



Financial Services  
Ombudsman

**ANNUAL  
REPORT  
2016**



# Mission Statement

To resolve disputes between consumers and financial services providers in a fair, timely and impartial manner and to contribute to enhancing the financial service environment for all consumers.

Financial Services Ombudsman Annual Report 2016  
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# Chairperson's Report



It is my great pleasure to present my eighth, and my final, annual report as Chairperson of the Financial Services Ombudsman Council.

The statutory functions of Council are prescribed by the Central Bank and Financial Services Authority of Ireland Act 2004, and are as outlined in specific detail on page 4 of this Annual Report.

This report reflects significantly upon the changes at the Financial Services Ombudsman's Bureau (FSOB).

In my 2015 report I outlined how change was essential in terms of the progression of the process, to integrate the Office of the Pensions Ombudsman and the FSOB, but also that the changes go further to move beyond the current situation and focus determinedly upon future needs of the thousands who rely upon the Bureau and the skills and resources that are employed to meet those demands.

In addition, an open process, for recruitment of new Council membership and the Ministerial restructuring that would follow, was undertaken.

In furtherance of Council's requirement under the Act 'to keep under review the efficiency and effectiveness of the Bureau' the need for change was particularly identified and defined in the Bearing Point Report - Strategic and Operational Review - Financial Services Ombudsman and Office of the Pensions Ombudsman - that was issued in January 2016, and which remains available on the Bureau website.

Having initiated the process, Ger Deering took full direction of the format for delivering review and change, with the full support of the Council, the Bureau management and staff at every level.

In this specific regard I consider that the Annual Review for 2016, published in March 2017, and available at [www.financialombudsman.ie](http://www.financialombudsman.ie), best reflects the dedication to change and the level, pace and positive early indications from what was an enormous undertaking for improvement and enhancement. It is an informative and transparent document and a useful insight for those considering a process of change. What is quite apparent is how the entire system was evaluated critically at every level of interaction and delivery. There is insufficient room here for me to outline the numerous 'new' approaches to complaint facilitation, handling, investigation and resolution that have been put in place.

Therefore, I would direct the reader to the results falling from the heightened use of mediation to illustrate, definitively, how the best means of resolution, for both parties, was at the heart of every internal consideration in terms of process.

A sectoral analysis of complaints received in 2016 indicates how, of 4,334 valid complaints received, 52% were banking related and 43% were insurance related with the areas of Mortgages and Motor respectively giving rise to the highest levels of dispute. A review of the Reporting on Named Financial Service Providers, against whom the most complaints were upheld, provides the reader with similar percentages in order of ranking across the top five. As the Ombudsman indicated, in his introduction to the Annual Review, these sectors provide for the everyday needs of living, certain of which are legally required provisions for consumers of these services.

This, I consider, highlights the need to restate how effective dispute resolution also requires an acceptance from providers of the necessity for them to acknowledge the realities and weaknesses of their internal systems and make immediate changes to benefit their customers and, potentially, reduce the levels of complaints to the Ombudsman.

In preparation for completion of the integration process and following expiry of the term of a number of Council Members in October 2016, a Public Appointment Service (PAS) recruitment process was initiated to recruit new Members. At the point of exit Council advised its view that it would be key that the Minister considered the importance of maintaining a balance of current as well as new expertise to ensure efficient continuity, especially at a time of continuing change. In addition, and a long standing matter of concern at Council, would be the formal adoption of all necessary legislative procedures to officially commence the Financial Services Ombudsman Superannuation Schemes.

I must restate my high regard of and gratitude to my entire fellow Council Members who each, over many years, gave of their very significant expertise with professionalism and consideration. I add my thanks and appreciation for the very significant input and support from the Secretary to Council. In closing, I would like to extend congratulations to the Ombudsman, Deputy Ombudsman, Director of Adjudication and Legal Services, Director of Dispute Resolution Services, Director of Corporate and Information Services and all of the staff for their exceptional individual and combined efforts and achievements. I also wish to pay tribute to the Minister for Finance and the staff of his Department, for their continued support.

All that remains is to note how it has been an honour to contribute to the work and progression of this much needed body and to hope that, in time, the demands for its services will reduce to acceptable levels in a financial services regulatory regime that is as effective and efficient as is 'the Bureau'.



**Dermott Jewell**

Chairperson

Financial Services Ombudsman Council

# The Financial Services Ombudsman Council

## Function of the Council

The Financial Services Ombudsman Council (the Council) is appointed by the Minister for Finance. Its main functions are to:

- **Appoint the Financial Services Ombudsman (the Ombudsman) and any Deputy Ombudsman;**
- **Prescribe guidelines under which the Financial Services Ombudsman's Bureau (the Bureau) is to operate;**
- **Determine the levies and charges payable for the performance of services provided by the Ombudsman;**
- **Keep under review the efficiency and effectiveness of the Bureau;**
- **To advise the Minister for Finance, either at the Minister's request or at its own initiative, on any matter relevant to the Ombudsman's operation;**
- **Advise the Ombudsman on any matter on which he seeks advice.**

## Members of the Council

The Chairperson and members of the Council are appointed by the Minister for Finance, having consulted with the Minister for Jobs, Enterprise and Innovation. The Act requires that the Council consist, at the Minister's discretion, of not fewer than five and not more than ten members.

In 2015, the Minister for Finance announced the re-appointment of the Chairperson, Mr Dermott Jewell and then members of the Council, Mr Michael Connolly, Mr Anthony Kerr, Ms Elizabeth Walsh, Mr Paddy Leydon, Ms Caitríona Ní Charra and Mr Frank Wynn to the 28th October, 2016.

The Minister appointed Ms Valerie Bowens, Ms Deborah Reidy and Mr Ken Murnaghan as new members to the Financial Services Ombudsman Council for a period of five years with effect from 20th January 2016.

The Minister appointed Ms Maeve Dineen (Chairperson), Mr Dermott Jewell, Ms Elizabeth Walsh and Mr Don Gallagher to the Council with effect from 9th January 2017.

The selection processes for the appointments in January 2016 and January 2017 were undertaken in accordance with the Guidelines for Appointments to State Boards published by the Government in November 2014 and was managed by the Public Appointments Service.

In 2016 the Council comprised the following members:

**Mr Dermott Jewell (Chairperson)**

Mr Jewell (B.Sc. Mgmt. (Law)(Trinity College Dublin), CI Arb.) is Policy & Council Advisor to the Consumers' Association of Ireland. His representations include Chairperson/Director of the European Consumer Centre (ECC) Ireland, Director of the Investor Compensation Company Limited (ICCL) and member of the Banking Stakeholder Group of the European Banking Authority. He is Ireland's representative on the European Consumer Consultative Group (ECCG) of the European Commission.

Mr Jewell holds accreditations in both Employment Investigation and Mediation and is a member of the Mediation Institute of Ireland (MII).

**Ms Valerie Bowens**

Ms Bowens (BComm, Master of Business Studies, Diploma in Financial Services Law (UCD)) is a Senior Manager with extensive compliance and regulatory experience over more than 20 years. She is currently Director of Regulatory Compliance at Dillon Eustace Solicitors. She is also a member of the Board of the National Standards Authority of Ireland (NSAI) and sits on its Governance Committee. In addition, she is a Board member of the Investor Compensation Company Limited (ICCL). Until late 2014, she was Managing Director and Country Head of Compliance at BNY Mellon, prior to which she held roles as Senior Regulator - Central Bank, and Senior Manager - AIB. She is a member of the Institute of Directors and the Association of Compliance Officers in Ireland.



Ms Valerie Bowens



Mr Michael Connolly



Mr Anthony Kerr



Mr Paddy Leydon



Mr Ken Murnaghan



Ms Caitríona Ní Charra



Ms Deborah Reidy



Mr Frank Wynn



Ms Elizabeth Walsh



**Mr Michael Connolly**

Mr Connolly (B.B.S Trinity College Dublin/F.I.B) is a Financial Services Consultant specialising in bank lending/distressed loans. He is a Director of Oakfield Trust; Art and Education Resource Store Ireland; and a former Director of NAMA and Chairman of its Credit Committee. In his executive career he was a General Manager with Bank of Ireland Group, which included responsibility for business banking, credit control, international banking, asset finance, group insurance.

