OFFICE FOR LEGAL COMPLAINTS & LEGAL OMBUDSMAN

BUDGET ACCEPTANCE CRITERIA 2026/27

MARCH 2026

Contents

Introduction and executive summary

LeO continues to increase its operational output, and will raise the bar in 2026/27

Over the first two years of its current strategy period, LeO has continued to improve its operational performance – increasing complaint resolutions from 7,918 in 2023/24 to a projected 8,640 in 2025/26 (+9.1%) – as it aimed to manage rising demand for its help while reducing historic backlogs.

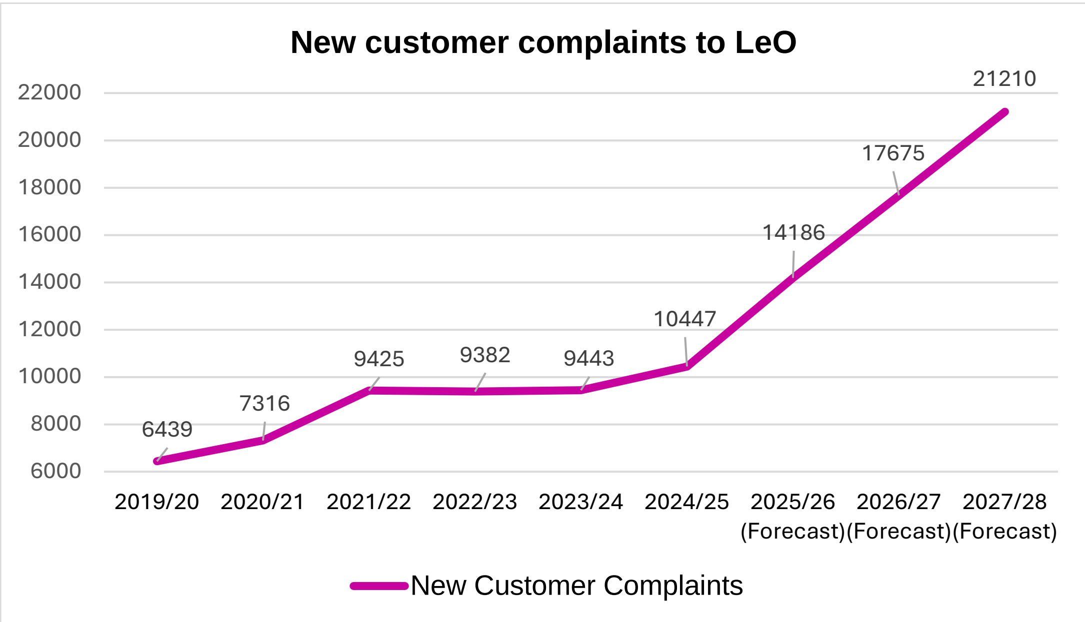
In 2026/27, the final year of the OLC's 2024-27 Strategy, LeO will increase case resolutions again – to more than 12,000 complaints. This will represent an increase of more than 90% on pre-Covid levels.

The increase in resolutions is underpinned by LeO's process improvements and digital investments. These have significantly increased operational productivity: LeO's cost-per-case is projected to fall by between 21% and 22% in 2026/27 compared to 2025/26.

Unprecedented numbers of consumers are seeking LeO's help

Set against this, LeO is experiencing sustained and accelerating demand for its help. The demand picture has changed even since LeO published its budget and business plan consultation in November 2025.

In 2025/26, demand has increased by 29.8% year-on-year, exceeding LeO's worst-case projections. Our latest forecast is that LeO will receive 17,675 new customer complaints in 2026/27. This represents an increase of 174% compared to 2019/20.



The latest increases in complaints reaching LeO from the legal sector are so significant, and so rapid, that they outstrip the jump in LeO's own operational output. If sustained, they stretch beyond what LeO's current operating model can accommodate. LeO's operational performance continues to improve – it is the increase in sector-driven demand that makes its operating model unsustainable in the longer term.

Tackling demand at source

LeO is leaning into this challenge, and will be a proactive and positive partner to those service providers seeking to improve their complaint handling and their service.

In 2026/27, LeO will: roll out its model complaints resolution procedure, publish more insight, data and decisions, and continue to deliver targeted learning and support to service providers. In addition to our programme of quarterly Public Interest Decisions, we will revise our decision writing process to make it easier to ultimately publish all ombudsman decisions.

But the sector, and its regulators, must also play their part. Increasing consumer demand reflects service issues and ongoing failures in tier 1 complaints handling. LeO will continue to work collaboratively with regulators and the profession, but the challenge requires a strategic sector and regulator-led response. We look forward to working with the LSB on this.

Transforming the LeO Scheme

In parallel with these collaborative efforts to stem the volume of complaints being escalated, LeO must itself change and transform. It will adopt a three-pillar approach:

- Pillar 1: LeO will continue to do everything it can to improve the efficiency of its operations – for example delivering its 'lean' programme and pursuing further automation.

- Pillar 2: LeO will explore immediate changes it can make to mechanisms that might help to reduce demand – for example changing case fee tariffs, reviewing its Scheme Rules and publishing more ombudsman decisions.

- Pillar 3: in 2026/27 LeO proposes to undertake a comprehensive and externally-led Scheme Transformation Review (STR) to deliver longer-term transformation and a service that has the agility to deal with its new demand environment.

LeO will pursue the first two pillars of transformation irrespective of its final 2026/27 budget. The third pillar – the comprehensive, externally-led STR – is dependent on securing specific additional funding for this work.

LeO estimates the cost of the discovery and design phase of the STR at £900,000 (excluding the cost of internal support, which will be met from the 2026/27 operating budget). The STR funding is requested separately from, and would be additional to, the 2026/27 budget proposal. A full business case supporting the request accompanies this Budget Acceptance Criteria (BAC).

Vision for LeO 2030

The business case sets out an ambitious vision for LeO's transformation:

"The independent Legal Ombudsman will underpin consumer confidence in legal services. As a trusted and influential partner to the regulated legal sector, it strengthens the profession by advancing high-quality complaint resolution and sharing insight-led learning.

"At the heart of a digitally enabled, agile and innovative organisation, our people will continue to deliver fair, impartial, proportionate and evidence-based outcomes."

Realising this ambition will require LeO to become an organisation that:

- embeds AI, automation and digital tools across its operations

- uses data and insight to support consumers and influence sector wide service standards-wide service standards
- supports the legal sector to deliver effective, right-first-time complaint handling
- identifies emerging risks across the legal ecosystem
- delivers proportionate, evidence-based decisions-based decisions
- operates with agility to respond to changing demand and expectations

2026/27 Budget

Budget proposal

The OLC's proposed budget for LeO in 2026/27 is £22,230,382. This represents an 11.1% increase on LeO's 2025/26 budget and is consistent with the option recommended in the OLC's November 2025 budget consultation.

At a time of high and accelerating demand for its help, the OLC's budget proposal will enable LeO to deliver 12,000 complaint resolutions next year – approximately 3,500 more than is projected for 2025/26.

Even with an 11.1% budget increase, however, there will continue to be acute pressure on LeO and the service it can provide for its customers. The significant rise in complaint volumes mean that LeO's backlog and customer wait times can be expected to increase in 2026/27.

But the recommended budget would provide an essential measure of stability through a period of major organisational change. Critically, it will enable LeO to resolve 1,157 more in-depth investigations by the end of 2027/28 (the complaints that drive LeO's unallocated investigations backlog) than the alternative approach outlined below. This will better position LeO to absorb demand, to limit the growth of unallocated investigations, and to transform its service for the future.

With this funding in 2026/27, LeO would expect (on the basis of its latest demand forecasts) to seek an inflation-only budget in 2027/28 – plus the necessary transformation budget to deliver its new operating model. Both the OLC's budget proposal, and the alternative approach outlined below, exclude the separate cost of the STR.

Alternative budget approach

In making its budget proposal, the OLC has reflected on the feedback to its budget consultation and carefully scrutinised the available options. Its proposal reflects the OLC's considered view of the budget LeO needs in 2026/27 to deliver its essential public service in the context of the risks and challenges the organisation faces.

Equally, the OLC appreciates and acknowledges the challenging wider UK economic environment and the associated pressures on public body funding. For information and comparison, it therefore includes within the Budget Acceptance Criteria the details of an alternative, lower, budget of £21,309,262 – representing a 6.5% increase on LeO's 2025/26 budget.

This alternative budget is based on the 'minimum operating budget' option included in the OLC's November budget consultation, plus an uplift for a targeted investment in LeO's digital infrastructure. The OLC hopes the inclusion of the details of this alternative budget aids comparison and contextualises its 11.1% proposal.

However, it is important to be clear that the OLC does not believe that the 6.5% approach would be sufficient to meet LeO's operational or strategic needs for 2026/27. The impact would be compounded into 2027/28 with LeO unable to recruit the investigator capacity to deal with demand. Proceeding at this level of funding would entail significant risks: it would exacerbate backlogs, extend customer journey times, and restrict capacity during a critical period of transformation.

Under this alternative approach, LeO would also likely need to return with a similarly-sized budget request for 2027/28 to continue to partially mitigate rising demand and deliver ongoing improvements. Importantly, two successive years at this lower funding level would deliver substantially fewer resolutions than the OLC's budget proposal. This is because there would be no increase in investigator numbers in 2026/27 (and only a small increase in 2027/28), coupled with the 'curve to competency' effect: it takes approximately 9 months for new investigators to become fully productive. Spreading investment over a longer period means fewer investigators working at full productivity, and fewer resolved complaints.

High-level comparison

In the OLC's view, its budget proposal of an 11.1% increase best achieves the compromise required to provide a platform to explore substantive change to the scheme, to resource LeO adequately in the meantime to contain rising demand and customer journey times as much as possible, and to minimise the cost to the sector.

The key differences between the OLC's budget proposal and the alternative approach of a 6.5% increase are set out in detail in this paper and accompanying annexes. A high-level comparison is also provided in the table below.

	OLC budget proposal for LeO	**Alternative budget approach**
Percentage increase on 2025/26 budget	11.1%	6.5%
Total expenditure in 2026/27	22,230,382	21,309,262
FTE employees in 2026/27	336.3	315.1
Increase in operational FTE on 2025/26 budget	25.1	3.9
Complaints resolved in 2026/27*	12,165 - 11,341	11,862 - 11,047
Complaints resolved in 2027/28**	12,914 - 11,896	12,060 - 11,087
Total additional in-depth investigations resolutions by end 2027/28 under OLC's budget proposal (11.1%) vs alternative budget approach (6.5%)	1,157	
Cost per case resolved compared to 2025/26	-21%	-22%
Complaints waiting for investigation in 2026/27	4,348 - 6,150	4,939 - 6,732
Complaints waiting for investigation in 2027/28***	6,253 - 9,873	7,602 - 11,168
Customer wait times (at end 2027/28)	c. 300 to 350 days	c. 330 to 390 days
Implications for likely budget ask in 2027/28 as LeO undertakes transformation of its scheme	Inflation only – plus transformation budget to deliver new operating model	Similar to 2026/27 – plus transformation budget to deliver new operating model

** The ranges presented in these tables give the 'likely' scenario number first, and the 'worst-case' scenario number second. The ranges also assume no delays in LeO's budget approval, which negatively impacted recruitment, transformation projects and operational delivery in 2025/26.*

*** 2027/28 trajectories have assumed an inflationary budget level, limiting organisational capacity to staffing volumes similar to 2026/27.*

**** Unallocated investigations volumes in 2027/28 are on current assumptions, these are likely to change after Scheme Transformation Review, and should be approached recognising that element of uncertainty.*

Criterion 1: Distribution of resources

1. In accordance with Schedule 15 s23(3) of the Act, an indication of the amount and distribution of resources deployed in the operation of the ombudsman scheme and the amounts of income OLC expect to arise from the operation of the scheme. This should include a clear and plausible breakdown, explanation and justification of:

1(a) Estimated staff costs and full-time equivalent numbers for 2026/27 broken down by function. This should outline the assumptions made for vacancies and for the pay award to staff in 2026/27.

