



Financial Services  
Ombudsman

# ANNUAL REPORT 2017



## **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.

This final Annual Report of the now dissolved Financial Services Ombudsman Bureau, covers the period from January to December 2017, and is presented to the Minister for Finance, and the Minister for Employment Affairs and Social Protection per Section 36 of the Financial Services and Pensions Ombudsman Act, 2017

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## Contents

<b>Mission Statement</b>	
<b>Chairperson's Report</b>	<b>3</b>
<b>The Financial Services Ombudsman Council</b>	<b>4</b>
Functions of the Council	4
Council Members	5
Attendance, Fees and Expenses	7
Council Subcommittees	7
<b>Ombudsman's Foreword</b>	<b>8</b>
<b>Management of Complaints</b>	<b>10</b>
Complaints closed through Information Services	11
Complaints closed through Dispute Resolution Service	11
Complaints closed through Adjudication and Legal Services	12
Outcome of Findings	12
<b>Legal Overview</b>	<b>13</b>
Appeals to the Superior Courts	13
Legal Proceedings initiated by the FSO in 2017	13
<b>Key Legislative Developments</b>	<b>14</b>
Time Limits	14
Dissolution of the Financial Services Ombudsman	14
<b>Stakeholder Engagement</b>	<b>15</b>
<b>Corporate Governance &amp; Organisational Development</b>	<b>16</b>
Strategic Planning	16
Human Resources	17
Disability Act 2005	17
Freedom of Information	17
Protected Disclosures	17
Premises	18
Overview of Energy Usage	18
Staff Members	18
<b>Financial Statements</b>	<b>21</b>
Governance Statement	24
Statement on Internal Control	27



# Chairperson's Report



**It gives me great pleasure to present the Financial Services Ombudsman Bureau Annual Report 2017. I was appointed Chairperson of the Financial Services Ombudsman Council in January 2017 and have already witnessed noteworthy changes in the organisation.**

There were two significant changes to the legislation in 2017; firstly the Central Bank and Financial Services Authority of Ireland (Amendment) Act 2017 was enacted. This allowed some complainants to submit complaints to this Office, which may previously have been time barred under the six-year rule. Secondly, the Financial Services and Pensions Ombudsman Act 2017, which was enacted by the Minister for Finance in July 2017 and commenced on 01 January 2018, paved the way for the merger of the Financial Services Ombudsman (FSO) and the Office of the Pensions Ombudsman (OPO). Both pieces of legislation will substantially impact on the workings of the organisation for years to come.

In 2017, the FSO also completed its required one-year strategy in advance of the amalgamation of the FSO and OPO. From 2018 onwards, the newly amalgamated entity will produce a three-year strategy and in preparation, the Council and FSO senior management team, in 2017 commenced the comprehensive process of creating this new strategic plan. We are ambitious for the new organisation and our strategy will set out the future direction of the Office and ensure the newly established Financial Services and Pensions Ombudsman (FSPO) is strategically positioned to anticipate, and respond to, the needs of all its stakeholders over the coming years.

As an independent organisation, the FSO was funded by a levy on financial service providers. In 2017, the Council took the decision to review the levy system. Following a tender process, this review is currently being carried out and its outcome will be communicated to all stakeholders in due course.

Following the expiry of the terms of a number of Council Members in October 2016, a Public Appointment Service (PAS) recruitment process was initiated to recruit new Members and a number of new Council Members were appointed in 2017. All Council Members are highlighted on page 5.

As Chairperson, I am happy to report that fees and expenses paid to Council members within 2017 were fully compliant with the provisions of the Code of Practice for the Governance of State Bodies, including the *One Person One Salary (OPOS)* principle.

In closing, I would like to acknowledge the contribution of my fellow Council Members for their continued support and guidance throughout 2017. In our oversight role, at all times, we endeavour to keep the efficiency and effectiveness of the Office under review. I especially would like to recognise contributions of the Council Members in their respective roles on the Audit & Risk Committee and Finance Committee. These committees comprise an important element of our overall governance framework which recognises the statutory role and accountability of the Ombudsman as well as our own oversight role and statutory functions as Council. On behalf of the Council, I would like to thank the Ombudsman and all of his staff, who are each listed on Page 18 of this report, who continued to work with enthusiasm and commitment to fulfil the statutory mandate of the Bureau while also preparing for the commencement of the newly merged organisation in 2018.

Bearing in mind that the amalgamation of the FSO and the OPO commenced in January 2018, this is the final Annual Report of the FSO. The newly established FSPO will continue to be responsive to the needs of all its stakeholders and seek to be an example of best practice in both the public and private sectors.

**Maev Dineen**

Chairperson

Financial Services and Pensions Ombudsman Council

# The Financial Services Ombudsman Council

## Functions of Council

**The Financial Services Ombudsman Council (the Council) was appointed by the Minister for Finance, under Section 57BC of the Central Bank and Financial Services Authority of Ireland Act 2004.**

The main functions of the Council as laid down in the Act were:

- To prescribe guidelines under which the Financial Services Ombudsman's Bureau (the Bureau) was to operate;
- To determine the levies and charges payable for the performance of services provided by the Ombudsman;
- To appoint the Financial Services Ombudsman (the Ombudsman) and all Deputy Financial Services Ombudsmen;
- Keep under review the efficiency and effectiveness of the Bureau and to advise the Minister for Finance, either at the Minister's request or at its own initiative, on any matter relevant to the Bureau's operation;
- To advise the Ombudsman on any matter on which he sought advice;
- To carry out such activities as were prescribed by the Act.

## Council Members

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

The expiry of the terms of five Council members in late 2016 created several vacancies. In 2017 the Minister appointed Ms. Maeve Dineen (Chairperson) and Mr. Don Gallagher and re-appointed Ms. Elizabeth Walsh and Mr Dermott Jewell to the Council, with effect from 9 January 2017.

The selection process for appointments to the Council in 2017 was undertaken in accordance with the *Guidelines on Appointments to State Boards* published by the Government in November 2014 and was managed by the Public Appointments Service.

## In 2017 the Council comprised the following members:



### Ms. Maeve Dineen (Chairperson)

Maeve Dineen is a strategic communications consultant and works with a number of Ireland's most respected publicly listed companies. She holds an Agricultural Science degree from UCD and a Masters in Communications from Queens University/DCU. She recently attended Harvard University, Boston to complete its prestigious 'Women on Boards' executive programme. A former journalist, Maeve has spent a significant part of her career in the media and was Business Editor of the Irish Independent newspaper from 2008-2014.



### Ms. Valerie Bowens

Ms. Bowens (B.Comm, 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.



### Mr. Don Gallagher

Mr. Don Gallagher is Chief Executive of the Health Insurance Authority. Mr. Gallagher holds an M.Sc. in Management from Trinity College, Dublin and is an experienced international Chief Executive who has managed and served on the board of national and international insurance and wealth management companies. Most recently Mr. Gallagher was CEO and Executive Director of the European subsidiary of a leading global life insurer. Previously Mr. Gallagher had been Senior Vice President and Managing Director with a major Canadian life insurer in both Ireland and Canada.



**Mr. Dermott Jewell**

Mr. Jewell (B.Sc. Mgmt. (Law)(Trinity College Dublin), CI Arb.) is Policy and 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 Mediators’ Institute of Ireland (MII).



**Mr. Ken Murnaghan**

Mr. Murnaghan is a member of the management board of Finance Ireland, a privately owned financial services group specialising in property, motor, SME, and agri finance. 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. 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.

## Attendance, Fees and Expenses

The Council held 7 ordinary meetings in 2017.

The fees payable to the Chairperson and the Council members for 2017 were at rates sanctioned and approved by the Minister for Public Expenditure and Reform. Council members received a pro rata annual fee of €12,600, and the Chairperson received a pro rata fee of €21,600. In 2017 one Council member did not receive any fee under the One Person One Salary (OPOS) principle. Claims for reimbursement of travel and subsistence expenses at current public sector rates were submitted and paid quarterly.

A schedule of 2017 Attendance, Fees and Expenses is set out below:

Name	Meetings Attended	Fees 2017	Expenses 2017
Ms. Maeve Dineen (Chairperson)	7/7	€20,769	€0.00
Ms. Valerie Bowens	6/7	€12,600	€0.00
Mr. Don Gallagher	7/7	€0.00*	€0.00
Mr. Dermott Jewell	6/7	€12,115	€0.00
Mr. Ken Murnaghan	7/7	€12,600	€0.00
Ms. Deborah Reidy	6/7	€12,600	€217.00
Ms. Elizabeth Walsh	7/7	€12,115	€246.86

\*One Council member, Don Gallagher, did not receive a fee under the One Person One Salary (OPOS) principle.

Travel and subsistence expense claims were submitted and paid in 2017 to a former Council member, for expenses incurred in 2016. The figures below did not form part of the Travel and subsistence expenditure reported in the 2016 Annual Report, and are therefore additional to those expenses previously reported.

Member	Expenses
Ms Caitriona Ni Charra	€807.00

### Council Subcommittees

The Council established two Committees to assist in governance and in progressing the work of the Council in relation to its statutory functions. In 2017 these were the: Audit and Risk Committee; and the Finance Committee.

