

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at held at South Quay Plaza, 183 Marsh Wall, London, E14 9SR on Wednesday, 13 February at 9.00 am

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

Apologies for absence

An apology for absence was noted for Nick Montagu (NM).

Adjudicator, Steve Bint

The Board and the executive wished to record, on behalf of everyone at the ombudsman service, their sincere sympathy for the family of adjudicator, Steve Bint, who had died tragically and suddenly in January. Steve had been with the ombudsman service for 12 years, and would be remembered by colleagues with great affection and respect.

0/1302 Executive update

Banking Standards Commission

NC and TB had been called to give evidence to the miss-selling and cross-selling panel of the Banking Standards Commission, as part of the commission's overall enquiry into professional standards and culture in the UK banking sector.

ombudsmen appointments

The Board noted NM's approval of the most recent ombudsman appointment.

Interest rate hedging products

The FSA had formally confirmed to the ombudsman, its decision not to proceed with voluntary arrangements for complaints about interest rate hedging products from those who would not ordinarily have recourse to the ombudsman service. The FSA had said that it was satisfied that the skilled person arrangements were sufficient to ensure independent oversight of banks' reviews.

1/1302 Minutes and approvals

The Board approved the minutes of the meeting held on 20 December 2012.

2/1302 Matters arising

Matters arising were dealt with in substantive business before the Board.

Performance in the third quarter continued to build on the good progress from previous quarters. Professional leadership sat at the heart of the way case-handling teams were working, and the way in which new staff were being trained, mentored and settled in to teams.

Incoming case volumes for general casework were increasing, and external factors, including tough financial times, meant that they were likely remain high so for some time yet. Reassuringly though, productivity levels were at their highest point in the year so far, with the number of resolved cases steadily increasing month on month. To help the Board maintain an oversight perspective, it asked for an analysis of the cases that had been with the ombudsman service the longest.

In PPI, current incoming case volumes were averaging 10,000 new cases every week. Further expansion in PPI case-handling resource was central to planning for the next financial year, and the recruitment of 1,000 new staff for 2013 was well underway. The Board recognised that a multi-year perspective needed to be taken on the management of the PPI caseload, and the scope to realise service improvements.

Inevitably, in the shorter term, increasing volumes in both general casework and PPI would put pressure on the timely handling of cases, while resources were being built up and experienced staff helped train newer staff.

The financial position reflected performance to date, and continuing high volumes of new PPI cases (for which a supplementary fee was charged when the case was taken forward for investigation). The Board agreed that it would be prudent to review the current policy for accounting for the revenue from the supplementary case fee, in the light of the latest volumes of new cases and the latest assumptions about case progression. The Audit Committee would be reviewing the position in detail at its meeting later in the month.

The Board recognised too that the ombudsman's ability to meet demand relied on the investment being made in IT. It asked to see an IT roadmap at a future meeting, outlining how IT development was being planned to support the work of the service.

In noting how the ombudsman service was doing, and the steps being taken to respond to the increasing demands for help, the Board recorded its thanks to CMcD and his colleagues, both operational and case-handling, and at all levels, for their efforts to meet the demands of the increasing volumes, and to support the professional leadership model.

Action

To come back to the April Board meeting:

- End of year 18 month (and older) case analysis

To come back to the April/ May Board meeting:

- High-level IT development plan and roadmap

The FSA and ombudsman service March Boards, at which final approval for the ombudsman's 2013/14 budget would be sought, were on the same day. An early analysis of the feedback to the consultation, which had just closed, showed broad agreement with the volume forecasts and planning assumptions. A full analysis of the feedback would be brought to the March Board. In the meantime, the Board was asked if it was content to reaffirm its support for the planning and budget assumptions agreed to date as the basis for final preparations, ahead of submission to its and the FSA's March Boards.

Given the high volumes of incoming PPI cases, the Board debated whether the PPI expansion plans remained at the right level. It was noted that complaint volumes remained extremely volatile, and that most of the large banks were currently suggesting that incoming volumes were declining. Expanding further would add an additional cost burden, but would also risk jeopardising quality, as the training requirement would be spread too thinly. After consideration, the Board retained the view that the current level of PPI expansion remained the most appropriate of the options available. So, in the light of the latest analysis of the likely volumes and profile of casework for the following year, together with the ombudsman service's capacity to respond, the Board confirmed that it continued to support the planning and budget assumptions for 2013/14, and that the final budget preparations could be made on that basis.

The executive team agreed to update the Board after it had looked in detail at the consultation feedback. It was agreed that, if any Board member thought it necessary, an additional Board meeting would be called before the March Board to consider any required changes to the budget.

Action

TB to send Board members details of the responses to the plan and budget consultation, before the end of February, and see whether an additional meeting needed to be called prior to the March Board.

5/1302 2013/14 priorities, success measures and budget

fos/13/02/05

As well as signing off the budget in March, the Board would also be asked to approve the annual development priorities and performance measures for the corporate scorecard (the internal metrics for managing performance).

The Board discussed the executive's early draft of these priorities and performance measures. The Board agreed the broad approach being proposed by the executive, and agreed that they would consider the more detailed metrics at the March Board.

Following on from the discussion under the previous item on the budget assumptions, the Board agreed the latest budget figures from the internal budgeting exercise as the basis for final preparations for submission to the ombudsman and FSA's March Boards.

6/1302 Financial Services Act 2012

fos/12/12/06

The Financial Services Act 2012, which received Royal Assent at the end of 2012, amended the Financial Services and Markets Act (FSMA). A number of amendments were relevant to the ombudsman service and had implications for the Board in their capacity as 'scheme operator'.

A paper on the changes, and the statutory responsibilities that fell to the 'scheme operator' and how they would be exercised, would come to the March Board.

Any other business

On behalf of the Board and the executive, MS thanked RS and EK, whose terms were ending on 22 February, and for whom the February Board would be their last meeting. The Board and the ombudsman service had benefited greatly from their expertise and wise counsel during their tenure.

The meeting ended at 12.00.