

MINUTES

MINUTES of the meeting of the directors, held on Monday 15 July 2019 at 09.00

Present	Nick Montagu (NM)	chairman
	Gerard Connell (GC)	director
	Alan Jenkins (AJ)	director
	Diana Warwick (DW)	director
	Sienna Veit (SV)	director
	Jenny Watson (JW)	director
In attendance	Caroline Wayman (CW)	chief executive & chief ombudsman
	Julia Cavanagh (JC)	chief finance officer
	Annette Lovell (AL)	director of engagement
	Caroline Nugent (CN)	HR director
	Richard Thompson (RT)	principal ombudsman & director of quality
	Garry Wilkinson (GW)	principal ombudsman & director of investigation
	Caroline Wood (CWo)	Horizons' portfolio director (for item 6)
	Phillipa Cook (PC)	head of digital engagement (for the website demonstration under AOB)
	Alison Hoyland (AH)	board secretary
Observing	Zahida Manzoor (ZM)	board chair from 2 August 2019

1-4/1907 Board and committee meetings:

The board:

- approved the minute of the meeting held on 8 May 2019;
- noted the minute of the audit committee on 17 April 2019;
- noted the oral update from the chair of the audit committee of the meeting on 19 June 2019; and
- noted the oral update from the chair of the board sub-committee on 3 July 2019.

Matters arising

Since the May board, the 2018/19 annual review had been published, and alongside it the annual report of the Independent Assessor and the service's management response.

The service had also published its 2018/19 directors' report and accounts and its funding consultation.

Other 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, the executive and the Independent Assessor and casework visits to the 'innovation hub' and 'best practice' pod.
- Regulatory engagement: attendance at the FCA oversight committee to discuss the service's proposals for future funding, together with board member, Alan Jenkins, the chief executive and chief ombudsman, Caroline Wayman, the chief

finance officer, Julia Cavanagh and the director of engagement and strategy, Annette Lovell. (Zahida Manzoor had also attended as an observer).

Chief executive and chief ombudsman'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.

In exploring the service's reach and impact, the board noted that the key themes from the service's annual review around fraud and scams and short-term lending and debt had been picked up in the media. The interest illustrated the broader appetite for the service to share its insight and its preventive work – work that was important in terms of wider recognition and awareness of the service, but also to ensure consumers with similar problems knew where to come for help.

The latest technology milestones included the full roll-out of the service's new case-handling system and the launch of its new website. The head of digital engagement attended the board later under 'AOB' to provide a fuller update and demonstrate the new site. The next steps in advancing the use of technology in casework included a new consumer portal subject to a pilot period to test how consumer needs and expectations could be best met.

The board noted the latest position in relation to proposals for a Dispute Resolution Scheme for those larger small businesses which were not eligible to complain to the ombudsman service under its recently widened jurisdiction. The service continued to provide support to the working group as an observer.

The board noted that the service had published its consultation on its future finding proposals. While it was too early for feedback from the consultation exercise, engagement with stakeholders in the run up to the consultation had, in the main, been supportive.

Further discussion on some of the issues was picked up in the substantive business before the board.

5/1907 Q1 performance

fos/19/07/05

In the first quarter of 2019/20, the service had received fewer new cases in both general casework and mass claims than set out in the budget (with lower PPI volumes making up the majority of the shortfall in new cases).

The service had resolved more cases that it had received, but not as many as set out in the budget plans. Performance against the 45-day timeliness target in general casework and mass claims and against the consumer and business confidence targets was on track, but the older case position remained under pressure.

The pressure points at play varied across the different areas of casework. In PPI, performance was being affected by lower case volumes versus the budget forecast and legal challenges to the service's approach. In investigation, the impact of a number of staff moves, some resourcing shortfalls and the introduction of the new case-handling system was being felt. In short term lending, the viability of some providers was affecting both case progression and the service's ability to collect fees. The board agreed that it would be important to keep the FCA and other relevant stakeholders informed about how the PPI legal challenges and volatility in the short-term lending market were impacting the service and consumers.

In line with previous board discussions, new reporting had been introduced to track how the service was doing in a more timely way against a range of lead indicators to enable the necessary steps to put things back on track. The board acknowledged the position at Q1, and noted the mitigating steps being taken to overcome the challenging environment in order to meet the ambitious overall commitments the service had set for the year. The board would continue to scrutinise performance closely and check whether the different interventions and investments were achieving the expected improvements.

The board agreed to maintain the current year end assumptions for now, though the position would be kept under close review, not least in relation to PPI volumes, where there was the greatest uncertainty as the FCA's 29 August deadline for complaining approached.

6/1907 Service development

fos/19/07/06

An update was provided on the Horizons' strategic programme, where a great deal of progress was being made. Horizon 1 was focussed on innovations and interventions aimed at realising incremental and continuous improvement. The initial signs indicated people were supportive and had been contributing their ideas. Any questions were being raised constructively in the main, and care was being taken to explain the rationale and evidence, for example, the customer service improvements that could be attained.

