

## Minutes – Banking Industry Steering Group

22 November 2022, Meeting held hybrid, both at Exchange Tower and via Microsoft Teams

Financial Ombudsman Service attendees	Industry attendees
<p>Baroness Manzoor, Chair of the Board (joined remotely for agenda items 1 &amp; 2)</p> <p>Abby Thomas Chief Executive &amp; Chief Ombudsman</p> <p>James Dipple-Johnstone, Deputy Chief Ombudsman</p> <p>Karl Khan, Chief Operating Officer</p> <p>Chandra Hirani, Head of Strategic Finance</p> <p>David Bainbridge, Head of Stakeholder Engagement</p> <p>Richard West, Director of Casework Policy</p> <p>Sean Orrick, Communications Manager (taking the minutes)</p>	<p>Paul Marriot-Clarke, <b>Barclays</b></p> <p>Jo Harris, <b>Lloyds Banking Group</b></p> <p>Debbie Crosbie, <b>Nationwide</b></p> <p>Lucy Hagues, <b>Capital One UK</b></p> <p>Raghu Narula, <b>Natwest Group</b></p> <p>Tom Wolfenden, <b>HSBC</b></p> <p>Lucy Hagues, <b>Capital One</b></p> <p>Fergus Murphy, <b>Virgin Money</b></p> <p>Gerry Mallon, <b>Tesco Bank</b> (joined remotely)</p> <p>Aisling Kane, <b>Metro Bank</b></p> <p>Sharon Moulton, <b>Santander</b> (joined remotely)</p>

<b>Apologies</b>	<p>Matt Hammerstein, <b>Barclays</b>, David Lindberg, <b>Natwest Group</b>, Enrique Alvarez, <b>Santander</b>; TS Anil, <b>Monzo Bank</b>; Nick Slape, <b>Co-op</b>; Robin Bulloch, <b>TSB</b>.</p>
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Item	Agenda
1.	<b>Welcome and introductions</b>
2.	<b>Key updates from the Financial Ombudsman Service</b>
3.	<b>Plan and budget 2023/24</b>
4.	<b>New Consumer Duty</b>
5.	<b>Cost of Living</b>
6.	<b>Closing Remarks and AOB</b>

## Summary

December meeting of the Banking Industry Steering Group, which meets every six months to discuss strategic issues, such as our funding and future strategy, and trends and emerging issues that affect the Financial Ombudsman's work.

### 1. Welcome

- 1.1 The Chair of the Board and Chief Executive & Chief Ombudsman welcomed attendees to the meeting, reiterating the importance the Financial Ombudsman Service places on the good working relationship with those in attendance today and desire for this to continue now that the new members of the executive team were in place.

### 2. Key updates from the Financial Ombudsman Service

- 2.1 Baroness Manzoor gave an update on the implementation of the Financial Ombudsman Service's Action Plan, which was published in December 2021, stating that it was moving in the right direction. She noted the importance of having a good working relationship with businesses to keep things progressing and thanked the group for their support.
- 2.2 Baroness Manzoor outlined the focus for the organisation was on change and efficiency. She stated that it was important to ensure levels of spend for the coming year remained consistent so as not to pass on additional costs to business, and this was being achieved by efficiency savings and increased productivity.
- 2.3 Abby set out her initial priorities for the Financial Ombudsman Service, noting the progress made by the organisation but that more needed to be done to deliver shorter waiting times for customers and firms. She shared with the group that her focus would be on developing the digital customer experience, intelligent automation and streamlining processes internally to drive further efficiency and ensure better outcomes for customers.

