiment. As opposed to relying on postal surveys, we now also survey customers using SMS and email.

We also refreshed our business to business surveys and sent these to our energy and communication business partners in Q4 2019. This helped to benchmark customer experience scores across Customer Satisfaction scores [CSAT], Customer Effort Score [CES] and Net



Promoter Scores [NPS]. Results allow us to understand how satisfied customers are with our services, how easy they find it to use our services and how likely they are to recommend our service to others. B2B surveys will be sent on a quarterly basis and reviewed against the benchmark scores from 2019.

We plan to follow this up with the creation of **Voice of the Customer** platforms and steering groups to continually monitor results and feedback to shape future improvement opportunities and changes throughout the business.

## Customer Experience Manager

As part of our commitment to being customer centric we appointed a Customer Experience Manager in Q4 of 2019. This means we'll always have a 'Customer Chair' involved in decision making particularly within the change and continuous improvement framework.



## Service complaints

We upheld 83% of the complaints referred to us in 2019 - up from 74% in 2018.

The Independent Assessor considered 129 cases in 2019 - up from 83 cases in 2018. 90% were upheld or justified and so had merit, up from 78% in 2018. We handle more than 74,000 cases a year to the business overall, so a large majority of which are not directed to the Independent Assessor.

Feedback from the Independent Assessor is provided to the Board annually and to our operational staff in meetings throughout the year, which will help us learn from the issues identified.

## Areas of improvement

Multiple teams pooled their data to take a collaborative approach to service complaint feedback in 2019. This improved insight and highlighted key causes of dissatisfaction, helping to make these a priority for action.

Communications, remedy implementation issues, delays and issues with the Ombudsman Services decision were the main drivers of service complaints to the Independent Assessor in 2019. We have identified, and are pursuing, clear actions as a result of the Independent Assessor's recommendations to improve the customer experience in these areas.

The Independent Assessor highlighted customer vulnerability as an area of focus in 2018 and noted improvements in our approach to vulnerable customers in 2019. Ensuring that we are meeting the needs of vulnerable and other 'hard to reach' customers remains a priority in 2020.

Changes like enhanced surveys, detailed analysis of customer journeys, along with our Voice of the Customer platforms and steering groups will ensure our work is of high quality, is customer-centric and will support in building trust and strong relationships with all our customer groups.

# Summary annual report of the Independent Assessor 2019



After a three-year decline, escalations to the Independent Assessor rose this year by 58% to 129 cases.

Of those:

- 87 (68%) had at least one new valid issue in my review;
- 13 (10%) were not upheld as I found no merit in the complaint;
- 29 (22%) were justified as I saw nothing more in my IA review than had already been acknowledged.

Please note that “OS” represents Ombudsman Services throughout.

## What are customers complaining about?

- **Problems arising from the case management systems**

Including technical issues [such as difficulty uploading evidence or messages received with no content] and other issues of system design.

- **Process errors**

These can be case-specific or arise from a business change [such as the move away from calls with the IO at the start of a case]. They also include postal cases which progress in error online or where sufficient additional time isn't given for postal customers. I have flagged my concern before that complainants who choose to use post are often elderly and may be vulnerable and that these customers who may most need OS' support can get a poorer service.

- **Meeting the needs of vulnerable customers**

I have been pleased to see fewer cases in which requests for reasonable adjustment have simply not been met. I had also flagged that some customers with mental health problems fell foul of the OS Unacceptable Actions Policy [UAP] as they could be challenging on the phone. Whilst I have seen some incorrect application of the UAP, I haven't seen this for vulnerable customers.

- **Communication failures**

Are frequent, though rarely the issue that prompts the complaint. They include slow or no reply to emails, letters or messages, or failures to call back. I receive complaints of rudeness, but usually find that a customer has been given a decision or information they didn't like, rather than that OS staff have been rude.



- **Remedy implementation issues**

I have seen more of these, including an inconsistent use of the failed remedy process in some OS Energy cases. I have also seen OS take at face value a company saying the remedy was in place despite the customer's [correct] insistence that it wasn't.

- **Issues with the OS decision**

I have no remit over the OS decision or remedies, but I do have remit over the process used in reaching those. I have seen cases in which the investigation review timescale has not been met and others in which the handling of provider goodwill payments in the OS remedy hasn't been consistent.

- **Delay**

Investigation delay has arisen as isolated error but there has been a marked issue later this year with delay in Customer Relations' response to service complaints, with up to four apologies being given for reply deadlines being missed.

As IA, I feedback to the Board annually on my observations overall and to OS operational staff in meetings throughout the year, so they can learn from the issues that I see. I thank OS' customers for bringing their concerns to me and the organisation as a whole for taking my recommendations on board.

