

Financial Ombudsman Service Limited

SUMMARY MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza 2, 183 Marsh Wall, London E14 9SR on 13 March 2009 at 9.30am

Present	Chris Kelly	chairman	
	Alan Cook	director	
	Joe Garner	director	
	John Howard	director	
	Elaine Kempson	director	
	Kate Lampard	director	
	Julian Lee	director	
	Roger Sanders	director	
	Maeve Sherlock	director	
	Walter Merricks	chief ombudsman	
In attendance	Tony Boorman	decisions director	
	Barbara Cheney	company secretary	
	David Cresswell	communications director	
	Roy Hewlett	operations director	
	Jeremy Kean	finance & IT director	
	Peter Stansfield	HR director	
	David Thomas	corporate director	
		Jon Pain	managing director, retail markets, FSA (item 3)
		Dan Waters	director, retail policy & conduct risk, FSA (item 3)

1 Minutes of the meeting held on 3 February 2009

- a) The minutes and summary minutes of the board meeting held on 3 February 2009 were approved as accurate records of the meeting.
- b) The board noted the minutes of the audit committee meeting that was held on 3 February 2009.

2 Matter arising

Casework update

The operations director presented an update on the number of complaints that had been received and closed to date in 2008/09.

3 PPI and wider implications

Jon Pain and Dan Waters joined the meeting.

The Chairman welcomed them and thanked them for attending. He explained that the board had been considering how the ombudsman model could operate in the face of large volumes of cases about the same product. The 'wider implications' process in its current form did not seem to deliver clear and prompt outcomes. Whilst payment protection insurance (PPI) was uppermost in the board's mind it could be seen as one example of a wider set of issues about how redress should be delivered.

a) Conduct risk

Jon Pain reported that plans were being made to expand the conduct risk division in the retail area. The establishment of this division was an indication of the importance that the FSA placed on conduct risk both internally and externally.

Dan Waters explained that the approach would be different to the thematic supervision undertaken in the past and that the emphasis would be on what was actually happening rather than what was reported. The development of new products would be assessed for potential risks to consumers which would link to wider FSA risk analyses.

Jon Pain said he was aware of the impact of large volumes of complaints on the ombudsman model which he accepted was not sustainable.

b) PPI

Jon Pain reported that the FSA's first objective had been achieved, ie stopping sales of single premium policies by the largest firms. All other firms had been asked to stop selling these policies and he was confident that most would do so on a voluntary basis.

The FSA was taking further actions on past sales in relation to a limited number of firms. Although this initiative would only deal with 20% of the Service's PPI caseload, it was hoped that the guidance that was being prepared would enable other firms to deal with complaints fairly.

c) Wider implications

There was a discussion about the referral of PPI complaints under the wider implications process from both the FSA and the Service's points of view. Work was under way at the FSA which was designed to stem the flow of new cases whilst finding a way of resolving outstanding complaints.

The chairman confirmed that the Service shared the FSA's objective of reducing the volume of complaints but, in the meantime, the Service would continue to plan for a high workload.

Jon Pain and Dan Waters left the meeting.

The board reiterated its concern about the way in which the wider implications process was operating and it resolved to continue to seek improvements in this system.

4 Corporate Plan & Budget 2009/10

The finance & IT director reported that a number of meetings had been held with trade associations as part of the *corporate plan & budget* consultation process. One topic of particular interest in many of the industry meetings was the Service's plans to publish complaints data.

Although the increase in the case fee was significant (£450 to £500), it was confirmed that this was the Industry Funding Forum's preference, and thus avoid an increase in the levy.

The board approved the *corporate plan & budget 2009/10* for referral to the FSA board for final approval on 26 March. It also approved Fees Manual (Financial Ombudsman Service Case Fees 2009/2010) Instrument 2009 (FOS 2009/2), again for referral to the FSA board.

5 Publication of complaints data

The corporate director presented a draft feedback statement which summarised the responses to the discussion paper *publication of complaint data: next steps* and proposed conclusions. He also circulated data for the month of January as an example of the type of data to be published. He added that a stakeholder group (made up of industry and consumer representatives) was discussing ways of contextualising data.

The board considered that the Service's statutory purpose of resolving disputes quickly with minimum formality would be furthered by publishing this data. The intention was to yield operational benefits in fulfilling that statutory objective. Sharing this information with a wide range of stakeholders would help to shape the inflow of work in a way that would facilitate the resolution of cases on a timely basis and improve the efficiency of the service provided. Some suggestions were made to the wording of the draft feedback statement.

The board approved the publication of business-specific complaint data on the lines set out in the draft feedback statement.

6 Policy report

The board considered the policy report.

It discussed the latest developments in respect of clarification of the law relating to bank charges and the Unfair Terms in Consumer Contract regulations.

The board approved the Payment Services Instrument 2009 (FOS 2009/1 and FSA 2009/14).

The board also noted an update on payment protection insurance, structured products backed by Lehman Brothers and the litigation report.

7 HR report

The HR director presented his report for the period from October 2008 to January 2009 which included information about the annual pay review and the pension scheme. The board discussed the current economic climate and pay awards being made in the financial services industry and more widely. It noted the pay review arrangements.

8 Corporate social responsibility & the environment

An update on the Service's initiatives in respect of corporate social responsibility (CSR) and the environment was considered. It was pointed out that CSR worked best if the core business of an organisation was used to help the wider community and that it provided staff with the means to gain additional skills. It was also suggested that a review of companies with successful CSR policies might help to identify ways in which initiatives in this area might be extended. This could involve supporting a particular charity and was something about which the opinion of staff might be sought.

There being no other business, the meeting ended at 1.00pm