### 3. Plans and Budget 2023/24

- 3.1 The Financial Ombudsman Service thanked the group for their engagement throughout their recent consultation on future funding, gave an overview of the decisions made in its response and how they would play into the forthcoming consultation on plan and budget. It was noted that the case fee and levy would remain at current levels for 2023/24, which the group welcomed.
- 3.2 The Group welcomed progress made to adjust the margin on the group account arrangements, and reiterated the desire for the consultation process and further engagement to continue to be collaborative.
- 3.3 The Financial Ombudsman Service talked the group through their assumptions on future complaints volumes and recent engagement driving those assumptions. They noted the high levels of uncertainty involved given the difficult economic circumstances, but reiterated that the insights provided by the group were valuable and can help drive efficiencies.
- 3.4 The group shared their thoughts on the Financial Ombudsman's assumptions on complaints volumes and any factors they foresaw that could affect future forecasts;
  - The group broadly shared the view that complaints are not forecasted to rise in the next financial year;
  - Some of the group did note a rise of customers communicating worries to them, notably around the 'cost of living crisis' and wider economic climate. Some of the recent

uncertainly around mortgages and savings resulted in challenges to service and an increase in disappointment to some customers on outcomes.

- The group noted that the FCA's New Consumer Duty had the potential to give rise to complaints in the future.
- Some of the group noted that an increased use of digital channels has helped to investigate and resolve more complaints before they are escalated.

- 3.5 The group discussed the decision not to move forward with the proposal to charge claims management companies (CMCs) to make complaints. They set out a range of concerns about the behaviour of CMCs and in particular law firms regulated by the Solicitors Regulation Authority, referring to the negative effects this can have, which ultimately affects customers. However, the group also accepted that much of the negative activity referred to happens outside of the Financial Ombudsman Service's area of responsibility, as it involves representatives' initial work with firms when making complaints.
- 3.6 The Financial Ombudsman Service said that changing its funding model to charge CMCs was not something it proposed taking forward. Such a change would not address many of the problems identified which were happening when complaints were made to firms – and it wanted to be careful not to discourage legitimate complaints, and also be mindful of the practical difficulties involved. Poor behaviour by CMCs is in the first instance a matter for their regulators to address. However, the Financial Ombudsman Service also outlined the important and effective work that it already does to mitigate volumes of complaints from CMCs by working with them directly on complaints they refer and giving direction on how they should do this.
- 3.7 The group discussed how industry could do more to raise concerns with CMCs with Government and regulators. The Financial Ombudsman Service agreed to discuss the issue further with the FCA and the Solicitors Regulation Authority.

#### **4. New Consumer Duty (NCD)**

- 4.1 The Financial Ombudsman Service recognised the importance of this issue to attendees and reiterated a desire for ongoing regular engagement with both industry and the FCA.
- 4.2 The group made a number of observations about the FCA's NCD and noted the following concerns around its implementation:
- A 'time lag' between NCD being implemented and the Financial Ombudsman Service receiving and working through cases and being able to provide insight.
  - The potential for the group to all interpret the rules in a slightly different way, which would not produce good outcomes for consumers.
  - A desire for clarity on the standard of evidence that will be required under NCD would be welcomed by the group – it is felt at times the group are doing the right thing but struggling to evidence it fully in a complaint.
  - Some of the group felt the requirement of customers 'not facing unreasonable barriers' was an aspect where different approaches could be taken – fraud and scams was given as an example.
  - Concerns were also expressed about the possibility of NCD being applied retrospectively.
- 4.3 The Financial Ombudsman thanked the group for sharing their views on NCD, reiterated that the Duty would not be applied retrospectively, and they continued to be aligned with the FCA on this point.
- 4.4 The group suggested convening series of cross-industry workshops in the New Year, which

would focus on a priority order of issues identified which could then be worked through in more detail each quarter. They agreed to speak with UK Finance and co-ordinate on what some of the key areas of discussion would be. The Financial Ombudsman Service stated they would be happy to work with UK Finance to take forward.

## **5. Cost of Living**

5.1 It was agreed this item had been reflected on in previous agenda items, notably forecasting.

## **6. Closing remarks and AOB**

6.1 Abby thanked the group for a useful discussion.

6.2 The group reflected on the future and looking forward, mainly around the use of digital. They welcomed the Financial Ombudsman Service's focus on digital and it being an important driver of costs and efficiency savings. The group noted that as consumers become more digitally aware they would welcome a forward-looking conversation about how consumer expectations were best served.

6.3 Abby closed the meeting.