

REGULATORY IMPACT ASSESSMENT

Mortgages and General Insurance regulation: transitioning complaints

ISSUE

The Financial Services Authority (FSA) will take on responsibility for regulating mortgages from 31 October 2004, and the selling of general insurance from 14 January 2005. It is expected that the self-regulatory bodies, the Mortgage Code Compliance Board (MCCB) and the General Insurance Standards Council (GISC) will wind themselves up at or shortly after the commencement of FSA regulation.

Consumers purchasing mortgage products or insurance products after FSA regulation comes into force will have access to the Compulsory Jurisdiction (CJ) of the Financial Ombudsman Service (FOS) to adjudicate on complaints. However concerns have been expressed as to what redress mechanism would be available to a consumer who had a complaint about the conduct of a firm regulated by the MCCB or GISC prior to FSA regulation, but which came to light after FSA regulation commences. The purpose of this RIA is to set out the costs and benefits of making transitional arrangements to enable the FOS to adjudicate on these complaints as well.

PURPOSE & INTENDED EFFECT OF THE MEASURE

i) The objective

Whether the Government should enable access to the FOS for consumers who have complaints about mortgage and general insurance products sold by MCCB and GISC member firms before FSA regulation comes into force but which come to light after FSA regulation comes into force.

ii) Background

There are currently different dispute resolution arrangements for mortgages and general insurance.

Mortgages

The Mortgage Code Compliance Board (MCCB) is a non-statutory regulator. Its role is to regulate the provision of mortgage advice and information by ensuring that firms registered with it comply with the “Mortgage Code”¹. In May 2003, there were 153 mortgage lenders and around 12,500 mortgage brokers registered with the MCCB covering over 98% of the mortgage market.

FSA authorised bank and building society lenders registered with MCCB are subject to the compulsory jurisdiction of the FOS in respect of their mortgage lending activities. For intermediary firms and non-bank/building society lenders registered with MCCB, unresolved consumer complaints are dealt with by an independent arbitration scheme through the Mortgage Code Arbitration Scheme (MCAS). The relatively small share of the market that is not registered with the MCCB does not provide its customers with access to MCAS or the FOS.

For the purposes of this RIA, we are only considering, in relation to mortgages, transitioning consumer complaints in relation to MCCB registered firms. This is because the Government does not have the legal powers to bring complaints within the scope of the FOS where an independent mechanism for complaints does not currently apply. Complaints that are in the course of being dealt with by MCAS when FSA regulation commences are also not considered in this RIA, as once a case has started under MCAS it will take its course until it is resolved.

General insurance

It is estimated that about a third of insurance intermediaries by number belong to the General Insurance Standards Council (GISC). However intermediaries belonging to GISC account for a significantly larger proportion of the insurance broking market by volume. GISC is an independent non-statutory organisation that regulates the sales, advice and service standards of its members. For firms registered with GISC, the GISC Dispute Resolution Facility (GISC DRF) provides a formal conciliation service to resolve customer complaints.

For the purposes of this RIA for general insurance, we are only considering transitioning the consumer complaints in relation to GISC registered firms. This is because the Government does not have the legal powers to bring complaints within the scope of the FOS where an independent mechanism for complaints does not currently apply. Complaints that are in the course of being dealt with by GISC are also not considered in this RIA, as these would not be transferred to the FOS.

¹ The Mortgage Code sets standards of good practice as to how mortgage lenders and intermediaries deal with their customers.

GISC aims to put in place arrangements for completing consideration of such complaints.

iii) Overall risk assessment

When FSA regulation of mortgage business and the selling of general insurance starts, MCCB and GISC are expected to wind down. The main risk to consumers of not making arrangements to transition complaints is that the rights of consumers of MCCB and GISC registered firms in respect of redress for business carried on before FSA regulation starts will not be available after FSA regulation commences. Consumers will be left with no other option but to pursue their cases through the courts, even though they completed their mortgage or general insurance transaction in the knowledge that an independent dispute resolution system would be in place.

The main risk to firms of transitioning complaints is that the costs of transitioning complaints could be greater than if nothing is done to transition complaints. Also the FOS may have a higher profile among consumers than MCAS or the GISC DRF so there may be more complaints. Transitioning complaints to the FOS may enable the FOS to make rulings that may have a wider impact on the industry than the rulings of the arbitrators under MCAS.

