

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at Exchange Tower, 1 Harbour Exchange, E14 9SR on Tuesday, 9 May 2017 at 09.00

Present	Nick Montagu Gerard Connell Alan Jenkins Maeve Sherlock	chairman director director director
Apologies	Pat Stafford Gill Whitehead	director director
In attendance	Caroline Wayman Julia Cavanagh Chris McDermott David Cresswell Annette Lovell Sally Webster Garry Wilkinson Talal Barkatali Mike Harris Paul Mills Alison Hoyland	chief executive and chief ombudsman chief finance officer chief operating officer director of strategy (for item 10) director of engagement HR & OD director (for item 10) principal ombudsman & director of new services head of strategic finance (for item 5) head of insight & content (for item 6) head of governance and risk (for item 9) board secretary
By invitation	Amerdeep Somal Jenny Davenport	Independent Assessor (for item 7) independent engagement consultant (for item 10)

Apologies for absence

Apologies were received from Pat Stafford and Gill Whitehead.

1-4/1705 Board and committee minutes

The Board:

- approved the minutes of the board meeting held on 15 March 2017
- noted the minutes of the remuneration committee held on 15 March 2017
- noted the minutes of the audit committee held on 17 January 2017
- noted the oral update on the audit committee meeting held on 26 April 2017
- noted the oral update on the remuneration committee held on 26 April 2017

Matters arising

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

Chairman's update

The chairman updated the Board on the ombudsman service business in which he had been involved since the last board meeting, including:

- His 1:1 meetings with Board and executive members.
- The recruitment of new non-executive directors.
- The approval of the latest ombudsmen appointments (which the Board noted).

4/1705 Chief ombudsman and chief executive's update

Much of the chief ombudsman and chief executive's update was picked up in

substantive business, with the Board noting here that:

- the chairman would sign the Modern Slavery Act statement on the recommendation of the audit committee and it would then be published on the service's website;
- staff had been positive about the service's plans for an office outside London;
- there were a number of updates on litigation cases of note.

5/1705 Q4/end of year performance

The overall position at the year-end reflected a year of considerable achievement in which the service had:

- resolved more cases than it had received for the fourth year in a row;
- resolved 336,381 cases overall, against a revised forecast of 335,000 cases;
- achieved record-high levels of customer satisfaction;
- responded to 25% more general casework cases than anticipated;
- delivered on support department plans, making savings and working more flexibly and effectively; and
- maintained a strong financial position (consistent with the strong operational performance).

While higher general casework volumes had impacted timeliness (44% of general casework cases were resolved within 45 days, against a target of 50%), 85% of all cases (including mass claims) were answered within the 90 day ADR timescales.

The Board acknowledged how much had been achieved, not least during a year in which the service had undergone a programme of change to update and modernise the way it worked to help its customers in a more responsive and flexible way. While a number of external pressures had meant that the service had not been able to meet all its commitments, there was not a great deal more that could have been asked of staff. The collective reward levels the Board agreed reflected the fact that effort and focus had remained squarely on delivering the best for customers.

6/1705 Annual Review

fos/17/05/06

The annual review timetable had been impacted by the general election purdah period, and publication was now planned for 12 or 13 June. Board members would be sent the draft at the end of the week and would have until 26 May to send comments.

In the meantime, the service's suite of publications had been reviewed to ensure effective use of resources and maximum impact. This year's annual review took account of previous feedback and was shorter and more concise. The content was structured in a different way and around overarching themes – rather than around individual financial products or product groups. The approach provided a comprehensive narrative on what the service had seen over the year and helped emphasise the breadth of the ombudsman's work.

Infographics brought the report to life and made the data more digestible and fit for purpose across a variety of channels, including the website and social media.

In previous years around 10,000 hard-copies had been printed and distributed to businesses and external stakeholders. This year, the plan was to focus instead on online delivery.

7/1705 Independent Assessor's annual report

fos/17/05/07

The Independent Assessor attended the meeting to present her annual review to the Board, which recorded:

- a slight increase in the number of opinions issued by her office over the year;
- an increase in satisfactory findings (46%, up from 39%); and

- a decrease in critical recommendations (40%, down from 48%).

