

# 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, 22 May at 9.00 am

Present	Nick Montagu (NM)	chairman
	Maeve Sherlock (MS)	director
	Alan Jenkins (AJ)	director
	Julian Lee (JL)	director
	Pat Stafford (PS)	director
In attendance	Natalie Ceeney (NC)	chief executive and chief ombudsman
	Tony Boorman (TB)	deputy chief executive and deputy chief ombudsman
	Julia Cavanagh (JC)	finance and performance director
	Richard Thompson (RT)	PPI lead ombudsman (for item 5)
	Garry Wilkinson (GW)	PPI operations director (for item 5)
	Linda Costelloe Baker	Independent Assessor (for item 6)
	Alison Hoyland (AH)	board secretary & head, CEO's office (minutes)

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### Apologies for absence

An apology for absence was noted for Gwyn Burr (GB).

### Team Manager, David Gray

The Board and the executive wished to record, on behalf of everyone at the ombudsman service, their sympathy for the family of their colleague, David Gray, who had died earlier in the month after a battle with cancer. David would be remembered by colleagues with great affection and respect.

### 0/1305 Executive update

The update from members of the executive on their respective areas was noted, with some further discussion on the following:

#### *business liaison*

NC reported on the recent round of bi-annual meetings with the insurance and banking steering groups (chaired by NM) and with the main trade associations for financial services (which NC chaired), looking back at the past year, and the sector specific issues identified in the ombudsman's work. The meetings had provided an opportunity for senior industry engagement on improving business behaviour and on the ombudsman's plans to continue to develop case-handling approaches so that it could respond effectively to different types of complaints and meet changing customer needs and expectations.

#### *next external review*

Earlier in the year the Board had agreed that the next external review of the ombudsman service should look at the likely developments and changes in the wider operating environment and society more generally over the next decade – and the implications for the ombudsman service. MS had provided helpful input into the preparation of a brief for the work, which was now close to being finalised, and would continue to take the lead interest at Board level. An invitation to tender was expected to be issued over the summer.

### action

- Board members to provide NC with any recommendations for parties to be included in the initial tender approach process.

*service performance*

The new financial year had got off to a good start; and service performance was on track across all measures, including on the numbers of resolved cases and time taken, as well as on the quality of the work. The challenges that lay ahead were nevertheless recognised, as continuing high volumes were expected on top of record levels in the previous year.

*ombudsmen appointments*

The Board noted NM's approval of the latest ombudsmen appointments.

*litigation case*

CW reported that judgement had been handed down in a litigation case the previous day - Calland v Financial Ombudsman Service - in which the decision had been reached to dismiss the judicial review claim against the ombudsman's final decision in the case. Central to the judicial review claim was an allegation of delay in reaching the decision – but the judgement had made it clear that the claimant had been almost entirely responsible himself for the delay.

**1/1305 Minutes and approvals**

The minutes of the Board meeting held on 24 April were approved, and the note of the meeting of the remuneration and nomination committee also held on 24 April was noted. NM confirmed that all Board members had now been appointed to the remuneration and nomination committee.

**2/1305 Matters arising**

*updating the memorandum & articles of association*

AJ had been assisting with the final preparation of the revised Memorandum & Articles of Association, which were required following amendments to the Financial Services and Markets Act 2000, as brought about by the Financial Services Act 21012. A final draft had been circulated and signed off for submission to the FCA's June Board. Once approved, it would come back to the ombudsman's July Board.

**3/1305 Annual review – sign-off**

**fos/13/05/03**

The Board had reviewed the highlights and headlines of the 2012/13 *annual review* at its last meeting and had since had the draft text for comment. Comments had been taken on board, and the Board approved the *annual review* for publication (expected to be on 29 May).

**4/1305 board scheme of delegation**

**fos/13/05/04**

The Financial Services Act 2012, which received Royal Assent at the end of 2012, amended the Financial Services and Markets Act (FSMA). A number of amendments were relevant to the ombudsman service and the Board had agreed at its March meeting that it should take the opportunity of the legislative changes to adopt a formal 'scheme of delegation'.

