

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza, 183 Marsh Wall, London E14 9SR on Wednesday 20 July at 9.30am

Present	Chris Kelly	chairman
	Janet Gaymer	director
	Alan Jenkins	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Roger Sanders	director
	Maeve Sherlock	director
	Pat Stafford	director
In attendance	Tony Boorman	decisions director
	Julia Cavanagh	performance & finance director and company secretary
	Simon Rouse	operations director
	Caroline Wayman	legal director
	Jacquie Wiggett	HR & organisational development director
	Alison Hoyland	manager, chief executive's office (minute taker)

The Board approved the appointment of Julia Cavanagh, performance & finance director, as company secretary on an interim basis until the new company secretary was appointed.

1/1107 Apologies for absence

There were no formal apologies for absence, but it was noted that Natalie Ceeney, David Cresswell and David Thomas were unable to attend the meeting.

2/1107 Minutes

The minutes of the board meeting held on 22 June 2011 were approved as an accurate record of the meeting.

The board noted the draft minutes of the audit committee meeting that was held on 4 July 2011.

3/1107 Matters arising

It was noted that the board had been sent an updated copy of the ICOSA Board Evaluation report.

4/1107 2011/12 Q1 performance review

fos/11/07/04a

The *operations director* presented a report of the ombudsman service's performance for the first quarter of the financial year. The report showed a good start to the year. The key highlights showed that:

- the customer contact division had coped extremely well with significantly increased call volumes and the results from the new monthly survey demonstrated that the majority of customers were satisfied overall;
- the service was on track against the first quarter's timeliness measures for non-PPI;
- productivity in both non-PPI and PPI casework was strong for the first quarter and the forecast and budget for the number of resolved cases had been exceeded;
- the first quarter's financial position was strong and showed a small surplus which was ahead of the forecast position and that of the prior year; and
- the level of complaints the independent assessor determined that the service had handled satisfactorily had improved.

While the first quarter results were strong there remained a number of key challenges. The *operations director* emphasised that while quality measures were broadly on track in relation to the service's non-PPI cases, management focus would turn to PPI cases going forward.

In response to questions from the board about the tension between providing a quality service and achieving closure targets, the *operations director* emphasised that the two things did not need to compete with one another. Well-handled cases helped to deliver timely outcomes and the introduction of the new balanced scorecard now allowed managers and case-handlers to see this and to see if the emphasis was going too far in one direction and to do something about it if it was.

Other key challenges which would continue to receive close management attention, included:

- increasing adjudicator turnover (internal and external) which was putting a strain on the non-PPI casework capacity;
- the capacity needed for PPI cases after the second quarter;
- the impact of the Olympics and associated activities on the organisation; and
- information security.

Staff turnover

The board asked if the service had an understanding of what lay behind the increased turnover rate. The HR director explained that staff had cited a variety of reasons for leaving, including better opportunities and salaries elsewhere. However, the service was recruiting at a rate above turnover and had put in place a number of mitigating measures. The board also noted that the higher turnover levels should be seen against the fact that the quality of the most recent intakes was particularly high and that new staff went through intensive induction and training on starting. The ombudsman service was keeping a close eye on how this tracked through and impacted on the organisation, including on future turnover rates.

PPI casework

The majority of the major banks were now settling the stock of cases with the service. However, the board noted that even though most of the banks were cooperating with the service, it would still be some time before the cases in hand would be cleared.

The *operations director* and the *legal director* also touched on the operational and planning challenges that lay ahead given the uncertainties about the likely volumes of new cases that the service might expect to receive. The board acknowledged the difficulties in this regard, noting that the constructive relations with the banks at senior level would mean that the service would at least be able to have a discussion with them about what they were planning to receive.

Olympics Management Committee

The board noted that the service had established an Olympics Management Committee chaired by the operations director to consider the impact on the organisation of the Olympics and associated activities taking place in the close vicinity of the ombudsman service's offices. The committee would be providing a more detailed update to the audit committee at its next meeting in November.