The Independent Assessor acknowledged again (as she had done in last year's report) how the flexible and responsive ways of working were impacting positively on customers' experience of using the service. She also acknowledged how well the service put matters right, when they'd gone wrong. By way of introduction, her report commented on how:

"During 2016/2017 the Service received 1932 service complaints, of which I only investigated 23%. This shows that most of the customers that raised complaints were either satisfied with the Service's responses, or didn't have a legitimate service complaint and this speaks volumes about the continued progress on improved customer service."

The Independent Assessor highlighted where effort should be focussed to improve things further, including around adherence to processes – where she found that greater clarity was required on changes to processes for service complaints which sought to align handling with the more flexible ways of working. Her findings here were consistent with the recommendations in a recent internal audit report; the Board asked for the report to be shared with the Independent Assessor, and would welcome her observations.

The Board thanked the Independent Assessor for her work, which it saw as an important part of the assurance framework, providing a check and balance on customer service and the opportunity to improve things.

The Board formally accepted the Independent Assessor's annual report for inclusion in the 2016/17 directors' report and accounts, which was due to be published later in July. Its place in the service's suite of publications would be considered as part of the wider publication review work noted under the earlier discussion, alongside the Board's request for the inclusion of a management response.

Action

- internal audit report on service complaint handling to be shared with the Independent Assessor.

8/1705 Service development

fos/17/05/08

The Board reflected on a year of change in which the strategy for a more relevant and sustainable service had been realised. The first investigation teams were now well established and performance was on track against the plans. Higher general casework volumes had necessitated a phased transfer of cases over to the investigations teams. The expectation had been that all new general casework cases would go to the investigation teams from 1 April; however, case-handling colleagues who had transferred over to mass claims teams would continue to deal with certain cases until the investigation teams had the capacity to take them on and volumes allowed.

In other developments, general casework front line calls were now going to the investigation teams, the first release of the new customer-centric case-handling system had been rolled out to staff and external recruitment had begun for ombudsman managers, with further opportunities for staff internally to follow. Work to establish the knowledge infrastructure was also continuing apace, with more and more content available on the knowledge portal, Discovery, and search and access vastly improved.

On staff engagement, the Board discussion in February had flagged the importance of continuing to track how people were feeling over time, and as between the different areas of the service, and monitoring the impact of key interventions. The May update included a comparison between the different areas and a more detailed discussion followed under the substantive item on staff engagement at fos/17/05/10. A paper on the annual staff survey was due to come to July Board and staff engagement levels would continue to be tracked

and reported to the Board in substantive papers, including the quarterly performance report on the service's commitments.

9/1705 Annual risk review

fos/17/05/09

The Board agreed that the overarching corporate risk areas continued to stand up to scrutiny and remained fit for purpose. Work was ongoing with relevant areas to look at the detail underneath and ensure the underlying risks and mitigating actions captured the latest position and any relevant developments.

In terms of tolerance levels, the service was naturally risk averse, but recognised that it would be helpful to differentiate between tolerance levels at different points in time – where levels may be lower in the short term, but higher in the medium to longer term. In any event, there was now a firm focus on addressing critical risks and the actions and anticipated timescales for getting within stated tolerance levels. The risk management framework would continue to be developed to ensure it provided clarity on the 'flight path' to tolerance levels and helped flag when further mitigating actions may be needed.

As the service developed its framework, it had also undertaken a 'torpedo risk' exercise as a check and balance to see if the service stood up to scrutiny against examples of major governance or similar failures to which other organisations had succumbed. The Board agreed that this would be less necessary as the framework matured, although its usefulness should be kept under review.

On a more general point, the risk management framework while comprehensive, was not generally considered to be too time consuming or disproportionate. The framework would be kept under review and adapted as it became embedded fully across the service.

The Board commended the work to embed the risk management framework so that it was seen by colleagues as an integral part of what they did; it drove accountability and was central to providing assurance.