OLC budget proposal: Draft 2026/27 budget for staff costs and FTE numbers for 2026/27, by function				
Salary Expenditure	**2025/26**	**2026/27**	**2025/26 FTE**	**2026/27 FTE**
Corporate	**3,985,173**	**4,150,472**	**60**	**60.2**
Business Intelligence	310,728	328,080	4.8	4.9
Corporate (Executive Team)	990,336	976,844	7.8	7.7
Exec & Board Support Team	154,872	158,004	3	3
Communications, Engagement and Impact	567,862	578,412	9.8	9.6
Facilities	45,816	47,088	1	1
Finance	314,196	327,888	6	6
Human Resources	556,762	592,764	10	10
IT	503,773	561,480	9	9
Legal	212,208	243,948	3.6	4
Programme Management & Assurance	322,903	335,964	5	5
Operations	**12,140,780**	**13,956,367**	**251**	**276.1**
General Enquiries Team	1,184,472	1,437,635	34.2	39.2
Early Resolutions Team	666,636	863,760	13.6	17.3
Operations Management	322,903	388,098	4	4
Ombudsman	2,513,124	2,545,836	38.4	35.7
Investigations	6,834,925	8,115,770	149.8	171.1
Service Improvement and Quality	618,720	605,268	11.04	8.8
Other	**177,048**	**194,556**		
Staff Awards	138,036	151,692		
Apprentice Levy	39,012	42,864		
Total Salaries Expenditure	**16,303,001**	**18,301,395**	**311**	**336.3**

Alternative budget approach: Draft 2026/27 budget for staff costs and FTE numbers for 2026/27, by function				
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Facilities	45,816	47,088	1	1
Finance	314,196	327,888	6	6
Human Resources	556,762	592,764	10	10
IT	503,773	561,480	9	9
Legal	212,208	243,951	3.6	4
Programme Management & Assurance	322,903	325,392	5	5
Operations	**12,140,780**	**12,906,271**	**251**	**254.9**
General Enquiries Team	1,184,472	1,391,692	34.2	38.4
Early Resolutions Team	666,636	862.812	13.6	17.3
Operations Management	322,903	358,491	4	4
Ombudsman	2,513,124	2,419,948	38.4	35.7
Investigations	6,834,925	7,268,060	149.8	150.7
Service Improvement and Quality	618,720	605,268	11.04	8.8
Other	**177,048**	**194,556**		
Staff Awards	138,036	151,692		
Apprentice Levy	39,012	42,864		
Total Salaries Expenditure	**16,303,001**	**17,240,730**	**311**	**315.1**

The 2026/27 budget proposal incorporates a projected pay award of 3.25%, informed by consultations with other arms-length bodies and the Ministry of Justice. This accounts for 30% of the total increase in staff costs in the OLC's budget proposal. The remaining increase comprises 66% for additional operational delivery staff and 4% for progression from entry-level to substantive grades as staff become more productive and proficient in their roles. The corresponding percentages for the alternative budget approach are 56%, 41% and 3%.

Vacancy assumptions for investigator roles have been factored in, based on an average monthly attrition rate of 2.37 FTE, with a range between 1.7 and 3.7 FTE leavers per month. For the OLC's budget proposal, this results in a reduction in required investment of an estimated annual salary cost of £225,531 across the year. On the corporate side, one post has a confirmed delayed start date, generating an initial reduction in investment required of £25,914.

1(b) Estimated split of expenditure between:

(i) Handling complaints about legal services
(ii) Policy and impact work, in particular to analyse and feed back to the sector learnings from handling complaints
(iii) Anything else not covered by (i) and (ii)

OLC budget proposal: Estimated split of total expenditure in 2026/27		
	% of expenditure	**£**
(i) Direct costs of handling complaints about legal services	67%	14,840,132
(ii) Direct costs of policy & impact work (learning and insight)	2%	413,503
(iii) Balance of all other indirect costs*	31%	6,976,747
Total	**100%**	**22,230,382**

** The breakdown of the balance of all other indirect costs has been provided in Annex D.*

Alternative budget approach: Estimated split of total expenditure in 2026/27		
	% of expenditure	**£**
(i) Direct costs of handling complaints about legal services	65%	13,782,004
(ii) Direct costs of policy & impact work (learning and insight)	2%	413,503
(iii) Balance of all other indirect costs*	33%	7,113,755
Total	**100%**	**21,309,262**

* *The breakdown of the balance of all other indirect costs has been provided in Annex D.*

1(c) A robust business case that clearly demonstrates the linkages between any additional resources sought to the expected benefits across operational performance (including staff morale), policy and impact, and other relevant activities, referencing relevant criteria below as required.

LeO's Budget and Transformation context

Demand for LeO's services is rising sharply. Complaints are projected to nearly triple compared to 2019/20 (+174%), with 2025/26 already seeing a record 29.8% year-on-year increase, surpassing worst-case forecasts. LeO is not alone in the accelerating demand for its service in the legal sector, with similar increases in demand at the SRA requiring a 23% budget uplift to manage comparable demand. These increases are a key indicator that the rate in which things are going wrong for consumers across legal services is accelerating and LeO will need to adapt to this new reality.

The OLC originally consulted on four options for LeO's 2026/27 budget. These options were developed with the need to radically transform the LeO scheme in mind. Although LeO's operating model has improved over the past three years, and managed growing demand and backlogs, it is no longer suitable for the scale of dissatisfied consumers now coming from the sector. This challenge is happening in an economic climate where budgets are tight, efficiency is essential, and technology developing at pace.

A three-pillared approach to delivering impactful change and transformation

In the first two years of LeO's current strategy, the organisation aimed to manage steady increases in demand while reducing historic backlogs.

As Section 2(c) shows, however, demand for LeO's services is rising rapidly. It is rising much faster than the current operating model can handle without a very significant investment in additional people resource (which might not represent value for money). As a result of the increasing demand, at LeO's existing level of staffing the number of unallocated investigations will grow, and customers will face longer waiting times. These represent poor outcomes for those relying on LeO's service.

LeO will adopt a three-pillared approach to addressing this challenge.

Pillar 1: Continuous improvement

The central focus of the OLC's business planning for 2026/27 and beyond is to equip LeO to address the increasing demand for its help from those who need it, whilst offering value for money and an efficient service to those that fund it.

The first pillar of this approach is to ensure LeO continues to do everything it can to improve the efficiency of its own operations – for example delivering its 'lean' programme and pursuing further automation.

This is in line with the significant improvements LeO has already made to its service and operations in recent years, as outlined in the table below.

Area of Improvement	What Has Been Done	Benefits Delivered
Infrastructure modernisation	Migration from on-premise systems to cloud services	Strengthened security, improved data access, cleaner structured data, foundation for AI adoption
New corporate systems	Implemented new Risk, Finance, Communications, and Quality systems	Enhanced analysis and reporting capabilities. Time savings across levels, improved strategic focus, supports recovery
Website enhancements	Modernised website	Reduced new complaints by >1,500; contributed to demand stability pre Q3 2024/25
Scheme Rule changes	Adjusted Scheme Rules	Mitigated rising demand; maintained stability
Process automation (RPA/API)	Automated data input & semi-automated triage	30+ minutes saved per case; better front-end insight; 6% budget drop in General Enquiries Team, despite 50% demand rise
Improved data warehousing	Streamlined data warehouse	Faster, more accurate reporting; clearer visibility; quicker external reporting
Enhanced EDI data capture	Increased EDI data capture from <4% to >90%	Better understanding of customer base; supports targeted service improvements, with a 90%+ capture rate
Generative AI for service complaints	AI drafting for complaints decisions	50% reduction in drafting time; clearer consumer outputs
Copilot adoption across corporate functions	Copilot used for drafting, planning, summarising, analysis	Improved quality, consistency, time savings
AI-ready data work	Increasing structure and consistency in organisational data	Foundation for machine-learning-driven automation and decision-making
Future-proofing digital strategy	Committed to ongoing transformation	Supports long-term sustainability and AI-enabled future operations

While LeO expects its output to rise as cases are resolved more quickly and efficiently through early resolution and 'early resolution plus' (Lean Phase 3), these improvements – although significant – are not expected to keep up with the fast-growing demand LeO now faces.

Pillar 2: Reducing demand

In the short to medium term (Q4 2025/26 – Q4 2026/27), LeO intends to make rapid changes in areas it believes have high potential to limit the impact of significantly accelerated demand from consumers being let down by the legal sector.

Whilst the scale of the demand challenge LeO faces requires a more fundamental review of its operating model (Pillar 3), we reiterate the determination to do all that we can, as quickly as we can, to mitigate the rise in complaints as far as possible. Recognising, clearly, that these efforts deal with the symptoms of a problem, not the cause.

The areas LeO has identified as having potential to reduce demand include possible changes to (or the application of) LeO's Scheme Rules, adopting a more firmly 'polluter pays' case fee structure, and utilising AI to facilitate the publication of all ombudsman final decisions. These are set out in detail in Annex E to this BAC.

Each of the options identified presents opportunities to suppress demand, but their impact hinges on the overall appetite for change and risk. To decide which option(s) to pursue, it is critical that they are all comprehensively explored on the understanding that radical change increases risk. Assurance will be required from external legal advice, and thorough but proportionate consultation and engagement with LeO's stakeholders. It is critical that we understand not only the potential benefits of the changes but also the potential adverse implications for consumers, as well as the impact on the organisation's operating model.

Pillar 3: Transformation

In 2026/27 LeO proposes to undertake a comprehensive and externally-led Scheme Transformation Review (STR) to deliver longer-term transformation and a service that has the agility to deal with its new demand environment.

The STR will be undertaken in four phases:

- Research phase (Q1–Q2 2026/2027): clarifying LeO's purpose, benchmarking against best practice, and identifying modernisation opportunities.
- Operating Model Discovery and Design phase (Q3–Q4 2026/2027): externally-led development of a Target Operating Model, detailed roadmap, and the programme management structure needed to deliver change.
- Delivery phase (2027–2029): implementation of redesigned operating model with a focus on systems, structures, skills development, processes, and cultural expectations.
- Embedding and Evaluation phase (2029–2030): evaluating changes against key success measures and stakeholder requirements. Programme management transitions into business as usual.

A full business case for the STR accompanies this BAC. The OLC is requesting the funding for the Operating Model Discovery and Design phase separately from, and additional to, its 2026/27 budget proposal for LeO.

LeO initiated a pre-market engagement exercise in January 2026, requesting costings for a 'discovery', 'design' and 'delivery' approach to organisational transformation. The costs included in the business case are taken from five suppliers through the MoJ's Crown Commercial Framework. The cost of an externally-led Operating Model Discovery and Design phase is estimated at £900,000.

Budget proposal and alternative approach

In this updated BAC, the OLC sets out its budget proposal for LeO in 2026/27, an 11.1% increase on LeO's 2025/26 budget and the recommended option put forward in the OLC's November consultation.

In the OLC's view, this budget proposal best achieves the compromise required to provide a platform to explore substantive change to the scheme, to resource LeO adequately in the meantime to contain rising demand and customer journey times as much as possible, and to minimise the cost to the sector.