He also served as Chairman of Bank of Ireland Group Investment Committee and a Bank Pension Fund Trustee.

**Mr Anthony Kerr**

Mr Kerr M.A. (Dub.) LL.M. (Lond.) BL (Kings Inns), is a Statutory Lecturer in the Sutherland School of Law, University College Dublin where he is Associate Dean for Graduate Studies. He is the author of a number of books including *The Civil Liability Acts* (4 ed., 2011).

**Mr Paddy Leydon**

Mr Leydon is the previous Chairperson of the Credit Institutions Ombudsman voluntary scheme which was subsumed into the Financial Services Ombudsman's Bureau in 2005. A Regional Business Manager with Bank of Ireland - based in the North West, he is a Fellow of The Institute of Banking and a Member of the Institute of Certified Public Accountants in Ireland.

**Mr Ken Murnaghan**

Mr Murnaghan is a member of the Management Board of Finance Ireland Limited, a privately owned financial services business involved in SME and consumer lending. Previous roles include Head of Business Banking at Ulster Bank Group, and a number of other positions in France, Ireland, and Hong Kong with AIB, PWC, and EY. Mr Murnaghan is a business graduate of University College Dublin, a fellow of Chartered Accountants Ireland, and a fellow of The Institute of Banking.

**Ms Caitríona Ní Charra**

Ms Ní Charra has served since she was appointed as a member of the first Financial Services Ombudsman Council. She worked with the Money Advice and Budgeting Service (MABS) for 20 years. She has particular interest in debt and poverty issues, as well as financial literacy. She has a degree in Community and Family Studies and has worked as an independent researcher and trainer. Ms Ní Charra formerly worked in Community Welfare Services for the HSE, and the Department of Social Protection. She was a former Director and Company Secretary of Consumer DebtNet, a European umbrella group for money advice services. She was a member of a European working group that published the report 'Debt Collection Practices Across Europe'.

**Ms Deborah Reidy**

Ms Reidy is Director of Investment Consulting at Aon Hewitt in Ireland. Previously, she was Head of Investment Manager Selection at the NTMA for the National Pensions Reserve Fund and a Partner at Mercer. Prior to locating in Ireland, Ms Reidy held numerous positions with several New York based investment managers including the Bank of New York and Rockefeller and Company. She participates on the Steering Council of the 30% Club which strives to address gender balance on Boards and was previously an adviser to the CFA Institute.

**Ms Elizabeth Walsh**

Ms Walsh (BCL UCD) is a practising solicitor with over 30 years' experience in general practice. She is an accredited mediator and a mental health legal representative. She served as President of Limerick Solicitors' Bar Association from 2008-2010.

**Mr Frank Wynn**

Mr Wynn is Director of Group Compliance & Operational Risk with the Irish Life Group. He is an accountant (FCCA), an Associate of the Chartered Insurance Institute, and an Associate of the Irish Institute of Pensions Management. He is a former Board member of the Association of Compliance Officers in Ireland (ACOI) and former Chairman of the ACOI's Audit Committee.



## Council Meetings

The Council held 6 formal meetings during 2016.

Attendance was as follows:

Mr Dermott Jewell (Chairperson)	6/6
Mr Michael Connolly	4/6
Mr Anthony Kerr	5/6
Mr Paddy Leydon	5/6
Ms Caitriona Ní Charra	6/6
Ms Elizabeth Walsh	6/6
Mr Frank Wynn	3/6
Ms Valerie Bowens	3/5
Mr Ken Murnaghan	4/5
Ms Deborah Reidy	5/5

## Council Subcommittees

The Council had three Subcommittees in 2016.

### Audit Committee

- Mr Michael Connolly (Chairperson)
- Ms Elizabeth Walsh
- Mr Noel O'Connell (External Representative)
- Ms Deborah Reidy

The Audit Committee met on three occasions.

### Finance Committee

- Mr Frank Wynn (Chairperson)
- Mr Dermott Jewell
- Ms Caitriona Ní Charra
- Ms Valerie Bowens

The Finance Committee met on two occasions.

### Governance Committee

- Mr Paddy Leydon (Chairperson)
- Mr Dermott Jewell
- Mr Anthony Kerr

The Governance Committee met on three occasions.

## Council Remuneration / Expenses

The Minister for Finance decides the level of annual fees to be paid to the Council Members; €12,600 is paid per year to each member with €21,600 to the Chairperson.

In 2016 the following payments were made to Council Members:

Dermott Jewell (Chairman)	€18,084
Anthony Kerr	€10,548
Caitriona Ní Charra	€10,548
Frank Wynn	€10,548
Michael Connolly	€10,548
Paddy Leydon	€10,548
Elizabeth Walsh	€10,548
Ken Murnaghan	€11,793
Deborah Reidy	€11,793
Valerie Bowens	€11,793

Claims for reimbursement of travel and subsistence expenses at current public sector rates are submitted and paid quarterly. In that regard, the following expense claims were submitted and paid in 2016:

Mr. Paddy Leydon	€2,535
Ms. Caitriona Ní Charra	€1,018
Ms. Elizabeth Walsh	€ 240

# Ombudsman's Foreword



The year under review has been tremendously challenging but also very successful. In response to service user feedback, we began a three-year change programme on the 1st of February 2016. The main focus for 2016 was the introduction of informal methods of resolving disputes.

The changes we introduced and the feedback we have received in response are set out in detail in our Annual Review, which we published in March 2017. The Review is available on at [www.financialombudsman.ie](http://www.financialombudsman.ie). It focuses on the output of the Office in terms of our service users. This Annual Report focuses more on matters of corporate governance in order to ensure maximum transparency in terms of our efficiency, effectiveness and corporate governance.

The Annual Review also sets out details of the new Dispute Resolution Service we introduced on the 1st of February 2016 to resolve disputes through mediation at an early stage and with the minimum formality necessary. It means we now undertake more direct interactions with both consumers and providers to deliver a faster and more effective service for those who have their complaints resolved through dispute resolution. We know from the feedback provided through the Strategic and Operational Review and our user surveys that this is generally their preferred method to resolve their dispute.

A total of 2,378 complaints were resolved through our Dispute Resolution Service during 2016. In addition to being more user friendly, this process is also quicker. 46% of those who successfully resolved their complaint through the Dispute Resolution Service had their complaints resolved within two months and 56% in less than three months.

Where these early interventions do not resolve the dispute, we continue to use our extensive powers to investigate and adjudicate complaints in a fair and impartial manner. A total of 727 legally binding findings were issued in 2016. Out of this total, 101 complaints were upheld, 216 were partly upheld and 410 were not upheld.

A legally binding finding can be appealed to the High Court. In 2016, ten findings, some relating to findings issued in previous years, were the subject of appeal proceedings. Details of Adjudication outcomes are set out in the Annual Review. It also contains our Legal Report for 2016.

# “ We had 2,198 active complaints at the end of 2016. This included almost 400 tracker mortgage complaints

We had 2,198 active complaints at the end of 2016. This included almost 400 tracker mortgage complaints - most of which are on hold pending the outcome of the examination being carried out by banks at the direction of the Central Bank of Ireland.

During 2016 we engaged with a broad range of stakeholders; details of these interactions are set out in the External Relations section of this Report.

The Government continued to draft and progress the Financial Services and Pensions Ombudsman Bill during 2016. The purpose of this legislation is to merge the two services. Pending enactment of that legislation, provision was made in statute to appoint the holder of the post of Financial Services Ombudsman to the post of Pensions Ombudsman. I was appointed Financial Services Ombudsman in April 2015 and Pensions Ombudsman in May 2016. While I hold both posts under separate legislation, both offices co-operate closely and are co-located in the one building.

I would like to thank and pay tribute to all those who have contributed so positively to our work in 2016. The Management and staff demonstrated huge flexibility and commitment to quality customer service during what has been an extraordinarily busy and productive period of change.

