

# Financial Ombudsman Service Limited

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## MINUTES

MINUTES of the meeting of the directors, held at Millbank Tower, Millbank, London SW1 on 28 October 2009 at 3.00pm

Present	Chris Kelly	chairman
	Alan Cook	director
	Joe Garner	director
	John Howard	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Roger Sanders	director
Maeve Sherlock	director	
In attendance	Walter Merricks	chief ombudsman
	Tony Boorman	decisions director
	Barbara Cheney	company secretary
	David Cresswell	communications director
	Roy Hewlett	operations director
	Jeremy Kean	finance & IT director
	Ian Sansbury	business planning & assurance director
	Peter Stansfield	HR director
David Thomas	corporate director	

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### 1 Minutes of the meetings held on 16 September and 6 October 2009

- a) The minutes of the board meeting held on 16 September 2009 were approved as an accurate record of the meeting.
- b) The board noted the minutes of the meeting of the budget sub-committee that was held on 6 October 2009.

### 2 Matter arising

At the previous meeting, it was suggested that business process consultants be appointed to undertake a review of the casehandling process. Since then, proposals for this work had been prepared and submitted to the budget sub-committee at its meeting on 6 October. Discussions had been held with prospective consultants and Deloitte had subsequently been selected to carry out this work. The board endorsed this appointment.

### **3 Casehandling update (excluding PPI cases)**

The operations director presented a summary of operational results for the first six months of the year 2009/10. A total of 57,244 new cases had been received against a forecast of 60,000. It was thought that postal delays were unlikely to have had a significant effect on the incoming workload. The operations director confirmed that the target of resolving and closing 120,000 cases remained challenging, but realistic.

The board noted the number of cases that were taking longer to resolve than they would have liked. But they recognised the good progress made in reducing the number of cases in stock per adjudicator.

### **4 Payment Protection Insurance (PPI)**

The decisions director presented a paper which provided an update on the handling of PPI cases. He reported that stakeholders had reacted to the FSA's proposals as had been anticipated. He added that some firms were expected to experience difficulties in implementing the changes needed to comply with the new guidance.

### **5 Policy report**

The board considered the policy report which included details of:

#### *a) Structured products*

Apart from about 60 cases involving IFAs, the decisions director confirmed that complaints about structured products (especially those backed by Lehman) had largely been transferred to the FSCS.

#### *b) Monthly Payment Protection Insurance (MPPI)*

The board noted that the Service had helped to facilitate an industry/regulatory solution to the problem of unfairly-levied premium increases in monthly (mainly mortgage-related) PPI products. The decisions director cited this as an example of how close co-operation can avoid complaints to businesses and prevent potential large-scale referrals to the ombudsman.

#### *c) Bank charges and hardship*

The decisions director reported that the volume of bank-charge cases in which financial hardship may be a factor had increased. He hoped that the recent letter that the Service had written to claims-management companies and major current-account providers, to set out the ombudsman's approach, would help to ease the problem.

The Supreme Court's decision on the first stage of the litigation was expected shortly, but it was possible that the second stage may not begin for several months. The decisions director added that, for planning purposes, it had been assumed there would be no resolution in 2010/11. However, whatever the Court decided, there were increasing operational challenges for the Service. He had also made the FSA aware of his concerns about the implications for the Service of the waiver on complaints.

It was suggested by a board member that the board might consider the extent to which the Service could, and should, hold views about the various factors that were currently shaping the financial services industry and how it treated its customers. The board requested a discussion paper about this for a future

meeting.

c) *“Instrument FOS 2009/5”*

The board approved Payment Services (Gibraltar-based firms) Instrument 2009.

d) *Worldwide interest in the ombudsman service*

The board noted the international interest in the Service which was apparent from the list of delegates from 51 countries who had visited the Service since its inception, together with a note of the organisations that had asked for advice.

## 6 Budget strategy

The corporate director presented a paper which set out details of proposals for income & expenditure, casework capacity & timeliness, the expected outturn for 2009/10, a forecast of new cases, the balance between directly employed staff and out-sourced personnel, details of the process-improvement initiative and a note of the indicative budget strategy for 2010/11. He confirmed that the next step would be to discuss the proposals with industry representatives early in November.

He highlighted a number of points:

- There would be a greater focus in future on measuring capacity by dividing the total number of cases by the total number of adjudicators and ombudsmen.
- Whilst the aim was to settle and close 165,000 cases in 2009/10, there was a risk this would not be achieved if businesses had difficulties in following the FSA's recent guidance on handling PPI complaints.
- The central forecast for 2010/11 was for 190,000 new cases and 210,000 case closures.
- The workload would be broken down into five parts:
  - PPI cases
  - non PPI cases: *existing*
  - non PPI cases: *new*
  - overdraft-charges cases
  - unexpected surges of work
- This was to be matched by an appropriate balance of insourced and outsourced capacity – the additional cost of the outsourced capacity being justified because it helped the Service to react quickly and flexibly to volatility in the workload.
- The objectives of the Deloitte process review were to improve the casehandling process and enhance productivity. It was also intended to provide a range of alternatives for the incoming chief ombudsman to consider.

The board noted the budget strategy and the ambitious proposals to reduce the caseload whilst handling a potentially record number of new cases.

In response to a question about the need to appoint business process consultants, it was explained that this work was intended to take the Service forward for many years to come; using consultants had the added benefits of introducing an external perspective, gaining fresh ideas and specific expertise in this type of work.

The board was pleased to note that the budget contained a comprehensive strategy for tackling the increased workload as well as challenging productivity targets.

The board approved the budget strategy set out in the paper as the basis for discussions with the industry.

## **7 External liaison & outreach work**

The board received a quarterly report about external liaison and outreach work from July to September. The benefits were noted of the external liaison team being able to “trouble-shoot” on a wide range of issues by drawing attention to matters at the appropriate level.

The board had a discussion about the strategy that the Service should adopt for liaison with members of parliament.

## **8 Board file review**

Having completed a review of five randomly selected closed case files each, the board considered a summary of their findings with specific attention being paid to communication, explanations provided, timeliness and the understanding of the issues by casehandlers. Most comments were favourable but there were some adverse references to a few letters being longer than necessary and the time taken to resolve certain cases.

The board agreed it was a useful exercise and that it should be repeated again next autumn.

## **9 HR report - June to September**

The HR director presented his report about HR activities between June and September.

He reported that the 60 days statutory consultation period on the proposal to cease future accruals into the final-salary section of the FSA pension scheme was under way. A number of issues had been raised which were being addressed.

It was noted that the number of staff in post was the highest to date at 1,015 full-time equivalent employees.

## **10 Any other business**

This was the chief ombudsman’s last meeting before leaving the Service at the end of October. The board expressed its gratitude to him for the significant contribution he had made to the establishment and development of the Service in the past ten years.

There being no other business, the meeting ended at 5.30 pm