For information and comparison, the OLC also includes in the BAC the details of an alternative – lower – budget approach for LeO, comprising a 6.5% increase on its 2025/26 budget. This reflects a level of funding that the LSB has suggested, in our constructive ongoing engagement, that it might find easier to support in the context of the wider political and economic climate.

This alternative approach represents the minimum operating budget outlined in the OLC's consultation, plus an uplift for a targeted investment in LeO's digital infrastructure and capability to progress further innovation using AI and automation. Whilst continued digital transformation is central to driving efficiencies under both budget scenarios, this modest uplift is particularly important under the alternative budget approach. This is because LeO would not be able to use increased operational staffing in the short term to support digital transformation demands.

Rising demand has placed significant pressure on the front end of LeO's process, slowing down cases that could otherwise be closed quickly in Early Resolutions or General Enquiries, as teams struggle to manage the increased volume. LeO intends to further develop the digital innovation already introduced in General Enquiries to unlock greater opportunities for closing approximately 2,500 more cases in Early Resolutions than in 2025/26.

In both budget scenarios, LeO would pursue its three-pillared approach to change and transformation, with the costs of the externally-led STR be additional to both the 11.1% budget proposal and the 6.5% alternative approach.

1(d) Confirmation that the OLC has submitted a medium-term financial plan that reflects these acceptance criteria to the Ministry of Justice, and that wider engagement with the Department has taken place consistent with the tripartite operating protocol.

The medium-term financial plans have been shared with the Ministry of Justice and updates provided at the end of every month in line with agreed reporting deadlines. We will share the final Budget Acceptance Criteria with MoJ Senior Finance Business Partners once finalised.

After the lessons learned in 2025/26, MoJ and LeO's Executive Team now hold monthly meetings to review 2026/27 budget proposals, promoting transparency and the early resolution of concerns.

Criterion 2: Transparent performance

2. Transparency about performance. This should include:

2(a) Analysis of actual performance to date in 2025/26 in an updated full year forecast, with reference to the minimum delivery expectations in the 2024/25 budget application.

LeO has continued its strong underlying performance in resolving complaints. It has made a step-change in annual output, going from historic levels of around 6,500 complaints or fewer per annum to an expected 8,600 this year – an increase of over 35%. This improvement has been on a sustained annual basis and is expected to continue and accelerate as we make further radical changes in 2026/27 and beyond.

It was expected that LeO would achieve over 9,000 resolved cases in 2025/26, and reduce its backlog by almost 500. However, recruitment and transformation project delivery challenges resulting from budget delays have subdued expected outputs. From the point at which recruitment was finally able to be completed following the delayed approval of LeO's budget in September 2025, LeO has delivered outputs at the level it committed to in its 2025/26 business plan. If demand had stayed within forecast ranges, this output would have reduced LeO's backlog. But demand increases have so significantly exceeded even LeO's worst-case scenarios that this has not been possible.

In the first three quarters of 2025/26:

- Sector-driven demand continued to increase at an unsustainable rate, in excess of predicted worst-case scenarios.
- The number of complaints LeO resolved (6,038) went beyond minimum delivery forecasts despite operational headwinds resulting from delayed budget approval.
- At the same time, new customer complaints rose by almost 30%, with more than 2,268 additional complaints in the first three quarters alone compared to the same period in 2024/25, hampering LeO's ability to reduce unallocated investigations volumes.
- Though demand has significantly increased, LeO's continuous improvement has meant wait times have fallen by 22% compared to the same period last year. Whilst this is expected to slow as increases in demand flow through from General Enquiries, the average wait time stood at 257 days at the end of Quarter 3.
- The average time to resolve complaints by early resolution – which represent around half of LeO's resolutions – was 63 days.
- Efficiencies in LeO's process have delivered an increase of over 10% in in-depth investigator productivity when compared to the same period in 2024/25.

	Q1 2025/26	Q2 2025/26	Q3 2025/26	Q4 2025/26 forecast (likely to worst case)	Total year end forecast (likely to worst case)	2024/25 actual (forecast variance)
Complaints resolved	2,026	2,021	1,991	2,602 - 2,529	8,640 - 8,567	8,270 (+4.47%) - (+3.59%)
Complaints awaiting an investigation (end of quarter)	3,250	2,979	2,719	3,005 - 3,218	3,005 - 3,218	3,275 (-8.24%) – (-1.74%)
2025/26 Business Plan - Complaints	3,264 (-0.43%)	2,993 (-0.47%)	2,915 (-6.72%)	2,853 (+5.32%) – (+12.79%)	2,853 (+5.32%) – (12.79%)	3,275 (-14.79%)

awaiting an investigation						

2(b) the forecast performance trajectory for 2026/27 and for a subsequent two-year period mapped against different budget scenarios (analysis by quarter).

At the point of preparing the original four budget options for consultation, modelled against what was then the latest available picture of demand, LeO believed that what the OLC presents here as its budget proposal – an 11.1% budget increase – would have enabled LeO to manage demand in the short term and sustain service levels for both consumers and the sector.

The OLC believed that this option provided the strongest foundation as LeO entered a pivotal year of planning and transformation, giving it a platform for redesigning the scheme whilst addressing unprecedented volumes of complaints and safeguarding against the very real risk of operational decline driven by rising demand.

Since that point, demand has accelerated even further, as outlined earlier in this document. As a result, the 11.1% budget increase would no longer give LeO sufficient funding to make the inroads to its backlog, or reduce customer journey times, as originally expected at the time of consultation.

However, this remains – in the OLC's view – the best funding approach for LeO in 2026/27. This is because of the way it will act to limit the growth of the backlog and customer journey times whilst LeO transforms its service. Without this additional investment, LeO's backlog would grow to an unacceptably high level over the next two years. This would be reputationally damaging, unwind the hard-won gains of recent years, and mean a newly-transformed scheme would start work facing into a significant headwind.

OLC budget proposal

An 11.1% budget increase would see LeO deliver an increase in resolved cases to 12,165 in 2026/27 and 12,914 in 2027/28. The resulting volume of unallocated investigations would be 4,348 and 6,253 respectively.

This budget proposal would also deliver an additional 1,157 complaint resolutions by the end of 2027/28 than the alternative approach outlined below.

With this budget for 2026/27, LeO would expect to be in a position to seek an inflation-only budget in 2027/28.

OLC budget proposal	Q1 2026/27 forecast (likely to worst case)	Q2 2026/27 forecast (likely to worst case)	Q3 2026/27 forecast (likely to worst case)	Q4 2026/27 forecast (likely to worst case)	Total year end forecast (likely to worst case)	2025/26 actual (forecast variance)
Complaints resolved	2,915 – 2,730	3,095 – 2,892	2,937 – 2,736	3,218 – 2,983	12,165 – 11,341	8,640 – 8,568 (+40.80%) - (+32.36%)
Complaints waiting for an investigation (end of quarter)	3,397 – 3,965	3,498 – 4,438	3,776 – 5,112	4,348 – 6,150	4,348 – 6,150	3,005 – 3,218 (+44.69%) - (+91.11%)

OLC budget proposal	Q1 2027/28 forecast (likely to worst case)	Q2 2027/28 forecast (likely to worst case)	Q3 2027/28 forecast (likely to worst case)	Q4 2027/28 forecast (likely to worst case)	Total year end forecast (likely to worst case)	2026/27 actual (forecast variance)
Complaints resolved	3,202 - 2,962	3,268 - 3,016	3,083 - 2,839	3,360 - 3,079	12,914 - 11,896	12,165 - 11,341 (+6.15%) - (+4.89%)
Complaints waiting for an investigation (end of quarter)	4,667 - 6,865	4,987 - 7,617	5,422 - 8,506	6,253 - 9,873	6,253 - 9,873	4,348 – 6,150 (+43.81%) - (+60.53%)

Alternative budget approach

A 6.5% budget increase would see LeO deliver 11,862 complaint resolutions in 2026/27 and 12,060 in 2027/28. The resulting volume of unallocated investigations would be 4,939 and 7,602 respectively.

This budget approach includes an increase of 0.7% on the ‘minimum operating budget’ option outlined in the OLC’s budget and business plan consultation (a 5.8% increase on 2025/26). This 0.7% would be allocated to IT spend, facilitating increases in Early Resolution case resolution volumes by further automating LeO’s front end processes to deal with the fundamental shift in demand.

Under this alternative budget approach for 2026/27, LeO would expect to need to seek an equivalently-sized budget in 2027/28 to stabilise its position as it undertakes its scheme transformation.

Alternative budget approach	Q1 2026/27 forecast (likely to worst case)	Q2 2026/27 forecast (likely to worst case)	Q3 2026/27 forecast (likely to worst case)	Q4 2026/27 forecast (likely to worst case)	Total year end forecast (likely to worst case)	2025/26 actual (forecast variance)
Complaints resolved	2,915 -2,730	3,083 – 2,881	2,852 -2,651	3,011 – 2,785	11,862 – 11,047	8,640 – 8,568 (+37.29%) - (+28.93%)
Complaints waiting for an investigation (end of quarter)	3,397 – 3,965	3,565 – 4,505	4,097 – 5,431	4,939 – 6,732	4,939 – 6,732	3,005 -3,218 (+64.35%) – (+109.19%)

Alternative budget approach	Q1 2027/28 forecast (likely to worst case)	Q2 2027/28 forecast (likely to worst case)	Q3 2027/28 forecast (likely to worst case)	Q4 2027/28 forecast (likely to worst case)	Total year end forecast (likely to worst case)	2026/27 actual (forecast variance)
Complaints resolved	2,973 – 2,744	3,032 – 2,791	2,876 – 2,643	3,179 – 2,908	12,060 – 11,087	11,862 – 11,047 (+1.66%) – (+0.36%)
Complaints waiting for an investigation (end of quarter)	5,488 – 7,665	6,036 – 8,634	6,622 – 9,663	7,602 – 11,168	7,602 – 11,168	4,939 – 6,732 (+53.91%) – (+65.89%)

It is important to acknowledge that, due to the volatility in demand and LeO's commitment to redesigning its scheme, forecasting beyond 2026/27 will require the use of a greater range of upper tolerance levels.

