

# Financial Ombudsman Service Limited

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## MINUTES

MINUTES of the meeting of the directors, held at Exchange Tower, 1 Harbour Exchange, E14 9SR on Thursday 22 October 2015 at 09.00

<b>Present</b>	Nick Montagu	chairman
	Gerard Connell	director
	Alan Jenkins	director
	Maeve Sherlock	director
	Pat Stafford	director
	Gil Whitehead	director
<b>In attendance</b>	Caroline Wayman	chief executive and chief ombudsman
	Julia Cavanagh	chief finance officer
	Chris McDermott	chief operating officer
	Annette Lovell	director of policy - for items 1 to 6
	Richard Thompson	principal ombudsman & quality director
	Garry Wilkinson	principal ombudsman & director of new services
	Alison Hoyland	board secretary & head of CEO's office (minutes)

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### Apologies for absence

There were no apologies.

### 1-4/1510 Board minutes and committee updates

The Board approved the note of the meeting held on 23 September 2015.

The chair of the audit committee, Gerard Connell, provided an update on the audit committee meeting held on 8 October.

### Matters arising

Matters arising were picked up in the formal business before the Board.

### Chairman's update

The ombudsman service related business in which the chairman had been involved, included:

- attending the launch of the ombudsman service's Ethnic Minority Network, together with the chief executive and chief ombudsman
- an exchange with the chairman of the FCA about vulnerable consumers in debt
- attending the ombudsman's long service reception, together with the chief executive and chief ombudsman
- approving the latest ombudsmen appointments.

### *Vulnerable consumers*

The chairman's update on his exchange with the chairman of the FCA about vulnerable consumers and debt prompted a brief discussion on the range of activities in which the service was engaged to reach out to people in financial hardship and struggling with financial worries. Recognising the importance of the issue, the Board asked for a fuller discussion at a future meeting on the service's outreach work where it would also want to look at whether the types and numbers of complaints the ombudsman service received in this area were representative. It was also suggested that consideration be given to

establishing a forum for bringing together organisations across different sectors with a particular interest in reaching out to vulnerable consumers.

#### **actions**

- update on outreach to be provided as part of the Q3 report in February or in the annual assurance report on access and inclusion in July
- board members to provide details of contacts they had in this area
- future outreach activity to be informed by an understanding of when and how 'vulnerable' people might be more/ less susceptible to hearing about the help the ombudsman service can provide

#### *Diversity*

The chairman's update on his and the chief executive's attendance at the launch of the ombudsman service's Ethnic Minority Network included the recognition that people from black and minority ethnic backgrounds at the more senior levels of the ombudsman, including at Board and executive level, were not as well represented as they were elsewhere in the service.

Work was in hand to look at management information across a range of diversity measures, including in relation to career progression. The Board had already agreed that it would look at the approach for future recruitment rounds and how it could best ensure it attracted a pool of candidates from as diverse a field as possible for non-executive positions. The service would do the same for its recruitment and as it developed its future career progression model.

The Board asked for a fuller discussion on people diversity at a future meeting.

#### **actions**

- unconscious bias session to be arranged for the Board
- update on people diversity to be provided as part of the Q3 report in February or in the annual assurance report on access and inclusion in July

#### **Chief ombudsman and chief executive's update**

The chief executive updated the Board on a number of organisational developments since the last meeting, including:

- a range of staff engagement activities, including a briefing session with senior managers, as the service looked to the year ahead and beyond
- litigation cases of note

#### **5/1510 Q2 performance and forward forecast**

**fos/15/10/05**

Building on the strong start to the year, service performance in the second quarter had been good and the service had resolved more general and packaged bank account cases at the half year point than forecast. Progress on PPI cases continued to be impacted by the Supreme Court ruling in the case of *Plevin v Paragon Personal Finance*: looking ahead, the FCA's subsequent decision to consider whether additional rules and/or guidance might be required to deal with the Plevin decision was likely to have a bearing on progress too. Despite the pressures in PPI though, efforts elsewhere had meant that, overall, the service had only fallen fractionally short of giving as many people an answer as it set out to do.