I want to thank the Deputy Ombudsman, Elaine Cassidy, the directors of services, managers and all the staff for their extraordinary dedication and commitment to ensuring we provide the best possible service. I would also like to thank the staff of the Office of the Pensions Ombudsman for their co-operation and support.

As Mr Dermott Jewell points out in his Report, 2016 was his last year as Chairperson. I want to thank him for his commitment and dedication to the Bureau and his support and assistance to me personally since I took up the role of Ombudsman.

I would like to thank and pay tribute to the members of Council who completed their term of office in 2016 - Mr Paddy Leydon, Mr Michael Connolly, Mr Anthony Kerr, Ms Caitríona Ní Charra, Ms Elizabeth Walsh and Mr Frank Wynn. I very much value and appreciate their contribution to our work.

We welcomed three new members Ms Valerie Bowens, Ms Deborah Reidy and Mr Ken Murnaghan to the Council in January 2016. I would like to thank them for their contribution and support.

I would also like to thank the complainants and financial service providers who co-operated with the new processes and made the process work in the best interest of all concerned.

Finally, I want to express my appreciation to the Minister for Finance and his officials for their on-going support and co-operation.



**Ger Deering**

Financial Services Ombudsman

# Organisation

## Staff Structure at 31 December 2016

### Senior Management Team

Name	Title
Ger Deering	Financial Services Ombudsman
Elaine Cassidy	Deputy Financial Services Ombudsman
MaryRose McGovern	Director of Adjudication and Legal Services
Jill Barry	Director of Corporate and Information Services
Diarmuid Byrne	Director of Dispute Resolution Service

### Corporate and Information Services

Name	Title
Meagan Gill	Senior Manager Corporate Affairs and Information Services
Evelyn Wilde	Financial Controller
Marta Piekarz	Corporate Services Manager
Paul O'Connor	Information Services Data Analyst
Ann-Marie Dent	Information Services Officer
Frederica Doyle	Information Services Officer

### Support Staff

Name	Title
Sylvia Costello	PA to Ombudsman

### Dispute Resolution Service

Name	Title
Anthony O'Riordan	Dispute Resolution Manager
Kathleen O'Sullivan	Dispute Resolution Manager
Sinead Brennan	Dispute Resolution Manager
Tomás Murray	Dispute Resolution Manager
George Carroll	Dispute Resolution Officer
Paul Heffernan	Dispute Resolution Officer
Emmet Greaney	Dispute Resolution Officer
Lorraine Maher	Dispute Resolution Officer
Brendan O'Connor	Dispute Resolution Officer
Liz White	Dispute Resolution Officer
Mary Kerrigan	Dispute Resolution Officer
Sarah Arrowsmith	Dispute Resolution Officer
Sean Daly	Dispute Resolution Officer
Linda Kavanagh	Dispute Resolution Officer

### Investigation Service

Name	Title
Rachel O'Regan	Investigation Officer
Mary Hamilton	Clerical Officer

### Adjudication Service

Name	Title
Michael Brennan	Lead Adjudication Officer
Sophie Hart	Senior Adjudication Officer
Iseult Doherty	Senior Investigator/Legal Assistant
Stephanie McConnell	Adjudication Officer
Joan McGuinness	Adjudication Administration

# Management of Complaints

The Financial Services Ombudsman mediates, investigates and adjudicates, in a fair, impartial and independent manner, complaints from individual customers and small businesses who have unresolved disputes with regulated financial service providers.

## Complaints Overview

A comprehensive breakdown of our activity in 2016 is set out in our Annual Review of 2016, which is available on [www.financialombudsman.ie](http://www.financialombudsman.ie) under our Publications section. The following is a brief overview of our activity in 2016.

A total of 4,513 complaints were received by the office in 2016, this compares to 4,872 complaints received in 2015. The 2016 total included 179 ineligible complaints, leaving a balance of 4,334 valid complaints.

Complaints are ineligible because they are intended for a different ombudsman, or they relate to products and services or service providers that do not fall within the remit of this office.

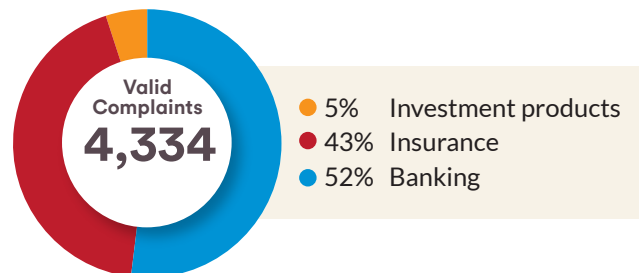
Of the 4,334 valid complaints received in 2016, 52% related to Banking products and 43% related to insurance. The remainder were investment products at 5%.

We received over 1,500 complaints online in 2016. This corresponds to approximately a third of all complaints received. Increasingly we find that complainants wish to submit their complaints online and have the matter dealt with through email. This is something we are very happy to facilitate.

Our Information Service Team responded to over 10,000 telephone contacts and over 8,000 general information queries by email in 2016.

Our website continues to receive a significant volume of visitors, with over 67,000 unique visitors and approximately 95,000 website sessions in 2016.

In 2016 over 1,800 complainants received some form of compensation, rectification or financial redress.



### Complaints closed through Information Services

This category covers those complaints which are sent to us before being completed by the consumer. Usually this is because the consumer has not notified their financial service provider of the issue, as required by the legislation. Our Information Services Team contacts the consumer and explains how to complete the complaints process. The complaint is followed up by the team on at least two further occasions before being closed if it remains incomplete. Complainants have the option to have their complaint re-opened.

**Ineligible Complaints:** This category includes complaints which are ineligible because they are intended for a different ombudsman, or they relate to products and services or service providers that do not fall within the remit of this office or are on line complaints intended for a different country. Where relevant, the consumer is redirected to the appropriate body.

Closed Reason	Number of Complaints
Complaints closed after registration, referral and follow up	759
Ineligible complaints	213
<b>Total</b>	<b>972</b>

### Complaints Closed through Dispute Resolution Service

**Dispute Resolution settlement:** These are complaints which are resolved by agreement reached between the parties through mediation where the complainant receives redress and/or compensation.

**Dispute Resolution clarification:** These are complaints which are resolved by agreement reached between the parties through mediation where the complainant accepts a clarification of the matters at issue.

**Withdrawn/outside settlement:** These are complaints which have been notified to us as withdrawn while in the Dispute Resolution Service. Some are withdrawn because a settlement is agreed between the parties directly.

Closed Reason	Number of Complaints
Dispute Resolution settlement	1,370
Dispute Resolution clarification	1,008
Withdrawn/outside settlement	43
<b>Total</b>	<b>2,421</b>

### Complaints Closed through Adjudication and Legal Services

**Findings issued:** These are complaints where a full investigation and adjudication takes place and a legally binding finding issues.

**Jurisdiction declined:** These are complaints where complex jurisdictional issues may arise and are considered by Legal Services where a decision is reached that the FSO does not have jurisdiction to deal with the complaint.

**Withdrawn/Settlement:** These are complaints which have been notified to us as withdrawn while in Adjudication or Legal Services. Most of these are withdrawn because settlements are agreed between the parties directly, including at an advanced stage in the adjudication process. In some instances, settlements are reached on the convening of an oral hearing.

Closed Reason	Number of Complaints
Findings issued	727
Jurisdiction declined	39
Withdrawn/outside settlement	164
<b>Total</b>	<b>930</b>

### Outcome of Findings

Following the investigation and adjudication of a complaint, a legally binding finding is issued to both of the parties. Where the complaint is upheld or partly upheld the Ombudsman may direct rectification or compensation or both in respect of all or some of the matters complained of.

Where the Ombudsman upholds or partly upholds a complaint he can direct a financial service provider to pay compensation of up to €250,000 and he can also direct rectification. Such rectification can be very significant as it can involve putting a person back to a position where they previously were, before the complaint arose. This, in some instances, may potentially be more important for the complainant than compensation. We directed financial service providers to pay compensation totalling €1,569,571 to complainants in 2016. This is in addition to any rectification directed.

