

from **Sir Christopher Kelly KC**
Chairman of the Board

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Dear _____

Ombudsman Service strategic engagement with Financial Services Firms

Just over a year ago, I set up a new Industry Steering Group to support effective strategic engagement between the Financial Ombudsman Service and the financial businesses we work with. Over the last year, I have chaired this forum, and we have discussed a range of important issues, from how we collectively deal with the claims management industry, through to the forward plans and budget of the Service. Having a small and senior group with whom we can share early thinking in confidence has proven very useful. The key to having useful discussions seems to be that engagement should be at CEO level.

Since the Group was set up, there have been personnel changes in some of the firms represented and Natalie Ceeney, chief executive and chief ombudsman, and I have also had a number of suggestions from some of you on how we can improve this engagement further. Your suggestions have been varied and involve different liaison structures. I thought that it would be helpful, therefore, if I outlined some different options. I attach a short paper at the end of this letter. My personal preference is for the second option, but I would welcome your own view.

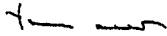
To help inform your thinking, perhaps it is worth me reminding you what else we do to engage with key industry stakeholders.

Our industry engagement activities range from taking part in roadshows, seminars, conferences and exhibitions to meeting with firms on strategic issues as well as firm-specific issues. More specifically, our engagement with firms includes:

- regular bilateral discussions with the largest users of the service and bilateral discussions with other firms over specific topics;
- a fortnightly email newsletter to our cross-sector industry panel outlining key developments, the data we publish and any new publications or other material of note;
- discussions with the larger trade associations, both bi-laterally on sector-specific issues and collectively, for example, on our plan & budget preparations and on what we've seen in the year;
- regular roundtable meetings with other significant trade associations; and
- technical helpdesk support for firms to discuss case-issues.

Our aim for the Industry Steering Group specifically has been to work with the senior leaders of the UK's major financial services firms on strategic issues. I do believe that such dialogue is critical both to the Service's ongoing work and to our collective goal of improving confidence in financial services. I would therefore really welcome your views on the most effective ways of achieving these goals going forward.

Our next scheduled Steering Group is on 16th June. I would therefore really welcome your views before this date if possible, so that we can adapt our arrangements accordingly.



Sir Christopher Kelly
chairman

(sent to: UK retail CEOs of the largest banking groups and insurers & the current steering group members)

Options for Strategic Industry Liaison Forum

Aim: to provide a mechanism for the leadership team of the Financial Ombudsman Service to engage with the major industry leaders and users on common and strategic issues.

Options:

1) Retain current arrangements and simply review and refresh membership.

The Group currently meets quarterly under Sir Christopher Kelly's Chairmanship. Current representatives are:

- Brian Hartzler, chief executive officer, RBS UK retail banking
- Simon Hudson, chief executive, Tenet Group
- Trevor Matthews, chief executive, Friends Provident
- Keith Morris, chairman and chief executive, Sabre Insurance
- Deanna Oppenheimer, Chief Executive of Western Europe Retail Banking and Chief Executive of UK Retail Banking, Barclays PLC
- John Pollock, group executive director (protection and annuities), Legal & General
- David Stewart, chief executive, Coventry Building Society
- *Helen Weir of Lloyds Banking Group was also a member until April 2011*

Discussions to date have included CMC management and regulation, future plans and budget, emerging trends.

Comment: *it is extremely useful to the Ombudsman Service to meet with CEO level leaders, and with a group crossing large and small firms. However, some members and non members have commented that the issues of concern between the industry sectors are often different. Furthermore, the level of membership differs between sectors, and some have suggested that all members should be retail/ UK CEO level.*

2) Retain CEO level contact, but have separate discussions on banking & insurance.

This would likely involve holding separate industry-specific forums, perhaps meeting 6 monthly rather than quarterly, and would be chaired by Sir Christopher Kelly, with membership coming from the largest 5 firms in each sector.

Comment: *this would retain strategic and collective engagement, and potentially allow discussions to be more focused and relevant to members by being sector specific. However, such a format would not enable cross-sector discussions, and, we would need to consider how best to engage separately with smaller firms and the other sectors of financial services who would be excluded by these arrangements.*

3) Expand the group and lower the level of membership.

This would involve inviting more firms, potentially other large banks and insurers, as well as some key building societies, and a small number of representatives from other sectors. The level of representation may be CEO level for smaller firms, and a level below that for larger firms. This forum would be chaired by the Chief Ombudsman, Natalie Ceeney, and meet either quarterly or six monthly.

Comment: *by involving more firms this would be more inclusive. However, by being larger it would be harder for us to test proposals in confidence, and would be more likely to be operational rather than strategic.*