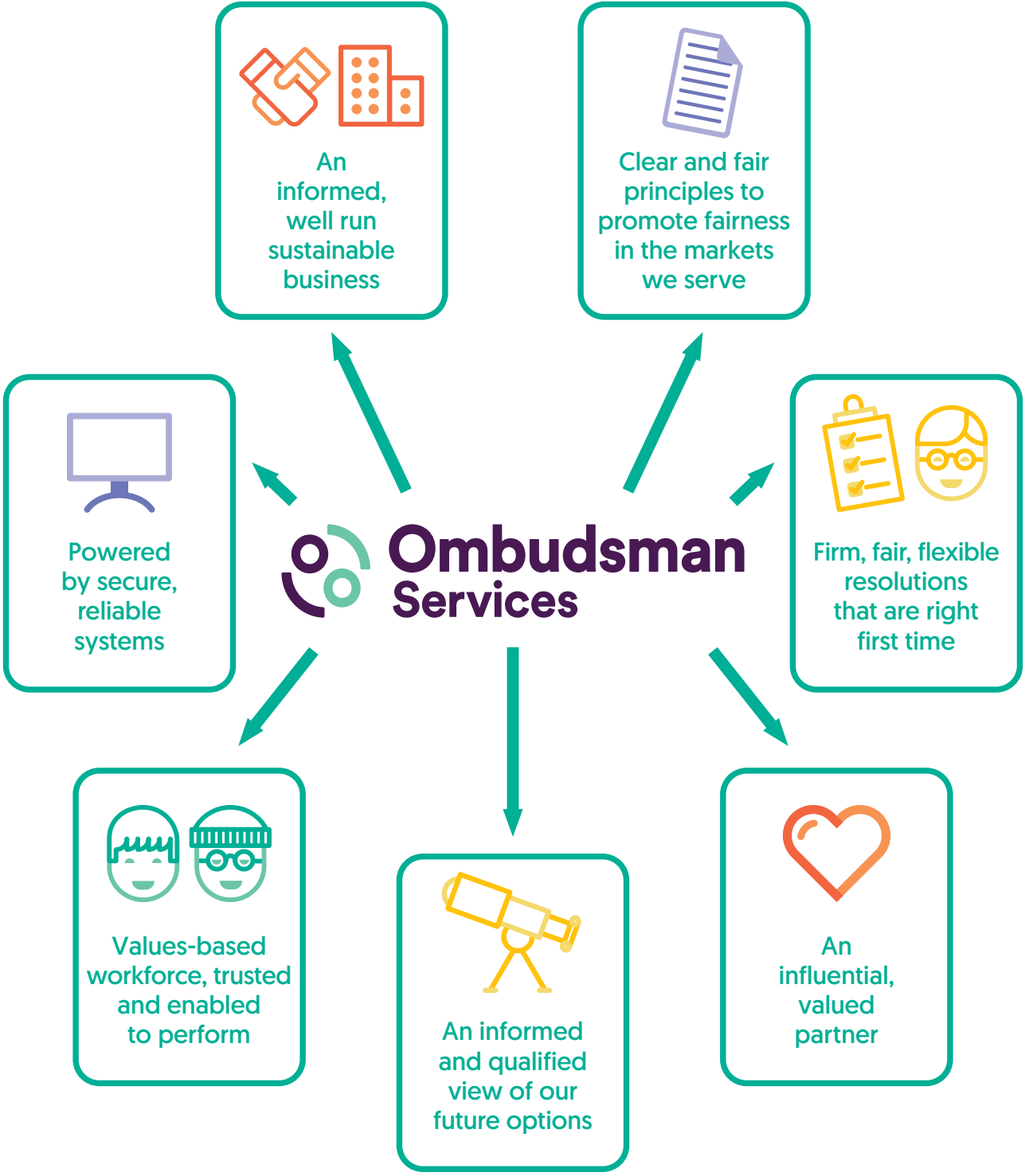
**Joanna Wallace**

Independent Assessor - April 2020

# Our priorities for 2020 - 2021



We've broken down the key focus areas of our 2020 - 2021 business plan below - but what does it all mean?







Our priorities for 2020-2021 are to deliver each of these areas, whilst maintaining our focus on Quality, Relationships, People and Strategy. We've provided more information below:



### **An informed, well run sustainable business**

Continual investment in our infrastructure, research and training will ensure we have the technology, knowledge and capability to offer quicker, better attuned adaptable services to ensure we're a well-run, sustainable business now and into the future.



### **Clear and fair principles to promote fairness in the markets we serve**

The energy and communication sector markets remain competitive; we understand that so we must remain fair and transparent in our decision making.



### **Firm, fair, flexible resolutions that are right first time**

We'll endeavour to ensure our decisions and recommendations are firm, fair, flexible in adapting to our consumers' needs and right the first time.



### **An influential, valued partner**

Partnerships with member companies and key stakeholders such as regulators and trade bodies will strengthen; and we'll keep raising industry standards by positively influencing policies and research to benefit consumers.



