

## Financial Ombudsman Service Limited

---

### Minutes

Minutes of the meeting of the directors, held on 24 May at 10.15, 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	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 Banister	General Counsel
Alison Hoyland	Board secretary
Megan Webster	Policy and Communication Manager

---

#### Welcome and introduction

The Chairman formally welcomed Nausicaa Delfas who had started as interim chief executive and chief ombudsman on 17 May 2021.

#### 1-2/2105 Board and committee meetings:

The board agreed the minute of the board meeting on 27 April 2021 with one small amendment to be made to item one. There were no matters arising. The board noted the oral update from the chair of the Remuneration Committee on its meeting of 4 May 2021. The Chairman formally welcomed non-executive director Jacob Abboud as the new chair of the audit committee, effective from 1 May 2021.

The board noted the forward agendas for the Audit and Remuneration Committees for 2021 as well as the 2021/22 internal audit plan set by the internal auditors RSM (which had been approved by the Audit Committee at its April meeting). The board noted that the audit plan would continue to be reviewed as the year progressed to ensure the audits focussed on the key areas of risk for the organisation and the number of days allocated for each audit remained appropriate. The plan would also be reviewed following the outcome of a board discussion on a recent independent review of the board sub-committees to ensure it remained appropriate. The board noted that the Audit Committee would be undertaking deep dives into key risk themes throughout the year. A summary and outcome of each deep dive would be included in the minutes of the audit committee meetings which would in turn be shared with the board to ensure it was kept updated.

### *Long term sickness*

The HR director provided an oral update on the ombudsman service's approach to managing long term sickness absence. Since 2017 good progress had been made on reducing the service's absence rates - aided by a review and update of existing policies and increasing the amount of support tools available for employees and managers to help people get back to work. A recent audit had provided a reasonable assurance rating in this area. The board noted that the remuneration committee was due to carry out a review of the service's overall benefits package during the year in line with its commitment to periodically review the benefits framework, its cost and its value to staff. The board would be updated on any proposed changes in due course. The board agreed that, more widely, it was important to keep any existing organisational policies under regular review and, as part of that, identify any new policies that might be needed. The board noted the update.

### *Internal and external engagement and litigation*

The board noted the updates on recent external and internal engagement as well as a refreshed report on key litigation issues. In relation to the litigation report, the board noted that any risks identified currently related to the potential outcome of the litigation. The board agreed that, where applicable, any risks should also reflect any potential reputational or wider impact risks going forward.

### *Operational performance report*

The board reflected that a number of new board members had recently joined and, with the arrival of a new interim chief executive and chief ombudsman, now was an opportune time for the executive team and the board to take a step back and review the various assurance reporting it received and agree a reporting framework to the board going forward. As part of the new reporting framework the interim chief executive and chief ombudsman would share a report to the board each month starting from June.

### **Actions:**

- Board members to be sent a regular roundup of any media coverage of the ombudsman service going forward [Complete]
- Wider risks (e.g. reputational or wider impact) to be drawn out in the service's litigation report going forward [Complete]
- Proposed new key MI reporting measures and framework to be shared with the board in June under a new look CEO report [Complete]

## **03/2105 Mass claims and casework resources**

**fos/21/05/03**

Following agreement with the board, a consultation with staff from the service's mass claims area had begun in February 2021. The consultation had set out that, as part of the service's orderly conclusion to PPI plans, it expected the service would need to reduce in size and all roles had been put at risk of compulsory redundancy. At the same time the service had set out its plans to move the existing mass claims consultant role in order to create a single team helping customers at the first point of contact for written enquiries. The proposals included rebasing pay for those in mass claims whose existing salaries sat outside recently revised pay and grading bands. The consultation for all impacted roles had closed and those affected had informed the service of their choices which included the option of applying for other roles in the organisation, taking voluntary or compulsory redundancy or remaining in mass claims to help resolve any final PPI cases. Some people from mass claims had also moved to

a 'high volume' team to help tackle the increase in cases the service had received as a result of the Covid-19 pandemic. In total c200 staff would leave the organisation following the outcome of the mass claims consultation. The board noted the service had been able to retain the skills and capabilities it needed to achieve its plan and budget for 2021/22 and would deliver the changes required in the overall restructuring budget as anticipated.

The board reflected that it had been an extremely difficult period for those affected. The board thanked those involved who had helped to ensure a meaningful consultation process had taken place and been run as smoothly as possible. The board thanked those colleagues affected for continuing to work with professionalism and commitment to help the service's customers.

In looking at what the FTE reduction and movement of roles following the consultation meant for the size and shape of the organisation, the board agreed it would be important for the service to keep matters under review to ensure the balance between those resolving cases and other roles remained appropriate. Any findings from the next periodic review of how the service might need to evolve to best serve its customers, would also help inform any potential organisational design choices in the future.

#### **04/2105 Casework process, allocation and queue management**

**fos/21/05/04**

The Ombudsman Service's plans for its non-mass claims casework in 2020/21 had been focussed on reducing waiting times for people to have their case allocated for investigation. Following its yearly consultation process with stakeholders, the ombudsman service's 'pre-Covid-19' plan and budget for 2020/21 had set out that it would receive 130,000 non-mass claims cases and resolve 145,000 cases, which, together with plans to recruit over 400 new investigators, would have all but eliminated any queues and significantly reduced waiting times.

Despite the onset of the pandemic, the ombudsman service had still managed to resolve almost 140,000 cases – and had recruited over 400 new investigators entirely remotely. However, the service had also received over 87,000 more cases than it had budgeted for. As a result, the ombudsman service had entered the 2021/22 financial year with more people waiting for their case to be allocated to an investigator than it had planned for.

