

**Financial Ombudsman Service Limited**


---

**Minutes**

Minutes of the meeting of the directors, held on 27 September at 11.15am, via video conference call

**Present**

Baroness Zahida Manzoor CBE	Chair of the board
Sarah Lee	Director
Ruth Leak	Director
Jacob Abboud	Director

**Apologies**

Bill Castell	Director
--------------	----------

**In attendance**

Nausicaa Delfas	Interim Chief Executive & Chief Ombudsman
Julia Cavanagh	Chief Financial Officer
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
Simone Ferreira	Interim Chief of Staff
Rae Stewart	Interim Director of Communications
Yvette Banister	General Counsel
Nisha Motwani	Head of Customer Experience (for item 4)
Alison Hoyland	Board Secretary
Megan Webster	Policy and Communication Manager
Nigel Fretwell	Observing
Shrinivas Honap	Observing

---

**1/2109 Board and committee meetings:**

The Board welcomed Nigel Fretwell and Shrinivas Honap to the meeting as observers, pending confirmation of their appointment to the Board, which was due to be considered by the FCA Board at its meeting later in the week. *[Following the meeting the FCA confirmed both appointments effective from 30 September]*. The Board also welcomed the Interim Director of Communications and the Interim Chief of Staff to their first Board meeting.

The Board agreed the minutes of the Board meeting on 20 July 2021 and noted the minutes from the Audit Committee meeting on 29 June and Nominations Committee on 1 July. The Board also noted the oral update from the Audit, Risk and Compliance Committee on 15 September and the Nominations Committee on 20 September. In relation to the Audit, Risk and Compliance Committee, the Board noted it had approved changes to the Delegated Authority Arrangements at its September meeting which would take effect from 1 October 2021.

**Matters arising**

The Board asked for an update on the IT strategy at the October Board.

**Action:**

- For an update to be provided on the IT strategy and progress against it at the October Board.

**02/2109 Interim Chief Executive & Chief Ombudsman's report****fos/21/09/02**

The Interim Chief Executive and Chief Ombudsman presented her update to the Board which focussed on:

- Key internal and external stakeholder engagement and key issues on the radar.
- Financial, casework and business performance.
- Quality and customer satisfaction.
- Key people measures.
- Key IT projects, system availability and security.
- Key litigation, service complaints, data access and data protection compliance and MP contacts.

The Board noted the update and discussed what information should be presented in the CEO report as against the other board papers going forward.

**Actions:**

- CEO/CO report to draw out the exception reporting more clearly going forward and draw out the key themes and insights [Open].
- New NEDs to share their perspectives on performance reporting [Open].
- HR director to provide a summary of permanent worker status vs contractor worker status [Open]

**03/2109 Operational Performance****fos/21/09/03**

The Board noted the year to date performance up to and including August 2021. Performance was tracking well in most areas for the first five months of the year and most casework teams were ahead of budget forecast.

In non-PPI areas, new case volumes had started to reduce towards expected pre-pandemic levels and case resolutions were regularly exceeding the number of cases received – helping to reduce the number of overall cases waiting to be allocated to case handlers. To date, 81,479 case had been resolved against a budget of 74,958.

In PPI areas the number of incoming volumes continued to track below budget forecast by around 40%. The Board would revisit the forward forecast including for PPI at its October meeting but noted in the meantime it seemed unlikely there would be a steep uptick of PPI volumes during the second half of the year.

Good progress was being made to resolve the Financial Ombudsman's oldest cases with progress being tracked against the organisation's strategic objective to have no open cases older than 18 months by the end of the financial year. However, the Board noted that customer satisfaction scores would likely remain under pressure while the Service continued to focus on closing its oldest cases and until casework queues could be reduced. In the meantime, the Board agreed the Service should ensure that all customers were kept adequately updated and ensure the indicative waiting times were kept updated on the Service's website.

