

**Financial Ombudsman Service Limited**


---

**MINUTES**

MINUTES of the meeting of the directors, held on Tuesday 24 November at 09.30am, via video conference call

<b>Present</b>	Baroness Zahida Manzoor CBE	Chair of the board
	Gerard Connell	Director
	Alan Jenkins	Director
	Heather Lauder	Director
	Jenny Watson	Director
	Graham Brammer	Director
	Bill Castell	Director
<b>In attendance</b>	Caroline Wayman	Chief executive & chief ombudsman
	Julia Cavanagh	Chief financial officer
	Annette Lovell	Director of strategy and engagement
	Caroline Nugent	Director of HR&OD
	Garry Wilkinson	Principal ombudsman & director of investigation
	Nicola Wadham	Chief Information Officer
	Richard Thompson	Principal ombudsman & director of quality
	Alison Hoyland	Board secretary
	Megan Webster	Policy and communications manager
	Yvette Bannister	General counsel
	Kam Hill	Head of Strategy (item 3)

---

**1-2/2011 Board and committee meetings:**

The board:

Approved the minute from the board meeting on 2 November, noted the minutes of audit committee meetings on 16 June and 5 October and noted the oral update on the audit committee meeting on 4 November.

In noting the oral update on the audit committee meeting on 4 November, the board agreed it would be helpful to see copies of the IT update provided by the CIO and the deep dive risk paper, which had focussed on the risk theme around 'running the service'.

**Action**

- IT and deep dive risk papers from the audit committee meeting on 4 November to be circulated to the board. **[Completed]**

**Matters arising**

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

**02/2011 Chief ombudsman and chief executive's update**
**fos/20/11/24-02**

The board noted the report which centred on key strategic and operational developments since the last meeting.

The CEO had appeared before the Treasury Select Committee (TSC) on 9 November to give evidence as part of the TSC's routine scrutiny of the work of the ombudsman service. The CEO was able to give a good account of the service in response to a set of broad ranging questions. Overall, the tone had been courteous and balanced, with members applying appropriate scrutiny and indicating positive support for our role. The TSC had indicated that it would write to follow up on a few areas of detail; the incoming letter and the service's response would be shared with the board.

The remainder of the update reported on key internal and external engagement – with internal engagement focussing on people's well-being and how they can best be supported during the pandemic and with much of the external engagement centring on discussing the key assumptions for the service's plans and budget for 2021/2022.

### **Actions**

- TSC exchange of correspondence to be shared with the board.**[Completed]**
- Points of note from external stakeholder meetings to be included in future external engagement updates.

## **03/2011 Strategic measures of success**

**fos/20/11/24-03**

At its meeting on 2 November, the board noted a paper on the work the service was doing to develop the key strategic success measures that would be in place from 1 April 2021 for tracking, monitoring and reporting performance; a follow up paper and further detail was now coming back for substantive discussion.

The board noted that the performance measures and key performance indicators (KPIs) formed part of the overall strategic framework and flowed from an overarching ambition statement, three strategic priorities and five underlying supporting strategies. The ambition statement and the high-level articulation of the three strategic priorities had been broadly drawn to remain relevant and pertinent for the next 3 to 5 years, with the underlying supporting strategies, success measures and KPIs expected to be subject to periodic review against the prevailing environment and operating context.

In relation to the strategic measures of success and KPIs specifically, these would continue to be reviewed annually alongside the annual budget cycle so that they could be kept in step.

The board noted that there would be a range of other success measures and KPIs that sat underneath the key strategic measures which would also be reported to the board every quarter as part of a comprehensive performance review.

Each area of the ombudsman service would also draw up annual delivery plans and staff would be set individual personal objectives. Again, these plans and objectives would be set against the context of the overarching strategy and strategic priorities.

The board reviewed the proposals for how the service might best measure its success in relation to the three strategic priorities.

Under its priority focussed on enhancing the service, the board agreed that the measures should seek to capture the full breadth of the work undertaken by case-handlers and that cost and efficiency measures should include cost per case, alongside other indicators and measures of efficiency (for example the proposed measure that tracked costs per 100,000 case resolutions) to provide as complete a picture as possible. It noted that productivity would be tracked, but at the next level down.