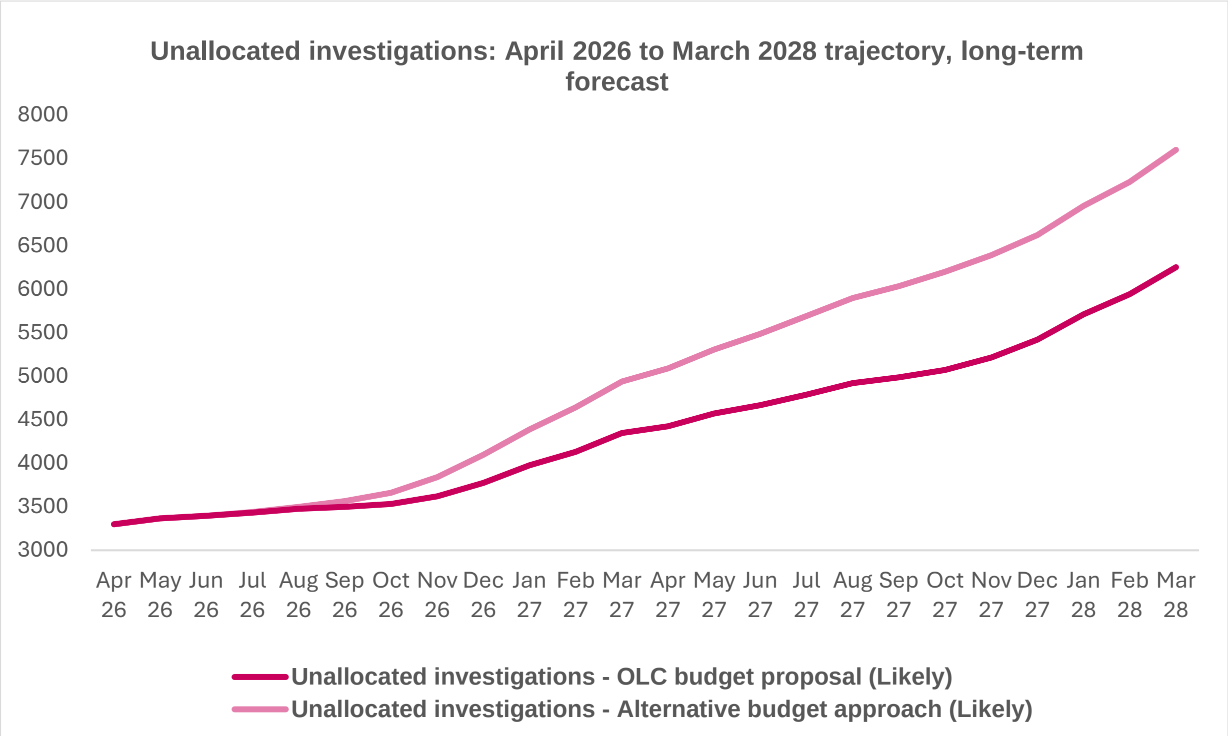
Because demand for LeO's service is rising sharply, this will lead to more unallocated investigations and a poorer service for both consumers and the sector. It is to manage these short- to medium-term challenges more effectively, while simultaneously transforming the LeO scheme, that underpins the OLC's budget proposal.

Customer journey times

LeO still has a large backlog of unallocated cases, and this is likely to grow because demand is increasing. However, although backlog volumes are expected to double by the end of 2027/28, customer journey times are expected to increase at a much slower rate, with LeO predicting an increase from around 260 days to 300-350 days. This is because LeO is now handling cases more efficiently and in much higher volumes.

A backlog of 6,000 cases today is not the same as a backlog of 6,000 cases in 2022 when LeO's backlog peaked, with customers waiting between 12 and 18 months. By the end of 2027/28, customers who need an in-depth investigation can expect to wait between 10-12 months. These in-depth investigations will make up less than half of all case closures in 2026/27 (around 48%). The other 52% of cases will be resolved earlier, within approximately 60 days, through early resolution.

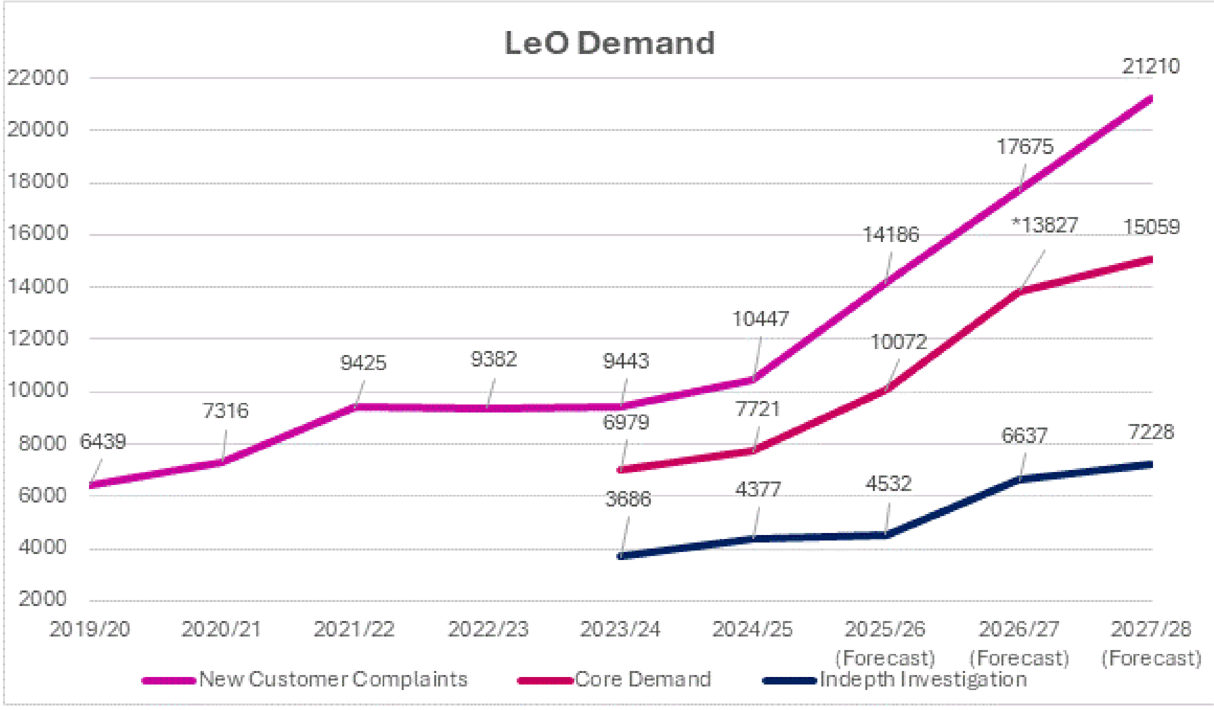
Potential changes to the scheme have yet to be explored, and any future developments will require detailed analysis to produce reliable projections. The figures expressed for 2027/28 are assumed, with elements of short-term changes impacting early resolution volumes, such as proportionality, case fee changes and broader interpretation of existing scheme rules. Alongside redesigning the scheme in 2026/27, LeO would establish a new forecasting model to encapsulate scheme changes.



2(c) An outline of assumptions underpinning the forecast performance trajectory including assumptions which have changed significantly from previous years. This should include an overview of demand forecasting for 2025/26, sensitivity analysis of key assumptions around income prediction, case complexity and other factors. This should include data on:

(i) The number of new cases in the current year to date

Demand for LeO's service is rising at an unprecedented rate – more than doubling since 2019/20, with over 40% of that increase coming in 2025/26 alone.



* Figure of 13,827 includes delayed cases from LeO's General Enquiries Team in 2025/26 resulting from delayed budget approval.

Factors listed in section 2(c)(ii) indicate that demand for LeO's services will continue to rise in an unpredictable way. Significant potential issues, such as high-volume claims from motor finance commissions rulings, have the potential to impact LeO's demand significantly. As a result, LeO has widened its range for in-depth investigations demand predictions to better reflect this new reality, moving the boundaries from 2024/25's 0% – 10% (likely outcome to worst outcome) to approximately 10.5% – 26%.

We continue to have confidence that proactive engagement with the sector – through shared learning, insight, guidance, data, and published decisions, together with initiatives like LeO's Model Complaints Resolution Procedure and Tailored Support – can help improve sector complaint handling and reduce the number of issues escalating to LeO. By preventing or reducing complaints that would otherwise have come to LeO, these activities will help to slow the pace of rising demand for LeO's service. This assumption has been built into our demand forecasts: we anticipate that these activities will reduce the rate of growth by 5% in 2026/27.

2025/26 – year to date	Q1 2025/26	Q2 2025/26	Q3 2025/26	Q4 2025/26 forecast (likely to worst case)	Total year end forecast (likely to worst case)	2024/25 actual (forecast variance)
Contacts	29,329	29,439	28,720	30,000	117,488	117,560 (0.06%)
New Customer Complaints	2,968	3,327	3,629	4,262	14,186	10,447 (+35.8%)
Core Demand	2,107	2,362	2,577	3,026	10,072	8467 (+18.95%)
Complaints waiting for an investigation (end of quarter)	3,250	2,979	2,719	3,005 - 3,218	3,005 - 3,218	3,275 (-8.24%) – (-1.74%)

2026/27	Q1 2026/27 forecast (likely to worst case)	Q2 2026/27 forecast (likely to worst case)	Q3 2026/27 forecast (likely to worst case)	Q4 2026/27 forecast (likely to worst case)	Total year end forecast (likely to worst case)	2025/26 actual (forecast variance)
Contacts	30,000	30,000	30,000	30,000	120,000	117,488 (+2.13%)
New Customer Complaints	3,710	4,159	4,478	5,327	17,675	14,186 (+24.59%)
Core Demand	2,958	3,273	3,499	4,101	13,827	10,072 (+37.28%)
Complaints waiting for an investigation (end of quarter) OLC Budget proposal	3,397 – 3,965	3,498 – 4,438	3,776 – 5,112	4,348 - 6,150	4,348 - 6,150	3,005 (+44.69%) – (+91.11%)
Complaints waiting for an investigation (end of quarter) Alternative budget approach	3,397 – 3,965	3,565 – 4,505	4,097 – 5,431	4,939 – 6,732	4,939 – 6,732	3,005 – 3,218 (+64.35%) – (+109.19%)

Forecast assumptions

Forecasts and trajectories are underpinned by assumptions that are known to influence performance, and which are based on LeO's actual performance to date. Under LeO's strengthened forecasting model:

- Trajectories include sensitivity modelling against likely to worst-case planning scenarios for each assumption. The forecasting model and underlying assumptions that drive these are tested by the OLC's Performance Sub-Group and are further scrutinised and challenged in OLC Board meetings.

- We have widened the range of assumptions for demand, sickness, and attrition – particularly between central and lower scenarios – to better reflect the volatility of these key factors. This replaces LeO's previous approach of modelling extreme scenarios beyond worst-case assumptions and instead provides a more realistic and flexible framework for understanding potential risks and fluctuations.

- LeO's executive team completed a detailed review of forecast assumptions in September 2025 and these were updated and tested by OLC Performance Subgroup in December 2025. The review focused on demand, and in particular the unprecedented increases seen since Quarter 3 2024/25 and the adverse impact this has had on current and future trajectories, resulting in the remainder of 2025/26 and 2026/27 demand expectations to be increased in line with accelerating demand.

Assumption and description*	**2026/27 Quarterly projected assumption central forecast**	**2026/27 Quarterly projected assumption lower forecast**
In-depth cases added to unallocated Investigations	1,659	1,908
Cases begun as early resolutions, but found to need an investigation	144	144
Investigator productivity – cases resolved per established FTE	4.35	4.13
Attrition – the number of investigators leaving investigations roles per quarter	5.01 FTE	5.6 FTE
Internal promotion – the number of investigators being promoted	2 FTE	2.2 FTE
Maternity leave – loss of investigator capacity	13.5 FTE	15 FTE
All sickness – loss of investigator capacity	24.3	27.9
Reallocations – the number of cases reallocated to a new investigator because of attrition and long-term sickness	135	150
Reasonable adjustments – loss of FTE	9.6	10.6

*A more detailed explanation of individual assumptions is included in Annex C.

LeO's budget in 2026/27

OLC budget proposal: 11.1% increase (£2,229,703) on 2025/26

Against the backdrop of rapidly increasing complaint volumes, the OLC's budget proposal would deliver a measured investment of 25.1 FTE operational staff in order to limit the growth of unallocated complaints and create sufficient breathing room to transform the LeO scheme to meet higher demand.

High demand would mean that LeO's stock of unallocated complaints would still grow over 2026/27, to a projected range of between 4,348 and 6,160. However, this remains significantly lower than under the alternative budget approach – particularly over the two-year period required to undertake a radical transformation.

In addition, early investment in staffing during 2026/27 provides a compounding benefit into 2027/28, as new staff increase in competency and productivity. This would deliver an additional 1,157 complaint resolutions by the end of 2027/28 compared to the alternative budget option.