OPTIONS

The main options for dealing with transitional complaints relating to GISC and MCCB registered firms are:

- A) Do nothing: There would be no transitional arrangements for dealing with transitional complaints, so that MCCB and GISC registered firms were not obliged to sign up to an independent mechanism for dealing with such complaints. However in the absence of such a mechanism some consumers may bring their complaints before the courts so firms would be likely to incur some costs associated with this. Individual firms registered with MCCB and GISC would still have the option of signing up to the voluntary jurisdiction of the FOS without any transitioning legislation being put in place.
- B) Industry-led solution: The industry could put in place arrangements to deal with residual complaints. An industry-led solution might be an appropriate method of dealing with transitional complaints as MCCB and GISC are themselves self-regulatory bodies.

- C) Pass legislation to give the FOS automatic and compulsory jurisdiction over mortgages and general insurance: It would be possible to transition complaints for both mortgages and general insurance, or just for mortgages or just for general insurance.

Risks of each option

- A) Do nothing: The only option for consumers to seek redress would be for them to go through the courts. Most consumers would probably not take their complaints to the courts because the costs and processes could discourage them. Therefore it is likely some consumers with legitimate complaints will not receive the redress they would have done had MCAS and the GISC DRF continued. There could also be risks to the reputation of the industry if there were no independent dispute resolution mechanism to deal with transitional complaints.
- B) Industry-led solution: Once FSA regulation has started there may be little incentive for firms to comply with an industry self regulatory body, as the ultimate sanction of ejection from the body would probably have little effect. An industry led solution would therefore raise issues of funding, organisation and enforcement for the industry.
- C) Pass legislation to give the FOS jurisdiction over mortgages and general insurance:

Transitioning mortgage complaints would pose a number of risks to firms and consumers: as follows:

- transitioning complaints to the FOS could be **more costly** to the industry than not transitioning, as MCCB will not continue;
- **the FOS may have a higher profile** among consumers than MCAS and therefore more consumers may complain to the FOS than would have complained to MCAS;
- **the processes of the FOS and MCAS may differ**, for example consumers may find FOS more formal and legalistic than MCAS.

Transitioning general insurance complaints would pose a number of risks to firms and consumers, as follows:

- such arrangements would **not cover the whole market** but would only cover the third of brokers who are registered with GISC. Transitioning could therefore be seen as penalising those that had signed up to an independent complaints mechanism;
- transitioning complaints to the FOS would be **more costly** to the industry than not transitioning, as GISC will not continue;

- **the FOS may have a higher profile** among consumers than GISC and therefore more consumers may complain to the FOS than would have complained to GISC;
- **the processes of the FOS and GISC DRF differ.** In particular the GISC DRF cannot force firms to pay compensation, in contrast to the FOS.

Analysing the benefits

- A) Do nothing: The main benefit of doing nothing is that firms would save the costs of FOS fees and compensation, see the costing tables in the Annex for more details. There would also be a clean break between the self-regulatory regime and statutory regulation.
- B) Industry-led solution: This would enable consumers to continue to benefit from self-regulatory mechanisms for dealing with transitional complaints. This solution would also enable the industry to address risks to its reputation that might otherwise arise if there were no independent mechanism for dealing with transitional complaints.
- C) Pass legislation to give the FOS jurisdiction over mortgages and general insurance:

Transitioning mortgage complaints would provide a number of benefits, as follows:

- consumers will benefit from continuing to have **access to an independent and free complaints mechanism**, preserving protections that have become **good practice across the vast majority of the mortgage market**;
- transitional arrangements would ensure a **seamless transition** to the new regime. The FOS already has jurisdiction over banks and building societies as mortgage lenders and it would provide a **level playing field** to transition the complaints of other mortgage lenders, as well as mortgage brokers;
- transitioning would avoid the **risk to the industry's reputation** that could arise were there no independent mechanism to handle complaints.

Transitioning insurance complaints would provide a number of benefits, as follows:

- consumers will benefit from continuing to have **access to an independent and free complaints mechanism**;

- transitional arrangements would ensure a **seamless transition** to the new regime. The FOS already has jurisdiction over insurers so it would **avoid the confusion** that might arise where the customer could complain to an independent body about the actions of the insurer but not the broker;
- transitioning **would avoid the risk to the industry’s reputation** that could arise were there no independent mechanism to handle complaints.