Information security

The board noted the report on information security incidents in the last quarter. It was noted that these incidents had highlighted correct processes not being followed, rather than process deficiencies. The board was further reassured to know that none of the incidents were deemed to require reporting to the Information Commissioner's Office (ICO).

Information security would be subject to an audit in the following quarter and then subject to a detailed review by the audit committee at its next meeting in November. The board welcomed this and also asked that the risk assessment criteria by which the service determined whether reporting to the ICO was appropriate was also reviewed during this audit.

The Board was pleased with the first quarter's results and acknowledged, in particular, the way in which the customer contact division had coped with the increased demand in that area. It was also assured that the service had robust plans in place to deal with the challenges that the service anticipated lay ahead.

Forecast for Q2

fos/11/07/04b

The board noted and approved the revised forecast for the second quarter of 2011/12. It also noted the forecast for the remainder of the year.

5/1107 Transparency

fos/11/07/05

The Board had previously agreed an outline approach to the next steps on transparency, including the publication of a discussion paper on how the service proposed to implement the upcoming legislative requirement to publish decisions. The publication of decisions also needed to be seen against the background of the service becoming subject to the Freedom of Information Act (FOIA) in November 2011.

The *decisions director* explained that the draft legislative framework for publication of decisions provided that the board must arrange for publication of a report of the decisions an ombudsman makes, except for any decision that an individual ombudsman identifies as inappropriate for publication. It was noted that the publication would not include the name of the consumer. While the draft legislation did not require the service to seek external input on how it proposed to implement the statutory requirements, the Chairman had told the Financial Secretary, Mark Hoban MP, that the service would do so. The service was particularly keen to engage with stakeholders about the potential issues involved, both for the service itself and for stakeholders.

The draft discussion paper set out how the service proposed to proceed and explained that the ombudsman service would be conducting further work with consumer and specialist groups and trade bodies to discuss the planned approach and assess its likely impacts. Responses to the discussion paper and engagement

with stakeholders would help inform thinking on how the service should proceed and help mitigate against any unintended consequences.

The board welcomed the safeguards that consumers' names would not be included in the published decisions. In the discussion that followed the *decisions director* suggested that the sorts of cases that ombudsmen may ask not to be published were likely to be those that contained very sensitive and personal information likely to identify an individual (even though their name would not be included), or cases that involved, or might assist, fraud. Cases containing information about other personal circumstances, for example, financial hardship, would likely to be of a sufficiently generic nature to allow for publication, but the ombudsman service would pay careful attention to such cases to check for exceptions.

In response to questions from the board, the *decisions director* undertook to confirm in the discussion paper the service's intention to conduct equality analysis covering the possible impacts of publishing decisions.

The *decisions director* indicated that the earliest that the service would be likely to be able to start publishing decisions was the summer of 2012, but much would depend on the Parliamentary timetable. The service would be discussing its discussion paper with the Financial Services Authority (FSA) and HMT, ahead of publication. In the meantime, board members would send drafting comments to the *decisions director*.

The board agreed to the publication of the discussion paper before the board next met in September, subject to seeing a final version which incorporated board comments and reflected discussions with FSA and HMT.

Action The *decisions director* to send the board a final version of the discussion paper, ahead of the Chairman signing it off for publication.

6/1107 Property

fos/11/07/06

The *operations director* presented a paper which set out the background and the service's approach to its property search and which recommended a preferred property and a reserve option.

The board noted that the approach taken and the methodology applied to rank the properties, including the relative weightings of the criteria, had been subject to detailed consideration by the audit committee at its meeting on 4 July 2011. The audit committee had indicated that it was satisfied with the methodology, subject to minor amendments, and members of the committee confirmed their endorsement to the board.