This additional embedded operational capacity helps stabilise performance and reduces the risk of the backlog escalating further as demand continues to rise. Crucially, the OLC's budget proposal keeps the projected backlog below the historic highs seen in June 2022, despite record levels of demand.

Customer wait times would increase to around 300-350 days.

Non-discretionary costs would comprise 39.5% of the budget increase.

Alternative budget approach: 6.5% increase (£1,308,583) on 2025/26

The alternative budget approach would mean no further increases in resolution centre numbers, relying solely on digital efficiencies to drive early resolution to partially mitigate increased demand. LeO would increase its output, resolving between 11,047 and 11,862 cases in 2026/27.

However, the lack of investment in operational capacity would mean unallocated volumes increasing to between 4,939 and 6,732 by end of the year.

Customer wait times would increase to around 330-390 days.

Non-discretionary costs would comprise 72.2% of the budget increase.

Approximately £139,700 of the 6.5% budget increase would be allocated to LeO's IT capacity, strengthening technological capabilities across the organisation, while exploring additional opportunities to transform the scheme. These changes are expected to deliver efficiencies and enhance employee capabilities – particularly in the short term – as further front-end digitisation drives increased volumes through Early Resolutions, driving increased productivity.

Case fee income

Case fees have remained at £400, and case fee revenue in 2025/26 is expected to remain as forecast below.

Having reflected on the informative responses to LeO's 2025 case fee consultation and the Government's wider growth and deregulation agenda, LeO is actively working on a radical review of the case fee regime, which will focus not only on the importance of providers resolving complaints under their own first tier complaint handling processes but also on encouraging and facilitating the early resolution of those complaints that are escalated to LeO.

A significant increase in the amount of income generated through case fees will also result in an overall reduction in the proportion of LeO's funding recovered by way of levy contribution, presenting better value for money for the sector. In this way, the benefit of reviewing LeO's case fees is not an increase in its overall budget (it would be neutral in impact), but in identifying a framework that best reflects the cost of LeO's investigations and by whom that cost should be met.

The process for the approval and implementation of a new case fee regime involves a number of procedural steps and, as a result, it is likely that cases fees will remain at the current £400 for a significant element of 2026/27. In those circumstances income generated will simply increase in line with increasing in-depth investigations outputs attracting a fee.

As a new case fee regime will fundamentally change the behaviours around first tier complaint handling and escalation to LeO, it is not possible to forecast with certainty what the overall impact of the changes will be. As a result, it will be necessary to review the future forecasts for escalations to LeO, how cases are resolved and on overall levels of case fee income generated once a new model is in place.

OLC Budget proposal

Income source	2025/26 forecast	2026/27	Variance	%
Case fee	£880,600	£1,159,200	£278,600	32%
Sundry income	£180,000	£180,000	-	0%
Levy income	£18,940,079	£20,891,182	£1,951,103	10.3%
Total income	**£20,000,679**	**£22,230,382**	**£2,229,703**	**11.1%**

Alternative budget approach

Income source	2025/26 forecast	2026/27	Variance	%
Case fee	£880,600	£1,100,000	£219,400	25%
Sundry income	£180,000	£180,000	-	0%
Levy income	£18,940,079	£20,029,262	£1,089,183	5.75%
Total income	**£20,000,679**	**£21,309,262**	**£1,308,583**	**6.5%**

(ii) An assessment of key external factors driving demand for 2026/27 and their likely impact.

External factors likely to drive demand for LeO's help in 2026/27 include a range of broader environmental/sectoral drivers and some more specific risks that have started to crystallise in 2025/26 and which we expect to persist into 2026/27:

Issue	Potential impact on demand
Quality of service providers' first-tier complaint handling	In 2024/25, LeO found evidence of poor service in 70% of complaints with investigative outcomes, and evidence of poor complaints handling in 49%. These are unacceptably high rates, and key drivers of demand for LeO. Poor sector complaint handling will continue to drive demand for LeO in 2026/27 (see also cultural change driver below).
Consumer sentiment and propensity to complain	LSCP tracker survey data suggests that while overall consumer satisfaction with legal services is high (88%), there are significant continuing issues with complaints processes, with almost half (47%) unsure how to make a complaint. Propensity to complain may be increased by ongoing economic and cost-of-living challenges.
High-volume complaint issues	LeO has seen its first complaints from consumers unhappy with misleading advertising and the service received from legal providers in cases relating to unfair car finance commission. Future developments in this area are inherently uncertain, but the number of consumers affected means this could drive very significant demand for LeO.
The development and use of generative AI in complaints	LeO is starting to see the use of generative AI in complaints, with emerging evidence suggesting this is both increasing the volume of complaints made, and their level of detail. We expect both trends to continue in 2026/27, impacting on levels of demand and the time it takes to resolve complaints.
Developments in the legal services market, legal need and wider justice system	As a demand-led service, LeO is sensitive to developments in the wider legal services market: growth could result in more complaints, simply by volume of transactions. Complaint volumes in areas of law accounting for large proportions of LeO's casework (e.g. conveyancing), will be particularly influential in

	determining overall demand levels. We sought stakeholders' insight on this during consultation, and a summary of their responses is included in Criterion 6.
Legal sector's culture towards complaints and LeO's insights	LeO significantly developed its learning and insight programme in 2024/25 and 2025/26. It will continue this momentum into 2026/27, but alone this will not be enough to stem demand increases. A significant shift in complaint culture, led by regulators and the profession, is needed to address unnecessary escalation.

2(d) A summary of key current and planned improvement initiatives and utilisation of approaches to achieve sustainable acceptable performance including specific actions and timeframe.

LeO is committed to a radical and forward-looking review of its scheme, as previously outlined in this submission. While this review will be a cornerstone of the 2026/27 transformation agenda, LeO continues to prioritise building a high-trust, high-performance culture. This is being driven through our ongoing programme of continuous improvement, a renewed focus on our people practices, and a strong underpinning of wellbeing and equity, diversity and inclusion.

Alongside these efforts, LeO is embedding continued efficiencies across all areas of the business, with a particular focus on digital transformation, ensuring the organisation is optimally positioned to implement scheme changes effectively and sustainably.

Improvement initiatives	
Operations	**Delivery**
Recruitment of increased Investigator and General Enquiries team capacity	Q1 2026
Full roll out of Lean process pilot outputs	Q2 2026
Providing MS Copilot for all staff, with specific operational use training to deliver targeted improvement in process	Q1 2026
Implementation of a bespoke evidence-bundling solution	Q2 2026
Development of streamlined ombudsman and investigator decision-writing using an AI writing engine, to improve consistency of output and support LeO's aims to deliver decision transparency as part of its wider scheme redesign	Q4 2026/27
People	**Delivery**
Define a culture of high-trust/high-performance and align the required values and behaviours with this	Q2 2026/27
Developing a workforce plan to 2030 and beyond	Q2 2026/27
Establishing Leadership and Management Frameworks (with links to recruitment, succession planning, and performance) and associated development programmes	Q3 2026/27
Reviewing our Reward Framework, ensuring principles of VFM, equity and competitiveness are met	Q4 2026/27
Establishing a Performance Framework, with a focus on the whole talent journey: onboarding and induction, performance reviews, and team effectiveness	Q3 2026/27
Developing an approach to agile learning	Q4 2026/27
Evolving the employee experience focusing on engagement, wellbeing and inclusion. Includes reviewing our policies, practices and communications to reflect a high-trust, high-performance culture	Q4 2026/27
Establishing a Resolution Framework	Q4 2026/27
Reviewing our recruitment practices	Q4 2026/27

2(e) Risks and how they are being managed and mitigated for.

(i) The remainder of 2025/26
(ii) 2026/27

LeO's Executive Team regularly reviews risk-management reports to keep a close watch on strategic risks and issues, while comprehensive risk assurance reports are examined quarterly by the Audit and Risk Assurance Committee (ARAC).

The Executive Team regularly reviews project, strategic, and business-unit risks as part of the risk management framework. New risks, along with mitigation measures, are identified annually and approved by the OLC Board each summer. Details of LeO's 2025/26 strategic risks and issues are provided in the table below. Since the draft submission, the risk associated with 'failure to implement business plan improvements' has escalated to an issue, now consistent with other operational concerns and exceeding tolerance thresholds.

Risks for 2026/27 will be reported to ARAC and the OLC Board in Quarter 1 of 2026/27, with operational, learning and insight, and budget risks and issues expected to be included.

Strategic Issue (SI) / Strategic Risk (SR)	Managing actions / mitigations
SI01 – Unacceptable queue of cases **SI03 – Failure to meet business plan improvements in customer experience**	• Pre-assessment pool reduction activities. • Operational delivery support provided by Team Leaders to investigators regarding performance and behaviours. Team Leaders to adopt risk-based 1:1s / Side-by-Side approach to ensure that the investment of Team Leaders' time is proportionate to individual performance. • Policy Framework.
SI02 – Absorb increasing sector led demand	• Ongoing monitoring of reduction in demand for service. • Developing more strategic and effective engagement with regulators and the legal sector more widely, sharing LeO's insights to help prevent complaints at source. • Operational-level relationship management to support this engagement, helping drive better first tier complaint handling and reduce demand. • Close collaborations between Operations and the Communications, Engagement and Impact team, using newly developed dashboard to easily identify knew and emerging demand for example motor finance mass claims. Working group set up between Ops and CE&I to share Insight to address with legal sector and regulators.
SI04 – Key Person Dependency (Single Point of Failure)	• Implementation of Business Unit risks of each business area showcasing role criticality. • Implementation of new HR system – date to be confirmed.
SR01 – Leadership resilience	• Build leadership capacity through effective structure and succession planning • Introduction of Leadership and Management frameworks and development • Clear communication around Executive or Management Team movements and succession planning. • Ongoing support for Executive Team around individual resilience and development on collective leadership at an Executive Level.
SR02 – Budget variance against forecast	• Monthly Executive Financial Review meetings (review detailed financial performance reports, highlighting variances between actual and budgeted expenditure. • Identify and assess areas of potential overspend or underspend.

	• Discuss and agree on mitigating actions, including reallocation of funds or cost containment measures.
SR03 – Accommodation (GPA Hub)	• Continue work and engagement with GPA to progress LeO's office space allocation in GPA Hub 3. • Quarterly meetings with MoJ property colleagues.
SR04 – Failure to deliver new impact objective	• Recruiting team members to support internal and external insight activities. • Stakeholder Engagement Strategy. • Early Insights Dashboard.
SR05 – Staff Attrition – overall attrition	• Following through on people survey and 'Let's Talk LeO' feedback, namely workload and targets, process and development simplification in operations, pay and reward, leadership and managing change, and learning and development. • Monitoring attrition rates and intention to leave data through surveys and feedback, at Operational, Executive, and Board meetings • Recruitment, including end-to-end review of recruitment and aligning with high-trust/high-performance culture. • Performance framework from the point of advert and onboarding to the point of exit. • Development of a new HR system to support monitoring • Leadership and Management frameworks and development as well as support around managing change. • Effective workforce planning.
SR06 – Enterprise strain from transformation demands	• Agile methodology is being applied to the Lean Phase 3 pilot, enabling a more flexible and iterative approach to delivery. • The implementation of AI and automation has been accelerated, enhancing efficiency and streamlining processes. • Development of transformation risks at the business unit level, ensuring that each unit-specific risk feeds into the overarching strategic transformation risk.

2(f) Contingency plans should the forecast performance trajectory not be met including how the organisation would respond in the event of significant demand increases.

As outlined earlier under Criterion 2, LeO's forecast performance trajectory is based on assumptions that include both external demand drivers and internal performance factors. The forecasting model and internal demand reporting have been further refined, enabling earlier identification of divergence and timely mitigation.