CALCULATING THE COSTS

- A) Do nothing: In the absence of independent dispute resolution mechanisms, firms would not have to incur the redress and any case fees associated with such mechanisms. Consumers’ only recourse would be through the courts and this could be costly depending on the size of the claim and length of any litigation. Whilst the costs associated with most individual cases may not be relatively high, we expect many consumers to be discouraged from pursuing their cases through the courts due to the processes. Firms would also incur costs related to these court cases, though it is not possible to estimate such costs. But we expect the overall costs to firms under option A to be lower than under other options. Table 2 in the Annex sets out the overall costs to business of doing nothing. They are **£28,000, £17,000, £10,000 and £2,000** in years one, two, five and ten.
- B) Industry-led solution: Any industry-led arrangements to deal with transitioned complaints would be a matter for the industry, and the costs would depend on the type of arrangements put in place. For purely illustrative purposes we have calculated the costs to firms if transitioned complaints were dealt with under the current GISC and MCAS regimes. Tables 4 and 5 in the Annex set out the costs to business of dealing with transitional mortgage and general insurance complaints respectively under the current complaints procedure. For mortgages the costs are **£183,000, £147,000, £92,000 and £19,000** in years one, two, five and ten, respectively. For general insurance the comparable cost would be **£44,000, £11,000, £1,000 and £1,000** respectively.
- C) Pass legislation to give the FOS jurisdiction over mortgages and general insurance: Annually, there are around 100 complaints about mortgages that are adjudicated by MCAS. Around 170 complaints are registered as “formal complaints” under the GISC Dispute Resolution Facility (DRF). The assumption is that in the first year after the commencement of FSA regulation, similar numbers of transitional complaints, about 100 for mortgages and 200 for general insurance would go to the FOS. As time goes on the numbers of

transitional complaints will fall as there will be fewer mortgages and general insurance contracts left that were taken out before the commencement of FSA regulation. This reduction will be swifter in the case of general insurance because general insurance products tend to be renewed annually. Therefore after the first year of FSA regulation most insurance contracts will have been renewed and thus fall within the scope of FSA regulation, and within the scope of FOS in the event of complaints.

The main costs to firms in transitioning complaints to the FOS would be the compensation paid to consumers as a result of FOS adjudications, though there may be a case-fee cost to some general insurance firms (see below). It is assumed the costs of complaints handling to firms are of minimal significance. This is because following commencement of regulation firms will already have procedures in place to deal with complaints. These would probably require few changes to deal with transitioned complaints.

The FOS is consulting on its fees². It proposes to put in place new arrangements that recognise some small firms fear the existence of the case fee might pressurise them to settle cases inappropriately. From 2004-5 firms that have paid the levy would incur no case fee for the first two cases per year, with only the third and subsequent cases being charged at £360 each. We have used these figures as the basis of our calculations. It is also assumed that the FOS would award the same average compensation as that awarded by MCAS in the case of mortgages, and as that paid by firms following recommendation by the GISC DRF in the case of general insurance. It is expected that the same proportion of complaints would be found in favour of the consumer by the FOS, as by MCAS and the GISC DRF.

In the light of the new FOS fees, the net additional cost to business of transitioning mortgage complaints is **£76,000, £61,000, £38,000 and £8,000** in years one, two, five and ten respectively (table 7 in the Annex). The comparable figures for general insurance complaints (also including a reduced estimate of the numbers of complaints) are **£43,000, £11,000, £2,000 and £2,000** respectively (table 9 in the Annex).

SMALL FIRMS IMPACT TEST

Many of the 12,500 mortgage brokers who are registered with the MCCB are small firms. But with an average of 100³ complaints a year being dealt with by MCAS, this proposal is unlikely to have a significant impact on most of them.

² FOS Plan and Budget for 2004-2005. Available from the FOS website – www.fos.org.uk.

³ MCCB Annual report 2002

Similarly, many of the 6,100 GISC members are small firms - about 5,400 have annual revenue of up to £1m. About 200 complaints a year become formal complaints under the GISC Dispute Resolution Facility. This is far less than one complaint per firm. Taken together with the revised FOS fee structure, we do not think that this proposal will have a significant impact on the small firms. Most will not have any complaints to transition to the FOS, and those that do are likely only to have a small number of complaints. It is possible, however, that there might be an impact on PII cover for some firms.

COMPETITION ASSESSMENT

The proposal will impact on businesses involved in the mortgage and general insurance sectors. We do not expect that this will have any significant impact on competition. This is because the costs under each option are not considered sufficient to create implications for competition. For example, it appears unlikely that any firm will go out of business or withdraw from the market simply because of this proposal.

