

Minutes — Board Meeting on 17 July 2023, 10:15-13:45

<p>Board Attendees</p> <p>The Baroness Manzoor CBE, <i>Chairman</i></p> <p>Jacob Abboud, <i>Director</i></p> <p>Shrinivas Honap, <i>Director</i></p> <p>Ruth Leak, <i>Director</i></p> <p>Sarah Lee, <i>Director</i></p>	<p>Executive Attendees</p> <p>Abby Thomas, <i>CEO/Chief Ombudsman</i></p> <p>James Dipple-Johnstone, <i>Deputy Chief Ombudsman</i></p> <p>Karl Khan, <i>Chief Operating Officer</i></p> <p>Jenny Simmonds, <i>Chief Finance & Risk Officer and Company Secretary</i></p> <p>Owen Brace, <i>Director of Communications</i></p>
<p>Other FOS Attendee</p> <p>Mark Sceeny, <i>Head of Business Management</i></p> <p>Charles Prendergast, <i>Company Secretary Assistant</i></p>	
<p>External Observers</p> <p>Liz Cross, <i>The Connectives (External Board Effectiveness Review)</i></p>	
<p>Apologies</p> <p>Bill Castell, <i>Director</i></p> <p>Nigel Fretwell, <i>Director</i></p>	

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Introduction

1. The Chairman welcomed the Board and introduced the incoming Director of Communications and the new Company Secretary Assistant.

Conflicts of Interest

2. Shrinivas Honap advised that he has assisted someone who might make a complaint to FOS. The Board agreed there was no conflict and, if a case were referred, it would be handled with restricted access in line with normal FOS process and safeguards.

3. No other conflicts of interest declared.

Board and Committee Meetings

4. The minutes of the Board Meeting on 19 June 2023 were noted and agreed subject to the following change:

- Transformation Committee (**TransCo**) meetings will continue to be bi-monthly for now but with the long-term aim of moving to quarterly meetings or ceasing.

Actions Log

5. Action 3 is to be amended to ensure two reports are produced covering (i) performance for cases received before 1 April 2023, and (ii) performance for cases received on or after 1 April 2023 — until all pre 2022/23 cases have been cleared.

6. The Board requested greater clarity for actions 9 (regional clusters), 21 (people strategy) and 31 (location strategy) on which items should be brought to the Board and which to the Remuneration and People Committee (**RemCo**). It was agreed that RemCo would first scrutinise and, once content, escalate to the Board for noting and approval.

7. Action 12 (prevention strategy regarding funding/charges *vis-à-vis* Digital Portal) is to close in light of the decision on future funding (see [below](#)).

8. The Board confirmed that *Board Intelligence* (or comparable software) could be

piloted for the preparation and distribution of board papers.

Reference	Actions	Date	Owner
BC230717/01	The Board noted that compensation guidance for Independent Assessor still outstanding from May — so new action opened	31 Aug 2023	DCO
BC230717/02	BMT to pilot and, if successful, commission a third-party app for board papers	Sept or Oct Board	BMT

Forward Agendas

9. The Board noted that the next meeting is on 27 September and is a full day ‘awayday’. This meeting will focus on strategic planning. There will be a two-day awayday on 28 and 30 January 2024.
10. The Board requested that a future meeting include a discussion on the topical issue of PEPs and account access.

Audit, Risk and Compliance Committee (ARAC)

11. The ARAC minutes were approved subject to one change: add the word “*financial*” between “*people’s*” and “*circumstances*”.
12. The future funding model methodology proposed was agreed as reasonable but subject to further actions, including Board review (see [below](#)).
13. Outstanding tasks from ARAC were noted by the Board:
 - A key audit report (on the management of unallocated cases) was missing and this needs remedying as soon as possible; and
 - The next ARAC should include more detail on the top 3 or 4 risks and the steps being taken in mitigation of them.

RemCo

14. The RemCo minutes were approved.
15. The Board discussed due diligence for onboarding staff and questioned the

process of how we keep records and whether there is a level of risk to this process. They received assurance about our information security, which is regularly reviewed (and is currently being reviewed).

