

# 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 Tuesday 21 March 2012 at 9.30 am

Present	Nick Montagu ( NM)	chairman
	Gwyn Burr (GB)	director
	Janet Gaymer (JG)	director
	Alan Jenkins (AJ)	director
	Elaine Kempson (EK)	director
	Julian Lee (JL)	director
	Roger Sanders (RS)	director
	Maeve Sherlock (MS)	director
Pat Stafford (PS)	director	
In attendance	Natalie Ceeney (NC)	chief executive and chief ombudsman
	Tony Boorman (TB)	decisions director
	Julia Cavanagh (JC)	performance & finance director and company secretary
	David Cresswell (DC)	<i>communications and customer insight director</i>
	Chris McDermott (CM)	operations director
	Caroline Wayman (CW)	legal director
Alison Hoyland (AH)	board secretary & head, CEO's office (minutes)	

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### 0/1203 Executive update

The Board noted:

a) *Casework issues*

Consideration was being given to the consequences of the Service's position on some issues relating to pet insurance cases which had received recent press attention.

b) *Ombudsmen appointments*

In accordance with his delegated authority, NM had approved further ombudsmen appointments following the latest recruitment round. The Board welcomed the fact that an appreciable number were internal promotions

c) *Older cases*

The Service was on track to close the vast majority of its oldest cases by the year end. This reflected great energy and concentration, as well as close working between casework teams and the ombudsmen, which reinforced the professional leadership model being put in place and for which staff were demonstrating a great deal of enthusiasm.

d) *Operational performance*

Call volumes to the Service's front-line were continuing to increase. Recent media focus on encouraging consumers to complain themselves, rather than use claims management companies, was evident in the higher numbers of individuals making contact (in relation to PPI-mis sale complaints).

- e) *Accommodation*  
The fit-out of the accommodation to house the Service's increased PPI handling capacity was well advanced. The HR & OD teams had moved in at the beginning of the week and the Board expressed their thanks to those leading the work and their teams for their hard work and commitment in reaching this milestone.
- f) *Customer experience*  
The Board were updated on the analysis of qualitative data on what customers say about their dealings with financial businesses and their experiences of the Service. This analysis would help inform thinking on our interactions with customers.
- g) *Sign-posting and outreach*  
Changes in the consumer advice and welfare landscape highlighted the importance of maintaining close working relations with a wide network of trusted third-parties. This helped referrals both to and from the ombudsman service and made sure that consumers got the right help at the right time.
- h) *Staff engagement*  
The Service recognised the need to do everything possible to retain and motivate its staff, especially as so many were new Board members could add real value to the Service's existing efforts towards this end.

**Actions:**

- NM and NC to contact Board members about getting them involved in staff engagement initiatives.
- AH to circulate last month's 'ask the exec' slides.

**1/1203 Minutes and approvals**

1. The Board approved the minutes of the Board meeting held on 21 February.
2. The Board noted the minutes of the Audit Committee held on 21 February.
3. The Board noted the minutes of the Nomination and Remuneration committee meeting held on 1 March.
4. In noting the minutes of the Nomination and Remuneration Committee meeting held on the 1 March and a follow up exchange between the Chairman and Board members, the Board confirmed its approval of the following recommendations:
  - the appointment of Pat Stafford to the Nomination and Remuneration Committee; and
  - the appointment of Janet Gaymer to the Audit Committee.

Both appointments would be effective immediately.

**2/1203 Matters arising**

*Financial Services Bill*

TB had circulated the draft Memorandum of Understanding between the ombudsman service and the new Financial Conduct Authority.

*Success measurement for 2012/13*

CMcD updated the Board on a revision that was being made to the three month closure target to reflect more accurately the customer experience of timeliness.

### **3/1203 Update on PPI planning**

The Board noted that satisfactory progress was being made on the Service's plans to build capacity to deal with the PPI volumes it was expecting to receive.

Detailed oversight was being maintained by the Project Steering Group, which included the project's 'critical friends', board members, JL and AJ. Some of the planning assumptions and other of the detail would be picked up in the 2012/13 plan, budget and fees' item later in the agenda. NM suggested that it would therefore be helpful if the Board instead had a discussion about some of the wider strategic issues which would help inform its thinking about the Service's longer term strategic vision more broadly.

