

# Financial Ombudsman Service Limited

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## MINUTES

MINUTES of the meeting of the directors, held at Exchange Tower, 1 Harbour Exchange, E14 9SR on Wednesday 18 February 20015, at 09.00

Present	Nick Montagu (NM)	chairman
	Gwyn Burr (GB)	director
	Gerard Connell (GC)	director
	Alan Jenkins (AJ)	director
	Julian Lee (JL)	director
	Maeve Sherlock (MS)	director
	Pat Stafford (PS)	director
In attendance	Caroline Wayman (CW)	chief executive and chief ombudsman
	Julia Cavanagh (JC)	finance and performance director
	Garry Wilkinson (GW)	director of new services
	Alison Hoyland (AH)	board secretary & head of CEO's office (minutes)
	Mike Harris (MH)	head of strategic analysis (for item 6)
	Paul Mills (PM)	head of governance and risk (for item 5)
	Caroline Wood (CWo)	chief of staff (for item 7)

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### Apologies for absence

There were no apologies for absence.

### 1-4/1502 Board minutes

Subject to one or two minor amendments, the Board approved the note of the meeting held on 2 December 2014.

### Matters arising

Matters arising were picked up in the substantive business before the Board.

### Chairman's opening remarks

The chairman provided an update on ombudsman business in which he had been engaged since the last Board meeting, including:

- a number of chairman-level meetings with the industry
- his meeting with the chairman of the Money Advice Service, Andy Briscoe
- a visit of TSC member, Rushanara Ali MP, to the ombudsman service to see its work at first hand
- his contact with universities on the promotion and advancement of ADR mechanisms and the professional standards to which they should aspire
- his involvement in the 30% club, a group of Chairs and CEOs committed to better gender balance at all levels of their organisations

The chairman had also approved another intake of ombudsmen since the last meeting, which the Board noted.

## Chief ombudsman and chief executive's update

The chief executive updated the Board on a number of organisational developments since the last meeting, including:

- a comprehensive round of staff engagement activities, including '*we are the ombudsman*' events and '*big questions*' sessions, '*who we are and where we are going*' events, roadshows and video blogs, central to which been messages about the ombudsman's strategic objectives and its vision for the future
- wide ranging external engagement activities, including with the regulator and relevant government departments and a session with claims management companies as part of the service's consultation on its plans and budget for the following year, to get a better understanding of the areas of complaint in which the claims managers were likely to be operating

### action

- AH to circulate the ombudsman service's 'what we expect of everyone working here' framework, its guidance on the ombudsman's 'tone' and CW's slides from her talks to staff

5/1502

### Q3 performance and Q4 forecast

fos/15/02/05

Performance in the third quarter remained strong overall, with the number of case resolutions in general casework on track against the forecast and ahead of forecast in PPI. Customer satisfaction remained positive overall, although slightly behind target for non-upheld PPI cases. In areas where the ombudsman service was piloting new ways of working, customer satisfaction was significantly higher than elsewhere and a sign that these new approaches were meeting customer need and expectation in a far more meaningful way. Financial performance remained strong, reflecting the operational performance and in the light of some cost savings which had been achieved in the third quarter.

Areas of pressure remained around the progression of the oldest cases and so appropriate resource would continue to be deployed to help work through the cases where there was no barrier to progression, including external factors outside of the ombudsman's control, for example, legal action.

On people matters, the annual staff survey results were included in the quarter three report, the scores for which indicated that staff continued to be highly engaged. While the overall results were down on the previous year's, this was likely to be a reflection of the fact that far fewer staff were very new compared to last year, and of perceptions of higher pay and progression opportunities elsewhere.

On assurance more generally, the Board noted an updated draft board assurance framework, aimed at providing an overview of the key controls and assurance reporting arrangements at both the executive and Board level. The Board agreed that such a framework would provide a useful point of reference and suggested some amendments to take forward for the next iteration, for example, to indicate when in the annual cycle an assurance report or Board item was due and to provide more definitive timeframes for those areas which had been more broadly drawn. The Board would be able to assess the adequacy of the reports and the level of assurance provided at the point that they came to the Board, and would flag any areas which the framework might also usefully cover as they became apparent. For now, the assurance reports to the audit committee on anti-fraud/anti-bribery and gifts and hospitality should be added, and the separate assurance areas under the general heading of estates and facilities should be separated out.

In concluding the discussion, the Board noted that while a number of challenges

remained, work was under way to respond to the areas under pressure. It agreed the revised forecasts for a reduction in new general casework volumes and reduced costs.

