

Financial Ombudsman Service Limited

Minutes

Minutes of the meeting of the directors, held on 24 May at 10.15am

Present

Baroness Zahida Manzoor CBE	Chair of the board
Bill Castell	Non-Executive Director
Sarah Lee	Non-Executive Director
Ruth Leak	Non-Executive Director
Jacob Abboud	Non-Executive Director
Nigel Fretwell	Non-Executive Director
Shrinivas Honap	Non-Executive Director

In attendance

Nausicaa Delfas	Chief Executive & Chief Ombudsman
Julia Cavanagh	Chief Financial Officer
Becky Willis	Acting Director of HR&OD
Nicola Wadham	Chief Information Officer
Simone Ferreira	Interim Chief of Staff
Yvette Banister	General Counsel
Carys Williams	Interim Operations Director
Colin Douglas	Interim Director of Communications
Emma Jane Daly	Transformation Director – for item 3
Alison Hoyland	Board Secretary
Sacha McInnis	Secretariat
Louise Corley	Secretariat

Apologies

Caroline Nugent	HR Director
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1/0522 Board and committee meetings:

The Board agreed the minutes of the Board meeting on 26 April 2022.

The Board noted:

- the minutes of the Remuneration and People Committee on 3 May 2022;
- the oral update of the Audit Risk and Compliance Committee on 9 May 2022; and
- the oral update of the Quality Committee on 23 May 2022.

In noting the minutes of the Remuneration and People Committee, the Board acknowledged that the CRS and pay review details had been communicated to all staff as agreed. The Board noted that the future reward strategy was coming to the next meeting of the Remuneration and People Committee in July.

In noting the oral update of the Audit Risk and Compliance Committee (ARAC), the Board supported the focus on risk and in particular the ‘top’ risks and agreed the newly introduced ‘trend’ view provided a helpful one-page overview of how the top risk themes were tracking over time. In noting ARAC’s planned approach to policy reviews, the Board agreed that policies on whistleblowing and bullying and harassment should be reviewed annually by the Board.

In noting the oral update of the Quality Committee, the Board noted that the follow up session on the quality assurance and customer satisfaction methodology and sampling

had taken place and the action was now closed.

Forward calendar and action log

The Board reviewed and agreed the action log. It noted under the forward agenda that some of the Board sub-committee business was being re-prioritised and that the next meeting of ARAC was moving to July.

02/0522 Chief Executive and Chief Ombudsman update

fos/22/05/02

The Board noted the continuing developments in relation to the British Steel Pension scheme cases. The FCA was consulting on a redress scheme and the Board supported the Financial Ombudsman Service's ongoing engagement with relevant stakeholders on this issue, noting the importance of a joined-up approach.

On cross organisational working, the Financial Ombudsman Service had recently published minutes of the first CEO and Chair meetings under the Wider Implications Framework, along with the high-level issues log.

The Board also noted the Financial Ombudsman Service would be publishing its new vision, strategic direction and outcomes, as well as its performance against 2021/22 measures the following week. Changes to the Executive governance committees would take effect by the end of May 2022.

On operational matters, the Board noted the initiatives in train to continue to tackle areas of operational pressure. While the Service was resolving more cases than it was receiving (and tackling the queues as a consequence), April productivity was very slightly below budget. The Service was being quick to respond to ensure corrective action was being taken.

Improvement initiatives included the ongoing work to allocate cases to teams in line with the concept of 'casework verticals' and a pilot to categorise cases to aid better and more efficient triaging and allocation. The case categorization pilot would inform a wider programme of work which would need to look at business and operational-led process and systems improvements and enhancements, and which would need to align with the development and introduction of a digital portal. The potential scope of improvements and application was very wide and could, for example, extend to improved workforce planning and the availability of additional quantitative MI to better inform funding decisions and charging structures, for example. A progress update on triage improvements, and case categorization etc would come to the Quality Committee in due course.

03/0522 Transformation programme – update and next steps

fos/22/05/03

The Head of Transformation provided an update to the Board. The full team had only recently been formed. The Board noted that through change management training and other initiatives to strengthen its project and programme management capability, the Service intended to establish strong in-house change management capability for the future.

The Board noted the 'Integrated Plan' to provide an overview of change projects and initiatives and the benefits they were delivering, or would, was continuing to be developed ahead of the next Transformation Committee and Board in June. The Board discussed the associated cultural change and the need for clear and meaningful staff engagement. Cultural change was an integral part of the People Strategy which was next being considered at the Remuneration and People Committee in July.

On specific continuous improvement initiatives, for example, those aimed at helping to reduce the queues and those aimed at improving the front-end initial call handing, the

Board was pleased to note the performance uplifts that were being achieved. On the IVR changes, the Board encouraged the Executive to undertake some qualitative analysis around whether calls were routed to the right place, first time, as well as monitoring call answering times and other service-level standards. It was also key to ensure benefits were not double counted, where different initiatives were interlinked.

The Board agreed the strategic vision, subject to some small changes to the wording, and agreed the direction of travel in relation to the Level 2 threshold and stretch measures and targets that were being developed. The Board challenged the Financial Ombudsman Service to be aspirational when setting the metrics for what it wanted to achieve through the transformation programme.