Finding outcome	Number of Complaints	%
Upheld	101	14%
Partly Upheld	216	30%
Not Upheld	410	56%
<b>Total</b>	<b>727</b>	<b>100%</b>

The names of regulated financial service providers who, in 2016, had at least three complaints against them upheld or partly upheld are published in our Annual Review available on [www.financialombudsman.ie](http://www.financialombudsman.ie).

# Organisational Matters

## External Relations

The Financial Services Ombudsman has a Memorandum of Understanding with the Central Bank of Ireland and the Pensions Ombudsman.

If a matter arises during an investigation by the Financial Services Ombudsman which he feels should be brought to the attention of the Regulator, he will inform the Central Bank so that appropriate regulatory action may be taken. Regular meetings are held between officials of both organisations. In particular in 2016 there was a high level of co-operation in relation to tracker mortgages.

The Financial Services Ombudsman is a member of FIN-NET, a financial dispute resolution network of national out-of-court complaint schemes in the European Economic Area countries, responsible for handling disputes between consumers and Financial Service Providers. Within FIN-NET, the members co-operate to provide consumers with easy access to out-of-court complaint procedures in cross-border complaints relating to financial service providers.

The FSO is also a member of, and participates in events arranged by the International Network of Financial Services Ombudsman Schemes (the INFO Network). This is the worldwide association for financial ombudsman schemes.

## Presentations & Briefings provided and attended

The Ombudsman and staff members delivered an outreach programme to a variety of stakeholders in 2016 including:

Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach

Law Society

Educational and training Institutions

Insurance Institute

Ombudsman Association

Association of Compliance Officers Ireland

Banking and Payments Federation

Insurance Ireland

ADR Justice Conference, Oxford

Chartered Institute of Internal Auditors

Irish Cattle & Sheep Association

Irish Brokers Association

Department of Education & Science

Department of Finance

UK Financial Ombudsman Service

Department of Social Protection

Consumer Representatives

Competition and Consumer Protection Commission

Association of Chief Executives of State Agencies

Malta Financial Services Authority

Insurance providers

Banking providers

Financial Services Ireland

Professional Insurance Brokers Association

Central Bank of Nigeria

Certified Public Accountants

The Financial Ombudsman of the Republic of Cyprus

SIPTU Trade Union

Institute of Banking

Dublin Chamber of Commerce

Irish Business and Employers Confederation

Commissioner Jourova, EU Commission

Pensions Authority

Life Insurance Association

UCD Conference on Mediation and ADR



## Organisational Development

2016 marked the first of a three-year change programme to implement the key recommendations arising from a Strategic and Operational Review completed in late 2015. A number of key organisational changes were put in place throughout the year. These included the introduction of a dedicated Dispute Resolution Service with an emphasis on mediation. The FSO also introduced a dedicated Corporate and Information Services team, as well as Adjudication and Investigation teams and a Legal Services Division. A number of public recruitment competitions were conducted during the year to ensure adequate resourcing and expertise for the FSO's emerging operational model. An external panel of mediators was also appointed and commenced operation towards the end of 2016.

The FSO also introduced a number of supporting activities including a comprehensive training and development programme, an enhanced performance management framework and initiatives such as on-the-job shadowing and feedback.

In May 2016, the Financial Services Ombudsman was appointed as Pensions Ombudsman following the retirement of Paul Kenny as outgoing Pensions Ombudsman. While he carries out both functions under separate legislation and both offices operate independent of each other in the management of complaints there is considerable co-operation between both offices at an organisational level.

## Governance and statutory compliance

August 2016 saw the publication of the Code of Practice for the Governance of State Bodies by the Department of Public Expenditure and Reform (hereafter the 2016 Code). We have taken immediate steps to align our existing governance and legislative framework with the provisions of the 2016 Code. Some key elements now in place include:

- A combined Audit, Risk and Governance Committee to provide oversight and support in the areas of internal and external audit, risk management and corporate governance
- A Finance Committee who will, among other activities in 2017, oversee the review of the FSO's current levies model
- A review of internal ethics and protected disclosures legislation and corresponding operating procedures
- A full programme of internal audit
- Procurement undertaken through the Government Procurement Service
- The implementation of a number of circulars issued by the Department of Public Expenditure for Government departments and state bodies
- Compliance with legislation such as the:
  - Official Languages Act 2003
  - Data Protection Acts 1998 and 2003
  - Prompt Payment of Accounts Act 1997
  - Financial Emergency Measures in the Public Interest Act 2013
  - Ethics in Public Office Acts 1995-2001
  - Protected Disclosures Act 2014

The Financial Services Ombudsman Council and its Committees contributed significantly to progressing many of the above items, including the establishment of enhanced risk management policies and procedures.

### Strategic planning

The 2017 Strategic Plan, prepared in 2016, and available on [www.financialombudsman.ie](http://www.financialombudsman.ie), outlines a number of critical objectives to guide the activities and resources of the FSO.

### Freedom of Information

The FSO handled a number of FOI queries in 2016 as a body subject to FOI legislation. 2016 also saw the development of an FOI Publication Scheme on the FSO's website.

### Environmental Policy Statement

The Financial Services Ombudsman is committed to meeting the requirements of SI No. 542/2009 – European Communities (Energy End Use Efficiency and Energy Services) Regulations 2009. This will involve reducing energy requirements in line with the Department of Communications Energy & Natural Resources goals of improving energy efficiency in the public sector by 33% by 2020. We are actively seeking to reduce the energy use of our office.

Energy consumption by the Bureau, as a whole, can be primarily attributed to the running of the office on the third and fourth floors of the Lincoln House building. In 2016, a total of 171,063 KWh of energy was consumed by the office consisting of:

- 63,942 KWh of Electricity
- 107,121 KWh of Fossil Fuels (Gas Heating)

This equates to an overall decrease in energy usage of 2.5% on 2015 figures. The average energy use per staff member now stands at 1,639KWh, a 15% decrease from the value of 1,940KWh per staff member in 2015. It is apparent that this decrease in energy use is directly related to the new processes by which we now handle complaints in the Bureau. In 2016 the manner by which we address complaints changed from a formal legalistic approach to an informal means of resolving complaints. In essence, this meant that considerably less printed correspondence issued with the focus moving to telephone mediation. There has also been a greater push for the use of digital correspondence between our office and both providers and complainants. Both of these changes have resulted in considerably less energy use being consumed per staff member.

We are currently in the process of refurbishing the office space, which will include a number of energy efficiency measures that are sure to have a very strong impact in reducing our energy use and therefore overall carbon footprint. In 2017 we will install internal double glazed windows. In addition to greatly improving the comfort for staff members, particularly in colder winter months, it is envisaged that there will be a considerable decrease in the energy consumed to heat the office as a result. We will also be carrying out works that will result in the upgrading of the light fittings on the fourth floor to LED lighting, which will also assist in reducing our overall energy consumption.

It is anticipated that the implementation of the energy reduction measures that are outlined above should have the effect of reducing the average energy consumption per staff member in the office by a considerable amount in 2017, thereby demonstrating that the Bureau is on track to meet our goal of reducing our energy consumption by 33% by 2020.





# FINANCIAL STATEMENTS





## Comptroller and Auditor General

### Report for presentation to the Houses of the Oireachtas

#### Financial Services Ombudsman's Bureau

I have audited the financial statements of the Financial Services Ombudsman's Bureau (the Bureau) for the year ended 31 December 2016 under the Central Bank Act 1942 as amended by the Central Bank and Financial Services Authority of Ireland Act 2004. The financial statements comprise the statement of income and expenditure and retained revenue reserves, the statement of comprehensive income, the statement of financial position, the statement of cash flows and the related notes. The financial statements have been prepared in the form prescribed under Section 57 of the Central Bank Act 1942 (as amended), and in accordance with generally accepted accounting practice.

#### Responsibilities of the Ombudsman

The Ombudsman is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view and for ensuring the regularity of transactions.

#### Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and to report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Bureau's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the Bureau's annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

#### Opinion on the financial statements

In my opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Bureau as at 31 December 2016 and of its income and expenditure for 2016; and
- have been properly prepared in accordance with generally accepted accounting practice.

In my opinion, the Bureau's accounting records were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

#### Emphasis of matter - pension liabilities

Without qualifying my opinion, I draw attention to note 9 of the financial statements which discloses that legislation enacted in July 2013 provides for changes in the Bureau's pension funding arrangements. Discussions are ongoing with the Department of Finance in relation to implementation of the legislation. Pending the resolution of these discussions, the financial statements disclose the accrued pension liability only by way of note. My opinion is not modified in respect of this matter.

#### Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Bureau's annual report is not consistent with the related financial statements or with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal financial control does not reflect the Bureau's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

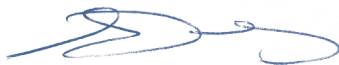
Seamus McCarthy  
Comptroller and Auditor General  
28 September 2017

## Statement of Responsibilities of the Financial Services Ombudsman

Sections 57 BP and BQ of the Central Bank Act, 1942 (as inserted by Section 16 of the Central Bank and Financial Services Authority of Ireland Act, 2004) require the Financial Services Ombudsman to prepare financial statements in such form as may be approved by the Financial Services Ombudsman Council after consultation with the Minister for Finance. In preparing those financial statements, the Ombudsman is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable 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 Bureau will continue in operation.

The Ombudsman is responsible for keeping adequate accounting records, that are sufficient to show and explain the Bureau's transactions and disclose with reasonable accuracy at any time the financial position of the Bureau and which enable it to ensure that the financial statements comply with Section 57 BQ of the Act. The Ombudsman is also responsible for safeguarding the assets of the Bureau and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**Ger Deering**

Financial Services Ombudsman

19th September 2017

## Statement on internal financial control

The Financial Services Ombudsman (Ombudsman) acknowledges as Accounting Officer that he is responsible for the Financial Services Ombudsman's Bureau's (Bureau) system of internal financial control.

He also acknowledges that such a system of internal financial control can provide only reasonable and not absolute assurance against material error.

The Ombudsman sets out the following key procedures designed to provide effective internal financial control within the Bureau:

- As provided for in Section 54B of the Central Bank Act, 1942 as inserted by Section 16 of the Central Bank and Financial Services Authority of Ireland Act, 2004 the Ombudsman is responsible for carrying on, managing and controlling generally the administration and business of the Bureau. The Ombudsman reports to the Financial Services Ombudsman Council (Council) at their meetings which are generally held on a bi-monthly basis.
- The Council and the Bureau collectively ensure that an appropriate governance framework is in place that gives due regard to the "Code of Practice for the Governance of State Bodies".
- The Ombudsman and Council periodically review income and expenditure statements with analysis of major income and expenditure categories.
- The Ombudsman via the Finance Committee reviews the annual budget through a comprehensive budgeting system.
- The work of Internal Audit is informed by the analysis of the risks to which the Bureau is exposed and the Internal Audit plan is based on this analysis. Action was taken to ensure that the identified potential risks were being managed in an appropriate manner. A detailed internal audit programme of work was agreed and completed in 2016. The Audit Committee reports to the Ombudsman and Council. The Committee met on three occasions in 2016. The Bureau monitors and reviews the efficiency of the system of its internal procedure.

## Review of Internal Controls

I have reviewed the internal audit reports, the minutes of the audit committee meetings and the effectiveness of the system of internal financial controls.

An internal audit programme of work will be agreed for 2017 and I will implement any necessary improvements to correct any deficiencies it may bring to light.



**Ger Deering**  
Financial Services Ombudsman  
19th September 2017



## Statement of Income and Expenditure and Retained Revenue Reserves

For the year ended 31 December 2016

	Notes	2016 €	2015 €
<b>Income</b>			
Levy Income	2	4,354,142	3,743,343
Other Income	2	986	4,909
Net deferred funding for pensions – Single Scheme	9c	-	96,000
<b>Total Income</b>		<b>4,355,128</b>	<b>3,844,252</b>
<b>Expenditure</b>			
Administration	4	3,823,434	3,982,859
Retirement benefit costs – Single Scheme	9a	62,411	96,000
Depreciation	5	121,522	106,038
<b>Total Expenditure</b>		<b>4,007,367</b>	<b>4,184,897</b>
<b>Surplus/(Deficit) for the Year Before Appropriation</b>		<b>347,761</b>	<b>(340,645)</b>
Transfer from/(to) Capital Account	3	11,386	43,953
<b>Surplus/(Deficit) for the Year after Appropriation</b>		<b>359,147</b>	<b>(296,692)</b>
Balance Brought Forward at 1 January		1,866,631	2,163,323
Balance Carried Forward at 31 December		<b>2,225,778</b>	<b>1,866,631</b>

The Statement of Income and Expenditure and Retained Revenue Reserves includes all gains and losses recognised in the year.

The Statement of cash flows and notes 1 to 16 form an integral part of these Financial Statements.



**Ger Deering**

Financial Services Ombudsman

19th September 2017

## Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 €	2015 €
<b>Surplus After Appropriations</b>		<b>359,147</b>	<b>(296,692)</b>
Experience gains on retirement benefit obligations – Single Scheme		2,000	-
Change in assumptions underlying the present value of retirement benefit obligations – Single Scheme	9b	(28,000)	-
<b>Total actuarial gain/(loss) in the year</b>		<b>(26,000)</b>	-
Adjustment to deferred retirement benefits funding		26,000	-
Other Comprehensive Income for the year		<b>359,147</b>	<b>(296,692)</b>

The Statement of Accounting Policies and notes 1 to 16 form an integral part of these Financial Statements.



**Ger Deering**  
Financial Services Ombudsman

19th September 2017

## Statement of Financial Position

As at 31 December 2016

	Notes	2016 €	2015 €
<b>Fixed Assets</b>			
Property, plant & equipment	5	319,226	330,612
<b>Current assets</b>			
Cash and cash equivalents		342,950	475,095
Bank Deposit Accounts		7,490,503	7,076,312
Receivables	6	99,604	119,534
		<b>7,933,057</b>	<b>7,670,941</b>
<b>Current Liabilities (amounts falling due within one year)</b>			
Payables	7	5,240,138	4,853,021
Provision for Legal Services	8	467,141	951,289
		<b>5,707,279</b>	<b>5,804,310</b>
<b>Net current assets</b>		<b>2,225,778</b>	<b>1,866,631</b>
<b>Retirement Benefits</b>			
Retirement benefit obligations – Single Scheme	9c	(155,000)	(96,000)
Deferred retirement benefit funding asset – Single Scheme	9d	155,000	96,000
<b>Net assets</b>		<b>2,545,004</b>	<b>2,197,243</b>
<b>Representing</b>			
Capital Account	3	319,226	330,612
Retained Revenue Reserves at 31 December		2,225,778	1,866,631
		<b>2,545,004</b>	<b>2,197,243</b>

The Statement of cash flows and notes 1 to 16 form an integral part of these Financial Statements.



**Ger Deering**  
Financial Services Ombudsman

19th September 2017

## Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 €	2015 €
<b>Net Cash Flows from Operating Activities</b>			
Surplus in income over expenditure		359,147	(296,692)
Depreciation charge		121,522	106,038
(Increase)/decrease in receivables		19,930	(2,150)
Increase/(decrease) in payables		(97,031)	(20,926)
Interest received		(986)	(4,909)
Transfer to capital account		(11,386)	(43,953)
<b>Net Cash Outflow from Operating Activities</b>		<b>391,196</b>	<b>(262,592)</b>
<b>Cash Flows from Investing Activities</b>			
Bank Interest Received		986	4,909
Invested in short-term deposits		(414,191)	841,854
Capital expenditure		(110,136)	(62,085)
<b>Net Cash Flows from Investing Activities</b>		<b>(523,341)</b>	<b>784,678</b>
<b>Cash Flows from Financing Activities</b>			
Bank interest received		-	-
<b>Net Cash Flows from Financing Activities</b>		<b>-</b>	<b>-</b>
Net Increase/(Decrease) in cash in the year		(132,145)	522,086
Cash and Cash Equivalents at 1 January		475,095	(46,991)
<b>Cash and Cash Equivalents at 31 December</b>		<b>342,950</b>	<b>475,095</b>

## Notes to the Financial Statements

For the year ended 31 December 2016

### 1. Accounting Policies

The basis of accounting and significant accounting policies adopted by the Financial Services Ombudsman's Bureau are set out below. They have all been applied consistently throughout the year and for the preceding year.