On timeliness measures, the board agreed that these should look at the end-to-end customer journey, but with an appropriate breakdown, and that there should be an

oldest cases KPI, which tracked performance against a 12-month measure – which remained the aspiration. And on quality, it agreed that the service should explore the extent to which a ‘net promoter indicator’ measure would be appropriate (this would be informed by the strategic review of quality assurance work).

Under its priority focussed on preventing complaints and unfairness arising, it was agreed that the service should explore how it could best account for the information and insight it provided to inform regulatory interventions and/or policy thinking. The board recognised that this was an inherently difficult aspect of the service’s work to quantify and that it would need to continue to be refined.

Reach and awareness was recognised as another lens through which the service might measure the impact of its interventions under this strategic priority and it might also explore the risk and control landscape (including possibly service complaints and IA referrals). The board agreed that it would not be appropriate to track uphold rates – as a KPI – but noted that this was a feature of its published complaints data.

Under its priority focussed on building the required capabilities for the future, the board noted that the service was exploring how it could best measure and target its technological/digital capability, the key people metrics and organisational sustainability.

The service would continue to refine the strategic measures and work up proposals for the associated targets in the light of the board discussion and would bring them back for review and final agreement by the board in the new year, including to identify the KPIs that would form the basis of the annual collective award assessment. The underlying measures and KPIs at the next level down, would also be developed alongside the high-level measures.

#### **Action**

- Success measures and targets to come back in the new year, with proposals on which KPIs should form the basis of the annual collective reward assessment.

#### **04/2011 Independent periodic review**

**fos20/11/24-04**

From time to time, the board of the ombudsman service commissioned an external individual or organisation to review an element of the service or consider other evidence, research or information in order to inform strategic decision-making and/or the board’s assurance role.

At its September awayday, the board discussed options for the subject of the next such review and the chairman had followed up to invite views from the board and executive on potential areas of focus.

Reflecting on the responses and how to bring together ranging views and areas of consensus, the emerging proposal centred on a forward-looking review which would look at the future environment in which the service would be operating and what that might mean for its customers, operations and people.

The board noted that a review of this nature would provide an opportunity to take a step back and reflect on what was changing in the world – including around the digital revolution. A review in this area would also complement the work the service was doing to look at the ‘art of the possible’ and the opportunities in relation to its role as an employer, its working practices, the idea of the workplace and its physical/regional presence.

The board agreed a review to examine:

*The future environment in which the service will be operating and what this means for its customers, its people and the evolution of its operating model.*

The chairman noted that she would follow up with the director of strategy and engagement to consider the timing of the review and how it might best sit alongside other priorities. In the meantime, the board and the executive would forward recommendations for any providers who they thought might be suitable to undertake such a review.

#### **Actions**

- The chairman to follow up with the director of strategy and engagement on the ToR and timing of the review **[Completed]**.
- Board and executive members to forward any recommendations on suitable reviewers to Annette Lovell.

**05/2011 2021/22 Budget**

**fos/20/11/24-05a**

Since the board discussion on the 2 November, the service had continued to test the high-level assumptions underpinning its draft 2021/22 plans and budget with key stakeholders to inform the basis of its consultation in December. At this stage in the budget cycle, the assumptions for case volumes and case-mix, for example, looked at a range of alternative scenarios and the draft budget envelope was based on a central view.

As part of its routine engagement, the service had attended the FCA oversight committee (OSC) on 16 November to discuss the volume assumptions, budget envelope and funding options. The committee was supportive of a consultation based on a central view on volume assumptions, but thought the consultation should explore a wider range of funding options in the light of the current economic and operational outlook in financial services.

The board noted the OSC discussions and the further analysis that had been provided on the different volume scenarios informing the central view, the different funding options (including their impact on the service's reserves) and on the underlying costs (in particular the business as usual and non-PPI costs).

