

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held on Wednesday 8 May 2019 at 09.00

Present	Nick Montagu (NM)	chairman
	Gerard Connell (GC)	director
	Diana Warwick (DW)	director
	Sienna Veit (SV)	director
	Jenny Watson (JW)	director
Apologies	Alan Jenkins (AJ)	director
In attendance	Caroline Wayman (CW)	chief executive & chief ombudsman
	Julia Cavanagh (JC)	chief finance officer
	Annette Lovell (AL)	director of engagement (11.15am or items risk review onwards)
	Caroline Nugent (CN)	HR director
	Richard Thompson (RT)	principal ombudsman & director of quality
	Garry Wilkinson (GW)	principal ombudsman & director of new services
	Yvette Bannister (YB)	general counsel (for item 4)
	Amerdeep Somal (AS)	independent assessor (for item 7)
	Tania Scally (TS)	senior caseworker to the independent assessor
	Paul Mills (PM)	head of risk and governance (for item 8)
	Alison Hoyland (AH)	board secretary
	Megan Webster (MW)	policy and communications manager

1-4/1905 Board and committee meetings:

The board:

- approved the minute of the meeting held on 6 March 2019;
- noted minute of the audit committee on 16 January 2019;
- noted the oral update from the chair of the audit committee meeting on 17 April 2019; and
- noted the oral update from the chair of the remuneration committee meeting on 17 April 2019.

Matters arising

Matters arising were picked up in the main substantive business before the board.

Chairman's update:

The chairman updated the board on the ombudsman service business in which he had been involved since the last board meeting, which had included:

- Internal engagement: 1:1s with NEDs and the executive and meetings with the shortlisted chair candidates.

- Regulatory engagement: meeting of the chairs of the FSMA & wider regulatory family.

Chief ombudsman and chief executive's update:

The chief executive and chief ombudsman updated the board on a number of key strategic and operational developments since the last board meeting and provided a summary overview of key external and internal engagement and litigation work during the period. Further discussion on some of the issues was picked up in substantive business before the board.

Litigation

The service's general counsel provided an update on some recent litigation cases of particular note.

More broadly, the board asked if the service was seeing an increase in the number of legal challenge it was receiving. YB explained that, although there had been an increase more recently, the overall trend was fairly consistent with previous years, with peaks and troughs at different times.

Internal communications and engagement

Since the board last met, the executive team had begun hosting monthly lunchtime sessions with colleagues from around the service. The lunches provided one of the ways for colleagues and the executive to have open and wide ranging conversations about what was happening across the service and in the wider landscape more generally.

The executive had also agreed its approach to staff surveying for the year, having taken advice from its independent survey tool provider. The new tool allowed for a more flexible and comprehensive approach to surveying, and the plans included running area-specific surveys to ask questions that were meaningful to particular functions, teams and departments. Surveys would also be run more regularly and some would focus on particular issues of staff interest. The approach would ensure that staff could share their thoughts and ideas at various points throughout the year, through different types of surveys. Running alongside the surveys, the tool also provided for an 'open line' facility, where anyone in the organisation could share their views about working at the service – at any time – anonymously by email.

In other key staff developments, the formal collective consultation for the transition support area had closed. The consultation had been extended to provide further clarity on some issues and to give people more time to consider their options. During and after the consultation members of the executive had met with the staff consultative committee, the ICC, who had represented the views of their constituents and for whose input the executive had been grateful. The board noted that the consultation had involved a number of very difficult and

sensitive issues, and any lessons learned would be taken forward and applied to any potential future exercises.

5/1905 Q4 end of year performance

fos/19/05/05

Overall performance in 2018/19 reflected a year of high demand and considerable challenge.

In headline terms, the service had:

- met its revised resolution target in general casework;
- resolved close to 37,000 more PPI complaints than it received; and
- maintained high levels of customer satisfaction.