#### 1a General Information

The Financial Services Ombudsman's Bureau, established under the Central Bank and Financial Services Authority of Ireland Act 2004, is a corporate entity and consists of the Financial Services Ombudsman, the Deputy Financial Services Ombudsman and the staff. It is a statutory body funded by levies from the financial service providers.

The Bureau deals independently with complaints from consumers about their individual dealings with financial service providers that have not been resolved by the providers.

The Financial Services Ombudsman Council is appointed by the Minister for Finance. Its functions as laid down in the Act are to:

- appoint the Ombudsman and the Deputy Ombudsman;
- prescribe guidelines under which the Ombudsman is to operate;
- determine the levies and charges payable for the performance of services provided by the Ombudsman;
- approve the annual estimate of income and expenditure as prepared by the Ombudsman;
- keep under review the efficiency and effectiveness of the Bureau and to advise the Minister for Finance on any matter relevant to the operation of the Bureau;
- advise the Ombudsman on any matter on which the Ombudsman seeks advice.

The Council has no role whatsoever regarding the management, resolution, investigation or adjudication of complaints.

#### Council and Bureau Expenses

The expenses of the Council are met from Bureau Funds (see note 14).

#### 1b Statement of Compliance

The financial statements of the Financial Services Ombudsman's Bureau for the year ended 31 December 2016 have been prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Ireland issued by the Financial Reporting Council (FRC), as promulgated by Chartered Accountants Ireland.

#### 1c Basis of Preparation

The financial statements are prepared under the accruals method of accounting and under the historical cost convention in the form approved by the Financial Services Ombudsman acting on the advice of the Minister for Finance in accordance with Section 57 BP of the Central Bank Act, 1942 as inserted by Section 16 of the Central Bank and Financial Services Authority of Ireland Act, 2004.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Services Ombudsman's Bureau financial statements.

#### 1d Levy Income

Council regulations made under the Central Bank and Financial Services Authority of Ireland Act, 2004 prescribe the amount to be levied for each category of financial service provider. Levy income represents the amounts receivable for each service provider calculated in accordance with the regulations and based upon providers identified by the Bureau and information supplied to it. Bad debts are written off where deemed irrecoverable.

#### 1e Expenditure Recognition

Expenditure is recognised in the financial statements on an accruals basis as it is incurred.

#### 1f Property, Plant & Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation, adjusted for any provision for impairment. Depreciation is provided on all property, plant and equipment, at rates estimated to write off the cost less the estimated residual value of each asset on a straight line basis over their estimated useful lives, as follows:

(i)	Leasehold Improvement category 1 (major refurbishment works on commencement of 20 year lease)	5% per annum
(ii)	Leasehold Improvement category 2 (general improvements to office layout)	25% per annum
(iii)	Computer Equipment	33% per annum
(iv)	All other assets	25% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimate costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life.

If there is objective evidence of impairment of the value of an asset, an impairment loss is recognised in the Statement of Income and Expenditure and Retained Revenue Reserves in the year.

### 1g Capital Account

The Capital Account represents the unamortised value of income used for capital purposes.

### 1h Employee Benefits

#### Short-term Benefits

Short-term benefits such as holiday pay are recognised as an expense in the year, and benefits that are accrued at year-end are included in the Payables figure in the Statement of Financial Position.

#### Retirement Benefits

The Bureau operates the following defined benefit pension schemes in respect of its employees:

##### For employees appointed prior to 1 January 2013:

Staff appointed prior to 1 January 2013 are members of the Financial Services Ombudsman Bureau Staff Superannuation Scheme and the Financial Services Ombudsman and Deputy Financial Services Ombudsman are members of the Financial Services Ombudsman Bureau Ombudsman & Deputy Ombudsman Superannuation Scheme. Both of these superannuation schemes are based on the Department of Public Expenditure and Reform (pre-single scheme) Model Public Sector Scheme (the "Model scheme") and were approved by statutory instruments on 28 April 2016.

In respect of both of these schemes, the Bureau proposed to the Department of Finance that the liability for retirement benefits paid under the Schemes should be assumed by the State in return for payment annually of a percentage of the salaries of the Schemes' members. The proposal is based on the premise that the employer and employee superannuation contributions would be at a level where the Exchequer would not be exposed to liabilities in excess of the revenues accruing over the years to the Exchequer. A legislative amendment was made in the Central Bank (Supervision and Enforcement) Act 2013 which provides for Oireachtas funding to be provided for these schemes. Discussions are ongoing with the Department of Finance in regard to the aforementioned proposal.

Pending a decision by the Department of Finance in regard to the proposed pension funding arrangements, the retirement benefit costs charge in the Statement of Income and Expenditure and Retained Revenue Reserves comprise the employer superannuation contributions in the year. The employer superannuation contributions are calculated as a percentage of relevant salaries and are being retained by the Bureau along with the employee superannuation contributions. The retirement benefits and lump sum payments of the schemes are set against the cumulative retained employer and employee superannuation contributions (see note 9).

##### For employees appointed after 1 January 2013:

Employees appointed on/after 1 January 2013 are members of the Single Public Service Pension Scheme, which provides consumer price index-linked defined benefit pensions based on career-average pay (the "Single Scheme"). The Bureau is designated as a Relevant Authority under S.I. 581 of 2012, for the purposes of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012 (No. 37 of 2012).

The Single Scheme is an unfunded scheme with pension benefits payable by the Exchequer. The contributions for the Single Scheme comprise an employee and employer element. The employer superannuation contributions are calculated as a percentage of relevant salaries and are being retained by the Bureau pending a decision by the Department of Finance on the funding arrangements of the staff and Ombudsman/Deputy Ombudsman superannuation schemes.

Pension costs of the Single Scheme employees reflect pension benefits earned by them, and are shown net of staff pension contributions which are being retained by the Bureau pending a decision by the Department of Finance on the proposed funding arrangements of the Bureau's staff and Ombudsman and Deputy Ombudsman superannuation schemes. Actuarial gains or losses arising on scheme liabilities are reflected in the Statement of Comprehensive Income, and a corresponding adjustment is recognised in the deferred retirement funding asset in the Statement of Financial Position.

The financial statements reflect, at fair value, the assets and liabilities arising from Financial Service Ombudsman's pension obligations in respect of the Single Scheme staff and any related funding, and recognises the costs of providing pension benefits in the accounting periods in which they are earned by these employees. Retirement benefit scheme liabilities are measured on an actuarial basis using the projected unit credit method.

### Defined contribution pension scheme

There are two staff members who are members of a defined contribution private pension scheme. The Bureau makes superannuation contributions in respect of this scheme. These amounts are charged to the Statement of Income and Expenditure and Retained Revenue Reserves as they fall due (see note 4c).

Once employee and employer contributions are paid over, the Bureau has no further liability in respect of this scheme.

#### 1i Receivables

Receivables are recognised at fair value, less a provision for doubtful debts. The provision for doubtful debts is a specific provision, and is established when there is objective evidence that the Financial Services Ombudsman's Bureau will not be able to collect all amounts owed to it. All movements in the provision for doubtful debts are recognised in the Statement of Income and Expenditure and Retained Revenue Reserves.

#### 1j Operating Lease

Rental expenditure under operating leases is recognised in the Statement of Income and Expenditure and Retained Revenue Reserves over the life of the lease. Expenditure is recognised on a straight-line basis over the lease period, except where there are rental increases linked to the expected rate of inflation, in which case these increases are recognised when incurred. Any lease incentives received are recognised over the life of the lease.

