

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, 19 June at 9.30 am

Present	Nick Montagu (NM)	chairman
	Maeve Sherlock (MS)	director
	Gwyn Burr (GB)	director
	Alan Jenkins (AJ)	director
	Julian Lee (JL)	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
	Liz Brackley (LB)	strategic development director (for item 6)
	Julia Cavanagh (JC)	finance and performance director
	Caroline Wayman (CW)	legal director
	Alison Hoyland (AH)	board secretary & head, CEO's office (minutes)

0/1306 Executive update

The Board noted the update from members of the executive on their respective areas was noted, with some further discussion on the following:

banking commission report

The Parliamentary Commission on Banking Standards had published its final report – ‘*Changing banking for good*’ – outlining recommendations to improve standards across the banking industry. The report touched on many of the issues that the ombudsman service had been highlighting from its work about where things go wrong for consumers, and on which it had been asked about when it gave evidence to the committee..

FCA liaison

The chairman had met with the FCA chairman, John Griffith-Jones, as part of the regular cycle of chair to chair meetings between the ombudsman and the regulator. The focus of the meeting had been the ombudsman's recently published annual review detailing what it had seen in the last year.

ombudsmen appointments

The Board noted the latest ombudsmen appointments.

PPI

The executive updated the Board on how PPI service development was going, and some of the current issues being faced in terms of poor complaint handling behaviour by some of the major banks. It was noted that the ombudsman was on track for its recruitment plans which the Board confirmed were still appropriate.

EU directive on ADR

The EU directive was noted.

1/1306 Minutes and approvals

The minutes of the Board meeting held on 22 May were approved.

2/1306 Matters arising

memorandum and articles of association

Proposals for amendments to the ombudsman's memorandum and articles of association were going to the FCA June Board for approval, after which they would come to the ombudsman Board for final sign-off by a special resolution at a general meeting.

scheme of delegation

Board comments from last month's meeting had been incorporated. The scheme would be published on the ombudsman's website after the July Board, at the same time as the revised memorandum and articles of association.

annual review

The 2012/13 annual review was published on 29 May and received wide and positive coverage.

3/1306 Rules Instrument

fos/13/06/03

FCA regulation was being extended to cover alternative investment fund management and would therefore become subject to the compulsory jurisdiction of the ombudsman service. The Board was asked to make consequential changes to the voluntary and consumer credit jurisdictions, consistent with the accepted principle, to date, that the three jurisdictions should be kept aligned.

The Board made the rule changes, subject to FCA approval at its June Board later in the month.

The Board noted further rule changes that would be coming later in the year, to reflect the transfer of consumer credit regulation from the OFT to the FCA.

5/1306 Board governance

fos/13/06/05

An evaluation of Board governance and effectiveness was carried out every year and the results used to help improve how the Board was working. To allow for comparison, this year's review had taken the same form as the previous year's and comprised:

- a confidential questionnaire on the Board, and each of its subcommittees, completed by directors and a core of executive team members with questions based on good governance practice
- 1:1 conversations between the Chairman and each Board member
- 1:1 conversations between the Senior Independent Director and each Board member

Overall, the findings showed a well functioning Board, whose effectiveness had been much improved following the changes that had been made after last year's review. Central to those changes had been a reduction in Board size which everyone agreed had allowed for wider-reaching discussion on issues and stronger strategic support of the service.

This year's evaluation had identified a few areas for improvement including, for example, a need to formalise some of the assurance arrangements in a more structured way.

The chairman thanked Board members and the executive for their commitment to the effective working of the Board and the contribution they each made.

As a largely demand-led service, the ombudsman had, over the years, responded and adapted to changes in the space it occupied, as appropriate. The most notable and recent example had been its response to the unprecedented demand in payment protection insurance, which had necessitated a considerable increase in resource, and a harmonisation of PPI operations into a single-focus unit with new ways of working.

But major change elsewhere over the last ten years, including to the regulation and structure of retail financial services, as well wider changes in society more generally, also had implications for the ombudsman service and other areas of its work.

In financial services in particular, tougher economic conditions meant that people were feeling financial losses more keenly and a more confident consumer voice meant that they were prepared to put up with less and to be vocal in their demands that things be put right and recompense paid where due. Innovation in products and services and their delivery meant that similar change was expected elsewhere. As new approaches and technologies became the norm, service providers everywhere needed to respond to customer need and expectation to keep up.

There was every sign that this fast-paced change would continue. If the ombudsman service was to remain relevant and able to fulfil its function (which included helping to maintain trust and confidence in financial services), it needed to continue to look for efficiencies in the way that it worked and develop further to meet customer need and be accessible to everyone who wanted its help.

But the service on its own could not achieve the development and improvement that were required: much depended on effective working with the financial services industry and with relevant regulators. Business behaviour and regulatory interest both played a major part in what came to the ombudsman, and the work and resources required to deal with it. The ombudsman would, therefore, continue to engage with stakeholders on developing its operating model and staying fit for purpose in the future.

Any other business

There being no other business, the meeting ended at 15.30