ENFORCEMENT, SANCTIONS, MONITORING AND REVIEW

The FOS was set up to help settle individual disputes between consumers and financial firms. FOS can consider complaints about a range of financial services. The service is free to consumers and is completely independent. FOS decisions are binding on firms but not on consumers.

CONSULTATION

The Government carried out an open consultation on the issue. It published a consultation document on 22 September 2003 and respondents' views are summarised below. For a more detailed summary of consultation responses see the Treasury website - www.hm-treasury.gov.uk.

On the **industry-led solution**, responses (including from the Council of Mortgage Lenders, GISC, the Consumers' Association and others) indicated that the industry was unlikely to develop an effective solution on its own.

- **Enforcement** would be difficult because the ultimate sanction of ejection from the body would have little effect;
- it would be **hard to raise funding** when the industry would be paying FOS for their post-regulation complaints; and

- **maintaining an organisation** to deal with a small and reducing number of complaints would be inefficient.

On **transitioning complaints against MCCB firms**, most respondents (including the main industry bodies such as the Council of Mortgage Lenders and the Association of Mortgage Intermediaries) supported transitioning. Respondents cited:

- benefits to consumers;
- a seamless transition between regulatory regimes; and
- the provision of a level playing field with banks and building societies where the FOS already has jurisdiction over mortgage complaints.

Most respondents also thought that the arguments against transitioning complaints against MCCB firms lacked force.

- MCCB firms cover 98% of the market so market coverage is nearly complete;
- FOS fees are substantially below those charged by MCAS; and
- the FOS and MCAS processes are similar in key aspects.

On **transitioning complaints against GISC firms**, many respondents supported transitioning complaints against GISC firms, and some, mainly small brokers, opposed such transitioning. Many respondents supported the arguments for transitioning including:

- the benefits to consumers;
- the seamless transition between regulatory regimes; and
- the provision of a level playing field with insurers where the FOS already has jurisdiction.

Those against transitioning argued that:

- the FOS regime would be more onerous than the GISC Dispute Resolution Facility because its decisions are binding on firms;
- FOS has a higher profile amongst consumers and there is a risk of some firms incurring case fees;
- transitioning complaints would be seen by some as penalising those who had agreed to sign up to GISC self regulation with a more onerous regime

SUMMARY

The **industry** is unlikely to develop an effective solution on its own.

The Government believes that the arguments for **transitioning complaints against MCCB firms** are strong. For example, MCCB already covers 98% of the

market and transitioning complaints would provide a seamless transition to regulation. Also, the costs to firms are substantially less than under the current arrangements. Finally, the option is supported by most of those responding to the consultation. *The Government has therefore concluded that the FOS be given responsibility for dealing with consumer complaints against MCCB firms for products sold prior to regulation that arise after regulation.*

The arguments for and against **transitioning consumer complaints against GISC firms** are finely balanced. On the one hand, the FOS regime would be more onerous than the GISC DRF because its decisions are binding on firms, FOS has a higher profile and there is a risk of some firms incurring case fees. It could also be seen as penalising those who had agreed to sign up to GISC self-regulation.

On the other hand, there are clear consumer benefits, and the FOS proposals on fees will minimise the costs to the industry. Also the numbers of cases dealt with by the FOS would reduce rapidly as most policies are annually renewable. *On balance therefore, the Government has decided that complaints against GISC firms for products sold prior to regulation, but that occur after FSA regulation comes into force, should be transitioned to the FOS.*

Recommendation

The Government recommends that the FOS be given responsibility for dealing with consumer complaints against both MCCB and GISC firms for products sold prior to FSA regulation but that arise after regulation.

Declaration

I have read the regulatory impact assessment and am satisfied that the benefits justify the costs.

(Signed)

Ruth Kelly MP
Financial Secretary to the Treasury
20 February 2004

ANNEX

Option A - Costs to business and consumers of not transitioning mortgages and general insurance complaints.

Because of the procedures and potential costs, we assume that many fewer consumers will take their case to the courts than would have done if the MCAS and GISC arrangements had continued. It is difficult to estimate how many transitional complaints would be taken to the courts, but for illustrative purposes we have assumed 20% of the cases would be taken to the courts. It is assumed the number of transitional complaints that would have gone to the GISC DRF and MCAS would reduce as time goes on. This is because there will be fewer mortgages and insurance contracts left in existence sold before the commencement of FSA regulation. It is expected this reduction will be sharper in the case of insurance as most insurance contracts are annually renewable.