#### 1k Critical Accounting Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

### Impairment of Property, Plant and Equipment

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### Depreciation and Residual Values

The asset lives and associated residual values of all fixed asset classes have been reviewed, and in particular, the useful economic life and residual values of fixtures and fittings, and it has been concluded that asset lives and residual values are appropriate.

### Provisions

The Financial Services Ombudsman's Bureau makes provisions for legal and constructive obligations, that probably require settlement by a transfer of economic benefit and a reliable estimate can be made of the amount of the obligation. These provisions are generally made based on historical or other pertinent information, adjusted for recent trends where relevant. However, they are estimates of the financial costs of events that may not occur for some years. As a result of this and the level of uncertainty attaching to the final outcomes, the actual out-turn may differ significantly from that estimated.



## 2. Income Receivable

### Income Levy

Section 57 BD of the Central Bank Act 1942, as amended by the Central Bank and Financial Services Authority of Ireland Act 2004, provides for the determination of an income levy by financial service providers to the Bureau on terms determined by the Financial Services Ombudsman's Council. The Regulations (S.I. No. 592 of 2015) set the actual rate for the year ending 31 December 2016.

### Bank Interest

Bank interest is the amount received and accrued by the Bureau on the deposit accounts. Interest earned on the pension bank accounts is not treated as Bureau income (see note 9).

Income for the period is as follows:	2016	2015
Levy Income	€	€
Insurance Firms	2,425,118	2,152,005
Banks	969,830	783,023
Credit Unions	422,224	374,494
Intermediaries	401,740	311,977
Stockbrokers	108,640	105,204
All other categories	26,590	16,640
<b>Total</b>	<b>4,354,142</b>	<b>3,743,343</b>

Other Income	2016	2015
	€	€
Bank Interest	986	4,909
	<b>986</b>	<b>4,909</b>

## 3. Capital Account

	2016	2015
	€	€
Opening Balance	330,612	374,565
Funds allocated to acquire fixed assets	110,136	62,085
Amortisation in line with depreciation	(121,522)	(106,038)
Transfer from/(to) statement of Income and expenditure account and related revenue reserves	(11,386)	(43,953)
<b>Balance at 31 December</b>	<b>319,226</b>	<b>330,612</b>

#### 4. Administration

	Note	2016 €	2015 €
Salaries and Staff Costs	4a	2,016,656	1,863,743
Retirement Benefit Costs	4c	333,363	400,282
Contractors		364,081	169,612
Rent		267,188	254,246
External Case Handlers		175,356	377,575
Other Administration Costs	4f	124,347	104,807
Council Remuneration		116,751	97,200
Membership Fees & Subs & Communication		69,766	53,238
External Mediators		65,801	4,920
Staff Training		65,148	22,989
Information Activities		33,934	62,423
Insurance		32,367	32,400
Oral Hearing		31,655	63,235
Stationery Costs		29,675	40,987
Bad Debts		22,497	11,855
Cleaning		18,584	21,415
Recruitment		18,037	13,704
Other Staff Related Costs	4g	15,041	16,980
External Audit		14,000	13,300
Conference and Travel		12,144	11,609
Internal Audit		11,772	10,344
Maintenance		11,484	31,696
Council Expenses		6,251	6,314
Legal Fees	4d	(32,464)	289,867
Council Legal & Consultancy		-	8,118
		<b>3,823,434</b>	<b>3,982,859</b>

**4a Salaries and Staff Costs**

	2016	2015
	€	€
Salary	1,847,412	1,691,041
Employer PRSI Costs	169,244	172,702
	<b><u>2,016,656</u></b>	<b><u>1,863,743</u></b>

**Staff Numbers**

The number of persons employed as at 31 December 2016 was 33 (27 in 2015).

**Pension Related Deductions**

€85,556 (2015: €95,475) pension levy has been deducted from staff members and paid over to the Department of Finance.

**4b Salary Costs of the Ombudsman and Deputy Ombudsman**

	2016	2015
	€	€
<b>Ombudsman commenced 20-04-15</b>		
Salary	143,640	98,522
Pension Contributions	35,910	24,631
	<b><u>179,550</u></b>	<b><u>123,153</u></b>

The above figure is the total paid for the Ombudsman in 2016, of which a value of €29,400 has been recouped from the Office of the Pensions Ombudsman for services as Pensions Ombudsman from May 2016. The figures in administration costs are net of this recouped amount.

	2016	2015
	€	€
<b>Deputy Ombudsman commenced 18-01-16</b>		
Salary	97,193	-
Pension Contributions	20,733	-
	<b><u>117,926</u></b>	<b><u>-</u></b>

**Additional Payments**

The above salary payments represent the total remuneration received by the Ombudsman and Deputy Ombudsman, no other payments were received by them. Both the Ombudsman and Deputy Ombudsman are members of the Superannuation scheme, see note 9.

**4c Retirement Benefit Costs**

	2016	2015
	€	€
Employer Contribution Staff Superannuation Scheme	303,168	329,830
Employer Contribution Costs Single Scheme	-	59,234
Pension Costs Other	3,855	2,685
Staff Pension Costs Defined Contribution Scheme	12,835	12,891
Pension Income from seconded staff	13,505	(4,358)
	<b><u>333,363</u></b>	<b><u>400,282</u></b>

#### 4d Legal Fees

Legal Costs recovered included in legal fees were €20,500 (2015: €98,491).

#### 4e Employee Benefits Breakdown

Range of total employee benefits		Number of Employees	
From	To	2016	2015
60,000	69,999	1	1
70,000	79,999	2	2
80,000	89,000		1
90,000	99,999	1	1
100,000	109,999	3	3
110,000	119,999		
120,000	129,999		
130,000	139,999		
140,000	149,999	1	
150,000	159,999		
160,000	169,999		

#### 4f Other Administration Costs include

	2016	2015
	€	€
Service Charge	65,337	50,123
Storage Charges	22,571	22,434
IT Purchases	29,921	28,762
Courier	1,071	1,797
Bank Charges	1,074	1,692
Miscellaneous	4,373	(1)
	<b>124,347</b>	<b>104,807</b>

#### 4g Other Staff Related Costs

The related expense of providing canteen supplies (€4,239), an Employee Assistance Program (€3,075) and refreshments for various staff events (€132) are included in Other Staff Related Costs.

## 5. Property, plant and equipment

	Computer Equipment	Office Fitting, Furniture & Equipment	Leasehold Improvements	Total
	€	€	€	€
<b>Cost</b>				
At 1 January 2016	444,063	233,482	602,330	1,279,875
Additions during period	50,752	11,145	48,239	110,136
Disposals during period	(29,969)	(3,527)	-	(33,496)
<b>At 31 December 2016</b>	<b>464,846</b>	<b>241,100</b>	<b>650,569</b>	<b>1,356,515</b>
<b>Accumulated Depreciation</b>				
At 1 January 2016	398,375	213,492	337,396	949,263
Charge for period	51,255	11,523	58,744	121,522
Disposals during period	(29,969)	(3,527)	-	(33,496)
<b>At 31 December 2016</b>	<b>419,661</b>	<b>221,488</b>	<b>396,140</b>	<b>1,037,289</b>
<b>Net Book Value</b>				
At 31 December 2016	45,185	19,612	254,429	319,226
At 31 December 2015	45,688	19,990	264,934	330,612

## 6. Prepayments and Accrued Income

	2016	2015
	€	€
Receivables	110,867	33,465
Prepayments	19,588	99,745
Bad Debt Provision	(30,851)	(13,676)
	<b>99,604</b>	<b>119,534</b>

## 7. Current Liabilities

	2016	2015
	€	€
Payables	395,638	327,358
Pension Account (note 9)	4,844,500	4,525,663
	<b>5,240,138</b>	<b>4,853,201</b>

## 8. Provision for Legal Services

	2016	2015
	€	€
Opening Provision	951,289	1,380,184
Additional provision during period (see note 11)	165,728	490,043
Paid during period	(432,153)	(659,039)
Adjustment to opening provision	(217,723)	(259,899)
Closing Provision	<b>467,141</b>	<b>951,289</b>

## 9. Superannuation – Staff and Ombudsman/Deputy Ombudsman superannuation schemes

In respect of both the staff and Ombudsman/Deputy Ombudsman superannuation schemes, the Bureau proposed to the Department of Finance that the liability for retirement benefits paid under the schemes should be assumed by the State in return for payment annually of a percentage of the salaries of the schemes' members. The proposal is based on the principle that the employer and employee superannuation contributions would be at a level where the Exchequer would not be exposed to liabilities in excess of the revenues accruing over the years to the Exchequer. A legislative amendment, enacted and signed into law on 11 July 2013, was made in the Central Bank (Supervision and Enforcement) Act 2013 which provides for Oireachtas funding to be provided for these two schemes. Discussions are on-going with the Department of Finance in regard to the aforementioned proposal.

