

MINUTES

MINUTES of the meeting of the directors, held on Wednesday 30 October 2019 at 09.00

Present	Zahida Manzoor (ZM)	Chair of the board
	Gerard Connell (GC)	Director
	Alan Jenkins (AJ)	Director
	Sienna Veit (SV)	Director
	Jenny Watson (JW)	Director
	Diana Warwick (DW)	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)	Director of HR&OD
	Garry Wilkinson (GW)	Principal ombudsman & director of new services
	Richard Thompson (RT)	Principal ombudsman & director of quality
	Paul Mills (PM)	Head of Risk
	Alison Hoyland (AH)	Board secretary
Megan Webster (MW)	Policy and communications manager	

1-2/1910 Board and committee meetings:

The Board:

- approved the note of the board meeting held on 23 September 2019 and noted the record of the strategy away days on 23 and 24 September 2019
- noted the minutes of the audit committee on 19 June 2019; and
- noted the oral update of the audit committee on 23 October 2019.

Matters arising

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

Chief ombudsman and chief executive's update **fos/19/11/02**

The chief ombudsman and chief executive's update covered key external and internal engagement over the Autumn period. At this time of year, consistent with the plan and budget cycle, discussions and engagement centred on forward planning and the future funding of the service and its strategy. Much of the chief ombudsman and chief executive's update was picked up in substantive business, with the board noting under this item that since the papers had been circulated:

- The administrators for Berkeley Burke SIPP Administration Ltd had decided not to continue with the legal appeal of the judicial review outcome from October 2018.
- The legal hearing for Critchley vs the Financial Ombudsman Service had been heard at the Royal Courts of Justice on 23 & 24 October and judgment was awaited.

3/1910 Mid-year performance and risk review **fos/19/10/03**

Performance

Overall performance and the prevailing context for the first half of the year included fewer than forecast incoming cases – most notably in PPI (though the service now expected a re-phasing of PPI volumes, with more cases coming through later in the year and into the following year). Resolutions in PPI were behind budget assumptions

due to the lower incoming cases to date. General casework resolutions were just short of target, though the board noted an equivalent shortfall in full-time staffing numbers. Customers were waiting much longer than expected currently, and while it was encouraging that consumer confidence remained on track at 63% for the year to date, mitigating steps and actions were firmly focussed on reducing waiting times and providing answers on the oldest cases.

Recruitment and retention plans aside, mitigating steps included exploring the scope to direct existing capacity in PPI to help reduce the general casework shortfall; a key consideration would be how quickly and effectively people could be trained and redeployed on the one hand and when PPI volumes might be expected to pick up again on the other. Any mitigating steps would need to ensure that there were no risks to quality and consistent outcomes for customers – the maintenance of which would remain the primary consideration.

As well as the volatility in PPI, the short-term lending market continued to be subject to ongoing uncertainty with the news that another lender had entered administration. The service was keeping its in-year plans, as well as its assumptions for 2020/21, under close review against the developing picture.

Reflecting on resourcing and staffing more broadly, the board noted the latest trends which showed a buoyant employment market and higher turnover rates as a consequence. Good candidates were in high demand and pay and terms in the external market were highly competitive.

The board noted the advancement of the service's 'smarter working' initiative, with its emphasis on flexible working and the utilisation of workspaces in the most effective way, was likely to facilitate the recruitment of staff from a wider spread of geographical locations. In the meantime, in addition to changes to its recruitment processes, the service continued to focus on absence and performance management, as well as ensuring it continued to offer meaningful learning and development opportunities and demonstrate its commitment to equality, diversity and the well-being of all staff.

The board noted the service's financial performance for the year reflected the operational picture, with main underspends in its people and people-related costs.

The board agreed the reforecast position for the year end that the service would:

- receive 130,000 and resolve 145,000 general casework cases;
- receive and resolve 5,000 package bank account cases;
- receive 30,000 and resolve 40,000 short term lending cases; and
- receive 150,000 and resolve 120,000 PPI cases.