Membership of each of these Committees, and attendance during 2017 is reported below and both Chairpersons have confirmed their satisfaction that all duties were appropriately discharged in the year.

### Audit & Risk Committee

Member	Attendance
Mr. Ken Murnaghan (Chair)	3/3
Ms. Valerie Bowens	3/3
Mr. Dermott Jewell	2/3

### Finance Committee

Member	Attendance
Ms. Deborah Reidy (Chair)	4/4
Ms. Elizabeth Walsh	4/4
Mr. Don Gallagher	4/4

# Ombudsman's Message



## The year under review, in this the final Annual Report for the Financial Service Ombudsman's Bureau (FSOB), involved considerable change.

The ultimate change was its dissolution on 01 January 2018 upon the commencement of the Financial Services and Pensions Ombudsman Act 2017 ("the 2017 Act"). The 2017 Act also dissolved the Office of the Pensions (OPO) and merged both former offices to establish the Office of the Financial Services and Pensions Ombudsman (FSPO).

I was appointed Financial Service Ombudsman in 2015, Pensions Ombudsman in 2016 and upon enactment of the 2017 Act, I became the Financial Services and Pensions Ombudsman.

This report provides an overview of the work and activities of the FSOB, together with details of the associated costs for the 2017 financial year. It should be read in conjunction with my Annual Review 2017 which was published in March 2018.

We continued to deliver considerable change in 2017 as we completed the implementation of the FSO's final Strategic Plan. The 2017 Strategic Plan aimed to continue to raise the bar on consumer protection and complaint handling through the use of mediation techniques and, where disputes were not resolved by agreement between the parties, through fair and impartial investigation and adjudication. A key aim was to deliver a faster, simpler and more informal dispute resolution service. This new model of a mediation-oriented approach to dispute resolution was introduced in February 2016, and represented a paradigm shift in the delivery of services by the FSO. The conclusion of this programme of change also saw the introduction of preliminary findings in the adjudication process.

As a result of the change programme, mediation, by telephone and email and through meetings, became the first and preferred option for resolving complaints. By engaging with the parties directly, it was possible to achieve a timely and satisfactory resolution. Of those who engaged in this process in the last two years, over 75% have successfully resolved their complaints. Where these early interventions did not resolve the dispute, we continued to use our extensive powers to investigate and adjudicate complaints in a fair and impartial manner. Full details of how complaints were resolved in 2017 is set out in the 'Management of Complaints' section of this Report.

One of the most significant legislative developments since the establishment of the FSO took place in 2017. In July, the Central Bank and Financial Services Authority of Ireland (Amendment) Act 2017 was enacted. This legislation extended the period within which consumers of long-term financial service products could take complaints to the FSO. In response to this, we changed our services in order to give full effect to that legislative change and reflect the extension of time limits for submission of complaints, the new categorisation of findings and the revised time limits for High Court appeals.

These changes were delivered while also managing an increased number of contacts and complaints including enquiries and complaints relating to tracker mortgages. We also recruited additional staff in 2017 and reorganised our offices to provide better facilities and additional services for our customers.

In preparation for the enactment of the 2017 Act, a project team, comprised of staff from both organisations, was tasked with making the necessary arrangements for the dissolution of the FSO and OPO by 31 December 2017 and the establishment of the Financial Services and Pensions Ombudsman on 01 January 2018.

A legally binding finding can be appealed to the High Court. In 2017, 10 findings, some relating to findings issued in previous years, were the subject of appeal proceedings.

Complaints from consumers about the conduct of their financial service provider in relation to mortgages made up the largest category of complaints received in 2017 at 1,174 or 26% of all eligible complaints received. Tracker mortgage complaints comprise a large element of these. At the end of December, we had just under 600 tracker mortgage complaints on hand.

We continued to have considerable engagement with a wide range of stakeholders during 2017, including the Department of Finance and Oireachtas committees, consumer representative bodies and advocates. In addition, we engaged with industry representatives. We continued our close co-operation with the Central Bank of Ireland, with a particular focus in 2017 on tracker-related issues.

The FSO opened its doors for business on 01 April 2005. Between then and December 2017, when it ceased to exist, the FSO had received over 73,000 complaints, 3,134 of these, which remained open at 31 December 2017, were transferred to the Financial Services and Pensions Ombudsman in January 2018.

I want to thank and pay tribute to all those who contributed to the work of the organisation over its 12-year history. The organisation has made an important difference in the lives of many consumers. Some of those who joined the FSO as part of the first amalgamation in 2005 continued to play key roles throughout the lifetime of the FSO and are now part of the FSPO. Some have come and gone over the 12 years while other new faces joined and are now with the FSPO. All played a key role in the delivery of a very important service and I want to take this opportunity to thank all of them for their contribution to the work of the FSO over the years.

For our achievements in 2017, I want to thank the Deputy Ombudsman, Elaine Cassidy, the directors of services, managers and all the staff for their continued dedication and commitment to ensuring we provide the best possible service. Staff have gone above and beyond the call of duty on many occasions in what was a very busy and challenging year. I would also like to pay tribute to the staff of the Office of the Pensions Ombudsman for their co-operation and support.

I want to thank the Chairperson, Maeve Dineen and all members of the Financial Services Ombudsman Council for their support and assistance throughout 2017.

I would also like to thank the complainants and financial service providers who continue to co-operate with our new processes in the best interest of all concerned.

I want to express my appreciation to the Minister for Finance and his officials for their ongoing support and co-operation. Finally, I would like to thank those who take the time to provide us with feedback. This feedback is central to how we design and deliver our processes and is of considerable assistance to us as we continue to improve our services.

The new FSPO will consolidate and build on the work of both predecessor organisations. I am confident that with the continued commitment of all concerned, the FSPO can build on the achievements of both offices to deliver an enhanced customer experience.



**Ger Deering**

Financial Services Ombudsman

# Management of Complaints

The primary function of the Financial Services Ombudsman was to mediate, investigate and adjudicate, in a fair, impartial and independent manner, complaints from individual consumers and small businesses who had unresolved disputes with regulated financial service providers.

A comprehensive breakdown of our activity in 2017 is set out in our Annual Review of 2017, which is available on [www.fspo.ie](http://www.fspo.ie). The following is a brief overview of our activity in 2017.

A total of **4,716** complaints were received by the office in 2017; this compares to 4,513 complaints received in 2016. The 2017 total included **178** ineligible complaints, leaving a balance of **4,538** valid complaints.

Complaints were deemed ineligible because they were intended for a different ombudsman, or they related to products and services or service providers that did not fall within the remit of this office.

Of the **4,538** valid complaints received in 2017, **52%** related to Banking products and **42%** related to insurance. The remainder related to investment products at **6%**.

We received **1,729** complaints online in 2017. This corresponds to approximately a third of all complaints received. Our Corporate and Information Services Team responded to over **15,900** telephone contacts and over **8,000** general information queries by email in 2017.

Our website continued to receive a significant volume of visitors, with over **67,365** unique visitors in 2017.

In 2017 **1,482** complainants received some form of compensation, rectification or financial redress.



**Complaints closed after registration, referral and follow up:** These are complaints which were received by us but which had not been fully completed by the complainant. Usually this was because the complainant had not notified their financial service provider of the issue, as required by the legislation. Our Information Services team contacted the complainant and explained how to complete the complaints process. Following this, if we did not hear from the complainant, we re-engaged with the complainant to check whether they wished to proceed with their complaint, and then either progressed or closed the complaint.

**Ineligible Complaints:** These are complaints which were intended for a different Ombudsman or relate to products and services or service providers that did not fall within the remit of this office. Where possible, the complainant was redirected to the appropriate body.

Closed Reason	Number of Complaints
Complaints closed after registration, referral and follow up	1,040
Ineligible complaints	162
<b>Total</b>	<b>1,202</b>

### Complaints closed through Dispute Resolution Service

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

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

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

Closed Reason	Number of Complaints
Dispute Resolution settlement	1,303
Dispute Resolution clarification	970
Withdrawn/outside settlement	97
<b>Total</b>	<b>2,370</b>

## Complaints closed through Adjudication and Legal Services

**Findings issued:** These were complaints where a full investigation and adjudication took place and a legally binding finding issued.

**Jurisdiction declined:** These were complaints where complex jurisdictional issues may have arisen and were considered by Legal Services, where a decision was reached that the FSO did not have jurisdiction to deal with the complaint.

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

Closed Reason	Number of Complaints
Findings issued	171
Jurisdiction declined	51
Withdrawn/outside settlement	73
<b>Total</b>	<b>295</b>

## Outcome of Findings

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

Where the Ombudsman upheld or partly upheld a complaint he could direct a financial service provider to pay compensation of up to €250,000 and he could also direct rectification. Such rectification could be very significant as it could involve putting a person back to a position where they previously were, before the complaint arose. This, in some instances, could potentially be more important for the complainant than compensation.

## Outcomes

Closed Reason	Number of Complaints
<b>Findings issued</b>	<b>171</b>
Upheld	14
Substantially / Partly Partially Upheld*	80
Rejected	77
<b>Jurisdiction declined</b>	<b>51</b>
<b>Withdrawn/outside settlement</b>	<b>73</b>
<b>Total</b>	<b>295</b>

### \*Revised Categorisation of Findings

The commencement of the Central Bank and Financial Services Authority of Ireland (Amendment) Act 2017 revised the categorisation of findings. Prior to July 2017, outcomes now referred to as either 'substantially upheld' or 'partially upheld' were categorised under the broader heading of 'partly upheld'. The revised categorisation will allow for more detailed reporting in future.

