

**Financial Ombudsman Service Limited**


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**Minutes**

Minutes of the meeting of the Board, held on 25 January at 10.15am

<b>Present</b>	Baroness Zahida Manzoor CBE Bill Castell Sarah Lee Ruth Leak Jacob Abboud Nigel Fretwell Shrinivas Honap	Chair of the Board Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
<b>In attendance</b>	Nausicaa Delfas Julia Cavanagh Caroline Nugent Nicola Wadham Simone Ferreira Yvette Banister Paul Fleming Paul Mills Kam Hill Callum Walker Alison Hoyland Megan Webster	Chief Executive & Chief Ombudsman Chief Financial Officer Director of HR&OD Chief Information Officer Interim Chief of Staff General Counsel Head of CIO Operations Head of Risk and Governance Head of Strategy Policy and Communication Manager Board Secretary Policy and Communication Manager
<b>Apologies</b>	Rae Stewart	Interim Director of Communications

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**1-2/0122 Board and committee meetings:**

The Board agreed the minutes of the Board meeting on 30 November 2021. There were no matters arising. The Board noted the oral update from the Chair of the Remuneration Committee of the meeting on 6 December 2021 and the oral update of the Nominations Committee meeting on 11 January 2022 from the Chairman of the Board.

*Delegated authorities*

When reviewing the Board meeting action log, it was noted that in relation to the action for clarity to be provided on spend-limits for approval by the Board, the Chief Financial Officer was arranging for the existing delegated authority policy to be updated to reflect that any spend above £10m would be escalated to the Board for approval. The Board noted that any strategic spend at lower amounts would come via the Board through the usual process of business in any event.

*Terms of Reference (ToR) of the Board Sub-committee*

In June 2021, the Board had accepted a number of recommendations arising from an independent review of the Board sub-committees. Since then, work had commenced to implement the recommendations including to establish two new Board sub-committees – the Quality and Transformation Committee and draw up new ToR for each. The ToR for the Audit, Risk and Compliance Committee and Remuneration Committee had also been updated to reflect recommendations made in the report. The respective committees had agreed their updated ToR for approval by the Board.

The Board approved the updated ToR for each of the sub-committees.

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

- Key highlights since November, including internal and external stakeholder engagement, key issues on the radar and exception reporting
- An assessment of business performance against the key strategic measures at quarter 3.

On 9 February 2022, the Chairman and the interim Chief Executive and Chief Ombudsman would attend an evidence session at the Treasury Select Committee on the 'Work of the Financial Ombudsman Service'. The session would follow correspondence with the Committee earlier in the year and was one of the routine ways in which the Financial Ombudsman Service gave account of its performance as a public body.

The Board noted that a re-invigorated Wider Implications Framework and Terms of Reference had been published that morning by members of the regulatory family (Financial Ombudsman Service, Financial Conduct Authority, Financial Services Compensation Scheme, The Pensions Regulator, and the Money and Pension Service). The framework provided for the timely identification and escalation of issues with the potential to have wider implications. The framework would supplement the Financial Ombudsman Service's regular collaboration already in place, such as information sharing with other members of the regulatory family. Initial feedback on the announcement of the initiative had been very positive.

**Actions:**

- Assurance to be provided on the statistical methodology underpinning the Quality Assurance Framework [Open]
- Conversion to resolution reporting under the strategic measures to show the target vs performance more clearly in future quarterly reporting [Ongoing]

Following the publication on 2 December of the Board commissioned independent Periodic Review and the Financial Ombudsman Service's action plan to address the recommendations, the transformation team provided the Board with an update on the programme work, programme risks and budget spend to date.

In the lead up to, and following publication of the review, extensive internal and external engagement had been undertaken. The reception to the report and action plan had been positive. As part of the communication strategy, a storyboard was being developed to set out the case for change and the improvements being sought and explaining clearly and concisely to staff and external stakeholders the 'why', 'when', 'how', 'who' and 'how much'. The Board agreed the storyboard would be a key way in which to articulate the need to change and how it would be implemented and suggested it include key milestones over 3, 6 and 12 months. An update on the storyboard would be provided at the February Board meeting.

