

# 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 Tuesday 16 February 2016 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 engagement
	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.

### 1-4/1602 Board minutes and committee updates

The Board approved the note of the meeting held on 25 November 2015.

### 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:

- the approval of an ombudsman appointment, which the Board noted; and
- his contact with the new CEO and non-executive directors of the FCA to congratulate them on their appointments and extend invitations to visit the service to see its work at first hand
  - o the Board agreed that the appointments also provided a timely opportunity to arrange a Board to Board dinner, as part of its routine contact with the regulator

### Chief ombudsman and chief executive's update

The chief executive updated the Board on developments since the last meeting on ombudsman related matters, including:

- her meeting with the Economic Secretary to the Treasury, Harriett Baldwin
- the upcoming reports from the NAO into mis-selling in financial services and the Treasury and FCA on the Financial Advice Market Review

This Q3 report, while somewhat 'historic', given the timing of our meeting, nevertheless provided helpful context as the ombudsman service looked to the year ahead and prepared its plan and budget for the next financial year.

The headline position was that service performance remained strong at the end of the third quarter, with the service having achieved its best performance yet in some areas. The service had provided more answers to people's problems than anticipated - across all of its casework – general, packaged bank accounts and PPI - and many areas had seen higher consumer and business satisfaction rates and considerable reductions in customer waiting times.

Challenges remained around resolving the oldest cases. Difficult policy and legal issues outside the service's control prevented progress in specific general casework cases and the Supreme Court ruling in the case of *Plevin* continued to impact the PPI caseload, pending FCA complaint-handling guidance for firms.

The financial position remained strong, with more income than forecast in the quarter because of the higher case resolutions and costs remaining broadly in line with the forecast.

In reviewing the corporate risk register, the Board agreed that:

- Inherent risks around the external landscape were reducing in the light of the work the ombudsman service was doing to maintain its trusted and credible position in the ADR landscape. The Board noted though that this should be kept under review as the picture could change very quickly. The Board suggested that the service should also consider undertaking stakeholder surveys – or taking part in those that others undertook.
- Inherent risks around the service's support infrastructure were increasing while the service went through a period of change.
- The implementation of the service development programme should be tracked as a separate risk in its own right.

On data security risks more generally, the Board noted that while a great deal had been done to shore up potential exposure, further significant improvements were only likely to be made with the implementation of the new case-handling system. The Board recommended an independent audit of the service's current risk exposure, and the options and timetable for anything more that the service might be able to do in the meantime to address any areas of vulnerability.

The audit committee chair commended the work that was being done to co-ordinate and strengthen risk governance across the service.

The Board agreed the end of year reforecasts and commended the performance results, noting the work that was being done to tackle the areas of pressure.

At the March meeting, the Board would be asked to sign off the 2016/17 plan and budget for submission to the FCA Board for approval. Before then, to help with the final preparations, and ahead of the FCA oversight committee later in the month, the Board reviewed the latest analysis of the operational and financial position including in the light of the responses that had been received to date to the consultation.

The validation work that had been undertaken since the last Board continued to support the plans, subject to a few minor refinements, mainly to reflect a reduction in expected costs (arising from a review of anticipated resourcing and property costs) and the possibility of a good deal more packaged bank account cases than originally envisaged, for which the forecast had been revised to 30,000 (up from 15,000).

On packaged bank account cases, while respondents to the consultation were unable to quantify any expected increase,, the ombudsman service remained confident that it would be able to put in place an appropriate operational response, without the need to increase its costs, should case volumes in this area be higher.

As always, uncertainties remained in the external environment in which the ombudsman operated. A range of plausible scenarios could paint a very different picture for the service. The ombudsman's PPI caseload remained the most significant area of uncertainty though, where FCA guidance on Plevin and time-bars was expected and where business, consumer and claims management responses would have a bearing. The service would continue to review and refine its medium term outlook in the light of relevant developments.

The Board agreed that the service should continue to finalise its plans and budget for 2016/17, in the light of the latest analysis and assumptions. After the FCA Oversight Committee, the budget would come to the March Board to sign off for submission to the FCA Board for formal approval.

**7/1602 2016/17 commitments**

**fos/16/02/07**

Each year, before the start of the next financial year, the Board undertook an evaluation of performance reporting and how it might best be assured on how the service was doing – including where the pressures were. Last year, the Board had approved a new 'commitments' framework and a suite of new measures, aligning the service's performance reporting with its key strategic commitments.

In reviewing performance reporting for the next year, the Board agreed that the framework remained appropriate. It agreed the proposals for some minor changes to strengthen reporting and make it more robust in places, including around how staff engagement would be tracked. However, the Board recommended keeping the measure which tracked how "proud" staff were to work for the service.

The service was refining the individual measures and targets, and these would come back to the March Board for final approval.

**8/1602 Service development**

**fos/16/02/08**

The programme of work to develop and modernise the service to ensure it remained aligned with the needs of customers and to secure its future relevance and sustainability was progressing well.

The new casework teams would work in agile ways and be better able to respond efficiently and effectively to the work received. The recruitment process for the new teams had now begun, and staff had responded very positively, with many eager to take on new roles and work in new ways.

The senior management team was grateful to Board colleagues providing critical friend support to the steering committee, the oversight forum for providing more detailed scrutiny of particular aspects of the programme.