The Board noted that recruitment continued for new permanent investigators to replace attrition but that was beginning to come under pressure as the recruitment market reopened and was once again becoming more competitive. The Board noted that plans were underway to help ensure the Service entered 2022/23 with sufficient headcount to continue to reduce the casework queues.

In addition to working to achieve the plans set out in the 2021/22 plans and budget the Executive Team had continued to take forward a number of 'no regrets' initiatives to help drive additional case resolutions over and above plan and budget. The Board noted that one initiative was to publicly consult on plans to temporarily change the Service's outcome code reporting to encourage businesses to offer settlement on cases waiting to be allocated for investigation. The consultation would open in early October and, subject to consultation responses, the change would be implemented from 1 November.

The Service's gradual 'post-pandemic' return to the office had begun on 20 September. To enable everyone to adjust, and to help prioritise people's well-being, a staggered approach was being taken with a view to everyone moving to the new hybrid way of working previously agreed by the Board by 1 January 2022. The Board noted that, like most organisations, the impact of returning to the office was difficult to predict so the impact on performance would be monitored closely over the next few months.

**Actions:**

- The Q2 oldest cases report to include the log of cases that were held up by legal and other issues. [Open]
- A breakdown of uphold rates per area of casework to be provided in the Q2 report [Open]

**04/2109 Customer Surveying and measuring satisfaction**

**fos/21/09/04**

As part of developing its broader Customer Experience Strategy, the Financial Ombudsman was changing how and when it sought feedback from customers and how satisfaction and customer views of the quality of the service provided was measured.

There were several strands of activity associated with the work including deployment of a new customer survey tool, a review of questionnaire methodology and ensuring more meaningful insights could be determined from different data – to provide a more holistic overview of service provision in a new 'Customer Dashboard' and for sharing with wider audiences.

In addition to developing a new survey tool, the Financial Ombudsman would be working with an external provider to carry out a review of current surveys and provide recommendations for a new survey design and recommendations to increase the response rates and usability of the data collected. The external company would provide a benchmark and validation to ensure the surveys reflected best practice externally. The Board agreed that the survey questions should be kept under regular review to ensure they provided valuable insights but agreed it would be important to have one or two questions that remained consistent to enable comparisons to be made to previous results.

Since the Board had last met, the Financial Ombudsman's Customer Service Standards had been published on the Service's website and other work underway included looking at introducing a new 'consent' model to enable the Financial Ombudsman to seek feedback from a wider available audience.

The Board noted it would be kept updated quarterly as the work progressed.

**05/2109 Finance Update**

**fos/21/09/05**

The Board reviewed the Financial Ombudsman's current financial position. A core principle of the operational and financial plans for the year had been to include increased efficiency and cost savings so all targets and budgets had been set with these in mind. In year performance continued to track against the current budget and both casework and support areas were either on track or ahead of their cost and efficiency target plans for the year.

The Board noted it would revisit the 2021/22 full year forecast and high-level plans for the 2022/23 budget at the October board meeting.

Funding for 2021/22 comprised a case fee of £750 and a levy of £96m. The Board noted that any future funding model needed to be sustainable and enable the Financial Ombudsman to right-size post-PPI, tackle the additional cases it had received as a result of the pandemic and be able to respond flexibly to unexpected spikes and a changing case-mix. The Board noted that planning for the Financial Ombudsman Service's 2022/23 plans and budget would begin in October with a view to publicly consulting on the plans for the year ahead in December, as usual.

The Board also reviewed the Future Financial Outlook for the next three years which had been based on the 2021/22 operational and financial assumptions and was last updated in May 2021. The Board agreed the Future Financial Outlook forecast would provide a helpful baseline against which to consider any changes that would be proposed following the Periodic Review - the outputs and recommendations of which would be discussed by the Board the following day at its annual strategy away day.

**Actions:**

- Consideration to be given for categorising cases by complexity to help inform workforce planning [Open].
- Funding options for 2022/23 and beyond to be considered alongside the early budget considerations at the October Board [Open].