In the light of the challenging operational outlook and the prevailing environment, the board agreed that it would be helpful to receive high-level updates on key aspects of performance in between the more detailed quarterly deep-dive reviews.

Risk review

The board noted the risk report at the mid-year point which acknowledged the ongoing volatility – largely in relation to the external environment but agreed a great deal of progress had been made towards reaching agreed levels of tolerance. Reflecting the earlier performance discussions, the board agreed it would be essential to ensure that customers were kept updated while they waited for answers to their cases and that there were effective processes in place to identify and prioritise vulnerable customers for whom a longer wait would be particularly difficult and/or cause further detriment.

The annual review exercise for the board to review key risks and the associated tolerance levels usually took place in May, but the board agreed it would be helpful to review again in February 2020 and consider how the cycle could best be aligned to the development and agreement of the organisational objectives. Given the dynamic environment, further thought would also be given to how regularly tolerance levels should be reviewed to reflect that they may well need to change over the course of the year.

4/1910 2020/21 Budget – initial considerations

fos/19/10/04

At this early stage in the budget cycle, the service relied on ‘reasonable estimates’ of potential work, costs and income – to create an overall budget envelope to form the starting point for discussions with the board, FCA, industry and other stakeholders. The service would continue to seek views to help refine its thinking and validate assumptions, ahead of its consultation in December and thereafter as it finalised the position for approval in March.

As the board had noted in the mid-year performance discussion, the service was planning against a backdrop of much volatility and uncertainty. Its expectation about PPI volumes for the 2020/21 financial year had shifted considerably in the light of what it had seen following the PPI deadline; it now expected to see PPI volumes increase towards the end of the current financial year and for new cases to continue to come in throughout 2020/21.

The service had based its budget forecasting on its plans to introduce a new funding approach from 2020/21. Following its consultation over the summer, the service was due to publish a feedback statement in November setting out how it planned to re-balance the income from case fees and levy over a phased basis, starting with a broadly 60:40 split in 2020/21 and moving to a 50:50 split over time.

The board noted the next steps and timetable, including:

- a review at the FCA oversight committee and a further board review later in November;
- a review at the FCA board and public consultation in December;
- a post-consultation review in February; and
- board approval and agreement to the submission of the budget to the FCA Board for final approval in March.

05/1910 Orderly conclusion to PPI

fos/19/10/05

The board noted under the previous agenda items the operational and regulatory outlook in PPI and what that meant for the service’s planning and people.

The service continued to engage with the regulator, financial businesses and claims management companies to inform its central planning assumptions.

There still wasn’t a clear picture, but recent developments, which included a statement from the FCA, indicated that businesses would not be able to provide consumers with a final response to their complaint until summer 2020.

The service had committed to updating its people in November on its operational plans and what it meant for their continued employment, against its original assumptions for the timetable for the close out of PPI. The latest outlook meant there were no current plans to put staff on notice of any large-scale redundancies in mass claims.

05/1910 Smarter Working

fos/19/10/05

The board considered a recommendation from the audit committee to approve a business case for a 'Smarter Working' initiative designed to support flexible working. The investment would allow the service to invest in its technology and workspaces in a way which would also enable it to make wider savings – for example, by enabling it to release some of its property costs.

The roll-out of the initiative would happen over 2 'waves'. 'Wave' 1 would trial and test operating and planning assumptions and 'wave' 2 would comprise a roll out to the rest of the organisation, subject to the findings from 'wave' 1. An update from 'wave' 1 would come to the May board, ahead of any full roll-out.

The board approved the business case to implement 'wave' 1 and agreed the wave 2 roll-out in principle, subject to the business cases continuing to stand up to scrutiny.

06/1910 Rule changes

fos/19/10/06

The Board was asked to make and amend the scheme rules and fix and vary the standard terms for Voluntary Jurisdiction participants to reflect changes made by the Financial Conduct Authority to the Compulsory Jurisdiction. The rule changes related to exiting the European Union. The board noted that, due to the uncertainty surrounding 'Brexit', there was a possibility it might need to make a further rule change depending on how the situation developed. The board agreed the rule change based on the current position.

AOB

There being no other business the meeting concluded.