

**Financial Ombudsman Service Limited**


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**Minutes**

Minutes of the meeting of the directors, held on 22 March 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 Nicola Wadham Simone Ferreira Yvette Banister Carys Williams Colin Douglas Becky Willis Emma-Jane Daly  Kam Hill Chandra Hirani Paul Mills Alison Hoyland Sacha McInnis	Chief Executive & Chief Ombudsman Chief Financial Officer Chief Information Officer Interim Chief of Staff General Counsel Interim Operations Director Interim Director of Communications Acting Director of HR&OD Interim Director of Transformation (items 4, 5 & 6) Head of Strategic Change ((items 4, 5 & 6) Head of Strategic Finance (item 7) Head of Risk and Governance (item 8) Board Secretary Policy and Communications Manager
<b>Apologies</b>	Caroline Nugent	Director of HR&OD

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**1-2/0322 Board and committee meetings:**

The Board welcomed the new Interim Directors of Operations and Communications.

The Board agreed the minutes of the Board meeting on 22 February 2022 and noted the oral updates of the meetings of the Transformation and Quality Committees, both of which had met in March.

**02/0322 Interim Chief Executive and Chief Ombudsman update fos/22/03/02**

The Board noted the Interim Chief Executive and Chief Ombudsman's update – which included confirmation that the FCA Oversight Committee was minded to recommend the service's 2022/23 Budget for FCA Board approval, a note on the publication of the service's annual Diversity, Inclusion and Wellbeing report, reference to the publication of Q3 product data and the upcoming increase in the award limit which was due to be published by the FCA.

The Board noted the continued challenges around recruitment and attrition highlighted under the exception report. In the context of attrition following disciplinary action, the Board discussed the merits of internal HR policies and sought assurance around how consistency of approach was achieved. It also emphasised the need to ensure that whistleblowing policies (known in the service as 'Speak Up' policies) were sufficiently

publicised internally and that employees understood the process and had ease of access. The Board explored the mechanisms for gathering feedback from staff, including through 'pulse feedback' and focus groups, and from sharing lessons learned across the organisation, noting how important it would be to keep in touch with staff sentiment during this period of change.

The Board noted that an internal review in conjunction with an internal audit on overtime would help to provide insight around the current scheme, highlighting areas for improvement underpinned by the need to see clear benefits.

The Board noted the success of the 'Outcome codes' project and encouraged the service to continue to look for ways to facilitate quick and fair case resolutions, including in conjunction with financial firms.

In noting the prospect of the FCA setting up a Section 404 redress scheme for people who had transferred out of the British Steel Pension Scheme (BSPS), the Board sought assurance about how any costs would be recovered in circumstances where consumers brought subsequent complaints to the service, noting that these cases were likely to be costly to resolve. On a related note, the Interim Chief Executive and Chief Ombudsman was due to give evidence in a joint session with the FCA and the FSCS to the Public Accounts Committee on 27 April 2022. Reflecting on the recent position in relation to P&O, the Board suggested that the service should engage with the relevant authorities in relation to any final salary scheme/s and consider any proactive steps that the authorities should take to guard against pensioner detriment.

#### **Actions**

- The Board Secretariat to check that access and information on whistleblowing/'speak up' processes were adequate
- The service to explore costs/funding in relation to BSPS cases
- The service to explore the pension position in relation to P&O with relevant authorities and consider what, if any, proactive protective steps should be taken.

### **03/0322 2022/23 Budget and Plans**

**fos/22/03/03**

Ahead of submission to the FCA board for final approval (on 24 March 2022), the Board reviewed the final budget for 2022/23 alongside the FEES instrument giving consideration to sensitivities around a number of variables.

The budget had been based on the need to fund the transformation of the Financial Ombudsman and the investments needed to aid queue reduction. Since February, the underlying resolution assumptions and FEES rules had been updated to reflect that cases against the short-term lender Amigo would now close in 2022/23, due to the circumstances of the firm's proposed Scheme of Arrangement.

In reviewing the final iteration for submission to the FCA Board for final approval, the Board noted the sensitivity analysis relating to the prospect of increased general casework volumes, higher attrition and inflation.

The Board asked for variances from the budget and assumptions, as well as the correlation of cost and productivity, to be reported to the Board as part of its quarterly performance reporting, noting that the FCA Oversight Committee would also want to be assured about how the service was tracking against its budget. Both the Board and the FCA Oversight Committee would receive performance reports on progress against robust measures and KPIs. In line with the discussions at the February Board, the service would continue to look for ways to drive performance beyond the budget levels, and improve the cost and efficiency position as far as possible and strive for customer excellence.

The Board approved the budget and FEES rules for submission to the FCA Board for approval.

### **Actions**

- The Board Secretariat to circulate a word version of the plan and budget document to the Board for final comments before publication.

## **04/05/0322 Transformation programme – update and next steps**

**fos/22/03/04a,b&05**

The Board welcomed the Interim Director of Transformation who had started in post at the end of February and noted the update on the progress being made under the main Transformation Programme workstreams, and how they tracked to the periodic review recommendations.

