



The APPG: Building a framework for compensation and redress

With this report the All Party Parliamentary Group for Fair Business Banking presents findings from research conducted for its inquiry into compensation schemes, as well a series of recommendations to build a redress framework that is more consistent and delivers fairer outcomes.

In his foreword, Hausfeld Partner, Ned Beale highlights:

"Compensation and redress schemes are vehicles deployed to remedy the most sensitive problems in financial services. They must bear heavy loads. These include delivering justice for large groups of consumers and resolving complex legal claims without court proceedings.

Schemes have been established in response to some of the UK's most notorious banking sector scandals, including the HBOS Reading fraud, the collapse of London Capital & Finance, interest rate swap mis-selling and RBS' Global Restructuring Group's activities. Outside core financial services, the Horizon Shortfall Compensation Scheme for sub-postmasters and the BSPS scheme for steelworkers are two well-known examples.

Yet, to date, there has been no roadmap providing guidance on when and how a scheme should be established. Their bases are varied: some established by government or the Financial Conduct Authority, others by financial institutions; some pursuant to legislation, others on a voluntary basis. Whilst they draw their features from a variety of

sources, including statutory inquiries and standing compensation and ADR schemes (notably the Financial Services Compensation Scheme and the Financial Ombudsman Service) each has its own unique rules.

However, all share a common root feature, namely an issue sufficiently grave to warrant a scheme being established. It is implicit from this that schemes must be designed to the highest standards and be capable of delivering redress fairly and efficiently. Regrettably, however, that has not been the case with many recent schemes.

The APPG on Fair Business Banking has a rich history of casting a spotlight on the most acute problems faced by banking consumers, including many of the scandals that have given rise to the schemes examined in this report. It is therefore entirely natural that the APPG would also shine a light on the schemes themselves. That is particularly so because, as explained in this report, many of the schemes of the past two decades have themselves suffered from serious problems which have hindered them from delivering the justice that consumers deserved.

Those problems are perhaps not surprising given schemes are established on an ad hoc basis, outside the usual court and ADR structures. Moreover, they are often established by the institutions within which the problems which need to be rectified arose in the first place. That creates an inherent risk of conflict of interest.

This report is the UK's first systematic review of redress and compensation schemes, and the first guide to best practice when schemes are designed and implemented. We should aspire to a world where the requirement for redress schemes does not arise in the first place. Indeed, the report proposes a financial service tribunal as a step towards that goal. However, given that destination is still some way distant, this report is essential reading for anyone involved in financial services redress schemes or the issues that give rise to them."

[The Redress Report in full](#)

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