A detailed discussion followed on the comparative scorings of the shortlisted buildings. The board noted in particular that the layout of core space of the preferred building was well suited to the service's needs and would allow for a unified working environment. The preferred building also offered the greatest degree of flexibility in terms of available space, both for any further space requirements or should less space be needed at any point in the future.

The board was assured that the property search process leading up to the recommendation for a preferred site had been robust and objective and, subject to a point of clarification around the environmental assessment score and the net present value assessment for the preferred building, the board approved:

- the recommended property and reserve option;
- the continuing of negotiations with the preferred developer/landlord on terms no

less favourable than identified (i.e. there were to be no significant changes to the overall matrix scoring);

- the signing of a heads of terms agreement; and
- the delegating of authority to a board member, Roger Sanders, to oversee progress until it came back to the board in December for the approval of the contract.

Action The *operations director* to clarify the environmental assessment score for the preferred property.

7/1107 Resource service provider

fos/11/07/07

The *operations director* introduced a paper outlining the recommendation of the tender evaluation panel for the award of a contract for a new recruitment and resource service provider.

The *operations director* reminded the board of the strategy agreed by the board in November 2010 to move to a different model for managing permanent and contingent staff. This strategy sought to retain the vital operational flexibility that contingent staff gave the service, but by integrating contingent staff into the organisation and allowing for alignment with the service's values and ways of working. By seeking to find a partner to provide both its permanent and contingent staff, the service would also be able to benefit from more integrated resource planning, economies of scales and achieve better value for money.

The board noted the approach taken through the procurement process and that it was in line with the governance arrangements agreed with the board in November 2010. The *operations director* laid out the outcome of the technical and commercial evaluation, and noted that the preferred provider had ranked 1st on the technical evaluation and 2nd on the commercial evaluation – leading to an overall combined ranking of 1st.

The *operations director* acknowledged the considerable support and guidance that Julian Lee (and Alan Cook before his departure) had given the internal project team. The board noted that the service had also undertaken a comprehensive assessment of the operational risks involved and had employed appropriate mitigation strategies, in particular, in relation to the transition from its current provider to its new supplier. These risks had now largely been eliminated, which was a major success of the programme.

The *operations director* confirmed that detailed implementation planning was now underway including securing the appropriate resource to manage the relationship.

The board expressed its thanks for the competent way in which the whole project had been run, across both the procurement exercise and the transition management. The board confirmed it was satisfied that the recommendation followed a robust and rigorous assessment and tender process. The board approved the recommendation of the tender evaluation panel and agreed that notice of the outcome of the tender process could be communicated to all bidders.

8/1107 Directors' report & financial statements

fos/11/07/08

The directors' report & financial statements had been subject to detailed consideration by the audit committee at its meeting on 4 July 2011. The board had then been sent a copy of the report ahead of the board meeting and asked to provide comments.

The board noted that the report and accounts were more detailed than in the past,

and reflected a significant move towards applying governance best practice reporting.

The board approved the signing of:

- the financial report and accounts, including the directors' report;
- the statement of disclosure of information to the auditors;
- the letter of representation; and
- the financial statement by the chairman, audit committee chairman and company secretary, as appropriate.

After sign-off, the report & financial statements would be filed at Companies House and published on the service's website.

9/1107 Rules Instrument

fos/11/07/09

The board approved rules instrument FOS 2011/5 (FSA 2011/46) – Consumer Redress Schemes Instrument 2011, subject to approval by the board of the FSA at its meeting on 28 July 2011.

10/1107 Any other business

- a) There was no board meeting in August but individual board members would be meeting with the *chief executive* and/or the *finance director* ahead of the board away days in September to discuss the planning process.
- b) The next board meeting would take place during the away days on 13 and 14 September. The main focus of the away days would be the opportunities/challenges and priorities for 2012/13.
- c) The long-list for Alan Cook's replacement on the board had been agreed; the long-list for the appointment of the new Chairman was being put together.

There being no other business, the meeting ended at 1.10 pm.