The ombudsman service's plan and budget for 2021/22 set out how the ombudsman service proposed to tackle waiting times, recognising that it was a multiyear challenge. The service planned to resolve 190,000 general casework cases and receive 150,000 new cases, reducing the backlog by around 40,000 cases by the end of 2021/22.

The board noted that the service's plans were very much dependent upon it receiving broadly the number of new cases set out in the plan and budget which, as usual, had been forecast following extensive stakeholder engagement and consultation. Incoming case volumes could however come under additional pressure throughout the year depending on external developments - for example when requests commenced for the repayment of 'Bounce Back' loans provided during the pandemic and other pandemic related support began to be reduce which could give rise to more instances of financial difficulty and complaints. The board agreed the service should work in line with its 'prevention' strategy to help resolve issues further upstream where possible. The board recognised however, that some complaints that could arise from the pandemic would be unique and feature complexities the service had not previously seen before. As set out in the service's plans for the year, it would also be important for financial businesses and other key stakeholders to play their part to help ensure the service did not receive cases it shouldn't and to work pragmatically with the ombudsman service on the cases already received to help achieve quicker and fair outcomes for consumers.

The board agreed that the service should continue to look for opportunities and any operational levers to make further in-roads into waiting times throughout the year. The board encouraged the executive team to think radically and to look at all parts of the casework process and design to help identify any potential process efficiencies. The executive team would return to the board with any proposals in due course.

**Actions:**

- Productivity analysis work undertaken in response to the Richard Lloyd review to be re-circulated [Complete]

**05/2105 Financial and casework update**

**fos/21/05/05**

Ahead of the usual formal quarterly re-forecasting process in July, October and January each year, the board had requested monthly update reports on financial and casework performance. The board noted the financial and casework update for the first month of the new financial year.

The board suggested some additional areas that might be included in the report going forward and noted the chief financial officer would develop the reporting framework with audit committee members and consider how the reporting tied in to the new look CEO report which would be shared with the board from June.

**06/2105 Benefits realisation of the new Quality Framework**

**fos/21/05/06**

Following feedback from the board in February, the ombudsman service had shared an update on the revised new quality team structure that would over-see and deliver the new quality assurance framework at the April board meeting. Board colleagues had welcomed the revised structure but sought further assurance about the revised implementation timetable and the phasing of the costs and time savings the service expected to accrue as a result of the changes.

The board noted the approach and timetable for rolling out the new quality framework to the organisation and the expected cost savings during 2021/22 and ongoing into 2022/23. The board was supportive of the proposal that any cost savings should be re-invested to help address customer waiting times. The board noted it would be asked to take a formal view and decision on that as part of the reforecasting process at the end of quarter one, when a consolidated view of the various moving parts across the organisation could be taken.

**Actions:**

- Meeting to be arranged with the principal ombudsman and director of casework and board quality critical friends to review the new quality check questions and understand the new single quality score calculation formula [Open]

**07/2105 IT strategy**

**fos/21/05/07**

The ombudsman service had published its strategy to 2025 in July 2020. Since then a supporting IT strategy had been developed and shared with the board in September 2020. The chief information officer presented an update on the strategy to the board which set out progress made since then.

The service's strong response to the Covid-19 pandemic had only served to underline the importance of strong IT services and capability. A flexible technology service was

required to allow the ombudsman service to respond to any changes in the size and shape of its workforce, work locations and work patterns in the future. The service also needed additional tools to help improve operational efficiency and customer experience

Further investment was required to bring new services and capabilities to support the service's overall strategy which would be built from the service's current operating capabilities. Management focus had, and would therefore remain, weighted to the delivery of foundational programmes and to the management of any technical debt and risk for the next eighteen months to two years. At the same time, to aid delivery of any new and emerging technologies required to support the service's overall strategy, a product centric delivery model was being implemented. Considerable work had been done to evolve and develop the model, including the appointment of a key role, the Head of Strategic Delivery. A subset of the IT strategy was also focussed on supporting the service's overall strategy, specifically through increased digitalisation, intelligent automation and insight analytics – harnessing technology to help deliver a first-rate service. The board noted that part of that ambition was to provide a digital channel for customers to self-serve for routine queries, facilitate the transmission of documents and improve complaint registration. A formal proposal and costed business case for a digital platform would be presented to the board later in the year. In the meantime, work was underway to explore utilising additional capabilities within the service's existing casework tools. The board noted that, as the service reduced in size in line with its orderly conclusion to PPI plans and its associated operating income reduced, the proportion of its IT costs would rise both in absolute and relative terms. It was however anticipated that investment required over the next four years would fall from current levels as foundation projects concluded and investments to deliver operational efficiencies across the service were leveraged.

#### ***Actions:***

- A board masterclass to take place with the CIO to demonstrate existing casework tools and areas for potential future innovation to the non-executive directors to enable them to feed into the development of a digital portal and formal proposal to the board in due course [Open]

#### **AOB**

##### *Periodic review.*

At its September 2020 strategy away day the board had agreed it should commission the service's next periodic review. The terms of reference had been agreed in subsequent board meetings and bids had been invited from firms to tender for the work. The process had been paused temporarily to allow the new interim chief executive and chief ombudsman to feed into the process. Now they were in post the process could be picked up again. The interim chief executive and chief ombudsman and chairman would discuss at their next 1:1 meeting and agree next steps.

##### *Board and executive team workshop*

A face to face board and executive team workshop would take place the following day. A risk assessment had been carried out and had recommended that the workshop take place at an external conference venue. The venue had put a number of protective measures in place to help make it Covid-19 secure – including social distancing, increased cleaning schedules, one-way systems and a requirement to wear face coverings in all communal areas. Information had been shared on how people could take a lateral flow test in advance of the meeting if desired.