# Legal Overview

## Appeals to the Superior Courts

During 2017, any complaint which was not resolved through informal processes, including the use of mediation techniques, and which was considered to be within jurisdiction, was subsequently formally investigated and adjudicated. The terms of the Ombudsman's finding were legally binding on both the complainant and the financial service provider, subject only to an appeal to the High Court.

In the event of an appeal to the High Court, all of the evidence put forward to the Financial Services Ombudsman (FSO) for the purpose of the adjudication is examined to assess whether the Ombudsman came to the decision correctly, and whether the procedures offered to the parties were fair in the course of that decision making process. Should the Court take the view that a finding of the FSO was unsound, the complaint is remitted back to the FSO for a fresh consideration of the complaint.

	Complainant	Financial Service Provider	Total
<b>High Court</b>			
At 31 December 2016	4	-	4
Initiated in 2017	7	3	10
Withdrawn/ Struck out/ Adjourned Generally	(4)	(1)	(5)
At 31 December 2017	7*	2	9

\*In 2017, 7 appeals were issued to the High Court by 5 complainants, 2 of whom had 2 complaints and therefore 2 appeals.

At the beginning of 2017, the FSO was dealing with 4 active appeals to the High Court, one matter in the Court of Appeal (appealed in 2013 but not listed) and one in the Supreme Court where a judgment had been delivered at the end of 2016, but where the costs element had been carried over to 2017.

During 2017, 10 new appeals were received, 3 from financial service providers and 7 from 5 complainants. Of the 10 new appeals initiated in 2017, 2 were withdrawn (one from a complainant, and one from a provider). During the year, 3 long-standing appeals from complainants were withdrawn, or struck out, or adjourned generally.

On 31 December 2017, the FSO had one matter still remaining in the Court of Appeal, but not yet listed for hearing. In addition, the FSO had 9 High Court appeals on hand, 2 from providers and 7 from 5 complainants.

In any litigation, the FSO in all appropriate cases seeks recovery of its legal costs by applying to the Court for an Order for Costs against such parties to the litigation. During 2017, the FSOB recovered €64,408 in legal costs, against a number of parties.

## Legal Proceedings initiated by the FSO in 2017

With the approval of the relevant complainant, the FSO made an application to the High Court to strike down its own finding issued in 2012, as an inaccuracy in relation to the written submissions furnished by the financial service provider in the course of that investigation had subsequently come to its attention. The inaccuracy was acknowledged by the provider which agreed to discharge any legal costs incurred by the FSO in applying to the High Court to have the finding struck down. The complaint was then remitted to the FSO for a fresh consideration.

On one occasion in 2017, the FSO found it necessary to bring enforcement proceedings against a financial service provider where the compensation directed in a finding had not been paid to the complainant.

# Key Legislative Developments

In 2017, there were very significant legal developments in the operation by the FSO of its functions and powers. On 25 July 2017, the Central Bank and Financial Services Authority of Ireland (Amendment) Act 2017 was signed into law. This had a number of effects on the operations of the FSO, as outlined below.

## Time Limits

Before the amending legislation, a complainant could make a complaint to the FSO, only in respect of conduct which had occurred in the previous 6 years. This time limit was strict in its application, and was not affected in any way by any absence of knowledge on the part of a complainant. The amending legislation changed this time limit, to permit an alternative period in respect of any complaint about a “long-term financial service” to enable a complaint to be made to the FSO within whichever of the following periods was the last to expire:-

- “(a) 6 years from the date of the conduct concerned;
- (b) 3 years from the earlier of the date on which the person making the complaint became aware, or ought reasonably to have become aware, of the conduct concerned; or
- (c) such longer period as the Financial Services Ombudsman may allow where it appears to him or her that there are reasonable grounds for requiring a longer period and that it would be just and equitable, in all the circumstances, to so extend the period....”

It should be noted that in circumstances where subsections (a) and (b) prescribe very specific timeframes for the making of such complaints, the discretion of the FSO referred to in subsection (c) required the FSO in that context, to exercise that discretion in a manner which was just and equitable, in all of the circumstances, having formed the opinion that there were reasonable grounds to extend the period beyond the timeline prescribed by subsections (a) and (b).

The term “long-term financial service” can be loosely explained as (i) a product or service with a fixed term of 5 years and 1 month or more, or (ii) a product or service meeting the definition of “life assurance”.

The legislation made it clear that this expanded time limit related to any complaint received by the FSO which had not already been assessed as to its suitability for consideration, and also to any complaint made to the FSO, before the amending legislation came into being, which had been previously refused as being outside the applicable time limits. The amending legislation also required a complaint to meet certain conditions in order to fall within the new time limits for complaints about a “long-term financial service”, in particular that the conduct complained of, occurred during or after 2002.

This amendment to the governing legislation gave rise to a significant volume of queries from complainants where elements of complaints previously received by the FSO had fallen outside the jurisdiction of the office because of the 6-year limitation period.

The amending legislation also increased the timeframe, from 21 to 35 days, for appeals to the High Court seeking to strike down a finding of the FSO.

## Dissolution of the Financial Services Ombudsman

A subsequent and very significant legal development for the FSO during 2017 was the fact that it ceased to exist. This development occurred owing to the merger of the FSO with the Office of the Pensions Ombudsman, which was facilitated on 01 January 2018, by the commencement of the Financial Services and Pensions Ombudsman Act 2017, thereby creating the office of the Financial Services and Pensions Ombudsman, now known as the FSPO.

All functions which immediately before the commencement date, were vested in the Financial Services Ombudsman or vested in the Pensions Ombudsman were, on 01 January 2018, transferred to the FSPO.

Consequent upon this development, complaints can now be made to one office, about the conduct of financial service providers and the conduct of pension providers.

Decisions which the Courts have delivered over the years, in litigation or appeals involving the Financial Services Ombudsman or the Pensions Ombudsman, will continue to inform the FSPO in the exercise of its statutory powers and functions.

# Stakeholder Engagement

The Financial Services Ombudsman had a Memorandum of Understanding with the Central Bank of Ireland and the Pensions Ombudsman. If a matter arose during an investigation by the Financial Services Ombudsman which he felt should be brought to the attention of the Regulator, he would inform the Central Bank so that appropriate regulatory action could be taken. During the course of 2017, regular meetings were held between officials of both organisations.

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

The outreach programme pursued in 2017 included engagements with the following stakeholders/events:

- Association of Chief Executives of State Agencies
- Association of Compliance Officers Ireland - Pensions Working Group
- Association of Pension Lawyers
- Banking and Payments Federation Ireland (BPFI)
- Banking providers
- British and Irish Ombudsman Association
- Certified Public Accountants
- Chartered Institute for Securities & Investments
- Competition and Consumer Protection Commission (CCPC)
- Dublin Chamber of Commerce
- Financial Services Ireland
- Free Legal Advice Centre (FLAC)
- Institute of Banking

- Insurance Institute
- Insurance Ireland
- Insurance providers
- International Financial Consumer Protection Organisation (FinCoNet) Conference hosted by the CBI
- Irish Business and Employers Confederation
- Irish Ombudsman Forum
- Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach
- Joint Committee on Public Petitions
- Life Insurance Association (LIA)
- Mediators' Institute of Ireland (MII)
- Money Advice & Budgeting Service (MABS)
- Pensions Authority
- Professional Insurance Brokers Association (PIBA)
- SIPTU Trade Union

In 2017 the European Commission Representation in Ireland invited the FSO to engage in a roundtable meeting chaired by Věra Jourová, European Commissioner for Justice, Consumers and Gender Equality. The meeting was arranged for organisations working on consumer issues including the CCPC, the European Consumer Center (ECC) Ireland, the Consumer Association of Ireland (CAI) and FLAC.

Capacity building partnership programmes were undertaken with the following bodies in 2017:

- Central Bank Jordan
- Central Bank (Reserve Bank) and Ministry of Finance, Malawi
- Financial Ombudsman Armenia

# Corporate Governance & Organisational Development

The overall governance and control framework within the FSO for 2017 was guided by:

- **Central Bank and Financial Services Authority of Ireland Act 2004;**
- **Central Bank and Financial Services Authority of Ireland (Amendment) Act 2017;**
- **Financial Services and Pensions Ombudsman Act 2017;**
- **Ethics in Public Office Act 1995 – 2001;**
- **Standards in Public Office Act 2001;**
- **Public Financial Procedures, (2008);**
- **Code of Practice for the Governance of State Bodies (2016).**

In addition, the FSO ensured its compliance throughout the year with:

- **Official Languages Act 2003**
- **Freedom of Information Act 2014**
- **Data Protection Acts 1998 and 2003**
- **Prompt Payment of Accounts Act 1997**
- **Financial Emergency Measures in the Public Interest Act 2013**
- **Protected Disclosures Act 2014**
- **Disability Act 2005**

August 2016 saw the publication of the revised Code of Practice for the Governance of State Bodies (“the 2016 Code”) by the Department of Public Expenditure and Reform. The FSO took immediate steps to align its existing governance and legislative framework with the provisions of the 2016 Code. Some of the key elements of the 2016 Code were well established within the Bureau, such as having a full programme of internal audit; on-going co-operation with the Office of Government Procurement on relevant procurement projects; the existence of a Finance Committee, operating under the auspices of the Financial Services Ombudsman Council, which, among other activities in 2017, oversaw the review of the FSO’s current levies model.