### **An informed and qualified view of future options**

We'll support the UK government's sector's commitment to achieve net zero and become carbon neutral by offering our data, research and human insight, to benefit future generations whilst communicating with consumers to better understand their needs.



### **A values-based workforce, trusted and enabled to perform**

A customer-centric business, we value our people and trust and empower them to perform to the best of their ability. Our community will strengthen so everyone believes "Together we are an Ombudsman".



### **Powered by secure, reliable systems**

Technological transformation and new tools will strengthen our business infrastructure and security to ensure a well-run, secure business for now and into the future.

# Financial statements



<b>Directors</b>	Mrs M M Amos Lord T F Clement Jones CBE Mrs M L Ibbs Mr B J Landers Sir L W Lewis Miss L Tennant Mr M J Vickers
<b>Company number</b>	4351294
<b>Registered office</b>	3300 Daresbury Park Daresbury Warrington WA4 4HS
<b>Auditor</b>	MHA Moore and Smalley Richard House 9 Winckley Square Preston PR1 3HP



The directors present the strategic report and financial statements for the period 1 January 2019 to 31 December 2019.

## Review of the Business

2019 has been a year of stabilisation for The Ombudsman Service Limited following the significant changes of 2018. The new case management system introduced in the previous year has resulted in increased rates of resolved cases and a significant increase in customers utilising this digital channel. We have also continued to invest in refining the scope of the new platform to address the needs of all our customers.

A new strategic leadership team was appointed and embedded in 2019, with a clear focus on operational delivery design and improvement, relationship strategy, and developing the strategic agenda. A system of monthly board meetings has also been introduced to maximise board awareness and input.

One of the main challenges in 2019 has continued to be the financial risks posed by supplier failures in the energy sector. This has resulted in c.£1.4m of bad debt owed by energy companies who have ceased trading in 2019, up from c.£1.3m in the previous year. Continuing to absorb such default levels is unsustainable for our business and prompted a full review of our pricing strategy in the energy sector for 2020 and beyond. Our new funding model includes the introduction of subscription fees, which include the mutualisation of bad debt across the energy industry to ensure the Energy Ombudsman remains sustainable. This new pricing and funding structure will be in place from the beginning of 2020.

In 2019 The Ombudsman Service Limited took a strategic decision to focus on our core sectors of energy, communications and parking, resulting in our withdrawal from other dispute resolution sectors including copyright licensing, the BBC and the Solicitors Regulation Authority. This approach has been bolstered by the stabilisation of our existing commercial contracts and investment in a new relationship team to build upon this success. In 2019, we have also started a strategic planning process to develop our framework to assess new possibilities and develop our strategic options for the future.

## Principal activities and business review

The Ombudsman Service Limited is a not-for-distributable-profit company which provides independent dispute resolution nationally for the energy and communications sectors.

In addition, The Ombudsman Service Limited also administers the Parking on Private Land Appeals (POPLA) service on behalf of the British Parking Association.

Between January and December 2019, The Ombudsman Service Limited handled just over 235,500 initial queries from consumers enquiring about our service. Of these cases which came within our terms of reference, we investigated and resolved 74,987 cases. This is an increase of 7% from 2018.

The number of energy cases we received increased by 22% in 2019, while communications cases decreased by 19% from the previous year. We have also seen an increase in settled cases from 8% in 2018 to 21% in 2019 following the introduction of our new case management system which promotes quicker, facilitated complaints resolution through digital channels.

Almost 63,000 decisions were issued by POPLA in 2019, a 33% increase on 2018 following the expansion of the scheme to cover Scotland and Northern Ireland in 2019.

The Board is pleased to report that the Company has made good progress against its key performance indicators.



## Results

2019 was a challenging year with a deficit, after taxation, of £73,455. This was mitigated by our continued focus on operating costs and the Board believes that this was a creditable outcome in the circumstances. A surplus would have been achieved were it not for the impact of bad debts.

The operating deficit of £374,006 was after incurring the bad debts relating to energy companies who ceased trading in the year of c.£1.4m. This demonstrates the sensitivity of the Company's results to the level of bad debts experienced in the energy sector.

The Company has been able to maintain a level of reserves in line with the reserves policy set by the Board. The policy aims to cover a range of three to six months total costs in order to give the Company the ability to deal with sudden increases or decreases in case volumes, and to invest to sustain a quality service to all sectors.

### Impact of Covid-19 on the business

Like many businesses, the Covid-19 pandemic has had an impact, after the balance sheet date, on the Company's performance and colleagues. In the early weeks of lockdown we have seen a significant reduction in case volumes across all sectors.

From a colleague perspective the well-being of colleagues has been a priority for the Company and measures have been put in place to support colleagues' physical and mental health. The Company has been able to facilitate full remote working from the outset of the pandemic.

The Company's operating model has also been revised to ensure the most appropriate service is being provided to consumers and Participating Companies in the current circumstances. This includes the prioritisation of the more vulnerable consumers who need to access the Company's services.