**6/1502 2015/16 plan & budget update**

**fos/15/02/06**

At the March meeting, the Board would be asked to sign off the 2015/16 plan and budget for submission to the FCA Board for approval. Before then, to help with the final preparations, and ahead of the FCA oversight committee later in the month, the executive had undertaken a review of the operational and financial position, as the service approached the year-end and in the light of responses to the consultation.

The validation work, together with responses to the consultation, continued to support the plans, including in relation to the reserves the service held, subject to a few minor refinements, mainly to reflect a reduction in expected costs and the possibility of higher numbers of packaged bank account cases.

While respondents to the consultation were unable to quantify any expected increase in packaged bank account cases, the ombudsman service remained confident that it would be able to put in place an appropriate operational response, without the need to increase its costs should case volumes in this area be higher. To help inform its operational planning, and in the absence of any substantiated data on potential case volumes, the ombudsman service would undertake an analysis of different complaint volume scenarios.

As always, uncertainties remained in the external environment in which the ombudsman operated and a range of external impacts on the ombudsman's work and workload continued to be a possibility.

The Board agreed that the ombudsman service should continue to finalise its plans and budget for 2015/16, in the light of the latest analysis and assumptions. After the FCA oversight committee, the budget would be put to the March Board to sign off for submission to the FCA Board for formal approval.

**action**

- analysis of packaged bank account complaint scenarios to come to the March Board

**7/1502 2015/16 performance measurement**

**fos/15/02/07**

Each year, before the start of the next financial year, the executive and the Board undertook an evaluation of performance reporting, to determine the service's commitments for the year and how it might best assess how it was doing against them. The performance framework was key to making sure that there was a shared understanding internally of the commitments and what was required to achieve them, as well as providing assurance to the Board on how the service was doing.

Over the last four years, a number of iterative changes had been made to the underlying measures of the corporate scorecard. A more substantive review was now due, not least to ensure that the way that performance was monitored and reported was closely aligned to the ombudsman service's key corporate objectives and its strategic vision.

The executive had developed an initial high level framework with which the Board were broadly content, suggesting some further areas for inclusion in the headline analysis and/or in the supporting performance pack.

In terms of the next steps and the development of the underlying detailed measures and analysis, the Board highlighted the importance of having a firm understanding of how customers would judge performance and the service they had received and on having a good balance of externally-facing measures to this end.

The performance framework and underlying measures would come back to the March Board for final review and sign-off.

**8/1502**

**Service development update**

**fos/15/02/08**

The programme of work to modernise the service and introduce new ways of working best suited to customer needs was progressing well, and much had been achieved since the Board were updated in October last year.

The programme structure and governance arrangements had been reviewed and refreshed, providing greater clarity to the work streams and facilitating much better co-ordination between them. An executive level steering group met weekly to make sure that the programme remained on track and senior leaders from across the organisation had become more closely involved and the programme and its activities were now much more closely integrated with day-to-day operations.

The ADR directive, due to be implemented in July, was a key focus in the short term, and a detailed plan had been developed to map out the milestones over the next couple of years in delivering the longer term vision of a new operating model spanning the full breadth of the ombudsman's casework.

In the meantime, progress on developing new approaches was progressing well: further pilots to test new ways of working were underway and a new on-line complaint form and webchat facility had also been launched, with further enhancements being planned. The implications for the skill sets required of staff, the need for responsive and flexible resourcing and the implications for cost recovery, were key part of the programme and were a factor in assessing the success of the pilots and the extent to which these new ways of working were capable of being operated on a larger scale. The Board also emphasised the importance of the ombudsman service continuing to reflect on its core purpose and strategic objectives as it developed new approaches, to make sure that they remained aligned.

As noted earlier in the meeting under the chief executive's update, significant time and resource, including at the highest level, had been, and would continue to be, devoted to staff engagement, ensuring that staff had a shared understanding of the programme's objectives and the role that they had to play in delivering the future vision and in making it a success.

The Board commended GW on the shape of the programme and the progress that had been made: updates would continue to come to the Board at quarterly intervals, at least, with additional reports on progress at significant points in the programme.

**Any other business**

The Chairman wished to record his and the Board's thanks to Julian Lee, who was stepping down having served a full term of 10 years, for his unwavering commitment, his insight and expertise and his wise counsel, from which the ombudsman service and the Board had benefited greatly over the years.

The meeting ended at 12.50.