

# Financial Ombudsman Service Limited

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## MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza, 183 Marsh Wall, London E14 9SR on Wednesday 13 April 2011 at 9.30am

Present	Chris Kelly	chairman
	Janet Gaymer	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Maeve Sherlock	director
	Roger Sanders	director
	Pat Stafford	director
In attendance	Natalie Ceeney	chief executive & chief ombudsman (CEO)
	Tony Boorman	decisions director
	Julia Cavanagh	performance & finance director
	Barbara Cheney	company secretary
	David Cresswell	director of communications & customer insight
	Simon Rouse	operations director
	Caroline Wayman	legal director
	Jacquie Wiggett	HR & organisational development director

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### 1/1104 Apologies for absence

Apologies for absence were received from Alan Cook and Alan Jenkins.

### 2/1104 Minutes

The minutes of the board meeting held on 16 March 2011 were approved as an accurate record of the meeting.

### 3/1104 Matters arising

#### *3/1103 – board evaluation*

The chairman reported that, having considered proposals from three organisations, the Institute of Chartered Secretaries & Administrators had been appointed to carry out an independent evaluation of the board.

#### *5/1103 - accessibility*

Having considered the addition of a further segment to the scorecard about accessibility, the *director of communications & customer insight* confirmed that it would be difficult to find a single meaningful measure and that most indicators were unlikely to change significantly from one period to the next. He added that a good deal of information about this issue was published in the annual review each year.

6/1103 - budget

The CEO reported that the budget for 2011/12 and additional reserves of £25m had been approved by the FSA board on 24 March 2011. The *finance & performance director* confirmed she was discussing the mechanism for auditing the governance of the additional reserves with the external audit partner.

**4/1104 Quarter 4: 2010/11 operational review**

The *operations director* presented a review of operations for the year 2010/11 as a whole, and the fourth quarter in particular. Key highlights included -

- a) The customer contact division (CCD) had a good year. Service standard targets were only just missed, despite a 9% increase in volume but only a 5% increase in resources.
- b) Casehandling productivity had improved - both in comparison to the previous year and quarter on quarter during 2010/11.
- c) Timeliness had also improved but achieving the 2011/12 targets would remain a challenge. The *operations director* confirmed that very good progress was being made up to the time that the judicial review of payment protection insurance complaints was filed. Since then, the co-operation of financial businesses had worsened which had had a serious impact on the Service's ability to resolve cases quickly.
- d) The *performance & finance director* reported that following the financial surplus in February, a further small financial surplus had been achieved in March, despite non co-operation by some financial businesses in handling complaints about payment protection insurance (PPI). She confirmed that expenditure was being closely monitored.

The *operations director* confirmed that closer liaison between ombudsmen and team managers had reaped significant benefits. Plans for a team manager development programme were under way and other measures to support them in their enhanced roles were being put in place. It was confirmed that the difference between customers being happy with the outcome, and customers being happy with the service *despite* the outcome was an important point that was stressed in training – and measured through management information.

Until the outcome of the PPI judicial review was known, the current uncertainty that created challenges for operational planning would continue. However the *operations director* said that the demand, capacity & operational planning process that was being developed would help to meet these challenges.

It was noted that a review was being made of the way in which HR processes were applied to all staff in comparison to the workforce diversity profile. The result would inform the next stage of the work on equality and diversity which would take the form of action planning. The *HR & OD director* confirmed that the outcome would be presented to the board in July.

In response to a question, the *operations director* envisaged that, within the next two to three years, the Service would

- have an empowered leadership structure with teams being strongly led and developed

- be a professional organisation with solid demand capacity planning systems in place
- have a culture of continuous improvement
- have e-enabled operations that would allow customers to keep track of complaints and ensure efficient casehandling.

The board felt assured that the right controls and forward planning processes were in place. It noted the considerable progress that had been made in the operation of the Service and looked forward to even more progress being made in future.

**Action** The *HR & OD director* will present the outcome of the review of the application of HR processes and subsequent equality and diversity recommendations to the board in July.

#### **5/1104 Budget forecast 2011/12**

The *performance & finance director* reminded the board that the budget for 2011/12 had been set and approved on the basis of 'normal' operations, ie no judicial review and full co-operation from financial businesses. However as this was not the situation, the financial forecast had been reviewed to reflect the current circumstances, with focus on the period from April to June 2011.