Council established an Audit and Risk Committee as a Committee of the Council to support it in its responsibilities to keep under review the efficiency and effectiveness of the Ombudsman and the Office. The Audit and Risk Committee operates under agreed terms of reference, and advises the council on matters pertaining to internal and external audit, risk management, and corporate governance. Other governance activities during the period included: a review and subsequent revision of operating procedures in relation to ethics and protected disclosures; the updating of a Code of Conduct for all staff and for Council members; and the implementation of a number of pay and pension-related circulars issued by the Department of Public Expenditure for Government departments and state bodies.

## Strategic Planning

The 2017 Strategic Plan guided the conclusion of a comprehensive change programme, whereby the FSO introduced significant changes to how complaints are dealt with which involve undertaking considerably more direct interaction with both consumers and providers to deliver a faster, more efficient and effective service that puts the needs of the customer at its core.

The Strategic Plan outlined a number of initiatives to guide the activities and resources of the FSO which then translated into the following specific objectives and targets for the Bureau to work towards during the year:

- **To operate an efficient, effective and fair dispute resolution process that mediates, investigates and adjudicates on consumer complaints;**
- **To provide excellent customer service;**
- **To raise awareness of our work among the public and our stakeholders and promote compliance by financial service providers with best practice in the provision of products and services;**
- **To support and develop the skills and competencies of our staff in order to offer the best service to our users;**
- **To support the Council in its work and liaise with the Central Bank of Ireland, the Department of Finance, Oireachtas Committees and other relevant bodies in order to improve the financial services market for consumers.**

## Human Resources

At 31 December 2017, the Financial Services Ombudsman Bureau had 48 staff members, including the Ombudsman and Deputy Ombudsman. Recruitment competitions were held in 2017 to fill a number of existing vacancies, however some candidates did not take up their positions until January 2018. Details of all staff employed in 2017 are available on Page 18. The staff were organised in four sections:

- Corporate and Information Services
- Dispute Resolution Service
- Investigation Services
- Adjudication and Legal Services

The Director of each section, along with the Ombudsman and Deputy Ombudsman comprised the senior management.

Training and development opportunities were afforded to all staff during the year, with particular emphasis on the areas of mediation, compliance, governance and Qualified Financial Advisor (QFA), to ensure that the teams developed the necessary skills to deliver upon the organisation's strategic objectives. In support of the objectives of Connecting for Life: Ireland's National Strategy to Reduce Suicide (2015-2020), suicide awareness training was delivered to all staff members to assist them to become more ready, willing and able to help people at risk of suicide.

Payroll administration was outsourced from September 2017 to Mazars Ireland. Throughout 2017, the FSPO utilised a Performance Management Development System (PMDS) to monitor and support the performance and development of its staff. Throughout the year regular communication on key issues was facilitated between management and recognised staff trade unions.

Number Of Staff by Grade [31.12.2017]	
Ombudsman	1
Deputy Ombudsman	1
Principal Officer	3
Assistant Principal	3
Higher Executive Officer	13
Executive Officer	23
Clerical Officer	4
<b>Total</b>	<b>48</b>
Vacancies at 31.12.2017	7

## Disability Act 2005

Under Part 5 of the Disability Act 2005, public sector bodies are required to report on their level of employment of people with disabilities. While a census was not undertaken during 2017 the results of a self-reporting Staff Census taken in March 2018 indicated that the FSOB met the minimum of 3% for employment of people with disabilities and was therefore in compliance with Part 5 of the Act. This information was reported to the National Disability Authority in 2018.

## Freedom of Information

The FSO continued to meet its obligations in relation to Freedom of Information (FOI) requests. FOI Decisions and Types of Request are outlined below:

FOI Requests 2017	
Granted	1
Part Granted	1
Refused	1
Handled outside of FOI	4
<b>Total</b>	<b>7</b>

FOI Requests 2017	
Journalist	3
Member of the Public	2
Business	1
Complainant	1
<b>Total</b>	<b>7</b>

## Protected Disclosures

As a public body the Financial Services Ombudsman was required to report under Section 22 of the Protected Disclosures Act 2014. One such disclosure was received and was duly investigated in accordance with the provisions of the Protected Disclosures Act, 2014 for the financial year from 01 January 2017 to 31 December 2017.

### Premises

A comprehensive refurbishment of our offices on the third and fourth floors of Lincoln House was undertaken in 2017. The upgrades to the built environment provide an improved visitor experience, additional facilities for mediations and oral hearings, along with a more comfortable working environment for staff, while also helping to reduce overall energy use.

### Overview of Energy Usage

In accordance with Statutory Instrument 426 of 2014, all public sector bodies are required to report annually on their energy usage and any actions taken to reduce consumption. In 2017, the FSO’s energy usage comprised 149,379kWh. This represented a 12.67% decrease in the FSO’s total energy consumption since 2016. This was due in part to the refurbishment of the office space, which achieved a number of energy efficiency measures including the installation of LED lighting and double glazed windows. The average energy use per staff member now stands at 3,112kWh based on 48 staff members at 31 December 2017. Please note the energy use per staff member published in the 2016 Annual Report related only to electricity use and not overall energy use.

Energy Type	Level of Consumption
Electricity	59,120 kWh
Fossil Fuels (Gas Heating)	90,259 kWh
<b>Total</b>	<b>149,379kWh</b>

### Staff Members

Details of all staff employed by the FSOB in 2017 are reported in the schedule below. Where staff members were promoted during the course of the year or were temporarily acting up into a different grade to their substantive position, the grade reported is that which was correct at 31 December 2017.

## Senior Management Team

<b>Ger Deering</b>	<i>Financial Services Ombudsman</i>
<b>Elaine Cassidy</b>	<i>Deputy Financial Services Ombudsman</i>
<b>MaryRose McGovern</b>	<i>Director of Adjudication and Legal Services</i>
<b>Diarmuid Byrne</b>	<i>Director of Dispute Resolution Service</i>
<b>Jill Barry</b>	<i>Director of Corporate and Information Services (Until 31 July 2017)</i>
<b>Tara McDermott</b>	<i>Director of Investigation Services (From 05 December 2017)</i>

### Corporate and Information Services

<b>Jill Barry</b>	<i>Director (Until 31 July 2017)</i>
<b>Meagan Gill</b>	<i>Assistant Principal</i>
<b>Sylvia Costello</b>	<i>Higher Executive Officer</i>
<b>Evelyn Wilde</b>	<i>Higher Executive Officer</i>
<b>Marta Piekarcz</b>	<i>Higher Executive Officer</i>
<b>Lorraine Maher</b>	<i>Higher Executive Officer</i>
<b>Paul O'Connor</b>	<i>Executive Officer (Career Break from 02 October 2017)</i>
<b>Ann-Marie Dent</b>	<i>Clerical Officer</i>
<b>Frederica Doyle</b>	<i>Clerical Officer</i>
<b>Mary Hamilton</b>	<i>Clerical Officer</i>
<b>Ruth Wildgust</b>	<i>Clerical Officer (From 5 December 2017)</i>

### Dispute Resolution Service

<b>Diarmuid Byrne</b>	<i>Director</i>
<b>Anthony O'Riordan</b>	<i>Higher Executive Officer</i>
<b>Kathleen O'Sullivan</b>	<i>Higher Executive Officer</i>
<b>Sinéad Brennan</b>	<i>Higher Executive Officer (Until 23 June 2017)</i>
<b>Tomás Murray</b>	<i>Higher Executive Officer (Secondment from 10 April 2017)</i>
<b>Liz White</b>	<i>Higher Executive Officer</i>
<b>George Carroll</b>	<i>Executive Officer</i>
<b>Danielle Daly</b>	<i>Executive Officer (From 27 March 2017)</i>
<b>Seán Daly</b>	<i>Executive Officer</i>
<b>Brendan O'Connor</b>	<i>Executive Officer (Until 27 March 2017)</i>
<b>Emmet Greaney</b>	<i>Executive Officer (Until 24 August 2017)</i>
<b>Martin Gordon</b>	<i>Executive Officer (From 27 March 2017)</i>
<b>Dolores Haskins</b>	<i>Executive Officer (From 27 March 2017)</i>
<b>Paul Heffernan</b>	<i>Executive Officer</i>
<b>Fionnuala MacNamee</b>	<i>Executive Officer (From 18 September 2017)</i>
<b>Patricia McNamara</b>	<i>Executive Officer (From 02 May 2017)</i>
<b>Mary Kerrigan</b>	<i>Executive Officer</i>
<b>Linda North</b>	<i>Executive Officer</i>
<b>Niall O'Brien</b>	<i>Executive Officer (From 08 August 2017)</i>
<b>Miriam Rooney</b>	<i>Executive Officer (From 27 March 2017)</i>
<b>Brian Smith</b>	<i>Executive Officer (From 18 September 2017)</i>
<b>John Whelan</b>	<i>Executive Officer (From 27 March 2017)</i>

