

# Financial Ombudsman Service Limited

---

## MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza 2, 183 Marsh Wall, London E14 9SR on 16 September 2009 at 9.30am

Present	Chris Kelly	chairman
	Alan Cook	director
	Joe Garner	director
	John Howard	director (except item 10)
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Roger Sanders	director
	Maeve Sherlock	director
In attendance	Walter Merricks	chief ombudsman
	Tony Boorman	decisions director
	Barbara Cheney	company secretary
	David Cresswell	communications director
	Roy Hewlett	operations director
	Jeremy Kean	finance & IT director
	Ian Sansbury	business planning & assurance director
	Peter Stansfield	HR director
David Thomas	corporate director	

---

### 1 Minutes of previous meetings

- a) The minutes of the board meeting held on 22 July 2009 were approved as an accurate record of the meeting.
- b) The board noted the draft minutes of the meeting of the quality committee that was held on 22 July 2009.

### 2 Data security

The chairman of the audit committee reported that, at a meeting earlier in the day, the committee had agreed to ask the internal auditors to review data security.

### 3 Expenses

At the earlier meeting of the audit committee, the chairman confirmed that it had reviewed the expenses policies for directors and staff. The committee had also considered a summary of the expenses claimed by directors in the past two years. She confirmed that, subject to a few minor adjustments, the committee had approved

the policies. It had also been decided to publish information about expenses claimed in the directors' annual report in future.

#### **4 Publication of complaints data**

Following the publication of complaints data on 15 September, the chief ombudsman thanked everyone who was involved in this work. He reminded the board of the various and extensive developments that had taken place in the past two and a half years. These included the development of policies, discussions with stakeholders, training, audits of data, system and website changes. Verification of data had been a significant issue but there had been no subsequent challenges to it.

The corporate director said that a review of the process would be carried out in about four weeks to identify any lessons that could be learned. He would report the outcome to the board, and any recommendations for change. The communications director added that, when publishing the data, the rationale had been to provide a fair and balanced report.

The board discussed the impact of large volumes of payment protection insurance cases on all other insurance cases and the bias this created. It also considered the wording of the accompanying news release and the extent to which the Service should comment.

Before the data for the second half of 2009 is published early in 2010, it was agreed that further thought should be given to categories, presentation and any accompanying commentary.

#### **5 Business plan & budget**

The chief ombudsman introduced a paper which was tabled at the meeting. It contained the initial output from the business planning and budget process and the executive's current projections for the rest of 2009/10 and for 2010/11.

The business planning & assurance director explained that a more disaggregated approach had been adopted in forecasting the future caseload. Individual reviews of 18 key products had been undertaken. Historic trends in the past 30 months and discussions with lead ombudsmen and major businesses had also formed part of the assessment. This had enabled resource mapping against products to be done from which a more detailed inventory had been prepared.

He reported that the projected number of new cases in 2009/10 had increased from 150,000 cases to 170,000 cases. There was particular uncertainty in respect of the level of complaints about payment protection insurance but the position was expected to become clearer within the next two months. The budget of 165,000 case closures in 2009/10 was thought to be an achievable, but the maximum possible, outcome. The increase in adjudicator numbers meant that the number of cases in stock per adjudicator was coming down as planned. Initial thinking for 2010/11 suggested that the number of new cases was likely to rise to about 190,000 but there were considerable uncertainties about this figure.

The board discussed a number of issues arising from the paper. It was encouraged by the approach being taken but noted that coping with increasing demands would be a challenge. It was agreed that all the indicators suggested the caseload would

continue to rise and, in conjunction with the FSA, efforts must continue to stem the flow of incoming cases.

It was hoped that the publication of data would improve the standard of complaint handling by firms in the longer term but this was unlikely to affect the volume of new cases in the next 18 months.

The board agreed that:

- the reforecast for 2009/10 was reasonable
- the caseload was very likely to increase in 2010/11
- more resources were required
- managing demand by encouraging better complaint handling standards by firms and working with the FSA to achieve this was an important step but was unlikely to achieve meaningful reductions in the caseload in the medium term
- process improvements should be made, including the initiation of a casehandling pilot scheme
- management consultants should be appointed to assist in a strategic review of casehandling
- a board sub-committee should be set up to consider the executive's budget plans in more detail in advance of the October board meeting.

## **6 Payment Protection Insurance (PPI)**

The decisions director presented a paper which provided an update of the significant and positive developments that had taken place since the last board meeting in July. The paper also contained details of a new "partial" redress approach to some PPI cases and emphasised the FSA's commitment to the effective supervision of PPI complaint handling. The impact on the caseload reaching the Service would depend in large measure on the reactions of financial businesses and claims management companies to the FSA's new guidance. The decisions director confirmed that the outcome was in keeping with the spirit of the ombudsman's normal approach. The framework provided a formulaic basis for assessing what a complainant might have done in specific circumstances.

In recognising that this was a significant step forward, the chairman thanked everyone involved in achieving a result that was satisfactory to all parties. The board was pleased to note that common ground had been found and it acknowledged the role the FSA had played in achieving this.

## **7 Policy report**

The board considered the policy report which included -

### *a) FSA structure*

The corporate director reminded the board of the restructure that would come into effect at the FSA from 1 October -

<b>managing director</b>	<b>division</b>
Jon Pain	supervision
Mark Norris	operations
Sally Dewar	risk

Relations with the Service will fall within the risk division under Sally Dewar. Governance issues and general liaison will be for Sheila Nicoll, as director of conduct policy. But wider-implications issues will remain with Dan Waters, as director of conduct risk.

*b) Payment services*

The board approved rules instrument FOS 2009/4 – Payment Services (Financial Ombudsman Service Case Fees 2009/2010) Instrument 2009.

*c) Publication of complaints data by FSA*

The corporate director reported that FSA had recently published aggregate data of complaints handled by firms from 2006 to 2008 broken down into half year periods.

*d) Financial regulation white paper*

An update on the working party involving the Treasury, the FSA, the OFT and the Service was considered. The white paper had mentioned a possible new redress power for FSA and the possible availability of collective redress through the courts. The Service had been consulted on the legislative drafting, and it was hoped that this would include special provisions to avoid the difficulties that had arisen in relation to PPI.

## **8 Pension plan**

In August, the board had approved (by email) an agreement in principle to begin the required statutory consultation with staff representatives to cease accruals for final salary pension scheme members from 1 April 2010.

Having considered the HR director's paper about the consultation, the board gave the executive discretion to proceed within the parameters set out in the accompanying paper.

## **9 Value for money review**

The board reconfirmed its agreement that the next external review would be a value for money review of the Service. It was agreed that the objectives of this review and the consultancy work discussed earlier should be clarified and co-ordinated.

## **10 Ombudsmen**

*a) chief ombudsman*

The board confirmed its appointment of David Thomas as the interim chief ombudsman from 1 November 2009 until such time as a permanent successor to Walter Merricks has taken up his/her post.

It was noted that Russell Reynolds Associates had been appointed to assist with the recruitment of the chief ombudsman and that the advertisement for this post was due to be published in the Sunday Times on 20 September.

*b) ombudsman panel*

The decisions director confirmed he would be seeking the appointment of more ombudsmen to the panel in due course.

There being no other business, the meeting ended at 12.30 pm