

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at the Institute of Directors, 116 Pall Mall, London, SW1Y 5ED, on Wednesday 25 July at 9.30 am

Present	Nick Montagu (NM)	chairman
	Gwyn Burr (GB)	director
	Janet Gaymer (JG)	director
	Alan Jenkins (AJ)	director
	Elaine Kempson (EK)	director
	Julian Lee (JL)	director
	Roger Sanders (RS)	director
	Maeve Sherlock (MS)	director
Pat Stafford (PS)	director	
In attendance	Natalie Ceeney (NC)	chief executive and chief ombudsman
	Tony Boorman (TB)	decisions director
	Julia Cavanagh (JC)	performance & finance director and company secretary
	Chris McDermott (CM)	operations director
	Caroline Wayman (CW)	legal director
	Alison Hoyland (AH)	board secretary & head, CEO's office (minutes)

0/1207 Executive update

RBS IT problems

The industry had committed to working together to deal with the problems caused by the recent computer glitches at RBS, Natwest and Ulster Bank. Whilst it was hoped that most problems would be resolved immediately by banks, more complex ones (not necessarily involving only RBS) might still be referred to the ombudsman service. The Service was working with the industry to ensure that it was positioned to deal simply and swiftly with any customers whose problems were not resolved by their banks. In the meantime, the ombudsman service had published a factsheet to help people understand the sorts of problems the computer glitch had caused and how they might be sorted out.

Financial Services Bill

The Lords had not reached the clauses most relevant to the ombudsman service before they broke for the summer recess. The committee stage in the Lords would resume after the summer break, and the next debate was scheduled for Monday 8 October.

Front-line operations

Customer contact division staff's hours of work in general casework were being brought closer into line with front-line operations in PPI. Closer alignment would allow for greater flexibility and operational responsiveness.

Property

The 2014 property move was on track; the Service expected to sign the lease for its preferred property later in the day.

1/1207 Minutes and approvals

The Board approved the minutes of the Board away day held on 20 June and noted the minutes of the Audit Committee on 16 May.

2/1207 Matters arising - Board evaluation and role of the Board

fos/12/07/02

Following the discussion at the Board away day in June around the annual Board governance review, a number of decisions had been reached about strengthening how the Board worked.

The Board agreed with the proposed next steps, which ranged from some administrative improvements to establishing a more systematic CPD programme for the Board.

3/1207 2012/13 Q1 performance

fos/12/07/03

In PPI, performance was broadly as forecast, but significant challenges remained, with large numbers of cases waiting to be assessed as a result of the huge increase in demand, and around 1,000 new PPI cases coming in each day. The capacity to deal with growing volumes of cases had been increased, new staff were being trained in accordance with the agreed schedule and increasing numbers were now dealing with cases.

Externally, the PPI situation remained volatile. The Board discussed the potential impact of an increasing proportion of complaints being rejected by banks, which would be likely to directly increase the demand on the ombudsman service. The ombudsman's position, including a wide range of operational options, would be kept under consideration and the Board kept informed.

In general casework, the Board discussed the service's performance in Q1. Case-handling productivity levels in Q1 reflected the large numbers of new staff (at all levels) being trained, and the loss of existing and more experienced staff from active case-handling to mentor the newer staff. The Board noted the steps being taken to help managers and senior leaders understand the challenges and to support them.

4/1207 Interest rate hedging products

fos/12/07/04

The FSA had publicly announced the results of its review of the sales of these products and its decision to require businesses to take a range of actions in relation to the sales they made and on redressing mis-sales. At the same time, the FSA had approached the ombudsman service to ask it to consider whether, working with the FSA and the industry, there could be a specific scheme for dealing with the outcome of the review and related matters.

The Board discussed the FSA's request. Members noted the concerns that had been expressed by consumer groups and other stakeholders about the present circumstances whereby many customers who had been sold swaps were outside the ombudsman's jurisdiction. The FSA scheme did not provide formulaic results to disputes, so significant judgement was still required about whether the bank had acted fairly with its customer. The Board agreed that the ombudsman service should continue to explore, with the FSA and firms, the possibilities for such a scheme.

5/1207 PPI redress assurance scheme

fos/12/07/05

In April this year, Which? and Money Saving Expert had joined forces to convene a 'PPI summit'. It invited representatives from all of the major banks that were involved in PPI complaints handling, together with the ombudsman service and the Financial Services Authority (FSA). The purpose of the summit was to explore ways in which the group could work together to improve the trust and confidence that consumers had in banks' handling of PPI complaints. As part of these discussions, the ombudsman service was asked to consider the role it could play in helping to establish a mechanism for independently validating businesses redress calculation work. The purpose of such a scheme would be to assure consumers that the banks were taking an approach in line with that of the ombudsman, and with FSA guidance, and to therefore avoid unnecessary enquiries and further complaints. The Board agreed that such a scheme would be positive to consumers and financial services firms alike; for it to work though, it would require their active cooperation and support.

The Board agreed that the ombudsman service should move discussions forward, with the aim of developing more detailed plans for the scheme. To help do that, a small programme board would be established to oversee the procurement of a third party to help develop an assessment methodology, to agree the terms under which the third party would deliver the scheme, and then to ensure that the scheme ran effectively. The programme board would

comprise representatives from the industry, the consumer groups and the ombudsman service. In addition, the programme board would ideally be chaired by one of the ombudsman service's non-executive directors.

The Board agreed to delegate to NM, the decision to appoint a non executive director to chair the programme board.

6/1207 Future funding model

fos/12/07/06

In January 2012, the ombudsman service published a preliminary consultation paper *charging for our work: modernising our case fee arrangements from 2013*. The paper set out proposals for a funding model that made new arrangements for the largest financial groups, while increasing the number of free cases available for smaller businesses.

The Board agreed that the case for change remained, namely the introduction of a more responsive funding model that managed volatility in the caseload and case mix and allowed for innovation and flexibility in the Service's operational approach.

A feedback statement would be published in July, followed later by a further consultation on the proposals.

7/1207 Directors' report & financial statements 2011/12

fos/12/07/07

The Audit Committee Chair, JL, confirmed the process for the approval of the directors' report & financial statements. The Audit Committee had reviewed the detail of the report and the audit findings at its meeting on 5 July 2012 and, subject to a few changes to the text to make it clearer in places, had approved the report for consideration by the Board.

No substantive points were raised, nor further changes to the text sought, and the Board confirmed that it was content to approve the signing of:

- the report and financial statements, including the directors' report;
- the statement of disclosure of information to the auditors; and
- the letter of representation to the auditors.

After sign-off by the auditors, the report & financial statements would be filed at Companies House and published on the Service's website.

There being no other business, the meeting ended at 13.40.