

Financial Ombudsman Service Limited

Minutes

Minutes of the meeting of the directors, held on 27 April at 10.15am, via video conference call

Present	Baroness Zahida Manzoor CBE	Chair of the board
	Heather Lauder	Director
	Graham Brammer	Director
	Bill Castell	Director
	Sarah Lee	Director
	Ruth Leak	Director
	Jacob Abboud	Director
In attendance	Nausicaa Delfas	Interim Chief Executive and Chief Ombudsman from 17 May (observing – item 1)
	Garry Wilkinson	Interim Chief Ombudsman, Principal Ombudsman and Director of Investigation
	Julia Cavanagh	Interim Chief Executive, Chief finance officer & company secretary
	Annette Lovell	Director of strategy and engagement
	Caroline Nugent	Director of HR&OD
	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
	Nisha Motwani	Head of Customer Experience (item 5)
	Paul Mills	Head of risk and governance (item 1 – risk review)

Welcome and introduction

The Chairman formally welcomed board members, Ruth Leak and Jacob Abboud, to their first board meeting. The Chairman also welcomed Nausicaa Delfas who had joined to observe the discussion at item one ahead of her formally starting as interim chief executive and chief ombudsman on 17 May 2021. The Chairman thanked the Principal Ombudsman and Director of Investigation and Chief Finance Officer & Company Secretary for taking on the interim roles of Chief Ombudsman and Chief Executive respectively until 17 May.

01/2104 End of year (Q4) Performance review
fos/21/04/01
Casework performance

The past year had been like no other – set against the backdrop of a global pandemic that had necessitated the closure of the service’s offices and remote working overnight and which had placed unprecedented restrictions on people in their personal and working lives. The service had maintained a dual focus on serving its customers and protecting the well-being of its staff.

In terms of service provision, a number of interventions had been made to support

remote working, including the provision of laptops to more teams under the service's 'smarter working' programme and other home working kit to aid more effective and productive working. The physical and mental well-being of staff had been supported through a great range of different resources and advice services and by people staying connected and keeping in touch.

Externally, financial businesses' operations were impacted as they adapted to remote working and needed to prioritise front-line services, and the impact on consumers was evident in the higher volumes of new non-PPI casework cases the service had received. By the year-end, the service had received just short of 90,000 more cases than it had budgeted to receive.

In headline terms the service had:

- Achieved over 99% of its original (pre-Covid) plan and budget target for case resolutions for non-PPI work.
- Reduced the number of outstanding PPI cases by more than the 40,000 originally planned at the start of the year.
- Maintained good quality scores for both the 'meeting' and 'exceeding' measures set for the year.
- Made good progress on resolving some of the very oldest cases and reducing the number of cases waiting for a final decision.
- Not met the timeliness targets, against the backdrop of the higher volumes.
- Seen lower customer satisfaction scores than planned, largely due to the delays and longer waiting times.

Overall, against the context of the extraordinary year, the board agreed that the service had much to be proud of; although its ambitions had not been met in all respects, it had performed well in a good many areas and the commitment and resilience of its people was to be commended.

In 2021/22 financial year, the service's plans and budget centred on bringing down waiting times by building output and productivity and reducing queues. The board emphasised the importance of keeping customers updated on progress, while it tackled pinch-points.

As a demand-led service, the forecasting process for new case volumes each year was based on the current run-rate, the views of the industry, the regulator and other socio-economic insights. For four out of the last five years, volume demand had been significantly more than forecast, giving rise to resource and demand challenges and impacting resolution times. The service would continue to engage with the industry and others to refine its forecasting processes and to encourage relevant stakeholders to play their part in relation to complaints prevention.

As usual, the plans would be kept under review through the quarterly re-forecasting process and discussions at the board; in the event of any increase in case volumes, consideration would need to be given to a range of possible interventions that might be needed to ensure the service was able to meet its plans to reduce the number of cases waiting by 40,000 by the end of the year.

The board asked for an update on the 2021/22 plans in relation to unallocated cases to come to the May board and it noted that the service would bring an update on the future financial outlook and medium-term view to the June board.

Collective Reward Scheme

The board agreed the annual collective reward payment should be made to recognise all that had been achieved during an extremely difficult and challenging year. The board agreed the payment should reflect that a balance was being struck between a

strong performance in a good many areas and other areas where the service had not met its targets under its original plans. While it was arguably more difficult to differentiate degrees of good performance in the unique circumstances of the past year, the board was of the view that a higher payment should be made to people who had received a significantly exceeding expectations rating.