Pending a decision by the Department of Finance in regard to the proposed pension funding arrangements, the retirement benefit costs in the Statement of Income and Expenditure and Retained Revenue Reserves comprise the employer's superannuation contributions in the year. The employer's superannuation contributions are calculated as a percentage of relevant salaries, an amount of €303,168 in 2016 (2015:€329,830).

The pension liability for these two schemes at 31 December 2016 is €8,892,000 (2015:€7,736,000). The pension liability is not reflected in these financial statements and is based on an actuarial valuation carried out by a qualified actuary using the financial assumptions below for the purpose of FRS 102.

The main financial assumptions used were:

	31- Dec - 16	31 - Dec - 15
Discount rate	2.0%	2.5%
Rate of increase in salaries	3.3%	3.1%
Rate of increase in pension	2.8%	2.6%
Inflation	1.8%	1.6%

The employer and employee superannuation contributions and amounts received in respect of entitlements surrendered by transferred employees for these superannuation schemes are being retained by the Bureau pending a decision by the Department of Finance on the funding arrangements of the schemes. The retirement benefits and lump sum payments of the schemes are set against the cumulative retained employer and employee superannuation contributions. The cumulative amount of retained superannuation contributions less pension benefits and lump sum payments at the end of December 2016 was €4,844,500 (2015:€4,525,664), which is recorded as a current liability (see note 7).

**Creditor Pension Account**

	2016	2015
	€	€
Opening Balance	4,525,664	4,295,496
Employee Contributions	105,368	101,972
Employer Contributions	365,578	389,064
Bank Interest (Pension Account)	108	9,771
Less: pensions paid	(152,218)	(270,639)
	4,844,500	4,525,664

**9a Superannuation - Single Scheme Staff**

Analysis of total retirement benefit costs charged to the Statement of Income and Expenditure and Retained Revenue Reserves in respect of the staff who are members of the Single Scheme.

<b>Single Pension Scheme</b>	<b>2016</b>	<b>2015</b>
	€	€
Total Employer Contributions	62,411	-
Current Service Costs*	30,000	96,000
Interest Costs	3,000	-
Adjustments to Deferred Exchequer Pension Funding	(33,000)	-
Total charged to Statement of Income & Expenditure & Retained Revenue		
<b>Reserves</b>	<b>62,411</b>	<b>96,000</b>

\*Employee contributions have been included in the calculation of the current service costs figure.

**9b Movement in net retirement benefit obligations during the financial year**

	2016	2015
	€	€
Net Pension Liability at 1 January	96,000	40,000
Current Service Costs	30,000	14,000
Interest Costs	3,000	4,000
Experience (gains)/losses on scheme liabilities	(2,000)	(3,000)
Changes in assumptions	28,000	41,000
Benefits paid in the year	-	-
Net Pension Liability at 31 December	155,000	96,000

### 9c Deferred funding for retirement benefits

The Bureau recognises these amounts as an asset corresponding to the unfunded deferred liability for retirement benefits on the basis of the set of assumptions described above and a number of past events. These events include the statutory basis for the establishment of the retirement benefit scheme, and the policy and practice currently in place in relation to funding public service pensions including contributions by employees and the annual estimates process.

The net deferred funding for retirement benefits recognised in the Statement of Income and Expenditure and Retained Revenue Reserves was as follows;

	2016	2015
	€	€
Funding recoverable in respect of current year retirement benefit costs	-	96,000
State grant applied to pay retirement benefits	-	-
	<u>-</u>	<u>96,000</u>

### 9d Defined benefit obligations

	2016	2015
	€	€
Defined benefit obligations	155,000	96,000

### 9e Financial assumptions

The main financial assumptions used were:

	31- Dec - 16	31 - Dec - 15
Discount rate	2.0%	2.5%
Rate of increase in salaries	3.3%	3.1%
Rate of increase in pension	2.8%	2.6%
Inflation	1.8%	1.6%

## 10. Financial Commitments

There are no capital commitments for capital expenditure at 31 December 2016.

## 11. Contingent Liabilities / Legal Actions

Findings of the Ombudsman are legally binding upon the parties to a complaint, but can be appealed to the High Court by either the complainant or the respondent financial service provider. A Finding may also be challenged in the High Court by way of Judicial Review. The Council has provided for expected costs in respect of all appeals notified to it, as at 31 December 2016 (see Note 8). The Council has not provided for any further appeals or Judicial Review proceedings that may be notified to it in the future, in respect of Findings issued up to 31 December 2016. It is not possible to reliably estimate the expected level of such court proceedings or the related legal costs. The number of appeals varies from year to year but during 2016, this number continued to reduce, so that at year end 2016, there were 4 High Court appeals on hand, together with 1 matter before the Court of Appeal, and 1 remaining costs issue before the Supreme Court. (These figures exclude 3 High Court appeals adjourned generally since 2012/2013.) A provision totalling €444,841 has been provided for at year end, to allow for the estimated outlay of the said legal actions.



## 12. Council Members – disclosure of interest

The Council adopted procedures in accordance with guidelines issued by the Department of Finance in relation to disclosure of interests by Council members and these procedures have been adhered to in the period. There were no transactions in the year in relation to the Council's activities in which the Council members had any beneficial interest.

## 13. Lease Commitment

	€
Payable within one year	272,364
Payable within two to five years	1,089,456
Payable after five years	1,361,820
	<u>2,723,640</u>

### Accommodation

The Bureau operates from a single premises on the 3rd and 4th floor (from March 2013) of Lincoln House, Lincoln Place, Dublin 2. The office space on the 3rd floor has a 20 year lease (commenced 2006). The office space on the 4th floor did not have a lease in place for the period March 2013 to February 2015. The current office space on the 4th floor has an 11 years 1 month and 15 day lease (commenced March 2015).

The annual cost of the leases excluding service charge is €330,200.

## 14. Council Remuneration

		2016	2015
		€	€
Dermott Jewell	Chairman	18,084	21,600
Anthony Kerr	Council Member	10,548	12,600
Caitríona Ní Charra	Council Member	10,548	12,600
Frank Wynn	Council Member	10,548	12,600
Michael Connolly	Council Member	10,548	12,600
Paddy Leydon	Council Member	10,548	12,600
Elizabeth Walsh	Council Member	10,548	12,600
Ken Murnaghan	Council Member (commenced 20-01-16)	11,793	-
Deborah Reidy	Council Member (commenced 20-01-16)	11,793	-
Valerie Bowens	Council Member (commenced 20-01-16)	11,793	-
		<u>116,751</u>	<u>97,200</u>

Travel and meeting expenses paid to the Chairman and Council Members are broken down as follows;

	2016	2015
	€	€
Travel Expenses	4,790	5,262
Meeting Expenses	1,461	1,052
	<u>6,251</u>	<u>6,314</u>

## 15. Proposed Merger with the Pensions Ombudsman

In 2013 work commenced to amalgamate the Bureau with the Pensions Ombudsman. The implementation of the amalgamation will require primary legislation. We are currently awaiting confirmation of a time frame for the merger, the Bureau does not consider any material adjustment to the financial statements is needed to take account of the decision and therefore the financial statements continue to be prepared on a going concern basis.

## 16. Approval of Financial Statements

The Financial Statements were approved by the Financial Services Ombudsman on 19th September 2017.