Table 1 – Numbers of transitional complaints expected to go before the courts

	Year 1	Year 2	Year 5	Year 10
Transitional complaints which would have gone to GISC DRF	200	50	1	1
20% of which expected to go to the courts	40	10	1	1
Transitional complaints which would have gone to MCCB	100	80	50	10
20% of which expected to go to the courts	20	16	10	2

It is assumed the courts would award the same average amount of redress as firms pay under the MCAS and GISC DRF schemes for mortgages and insurance respectively, in the same proportion of cases. MCAS pays an average compensation of £1,900 in the 50% of cases found in the consumer's favour. The GISC Dispute Resolution Facility (DRF) cannot award compensation. However £400 is the average redress that a firm pays following recommendation by the GISC DRF in the 55% of cases where the DRF found in the consumer's favour.

Firms are also likely to incur costs in handling the court cases, but it is difficult to estimate these accurately. These are not included in the table below, which therefore probably under estimates the costs to firms of dealing with the court cases. However the costs in the table below reflect the redress awarded to consumers, calculated according to the assumptions above.

Table 2 – Costs to business of option A.

	Year 1	Year 2	Year 5	Year 10
A. Cases expected to go to Court (mortgages)	20	16	10	2
B. Cases found in favour of consumer (50% of A)	10	8	5	1
C. Redress (£1,900*B) £'000	19	15	10	2
D. Cases expected to go to Court (General insurance)	40	10	1	1
E. Cases found in favour of consumer (55% of D)	22	6	1	1
F. Redress (£400*E) £'000	9	2	0	0
Total estimated costs (C + F) £'000	28	17	10	2

Costs and benefits to consumers of taking cases to court

We have assumed that consumers would take their claims to the small claims court and that the fee charged by the court would fit the scale of the amount claimed. Therefore for mortgages, with average compensation of £1,900, the commensurate fee for a consumer would be £120. For general insurance, with average compensation of £400, the court fee would be £50.⁴

Table 3(a) - Net benefit to consumers of taking mortgage cases to court

	Year 1	Year 2	Year 5	Year 10
Mortgages				
A. Cases expected to go to Court	20	16	10	2
B. Cases found in favour of consumer (50% of A)	10	8	5	1
C. Redress (£1,900*B) £'000	19	15	10	2
D. Court fee £120 per case (£'000)	2	2	1	0
E. Net benefit to consumer	17	13	9	2

⁴ See court service website at www.courtservice.gov.uk.

Table 3(b) – Net benefit to consumers of taking general insurance cases to court

	Year 1	Year 2	Year 5	Year 10
General insurance				
A. Cases expected to go to Court	40	10	1	1
B. Cases found in favour of consumer (55% of A)	22	6	1	1
C. Redress (£400*C) £'000	9	2	0	0
D. Court fee £50 per case (£'000)	2	1	0	0
E. Net benefit to consumer	7	1	0	0

Option B – Industry-led solution

Any industry-led arrangements to deal with transitioned complaints would be a matter for the industry, and the costs would depend on the type of arrangements put in place. For *illustrative purposes only* we have calculated the costs to firms dealing with transitioned complaints to firms under the current GISC and MCAS regimes.

The current MCAS case fee of £882 is applied. In addition, figures for the redress that MCAS might have awarded for the transitioned complaints are included based on the current average compensation of around £1,900 paid out in 50% of cases. The GISC DRF is funded through the general GISC membership fees paid by firms, and there is no case fee. There is therefore no case fee reflected in the illustrative costs below. However an industry led solution to dealing with transitional complaints would need to be funded, so the figures below would represent an under estimate of the costs (of an industry led solution). Figures for the redress that GISC DRF might have awarded for the transitioned complaints are included based on the current average compensation of around £400 paid out in 55% of cases

Table 4 – Costs to business of dealing with transitional mortgage complaints under the current MCAS arrangements

	Year 1	Year 2	Year 5	Year 10
A. Transitional complaints which would have gone to MCCB	100	80	50	10
B. Complaints found in consumers' favour (50%*A)	50	40	25	5
C. MCAS fees (882*A) £'000	88	71	44	9
D. Redress awarded by MCAS (£1,900*B) £'000	95	76	48	10
Total cost to business £'000	183	147	92	19