The Directors anticipate that volumes will recover as the lockdown restrictions ease and the country returns to some degree of normality. In the meantime, based on prudent financial and operating planning, and taking into consideration the level of reserves available, the Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future.

### Customer satisfaction

The Board recognises the importance of delivering a positive customer experience for all parties that interact with The Ombudsman Service Limited and its complaint handling processes.

To ensure that we are capturing the voice of our consumers in the best way, our customer engagement programme was reviewed in 2019, with the business investing in a new platform, which will become fully functional in 2020.

The Board regularly seeks assurance that the business uses the feedback from the independent assessor, customer complaints and satisfaction surveying to continually assess the quality of the Company's processes and take remedial action wherever it is necessary.

## Risk

Risk Management forms part of the Board's system of governance contributing to and protecting the performance of the business. The Ombudsman Service Limited recognises risk management is an important tool and therefore has a robust framework in place to facilitate controlled risk taking.

The Ombudsman Service Limited has continued to build on the risk management foundations put in place during 2018 and continues with early risk identification and regular monitoring of the mitigating controls in place. The Executive are responsible for ensuring that risks are recorded and managed in line with the framework and for risk owners taking accountability for their areas.



### **Risk (Continued)**

Robust routines have been set up to facilitate regular risk reviews by senior management, with the most significant risks escalated to the Audit and Risk Committee or Board as appropriate.

A key risk to the Company is the variability in case volumes driven by factors which are outside the Company's control, such as Participating Companies' customer service performance. After the balance sheet date, this risk has been heightened by the Covid-19 pandemic and the increased uncertainty in the volume and profile of case volumes for the foreseeable future. As described above and in Note 1.2 to the Financial Statements, this risk is mitigated by on-going forecasting and planning to ensure the Company remains financially sound and is able to provide an effective service to all its stakeholders.

### **Internal audit**

The Board recognises the need for independent assurance as part of the third line of defence, ensuring that first line management controls and the second line Risk and Compliance functions are operating effectively.

The Audit and Risk Committee has prioritised areas of focus and The Ombudsman Service Limited is taking appropriate steps to work towards ISO 9001 Quality Management System and ISO 27001 Information Security Management System accreditation. This programme of work will be supported by experts in these fields.

The Board, through the Audit and Risk Committee, will continue to monitor assurance needs and identify areas of focus.

### **Our people**

The Ombudsman Service Limited is committed to growing the skills of its people through investment in their training and development. 2019 saw the launch of LinkedIn Learning and the 'Learning at Work week' to help support individual learning programmes through a world class platform. The Board recognises that it is the Company's ongoing commitment to the development of our colleagues, their wellbeing and the way we work that will ensure that The Ombudsman Service Limited continues to meet its goal of delivering a world class service to our customers and stakeholders.

2019 saw a continued drive to a high performance culture whereby our colleagues' contribution is recognised. This is through competitive reward packages and a range of flexible benefits. Our colleagues' wellbeing became an ever increasing priority during 2019 with the continued implementation of our Employee Assistance Programme and the running of our annual employee survey - the survey being a real focus for our colleagues to work on action plans to ensure high engagement levels.

The Board was also pleased to attend one of the four Town Hall meetings which took place in 2019 and met winners from our second annual People Awards.

Through the work of its Nominations Committee and Remuneration Committee, the Board has also continued to review its own effectiveness and make-up as well as inputting into the new executive team structure and remuneration arrangements.

### **Equality and Diversity**

The Ombudsman Service Limited is committed to equality of opportunity and respect for diversity, and the Board takes a very close interest in Equality and Diversity issues. As an equal opportunities employer, we are passionate about creating and ensuring that we have a diverse and inclusive place to work, with equality and fairness at the core of our values, our policies and our everyday work.

The Company has continued to focus on embedding diversity and inclusion across business activity, bringing to life our commitment that "Together we are an Ombudsman".



### **Equality and Diversity (Continued)**

The Board takes a close interest in ensuring that the Company has the right talent in the right roles, regardless of gender and The Ombudsman Service Limited continues to meet gender pay reporting requirements. We are pleased that our continued efforts to close the gap have resulted in a 7.8% mean pay gap in 2019, which is a 3.2% improvement from 2018.

The Ombudsman Service Limited remains committed to ensuring that there is fairness and transparency in its recruitment processes, career opportunities and salaries of employees. The Company benchmarks against the external market meaning that salaries and benefits are consistent with those engaged in similar roles in comparable organisations.

The Company remains committed to monitoring and understanding the gender pay gap and will continue to take pro-active steps to close any gap. The commitment to equality and diversity is endorsed and supported by the Board. We continue our proactive commitment to attract, retain and develop our diverse talent by supporting our colleagues, providing flexible working practices, focussing on our culture and putting our values at the heart of everything we do.