People

The board noted that a redundancy consultation for the mass claims and transition support areas had closed on 21 April. As part of the consultation process, and following discussions with the Information and Consultation Council, there had been some changes made to the original proposals in relation to salary reductions and payment under the annual collective reward scheme.

The consultation had been extended for individuals in the QSI team to provide them with some additional time to reflect on the changes under the strategic review of the quality framework and the new team structure. The board commended the teams for their continued professionalism and commitment to delivering a good customer service, while dealing with the uncertainty of a redundancy exercise.

In wider matters, the board noted the latest position in relation to the service's future flexible working offer. Staff had been asked for views through an 'open door' survey on future ways of working; nearly 75% of staff had responded. While many respondents had said they liked working remotely, some missed seeing and collaborating with colleagues in the office. And while, inevitably, people's preferences would always differ, it was clear that a good many of those who responded would prefer to work remotely on a full-time, or nearly full-time, basis, in the longer-term.

The board agreed that any final decisions on extending the offer would need to take account of the views of the Interim chief executive and chief ombudsman who was due to join on 17 May. Flexible working also needed to be seen in the round alongside other key strategic considerations, some of which were likely to be informed by the upcoming periodic review. In the meantime, staff communications should assure people that the issues were being considered.

The executive team noted that staff expected to understand the direction of travel sooner, rather than later. While it had and would continue to manage those expectations, they cited a number of risks the service was running while decisions were being held off, including in relation to attraction, engagement and retention – all of which had the potential to impact the service's ability to deliver on its plans for the year ahead.

Technology

The board noted the progress and budget update on four key technology projects involving the decommissioning of the service's legacy casework system, data archiving, data retention in the new casework system and the introduction of a new HR and finance system. Good progress was being made on all four projects, although the new HR and finance system 'go live' date had been set back by a month to avoid implementation converging with the provider's bi-annual system updates. Any additional cost had been absorbed in the project.

Risk

The risk rating for 'cases handled quickly' had been raised given the increased demand in 2020/2021 and the allocation queue position. Although the service's plans for 2021/22 were focussed on addressing the challenge, operational performance and customer waiting times remained sensitive to further volumes shocks.

As the service's return to office planning progressed, the 'health and safety' risk rating had been raised to reflect the increased challenges in light of developing government guidance – including a planned review of social distancing arrangements.

In the previous quarter, the risk rating for 'health and wellbeing' of staff had been raised to reflect the wider backdrop of the Covid-19 pandemic and the impact of the second national lockdown. The situation was improving, as the lockdown measures had started to ease in line with the government's roadmap. The risk had therefore been lowered again.

The board noted the other risk categories which had been reduced – 'casework obligations' and 'absence management' – reflecting an improving picture in both areas.

The risk framework was being updated in the light of the annual refresh exercise which had included the discussions at the March board. The board noted that the development of the framework would be discussed at Q1.

The board agreed that a consolidated assurance plan, covering the first, second and third lines, should come to the board annually. Work was progressing in this regard and would be discussed with the audit committee in the first instance, before a discussion with the full board in due course.

Actions:

- 2021/22 case allocation and queue management plans to come to the May board. [Open].
- Updated future financial outlook to come to the June board [Open]
- Combined assurance plan to be discussed at the audit committee and then the board, with an annual report submitted to the board thereafter [Open].
- The opportunities presented by recent changes to the board and executive team to be reflected in the risk refresh update [Open]
- The threat of 'Cyber risk' to be drawn out more clearly in the risk framework [Open].

02/2104 Board and committee meetings:

The board agreed the minute of the board meeting on 22 March 2021 and noted the minutes from the Audit Committee on 8 February 2021 and Remuneration Committee on 15 March 2021. The board noted the oral update from the Audit Committee chair of the Audit Committee meeting on 20 April 2021. The board noted that the chair of the Audit Committee was stepping down from the role, but would stay on the committee until his departure from the board at the end of June. The Nomination Committee had agreed the appointment of Jacob Abboud to the role of chair of the Audit Committee – with effect from 1 May 2021.

Matters arising

Action:

Board 'masterclass' to be arranged on the end-to-end casework process and key performance measures [Completed].

03/2104 External and internal engagement and litigation update fos/21/04/03

The board noted the key external and internal engagement which had taken place since the last board meeting.

04/2104 Strategic Review of Quality Assurance fos/21/04/04

In September 2020, the service has commenced a strategic review of quality assurance. The first phase of the review had evaluated the current approach to quality.