Against the background of higher demand than the budget forecast, waiting times had, though, come under pressure. Further, the board noted that overall performance was set against the backdrop of:

- a year of considerable external scrutiny;
- preparing for the introduction of two new jurisdictions to cover complaints from larger SMEs and against CMCs from 1 April 2019;
- needing to respond to unexpected demand, for example, following the TSB IT failure and in short term lending;
- taking forward the next phase of the service's transformation programme to ensure future effectiveness, efficiency and sustainability, which had impacted capacity across some functions in the short term.

The board noted that a number of investments had been made in-year to put the service in the best possible position to meet its 2019/20 commitments. The impact of the various investments and interventions would be carefully tracked to see what impact they were having on expected performance. The service's ability to respond quickly and effectively to any further volatility formed a key part of the service development programme of work and the design options being considered.

The board agreed to the payment of a reduced annual collective reward, reflecting a shortfall in service performance against some key commitments, but recognising too that a great deal had been achieved in a tough and challenging year with a number of internal and external factors at play.

6/1905 2019/20 Annual Review

fos/19/05/06

The service had continued to build on the work done over the past two years to move its publications away from traditional printed hard copies towards digital delivery. This year's annual review would be the first to be digital-only – the review would have its own microsite.

As in previous years, the service would be highlighting some of the key stories and achievements from its work over the year, with a particular emphasis on

sharing the insight gained from the complaints it had resolved. The focus on insight from cases had meant a shift in tone somewhat from previous years, but this was consistent with the wider role many stakeholders had said they expected of the service and the influence it should have to avoid problems arising in the first place and to help markets work better for both consumers and businesses alike.

The board had received a draft of the report for comments ahead of its meeting before the planned publication date of 15 May.

7/1905 Independent Assessor's annual report

fos/19/05/07

The Independent Assessor (IA) attended the meeting to present her annual review to the Board, which recorded:

- higher service complaint volumes to the service and, in turn, the IA (though complaints to the IA continued to represent less than 0.2% of the total number of cases resolved by the service);
- an 8 % increase in the number of critical recommendations from last year;
- a decrease in the percentage of referrals to her office from customers unhappy with the service's response

The IA reflected positively on the service's decision to introduce a one stage complaints procedure to make the process more straightforward and efficient. She also welcomed the actions the service had taken to protect the wellbeing of its staff, including the introduction of more training to help staff feel empowered to speak up when they encountered abusive, aggressive or unreasonable behaviour from customers and making it clear on the service's website the sort of behaviour that would not be tolerated.

The areas for improvement identified in the IA's report centred on the need for the service to ensure it kept people updated about what was happening with their case, including where there would likely be a delay, and maintaining customer confidence in the service's approach to fairness and impartiality to ensure there was no perception of bias.

The Board thanked the IA for her work, which it saw as an important part of the assurance framework, providing a check and balance on quality and customer service and the opportunity to improve things.

The Board formally accepted the IA's annual report. The report and management response would be published alongside the service's 2018/19 annual review in May.

8/1905 Risk review for 2019/20

fos/19/05/08

The board considered the annual risk review to determine whether the service's overall view of the keys risks and tolerance levels looked comprehensive and appropriate. The service had undertaken a significant refresh to its approach in

2018/19 which it had been embedding over the year. The board agreed the framework was effective and helped track and measure the progress being made in managing and mitigating key corporate risks.

The board noted that overall there were three main factors which had a bearing on whether the service would be able to bring its exposure within the tolerance levels it has set – the external environment, the degree of change at the service and whether the target levels of risk and risk assessments were realistic. On the latter, the service would remain open to being less risk averse and more comfortable with maintaining higher tolerance levels in some instances, not least to mitigate against the loss of opportunity. This might also prove necessary if the operational reality meant that risks and tolerance levels became unrealistic periodically or over time.

The board agreed that ‘torpedo’ risk examples were helpful in providing a check and challenge on the current view of risk. The audit committee would carry out an initial review across all the key risk areas, including against the torpedo analysis, ahead of a further session at the board in due course.