In terms of waiting times in general and packaged bank account cases, these were the best they had ever been, with people waiting less than 3 months for an answer in a good majority of cases. Customer satisfaction in most areas continued at the higher levels experienced at the start of the year. In packaged bank account cases, while customer satisfaction had improved in recent months, it remained lower than in other areas. And while there was a good chance that this was because of low uphold rates, work was in hand to look at the reasons, including to see if the messaging could be better when people were told that their case had been

unsuccessful.

Operating income was in-line with operational performance, although expenditure was lower than budgeted, due mainly to lower recruitment expenditure and contingency savings. The outlook anticipated further savings, not least through robust cost management measures and the continuing emphasis on efficiency, effectiveness and sustainability.

Challenges remained around the oldest cases (in general casework, this was due primarily to legal or policy issues, which made these cases difficult to progress); however, the positive signs at the start of the year continued with the number of cases approaching an older age profile still falling.

The Board agreed the forward view on new case volumes noting though, as the discussion had highlighted, that there was much external uncertainty in the planning environment and so much could change before the end of the financial year.

The Board commended the ombudsman staff on another strong quarter which put the ombudsman in a very good position at the half year point: while a number of challenging areas remained, the Board noted the work to respond to those areas within its control.

#### **6/1510 2016/17 plan, budget & fees**

**fos/15/10/06**

As usual, the annual cycle for setting the plan and budget began in October with a Board review of the early assumptions for the following financial year. A review of the assumptions at this stage would help inform any further analysis needed ahead of discussions with the FCA's oversight committee in mid-November, and ahead of a more detailed review by the Board later in November.

As the discussion under the previous item on performance and the operational and financial outlook for the remainder of 2015/16 had highlighted, management of the PPI caseload would continue to be central to setting the budget. With many external factors at play (including the outcome of the planned FCA consultation about rules and guidance and on cases affected by the Supreme Court ruling in the case of Plevin and on a time-bar), planning with any degree of certainty remained difficult.

In other areas, general case volumes were expected to remain stable and come in at a similar rate to the current year. Volumes of packaged bank account cases were expected to be much reduced though, both in response to the ombudsman's work to ensure businesses' complaint handling followed its approach and the work it had done with claims managers on the cases that they sent through. However, planning here was also challenging and the uncertainties included how the new FCA complaint handling rules would impact the ombudsman's caseload.

The Board agreed, therefore, that the current assumptions represented 'reasonable estimates' of the work expected the following year, and that the current operating and expenditure plans were realistic in the circumstances, subject to further refinement as the picture on various fronts became more clear. The usual round of discussions with key stakeholders, including the financial services industry and consumer representatives, on what they expected to see, would help inform thinking as the service prepared its plans and budget for consultation.

The funding model would remain largely unchanged for the following year, though views would be sought through the consultation exercise on the options for future changes to reflect new ways of working and the impact of rule changes, for example.

The Board noted the timetable and next steps, including:

- the FCA oversight committee in mid-November;
- a more detailed Board review later in November;
- consultation in December;
- a post-consultation review in February; and
- submission of the budget to the FCA Board for final approval in March.

**7/1510 File review**

**fos/15/10/07**

The Board reviewed the results from the annual case file review which the Board, the executive team, and staff from across the service had undertaken. These annual reviews provided a valuable opportunity to see at close hand how individual cases had been handled and the 'quality' of the service provided. The review focussed on the overall handling of each case and on ways in which the ombudsman service might change what it did and how it did it to enhance or improve the service it provided.

The Board discussed the themes which had emerged from the review. These included the importance of:

- listening to customers (consumers and businesses) to better understand what had gone wrong;
- getting to the crux of the problem quickly; and
- being clear, human and empathetic.

Reassuringly, the plans for developing and improving the service were very much aligned with the file review findings, and a number of initiatives and new ways of working were already under way and starting to deliver more meaningful and effective help to people. The Board also noted that the quality and service improvement framework was evolving in a similar way, with less of a focus on compliance and process and more of a focus on outcomes and learning. The Board noted its assurance that the executive and senior management team had, and would continue to have, appropriate oversight of the quality of the service provided.

**Any other business**

There being no other business, the meeting ended at 12.30