### **Health and safety**

The Board recognises its obligation to safeguard health and safety. This includes employees working onsite or at home, our outsourced flexible resources, contractors working onsite and visitors. Legal obligations are met with the implementation of a health and safety policy, setting safety objectives and suitable safeguards.

At its Daresbury Park site, The Ombudsman Service Limited has 22 trained first aiders, 19 fire marshals, 6 DSE assessors and 22 colleagues trained to use evacuation chairs. The estates team are responsible for coordinating all associated activity and training.

The Company has an external health and safety partner to provide specialist advice and support, as well as an in-house estates team who promote best practice and ensure all relevant policies and procedures are adhered to.

### **Environmental responsibility**

The Board takes environmental responsibilities seriously and is committed to reducing the impact the Company has on the environment.

With new recycling initiatives in place and a change of waste streams in 2018, the Board is pleased to report that The Ombudsman Service Limited continues to recycle 100% of its waste through our current waste removal service incumbents. The Company also supported car lift-sharing and participated in cycle-to-work schemes in 2019 in order to reduce the environmental impact of commuting. The Company also encourages the use of teleconferencing facilities and public transport for business meetings as much as is practically possible.

The Ombudsman Service Limited is voluntarily working alongside a third party contractor, Envantage, throughout 2020 and 2021, in order to complete a Greenhouse Gas (GHG) assessment to identify our carbon footprint and to look to different solutions for offsetting.



### Corporate social responsibility

The Board encourages all members of the business to actively support our local community. Not only is this the right thing to do, it also helps to make us a great place to work.

The Ombudsman Service Limited was again proud to support Warrington Foodbank as its local charity of the year during 2019. We want to build relationships with our local community and the Foodbank is one that our colleagues feel passionately about. Colleagues held cake sales, dress-down days and food collections to support the Foodbank in their efforts to help people who find themselves in food poverty and hardship. In total, over £5,000 was raised for the Foodbank, which covered the running costs of its delivery van.

Colleagues also donated more than a tonne of food, which was donated to vulnerable people throughout the local community. Additional Easter and Christmas collections were also made to ensure local children received gifts at these times. In 2020, each colleague will have a say in choosing charities for the Company to support for the next two years in addition to our work with the Foodbank.

### Future developments

The most significant challenge any business will face at this time is the impact of the Covid-19 pandemic. As explained above and in Note 1.2 to the Financial Statements, the Company is well-placed to manage the impacts of the pandemic and to continue its operations for the foreseeable future.

In the longer-term the Company's strategic planning process and framework has identified some new possibilities and strategic options for the future. Central to these will be the core values of the Company and the role the Ombudsman plays in society - and ensuring this remains relevant in an ever-changing world.

On behalf of the board

.....  
**Lord T F Clement Jones CBE**  
**Director**

Date: 21st July 2020



The directors present their annual report and financial statements for the year ended 31 December 2019.

### **Principal activities**

The principal activity of the company continued to be that of independent dispute resolution.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs M M Amos	
Lord T F Clement Jones CBE	
Mrs M L Ibbs	
Baroness M Jones	(Resigned 31 July 2019)
Mr B J Landers	
Sir L W Lewis	
Mr J J McCracken	(Resigned 31 July 2019)
Miss L Tennant	
Mr M J Vickers	

### **Results**

The results for the year are set out on page 38.

### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Employee involvement**

The Company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

### **Auditor**

The auditor, MHA Moore and Smalley, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.





On behalf of the board

.....  
**Lord T F Clement Jones CBE**  
**Director**

Date: 21st July 2020



The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Opinion

We have audited the financial statements of The Ombudsman Service Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



### **Use of our report**

The use of our report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Tracey Johnson (Senior Statutory Auditor)  
for and on behalf of MHA Moore and Smalley  
Chartered Accountants  
Statutory Auditor**

Richard House  
9 Winckley Square  
Preston  
PR1 3HP

Date: 4th August 2020



	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
<b>Income</b>	<b>3</b>	25,712,799	27,892,658
Administrative expenses		(26,086,805)	(30,630,058)
<b>Operating deficit</b>	<b>4</b>	(374,006)	(2,737,400)
Interest receivable and similar income	<b>7</b>	44,307	51,862
Change in value of investments	<b>8</b>	337,015	(93,936)
<b>Surplus/(deficit) before taxation</b>		7,316	(2,779,474)
Tax on surplus/(deficit)	<b>9</b>	(80,771)	(2,346)
<b>Deficit for the financial year</b>		(73,455)	(2,781,820)

The Income and Expenditure Account has been prepared on the basis that all operations are continuing operations.



