

Financial Ombudsman Service Limited

Minutes

Minutes of the meeting of the directors, held on 22 February at 10.15am, via video conference call

Present

Baroness Zahida Manzoor CBE	Chair of the board
Alan Jenkins	Director
Heather Lauder	Director
Jenny Watson	Director
Graham Brammer	Director
Bill Castell	Director
Sarah Lee	Director

In attendance

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
Yvette Bannister	General counsel
Alison Hoyland	Board secretary
Megan Webster	Policy and Communications manager
Chandra Hirani	Head of Strategic Finance (item 3)
Kam Hill	Head of Strategy (item 4)
Tessa Clark	Assistant Director (item 5)

1-2/2102 Board and committee meetings:

The board agreed the minute of the board meeting on 26 January 2021 subject to an amendment in relation to flexible working. The board noted the minute of the audit committee meeting on 4 November 2020 and the minute of the remuneration committee meeting on 7 December. The board noted the oral update from the chair of the remuneration committee and chair of the audit committee of the meetings held on 1 and 8 February 2021.

Action:

- The minutes of the board meeting on 26 January 2021 to be updated to reflect feedback from the board in relation to the flexible working discussion.
[Completed]

Matters arising

Following the last board meeting the draft terms of reference for the next periodic review had been circulated to the board. The cost of phase one of the review was expected to be below the equivalent of the EU procurement threshold. Plans to progress the procurement process to appoint a reviewer were underway, and board members were asked to provide any final suggestions for potential providers in the next few days.

The board noted the report which focussed on key strategic and operational developments since the last meeting – including the service's response and resilience in the context of Covid-19 and the impact of the current national lockdown restrictions. The board noted that the redundancy consultation with mass claims colleagues would begin later in the week and noted that while there would be opportunities for staff to stay on in a number of capacities, it would be difficult news for staff nonetheless.

Operational performance continued to track well despite the higher incoming case volumes at present and the constraints staff were under. A recent staff 'check-in' survey had asked staff how they were feeling and the results of that, coupled with general staff sentiment around the service, reflected that it had been a more challenging period for people personally with more people feeling or experiencing the direct impact from the pandemic (much in line with the national picture). The board noted that the government was due to announce its roadmap for easing lockdown restrictions later that day. The service would review its plans, including for a phased return to office working, against the roadmap, once announced.

Following the chief executive and chief ombudsman's appearance at the Treasury Select Committee (TSC) in November 2020, there had been an exchange of correspondence with the TSC on points of detail in relation to the issues discussed during the session. The TSC had indicated that the Chairman and chief executive and chief ombudsman would be invited to a follow up evidence session once the service's plans and budget for 2021/22 had been published. In a similar vein, the board noted the exchange of correspondence with the Work and Pensions Committee, as part of its ongoing inquiry into pension scams.

In early February, 'The Woolard Review', commissioned by the FCA Board had been published. The report recommended that certain unsecured credit activities which were currently unregulated should become subject to regulation by the FCA. Should this happen, these activities would become subject to the service's compulsory jurisdiction. In the meantime, the possibility of extending the scope of voluntary jurisdiction remained, though the board agreed that any such extension would need to be subject to close scrutiny of the relevant market, the risk of consumer detriment, as well as the costs, benefits and risks.

The board noted the 'snapshot' report on the service's current operational performance and agreed that for the sake of consistency, future reporting should align with the strategic performance measures and KPIs the board agrees for 2021/22. The board noted the service continued to make good progress on resolving some of the service's very oldest cases and asked for the 'snapshot' report to include cases that were subject to known policy or legal issues, albeit that progress on these cases was largely outside the service's direct control.

In noting recent external engagement on the Alternative Dispute Resolution (ADR) Directive, the board asked for a copy of the associated regulations to be circulated for information.

The board congratulated the service for winning the 'Best Diversity and Inclusion Strategy' at the HR Excellence Awards 2020.

Actions:

- A copy of the relevant ADR regulations to be circulated to the board.
[Completed]
- All cases to be included in the oldest cases 'snapshot' report to the board.
[Completed]

Since the January board meeting, the consultation for the 2021/22 plans and budget had closed and the service had continued to undertake detailed bottom up planning. The audit committee had met on 19 February to discuss the 2021/22 plans and budget, ahead of the board meeting.

Based on consultation feedback and insight from the service's bottom up planning process, it is now expected to:

- Receive 170,000 new cases - 160,000 new non-PPI cases (up from 140,000 at consultation) and 10,000 new PPI cases (down from 20,000 at consultation)
- Resolve 220,000 cases - 200,000 non-PPI cases (up from 180,000 at consultation) and 20,000 PPI cases (down from 30,000 at consultation)

The service's plans were focussed on reducing queues and improving timeliness whilst providing value for money. For future years, the chairman of the board suggested that budget planning should also be demonstrably linked to key performance commitments/deliverables, setting out what the service would achieve and what that meant for resources, costs and the capabilities the service needed.

