

Schedule of Matters Reserved for the Financial Ombudsman Service Board

Background

The Financial Ombudsman Service is a company limited by guarantee and it is not, therefore, obliged to comply with the UK Corporate Governance Code. But because we want to maintain the highest standards of corporate governance, we comply with the Code as far as possible.

The Board, which is made up of solely of non-executive directors, meets formally around seven to eight times a year to consider a wide range of strategic issues and requires a minimum of three members to be quorate.

The Board adopted a formal scheme of delegation in 2013 which sets out non-delegable and delegable functions as provided for under the Financial Services and Markets Act 2000 (FSMA), as amended by the Financial Services Act 2012.

The scheme of delegation does not address all the responsibilities and decision-making functions of the Board. Therefore it adopted a formal schedule of matters reserved to it for its decision on 7 February 2018. [Items marked with an asterisk may be delegated to a Board sub-committee – although for certain specific matters, the final decision may fall to the Board as a whole under requirements in the Companies Act, other statutory legislation, or the UK Corporate Governance Code, for example.]

The Board reserves to itself the following areas:

Rule making

1. Making voluntary jurisdiction rules.
2. The following rules can only be made with approval from the Financial Conduct Authority (FCA):
 - “Scheme rules” setting out the procedure for the reference of complaints, for their investigation, consideration and determination by an ombudsman
 - Case fees rules
 - “Costs rules” to provide the Ombudsman with the power to award costs

Culture, strategy and management

3. Setting the cultural tone from the top and agreeing the service’s values.
4. Approving the service’s overall strategic aims and objectives.
5. The preparation of an annual plan in respect of each financial year, making provision for the use of the resources of the scheme operator. [This is currently in the form of a document called *our plans for the year ahead*.]

6. The adoption and/or the variation of an annual budget.
7. Making an annual report to the FCA on the discharge of the scheme operator's functions. [This is currently in the form of a document called *Annual Review*.]
8. Reviewing the performance against the service's strategic commitments, business plan and budget and ensuring any necessary corrective action is taken.
9. Overseeing the discharge of the service's operations by executive management ensuring:
 - a. effective and efficient use of resources;
 - b. competent and prudent management;
 - c. sound planning;
 - d. adequate accounting and other records; and
 - e. compliance with statutory and regulatory obligations.
10. Determining the broad policy in relation to all aspects of remuneration. (Remuneration Committee).*

Corporate structure

11. Approving major changes to the service's corporate and management structure.

Financial reporting and controls

12. Approving the Annual Report and Accounts including the:
 - a. directors' report;
 - b. governance statement;
 - c. viability/going concern statement
 - d. strategic report; and
 - e. remuneration report.
13. Approving any significant changes in accounting policies or practices. (Audit Committee)*
14. Reviewing significant financial reporting issues and judgements made in connection with the preparation of the financial statements. (Audit Committee)*

Internal controls and risk management

15. Considering and approving the risk strategy (appetite) and the overall risk policy and framework.
16. Reviewing potential implications of legal action being taken against the service.
17. Maintaining sound systems of internal financial control and internal control and risk management including:
 - a. receiving reports on, and reviewing the effectiveness of, the service's internal risk and controls processes to support its strategy and objectives; (Audit Committee)*

- b. assessing the effectiveness of the risk management system which both identifies the service's risk appetite and tolerance and, where feasible, seeks to mitigate risks to the service's objectives (Audit Committee)*; and
- c. approving the extract from the Head of Internal Audit Opinion to be included in the directors' annual report. (Audit Committee)*.

Financial authorities

- 18.** Approving all transactions (or related programmes of transactions) within budget (or a board-approved financial re-forecast) and that are in the ordinary course of business, where the value (excluding VAT) exceeds [£10m]. This applies to:
 - a. capital and revenue items
 - b. business as usual and project-related transactions
- 19.** Approving all transactions (or related programmes of transactions) not within the budget and/or not in the ordinary course of business, where the value (excluding VAT) exceeds [£0.4m].
- 20.** Approving single tender contracts which exceed the EU procurement threshold. (Audit Committee)*.
- 21.** Approving the delegation of financial authorities (within the finance policy). (Audit Committee)*.

Board membership and other appointments

- 22.** Appointing and maintaining the panel of ombudsmen with appropriate qualifications and experience, and from that panel, appointing the chief ombudsman. [The Board has agreed to delegate this responsibility to the chairman, with the Board noting the appointments the chairman has made at the next Board meeting].
- 23.** Making recommendations to the FCA on the appointment and re-appointment of Board members, taking account of the balance and composition of the Board to ensure there is adequate succession planning within it. (Nominations Committee)*
- 24.** Appointing a senior independent director (Nominations Committee).
- 25.** Appointing the members (and where applicable chair and deputy chair) and members of the following committees (Nominations Committee)*:
 - a. Audit Committee;
 - b. Remuneration Committee;
 - c. Nominations Committee; and
 - d. Any other committees established by the Board from time to time.
- 26.** Considering executive team development needs and planning for their succession. (Remuneration Committee)*

Delegation of authority

27. Approving the terms of reference of all Board committees.
28. Approving the basis of permissible delegation of the Board's authority to any committee or individual and reviewing it periodically.

Policies

29. The Board reserves to itself the approval (including of any material revisions) of the following policy areas:

- Dignity at work [this policy covers the service's policy on bullying and harassment]
- Health and safety
- Conflicts of interest
- Data protection¹
- Equality, diversity and inclusion
- Modern slavery statement

30. The Board delegates to its subcommittees the approval (including of any material revisions) of the following policies:

Audit Committee:

- Anti-fraud and anti-bribery
- Speak up (whistleblowing)
- Risk management
- Investment
- Reserves
- Revenue recognition
- Finance policy (including schedule of delegated authorities)
- Gifts and hospitality
- Procurement policy

Remuneration Committee:

- Remuneration and reward policies

Annual assurance reports & reviews

31. The Board receives reports and reviews (at least annually) as part of the Board assurance framework on the following areas (items marked with an asterisk relate to reserved responsibilities listed in this schedule):

- a. Service performance against the key commitments
- b. Culture and employee engagement
- c. Equality, diversity and inclusion*

¹ Approval of amendments to the data protection policy will revert to the executive at an appropriate point after the implementation of the EU General Data Protection Regulation comes into force.

- d. Health and safety*
- e. Risk*
- f. Service complaints to the Independent Assessor
- g. Sustainability and the environment
- h. Property and estate management
- i. Information sharing with the FCA
- j. Information rights (covering legal obligations under the Data Protection Act and the Freedom of Information Act)
- k. Legal and litigation work
- l. Data protection
- m. Customer engagement and outreach
- n. Composition of the Ombudsman Panel*

Corporate governance matters

- 32.** The conduct of a formal annual review of the effectiveness and performance of:
 - o. the Board;
 - p. the Board subcommittees; and
 - q. individual non-executive directors.

Other

- 33.** The preparation and maintenance of a memorandum of understanding with the FCA.
- 34.** The referral of regulated persons to the FCA under FSMA, section 234D.
- 35.** Discussing any novel or contentious matters (which in the opinion of the Board or executive management it would be appropriate for the Board to consider).
- 36.** Agreeing changes to the Articles of Association for submission to the FCA for approval.