	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	10	1,045,203		1,596,860	
Tangible assets	11	1,230,360		1,686,581	
Investments	12	3,409,347		3,080,211	
			<u>5,684,910</u>		<u>6,363,652</u>
<b>Current assets</b>					
Debtors	14	6,222,661		3,788,511	
Cash at bank and in hand		4,078,135		7,356,885	
			<u>10,300,796</u>		<u>11,145,396</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(3,242,420)</u>		<u>(4,164,514)</u>	
<b>Net current assets</b>			<u>7,058,376</u>		<u>6,980,882</u>
<b>Total assets less current liabilities</b>			<u>12,743,286</u>		<u>13,344,534</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(1,478,823)		(1,725,051)
<b>Provisions for liabilities</b>	17		(919,074)		(1,200,639)
<b>Net assets</b>			<u>10,345,389</u>		<u>10,418,844</u>
<b>Reserves</b>					
Income and expenditure account			<u>10,345,389</u>		<u>10,418,844</u>

The financial statements were approved by the board of directors and authorised for issue on 21st July 2020 and are signed on its behalf by:

.....  
**Lord T F Clement Jones CBE**  
**Director**  
.....

**Company Registration No. 4351294**



	<b>Income and expenditure £</b>
<b>Balance at 1 January 2018</b>	13,200,664
<b>Period ended 31 December 2018:</b>	
Loss and total comprehensive income for the period	(2,781,820)
<b>Balance at 31 December 2018</b>	<u>10,418,844</u>
<b>Year ended 31 December 2019:</b>	
Loss and total comprehensive income for the year	(73,455)
<b>Balance at 31 December 2019</b>	<u><u>10,345,389</u></u>





		2019		2018	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	23		(2,788,761)		(890,388)
Income taxes paid			(25,625)		(18,871)
			<u>                    </u>		<u>                    </u>
<b>Net cash outflow from operating activities</b>			<b>(2,814,386)</b>		<b>(909,259)</b>
<b>Investing activities</b>					
Purchase of intangible assets		(346,459)		(1,084,847)	
Purchase of tangible fixed assets		(320,091)		(510,868)	
Proceeds on disposal of tangible fixed assets		150,000		-	
Proceeds from other investments and loans		7,879		-	
Interest received		44,307		51,862	
		<u>                    </u>		<u>                    </u>	
<b>Net cash used in investing activities</b>			<b>(464,364)</b>		<b>(1,543,853)</b>
			<u>                    </u>		<u>                    </u>
<b>Net decrease in cash and cash equivalents</b>			<b>(3,278,750)</b>		<b>(2,453,112)</b>
Cash and cash equivalents at beginning of year			7,356,885		9,809,997
			<u>                    </u>		<u>                    </u>
<b>Cash and cash equivalents at end of year</b>			<b>4,078,135</b>		<b>7,356,885</b>
			<u>                    </u>		<u>                    </u>



## 1 Accounting policies

### Company information

The Ombudsman Service Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is 3300 Daresbury Park, Daresbury, Warrington, WA4 4HS.

### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

### 1.2 Going concern

The financial statements have been prepared on the going concern basis of accounting.

Whilst the impact of the Covid-19 pandemic has been assessed by the Directors so far as reasonably possible, due to its unprecedented impact on the wider economy and society, it is difficult to evaluate with any certainty the possible outcomes on the Company’s activities, Participating Companies and suppliers.

The Directors are continuously assessing the impact of the pandemic on all aspects of the business and measures have been taken to ensure the Company remains financially sound, whilst also providing the most appropriate service to consumers and Participating Companies in the current circumstances. Specifically, the Company has been able to support full remote working and focus on the well-being of colleagues, together with revising the operating model to prioritise the more vulnerable consumers who need to access the Company’s services.

Having considered the UK Government’s response, the Company’s financial and operational planning and the available reserves, the Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future.

### 1.3 Income and expenditure

Turnover represents subscription and case fee income of the service and any costs recovered in setting up new ombudsman services.

Case fee income is recognised dependent on the progress of the case and the stage of completion at the period end.

Expenses are included in the financial statements as they become receivable or due.

### 1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.



## 1 Accounting policies

(Continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33% straight line
----------	-------------------

Amortisation has not been charged on intangible assets that are still in the development stage.

### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the period of the lease
Fixtures, fittings and office equipment	20 - 50% straight line
Computer equipment	33% straight line or over life of lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to surplus or deficit.

### 1.6 Fixed asset investments

Fixed asset investments are measured at market value.

### 1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 1.8 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks,



## 1 Accounting policies

(Continued)

### 1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in surplus or deficit, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.



## 1 Accounting policies

(Continued)

### **Basic financial liabilities**

Basic financial liabilities, including creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

### **Other financial liabilities**

There are no other financial liabilities held by the company.

### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

## 1.10 Taxation

The tax expense represents the sum of the tax currently payable.

### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

### **Deferred tax**

The company is only liable to taxation on its investment activities. Deferred tax is provided for on unrealised gains on the valuation of investments.

## 1.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.



## **1 Accounting policies**

**(Continued)**

### **1.12 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### **1.13 Retirement benefits**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income and expenditure account.