Contingency planning is embedded in LeO's approach, which is tested at the OLC Board's Performance Sub-group. The approach includes the use of widened performance ranges for 2026/27 to allow for potential volatile variations, such as changes to expectations on first tier complaint handling from the LSB and sector regulators. There are other potential impacts that are impossible to determine and forecast due to their scale, such as high-volume complaints arising from motor finance claims.

The initiatives listed under Criterion 2(d) reflect the levers available to influence performance and efficiency. Diverting non-operational capacity from other areas of the business such as AI development, or learning and insight – where capacity is already constrained – would limit long-term gains, so is no longer a viable mitigation strategy should performance decline. It would have a detrimental effect on longer term performance and capacity for the radical change required to LeO's scheme.

LeO's strategic impact activities coupled with an appetite for more radical scheme redesign – if properly resourced – could play a key role in supporting performance trajectories by improving operational efficiency and reducing unnecessary demand. However, even the most targeted operational interventions may take time to influence demand, with systems and culture change likely to yield results only in the medium to long term. It is imperative in the short term that operational capacity is increased to deliver on unprecedented demand increases, leaving LeO in the strongest place to deliver longer term change.

As LeO strengthens its strategic stakeholder engagement, it will continue to highlight sector behaviours that risk derailing its trajectory – encouraging regulators and others to act at source to prevent consumer detriment.

Ultimately, the success of support to service providers and broader systemic change depends on stakeholders engaging with LeO's insights and taking co-ordinated action. This will remain a key message in LeO's engagement with approved regulators and the wider sector.

Though it is expected that demand will continue to rise, should demand fall alongside increasing operational capacity, LeO could reduce its queue more quickly and accelerate improvements to customer experience, with a potential for future budget stabilisation.

Criterion 3: Learning and insight

3. Outline of progress, plans and outcomes around LeO's learning and insight work and how its effectiveness is being measured including:

3(a) Engagement and collaboration with regulators and the profession to achieve this strategic aim.

In 2025/26 LeO has:

- Held quarterly meetings of our Regulator Forum to engage closely with all regulators whilst developing our Model Complaints Resolution Procedure.
- Met regularly on a bilateral basis with the Solicitors Regulation Authority, to discuss key policy issues and emerging risks that might increase demand.
- Engaged with professional bodies, including the Law Society, to gain support in promoting LeO's learning and insight resources across the profession.
- Continued to engage with our wider network of stakeholders, including the Legal Services Consumer Panel, to develop our resources and understand emerging drivers of demand.
- Relaunched our regular newsletter, LeO News, as a platform for sharing learning and insight with the sector.

In 2026/27 LeO will:

- Deliver focused and strategic stakeholder engagement, guided by our stakeholder mapping and horizon scanning processes, and our strategic priorities, to maximise the impact of the learning and insight we share.
- Strengthen our external communication channels, with a particular focus on social media and LeO News, to build LeO's profile and extend the reach of its insight. We will use engagement measures to track our progress.
- Continue to work closely with the LSB and sector regulators to identify opportunities to improve Tier 1 complaint handling.

- Engage closely with all LeO's stakeholders to help shape LeO's transformation plans and the OLC's next strategy period.

3(b) LeO's support for the profession to improve their complaints handling, within the framework of LSB's guidance and regulations on first tier complaints handling.

In 2025/26 LeO has:

- Designed a Model Complaints Resolution Procedure (MCRP) and completed a targeted pilot with a cross-section of legal service providers. The insight and feedback derived from the pilot has reinforced our confidence in the benefits and positive impacts of the tool. It has also helped us refine the tool to the point where it is ready to be soft-launched with the sector, and consumer support organisations, in Q4 by way of a call for input before a full roll-out in early 2026/27.
- Designed and delivered a programme of tailored support for service providers who create high demand for LeO. This not only stems demand by helping providers improve first-tier complaint handling, but also addresses systemic service issues which have been identified from our data. Initial qualitative and quantitative feedback has been very positive and we will look to roll this out to more providers in 2026/27 as well as looking at ways to make its learnings and insights more widely accessible to the sector as a whole.
- Published enhanced guidance on the remedies LeO awards, in response to sector requests for more information in this area. This guidance has become one of the most downloaded documents on our website.
- Started to plan content and training resources for our new digital learning platform, which will be piloted in Q4 2025/26, and maintained our Technical Advice Desk service for providers, answering 147 queries to the end of Q3 this financial year.

In 2026/27 LeO will:

- Launch our sector-wide MCRP as LeO's flagship best practice tool for the legal sector. We are confident that the MCRP will support and complement the work of the LSB and regulators across the sector in improving standards of first-tier complaint handling and, ultimately, outcomes for consumers.
- Expand the delivery of tailored support to those providers generating high volumes of demand for LeO, using insights from this engagement to understand the impact and return on investment.
- Maintain our Technical Advice Desk service for legal providers seeking guidance on how best to resolve issues early, and use the insight we gain from the questions asked to shape our learning and insight outputs.
- Focus our digital learning platform on areas of high demand – using insights from the 2025/26 pilot of the platform to focus our resources on priority areas.

3(c) Sharing LeO's learning and insights to help improve legal services for consumers Increasing and deliver impact, including progress towards increased transparency of LeO's casework and ombudsman decisions.

In 2025/26 LeO has:

- Delivered on our commitment to increase the transparency of our casework by publishing Public Interest Decisions, illustrating the human impact of cases which demonstrate significant poor service and detriment to consumers in different areas of law.

- Published four *Spotlight* articles sharing insight on topical issues, with a further two planned, and expanded the library of case studies on our website.
- Created a new data dashboard and internal processes to surface earlier insight and complaint trends.
- Published its first quarterly sets of complaints data in addition to our well-established annual insight report.

In 2026/27 LeO will:

- Continue to publish Public Interest Decisions every quarter to help drive improvements in standards of service and complaints handling.
- Clear the path to publishing more decisions by consulting on framework and policy changes as well as redesigning how our decisions are written.
- Publish quarterly editions of *Spotlight*, add new case studies to our website regularly, and explore how we can evolve our data publications to make them more impactful.
- Develop our approaches to measurement and evaluation, using a combination of our own metrics and wider evidence to assess the reach and impact of our learning and insight.

Criterion 4: Value for money

4. An explanation of how value for money will be delivered and measured in terms of economy, efficiency and effectiveness.

Although LeO does not actively report on Value For Money (VFM) as a specific metric, it has ensured that VFM is a central consideration in all its actions and decision making throughout 2025/26.

VFM is embedded in all decision-making at Board and executive levels, ensuring that every strategic and operational choice is made with economy, efficiency and effectiveness in mind.

Here is how LeO will deliver and measure VFM in 2026/27:

Economy

- All expenditure is reviewed monthly by the executive team and budget holders to ensure costs are necessary and proportionate.
- Recruitment is tightly controlled and approved against budget and operational need.
- Case fee recovery and debt management processes are actively pursued to minimise financial loss.

Efficiency

- Staffing levels are continuously monitored to ensure that LeO is appropriately resourced and that staff are deployed to areas where they are needed and can deliver optimal outputs for LeO’s customers.
- Optimising the impact of work done under LeO’s second objective will help to reduce demand for LeO’s services.
- Increased focus on the early resolution of complaints optimises value for money when compared to cases requiring full investigation and/or ombudsman decision.
- Operational and corporate processes are assessed and automated where possible to reduce error, rework and manual effort.
- AI is being deployed to augment staff work, improving speed and output quality.

- Processes are being automated where possible to improve customer experience and free up operational resource to focus on driving increased operational performance.
- Lean review insights are implemented to streamline workflows.
- Interpretation and application of Scheme Rules is under constant review to ensure that LeO's powers are used fully and appropriately.

Effectiveness

- Projects are managed under formal methodology with clear success criteria and spend controls.
- Initiatives are piloted and evaluated before adoption to ensure impact.
- A proportionate system of quality and legal assurance is in place to reduce failure demand and rework as well as to refine service delivery.
- Casework insights are used to improve service and complaint handling in the sector.
- Horizon scanning and stakeholder engagement support proactive planning and demand management.

Equity

- Budget decisions and service delivery are guided by inclusive practices that reflect the diverse needs of the people LeO helps and its wider stakeholders.
- Equitable resource distribution directs resources where they are needed the most to improve access and support inclusive outcomes.
- Equality, diversity and inclusion-led programme governance promotes fairness and transparency in service delivery.
- Stakeholder-informed improvements are monitored through structured assurance processes that evaluate the effectiveness, fairness, and transparency of services.

As part of this budget setting exercise LeO has reflected at length on which funding option presents best value for money, whilst also ensuring that adverse impacts on consumers of seeking a purely inflationary budget are mitigated.

LeO appreciates that it cannot continue to focus on addressing levels of demand simply through additional resource. The work done under LeO's second objective will continue to mitigate, in part, the rapidly increasing levels of demand for LeO's service moving forward, and the work planned for 2026/27 will help LeO deal with that demand as efficiently as possible. However, with demand forecast to continue to increase at an exponential rate, LeO understands that a radical review of its ways of working, operational processes, scheme rules and even founding legislation is required to ensure that LeO is set up in a way that offers increased value for money in the coming years.

LeO will also continue to assess its performance against the historic unit cost measures, even though it is widely acknowledged that unit cost does not adequately reflect the depth and breadth of the work LeO undertakes or provide a reliable means to benchmark LeO's performance against other similar schemes.

LeO's forecast cost-per-case in 2026/27 under the OLC's budget proposal (11.1% increase on 2025/26) is £1,827, 21% lower than forecast for 2025/26 (£2,315). This reduction translates into a total saving of £4,216,126, underscoring improved efficiency and value for money. The alternative budget approach (6.5% increase on 2025/26) delivers a 22% reduction in unit costs, resulting in a total saving of £4,483,954.

Description	2023/24 actual	2024/25 actual	2025/26 forecast	2026/27 OLC budget proposal	2026/27 Alternative budget approach
Budget	£16.7m	£17.8m	£20.0m	£22.2m	£21.3m
Cases resolved	7,918	8,270	8,640	12,165	11,862
Cost per case resolved	£2,115	£2,170	£2,315	£1,827	£1,796
Cases resolved by early resolution	4,078	4,046	4,237	6,249	6,249
Cases resolved by investigation	3,840	4,224	4,403	5,916	5,613
Cost per investigation	£1,800	£1,680	£1,893	£1,632	£1,556
Number of contacts	125,446	117,534	117,488	120,000	120,000
Cost per contact	£134	£153	£170	£185	£178

Criterion 5: Promoting equality, diversity and inclusion

5. An explanation of how the proposed budget would promote equality, diversity and inclusion for both colleagues and the Legal Ombudsman's customers. As part of this, details of any plans to measure for any disproportionality of complaint outcomes, particularly in light of any changes to the Scheme Rules.

Both the OLC's budget proposal, and the alternative approach outlined, include targeted investment to strengthen our organisation's approach to equality, diversity and inclusion (EDI) for both colleagues and customers.

We will use the funding to deliver key priorities in our EDI Action Plan, with a particular focus on improving accessibility and ensuring fair and inclusive outcomes for all service users. This includes dedicated time and resource to develop enhanced business intelligence reporting and analysis to help us understand and respond to the reasonable adjustments required by our customers.

The resulting insight will shape future training and staff guidance, ensuring our front-line teams are equipped to recognise and meet the diverse needs of complainants. This work will support the delivery of more personalised customer service and allow us to identify and respond to emerging accessibility themes through our annual EDI reporting.

