

# 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, 23 November 2016 at 09.00

<b>Present</b>	Nick Montagu	chairman
	Gerard Connell	director
	Alan Jenkins	director
	Maeve Sherlock	director
	Pat Stafford	director
<b>By telephone:</b>	Gill Whitehead	director
<b>In attendance</b>	Caroline Wayman	chief executive and chief ombudsman
	Chris McDermott	chief operating officer
	Annette Lovell	director of engagement (for item 8)
	Richard Thompson	principal ombudsman and director of quality
	Garry Wilkinson	principal ombudsman & director of new services
	Talal Barkatali	head of strategic finance (for item 9)
	Yvette Bannister	general counsel (for items 5 & 7)
	Georgina Surry	senior legal counsel (for item 7)
	Caroline Wood	chief of staff (for item 9)
	Alison Hoyland	board secretary

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### Apologies for absence

Apologies were received from Julia Cavanagh.

### 1-4/1611 Board minutes

The Board approved the note of the meeting held on the 20 October, subject to a few small amendments on points of detail.

### Matters arising

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

### Chairman's update

The ombudsman service business in which the chairman had been involved since the last board meeting included:

- attending chairman and other senior-level industry meetings as part of the usual pre-consultation engagement on the service's plans and budget for the next financial year;
- attending the FCA oversight committee, again as part of the plan and budget cycle; and
- approving ombudsmen appointments, which the Board noted.

### 4/1611 Chief ombudsman and chief executive's update

The chief ombudsman and chief executive's update on the main developments of note since the last meeting, included:

- a busy schedule of meetings with key stakeholders, including those noted by the chairman with the industry and the FCA on the service's plans and budget for the next financial year;
- her briefing sessions with ombudsman service managers and leaders to discuss the emerging plans and budget for the following year and what this meant in terms of

- workload and resource planning; and
- the work she had been doing with the staff networks to help promote the service's commitment to diversity and inclusion and its aims to ensure that everyone felt able to bring their whole selves to work.

## **5/1611 Complaint-handling rules**

**fos/16/11/05**

### *Changes to the calculation of tariff rates for insurance firms*

The implementation of relevant European insurance regulation had led to significant changes in regulatory reporting for many insurance firms. The calculation of fees for insurers was linked to data included in their regulatory returns, so the FCA was making some changes to the calculation arrangements in the light of regulatory reporting changes. Consistent with the established approach of mirroring changes to compulsory jurisdiction rules, the ombudsman service was proposing to make the equivalent rule changes in relation to the voluntary jurisdiction.

The Board noted the responses to the consultation and agreed the rule changes, subject to FCA approval in due course.

### *Administrative changes to FCA handbook glossary definitions*

FCA had delayed proposed rule changes to amend some glossary definitions in the FCA handbook, so the ombudsman Board noted that it would not now be asked to make the equivalent changes in respect of the service's voluntary jurisdiction. The changes were likely to come back at a later date early in the New Year.

### *Upcoming rule changes*

The Board noted the update on future rule changes.

## **6/1611 Service development update**

**fos/16/11/06**

The next investigation teams were being established, following the latest recruitment round, with the lessons from setting up the first teams informing training and transitional arrangements.

The knowledge infrastructure to support a multi-skilled and flexible working environment was being put in place and the service development steering committee was due to undertake a 'deep dive' review to look at the knowledge infrastructure in more detail. As noted at the October meeting, a detailed review of the IT development programme was due to come to the February Board.

In the meantime, performance was good, with customer satisfaction levels higher than elsewhere and productivity levels on track against plans. The chairman and other Board members had spent time recently in the investigation teams and had been struck by levels of engagement and the commitment to delivering a timely and responsive service to customers. While case-handling colleagues were very busy, they appreciated that this, in part, reflected the additional challenge of learning new things.

As discussed at previous meetings, staff engagement levels more generally continued to reflect a period of change, with some colleagues feeling unsettled and unsure about the future role they could see themselves playing. Board members noted the backdrop of an uncertain external environment more broadly, which may well be adding to people's sense of uncertainty.

The Board would be kept updated on staff engagement through the regular reports on the key corporate commitments and, as appropriate, through other ad hoc feedback.

**7/1611 Legal & litigation assurance report****fos/16/11/07**

The legal team's work comprised two main elements:

- internally facing legal work – helping to mitigate the risk of legal challenge by assisting and advising case handling colleagues on specific cases, or more generally on broad-brush themes, regulatory rules and core legal issues; and
- litigation work – defending the service's position in legal action brought against it.

While litigation work was increasing, this reflected higher case volumes and, in turn, higher numbers of final decisions. As a proportion of the total number of decisions issued by ombudsmen, the percentage of cases that developed into litigation remained very low (at less than 1%).

The ombudsman continued to take an approach to its litigation work which balanced the need to defend its position and its decision-making robustly, with the need to settle matters without formal litigation in certain circumstances where that would be the right thing to do.

Where the service concluded that it should try to resolve matters without the need for formal litigation, the Board noted the work the legal team did to feedback the lessons to case-handling colleagues to help future decision-making and to help mitigate and minimise future risks.

**8/1611 Information-sharing with the FCA****fos/16/11/08**

As part of the assurance framework, the ombudsman service provided regular reports to the Board on the statutory obligations relating to cooperation and information sharing with the FCA. The report covered the first six-months of the financial year and supplemented the more qualitative reports the Board received at each meeting on ongoing liaison between the two bodies.

**9/1611 2017/18 plan, budget & fees****fos/16/11/09**

At its October meeting, the Board agreed the broad parameters within which the ombudsman service was preparing its 2017/18 budget for public consultation, noting, in particular, the uncertainty in the external environment surrounding PPI (which, in the main, related to the awaited FCA rules and guidance for Plevin-affected cases and for a PPI time-bar) and how this might impact future case volumes.

Further analysis and pre-consultation discussions with industry and consumer representatives since then continued to support the high-level planning assumptions around the work the ombudsman service might expect to receive. Stakeholders agreed that PPI uncertainties remained considerable, such that no one was able to offer an alternative to the service planning on the basis of a central assumption.

The overall budget remained unchanged from that presented for review at the October Board. In concluding its discussions, the Board agreed that the ombudsman service should proceed to present its budget and fee plans to the FCA Board on 7 December. The draft consultation document would be circulated to Board colleagues for comment the following week and then, subject to FCA approval, published shortly after that.

The Board would have the opportunity to take a final view on the budget against the latest forecasts and responses to the consultation, when it was asked to approve it in March.

**10/1611 Quality assurance and service improvement****fos/16/11/09**

The Board reviewed the results from the latest case file review which the Board, the executive team, and staff from across the service had undertaken. These reviews of how individual cases had been handled provided insight on the 'quality' of the service

and informed thinking on training requirements and service improvement measures. Where the checks were undertaken by colleagues from across the service, and at different levels of seniority, the exercise also helped identify any outliers and flag any training needs for those involved in quality checking.

The emerging themes were consistent with those from previous file reviews, and again highlighted the things that were most important to customers, including a service which was:

- human and un-bureaucratic;
- outcome focussed, not process-led; and
- flexible and responsive to individual need.

Reassuringly, the service development programme which was introducing multi-skilled and flexible ways of working was very much aligned with the file review findings and the service customers wanted.

The Board also noted the plans to integrate quality and service improvement work with other teams focussed on learning from customer insight and developing casework approaches. The Board invited the senior leader overseeing this new casework area to attend a Board meeting to talk about this area of work at an appropriate point in the future.

The Board was satisfied that the executive and senior management team had appropriate oversight of the quality of the service provided.

There being no further business, the meeting ended at 13.40