The team took the opportunity to acknowledge the support provided by the many people who had taken up secondment roles. These had been offered as part of a concerted effort to ensure that people from right across the service could get involved in the change programme. Staff involvement was having a positive impact on people's understanding of the change programme, and the service's future strategy and staff engagement levels would continue to be tracked through the different feedback channels in place. It meant too that the service was building its own internal project expertise and capability.

As noted earlier in the meeting, under the cross-cutting work stream on technology, one of the most significant milestones during the period had been the roll-out across the service of the new case handling system, which overall had gone smoothly. Any technical issues were being resolved quickly and lessons learned.

Plans for the board strategic away days in September were beginning to take shape. Key discussions would centre on the nearer term operational plans for when the deadline for complaining about PPI had passed and proposals for the future strategic direction of the service.

On the latter, a number of opportunities and scenarios would be explored and tested, including against the risks that any strategic ambitions might carry. The plan was to share the output from research and analysis in advance of the board away days, with an opportunity for board members to follow up on any points of detail, as necessary, to prepare for the discussion at the meeting. The research the teams had undertaken had explored the broader landscape in relation to the financial services market, customer needs and expectations, technology and the workforce.

The decisions and agreements from the board away days would inform budget planning and funding for the near and medium term as well as the strategic direction of the service in the longer term. In line with the usual cycle, an initial plan and budget would come to the October board, before the November board (and the FCA) was asked to agree a proposed budget for public consultation in December. The proposed budget would be published alongside the service's

proposals for its longer-term strategic direction.

7/1907 Board effectiveness

fos/19/07/07

The Board and executive had undertaken its annual exercise to review how the board was operating and to identify any improvements to ways of working. In line with good governance, the following year's review would be undertaken by an external provider.

The findings from the survey indicated a well-run and effective board with high levels of satisfaction across all committees and close agreement on the key areas between the executive and board members.

Areas for further exploration identified in survey responses included the make-up and size of the board. Areas identified for future board agenda included the orderly conclusion to PPI and the future strategic direction of the service. The composition of the board and the substantive business it should prioritise would be taken forward by the new chair, once she was formally in post in August.

8/1907 Upcoming rule changes

fos/19/07/08

The board noted the update on the rule changes expected to come before it. The changes related to:

- the possible extension of FCA regulation to cover funeral plan providers;
- post-Brexit arrangements;
- clarificatory amendments to some existing rules.

9/1907 Annual assurance reports

fos/19/07/09

As part of the board assurance framework, year-end reports were provided on:

- the work of the audit committee;
- the work of the remuneration committee;
- the work of the Horizons' Programme steering committee;
- the work of the quality assurance group;
- legal and litigation work;
- health & safety and the environment;
- property and estate management; and
- the composition of the ombudsman panel.

Under the report from the audit committee, the board:

- approved the annual review of the audit committee's Terms of Reference (ToR) which had been updated to reflect best practice in relation to oversight of internal audit provision;
- agreed the updated annual Modern Slavery Act statement for the chairman's signature and publication.

Under the report from the remuneration committee, the board:

- noted that the committee would be reviewing its ToR to ensure that its role in relation to staff progression and development was stated clearly; and
- agreed that any subsequent changes to the ToR should be circulated for approval by email.

Under the report on the composition of the ombudsman panel, the board:

- agreed that it would be helpful for future reports to cover the key analysis that

- had informed the service's recruitment strategy and any new professional standards that had been introduced during the period; and
- noted the latest ombudsman appointments approved by the chairman.

The board noted that there were no proposed changes to the current scheme of delegation which set out the relevant statutory obligations under the Financial Services and Markets Act. One or two small changes were necessary to bring the schedule of matters reserved for the board up to date, which the board agreed could be circulated by email for approval in due course.

AOB

Website demonstration

The layout and content of the new website had been informed by research, analysis and creative exploration which the service had undertaken in partnership with a digital agency that specialised in user-experience design. The board agreed that the new site was modern and responsive, and noted that its accessibility had been improved significantly. The website had been built on a mobile first platform which meant it could be used on all devices. It would be important to continue to track the metrics and review the analysis for how the website was being used, not only to inform improvements and updates to the site itself, but to inform the need for further content and insight and to flag early trends on issues.

Future development would need to align with the future strategic direction of the service to inform things like the use of chat bots and self-service channels for example.

Chairman's farewell

The current chairman, Nick Montagu, was stepping down at the end of his final term on 1 August. The board and the executive expressed a debt of gratitude and their appreciation for his leadership over the last 7 ½ years during which time he had been central to the effective and cooperative relationship enjoyed by the board and executive. Nick's chairmanship had also been marked by his calm stewardship during some of the service's most challenging times.

During his tenure, PPI had been ever-present; the service had grown significantly to deal with the huge demand for its help and by January 2019, it had received over 2 million PPI complaints.

Other significant milestones included the publication of ombudsman decisions, paper free case-handling, a new office in Coventry and the more recent extensions to the service's remit to cover complaints from larger SMEs and complaints against CMCs.

In response, Nick thanked the Board and the Executive for their superb support during his tenure; a special debt of gratitude was also due to Alison Hoyland, as the Board Secretary and Head of the Chief Executive's Office. He had enjoyed his time immensely: it had been a genuine privilege to chair such a high-performing and values-driven organisation

There being no other business the meeting concluded at 12.30.