In addition, we will invest in the continuous improvement of our customer EDI data collection process following enhancements to our online complaint form. By tracking the impact of these changes over time, we aim to achieve more representative and complete EDI data to inform our strategy and service delivery.

We also plan to develop new e-learning content focused on disability awareness and best practice, building on earlier training for line managers. This will further support colleagues to provide inclusive, confident, and empathetic responses to customers with disabilities. These measures will underpin our ability to monitor and address any potential disproportionality in complaint outcomes, particularly in the context of recent or future Scheme Rule changes, and ensure that fairness, accessibility, and equity remain central to our service.

Criterion 6: Reflecting feedback from stakeholders

6. A summary of where the budget and/or plans have changed in response to stakeholder responses to consultation and a summary of any responses to that consultation.

The 2026/27 Business Plan and Budget consultation ran for six weeks from 4 November to 16 December, supported by a programme of engagement with external stakeholders throughout that period.

We received a total of 10 responses to the consultation:

- 3 x regulators (CILEx Regulation, CLC and BSB)
- 3 x professional bodies (Law Society, Bar Council and SLC)
- 2 x consumer organisations (LSCP and ACSO)
- 1 x staff response (focused on a proposal for an internal salary review)
- 1 x anonymous solicitor

As in previous years, responses reflected diverse perspectives on LeO’s performance, its strategic ambitions and the challenges facing the wider legal services sector.

Demand and complaint trajectories for 2026/27

Responses broadly recognised the external pressures shaping demand, though views varied on the scale and certainty of LeO’s projections for new complaints in 2026/27. Several respondents, including consumer groups and some regulators, agreed the projected growth was reasonable given recent rises in contacts and investigations. LSCP considered the projections potentially conservative, citing emerging high-volume consumer issues and the role of AI in lowering barriers to complaining.

Others were more cautious. CILEx Regulation questioned whether increased contacts would translate into eligible complaints, while the CLC warned that pessimistic assumptions risked over-budgeting or masking efficiency opportunities. Professional bodies such as the Law Society and Bar Council did not indicate whether they considered the projections appropriate, noting uncertainty about whether current rises represent a sustained trend or short-term spikes linked to market or regulatory developments.

Feedback also highlighted cross-cutting factors likely to influence complaint volumes next year. Regulatory changes – including strengthened first-tier complaint handling requirements and the implications of the *Mazur* judgment – were seen as sources of uncertainty. Delays caused by external bodies, particularly the Land Registry, continue to drive dissatisfaction that is often directed at legal providers. AI featured prominently, with stakeholders noting both its potential to increase access to justice and complaint volumes, and the risks of poorly managed automation. Broader demographic and economic pressures, especially in conveyancing and probate, were also expected to affect volumes.

Scheme Transformation Review

Stakeholders generally supported undertaking a review of the Scheme, though views differed on the desired scale and scope. Organisations including the CLC, LSCP, SLC and CILEx Regulation recognised the value of assessing whether LeO’s operating model and legal framework remain fit for purpose given evolving consumer expectations and market changes.

However, expectations for reform varied. CLC and SLC favoured a wide-ranging, forward-looking review capable of significant change, while others preferred a more limited exercise. CILEx Regulation emphasised the importance of a proportionate, tightly scoped review to avoid distracting from LeO's statutory functions. The Law Society supported only a narrow review focused on operational efficiency, and the Bar Council did not support the proposal as set out, raising concerns about cost and likely value.

Views also differed on whether legislative change should be explored. Some respondents pointed to existing statutory constraints, while the Law Society sought clarity on what limitations currently apply before considering Legal Services Act reform. Opinions on revisiting case fees and transparency were similarly mixed: some noted that recent consultations had already addressed aspects of case fee reform, while consumer groups stressed the importance of transparency in improving sector accountability.

LeO's strategic objectives

Stakeholders broadly supported the proposed activities set out for 2026/27 under LeO's service and impact objectives, though with varying expectations for delivery.

Service objective

There was strong consensus that improving timeliness and quality of complaint handling remained LeO's core priority. The Law Society, Bar Council and CILEx Regulation highlighted the need to reduce waiting times, improve investigation performance and address the Pre-Assessment Pool. Several respondents welcomed progress through early resolution, digital transformation and triage, though some stressed the need for greater efficiency and proportionality in resource allocation.

Consumer representatives supported the proposals but emphasised the importance of transparency, including publication of full ombudsman decisions. While recognising recent improvements, many noted that consumers still face long waits and expect meaningful progress in 2026/27.

Impact objective

There was broad support for work aimed at reducing demand at source through learning, insight and collaboration with regulators.

The CLC, CILEx Regulation and SLC particularly emphasised using insight to strengthen first-tier complaint handling, improve communication and identify emerging risks. LeO will also use the horizon-scanning insight provided through the consultation on potential drivers of demand to shape and prioritise its 2026/27 learning and insight deliverables, ensuring they are targeted to prevent complaints arising or support effective early resolution.

As with previous years, a small number of concerns were raised about the scale and cost of this activity. The Bar Council questioned whether the proposed range of publications represented the best use of resources and sought clearer evidence of impact. Respondents agreed that insight should be targeted and actionable, with a focus on specific practice areas.

Feedback on the budget proposals

Views on LeO's recommended budget option for 2026/27 (11.1% - Option 3 in the consultation) were mixed.

The table below summarises the responses we received, and the support received for each budget option:

	5.8%	7.8%	11.1%	16.2%	Other**	No clear support for any budget option
Overall percentage of respondents supporting each option*	0% (0)	11.1% (1)	44.4% (4)	0% (0)	11.1% (1)	33.3% (3)
Support of each option by individual stakeholders						
CILEx Regulation		X				
Association of Consumer Support Organisations			X			
Council for Licensed Conveyancers			X			
Legal Services Consumer Panel			X			
Society of Licensed Conveyancers			X			
Bar Council					X	
Law Society						X
Bar Standards Board						X
Anonymous Solicitor						X

*Percentage totals may not sum to 100% due to rounding.
**The Bar Council confirmed they did not support the budget increasing significantly above an inflationary-only increase.

Notably, organisations including the LSCP, ACSO, CLC and SLC were broadly supportive of Option 3, with some responses noting that without additional investment LeO could not maintain service standards amid rising demand. The LSCP in particular noted that:

> "*Option 3, which represents just over 11% increase in budget, is the only option that realistically acknowledges the scale of the challenge. It would allow LeO to recruit additional investigator resource and safeguard against operational risks. Anything less would mean longer queues, longer waits and further erosion of consumer confidence. Under-funding LeO is a false economy; delays and poor service harm consumers, erode trust in the legal sector and undermine the credibility of the complaints system.*"

Others were more wary. The CLC accepted Option 3 but raised concerns about sustainability and value for money. Professional bodies including the Law Society, Bar Council and CILEx Regulation did not support the proposal, citing recent above-inflation increases and the need for clearer evidence of performance improvements linked to previous uplifts. The Bar Council also noted that:

> "*LeO's work is primarily funded by way of the levy imposed on legal professionals. For barristers, the cost is derived from the practising certificate fee. It is critical that*

> *LeO take all reasonable steps to prevent any above inflation increase. The risk is that any increase is ultimately passed on to consumers by practitioners raising their fees."*

Some queried expenditure on what they saw as non-core activities and sought clarity on the balance of discretionary and non-discretionary costs.

Opinions on alternative budget options also varied. Supporters of Option 3 viewed Options 1 and 2 as insufficient to maintain service levels under current pressures, though CILEx Regulation considered Option 2 more proportionate. Option 4 generated the most caution due to its scale and perceived risk unless tied to significant reform through the Scheme Transformation Review.

Views on funding for the Scheme Transformation Review aligned broadly with overall budget positions: supporters emphasised independent oversight and clear scope to ensure value for money, while those opposing Option 3 raised similar concerns about expanding funding for a full-scale review.

Criterion 7: Governance processes

7. A summary of the governance processes involved in preparing the submission, including confirmation that the submission has the formal support of the OLC Board.

LeO's Executive Team oversaw budget management and coordinated the business plan submission through the Programme Management & Assurance Team, conducting monthly reviews to monitor progress against established milestones. The Strategic Programme Manager assisted the Head of Programme Management & Assurance in defining 2026/27 deliverables during Q3 and Q4, contributing to both project-specific and business-as-usual planning.

The 2026/27 planning cycle incorporates insights from the previous year, commencing the project roadmap earlier and enhancing involvement from Programme Management & Assurance. ARAC criteria remained consistent, while PSG meetings established in May 2025 centred on trajectories, assumptions, and anticipated increases in demand.

A six-week consultation period was held, with central themes presented to The Executive and OLC Board in December. A comprehensive report accompanied the OLC's budget and business plan in January 2026. In December, a final PSG meeting addressed LeO's current status and updated trajectories, and these were subsequently approved and communicated to the OLC Board. The final budget considerations were discussed as part of the financial governance update at the January OLC Board meeting, and at the February Board workshop.

The Executive and MoJ maintained monthly meetings to review budget proposals prior to final submission in quarter four.

To facilitate engagement with the LSB, a milestone report was provided, detailing key Board meetings and approvals.

The OLC Board formally endorsed the final budget proposal in February 2026.

Annex A

OLC budget proposal and alternative budget approach: detailed costs

	2025-26 budget	OLC budget proposal	Alternative budget approach
	£	£	£
Staff Costs	**16,303,001**	**18,301,395**	**17,240,730**
Other Staff Expenditure	295,512	353,408	353,408
Premises and Facilities	619,980	638,592	638,592
Accommodation, Travel & Subsistence	21,084	33,825	33,633
IT and Telecoms	1,691,985	1,631,762	1,771,495
Other Costs	725,891	801,205	801,209
Depreciation	637,544	690,329	690,329
Net Interest Receivable after tax	(294,318)	(220,134)	(220,134)
Total expenditure	**20,000,679**	**22,230,382**	**21,309,262**
Increase from 2025/26 budget	-	2,229,703	1,308,583
% Variance	-	11.1%	6.5%

Annex B

OLC budget proposal and alternative budget approach: breakdown of operational outputs and unallocated investigations volumes

2026/2027	**OLC budget proposal**	**Alternative budget approach**
Complaints resolved	12,165 - 11,341	11,862 – 11,047
Resolved by early resolution	6,249 - 5,943	6,249 - 5,943
Resolved following investigation	5,916 - 5,398	5,613 - 5,104
Complaints waiting for an investigation	4,348 - 6,150	4,939 - 6,732
2027/28*	**OLC budget proposal**	**Alternative budget approach**
Complaints resolved	12,914 -11,896	12,060 -11,087
Complaints waiting for an investigation	6,253 - 9,873	7,602 - 11,168

* 2027/28 trajectories have assumed an inflationary budget level if 11.% is agreed, limiting organisational capacity to staffing volumes similar to 2026/27. A 6.5% budget approval would require a similar budget request in 2027/28.