An initial draft had been drawn up on the functions and obligations which the Board must retain, those that it could delegate but would reserve, and those that it could, and would, delegate to the executive. Before adopting a final scheme, the Board had asked for some further analysis and assurance on how delegated obligations would be met and reported.

The Board reviewed a final draft scheme of delegation, along with the assurance analysis it had sought on delegated functions and proposals for a reporting framework. Subject to some minor tweaks, the Board agreed to the formal adoption of the scheme of delegation and that it should also be published on the ombudsman's website.

The plans on which the ombudsman service had consulted for 2012/2013 were based on it receiving around 165,000 new PPI cases, and an anticipated need to build capacity to deal with the high volumes and to ensure that service standards were the best that it could deliver. Most people who responded to the ombudsman's public consultation in January 2012 thought that the assumptions and plans were reasonable.

To build this new capacity, the ombudsman service launched a major change programme which included:

- significant recruitment (an additional 922 permanent staff were recruited and trained during the year, and additional temporary staff were taken on – doubling the size of the ombudsman service);
- huge investment in training and development – so that new case handling staff could be trained to handle PPI complaints quickly but effectively
- the introduction of different ways of working – including working electronically, and giving consumers early indications of the likely success of their case.

In the event, the number of PPI cases received dramatically exceeded those assumptions and by the end of the year the ombudsman had received 378,699 PPI disputes – a 140% increase on the previous year.

Resolving disputes is inherently labour intensive. Every case needs to be assessed on its own merits, and the work requires trained staff. Although over 900 new staff were taken on for PPI work in 2012/13, they needed extensive training and supervision before they could resolve people's cases to the required high standards of quality – so staff were not able to resolve cases immediately. Added to which, the dramatic increase in the volume of new complaints and enquiries meant that many of the additional staff had to be diverted to focus on processing the higher volumes of new cases coming in – rather than on assessing the merits of existing cases.

While it was commendable that over half a million PPI-related calls were answered during the year, over 120,000 assessments were issued and over 100,000 cases were resolved, inevitably stock levels built up in-year and consumers and businesses would have to wait much longer than planned – in many cases 1 to 2 years, before their case could be assessed.

For the coming year, all the indications currently were that the high volume of PPI cases were set to continue. The FCA's approach to PPI was a complaint-led one – and at the end of 2012/13, FCA published data suggested that only a little over 10% of all people sold PPI policies had complained so far. In response to this, the ombudsman consulted on plans that assumed it would continue to receive around 5,000 new PPI cases each week for 2013/14, and that it would need to scale up its resources still further to continue to handle this volume of cases. Over 2013/14, it therefore planned to add an additional 1,000 staff to its PPI operation, recruiting them though on 3-year contracts to enable it to manage staffing levels downwards if necessary in the event that PPI volumes eventually subside.

The last year had taught the ombudsman service a great deal about managing workload levels far in excess of plans, and the lessons learned would be taken forward as the service prepared to deal with the challenges of another high volume year. However, overall the Board concluded that this change programme had been managed very well, and that it had achieved its overall goals.

The Board acknowledged the huge effort that everyone across the service had made to help meet the challenges presented by higher than planned PPI demand and the successes that had been achieved, despite those demands.

**6/1305 Independent Assessor's annual report**

**fos/13/05/06**

The Independent Assessor, Linda Costelloe Baker, attended to present her annual review for 2012/13. Her report noted a 30% increase in work – unsurprising given the near-doubling of cases to the ombudsman service itself. Reassuringly, her report noted improvements in service complaint handling on the service's part, resulting in the Independent Assessor making fewer recommendations for compensation compared to the previous year.

This was to be the current assessor's last report, as her three-year term was coming to an end, and so it also focussed helpfully on some areas for broader improvement, as well as reporting on her recommendations for remedy on individual cases.

The Board accepted the Independent Assessor's annual report for inclusion in the 2012/13 directors' report and accounts, which was due to be published later in July.

In thanking Linda Costelloe Baker for her work over the last three years, the Board noted that she had enhanced the reputation of the ombudsman service and helped its commitment to constant improvement in its customer service delivery.

**Any other business**

There being no other business, the meeting ended at 12.30