### Investigation Services

<b>Tara McDermott</b>	<i>Director (From 5 December 2017)</i>
<b>Rachel O'Regan</b>	<i>Higher Executive Officer</i>
<b>Sarah Arrowsmith</b>	<i>Executive Officer</i>
<b>Seán Coady</b>	<i>Executive Officer (From 05 December 2017)</i>
<b>Des Butler</b>	<i>Executive Officer</i>
<b>Lynnsey Delaney</b>	<i>Executive Officer (From 09 January 2017)</i>
<b>Michael Taylor</b>	<i>Executive Officer (From 20 November 2017)</i>
<b>Niamh Webb</b>	<i>Executive Officer (From 13 November 2017)</i>
<b>Pat McGonigle</b>	<i>Fixed Term Contract (From 26 June 2017)</i>

### Adjudication and Legal Services

<b>MaryRose McGovern</b>	<i>Director</i>
<b>Michael Brennan</b>	<i>Assistant Principal</i>
<b>Úna Gately</b>	<i>Assistant Principal</i>
<b>Sophie Hart</b>	<i>Higher Executive Officer</i>
<b>Stephanie McConnell</b>	<i>Higher Executive Officer</i>
<b>Joan McGuinness</b>	<i>Higher Executive Officer</i>
<b>Iseult Doherty</b>	<i>Executive Officer</i>
<b>Aideen Keane</b>	<i>Executive Officer (From 09 January 2017)</i>





# FINANCIAL STATEMENTS



## Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

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

#### Financial Services Ombudsman's Bureau

##### Opinion on financial statements

I have audited the financial statements of the Financial Services Ombudsman's Bureau (now dissolved) for the year ending 31 December 2017 as required under the provisions of section 36 of the Financial Services and Pensions Ombudsman Act 2017. 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, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Financial Services Ombudsman's Bureau at 31 December 2017 and of its income and expenditure for 2017 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

##### Emphasis of matter - pension liabilities

Without qualifying my opinion, I draw attention to note 10 of the financial statements which discloses that legislation enacted in July 2013 provided for changes in the Bureau's pension funding arrangements for schemes other than the Single Public Service Pension Scheme. 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, for the relevant schemes, only by way of note.

##### Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Financial Services and Pensions Ombudsman and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Report on information other than the financial statements, and on other matters

The Financial Services and Pensions Ombudsman has presented certain other information together with the financial statements. This comprises the annual report, the governance statement and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

**Seamus McCarthy**  
**Comptroller and Auditor General**  
**30 November 2018**

## Appendix to the report

### Responsibilities of the Financial Services Ombudsman and the Financial Services and Pensions Ombudsman

The Financial Services Ombudsman was responsible for preparing the financial statements in accordance with the Central Bank Act 1942, as amended, and for ensuring the regularity of transactions.

The Financial Services Ombudsman's Bureau was dissolved on 31 December 2017 and its assets, liabilities and staff transferred to the Office of the Financial Services and Pensions Ombudsman as outlined in the statement of accounting policies in the financial statements.

Following the dissolution of the Bureau, the Financial Services and Pensions Ombudsman is responsible for preparing the financial statements in accordance with section 36 of the Financial Services and Pensions Ombudsman Act 2017.

As set out in the governance statement and statement of responsibilities, the Financial Services and Pensions Ombudsman is also responsible for

- ensuring that the financial statements give a true and fair view in accordance with FRS102
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibilities of the Comptroller and Auditor General

I am required under section 36 of the Financial Services and Pensions Ombudsman Act 2017 to audit the financial statements of the Financial Services Ombudsman's Bureau and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.

- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Financial Services Ombudsman's Bureau's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Financial Services Ombudsman's Bureau to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

## Governance Statement

The Financial Services Ombudsman Bureau was dissolved with effect from 1 January 2018 under the terms of the Financial Services and Pensions Ombudsman Act 2017. The assets, rights and obligations of the Bureau were transferred to the Financial Services and Pensions Ombudsman on that date.

The Council of the Financial Services Ombudsman's Bureau was established under the Central Bank and Financial Services Authority of Ireland Act 2004. The statutory functions of the Council are set out in Part 2, Section 16 of the Act and the Chairperson of the Council was required to provide the Minister for Finance with such reports relating to the activities of the Bureau as the Minister required from time to time.

The Ombudsman and the senior management team were responsible for ensuring good governance and performed this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of the Financial Services Ombudsman's Bureau was also the responsibility of the Ombudsman and the senior management team. The Ombudsman and the senior management team followed the strategic direction agreed and ensured that all Council members had a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The Ombudsman and Deputy Ombudsman acted as a direct liaison between the Council and the management team of the Financial Services Ombudsman's Bureau.

## Statement of Responsibilities

The statutory functions of the Council are set out in Part 2, Section 16 of the Central Bank and Financial Services Authority of Ireland Act 2004. These functions were 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.**

## Responsibilities of the Financial Services and Pensions Ombudsman

Section 36 the Financial Services and Pensions Ombudsman Act 2017 requires the Financial Services and Pensions Ombudsman to prepare the financial statements of the Financial Services Ombudsman's Bureau (now dissolved) for the year ended 31 December 2017.

In preparing these financial statements the Ombudsman is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that were reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bureau will continue in operation;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

## Responsibilities of the Financial Services Ombudsman

The Financial Services Ombudsman (FSO) was responsible for keeping proper books of account which disclosed with reasonable accuracy at any time the financial position of the Bureau and which enabled him to ensure that the financial statements complied with Section 57 of the Central Bank Act 1942, as amended. The Ombudsman was also responsible for safeguarding the assets of the Bureau and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 57BP, of the Central Bank Act, 1942 as inserted by Section 16 of the Central Bank and Financial Services Authority of Ireland Act 2004, required the Ombudsman to ensure that accounting records were kept that properly recorded and explained the financial transactions of or relating to the Bureau.

The Ombudsman was also responsible for ensuring that accounting records relating to the Bureau complied with the accounting standards notified to the Ombudsman by the Council, acting on the advice of the Minister for Finance.

The Ombudsman was responsible for arranging for the preparation of a statement setting out estimates of the income and expenditure relating to the Bureau and submitting the statement to the Council for approval. The Ombudsman was responsible for preparing a strategic plan for each financial year and submitting same to the Council for approval. The Council was responsible for delivering the plan to the Minister for Finance, once it had approved the plan.

The Ombudsman was also responsible for safeguarding the assets of the Bureau and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Ombudsman considers that the financial statements of the Financial Services Ombudsman's Bureau give a true and fair view of the financial performance and the financial position of the Financial Services Ombudsman's Bureau at 31 December 2017.

## Council Structure

The council consisted of a Chairperson and six members, all of whom were appointed by the Minister for Finance. The members of the Council were appointed for a period not exceeding five years and met seven times in 2017.

The table below details the appointment period of current members:

Council Member	Role	Date Appointed
Maeve Dineen	Chairperson	09 January 2017
Valerie Bowens	Member	20 January 2016
Ken Murnaghan	Member	20 January 2016
Deborah Reidy	Member	20 January 2016
Dermott Jewell	Member	9 January 2017 (Re-appointment)
Don Gallagher	Member	9 January 2017
Elizabeth Walsh	Member	9 January 2017 (Re-appointment)

The Council established two committees, as follows:

- Audit and Risk Committee** comprised three Council members. The role of the Audit and Risk Committee (ARC) was to advise the Council on the strategic processes in place for risk, internal control and governance. The ARC reported to the Council after each meeting and formally in writing annually.
- Finance Committee** comprised three Council members. The role of the Finance Committee was to advise the Council on the accounting policies, the financial statements, and the annual report of the organisation, including the process for review of the financial statements prior to submission for audit. The Finance Committee reported to the Council after each meeting and formally in writing annually.

## Key Personnel Changes

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. In accordance with the Central Bank and Financial Services Authority of Ireland Act 2004, the Minister appointed a new Chairperson, Maeve Dineen, two new members, Don Gallagher and Elizabeth Walsh, and re-appointed two members, Dermot Jewell and Elizabeth Walsh, in January 2017.

## Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Council and Committee meetings for 2017 is set out below, including the fees

	Council	Audit & Risk	Finance	Fees	Expenses
<b>Number of Meetings</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>€</b>	<b>€</b>
Maeve Dineen	7			20,769	-
Valerie Bowens	6	3		12,600	59
Ken Murnaghan	6	3		12,600	217
Deborah Reidy	7		4	12,600	-
Dermott Jewell	6	2		12,115	-
Elizabeth Walsh	7		4	12,115	247
Don Gallagher	7		4	0*	-
<b>Total</b>				<b>82,799</b>	<b>523</b>

\* One Council member, Don Gallagher, did not receive a fee under the One Person One Salary (OPOS) principle.

General meeting costs for the Council during 2017 came to €1,494.

Travel and subsistence expense claims were submitted and paid in 2017 to a former Council member, for expenses incurred in 2016. The figures below did not form part of the travel and subsistence expenditure reported in the 2016 Annual Report, and are therefore additional to those expenses previously reported.