Annex C

Description and impacts of individual assumptions used for forecasting

Assumption and description	Impact
Cases added to unallocated Investigations each quarter This was included as part of core demand for 2024/25. It has been split out separately because this is the area of demand that specifically affects the volume of unallocated investigations.	If this continues to increase, there will be an increase in the end-of-year unallocated investigations position.
Cases started as early resolutions, but found to require an investigation Where early resolutions have initially been identified but can't be achieved, and cases require a more in-depth investigation, they will be added to the queue of unallocated investigations.	If this continues to increase, there will be an increase in the end-of-year unallocated investigations position.
Investigator productivity – cases resolved per established FTE Unallocated investigations volumes are specifically impacted by in-depth investigations productivity. For forecasting, a more in-depth level of detail on productivity is used, which gives a more accurate forecast.	An increase in productivity has a positive effect on the number of cases closed, customer service levels, the queue size and value for money.
Attrition – the number of investigators leaving investigations roles per quarter	Reduced attrition has a long-term impact as more established staff are delivering productivity for longer before leaving LeO. This also reduces recruitment and onboarding for replacements, giving capacity to grow operations resource.
Internal promotion – the number of investigators taking up new opportunities within LeO	This has the same forecasting impact as external attrition. This is factored as a one-off amount quarterly as opposed to attrition which is calculated monthly.
Maternity leave Historic averages are used to estimate this effect, reflecting the challenges in estimating it for any given year.	LeO's Family Leave policy sets out its commitment to supporting parents and carers through family-related benefits enabling employees to fulfil their responsibilities. Any decrease in the number of employees taking maternity leave would increase the number of investigator resolutions.
All sickness This is calculated monthly and averaged for a quarterly impact.	An increase in sickness reduces the number of cases LeO can resolve and new cases that can be taken from the investigation queue.
Reallocations	Increased attrition – including internal promotions – and sickness increase the

The volume of cases that require a new investigator to be allocated to a case as a result of attrition, long term sickness and promotion.	volume of reallocations. Each reallocation to a new investigator means that they cannot start a new unallocated investigation.
Reasonable adjustments	Inclusion is at the heart of LeO's culture and, like other organisations, LeO's workforce includes people who need reasonable adjustments. LeO is strongly committed to supporting employees who require adjustments to enable them to carry out their roles. LeO has legal obligations under the Equality Act to provide reasonable adjustments for workers impacted by disabilities or by physical and mental health conditions to ensure they are not disadvantaged in the workplace. Fulfilling this duty and the associated public sector equality duty requires LeO to properly assess any reasonable adjustment on a case-by-case basis. Whilst this may result in a loss of productivity, which could lead to a reduction in overall organisational performance, it is closely assessed so LeO balances the need to deliver against performance targets whilst upholding its legal responsibilities for staff.
Overtime	The use of overtime gives LeO access to resource that is fully-trained and which provides significantly more capacity than new cohorts that are ramping up from a skill and productivity perspective. LeO's refreshed overtime policy ensures staff wellbeing is at the heart of overtime decisions.

Annex D

Breakdown of the balance of all other indirect costs

Description of expenditure: OLC budget proposal	Cost
Staff costs – Business Intelligence, Communications, Executive and Support, Facilities, Finance, HR, IT and Programme Board	£3,959,958
IT & Telecoms – telephony, infrastructure and application system licences and support, development and data storage	£965,055
Depreciation	£690,329
Premises and facilities	£638,592
Internal and external audit	£188,330

Group Life Assurance and Income Protection Assurance policies	£149,124
Legal Business and Employment Counsel support on complex cases	£118,325
Recruitment support on replacement of specialised roles and large groups of investigators	£85,116
Bad debts write off and Provision allowance	£90,000
Training	£79,356
Professional support on annual report and accounts and other areas	£74,977
Information access and Industry intelligence services	£66,660
Building lease interest on the lease liability as per the requirement of IFRS 16	£42,746
Occupation Health and Staff wellbeing	£17,820
Accommodation, Travel & Subsistence	£16,209
Staff noncash benefits including eye tests and Instant Recognition vouchers	£14,284
Net Bank Interest receivable after tax	(£220,134)
Total	**£6,976,747**

Description of expenditure: Alternative budget approach	Cost
Staff costs – Business Intelligence, Communications, Executive and Support, Facilities, Finance, HR, IT and Programme Board	£3,949,389
IT & Telecoms – telephony, infrastructure and application system licences and support, development and data storage	£1,112,821
Depreciation	£690,329
Premises and facilities	£638,592
Internal and external audit	£188,330
Group Life Assurance and Income Protection Assurance policies	£149,124
Legal Business and Employment Counsel support on complex cases	£118,325
Recruitment support on replacement of specialised roles and large groups of investigators	£85,116
Bad debts write off and Provision allowance	£90,000
Training	£79,356
Professional support on annual report and accounts and other areas	£74,977
Information access and Industry intelligence services	£66,660
Building lease interest on the lease liability as per the requirement of IFRS 16	£42,746
Occupation Health and Staff wellbeing	£17,820
Accommodation, Travel & Subsistence	£16,020
Staff noncash benefits including eye tests and Instant Recognition vouchers	£14,284
Net Bank Interest receivable after tax	(£220,134)
Total	**£7,113,755**

Annex E

Short- to medium-term plan to deliver Pillar 1 and 2 changes – improvements to current operational model

Pillar 1

<table>
<tr><th>Proposed Change</th><th>Considerations</th><th>Impact if successful with all considerations</th><th>Risks</th><th colspan="2">Actions</th><th>Due Date</th></tr>
<tr><td rowspan="9">Application of Scheme Rules</td><td rowspan="3">Expand 5.7b - establish guidance to deploy better - application of proportionality/ severity of injustice test</td><td>Reduction in demand for investigations</td><td>restrict access to justice for those with lower impact complaints</td><td rowspan="2">1</td><td rowspan="2">Concept development</td><td rowspan="2">Mar-26</td></tr>
<tr><td>Increase in outputs for Early Resolution as opposed to investigations</td><td>potentially challenging to develop and deploy to ensure fairness for LeO's customers</td></tr>
<tr><td>Reduced Customer Journey Time</td><td>all 5.7 dismissals require ombudsman resource</td><td rowspan="2">2</td><td rowspan="2">Develop guidance and train staff</td><td rowspan="2">Apr-26</td></tr>
<tr><td rowspan="3">Expand 5.7p - establish guidance to deploy better to dismiss cases with disproportionate demand on LeO resource and capacity</td><td>Improved performance</td><td>risk of increased public reputational risk or increased legal challenge</td></tr>
<tr><td>Reduce overall cost per case and therefore levy contribution</td><td>reduced number of ombudsman decisions for publication and insight generation</td><td rowspan="5">3</td><td rowspan="5">Implementation</td><td rowspan="5">Jun-26</td></tr>
<tr><td>Reduced backlog</td><td>under existing case fee regime dismissals do not attract a case fee therefore increased dismissals has an adverse impact on case fee generation and on level of levy contribution</td></tr>
<tr><td rowspan="3">Expand 5.7c - establish guidance to deploy better to dismiss cases where revised reasonable offer made during investigation process</td><td>avoids escalation to final ombudsman decision</td><td>change to 5.7c would be significant policy shift and could be subject to legal challenge</td></tr>
<tr><td>encourages pragmatic approach to resolution of complaints</td><td>reputational risks if try to apply retrospectively to customers who have been waiting allocation to an investigator</td></tr>
<tr><td>gives providers a further chance to resolve complaint themselves without need for full investigation</td><td></td></tr>
</table>

Pillar 2

Proposed Change	Considerations	Impact if successful with all considerations	Risks		Actions	Due Date
Changes to Scheme Rules	Case Fee	Outlined under case fee section	Changes to case fee structure or level cannot be introduced without change to scheme rules.	1	Establish options and draft proposed wording	**Mar-26**
				2	Take proposed consultation to OLC Board	**Apr-26**
	Redefine right to request Ombudsman decision (SR5.19/ SR5.20)	Reduce number of cases requiring full ombudsman decision, enabling resource to be deployed elsewhere in process	Reduction in number of ombudsman decisions for publication and possible insight work.	3	Consultation	**May-26**
		Reduce overall customer journey time				
	Successor provisions	Complaints about a closed firm can be handled more efficiently if no successor practice in place.	Enforcement of decisions against closed firms can be less successful than against successor and could therefore have an impact on redress.	4	OLC Board for approval of changes	**Jul-26**
		Reduce Customer Journey Time				
	Charge costs against either party if their behaviour was deemed unreasonable during handling of complaint	Incentivise good collaborative behaviour and discourage frivolous/ vexatious complaints	Highly contentious if charging customers or if behaviour related to vulnerability or mental health	5	LSB Board	**Sep-26**
		Minimal but positive impact on LeO's overall costs and levy		6	Engagement with Lord Chancellor (re case fees)	**Oct-26**
	Introduction of jurisdictional long-stop date	Very old cases would be outside of jurisdiction and not require ombudsman dismissal under SR 5.7		7	**Delivery**	**Jan-27**

Proposed Change	Considerations	Impact if successful with all considerations	Risks		Actions	Due Date
Case Fees	Review case fee structure to adopt a tiered, polluter pays approach.	Supports improvement in operational delivery	Could drive adverse behaviours in sector and impact appetite for Early Resolution	1	Establish options	**Mar-26**
		Incentivise improved first-tier complaint handling	Will require formal change to Scheme Rules	2	OLC Board	**Apr-26**
		Decrease demand for LeO	Unpopular with the sector			

		Increase revenue - reduce levy, cost per case reduced	Case fee model will likely change post transformation and could result in running three models	3	Consultation	**May-26**
		Reinforce messaging around importance of first tier complaint handling and benefits of early resolution	Build time and IT resource required to integrate new model into LeO systems	4	OLC approval	**Jul-26**
		Reduce the volume of cases going to final stages of LeO's process	Scope for increased legal challenge	5	Engagement with LSB/Lord Chancellor -	**Sep-26**
			Could have significant financial impact on providers who generate high volumes of complaints			
		Redirect Ombudsman resource to support in earlier stages of the process	Complicated system and process	6	**Delivery**	**Jan-27**
			Cannot be applied retrospectively so will not address existing workloads			

Proposed Change	Considerations	Impact if successful with all considerations	Risks		Actions	Due Date
Development of a consistent format and proportionate content of Ombudsman final decisions (Phase 1)	LeO has committed to moving towards the publication of all ombudsman final decisions.	More consistent decisions	Significant training and development cost for ombudsman in development of agreed format	1	Define agreed format and content of decisions	
		More accessible decisions, may lead to increased acceptance rate	Risk of increased legal challenges or subsequent correspondence if decisions are briefer and contain less information			**Jun-26**
		Reduction in time taken to draft decision	Potential drop in acceptance rates	2	Pilot writing decisions in agreed new style and format and engage with sector and consumer groups	**Jun-26 to Oct-26**
		Reduction in demand for in-depth investigations	Significant impact on operational resource			
		Consistent LeO voice for all outgoing decisions	Still require full checking process before publication to avoid inadvertent data breaches	3	Roll out new format to all staff	**Jan-27**
		Ease of accessing insights	Decisions will take longer to write as staff get used to new ways of working/ writing			
		Mitigate risk of successful challenge over breach of GDPR or legal professional privilege				

		Manage / mitigate risk of legal challenge to outlier decisions				
Using AI / automation to help Investigators draft case decisions more efficiently and help Ombudsman draft efficient final decisions (Phase 2)	LeO has committed to moving towards the publication of all ombudsman final decisions.	Increased Investigator and Ombudsman capacity to deliver value add work	Perceived down skilling of Ombudsman and Investigators Potential cultural impacts leading to attrition, in turn affecting performance Increased governance requirements and risks	1	AI solution to be developed alongside developing a consistent written format and will form an intrinsic part of the delivery of the combined project	**Jun-26 to Oct-26**
Adopt a risk-based approach to publication of Ombudsman final decisions (Phase 3)	LeO has committed to moving towards the publication of all ombudsman final decisions.	Improved transparency of decisions leading to potentially improved sector performance at tier 1	Increased AI driven complaints using LeO's stock of decisions as a format to complain	2	Consult on publication approach	**May-26**
		Improved access to resource for both consumers and the sector for "what good looks like"	Increased risk of judicial review of LeO's decisions	3	OLC Board for approval of policy position	**Jul-26**