

Financial Ombudsman Service Limited

Minutes

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

Present

Baroness Zahida Manzoor CBE	Chair of the board
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 Communication Manager
Dame Gillian Guy	Independent Assessor (IA) (item 3)
Tania Scally	Senior caseworker to the IA (item 3)
Paul Mills	Head of risk and governance (item 6)

01/2103 Board and committee meetings:

The board agreed the minute of the board meeting on 22 February 2021 and noted the minutes from the remuneration committee on 1 February 2021. The board noted the oral update from the chair of the remuneration committee on its meeting of 15 March 2021, during which a one-off payment for staff had been agreed to say thank you for everyone's hard work and resilience shown during the Covid-19 pandemic. The board ratified the remuneration committee decision.

Matters arising

The board noted that the FCA oversight committee meeting in July had been postponed to September. The chairman would, however, write to the FCA oversight committee as planned in July under the enhanced assurance arrangements.

The procurement application window for the next board commissioned periodic review had closed. Any bids received would be assessed and scored against a set of criteria ahead of a provider being appointed.

[The chairman has since decided that it would be helpful to take account of the views of the interim Chief Executive and chief ombudsman on the scope of the review and the bids, so the process had been paused briefly].

The external board sub-committee review would be circulated ahead of a discussion to

facilitate non-executive and executive input. The discussion would help inform the final decisions the nominations committee would be asked to consider in relation to any changes to committee structure, terms of reference and membership.

02/2103 Chief executive & chief ombudsman's report

fos/21/03/02

Since the last board meeting, the chief executive and chief ombudsman had announced she would be stepping down from the role on 18 April. This would, therefore, be her last report to the board which, as usual, provided an update on key operational and strategic issues.

As the financial year end approached, the board noted the service was already ahead of its Q3F targets for complaint resolutions and stock reduction across its casework – reducing customer wait times and managing down the very oldest cases. The board congratulated the service on this significant achievement which reflected the collective effort of staff against the backdrop of the Covid-19 pandemic and the many restrictions and challenges the service and colleagues had faced for almost an entire year. A full end of year report would be provided to the board in April, but the board noted the latest position would stand the service in good stead for its plans for the year ahead which were focussed on reducing queues and improving timeliness.

As part of its plans to ensure an orderly conclusion to PPI, on 25 February the service had started a formal collective consultation with the Information and Consultation Council (ICC) for the majority of roles in the mass claims and transition areas. Since the announcement, the ICC had been temporarily expanded to include more elected representatives affected by the consultation. The board would be kept updated throughout the consultation period and, if required, the service would bring back any issues for remuneration committee or board consideration in due course.

Since the last board meeting, Provident Personal Credit Limited had announced that it proposed to enter a formal legal scheme of arrangement for the purposes of assessing and paying compensation claims. The board noted that in the light of the arrangement, the ombudsman service would not accept any new complaints about Provident from 15 March when the arrangement was announced.

On 12 March the ombudsman service had published its Diversity, inclusion and wellbeing report for 2020/21. For the first time, it had included its ethnicity pay gap and had done so before such a report became mandatory. The board noted that the diversity and inclusion action plan published as part of the report reflected that the service was challenging itself to look in the broadest sense at diversity, including opportunities to improve career progression for underrepresented employees and seeking to reduce appraisal gaps for those with protected characteristics.

The board noted that the ombudsman service had worked with two charities, business2schools and the East London Business Alliance, to offer over 700 desktop computers that were no longer being used for use in local schools. By re-purposing the desktops, the service had prevented them from needing to be destroyed, giving something back to the local community and reducing its carbon footprint.

In noting the chief ombudsman and chief executive's recent external engagement, the board agreed it would be important for the ombudsman service to continue to monitor and share what it was seeing with the FCA in relation to any emerging issues and any that might have the potential to generate large complaint volumes.

Action

- Ombudsman service to continue to monitor and share insight with the FCA to aid early consideration of the best approach to prevention and remedy [Ongoing].

Dame Gillian Guy was appointed as the service's Independent Assessor (IA) in October 2020. The board had invited the IA to share her initial observations and reflections having been in the role for a few months.

