

# Financial Ombudsman Service Limited

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## MINUTES

MINUTES of the meeting of the directors, held at held at South Quay Plaza, 183 Marsh Wall, London, E14 9SR on Wednesday, 20 March at 9.00 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
	David Cresswell (DC)	communications and customer insight director
	Caroline Wayman (CW)	legal director
	Alison Hoyland (AH)	board secretary & head, CEO's office (minutes)

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### **Apologies for absence**

An apology for absence was noted for Julia Cavanagh (JC).

### **ombudsmen appointments**

The Board noted NM's approval of two ombudsmen appointments.

### **independent assessor**

The final stages of appointing the next independent assessor had been completed earlier in the week. An interview panel, comprising the chairman, board member PS and independent panel member, Tony King, pensions ombudsman, had appointed Amerdeep Somal, currently a commissioner and Board member of the Independent Police Complaints Commission.

### **0/1303 Executive update**

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

#### *senior staff changes*

Members of the Board recorded their thanks to Jane Hingston, lead ombudsman, casework policy for banking, credit and mortgages. Jane was retiring from her lead ombudsman role after 21 years with the ombudsman service, and the banking ombudsman before it. NM would write to Jane on the Board's behalf with its very best wishes and thanks for all that Jane had brought to the ombudsman over the years.

#### *new PPI webpage*

The PPI online resource had been extended with a new page providing upfront messages about what was happening with PPI cases – the numbers coming in, how the ombudsman service was responding (including how it was resourcing the work), and how long cases would take. The webpage invited anyone interested in regular updates to sign-up to an email bulletin, which would let them know what was happening.

#### *Sunday Times "Best Companies to Work For" survey*

The service was congratulated on achieving 25<sup>th</sup> place in the "not for profit" category, a remarkable achievement which reflected a highly engaged workforce who enjoyed their work, and who appreciated the value in which they were held.

### *Employers Network for Equality and Inclusion*

The service's results in a recent benchmarking exercise with the Employers Network for Equality and Inclusion were commended as a great achievement. The exercise had involved 20 key members (half of whom were NHS organisations, and the other half, a range of public and private sector employers). Against a number of measures – including leadership and commitment to diversity and inclusion; monitoring workforce diversity; and including diversity and inclusion into day-to-day work – to the ombudsman service had been ranked third, and when benchmarked against the non-NHS organisations, it had come first.

### **1/1303 Minutes and approvals**

The Board approved the minutes of the meeting held on 13 February 2013.

### **2/1303 Matters arising**

NM had written to both RS and EK, to thank them for their contribution to the Board; other matters arising were dealt with in substantive business before the Board.

### **3/1303 2013/14 plan & budget, objectives and success measures      fos/13/03/03**

Planning for the 2013/14 budget had started with the Board meeting in September the previous year, focusing on PPI planning. At its last meeting, the Board had reaffirmed its support for the budget, and its basis to date, subject to reviewing a detailed analysis of the feedback to responses to the plan and budget consultation.

The feedback showed that the majority of respondents agreed with the service's plans for the following year. On complaint volumes specifically, respondents generally agreed with the assumptions being made. Although one or two respondents suggested that the service should plan for higher case volumes in certain areas, including in PPI, citing for example, the likely rise in demand if a PPI time-bar were to be introduced. The Board was assured, however, that the majority of respondents agreed that the assumptions were appropriate.

The Board agreed that significant uncertainties remained on PPI case volumes, not least in relation to the way in which businesses themselves might deal with complaints, the level and nature of the activities of claims-management companies and around whether a "time bar" might be introduced.

The Board considered the feedback, and the latest analysis of case volumes since going out to consultation. On balance, the Board concluded that the assumptions to date remained credible and the PPI operational plans remained appropriate.

The ombudsman service would be writing to a number of respondents, and other stakeholders, to confirm its plans for 2013/14, and where appropriate, to pick up on specific aspects of individual responses to the consultation.

The Board confirmed that it approved (subject to FSA/FCA approval, where required):

- the budget for 2013/14;
- an increase in the compulsory jurisdiction levy, to £23m;
- an increase in the standard case fee, to £550;
- an increase to the number of free cases, to 25;
- the introduction of group account fee arrangements for the four largest banking groups;
- the associated rules instrument; and
- the publication of a feedback statement on the plan and budget consultation (subject to one or two amendments) and a document setting out the ombudsman service's "plans for the year ahead".

The Board agreed (subject to a couple of small amendments) the underlying internal corporate objectives and success measurements for 2013/14, noting that performance against both would be brought to the Board for review at each quarter end, with progress against delivery-milestones tracked. Further, specific aspects of the corporate

objectives would be subject to substantive strategic consideration by the Board, as appropriate.