9/1905 Service development

fos/19/05/09

The second phase of the service’s transformation programme under its ‘3 Horizons’ strategic planning framework continued to make good progress.

Since the board had last met, the service’s two new jurisdictions to cover complaints about claims management companies (CMCs) and complaints from larger small business customers (SMEs) had become operational. The board commended the executive and staff for all the work that had been done to prepare for the new jurisdictions and ensure everything was in place on 1 April. As expected at this early stage, the service had yet to see very many cases, not least as complaints were still subject to respondent businesses own internal complaints procedures, which gave them 8 weeks to try and resolve things.

In other notable developments, the new case-handling system was also now ready for roll-out on a phased basis, with all colleagues expected to be using the new system by mid-June. And following the board-commissioned independent review of the service by Richard Lloyd, the board noted that all the recommendations made in the report had been implemented in full by the service.

10/1905 Future funding options

fos/19/05/10

As part of the service’s planning for a world beyond PPI, the service had been keeping the need for future changes to its funding arrangements under review. Another key consideration for reviewing the model was the increasing emphasis being placed on the wider work the service did, both in terms of its early resolution case-handling and the insight it shared from the cases it handled to help prevent problems and ensure markets worked effectively.

Feedback to the consultation in December, and from senior level engagement with stakeholders, suggested there was a general consensus in support of:

- the recovery of costs proportionate to the complaint volumes fee-payers generated;
- the recovery of costs for the wider role the service played; and
- maintaining free access for consumers;

The feedback suggested that the options could now be narrowed to the 2 alternatives:

1. a significant re-distribution of the costs recovered from case fees and the Compulsory Jurisdiction levy; or
2. the introduction of a new 'risk' based levy in addition to the existing case fee and Compulsory Jurisdiction levy.

The board agreed that the service should proceed to a formal consultation over the summer on changing the funding arrangements from 2020/21 and that it should put forward option 1 as the preferred model. Re-balancing the levy and case fee to recover a larger proportion from the levy than under the current model represented a clearer and simpler approach and did not run the risks associated with option 2, which included the potential for subjective and/or retrospective criteria determining how costs should be allocated.

The consultation would also explore the position on the allocation of free cases and on reserves, where post-PPI reserve levels and the service's ability to withstand volume volatility would be a key consideration.

11/1905 Annual assurance reports and governance

fos/19/05/11

As part of the Board assurance framework, the ombudsman provided year-end reports on its statutory obligations in relation to:

11a *Information sharing with the Financial Conduct Authority*

The Financial Services Act 2012 placed duties on the ombudsman service in relation to cooperation and information sharing with the regulator.

Engagement with the regulator during the year had been wide-ranging and had included formal Board and executive-level engagement, for example, in relation to FCA Board approval of the ombudsman's budget, as well as liaison between ombudsman and FCA teams on a broad range of issues relevant to both organisations' work.

11b *Information rights*

The ombudsman service was subject to the General Data Protection Regulation (GDPR), Data Protection Act (DPA) and the Freedom of Information Act (FOIA).

The number of FOIA requests had increased compared to the previous year, with people asking mostly for information about volumes and outcomes of complaints and about publications, processes, or guidance. The number of subject access requests had increased significantly following the introduction of GDPR, which meant they were no longer subject to a £10 processing fee. The increases had meant that the service's compliance rate had dropped marginally below the threshold the ICO set out for public authorities during the year but was now back on track.

There had also been a nominal increase in the number of complaints to the Information Commissioner's Office (ICO) about the service's handling of requests. The ICO had agreed the service had complied with the law in all cases.

More generally, the service had identified a number of areas to continue to help it meet its compliance rate for answering requests within the required time limits which it would be implementing.

11c *Ombudsman appointments*

The board noted the latest ombudsman appointments which had been approved by the Chairman since it last met.

AOB

There being no other business the meeting concluded at 1.15pm