The board noted that, although the proportion of complaints made to the IA was very small compared to the overall workload of the ombudsman service (less than 0.5%), the IA performed an important role in holding the mirror up to the level of service being provided and helped identify opportunities for service improvements.

The board noted that the IA and ombudsman service had established a positive and constructive relationship. Common complaint issues included timeliness and communication, consistent with previous themes identified in service complaints and reflecting the ongoing position with regard to the longer waiting times at the service.

Under the process for service complaints, the IA could make recommendations to put service failures right and, in some cases, this might include a financial award to reflect the impact of the service failure on the individual. More broadly, the IA also sought to share learning points for service provision and processes.

One challenge the IA had identified in her first few months, was the extent to which complaints to the service involved broader issues beyond those which fell within the service's remit, including those which related to the well-being individuals bringing complaints. The board agreed that the ombudsman service's established partnerships with charities and other trusted third parties and the support provided to help people access the services they needed was a key part of the solution, but recognised the ongoing challenge for the service in deciding when it should draw a line under its involvement.

The IA would return to the board in due course to present her first annual report. Usually the IA's annual report and the ombudsman service's management response was published alongside the annual report and accounts in July. However, the NAO had indicated a later timetable for 2020/21, and so the board agreed that it would review the timetable for the publication of the IA report, noting that it may wish to de-couple its publication from the annual report and accounts to allow for an earlier publication date.

Action

- Board to agree whether the publication of the IA report should be de-coupled from the annual report and accounts to allow for an earlier publication date [Open]

Since the February board meeting, the strategic measures and targets had been developed further with input from board members and the chairman. Ahead of finalising the measures and targets for 2021/22, non-executive directors and the executive would hold a workshop to finalise the measures and targets, before asking the board to approve them before they were effective from 1 April.

Actions

- Non-executive directors and executive team members to hold a workshop to discuss and agree a set of proposed measures and targets for board consideration and approval [Completed]
- Summary of the proposed measures and targets to be circulated for approval ahead of 1 April 2021 [Completed].

[The board agreed the measure and targets for 2021/22 at a meeting on 30 March 2021].

05/2103 Supporting strategies

fos/21/03/05

Following the publication in June 2020 of the service's 'contributing to a fairer financial world' strategy in support of its aims and priorities from 1 April 2021 and over the next five years, the service had been developing the supporting strategies and associated plans. The board noted that much of what the service currently did was already helping to contribute towards the strategy and priorities, but the current financial year was about putting the right infrastructure and support in place to formally transition from the current strategy, the focus of which was now centred on the 'orderly conclusion of PPI'.

At the board's September away day in 2020, the board had noted the progress made in developing the five supporting strategies that would help support the delivery of the three strategic priorities: enhancing the service, preventing complaints and unfairness arising and building an organisation with the capabilities it needs for the future.

Since then, the five supporting strategies had been developed further to help inform the service's internal planning and delivery covering: prevention, service delivery, people, technology and finance. The board noted that each of the supporting strategies were at different levels of maturity, reflecting the extent to which they addressed new priorities for the organisation.

The board agreed it would be important for the prevention strategy to look at early intervention to ensure any mitigating or remedial steps could be as effective as possible. It noted too that since September the 'customer experience' supporting strategy had evolved to form the 'service delivery' supporting strategy reflecting its wider remit looking at operational effectiveness and delivery, aspects of which would, of course, be picked up under the next board commissioned periodic review. In discussing the people strategy, the board agreed that it would be helpful for the board to understand the current flexible working policy the service offered and that it would have a further discussion at the April board.

Following the orderly conclusion of PPI, and as the service began to reduce in size, the board noted how the fixed cost base would make up a greater proportion of the overall costs. The service would continue to look for opportunities to release fixed costs and minimise stranded costs – including by identifying any upcoming lease breaks it could take.

Actions

- Head of customer experience to attend the April board meeting to provide her initial observations and reflections. [Open]
- Consideration to be given to adding 'defining our people proposition' to the key deliverables under the people strategy [Open]
- Head of digital technology and delivery to attend a future board meeting to provide their initial observations and reflections [Open]
- Update on work to progress the use of Intelligent Automation to come to a future board meeting [Open]

06/2103 Annual risk review

fos/21/03/06

Each year the service conducted an annual risk refresh exercise to take a fresh look at the board's view of the risks to the service meetings its strategic priorities in the year ahead.

