

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at CCT Venues, Isis Building, 193 Marsh Wall, London E14 on 21 July 2010 at 9.30am

Present	Chris Kelly	chairman
	Alan Cook	director (items 1 to 6)
	John Howard	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Maeve Sherlock	director (items 1 to 6)
In attendance	Natalie Ceeney	chief executive & chief ombudsman (CEO)
	Tony Boorman	decisions director
	Barbara Cheney	company secretary
	David Cresswell	director of communications & customer insight
	Stuart Curl	interim performance & finance director
	David Thomas	corporate director
	Jacquie Wiggett	HR director
Garry Wilkinson	interim operations director (items 6 to 8)	

1/1007 Apology for absence

An apology for absence was received from Roger Sanders.

2/1007 Minutes of meetings

a) Board meeting held on 8 June 2010

The minutes of the board meeting held on 8 June 2010 were approved as an accurate record of the meeting.

b) Audit committee meeting held on 14 June 2010

The board noted the minutes of the meeting held on 14 June.

The chairman of the committee reported that she and the CEO had since met the internal auditors to discuss the internal audit function. She also confirmed that a different approach was being developed to manage the Service's risks and that this included appropriate board involvement.

c) Nomination & remuneration committee meeting held on 1 July 2010

The board noted the summary of the meeting held on 1 July.

The chairman reported that, as it had been proposed to expand the role of the nomination & remuneration committee to include oversight of the executive's performance and other issues, he had invited Alan Cook to join the committee.

The board approved the revised terms of reference of the committee and agreed that Alan Cook should become a member of it.

3/1007 Executive update

a) staff

The chairman welcomed Stuart Curl as the interim performance & finance director, and congratulated Jacquie Wiggett on her appointment as HR director.

The CEO announced that Simon Rouse had been appointed as *operations director*. She added that the recruitment of the permanent *performance & finance director* and the *chief technology officer* was well advanced.

b) section 404

The board noted that the FSA was about to issue guidance on how it would exercise the new section 404 powers to create consumer redress schemes if Treasury ministers decided to bring that section into force.

c) limit of awards

It was noted that a review of the maximum award limit of £100,000 was likely to form part of an FSA consultation paper about complaint handling by firms that was due to be published in the autumn.

d) service complaints

The CEO reported that the system for dealing with complaints about the Service was being changed. In future, they would be dealt with by the heads of casework divisions to ensure they were resolved as early, and as quickly, as possible. Executive assistants in each division would ensure that feedback was given, lessons learned and appropriate records kept. The board welcomed this change, and agreed to reflect this by substituting the heads of division for the service review manager in the terms of reference of the Independent Assessor – who was still available to complainants who were dissatisfied with the service's response.

4/1007 Payment protection insurance

The decisions director reported that he and the CEO had attended a number of constructive meetings with the FSA and other key people in the industry. He added that a good deal of progress had been made towards finding a pragmatic solution to the issue that would not only be helpful to consumers but may also promote better complaint handling by financial businesses. He understood that the FSA intended to publish in early August guidance that financial businesses should follow on a redress approach. The impact on the volume of complaints being referred to the Service was uncertain but it was hoped that there should be fewer of them with firms dealing with them more effectively at source.

The board was pleased to note that this long running issue appeared to be moving forward and it congratulated the staff who had made a significant contribution to achieving this outcome.

5/1007 Strategy and stakeholder engagement

fos/10/07/05

The corporate director explained that two additional considerations had been added to the annual planning process for 2011/12 -

- a) a review of the past ten years and thoughts about the next ten years; and
- b) changes in financial regulation

The director of communications & customer insight gave a presentation about the Service's industry-stakeholder engagement strategy. He explained that responses to the corporate plan & budget 2009/10 and the CEO's introductory meetings with industry stakeholders had been incorporated into this strategy. He added that it was based on two-way discussions and that, as there was a wide variety of businesses in terms of size, volume, priorities and levels of engagement, there was no 'one size fits all' solution. However responses needed to be tailored to the needs and the size (in terms of complaint volumes) of different financial businesses and trade associations.

The CEO presented details of the process for planning and budgeting in 2011/12 which built on the theme of engagement with stakeholders. The Service aimed to publish a draft strategic plan in September, followed by a draft budget in January. The CEO also updated the board on work that was under way to develop a long term strategy and, in parallel, responses to various consultations which were taking place over the summer.

The board agreed the

- a) proposed process for 2011/12 planning and budgeting;
- b) proposed approach in terms of the aims of the Service; and
- c) approach for handling strategy development over the summer, including the involvement of a board subgroup

6/1007 Quarterly performance review

fos/10/07/07

The decisions director introduced an update on the progress being made in revising performance and reporting arrangements, together with the results for the first quarter of the 2010/11 financial year. He explained that this was still work in progress but the intention was to give the board an opportunity to discuss the approach while it was still under development. It included a single page scorecard of data about operational, financial/value for money, quality/customer service and HR.

The performance & finance director went on to explain that there was a wealth of information behind the scorecard and that he was working on developing links between the data and costs & revenue. Measures that would be added in future included targets, trends and changes as well as a commentary.

The board discussed the initial Q1 results and the cost drivers present in the current operational model. It was noted that the behaviour and co-operation of financial businesses was a significant factor in the volume of complaints being referred to the Service. In welcoming the reduction in business-as-usual cases, the board expressed the hope that the publication of firm specific data may have been a contributory factor.

The board also discussed the operational staffing model, and particularly the balance of in-house and outsourced adjudicators that were required to meet the operational uncertainties of an unpredictable caseload. Whilst outsourcing had proved to be a flexible resource, it was also considerably more expensive than employing staff, so work was under way to scrutinise the current arrangements. The executive stressed the importance of value for money work going forward, which the board welcomed.

The board welcomed these reports as an important way of knowing what was going on and discussed whether the scorecard provided sufficient detail for monitoring purposes. It was agreed that the board should discuss the reports every quarter but, that, once the report format had been through another iteration (to ensure the data quality and reporting was robust) they would be issued to the board each month for information.

Action The interim performance & finance director will finalise the reporting framework and include it in monthly board papers in future.

The board

- a) noted the performance monitoring and reporting arrangements
- b) approved the arrangements for reviewing key metrics and priorities for the board
- c) agreed that the executive should continue to develop measures to ensure the Service is as lean and efficient as possible.

7/1007 Directors' report and financial statements 2009/10

fos/10/07/08

The chairman of the audit committee reported

- that the directors' report and financial statements 2009/10 had been reviewed and, subject to minor amendments, approved by the audit committee on 14 June;
- the financial statements had been given a clean bill of health by the external auditors, Baker Tilly; and
- that the committee recommended that the board should approve the directors' report & financial statements and authorise the chairman of the committee to sign the letter of representation to the auditors on behalf of the board.

She congratulated the finance team on the production of the financial statements and the outcome of the audit.

The interim performance & finance director confirmed there had been no material issues to bring to the board's attention since the end of the financial year on 31 March 2010.

The board approved the directors' report and financial statements 2009/10 and authorised the chairman of the audit committee to sign the letter of representation to the auditors.

8/1007 Forward agendas

The board noted the forward agendas for the rest of 2010 and 2011.

Action Comments or suggestions should be sent to the secretary.

There being no other business, the meeting ended at 1.40pm.