The Board noted there were a number of 'immediate start' initiatives underway to address some of the recommendations, and other proposals which were subject to further analysis and for which business cases would need to be made setting out the costs and benefits to be derived. An integrated plan to capture the portfolio of change projects and the interdependencies had been developed which would continue to be iterated and updated as the various workstreams progressed. An Executive sponsor had

been assigned to each of the workstreams under the portfolio and a Director of Transformation had been appointed and was due to start in late February.

The Board reflected on the large amount of change the organisation was due to undergo and asked the Executive team to ensure the impact on people across the organisation and external stakeholders including customers was carefully considered. It would be important for any changes to be done in the right sequence and take appropriate account of any dependencies and prioritisation of deliverables.

**Actions:**

- Board updates on the transformation programme to be high-level and strategic and clearly set out the deliverables and expected outcomes over a 3, 6 and 12 and 12+ month timeframe [Ongoing].
- Benefit tracking to guard and check against the risk of double counting. [Ongoing].

**05/0122 Strategy refresh and measuring success in 2022/23**

**fos/22/01/04**

In June 2020, the Financial Ombudsman Service had published a strategy for the next five years under three strategic priorities – ‘enhancing our service’, ‘preventing complaints and unfairness arising’ and ‘building an organisation with the skills and capabilities it needs for the future’. Although the organisation’s strategic priorities remained the same, in line with the Periodic Review recommendations, a refresh was underway to make the strategy clearer and more actionable. As part of that, the development of a robust set of strategic plans and associated metrics to track progress against delivery from April 2022 onwards had commenced.

The Board noted the emerging work to develop strategic measures for the next financial year and provided a steer on the success measures it would expect to track as a Board. The Board agreed with the principle that the measures should be as simple and straightforward as possible – providing a high-level view of performance for internal and external audiences.

The measures and targets would continue to be refined, including in further discussion with Non-Executive Directors and alongside the plans and budget for 2022/23, both of which would be presented to the Board again in February, before final sign-off in March.

**Actions:**

- Updated measures and targets to be presented to the Board for discussion in February [Open]
- The strategy team to seek input on the measures and targets from a sub-set of Non-Executive Directors, ahead of the February Board meeting. [Open]

**06/0122 IT Managed Service Procurement and Digital Business Case:**

**fos/22/01/05**

The Financial Ombudsman Service intended to augment existing customer channels (telephone, email, post) with a digital channel. The proposal for the initial scope of the channel took account of several considerations and was designed to deliver a range of benefits from time saved in call and case-handling and improved customer access (consumers and businesses) to providing a strong foundation for further digital augmentation throughout the customer journey. Procurement for the portal build and related managed services had been initiated, following agreement by the Board of the procurement strategy in June 2021. In addition to the digital channel and associated managed services, technology services supporting casework operations, reporting and the external website would also be provided for under the new contract.

The Board considered the IT Managed Service and Digital business case, for which the estimated spend was circa £21.4m over a 4-year term, based on the costed submissions from two down-selected suppliers prior to the final negotiations and the suppliers best and final offers (which would vary the final costs). The Board was supportive of an IT

Managed Services approach and the associated total contract value, noting though that before it signed off the business case on the digital portal, it wanted to see further analysis on the benefits that would be realised and the timescales. *[Following the Board meeting the Audit, Risk and Compliance Committee agreed that it would undertake an initial review of the updated business case, with a view to making a recommendation to the Board for approval].*

**Actions:**

- A revised business case for the digital portal to be prepared and submitted for review by the Audit Risk and Compliance Committee, before final approval by the Board. [Open]

**07/0122 Executive reports**

**fos/22/01/06**

Following the interim Chief Executive and Chief Ombudsman's earlier over-view of organisational performance and updates, the Executive each provided an update on key updates from their areas of responsibilities at Q3 including:

- Casework
- Finance
- Technology
- People
- Legal
- Policy and Strategy
- Communications

The Board agreed the new look quarterly report helped to draw out the key information and areas of Board focus and agreed it provided a good template for future monthly and quarterly reporting. The content would continue to be refined, based on Board feedback.