The executive team had undertaken a 'blank sheet of paper' exercise to identify the key risks from their perspective. The exercise was not designed to draw up what the key mitigating steps might be, as that would come later, once the key risks were agreed.

The risks identified all mapped across to the existing risk themes which supported the proposal to retain the current framework for tracking risks and mitigating actions.

The board noted and agreed the key risks the executive had identified looked appropriate and that they should be linked back to the overall strategic priorities where possible. The themes would be refreshed ahead of the Q1 risk report to the board, when the report would also detail the mitigating steps being taken, tolerance levels and progress being made against them.

The board agreed with the service's proposal to develop risk appetite statements so that people across the organisation had a shared understanding and approach to risk. The audit committee would review the operation of the risk framework and the development of risk appetite statements at its next meeting in April.

Actions:

- Consideration to be given to procuring a risk management reporting system to aid reporting [Open]
- Q4 risk report to include an update on any remaining risks and the mitigations in place to reduce risk and reach tolerance levels [Open]
- Chairs of the audit and remuneration committees to discuss potential timescales for setting the board's risk appetite [Open]

07/2103 2021/22 budget and plans

fos/21/03/07

Following the board's consideration at its February meeting of the draft budget for 2021/22, the ombudsman service had presented its draft budget to the FCA's Oversight Committee (OSC). The OSC had confirmed it would recommend the approval of the budget to the FCA board which would take place on 25 March. The board noted therefore that the budget remained unchanged from the February board and was based on plans to:

- Reduce queues and improve timeliness – whilst providing value for money.
- Bring PPI to a close and rebalance the service towards non-PPI.
- Resolve 45,000 more non-PPI cases in 2021/22 compared to 2020/21, reducing the number of non-PPI customers waiting by 40,000.
- Keep underlying costs flat at £272m prior to the investment of £10m in a high-volume area, which would be staffed from colleagues transferring from mass claims teams.
- Increase efficiency in non-PPI casework area resulting in cost per case falling from £1,350 in 2020/21 to £1,095 in 2021/22.
- Charge a case fee of £750 and a levy of £96m. Based on the current outlook, the expectation was to hold at this level for 3 years – subject to the usual annual public consultation.
- Operate with an annual income of £214.8m and annual costs of £260.2m.
- Transition towards a breakeven position, reducing reserves to three months operating costs, over the next three years.

The board agreed the final budget, funding arrangements and corresponding FEEs rules for submission to the FCA for approval.

The board noted that, in line with the service's normal forecasting cycle, it would review the future financial outlook following approval of the 2021/22 budget and an updated view would be presented to the board in May.

[Following the board meeting, the FCA approved the budget and the plans and budget were published on 31 March 2021].

Action

- A break down of staff related costs to be included in the Q1 performance update.

08/2103 Rule Changes

fos/21/03/08

The board approved an instrument to make technical changes to the FCA Handbook to ensure that Gibraltar-based firms would continue to pay the right level of fees and levies following the UK's exit from the EU. This instrument would come into force on 1 April 2021.

The board also noted the updates on other proposed rule changes in respect of a UK Emissions Trading Scheme, regulation of pre-paid funeral plans and Buy Now Pay Later products (BNPL).

AOB

Jenny Watson

After nearly four years as a non-executive director at the ombudsman service, Jenny Watson was stepping down on 31 March 2021. Jenny had sat on the audit committee for the duration of her time on the board and until December 2020 had chaired its remuneration committee. The board thanked Jenny for her support and contribution and paid particular thanks for her focus on vulnerable consumers and ensuring the service was accessible for those who needed it most.

Caroline Wayman

After 22 years at the ombudsman service, including almost 7 as Chief ombudsman and chief executive, Caroline Wayman was stepping down from the role on 18 April. The board and executive team reflected on Caroline's leadership and contribution over her time at the service, and how she had steered the organisation through a number of significant milestones. Over the last year in particular, as the service and its staff had navigated a global pandemic, Caroline had ensured the service had maintained a dual focus on the needs of its customers and the needs of its people, echoing her commitment to fairness which had been the mainstay of her tenure. Caroline would be very much missed by her colleagues and friends and the board and executive wished her every success in her next endeavours.