10/1705 Staff engagement

fos/17/05/10

CEO board reports and service development papers had, to date, included updates on employee engagement and how staff were feeling during the service's change programme. The updates had highlighted the feedback staff had provided through various channels, including:

- 'finger on the pulse' temperature checks;
- the commitment measures;
- the staff consultative committee; and
- external platforms, including the online employee review site, 'glassdoor'.

The strategy for tracking staff engagement during a time of significant change had also included independently facilitated focus groups with staff across the different areas of the service. Aspects of this work had been included in previous updates, and now that the work had been completed Jenny Davenport, independent employee engagement consultant, attended the Board meeting to share the overall findings from the qualitative research she had undertaken.

By way of background, the work had been commissioned to help identify how different groups of staff were feeling, recognising that their experiences of change would be different, depending on the area in which they worked, and that the opportunities to address concerns would be different too. For colleagues in the investigation teams, where new teams were being set up in a phased way, the focus groups were also intended to help flag the lessons from the first teams. And then in turn, the feedback from the later teams would provide a useful check on whether the lessons were being learnt.

Overall, the findings were consistent with the general picture the other feedback channels had provided. Encouragingly, the focus groups identified staff had a real passion for what the service did and a commitment to its objectives and customers. Colleagues were also very supportive of each other, with a strong sense of the team and collegiate working.

The picture elsewhere varied depending on where in the service people worked and/or where people saw their future at the service. Initiatives to deal with aspects of the feedback in different areas were bearing fruit, though there was still much more to do to make sure the feedback helped drive improvements and address concerns. The forthcoming all-staff annual survey would provide further granularity, and aid targeted and meaningful action.

In the meantime, the Board stressed the importance of continuing to differentiate the causes of concern. Where concerns stemmed from the service model changes themselves and the realisation of the strategy – the case for change would need to continue to be made to ensure staff understood fully the imperatives, including the financial ones. It would be important too to continue to show how the more flexible and responsive ways of working were serving customers well, and better than before.

Where people's concerns arose from uncertainty about job security, the sooner the outlook was clearer about expected case volumes and timelines, particularly in PPI, the better. And where the executive and management recognised that things had not been done well or could be done better now, then it would be important to be open about them and ensure changes and improvements were made quickly and visibly.

Other service-wide areas of continued focus, and ones which were almost certainly going to be a feature of the staff survey results, included the relationship between the senior leadership team and ombudsman service colleagues more widely and the effectiveness of communications. On the former, the focus groups and other feedback had identified clear misgivings and the need to repair relations. On the latter, a new head of internal communications had been appointed and new approaches and practices to ensure timely and meaningful communications were being adopted, and for which the early signs had been positive.

As noted earlier, a further substantive discussion on staff engagement would come to the July Board, when the service would have the results of its annual staff survey and the more granular analysis that this would provide. The staff survey would provide a whole service view across a broad set of considerations and would help provide further focus to the areas of challenge and the further actions required.

11/1705 Annual assurance reports

fos/17/05/11a & b

As part of the Board assurance framework, the ombudsman provided year-end reports on its statutory obligations in the following areas:

Information sharing with the Financial Conduct Authority

The Financial Services Act 2012 placed duties on the ombudsman service in relation to cooperation and information sharing with the regulator. Engagement with the regulator during the year had been wide-ranging and had included formal Board and executive-level engagement, for example, in relation to FCA Board approval of the ombudsman's budget, as well as liaison between ombudsman and FCA teams on a broad range of issues relevant to both organisations' work. The effective relationship between the FCA and the ombudsman service was testament to the emphasis both organisations placed on maintaining an open and constructive dialogue.

Information rights

The ombudsman service was subject to the Data Protection Act (DPA) and the Freedom of Information Act (FOIA).

The numbers of requests under both Acts were down slightly on the year before. For FOIA requests, the two most frequent types of request continued to be those for information relating to the volumes and outcomes of complaints and information relating to publications, processes, or guidance.

The Board noted the natural correlation between SAR and FOIA requests and service complaints and agreed that it would be helpful to consider a piece of insight work to look at the correlation and the opportunities to minimise the need for customers to escalate matters down formal and time consuming routes.

AOB

There being no other business, the meeting ended at 14.30.