The board agreed that the service should consult on the following central volume assumptions:

- Receiving 140,000 new and resolving 180,000 non-PPI cases
- Receiving 20,000 new and resolving 30,000 PPI cases

The board agreed to consult on a cost base of £252.2m (noting that costs and efficiencies would continue to be scrutinised and tested as part of the bottom up budget process – and before the budget was finalised in March). It agreed too that the current economic climate presented an unprecedented backdrop and that the consultation would need to reflect that. It agreed the service should, therefore, consult on a range of funding options and seek views on its reserves policy to inform a review during 2021/2022 (the policy currently provided for 6 months' operating income). In its consultation, the service would seek views on how best to balance the need to ensure financial stability with the need to respond to the broader economic and fiscal outlook. It would be important to remember that the current approach protected fee-payers from in-year price increases in the event of sharp volume increases and that rebalancing the levy: case split was aligned to the service's prevention strategy – for which there were associated costs.

The board noted that a follow-up OSC had been arranged for 30 November, after which the consultation would be published on 15 or 16 December.

## **Actions**

- Further discussion on the draft plan and budget to come to the January board – informed by further top down analysis, including on productivity assumptions.
- Near-final plan and budget to come to the February board – informed by the bottom up planning and the consultation responses.
- Final plan and budget and FEES rules to come to the March board for agreement and submission to the FCA board for final approval.
- Review of reserves policy to be undertaken during 2021/22 – taking account of plan and budget consultation responses.

## **PPI plans**

**fos/20/11/24-05b**

At its meeting on 2 November, the board had noted that PPI volumes were much lower than anticipated and the service was planning on the basis of receiving around 20,000 new PPI cases in 2021/2022.

As part of its preparations to bring an orderly conclusion to its PPI operations, the service had reduced its contingent workforce in line with falling volumes and as it looked to the 2021/2022 financial year, was carefully reviewing its permanent resource requirements.

In 2017, the service committed to providing staff with as much certainty as possible about the outlook and what it meant for them. As part of that, it said it would give let colleagues know, at least six months in advance, if there was any potential for compulsory redundancies.

Given the outlook, the service had concluded that it was now likely that it would need to make compulsory redundancies in its mass claims area, although there might be opportunities to retain some staff to help with the increased volumes the service was seeing elsewhere.

The board reviewed the further analysis that it had asked to see to inform a final decision on the next steps in managing PPI to an orderly conclusion (including on volumes and the key risks and mitigations) and on the options for responding to demand in the other areas of casework. In the light of the analysis, the board agreed that staff in mass claims should be given six-months' notice of the potential for compulsory redundancies in 2021/2022. The communications to staff would confirm that that no one would leave the service through compulsory redundancy before May 2021 and also reference the possibility that the service may wish to retain some staff to stay beyond this date to help with other mass claims type casework.

## **Action**

- PPI outlook and what it means for mass claims to be communicated to staff.**[Completed]**.
- The board to be kept updated – with the next update coming to the January board.

## **06/2011 Independent Assessor's (IA) Annual Report**

**fos/20/11/24-06**

In line with the IA's terms of reference, the IA provided an annual report to the board on the number and nature of the complaints received and the recommendations made. The IA's annual report and the service's management response were both published on the service's website, alongside its annual report and accounts.

The 2019/2020 report and accounts process had been delayed and so the publication of the IA report had also been delayed. Ordinarily, the IA would present their report to the board, but the IA had come to the end of her term and was not, in any event, able

to attend the meeting. It was agreed that the board would receive the report in the papers and that it would be published after the board meeting.

The board noted that during 2019/2020, the service had resolved nearly 300,000 cases. While it was regrettable that there were times when the service had fallen short of the high standards it set itself, encouragingly, service complaints continued to represent a small proportion of its overall caseload (1.6% in 2019/2020). The IA had received 602 of these service complaints (0.2% of the overall caseload). Low volumes aside, the service recognised that service complaints and the IA's findings provided a unique and important opportunity to learn from what customers said about the level of service that they had received. The IA's findings and the annual report were also a key part of the overall assurance framework - and a key element of the ways in which the board was able to maintain a check and balance on quality and the level of customer service being provided. The board noted that a newly appointed head of customer experience would play a key role going forward in examining the trends and themes evident in service complaints and using the learnings to inform service improvements - including to ensure ease of access and a smooth and seamless customer journey.