TB took the Board through a presentation given the previous day to senior staff to bring them up to speed on the planning for PPI work and to get senior leaders thinking about how to engage their teams, including thinking about the future and the potential implications for future working.

The Board agreed that the prospects were positive for learning from the Service's operational response to PPI and some of the new ways of working it would be piloting. In thinking about the Service's position in 10 to 20 years' time, it would be important to think about the wider consumer advocacy and redress context in which the Service would be operating, including the technological environment.

The board would be taking a strategic view of the Service's longer term position and the environment within it might be operating at its away days in September.

### **4/1203 2012/13 plan, budget and fees**

**fos/12/03/04**

The Board discussed the 2012/13 plan, budget and fees. In discussing the underlying drivers for the budget, the Board noted that:

- The Service's assumptions on incoming case volumes and case closures for next year remained substantively unchanged from those on which it had consulted.
- Feedback to the consultation was polarised, with those who had large volumes of PPI complaints largely opposing the supplementary PPI case fee and others who did not, supporting it.
- The Service's reserves were being set at a level *below* the level determined to be prudent during periods of high volatility – namely 25% of its expected operational expenditure. Previously, in setting the budget for 2011/12, the service and the FSA had agreed that this was a prudent level of reserves in the light of the continuing volatility and casework uncertainty facing the Service. However, the Board had agreed that it did not want to increase the financial burden on firms at this time and that it was right not to seek to raise reserves further (to achieve this 25%).
- There had been no substantive change in the underlying cost model for 2012/13. The only changes in the underlying financial model related to two issues, the first being a higher than forecast end of year surplus for 2011/12, the other being the Service's auditors' advice on the accounting treatment of the new 'supplementary case fee'.
- There remained significant volatility and risk in the budget for 2012/13, given the high forecast levels of PPI cases, and the operational challenges of increasing rapidly the PPI case-handling capacity.

On the surplus/ accounting treatment issue the Board noted that since publication of the consultation document, the 2011/12 year end forecast had risen to approximately £15m (an £8.4m increase from that at the point of consultation). This had happened for two main reasons:

- the Service had closed more PPI cases than expected; and

- a higher element of spend on increasing the PPI case-handling capacity had been identified as capital, rather than operating, expenditure.

It was also relevant that, at the time of consulting, an assumption had been made that *all* of the proposed supplementary case fee income of £350 would be recognised when the cash was received on conversion of a case. However, following further analysis of the work flow associated with a case and discussions with the auditors about accounting standards on revenue recognition, the view now was that some income from the supplementary case fee would be deferred into the following year (2013/14).

In concluding its discussion, the Board agreed that the increased surplus of £8.4m should be retained – in effect to bolster the reserves levels and offset the impact of the income deferral resulting from the accounting treatment of the supplementary case fee.

The Board confirmed that it approved (subject to FSA approval, where required):

- the budget for 2012/13;
- an incoming caseload forecast of 120,000 non-PPI and 165,000 PPI cases in 2012/13;
- maintaining the level of reserves for 2012/13 at £30m;
- holding the standard case fee at £500 (and retaining 3 free cases);
- setting a new supplementary fee of £350 to be charged in respect of each received PPI sale case (except the first 25 a year for each legal entity);
- maintaining the arrangements for the consumer credit jurisdiction and voluntary jurisdiction;
- recommending to the FSA that it should hold the overall levy in respect of the Service to £17.7m;
- the associated rules instrument; and
- the publication of the proposed feedback statement on the plan and budget consultation and the updated '*plans for a changing world*'.

#### **5/1203 Risk register review**

**fos/12/03/05**

The Board took the opportunity to discuss the risks facing the ombudsman service, and the mitigations being taken.

##### **Actions:**

- Risk appetite to be brought to a future Board meeting.
- JG to put the Service in touch with *Working Families* (a charity which advises employers on issues such as balancing responsibilities at home and work).
- Board members to consider what they might be able to offer through other of their capacities by way of opportunities for staff recognition and reward.

#### **6/1203 Annual Review timetable**

**fos/12/03/06**

The Board noted the timetable for the production and publication of the 2011/12 annual review.

There being no other business, the meeting ended at 12.45