04/0522 Future funding

fos/22/05/04

In March 2022, the Board agreed a range of suggested proposals for ways in which the Financial Ombudsman's funding model could be changed to drive financial sustainability and stability, as well as incentivise constructive behaviour on the part of respondent firms. Since then, the proposals had been discussed with a range of stakeholders, including industry representatives and the FCA, and stakeholders had been supportive too.

The next steps would be to publish a Discussion Paper in June to seek views on the options. The feedback would inform a consultation later, as part of the plan and budget cycle, on a new funding model for 2023/24.

05/0522 2021/22 Board Effectiveness Survey

fos/22/05/05

During 2019/20, the Chairman of the Board commissioned an independent two-part Board effectiveness review as a health check on existing governance arrangements and to make recommendations for how they might be enhanced. The review formed part of the annual governance activities aimed at continuous improvement.

Following part one of the review, the Board Sub-committee framework had been extended. After allowing time to embed, and also reflecting the timing of non-executive director appointments, it was agreed that part two of the review should comprise an internal evaluation survey. The survey focussed on the main Board and was completed by Non-executives and Executives in late March.

Headline analysis reflected that respondents were largely positive about both Board and Executive input, though the feedback indicated a need to better balance the focus as between operational matters and more strategic discussions. Respondents were positive about the make-up and background of the Non-Executives, meeting dynamics and decision making at Board level. Respondents were generally also positive about support and administration, though verbatim comments highlighted a need to ensure clarity of purpose in papers and that the content allowed for informed decision-making. There was also a desire to review of the frequency of Board meetings – particularly when considered alongside the increase in the number of Board sub-committees.

The backdrop of the change programme and the need for significant operational and service improvement, as well as the personnel changes at both Non-executive and Executive level and the need for relationships to be developed, was noted. Against this context, Non-executives were, they felt, by necessity, engaging in operational detail to build their understanding and confidence and to reach a point of assurance. It was agreed that once the Financial Ombudsman had reached a more steady state and a point of stability, the focus would be re-balanced and the Board would be able to operate at a more assured and strategic level. In the meantime, Non-executives encouraged the Executives to point out if lines become blurred between their respective responsibilities, to allow for corrective steps to be taken.

More broadly, it was agreed that the planned 'future vision' workshop in June, would provide a good opportunity for Non-executives and Executives to work together on a range of strategic themes and that ideas for things like an independently facilitated workshop, repeating a previous successful workshop on joint-working, should be explored further.

The next external Board evaluation was due in 2022/23 and thought would be given to the timing of this.

06/0522 Executive Reports

fos/22/05/06

The Board noted the key messages from the Executive reports.

In casework, as noted under the Chief Executive and Chief Ombudsman's report earlier in the meeting, overall, more cases were being resolved, than received which meant the queues were reducing. Productivity had fallen very slightly, however, and casework leaders were very focussed on ensuring this trend did not continue and that productivity increased and would carry on improving. In the meantime, as well as improvements at the front-end and a reduction in unallocated cases, very good progress was also being made in relation to the oldest cases and there was a focus on reducing waiting times at the final decision stage too.

Financial performance in April was ahead of budget on all key measures, though FTE was lower than planned. This would be kept under review, as against business need. In casework, the dynamics were particularly complex, with resourcing needs having to take account of high attrition rates and resolution and service improvement drives on one hand and lower incoming volumes and cost efficiency on the other.

Under the 'technology' update, the Board noted that a kick-off session had been held with TCS, the provider developing the new digital portal, on 20 May and the Financial Ombudsman was in the final stages of contracting with its Intelligent Automation partner.

The 'people' update highlighted the key risks around attraction and retention, where both remained a challenge. The recruitment market continued to be highly competitive. The next meeting of the Remuneration and People Committee would be looking at options for a future reward strategy, which would need to address the attraction and retention challenges. In the meantime, the Board encouraged the Executive to think creatively at different options from secondments and 'job swaps' to what more it could do under its apprenticeship schemes and how it could use social media.

Under the legal update, the Board noted that 16 Judicial Review claims were currently ongoing, a relatively high number for the Financial Ombudsman. The team was also handling 3 Employment Tribunal cases, 4 Information Tribunal cases and 4 civil claims.

The policy, strategy and communications updates highlighted a number of key pieces of work, including in relation to the Wider Implications Framework and British Steel Pension cases and the FCA's proposals for a redress scheme, the FCA's New Consumer Duty requirements, media coverage of the Financial Ombudsman's half yearly complaints data for the second half of 2021 and internal communications in relation to change.

AOB

Chief Financial Officer, Julia Cavanagh, was due to leave the Financial Ombudsman in June, after 11 years; this would be her last Board. The Board thanked Julia for her commitment and significant contribution throughout her career at the Financial Ombudsman. She would be missed and remembered fondly by all her friends and colleagues and the Board and Executive wished her every success in her future endeavours.

There being no other business, the meeting concluded at 14.40.