The service had accepted all of the IA's recommendations and had welcomed the learning points identified. The board noted, in particular, that additional resources had been directed at supporting the most vulnerable customers. The detail of the action the service had taken in response to all the key learning points and the progress it had made was set out in its management response.

The discussion of the report had also provided the opportunity formally welcome the new IA, Dame Gillian Guy, who attended the meeting to introduce herself. The IA set out her vision for the role and how it should serve to improve the experience for all customers. The IA had found the service to have an open culture, that it was keen to learn and put things right. The IA noted that levels of service complaints may rise in the shorter term, while the service was experiencing delays and the board agreed that keeping customers informed while they were waiting – and in a timely and realistic way – would be fundamental to managing expectations.

The IA would return to a board meeting in the new year to share her initial thoughts from the first few months in the role.

#### **Actions**

- IA report and management response to be published on the website **[Completed]**.
- IA to be invited to attend a board meeting in the new year.

#### **07/2011 Strategic review of quality assurance**

**fos/20/11/24-07**

The board noted an update paper on the progress being made on the strategic review of quality assurance.

The work to map the 'as is' arrangements had been completed and the next steps would see the work proceed to the 'design and develop' stage for a future approach to quality assurance.

The team was grateful to board member, Heather Lauder, who was providing 'critical friend' support to the review, and who would be reviewing the 'as is' mapping at a meeting in December.

A substantive update on the work would come to the February board, when the work would also have the benefit of the separate governance review that was being undertaken – which in its first phase was looking at the board sub-committee structure.

### **Action**

- Substantive update to come to the February 2021 board.

## **08/2011 Extending the voluntary jurisdiction**

**fos/20/11/24-08**

The board reviewed proposals to consider the possibility of consulting on extending the service's voluntary jurisdiction to accident management companies and "buy now pay later" providers – the activities of which were not currently regulated (although could well be in the future) and so were not covered under the service's compulsory jurisdiction.

The board agreed that more work would need to be undertaken to understand the market in each of these areas, the levels of consumer detriment and likely workload for the service, before any final decision could be taken on running a consultation.

In the meantime, to inform thinking, the board was content that the service should continue to engage with relevant stakeholders, including HM Treasury and FCA.

## **09/2011 Our statutory obligations in relation to the FCA**

**fos/20/11/24-09**

The Financial Services Act 2012 placed duties on the ombudsman service in relation to cooperation and information sharing with the regulator. The board noted how those statutory obligations were met in the first half of the financial year 2020/2021. Engagement with the regulator had included formal Board and executive-level engagement, for example, chair to chair meetings and CEO to CEO meetings, as well as regular liaison between ombudsman and FCA teams on a broad range of issues relevant to both organisations' work.

### **AOB**

#### **Benefits Renewal**

The board had received a late paper on the service's annual benefits renewal exercise. The process had concluded with the service facing price increases in relation to death-in-service pension cover, life insurance and income protection. These benefits had had come to the end of a 2-year fixed price period. The service was obliged under its pension plan to provide death-in-service pension cover and life assurance.

The price rises had largely arisen against the backdrop of claims' payments and the impact of Covid-19 more generally on benefits' pricing. The service's broker had explored the market, but had been unable to secure any other competitive quotes.

The board noted the position and that the timing of the quote process meant that there had been little notice. It agreed the service should renew the cover, given the circumstances. A broader review of the benefits arrangements would come to a future remuneration committee.

### **Action**

- Formal board paper on benefits renewal and price increases to be re-circulated to the board after the meeting for completeness. **[Completed]**.
- Boarder review of benefits package to come to the remuneration committee in 2021.

#### **Gerard Connell – end of term**

Board member Gerard Connell's term was due to end on 11 December and as such the 24 November meeting would be his last. Gerard had been on the board for six-years, for the majority of this time as the audit committee chairman. The board and

executive noted its gratitude to Gerard and the outstanding contribution he had made to the board and audit committee during this time. His commitment to the service and his desire for it to succeed and give the very best of itself had been evident throughout his time on the board. The board, the executive and the wider teams wished him well for his next endeavours.

The board noted that the nomination committee had approved the appointment of Graham Brammer to the role of audit committee chair to succeed Gerard Connell, from 12 December 2020.

There being no other business, the meeting ended at 13.55