Member	Expenses
Caitríona Ní Charra	€807

and expenses received by each member:

### Disclosures Required by the Code of Practice for the Governance of State Bodies (2016)

The Ombudsman was responsible for ensuring that the Financial Services Ombudsman's Bureau had complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code.

#### Employee Short-Term Benefits Breakdown

Employees' short-term benefits in excess of €60,000 are categorised into the following bands:

Range of total employee benefits		Number of employees	
From	To	2017	2016
€60,000 - €69,999		3	1
€70,000 - €79,999		3	2
€80,000 - €89,999		1	-
€90,000 - €99,999		-	1
€100,000 - €109,999		3	3
€110,000 - €119,999		-	-
€120,000 - €129,999		-	-
€130,000 - €139,999		-	-
€140,000 - €149,999		1	1
€150,000 - €159,999		-	-
€160,000 - €169,999		-	-

Note: For the purposes of this disclosure, short-term employee benefits in relation to services rendered during the reporting period include salary, overtime allowances and other payments made on behalf of the employee, but excluding employer's PRSI and employer pension contributions.

### Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced "business-as-usual" functions.

	2017	2016
	€	€
Consultancy Costs	148,556	109,501

### Legal Costs and Settlements

The table below provides a breakdown of amounts recognised as expenditure in the reporting period in relation to legal costs.

	2017	2016
	€	€
Legal Costs and Settlements	495,771	(32,464)

### Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2017	2016
	€	€
<b>Domestic</b>		
Council	1,330	523
Employees	4,664	4,523
<b>International</b>		
Council	-	-
Employees	1,869	5,906
<b>Total</b>	<b>7,863</b>	<b>10,952</b>

### Hospitality Expenditure

There was no Hospitality Expenditure in the year.

### Statement of Compliance

The Ombudsman adopted the Code of Practice for the Governance of State Bodies (2016) and put procedures in place to ensure compliance with the Code, noting the unique nature of the FSOB Council and its legislative functions. The Financial Services Ombudsman's Bureau was in full compliance, with the exception of two non-compliant procurement services, with the Code of Practice for the Governance of State Bodies for 2017.



**Ger Deering**  
Financial Services Ombudsman  
20 November 2018

# Statement on Internal Control

## Scope of Responsibility

In making this statement I have relied on representations made by management of the Bureau. During the year ended 31 December 2017 the Bureau was responsible for ensuring that an appropriate system of internal control was in operation.

## Purpose of the System of Internal Control

The system of internal control was designed to manage risk to a tolerable level rather than to eliminate it. The system therefore could only provide reasonable and not absolute assurance that assets were safeguarded, transactions authorised and properly recorded and that material errors or irregularities were either prevented or detected in a timely way.

The system of internal control, which accorded with guidance issued by the Department of Public Expenditure and Reform, was in place in the Financial Services Ombudsman's Bureau (FSOB) for the year ended 31 December 2017.

## Capacity to Handle Risk

The Financial Services Ombudsman's Bureau had an Audit & Risk Committee (ARC), comprising three Council members, with financial and audit experience, one of whom was the Chair. The Committee met three times in 2017.

The Financial Services Ombudsman's Bureau had also established an internal audit function which was adequately resourced and conducted a programme of work agreed with the Executive and the Council.

The Executive had developed a risk management policy which set out its risk appetite, the risk management processes in place and detailed the roles and responsibilities of staff in relation to risk. The policy was issued to all staff who were expected to work within the Financial Services Ombudsman's Bureau's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

## Risk and Control Framework

The Financial Services Ombudsman's Bureau had implemented a risk management system which identified and reported key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register was in place which identified the key risks facing the Financial Services Ombudsman's Bureau and these were identified, evaluated and graded according to their significance. The register was reviewed and updated by the Executive on a quarterly basis and reviewed by the ARC on a timely basis. The outcome of these assessments was used to plan and allocate resources to ensure risks were managed to an acceptable level.

The risk register detailed the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements was in place:

- Procedures for all key business processes were documented;
- Financial responsibilities were assigned at management level with corresponding accountability;
- There was an appropriate budgeting system with an annual budget which was kept under review by senior management and Council/Finance Committee;
- There were systems aimed at ensuring the security of the information and communication technology systems;
- There were systems in place to safeguard the assets.

## Ongoing Monitoring and Review

Formal procedures were established for monitoring control processes and control deficiencies were communicated to those responsible for taking corrective action and to management, and the Audit & Risk Committee and Council, where relevant, in a timely manner. I confirm that the following ongoing monitoring systems were in place:

- Key risks and related controls were identified and processes were put in place to monitor the operation of those key controls and report any identified deficiencies;
- Reporting arrangements were established at all levels where responsibility for financial management had been assigned; and,
- There were regular reviews by senior management of periodic and annual performance and financial reports which indicated performance against budgets/forecasts.

## Procurement

I confirm that the Financial Services Ombudsman's Bureau had procedures in place to ensure compliance with current rules and guidelines. Matters arising regarding controls over procurement are highlighted under control issues below.

## Review of Effectiveness

I confirm that the Financial Services Ombudsman's Bureau had procedures to monitor the effectiveness of its risk management and control procedures. The Financial Services Ombudsman's Bureau's monitoring and review of the system of internal controls was informed by the work of the internal and external auditors, the Audit & Risk Committee, and the senior management within the Financial Services Ombudsman's Bureau responsible for the development and maintenance of the internal control framework.

I confirm that I, as Ombudsman, conducted an annual review of the effectiveness of the internal controls for 2017.

### Non-Compliant Procurement

The FSOB ensured that there was an appropriate focus on good practice in procurement and purchasing and that procedures were in place to ensure compliance with all relevant guidelines. The FSOB complied with the guidelines with the exception of two supply arrangements to the value of €395,251, which included:

- one instance with expenditure of €203,279, where a pre-existing contract for ICT support and maintenance was continued pending the completion of an ICT strategy that in turn will involve the procurement of ICT support services.
- one instance with expenditure of €191,972 where temporary agency staff were relied upon to service current demands at a time when the longer term organisational structure was still evolving, and recruitment for established positions had not yet taken place. The use of agency staff had been discontinued prior to year-end.



**Ger Deering**

Financial Services Ombudsman

20 November 2018

## Statement of Income and Expenditure and Retained Revenue Reserves

For the year ended 31 December 2017

	Notes	2017 €	2016 €
<b>Income</b>			
Levy Income	2	4,425,296	4,354,142
Other Income	2	232	986
Net deferred funding for pensions - Single Scheme	10c	-	-
<b>Total Income</b>		<b>4,425,528</b>	<b>4,355,128</b>
<b>Expenditure</b>			
Administration	4	4,886,893	3,823,434
Retirement benefit costs - Single Scheme	10a	83,370	62,411
Depreciation	5	234,707	121,522
<b>Total Expenditure</b>		<b>5,204,970</b>	<b>4,007,367</b>
<b>(Deficit)/Surplus for the Year Before Appropriation</b>		<b>(779,442)</b>	<b>347,761</b>
Transfer (to)/from Capital Account	3	(398,941)	11,386
<b>(Deficit)/Surplus for the Year after Appropriation</b>		<b>(1,178,383)</b>	<b>359,147</b>
Balance Brought Forward at 1 January		2,225,778	1,866,631
<b>Balance Carried Forward at 31 December</b>		<b>1,047,395</b>	<b>2,225,778</b>

The Statement of Cash Flows (page 32) and Notes on pages 33 – 46 form an integral part of these Financial Statements.



**Ger Deering**

Financial Services Ombudsman

20 November 2018

## Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 €	2016 €
<b>(Deficit)/Surplus After Appropriations</b>		<b>(1,178,383)</b>	<b>359,147</b>
Experience (losses)/gains on retirement benefit obligations	10b	(27,000)	2,000
Change in assumptions underlying the present value of retirement benefit obligations		11,000	(28,000)
		-	-
<b>Total actuarial gain/(loss) in the year</b>		<b>(16,000)</b>	<b>(26,000)</b>
Adjustment to deferred retirement benefits funding		16,000	26,000
<b>Other Comprehensive (Loss)/Income for the year</b>		<b>(1,178,383)</b>	<b>359,147</b>

The Statement of Cash Flows (page 32) and Notes on pages 33 – 46 form an integral part of these Financial Statements.



**Ger Deering**  
Financial Services Ombudsman

20 November 2018

## Statement of Financial Position

As at 31 December 2017

	Notes	2017 €	2016 €
<b>Fixed Assets</b>			
Property, plant & equipment	5	718,167	319,226
<b>Current assets</b>			
Cash at bank	6	7,665,491	7,833,453
Receivables	7	30,914	99,604
		<b>7,696,405</b>	<b>7,933,057</b>
<b>Current Liabilities (amounts falling due within one year)</b>			
Payables	8	5,924,765	5,240,138
Provision for Legal Services	9	724,245	467,141
		<b>6,649,010</b>	<b>5,707,279</b>
<b>Net current assets</b>		<b>1,047,395</b>	<b>2,225,778</b>
<b>Retirement Benefits</b>			
Deferred retirement benefit funding asset	10c	317,000	155,000
Retirement benefit obligations	10d	(317,000)	(155,000)
<b>Net assets</b>		<b><u>1,765,562</u></b>	<b><u>2,545,004</u></b>
<b>Representing</b>			
Capital Account	3	718,167	319,226
Retained Revenue Reserves at 31 December		1,047,395	2,225,778
		<b><u>1,765,562</u></b>	<b><u>2,545,004</u></b>

The Statement of Cash Flows (page 32) and Notes on pages 33 – 46 form an integral part of these Financial Statements.