**Actions:**

- Casework performance data to include trend lines to show a projection to the year-end (where relevant). [Ongoing]
- Finance and budget reporting to be broken down by department for the next report [Open]
- Attrition analysis and mitigating plans to be provided to the Remuneration Committee on 21 February 2021 [Closed]
- Non-Executive Director workshop on MI and data to be set up and run by the Head of CIO Operations [Open]

**08/0122 Casework and financial forward forecast**

**fos/22/01/07**

Based on the operational and financial position at the end of Q3, the Board was asked to approve the revised casework and financial forecasts to the year end.

Incoming case volumes in general casework remained broadly in line with budget forecast and incoming cases for short term lending and PPI were slightly lower than forecast. Case resolutions continued to be higher than forecast.

The Board approved the Q3 reforecast which anticipated a year-end position of:

- 170,000 incoming cases;
- 230,105 resolutions; and
- a planned budget deficit of £33.4m.

The Board noted any potential impact on the 2022/23 budget would be considered fully in February, along with the responses to the plan and budget consultation (due to close on 31 January) and the bottom up planning outputs.

**Actions:**

- Consideration to be given to wage and non-wage inflation in the 2022/23 budget [Open]

**09/0122 Q3 risk review**

**fos/22/01/08**

The Board noted the revised risk report for Q3 following Board and Executive Team input. The report now set out the 'top risks' to the Financial Ombudsman Service meeting its objectives, as agreed by the Executive Team, along with key data and information on mitigating actions. The 'top risks' had been drawn from the underlying risk framework.

The Board noted the overall risk profile had increased compared to the previous quarter with five risks currently rated as critical, including in relation to the timeliness of complaint handling, the capacity to deliver change while maintaining core activities and in relation to financial sustainability. It was anticipated, however, that those risks would reduce in severity as the recommendations arising from the periodic review were implemented.

The Board noted the risk report and agreed the new format was helpful in focussing the Board's attention to the key areas of focus. The report would continue to be iterated based on Board and Executive Team feedback.

**Actions:**

- Risk reports to show trends over time, mitigations and the impact of any actions taken (both realised and expected) [Ongoing]

**10/0122 Gender Neutral language in DISP**

**fos/22/01/09**

In September 2021, the Board noted the FCA did not plan to consult on changes to make FCA rules gender neutral and agreed in turn it would not consult on making the same changes in relation to relevant complaint handling rules under its rule-making powers.

Since then, further work had been carried out and the FCA now intended to consult on the changes as part of its March quarterly consultation paper under the title 'Diversity and Inclusion Instrument'. The Board agreed it should, therefore, take the opportunity to consult jointly with the FCA on the proposed changes. If it was decided the changes should be made following the consultation, the final instrument would come back to the Board for approval later in the year.

**AOB**

The Board noted with great sadness that two members of staff had recently passed away. Charlotte Sanderson and Sara Falzon had both worked for the Financial Ombudsman Service for a number of years. Colleagues remembered their kindness, professionalism and generosity and they would be missed very much. The interim Chief Executive and Chief Ombudsman had written to Charlotte and Sara's family on behalf of the Board and all staff at the Financial Ombudsman Service to send deepest sympathies and condolences.

*Board effectiveness survey*

The Board noted that the annual Board effectiveness survey would be carried out as an internal survey for 2021/22. An external survey would be carried out during the 2022/23 financial year once recent changes to Board sub-committee structures and membership had time to bed in. The survey would be completed in time for inclusion in

the Directors' Annual Report for 2021/22.

*Board meetings*

Following the lifting of government plan B guidance to work from home where possible, all Board meetings from February would take place face-to-face (subject to no further changes in Government Guidance)

There being no other business, the meeting ended at 3.05pm