### **1.14 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

## **2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.



## 2 Judgements and key sources of estimation uncertainty

(Continued)

### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### *Fixed asset valuation*

Fixed assets are initially recorded at cost and depreciated over their useful economic life. See accounting policy 1.5.

Useful economic life is based on the anticipated time that the asset will be in use by the company. This is based on historic experience and asset replacement policies.

#### *Dilapidations provision*

See accounting policy 1.11.

The dilapidations provision is based on an average cost per square metre for each of the properties leased to provide an estimate of likely costs. This is based on historic experience of likely costs but the eventual cost may differ.

#### *Onerous contract*

There is a detailed plan in place to switch contract providers in relation to the case management system. The current contract is an onerous contract and as this will not be fully utilised in the future periods, a provision has been created that is based on the cost of the subscription, the minimum users tied into the contract and the length of the contract.

#### *Bad debt provision*

The bad debt provision is based on an estimate of how much is ultimately recoverable from debtors.

## 3 Income

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

## 4 Operating deficit

	2019	2018
	£	£
Operating deficit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	13,960	13,800
Depreciation of owned tangible fixed assets	671,312	795,342
Profit on disposal of tangible fixed assets	(45,000)	-
Amortisation of intangible assets	898,116	192,375
Movement on onerous contract provision	(380,595)	789,840
Operating lease charges	1,110,293	1,117,112
	<u>1,110,293</u>	<u>1,117,112</u>



## 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was: 449 (December 2018: 568)

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Management and administration	449	568

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	12,806,170	15,845,545
Social security costs	1,275,477	1,473,707
Pension costs	512,357	679,035
	<u>14,594,004</u>	<u>17,998,287</u>

Redundancy payments made or committed in the year totalled £510,833 (2018: £696,106).

## 6 Directors' remuneration

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	300,083	409,269
Company pension contributions to defined contribution schemes	21,027	32,438
	<u>321,110</u>	<u>441,707</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2018 - 7).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	184,250	208,500
Company pension contributions to defined contribution schemes	17,875	25,313
	<u>202,125</u>	<u>233,813</u>





**7 Interest receivable and similar income**

	<b>2019</b>	<b>2018</b>
	£	£
<b>Interest income</b>		
Interest on bank deposits	44,307	51,862
	<u>44,307</u>	<u>51,862</u>

**8 Change in value of investments**

	<b>2019</b>	<b>2018</b>
	£	£
<b>Fair value gains/(losses) on financial instruments</b>		
Change in value of investments	337,015	(93,936)
	<u>337,015</u>	<u>(93,936)</u>

**9 Taxation**

	<b>2019</b>	<b>2018</b>
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	17,151	9,853
Adjustments in respect of prior periods	15,771	-
	<u>32,922</u>	<u>9,853</u>
Total current tax	<u>32,922</u>	<u>9,853</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	47,849	(7,507)
	<u>47,849</u>	<u>(7,507)</u>
Total tax charge	<u>80,771</u>	<u>2,346</u>

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	<b>2019</b>	<b>2018</b>
	£	£
Profit/(loss) before taxation	7,316	(2,779,474)
	<u>7,316</u>	<u>(2,779,474)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	(2,015)	(528,100)
Adjustments in respect of prior years	15,771	-
Deferred tax charge on investment gain	47,849	(7,507)
Exempt activity	19,166	537,953
	<u>19,166</u>	<u>537,953</u>
Taxation charge for the year	<u>80,771</u>	<u>2,346</u>

The company is liable to corporation tax on its investment income but is exempt from corporation tax on its Alternative Dispute Resolution activities, which are not considered to be trading activities for the purposes of taxation.



## 10 Intangible fixed assets

	Software £
<b>Cost</b>	
At 1 January 2019	2,822,322
Additions	346,459
	<hr/>
At 31 December 2019	3,168,781
	<hr/>
<b>Amortisation and impairment</b>	
At 1 January 2019	1,225,462
Amortisation charged for the year	898,116
	<hr/>
At 31 December 2019	2,123,578
	<hr/>
<b>Carrying amount</b>	
At 31 December 2019	1,045,203
	<hr/> <hr/>
At 31 December 2018	1,596,860
	<hr/> <hr/>

## 11 Tangible fixed assets

	Leasehold improvements	Assets under construction	Fixtures, fittings and office equipment	Computer equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2019	264,120	83,863	3,323,134	2,176,972	5,848,089
Additions	90,627	214,709	9,683	5,072	320,091
Disposals	-	-	(150,000)	-	(150,000)
Transfers	83,863	(83,863)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	438,610	214,709	3,182,817	2,182,044	6,018,180
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>					
At 1 January 2019	26,857	-	2,185,471	1,949,180	4,161,508
Depreciation charged in the year	17,081	-	509,158	145,073	671,312
Eliminated in respect of disposals	-	-	(45,000)	-	(45,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	43,938	-	2,649,629	2,094,253	4,787,820
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying amount</b>					
At 31 December 2019	394,672	214,709	533,188	87,791	1,230,360
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2018	237,263	83,863	1,137,663	227,792	1,686,581
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



## 12 Fixed asset investments

	2019 £	2018 £
Listed investments	3,409,347	3,080,211
	<u>3,409,347</u>	<u>3,080,211</u>
<b>Listed investments included above:</b>		
Listed investments carrying amount	3,409,347	3,080,211
	<u>3,409,347</u>	<u>3,080,211</u>

The company has not designated any financial assets that are not classified as financial assets at fair value through surplus or deficit.