In relation to a central feature of the change programme, the design and implementation of a new casework operating model, the Board agreed the principles and objectives looked sensible. However, as it had noted under the update from the Transformation Committee Chairman at the beginning of the meeting, before any proposals for the new model could be taken forward, the Committee and Board would need to see the casework model within the context of the wider organisational design. The Committee and Board's views on the initial thinking as it currently stood, therefore, comprised general observations to aid further design work. In line with the Committee's observations, the Board's instinct was that the management hierarchy may need to be re-balanced in line with the broader organisational view and, more specifically, to ensure that the layers of management within casework and the roles that sat below – and were responsible for the vast majority of the casework output – were in step. The Board also agreed with the Committee's sense that the spans of control may be too low in some cases. The wider organisational view would also aid understanding of where horizontal functions should best sit, including those that informed planning and provided a check and challenge to casework, be that across the whole organisation or within casework.

In the meantime, the Board noted the plans to take a phased approach to implementing a new casework model, with some changes to align the casework teams to industry verticals under the existing leadership framework as a first step. This phased approach would allow the service to build on its continuing efforts to drive greater operational efficiencies, including through higher productivity. Other initial steps also included the introduction of some tactical interventions to address the periodic review recommendation around alleviating time spent on initial call-handling so that case-handlers could focus on investigating their caseload, followed by the establishment of a new 'front door' call-handling function in due course.

The Transformation Committee had identified the integrated plan, tracking all the programme activities, key milestones, deliverables and benefits, for its next deep dive review, noting though that it was in its early stages of development. The plan would be key to aiding the Committee and Board to track progress across the Transformation Programme.

In closing, the Board noted the steps being taken to ensure staff were kept informed about the Transformation Programme and what it meant for them. By its nature, change was unsettling and a robust communications strategy, which should include gauging staff sentiment at appropriate points, would be key.

## **06/0322 2022/2023 strategic measures and targets**

**fos/22/03/06**

In January and February 2022, the Board had discussed the draft structure and development of the Financial Ombudsman's proposed strategic and performance measures. This consisted of Level 1 and Level 2 strategic measures which, respectively,

tracked the service's performance against its strategic objectives and gave more detailed performance analysis for internal review, including at the Board.

The Board discussed the next iteration of the strategic and performance measures which had incorporated the earlier feedback, except in the case of the people measures which had yet to reflect the input of the Remuneration Committee Chairman.

The Board discussed the individual measures and targets and suggested some further final changes, highlighting the importance of having sufficiently stretching targets to drive performance and increase productivity. In relation to the measures under the strategic pillar for 'Preventing complaints and unfairness', the Board questioned whether the objective was more about sharing insight from casework, with the aim of preventing complaints and unfairness. In noting the inherent difficulty around measuring this objective however described, in a tangible way, the Board agreed that the service should gather data over a year to aid thinking on both the objective and measuring it.

#### **Action**

- The Level 1 measures to be finalised to reflect the Board discussion, and the draft Level 1 and Level 2 measures to be updated before noting in April (including to reflect the input from the Remuneration Committee Chairman specifically in relation to the people measures)

### **07/0322 Transformation programme – Future funding**

**fos/22/03/07**

The Board noted the proposals for a future funding model which set out a number of possible options to better meet the service's costs, including to take account of different types of cases and different handling approaches, to drive operational efficiency and to incentivise better business behaviour.

The Board noted that any funding model should abide by the principles set out in the Financial Ombudsman's 2019 funding consultation; including that it was fair, free to customers, sustainable over time and provided a stable revenue flow.

The Board welcomed the proposals overall, noting that the explanation of the benefits might warrant expansion in some cases. It was supportive of all the suggested proposals being taken forward in a Discussion Paper in the Spring, subject to discussion and support at the FCA Oversight Committee, not least as the FCA set the parameters and was the charging authority for certain aspects of the funding arrangements. As the work was progressed, the Board noted that it would be keen to understand the proposals in the context of other ombudsman schemes' funding arrangements.

### **08/0322 Risk Appetite**

**fos/22/03/08**

The Board reflected positively on the Risk Appetite paper which presented the Financial Ombudsman's Risk Appetite Statement following the results of previous work with the Board, Executive Team and Senior Managers. The paper also set out the forward plan to integrate risk appetite into the service's ongoing risk management processes.

The Board agreed with the eight areas which had been chosen to define risk appetite and the levels the service had aimed for, though suggested the statements be kept under review to ensure they continued to reflect the ongoing transformation work.

The Board approved the Risk Appetite statement and levels overall and accepted that risk appetite may change over time.

#### **Action**

- The next meeting of the Audit, Risk and Compliance Committee to look at the Risk Appetite definitions.

The Board noted the Executive updates, and discussed the issues arising, in relation to:

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

**Actions**

- Board reports to show trend lines and trajectory to year-end, where relevant, including to show the work in progress and unallocated case position.
- Future employee value proposition, including in relation to the reward strategy and role/function location to be informed by known pressure points, for example, those evident in the current high attrition levels.