**Ger Deering**  
Financial Services Ombudsman

20 November 2018

## Statement of Cash Flows

For the year ended 31 December 2017

	2017 €	2016 €
<b>Net Cash Flows from Operating Activities</b>		
(Shortfall)/surplus in income over expenditure	(1,178,383)	359,147
Depreciation charge	234,707	121,522
(Increase)/decrease in receivables	68,690	19,930
Increase/(decrease) in payables	941,731	(97,031)
Interest received	(232)	(986)
Transfer to capital account	398,941	(11,386)
<b>Net Cash Outflow from Operating Activities</b>	<b>465,454</b>	<b>391,196</b>
<b>Cash Flows from Investing Activities</b>		
Bank Interest Received	-	-
Capital disposal	-	-
Capital expenditure	(633,648)	(110,136)
<b>Net Cash Flows from Investing Activities</b>	<b>(633,648)</b>	<b>(110,136)</b>
<b>Cash Flows from Financing Activities</b>		
Bank interest received	232	986
<b>Net Cash Flows from Financing Activities</b>	<b>232</b>	<b>986</b>
<b>Net Increase/(Decrease) in cash in the year</b>	<b>(167,962)</b>	<b>282,046</b>
Cash at bank at 1 January	7,833,453	7,551,407
<b>Cash at bank 31 December</b>	<b>7,665,491</b>	<b>7,833,453</b>

## Notes to the Financial Statements

For the year ended 31 December 2017

### 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 was established under the Central Bank and Financial Services Authority of Ireland Act 2004 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 was appointed by the Minister for Finance. Its functions as laid down in the Act were 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 15).

#### Going Concern – dissolution of the FSOB

The Financial Services and Pensions Ombudsman Act, 2017 provided for the dissolution of the FSOB. Pursuant to the Act, the Bureau was dissolved with effect from 31 December 2017. The Act sets out a range of transfer provisions which include inter alia, the transfer to the FSPO of all land and property which, immediately before that date was vested in or owned by the Bureau. All rights and liabilities of the Bureau arising by virtue of any contract or commitment entered into before that date stand transferred to the Financial Services and Pensions Ombudsman.

The Act also contains provisions regarding the preservation of contracts, agreements or other arrangements made by the Bureau before its dissolution.

As all of the functions, operations staff, assets, liabilities of the Bureau were transferred to the Ombudsman on a going concern basis, these financial statements have been prepared on a going concern basis.

The financial statements recognise:

- all income and expenditure up to the date of dissolution
- all assets and liabilities at the date of dissolution which are set out in the Statement of Financial Position and which transferred to the Financial Services and Pensions Ombudsman on dissolution.

It should be noted that as outlined in Note 10, the financial statements do not recognise the retirement benefit liability in relation to the pension scheme for the staff and for the Ombudsman. While the schemes were approved in 2016, discussions are ongoing with the Department of Finance in relation to future funding arrangements. Pending finalisation of these discussions the related liability is disclosed only by way of a note to the financial statements.

The following is a summary of the assets and liabilities that transferred to the Financial Services and Pensions Ombudsman.

	2016 €
Fixed assets	718,167
Cash at bank	7,665,491
Receivables	30,914
Current liabilities	(5,924,765)
Provision for legal services	(724,245)
Retirement benefit liabilities	(317,000)
Deferred pension funding	317,000

<b>Value of assets transferred to Financial Services and Pensions Ombudsman</b>	<b>1,765,562</b>
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#### 1b Statement of Compliance

The financial statements of the Financial Services Ombudsman's Bureau for the year ended 31 December 2017 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 levied on 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 operated 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 were members of the Financial Services Ombudsman Bureau Staff Superannuation Scheme and the Financial Services Ombudsman was a member of the Financial Services Ombudsman Bureau Ombudsman & Deputy Ombudsman Superannuation Scheme. Both of these superannuation schemes were 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 was 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 with the Department of Finance were continuing at the end of 2017 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 comprises 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 10).

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

Employees appointed on/after 1 January 2013 were 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 was 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 were calculated as a multiple of the employee contribution and were 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.

Since the dissolution of the Financial Services Ombudsman's Bureau, the employee and employer superannuation contributions to date, including years 2013 – 2017 inclusive, were paid over to the Department of Finance, per Section 16(6) of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.

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 were two staff members who were members of a defined contribution private pension scheme. The Bureau made employer superannuation contributions in respect of this scheme. These amounts were charged to the Statement of Income and Expenditure and Retained Revenue Reserves as they fell due (see note 4c). Once employer contributions were paid over, the Bureau had 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 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 Statement of Financial Position 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 Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have 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.

**Retirement Benefits**

In respect of both of the aforementioned retirement benefit schemes, the Financial Services Ombudsman's 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. Until such time that the liability is transferred to the State, the Bureau recognised this liability in its Statement of Financial Position (see note 10).

## 2. Income Receivable

### Income Levy

Section 57 BD of the Central Bank Act 1942 (Financial Services Ombudsman Council) Levies and Fees (Amendment) Regulations 2015 (S.I. No. 42 of 2015) provides for the payment of an income levy by financial service providers to the Bureau on terms determined by the Financial Services Ombudsman's Council. The Central Bank Act 1942 (Financial Services Ombudsman Council) Regulations, 2015 set the actual rate for the year ending 31 December 2017.

### 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 10).

Income for the period is as follows:

	2017	2016
	€	€
<b>Levy Income</b>		
Insurance Firms	2,456,470	2,425,118
Banks	976,427	969,830
Credit Unions	425,521	422,224
Intermediaries	418,217	401,740
Stockbrokers	120,834	108,640
All other categories	27,827	26,590
<b>Total</b>	<b>4,425,296</b>	<b>4,354,142</b>

	2017	2016
	€	€
<b>Other Income</b>		
Bank Interest	232	986
	<b>232</b>	<b>986</b>

## 3. Capital Account

	2017	2016
	€	€
Opening Balance	319,226	330,612
Funds allocated to acquire fixed assets	633,648	110,136
Amortisation in line with depreciation	<u>(234,707)</u>	<u>(121,522)</u>
Transfer from/(to) statement of Income and expenditure account	398,941	(11,386)
Balance at 31 December	<b>718,167</b>	<b>319,226</b>

#### 4. Administration Costs

	Note	2017 €	2016 €
Salaries and Staff Costs	4a	2,250,299	2,016,656
Contractors		594,963	364,081
Legal Fees	4c	495,771	(32,464)
Retirement Benefit Costs	4d	385,831	333,363
Rent		283,723	267,188
Other Administration Costs		149,804	124,347
Membership Fees & Subs & Communication		87,652	69,766
Council Remuneration		82,799	116,751
External Mediators		80,163	65,801
Bad Debts		52,761	22,497
Accounting fees		49,077	-
Staff Training		45,780	65,148
Maintenance		45,026	11,484
Information Activities		42,289	33,934
External Support		40,175	-
Stationery Costs		36,925	29,675
Insurance		34,515	32,367
Cleaning		24,237	18,584
Council Legal & Consultancy		21,254	-
Recruitment		19,889	18,037
Conference and Travel		15,456	12,144
Other Staff Related Costs	4f	14,207	15,041
External Audit		14,000	14,000
Oral Hearing		10,148	31,655
Internal Audit		4,611	11,772
Council Expenses		3,078	6,251
External Case Handlers		2,460	175,356
		<b>4,886,893</b>	<b>3,823,434</b>

#### 4a Salaries and Staff Costs

	2017	2016
	€	€
Salary	2,045,524	1,847,412
Employer PRSI Costs	204,775	169,244
	<u>2,250,299</u>	<u>2,016,656</u>

#### Staff Numbers

The number of persons employed as at 31 December 2017 was 47 (33 in 2016).

#### Pension Related Deductions

€91,303 (2016: €85,556) pension levy has been deducted from staff members.

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

	2017	2016
	€	€
<b>Ombudsman commenced 20-04-15</b>		
Salary	145,850	143,640
Pension Contributions	36,462	35,910
	<u>182,312</u>	<u>179,550</u>

	2017	2016
	€	€
<b>Deputy Ombudsman commenced 22-01-16</b>		
Salary	109,032	97,193
Pension Contributions	24,279	20,733
	<u>133,311</u>	<u>117,926</u>

#### The key management personnel comprises

- Ger Deering, Financial Services Ombudsman
- Elaine Cassidy, Deputy Financial Services Ombudsman
- Diarmuid Byrne, Director of the Dispute Resolution Service
- MaryRose McGovern, Director of Adjudication and Legal Services
- Tara McDermott, Director of Information and Investigation Services

The total remuneration paid to key management personnel was €612,262.