This analysis suggested that there was a 'run rate' in excess of the budget as a result of non co-operation by some financial businesses dealing with PPI cases. It would be possible to absorb this excess cost for the first quarter within existing reserves, and would therefore not, in itself, require a call on the additional reserves. However, if this situation continued for the full year at the current rate, it would be necessary to draw on the additional reserves. The executive team assured the board that it would take steps to try to manage within the existing budget as far as possible, whilst ensuring that service levels for non-PPI cases were maintained as a priority.

The board approved the revised forecast for the first quarter of 2011/12.

#### **6/1104 Risk management**

As promised at the previous meeting, the *performance & finance director* presented a revised corporate risk register. She explained that, having finalised the plans for 2011/12, the executive had prepared a completely new register of key risks arising from these plans. This new register had been compared with the old register to ensure that all relevant risks had been carried across to the new version.

The board reviewed the register, considered whether any significant risks were missing and whether there was an appropriate strategy in place to deal with each of the identified risks. It also discussed risk appetite and the need to strike the right balance in each case.

It was agreed that the structure of the document allowed the board to understand the key risks and to take assurance that the appropriate strategy was in place to mitigate them. The need for a system that provided early warning of potential difficulties was stressed.

The board suggested that

- consideration should be given to adding a risk to cover the impact of the Olympics in 2012; and
- the wording should be reviewed of two risks, ie ensuring that the ombudsman service continued to change and adapt to meet the needs of customers, and the appointment of a successor to the chairman in 2012.

The risk register was otherwise approved.

**Action** The relevant risk owners will amend the risk register as discussed.

## 7/1104 Quality

Jane Hingston (lead ombudsman), Garry Wilkinson (head of casework operations), Holly-Louise Kilbey (adjudicator) and Melina Bheekhun (executive assistant) joined the meeting to present recent developments in improving the way in which quality is assessed and measured within the organisation. They confirmed that a key objective was to measure end to end quality that focussed on the factors that were important to the customer in three ways:

- 'getting the basics right'
- meeting customer needs (customer being both financial businesses and consumer)
- getting to the heart of the issue in each case

The framework presented was intended to provide assurance to both the board and the executive that quality was firmly embedded throughout the Service and in all aspects of its work. It was also a key component of the metrics informing the corporate scorecard, and of the Service's values and staff engagement programmes.

The team outlined a number of ways in which quality was being measured, ranging from quantitative checks on 'getting the basics right' in letters, through to more substantive checks by ombudsmen on the degree to which adjudicators had got to the heart of the issue of cases.

The board considered the role of the new QA panel, which was to consider cases from beginning to end from the perspective of both the consumer and the financial business. The team outlined how they were now using a RATER customer service model - which considered reliability, assurance, tangibles, empathy and responsiveness. Made up of staff from across the organisation, the panel would rotate staff from all parts of the Service to ensure that learning was shared. However the panel was only one part of the framework and other measures such as input from ombudsmen, peer reviews and file reviews by both the board and the executive were also important. Further work on developing the details of the framework was being carried out.

The board thanked the group for its work so far and noted its achievements. It was keen to understand how the management information related to the new framework and it looked forward to receiving further information at the next meeting.

**Action** a) Further details of the sources for the individual scorecard measures will be provided at the next meeting.

- b) The quality committee will meet to discuss the quality work in more detail.
- c) The board and the executive will use the RATER model for their next file reviews.

#### **8/1104 Annual review timetable**

The *director of communications & customer insight* reminded the board that the annual review was a synopsis of the year that contained a wide range of facts and figures about complaints referred to the Service. It combined the requirement for the 'scheme operator' under the Financial Services & Markets Act and the chief ombudsman to report to the FSA about the discharge of their functions.

He reported that a draft copy of the review for 2010/11 would be posted to board members on 15 April and that comments should be passed to the secretary by Monday 2 May.

The board delegated authority to the chairman to settle specific queries before the final version is presented to the board for approval on 10 May.

**Action** Board members - send comments and questions about style and the underlying facts and figures to the secretary as soon as possible and by Monday 2 May at the latest.

#### **9/1104 Any other business**

*a) Resource strategy contract*

The operations director confirmed that he would propose a timetable for the board's approval of the resource strategy contract at the next meeting.

There being no other business, the meeting ended at 13.10 pm