### **Actions**

- NC to write to main stakeholder respondents on the plans for the coming year and on individual aspects of responses, where relevant.
- TB to amend the corporate objectives in line with the discussion and to finalise delivery milestones against which progress would be tracked at the quarter-end reviews.

### **4/1303 Risk management**

**fos/13/03/04**

The executive team had conducted its annual exercise to review the major corporate risks, in the light of the current challenges facing the organisation and the challenges it expected or might expect to face looking ahead. Inevitably, many of the risks were linked to the high levels of the PPI workload, the service's operational challenges and continuing uncertainty around future volumes. Others were linked to the wider external environment, for example, any further changes to the regulatory environment or to customer/societal expectation and behaviour.

The Board agreed that the risks identified across a short to medium term time horizon looked appropriate, as were the mitigating plans and management strategies. It suggested that some should be broadened out to capture wider aspects of the risk, and that some had a number of sub-risks, the mitigating actions for which might be different, depending on the nature of the risk.

The Board would undertake quarterly risk assurance reviews, as well as "deep-dive" strategic reviews of specific risks identified as requiring whole Board engagement, as necessary. The audit and remuneration and nomination committees would continue their programmes of "deep-dive" reviews of other specific risks, relevant to their respective remits.

### **5/1303 Implementation of the Financial Services Act 2012**

**fos/13/03/05**

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 required amendments elsewhere to give effect to and/or reflect the legislative provisions.

- The Memorandum and Articles of Association of the Financial Ombudsman Service would need to be reviewed, and amended, where necessary. The Board agreed that the opportunity should be taken to also update them more generally, for example, to update the language, to reflect organisational and operational changes over time, to take account of updated company law and to reflect recent changes to the Board's composition. A fully revised Memorandum and Articles of Association would be brought to the Board in April for review, before being submitted to the FCA Board to approve those aspects where its approval was required.
- It had previously been agreed that the Board would consider if it also wanted to take the opportunity of the legislative changes to adopt a formal "scheme of delegation". An initial draft had been drawn up and the Board agreed that it set out appropriately functions and obligations which it must retain, those that it could, and would delegate to the executive and ombudsman colleagues, and those that it could delegate, but it would reserve as matters on which it would always wish to be concerned. In considering the functions that it was proposed should be delegated, the Board noted that even when it was legally, and operationally, sound that obligations were delegated, it would, nevertheless, want to be assured about how these obligations were being met. This would

include being sighted specifically on, for example, the reasons for not publishing a particular decision because the ombudsman had considered that to would be inappropriate to do so, and on information that had been disclosed to the FCA. A finalised scheme would be brought back to the April Board for sign-off.

- The legislative changes provided for a formal Memorandum of Understanding (MoU) between the ombudsman service and the FCA. The ombudsman and the FSA already had such an MoU, although they were not required to do so under any legislation. The new MoU was based on the existing one with the FSA, amended to include the new legal requirements, and which the Board approved, subject to a small amendment, and FCA's own approval, for publication on the ombudsman's and FCA's website on 1 April.
- In anticipation of a new duty on the Board in its capacity as "scheme operator" to publish ombudsman determinations, the ombudsman service had consulted on how that obligation would work in practice. Now that the legislation had been enacted, the ombudsman planned to publish an update in which it would set out in more detail its approach to publishing decisions. The Board approved the publication of this update.
- Finally, a number of rule changes in DISP and FEES were necessary to give effect to the new provisions, which the Board agreed, subject again, to FCA approval.

CW and legal colleagues were very grateful to MS and AJ for the assistance and guidance they had provided in reviewing the legislative changes and how they should be reflected elsewhere.

#### **6/1303 Next external review**

**fos/13/03/06**

The ombudsman service was committed to commissioning independent reviews every three years. The reviews undertaken so far had alternated between being inwardly looking and having an external focus. The last one, undertaken by the NAO, was internally focused and looked at efficiency and effectiveness. The next review should therefore concern external matters, and the Board agreed with tentative proposals that it might look at changes likely in the wider operating environment, and in wider society more generally, over the next decade – and the implications for the ombudsman service.

#### **Action**

- NC to draw up a draft tender specification, and consider what assistance Board members might be able to provide, before, during and after the review.

#### **Any other business**

##### *Annual Board evaluation*

- Questionnaires would be sent out to Board members after the April meeting; the timetable followed that of last year and would culminate in a board away day on governance and Board effectiveness in June. Running alongside, would be annual appraisal "one to one's" between NM and board members and MS and Board members, and for which dates would be scheduled in due course.

##### *Annual review*

- The text of the annual review would be coming to the April Board, and it would have the following two weeks in which to give detailed comments, ahead of sign-off at the May Board.