For the 2021/22 budget, the service had continued to scrutinise and challenge its cost base to identify savings compared to the top down budget presented during the consultation. Having done so, it had found savings and underlying costs had remained flat.

In considering funding and setting the appropriate levy and case fee, consideration had been given to the responses to the consultation and an approach that would help to achieve price stability over the next two to three years. There had been a mix of views from respondents on the preferred funding options set out in the consultation, however, many accepted the need for price increases and recognised that the current pricing did not reflect the service's actual cost base. The board agreed to proceed on the basis of a levy of £96m (down from the base case of £106m at consultation) and an increased case fee of £750 (as per consultation). This approach reflected a blend of the funding options set out at consultation and the service's intention to seek to hold the funding at this level for the next 3 years (although the service's costs and funding, would, of course, continue to be subject to annual consultation). In setting the levy at £96m, the board noted that the service should also be able to transition towards a break-even position in 2024/25 and a position whereby it held three months' reserves.

The board agreed that the detailed operational plans would need to take account of the costs within the service's control and those which arose due to external impacts outside the service's control. In so far as productivity would remain a significant lever, assumptions for productivity in future years would continue to come under board scrutiny to ensure the level of ambition was stretching enough, while taking account of case mix and complexity at any given time and case-handler capability and experience and the need to balance output and quality.

The board agreed the latest budget proposals and noted these would form the basis of the recommendations for review at the FCA oversight committee in early March. Thereafter, the budget would be presented to the Board in March for final sign-off and recommendation for FCA approval at its meeting on 25 March. The plans and budget would be published on 31 March.

Actions

- FCA oversight committee slides to be updated in line with the board discussion.

- [Completed]
- Controllable and uncontrollable costs to be identified and taken into account as part of the detailed operational planning.
- [Ongoing]
- Analysis on historical case volumes, expenditure and staff numbers to be circulated.
- [Completed].
- Productivity analysis work undertaken in response to the Richard Lloyd review to be shared with the board.
- [Completed]

04/2102 2021/2022 strategic measures and targets

fos/21/02/04

Work to develop the key strategic performance measures and targets for 2021/22 was underway. The proposed measures were being designed to reflect the service's new strategic priorities and their development had taken account of feedback from the board at its November meeting.

The board agreed to defer discussion to the March board, to allow the measures and targets to be developed further with input from board members who would help shape the final framework.

Actions

- Non-executive directors to support the development of the measures and targets ahead of final approval at the March board
[22 March]
- Draft measures and targets to be shared with the chairman ahead of the March board discussion.
[Early March]

05/2102 Quality assurance review

fos/21/02/05

In September, the service had begun a strategic review of quality assurance. Following an update to the board in November on the 'as is' structure, the project team had been working with key stakeholders across the organisation, and with input and support from board member critical friends, to design the future framework and approach for quality assurance.

The service's approach had been to take the best of what it currently did across the service under its current quality framework, together with best practice from outside, to deliver a modernised framework and approach that would support delivery of the service's strategic objectives. Having done so, the service planned to introduce a single standardised framework and a revised governance structure to help drive excellence across casework teams. Automated reporting and dashboards would aid efficient and timely processing and provide data and information to inform continuous improvements across the service. The framework would continue to check sufficient volumes of cases to provide assurance based on good industry and statistical practice.

The board noted the opportunities for cost reductions and time efficiencies that could be realised as a result of the new framework and how the savings might be redirected in support of improving customer service.

As the framework continued to be developed, the board encouraged the service to think about the opportunity the new framework and structure provided to think about other operational synergies and cost efficiencies that might be achieved and to guard against a siloed approach.

The board agreed that the proposal to take a phased implementation approach was sensible, would be less disruptive on teams and allow a period of transition. This would allow the service to compare emerging results from the new approach with a period of

continuity and reporting from existing metrics to give confidence in establishing a new baseline for reporting in the future.

The board noted that the new quality framework had been designed to complement a broader piece of work underway to develop the overall supporting strategy for service delivery – which incorporated customer experience and how the service would deliver a service that would meet or exceed expectations in the future. The board noted that an update on the service’s five supporting strategies, which would include the service delivery strategy, would be shared with the board at its March meeting.

AOB

Non-executive director (NED) recruitment

The board noted that the final interviews for the current NED search were taking place on 2 March.

Board sub-committee review

Phase one of the independent governance review, looking at the board sub-committee structure, was near-complete. Once the chairman had received the findings, she planned to take the recommendations to the nominations committee for consideration, before final recommendations (including for changes to ToR) went to the board for final decision.

Alan Jenkins’ end of term

After ten years serving as a non-executive director for the ombudsman service (the maximum term allowed under the service’s articles of association), Alan Jenkins was stepping down from the board of the ombudsman service having served on its audit committee throughout and as senior independent director for the last three years. The board and executive team agreed that Alan’s contribution in support of the service and in shaping its journey over the last 10 years would leave a lasting legacy – for which they were immeasurable grateful.

There being no other business, the meeting ended at 2.20pm.