**6/2109**

**Alternative Dispute Resolution (ADR) Regulations**

**fos/21/09/06**

Since 2015, the Financial Ombudsman Service had been an approved ADR entity by the competent authority the Financial Conduct Authority (FCA) under the ADR Regulations. Every two years the Financial Ombudsman updated the FCA on how it was meeting its requirements under the ADR Regulations. The Board noted that the FCA Oversight Committee had confirmed it would recommend to the FCA Board that the Financial Ombudsman Service should continue to be accredited.

In relation to wider developments of note, on 21 July 2021, the Government had published a consultation on ADR- *Reforming Competition and Consumer Policy* which addressed the future of the ADR Regulations including proposals to amend them to strengthen and expand the scope.

**7/2109 Board sub-committee Terms of Reference (ToR)**

**fos/21/09/07**

Following the Board's agreement of the recommendations arising from an independent review of the Board's sub-committees, the process was underway to update all the ToR for the sub-committees and review the Schedule of Matters Reserved for the Board and Board Scheme of Delegation.

The Board noted that the Audit, Risk and Compliance Committee had reviewed and approved its new ToR at its meeting on 15 September (subject to a few small changes which had subsequently been made). The Board approved the ToR for the Audit, Risk and Compliance Committee subject to one or two further amendments being made.

The Board noted that the ToR for the Remuneration Committee had been updated but the final review by the committee would take place once the appointment of the new Non-Executive Directors had been concluded and the Chairman had considered any changes to committee membership including the appointment of the Chair to the committee.

The recommendation to establish a Quality Committee would be kept under review, as would the recommendation for establishing an Investment and Change Committee. The

latter would be dependent on the outputs from the periodic review and clarity on the scale of the resultant change programme.

The Board agreed that going forward, draft ToR for committees should be circulated to the full Board, and not just the relevant committees, before final approval.

**Action:**

- For the remaining draft ToR to be shared with the full Board for feedback ahead of final approval. [Open].
- The establishment of a Quality and Committee and Investment and Change Committee to be kept under review.

**8/2109 Independent Assessor's Terms of Reference (ToR) fos/21/09/08**

The Independent Assessor (IA) was seeking changes to her ToR to make it clear that customers should refer service complaints within one month of the Financial Ombudsman's case closure. At the same time, the IA was taking the opportunity to simplify the language more generally, and also make it clear the IA's remit did not extend to looking at matters that concerned the Financial Ombudsman's commercial and legal obligations.

The Board accepted the proposed changes subject to one or two small amendments to clarify the IA's role and the nature of the assessments reached.

**Action:**

- The Principal Ombudsman and Director of Quality to liaise with the IA on the final changes. [Completed]

**9/2109 Gender-neutral changes to DISP and the requirement to consult fos/21/09/09**

The Board noted that the FCA intended to pass an instrument to amend various parts of the FCA Handbook to replace gender-specific language with gender-neutral language, including rules and guidance in the Dispute Resolution: Complaints sourcebook ("DISP"). The Board noted that the FCA did not intend to consult on the changes given that the changes were to make typographical amendments rather than substantive policy changes. The Board was supportive of the Financial Ombudsman taking the same approach, however, agreed it would be important to ensure that any changes to gender specific language did not have any unintended consequences – for example by changing the substance of the rules or policy approach set out.

The Board noted that, subject to the Service satisfying itself that the changes did not create any changes to how the rules would operate in practice, it would be asked to approve the rules changes in due course.

**AOB**

*Farewell to Richard Thompson*

The Principal Ombudsman and Director of Quality, Richard Thompson, was stepping down in early October after 15 years at the Financial Ombudsman Service. Richard had been a member of the Executive Team since 2014 and for much of the last decade had led the Financial Ombudsman Service's response to PPI and other mass claims, navigating periods of significant growth, innovation and change in casework operations, as well as preparing the organisation for a post-PPI world. The Board thanked Richard for his significant contribution and hard work over the last 15 years and wished him well for his future endeavours.