#### Additional Payments

The above salary payments represent the total remuneration received by the Ombudsman and Deputy Ombudsman, no other payments were received by them. The Ombudsman is a member of the Superannuation Scheme. See note 10. As the current Deputy Ombudsman is on secondment from the Department of Business, Enterprise & Innovation, she remains a member of her parent Department's Superannuation Scheme.

#### Termination Payments

There were no termination payments in the year.

#### 4c Legal Fees

Legal Costs recovered included in legal fees were €64,408 (2016: €20,500).

#### 4d Retirement Benefit Costs

As outlined in accounting policy 1(h) the Bureau does not recognise the retirement benefit liability in respect of the defined benefit schemes for staff and for the Ombudsman. The table below sets out the liability in relation to the necessary costs associated with funding the pension schemes:

	2017	2016
	€	€
Employer Contribution Staff Superannuation Scheme	360,174	303,168
Employer Contribution Costs Single Scheme	-	-
Pension Costs Other	21,432	3,855
Staff Pension Costs Defined Contribution Scheme	12,807	12,835
Pension (Income)/cost from seconded staff	(8,582)	13,505
	<b>385,831</b>	<b>333,363</b>

#### 4e Other Administration Costs include

	2017	2016
	€	€
Service Charge	65,336	65,337
Storage Charges	29,128	22,571
IT Purchases	45,972	29,921
Courier	693	1,071
Bank Charges	8,675	1,074
Miscellaneous	-	4,373
	<b>149,804</b>	<b>124,347</b>

#### 4f Other Staff Related Costs

The related expense of providing canteen supplies (€7,285) and staff welfare (€6,922) 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 2017	464,846	241,100	650,569	1,356,515
Additions during period	34,968	20,800	577,880	633,648
Disposals during period	-	-	-	-
At 31 December 2017	<u>499,814</u>	<u>261,900</u>	<u>1,228,449</u>	<u>1,990,163</u>
<b>Accumulated Depreciation</b>				
At 1 January 2017	419,661	221,488	396,140	1,037,289
Charge for period	41,731	12,196	180,780	234,707
Disposals during period	-	-	-	-
At 31 December 2017	<u>461,392</u>	<u>233,684</u>	<u>576,920</u>	<u>1,271,996</u>
<b>Net Book Value</b>				
At 31 December 2017	<u>38,422</u>	<u>28,216</u>	<u>651,529</u>	<u>718,167</u>
At 31 December 2016	<u>45,185</u>	<u>19,612</u>	<u>254,429</u>	<u>319,226</u>

Leasehold improvements were carried out to facilitate, inter alia, the amalgamation with the Pensions Ombudsman's Office.

## 6. Cash at bank

	2017	2016
	€	€
Cash and cash equivalents	401,423	342,950
Bank deposit accounts	7,264,068	7,490,503
	<u>7,665,491</u>	<u>7,833,453</u>

## 7. Prepayments and Accrued Income

	2017	2016
	€	€
Receivables	104,172	110,867
Prepayments	10,353	19,588
Bad Debt Provision	(83,611)	(30,851)
	<u>30,914</u>	<u>99,604</u>

## 8. Current Liabilities

	2017	2016
	€	€
Payables	667,646	395,638
Pension contributions (note 10)	5,257,119	4,844,500
	<u>5,924,765</u>	<u>5,240,138</u>

## 9. Provision for Legal Services

	2017	2016
	€	€
Opening Provision	467,141	951,289
Additional provision during period (see note 12)	374,634	165,728
Paid during period	(119,037)	(432,153)
Adjustment to opening provision	1,507	(217,723)
<b>Closing Provision</b>	<b>724,245</b>	<b>467,141</b>

## 10. 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. In 2018 the Financial Services and Pensions Ombudsman made a formal request to the Department of Finance to consider a transfer of liabilities for both Schemes. The Department responded with requests for further information which the FSPO provided. Discussions with the Department of Finance are continuing 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 €360,174 in 2017 (2016:€303,168).

The pension liability for these two schemes at 31 December 2017 is €7,527,000 (2016: €8,892,000). The pension liability for these schemes 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-17	31-Dec-16
Discount rate	2.1%	2.0%
Rate of increase in salaries	3.3%	3.3%
Rate of increase in pension	2.8%	2.8%
Inflation	1.8%	1.8%

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 2017 was €5,257,119 (2016: €4,844,500), which is recorded as a current liability (see note 8).

### Creditor Pension Account

Pending a decision by the Department of Finance in relation to funding arrangements as outlined above, amounts being held for payment to the Department of Finance are analysed as follows:

	2017	2016
	€	€
Opening Balance	4,844,500	4,525,664
Employee Contributions	120,845	105,368
Employer Contributions	443,544	365,578
Bank Interest (Pension Account)	293	108
Less: pensions paid	(152,063)	(152,218)
	<b>5,257,119</b>	<b>4,844,500</b>

### 10a 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.

#### Single Pension Scheme

	2017	2016
	€	€
Total Employer Contributions	83,370	62,411
Current Service Costs*	140,000	30,000
Interest Costs	6,000	3,000
Adjustments to Deferred Exchequer Pension Funding	(146,000)	(33,000)
Total charged to Statement of Income & Expenditure & Retained Revenue Reserves	<b>83,370</b>	<b>62,411</b>

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

The Minister for Public Expenditure and Reform, based on actuarial considerations and pursuant to section 16 (4) of the Public Service Pension (Single Scheme and Other Provisions) Act 2012 has decided that:

- an employer contribution is to be paid in respect of certain members of the Single Public Sector Pension scheme and
- the rate of that Employer contribution is equal to three times the employee contribution paid by the single scheme member.

Employer contributions must be paid by public service bodies who are “wholly or mainly from sources other than directly or indirectly out of the Central Fund”.

As a self-financing public body, the sum of €140,000 represents the FSOB’s liability for employer contributions to the Single Public Service Pensions scheme. The amount due has not yet been paid over to DPER and is included in payables (Note 8).

**10b Movement in net retirement benefit obligations (SPSPS) during the financial year**

	2017	2016
	€	€
Net Pension Liability at 1 January	155,000	96,000
Current Service Costs	140,000	30,000
Interest Costs	6,000	3,000
Experience losses/(gains) on scheme liabilities	27,000	(2,000)
Changes in assumptions	(11,000)	28,000
Total charged to Statement of Income & Expenditure & Retained Revenue Reserves	<b>317,000</b>	<b>155,000</b>

**10c 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.

**10d Defined benefit obligations (SPSPS)**

	2017	2016
	€	€
Defined benefit obligations	317,000	155,000
	<b>317,000</b>	<b>155,000</b>

**11. Financial Commitments**

There are no capital commitments for capital expenditure at 31 December 2017.

**12. 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 2017 (see Note 9). 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 2017. 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, at year end 2017, there were 7 High Court appeals on hand, together with 1 matter before the Court of Appeal, and 1 remaining costs issue before the Supreme Court. A provision totalling €724,245 has been provided for at year-end, to allow for the estimated outlay of the said legal actions.

**13. Council Members – disclosure of interests**

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.

## 14. Lease Commitment

	2017	2016
	€	€
Payable within one year	333,940	272,364
Payable within two to five years	1,335,760	1,089,456
Payable after five years	1,085,305	1,361,820
Experience losses/(gains) on scheme liabilities	<u>2,755,005</u>	<u>2,723,640</u>

### Accommodation

The Bureau operate 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 20 year lease (commenced 2006). 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.

## 15. Council Remuneration

		2017	2016
		€	€
Maeve Dineen	Chairperson (appointed 09-01-17)	20,769	
Dermott Jewell (note 15a)	Council Member (re-appointed 09-01-17)	12,115	18,084
Elizabeth Walsh	Council Member (re-appointed 09-01-17)	12,115	10,548
Ken Murnaghan	Council Member (appointed 20-01-16)	12,600	11,793
Deborah Reidy	Council Member (appointed 20-01-16)	12,600	11,793
Valerie Bowens	Council Member (appointed 20-01-16)	12,600	11,793
Don Gallagher	Council Member (appointed 09-01-2017)	-	-
Anthony Kerr	Council Member (retired 28-10-2016)	-	10,548
Caitríona Ní Charra	Council Member (retired 28-10-2016)	-	10,548
Frank Wynn	Council Member (retired 28-10-2016)	-	10,548
Michael Connolly	Council Member (retired 28-10-2016)	-	10,548
Paddy Leydon	Council Member (retired 28-10-2016)	-	10,548
		<u>82,799</u>	<u>116,751</u>

### 15a Council Chairperson

Dermott Jewell previously held the position of Chairman of the Council up until the appointment of Maeve Dineen on 9 January 2017.

### 15b Council Chairperson

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

	2017	2016
	€	€
Travel Expenses	1,330	4,790
Meeting Expenses	1,494	1,461
	<u>2,824</u>	<u>6,251</u>

## 16. Related Party Transactions

No related party transactions were noted during the year under review.

## 17. Subsequent events (Merger with the Pensions Ombudsman).

In 2013 work commenced to amalgamate the Bureau with the Pensions Ombudsman. The implementation of the amalgamation required primary legislation. The merger completed on 01 January 2018. 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.

## 18. Approval of Financial Statements

The Financial Statements were approved by the Financial Services Pension Ombudsman on 20 November 2018.