The second phase had made recommendations for the design of the future quality framework and proposals for new a quality team structure. The board had asked the service to consider how the customer experience and quality functions could be more closely aligned to help ensure that all sources of feedback about service provision were joined up, integrated, and provided the maximum possible opportunity for actionable insight, root cause analysis and improvement activity. The board had also asked for the service to look at opportunities to facilitate the right leadership and management focus for the team within the existing resource envelope.

Having reflected on the board's feedback, the service had revised its plans. The leadership of the quality team would be provided by a 'Head of Quality and Knowledge' using existing resource and the head of customer experience and their team would be moved to report into the Principal Ombudsman and Director of Quality.

The board noted that the revised plans had meant a delay to the roll out date which was now expected to start in early June. The board agreed it would be helpful to see a high-level view of the phasing of the expected cost benefits, before a more detailed analysis as part of the quarter 1 performance review to the board.

Actions

- High-level update to come to the May board on the phasing of expected savings from the new quality assurance framework and structure, with a more detailed update at the Q1 review [Open].

05/2104 Reflections from the Head of Customer Experience

fos/21/04/05

The Head of Customer Experience attended the meeting to relay her initial observations from her first few months in post and to set out the high-level enablers for the successful implementation of a customer experience strategy for the organisation. The new function facilitated a strategic customer-centric approach to meeting customer expectations and delivering a consistent experience across all relevant touch points. The board noted that the strategy encompassed a broad definition of 'customer' and related to individual consumers, small business complainants and the financial businesses against whom complaints were made.

The Head of Customer Experience noted that excellent customer service was being delivered across the case-handling process, but the absence of a joined up approach and an end-to-end holistic view of the customer journey, together with transactional surveying and limited use of data insight, risked inconsistency and missed opportunities to learn and improve.

The next steps included ensuring greater visibility of all related projects and work streams to ensure synergy, optimisation and sequencing of activities, the creation of a customer experience vision and key principles in Q1, embedding the principles, mapping the current journey and identifying opportunities to optimise and adapt processes in Q2 and reporting against a new measurement framework and drawing on insight from Q3.

Actions:

- An update to come to the June board on the supporting strategies and related projects, alongside early sight of the proposed new approach to customer satisfaction surveying and reporting dashboards [Open]

06/2104 UK Emission Trading Scheme (ETS) Instrument

fos/21/04/06

The board approved relevant rules under the UK Emissions Trading Scheme Instrument 2021, which would ensure a carve-out of auction regulation bidding from the scope of the voluntary jurisdiction, aligned to the equivalent rules the FCA would be

making in relation to the compulsory jurisdiction.

07/2104 2020/21 annual report and accounts

fos21/04/07

Historically, the service had published both an annual review (presenting insight and commentary on the complaints received and resolved in the preceding year) and an annual report and accounts (focused on organisational performance and the annual financial statements). From the 2019/20 financial year, the service had simplified its approach and reverted to a single publication that met all its statutory reporting requirements – the annual report and accounts.

The timetable for the production and publication of the annual report and accounts depended on the completion of NAO's audit and the associated steps leading up to the laying of the report in Parliament. The report was usually laid in July each year, but due to the impact of the Covid-19 pandemic, the publication of the 2019/20 report had been delayed to November 2020. The board noted that the timetable for publication of the 2020/21 report and accounts had not yet been confirmed but was likely to be in September or October rather than July. The Service would work with the NAO and Treasury and keep the board updated as the timetable was finalised.

Historically, the Service had also published the annual report from the Independent Assessor (IA) and its management response alongside the annual report and accounts. Given the later timetable, the board agreed that the publication of the IA annual report and the management response should be de-coupled from the annual report and accounts to allow for an earlier publication date. The IA was due to present their annual report to the board in June so the report would be published following that.

AOB

Board and executive team workshop

Plans for the in-person workshop on 25 May were being reviewed against the government's roadmap and a risk and health and safety assessment was being undertaken. The early analysis suggested that the event may need to be held at an external location, which could demonstrate its facilities and arrangements were Covid-secure. The board secretary would report back to the chairman, once the final advice had been received.

In the meantime, the external facilitator was holding 1:1 conversations with board members and the executive team to help inform the content and focus of the workshop.

[Following the meeting, it was confirmed that the workshop would take place at an external venue].

Treasury Select Committee

Following correspondence between the ombudsman service and Treasury Select Committee earlier in the year, the board noted that the Ombudsman Service had not yet been invited to a further hearing as indicated by the committee. The executive team would inform the board once a date had been set.