### Movements in fixed asset investments

	Investments other than loans £
<b>Cost or valuation</b>	
At 1 January 2019	3,080,211
Valuation changes	329,136
	<u>3,409,347</u>
At 31 December 2019	3,409,347
	<u>3,409,347</u>
<b>Carrying amount</b>	
At 31 December 2019	3,409,347
	<u>3,409,347</u>
At 31 December 2018	3,080,211
	<u>3,080,211</u>

## 13 Financial instruments

	2019 £	2018 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	5,352,636	2,704,520
Equity instruments measured at cost less impairment	3,409,347	3,080,211
	<u>5,352,636</u>	<u>3,080,211</u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	4,091,680	4,994,466
	<u>4,091,680</u>	<u>4,994,466</u>

## 14 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	5,352,636	2,704,520
Prepayments and accrued income	870,025	1,083,991
	<u>6,222,661</u>	<u>3,788,511</u>



## 15 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	243,680	824,336
Corporation tax	17,151	9,854
Other taxation and social security	612,412	885,245
Other creditors	110,938	136,392
Accruals and deferred income	2,258,239	2,308,687
	<u>3,242,420</u>	<u>4,164,514</u>

## 16 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Accruals and deferred income	1,478,823	1,725,051
	<u>1,478,823</u>	<u>1,725,051</u>

Accruals and deferred income due after more than one year relates to the receipt of a lease premium which is being spread over the life of the lease.

## 17 Provisions for liabilities

	Notes	2019 £	2018 £
Onerous contract		409,245	789,840
Dilapidations provision		436,980	410,799
Other provisions		25,000	-
		<u>871,225</u>	<u>1,200,639</u>
Deferred tax liabilities	18	47,849	-
		<u>919,074</u>	<u>1,200,639</u>

Movements on provisions apart from deferred tax liabilities:

	Onerous contract £	Dilapidations provision £	Other provisions £	Total £
At 1 January 2019	789,840	410,799	-	1,200,639
Movement in provisions	(380,595)	26,181	25,000	(329,414)
At 31 December 2019	<u>409,245</u>	<u>436,980</u>	<u>25,000</u>	<u>871,225</u>



## 18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	<b>Liabilities 2019</b>	<b>Liabilities 2018</b>
<b>Balances:</b>	<b>£</b>	<b>£</b>
Gain on investments	47,849	-
	<u>47,849</u>	<u>-</u>

## 19 Retirement benefit schemes

	<b>2019</b>	<b>2018</b>
<b>Defined contribution schemes</b>	<b>£</b>	<b>£</b>
Charge to profit or loss in respect of defined contribution schemes	512,357	679,035
	<u>512,357</u>	<u>679,035</u>

The company provides a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

## 20 Members' liability

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.

## 21 Operating lease commitments

### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Within one year	860,000	860,000
Between two and five years	3,440,000	3,440,000
In over five years	1,720,000	2,580,000
	<u>6,020,000</u>	<u>6,880,000</u>



## 22 Related party transactions

### Remuneration of key management personnel

The remuneration of key management personnel, comprising the Non-Executive Directors and the Senior Executive team, is as follows.

	2019 £	2018 £
Aggregate compensation	1,068,666	1,480,727

The remuneration of key management personnel is set by the Remuneration Committee and is benchmarked against remuneration of similar sized companies according to data provided by Towers Watson.

## 23 Cash generated from operations

	2019 £	2018 £
Deficit for the year after tax	(73,455)	(2,781,820)
<b>Adjustments for:</b>		
Taxation charged	80,771	2,346
Investment income	(44,307)	(51,862)
Gain on disposal of tangible fixed assets	(45,000)	-
Amortisation and impairment of intangible assets	898,116	192,375
Depreciation and impairment of tangible fixed assets	671,312	795,342
Change in value of investments	(337,015)	93,936
(Decrease)/increase in provisions	(329,414)	43,440
<b>Movements in working capital:</b>		
(Increase)/decrease in debtors	(2,434,150)	1,354,013
(Decrease) in creditors	(1,175,619)	(538,158)
<b>Cash absorbed by operations</b>	<u>(2,788,761)</u>	<u>(890,388)</u>

## 24 Analysis of changes in net funds

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	7,356,885	(3,278,750)	4,078,135





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