Table 5 – Costs to business of dealing with transitional general insurance complaints under the current GISC DRF

	Year 1	Year 2	Year 5	Year 10
A. Transitional complaints which would have gone to GISC DRF	200	50	1	1
B. Complaints found in consumers' favour (55% *A)	110	28	1	1
C. GISC DRF Fees	0	0	0	0
D. Redress through GISC DRF (£400*B) (£'000)	44	11	1	1
Total cost to business £'000	44	11	1	1

Option C - Pass legislation to give the FOS jurisdiction over mortgages and general insurance

Mortgages

Table 6 represents the costs to MCCB registered firms of transitioning complaints to the FOS. The FOS has proposed new case fees for 2004-5. For firms that submit one or two cases to the FOS in a year, there would be no fee charged. For those with three cases in a year, the charge would be £360. For those with four cases in a year the fee would be £720. Whilst the fees are still subject to consultation, we understand that industry representatives welcomed them. However, we understand that few, if any, firms have had more than one case taken to MCAS and the assumption is therefore that no case fee will be paid in these circumstances. Figures for the redress awarded are calculated on the basis that the FOS awards the same average compensation of £1,900 in successful cases as by MCAS, and that the success rate is the same in FOS cases as MCAS, at 50%.

Table 6 – Costs to business of transitioning complaints to the FOS – mortgages

	Year 1	Year 2	Year 5	Year 10
A. Transitional complaints	100	80	50	10
B. Complaints found in consumers' favour	50	40	25	5
C. FOS fees	0	0	0	0
D. Redress (£1,900*B) (£'000)	95	76	48	10
Total	95	76	48	10

Subtracting the costs of the do “nothing option”, see table 2 above, gives the additional costs to firms of transitioning complaints to the FOS, over and above the costs of the “do nothing” option.

Table 7 – additional costs to business of transitioning complaints to the FOS compared with the “do nothing” option – mortgages

Total	95	76	48	10
Less costs of do nothing option	19	15	10	2
Cost of transitioning complaints compared with “do nothing” option	76	61	38	8

Insurance

Table 8 gives the estimated costs to GISC registered firms of transitioning complaints to the FOS. The FOS has proposed new case fees for 2004-5. For firms that submit one or two cases to the FOS in a year, there would be no fee charged. For those with three cases in a year, the charge would be £360. For those with four cases in a year the fee would be £720. Whilst the fees are still subject to consultation, we understand that industry representatives welcomed them. GISC have said that the DRF dealt with 171 complaints in the year to April 2003 covering 91 firms. Of the 91 firms, 83 had 1 or 2 cases, 6 had three cases, and 8 had four or more cases. Therefore the FOS fees following transitioning are estimated to be £8,000 (6 x £360 plus 8 x £720 = £7920) in year 1, £2,000 in year 2, and £1,000 in years 5 and 10. Figures for the redress awarded are calculated on the basis that the FOS awards the same average compensation of £400 in successful cases as by the GISC DRF, and that the success rate is the same in FOS cases at 55%.

Table 8 – Costs to business of transitioning complaints to the FOS – general insurance

	Year 1	Year 2	Year 5	Year 10
A. Transitional complaints	200	50	1	1
B. Complaints found in consumers' favour	110	22	1	1
C. FOS fees	8	2	1	1
D. Redress (£400*B) (£'000)	44	11	1	1
Total (£'000)	52	13	2	2

Subtracting the costs of the do nothing option, see table 2 above, gives the additional costs of transitioning complaints to the FOS.

Table 9 - Costs of transitioning complaints to the FOS compared with the “do nothing” option

	Year 1	Year 2	Year 5	Year 10
Total (£'000)	52	13	2	2
Less costs of “do nothing” option (£'000)	9	2	0	0
Cost of transitioning insurance complaints compared with “do nothing” option (£'000)	43	11	2	2

Mortgages and General Insurance

Adding the additional costs for mortgages and insurance together from the tables above we arrive at the total additional costs of transitioning complaints to the FOS compared with the “do nothing” option.

Table 10 – Costs of transitioning complaints to the FOS compared with the “do nothing option – mortgages and general insurance.

	Year 1	Year 2	Year 5	Year 10
Additional costs of transitioning mortgages (£'000) (Table 7)	76	61	38	8
Additional costs of transitioning general insurance (£'000) (Table 9)	43	11	2	2
Totals (£'000)	119	72	40	10