Reference	Actions	Date	Owner
BC230717/03	Business Continuity Plan to be brought back to the Board	January Board / Awayday	CIO

CEO/Chief Ombudsman's Report

16. Timeliness was reported as improving overall. All cases older than 6 months have been completed (except those which are beyond FOS's control). However, significant improvement was needed on service complaints and productivity per FTE. Number of cases received was 9% below forecast for Q1, while the cost per case was 15% higher. Productivity was lacking due to underperformance in Q1. The Executive assured the Board that clear target setting, managing performance against those targets, and future incentive schemes will make improvements.
17. The main driver of financial underperformance YTD is the shortfall in the number of resolved cases, which has driven a lower case-fee income. Additionally, IT costs were higher than anticipated — and the Executive are looking at how to achieve greater efficiencies in this area. The Board requested further investigation and a report into consumption-based pricing of certain cloud-based contracts, i.e. software licences for Phoenix, Workday, SharePoint, etc.
18. The Board congratulated General Counsel and the Legal Team for their nomination for *The Lawyer Awards 2023*.
19. The Board noted the very positive feedback from the FCA's Oversight Committee (**OSC**) meeting on 11 July. The OSC had said there were now high levels of assurance and had been encouraging of the Board's ambitions for FOS.
20. The Board discussed the Treasury Select Committee's (**TSC**) imminent enquiry on SME access to alternative dispute resolution for financial services. There is focus on our jurisdiction and whether it should be extended to 'medium' enterprises, e.g. by increasing turnover and/or headcount thresholds. The Board

requested a scoping paper for further discussion and analysis before committing to anything. The Board advised that written evidence should reflect the fact that the Board has not yet had a chance to consider the implications, costs, benefits and risks of extending our jurisdiction. The Executive are to provide a paper.

21. The Board noted that the TransCo email update had not been received yet (*cf.* Action BC230619/08 from the June Board). This action is therefore superseded by a new one opened and completed before the next TransCo meeting on 3 August 2023.

22. The Board requested a separate report on old cases (12 months and over) that cannot be progressed for reasons beyond the control of FOS — to have total transparency and visibility that all old cases are resolved.

Reference	Actions	Date	Owner
BC230717/04	Investigation and report to Board about consumption-based pricing/licences for certain contracts	Sept Board	CFRO
BC230717/05	Transformation update — to be sent via email and to confirm 3 August meeting is in the diary	Before 3 August 2023	COO
BC230717/06	Report with a breakdown of cases held for reasons beyond our control — and how many are 12 months and over	Sept Board	COO
BC230717/07	Paper on SME jurisdiction	October Board	DCO

Q1 casework and financial re-forecasts review

23. The paper proposed that this re-forecast will become the primary comparator for reporting operational and financial performance during Q2 with original budget.

24. The Board noted the quality of paper but suggested fewer charts and graphs in the supporting annex next time with a focus instead on headlines.

25. It was agreed that service standards trump budget financials in the current

financial year due to reserves held. Q1F must simply be a method of easily and visibly tracking any underperformance, underspend or overspend against the original plans and budget. The Q1F is a means of capturing where investment choices need to be moved to achieve the overall service standards target within the total in-year reserves position budgeted. Areas for savings were being identified wherever possible, with a focus only on main pipeline projects this financial year. It was agreed that catching up on productivity during Q2 and Q3 was of utmost importance; and there would be no additional payments/incentives based on compensating for underperformance in Q1, i.e. nobody would be paid a bonus or overtime for not exceeding their target.

26. The Executive clarified that incentives would only be paid for exceeding original targets and that delivery of new service standards were the top priority.
27. The Board requested a report showing relative performance between the different directorates bearing in mind their differing case types and the age profiles associated with them.

DECISION on Q1 casework and financial reforecasts review

The Board noted the paper but did not approve the Q1F as a revised financial target, instead requesting original total financial budget remains the target.

Reference	Actions	Date	Owner
BC230717/08	Provide the Board with a report that shows the different directorates' respective performance levels (including the age-profile of cases and how the directorates differ)	Sept Board	DCO/COO

Independent Board Effectiveness Review

28. The Chairman welcomed the independent reviewer—Liz Cross from *The Connectives*—who presented her Board Effectiveness Review and summarised the key findings and recommendations.

29. Overall, the Board was found to be effective coupled with signs of exemplary governance.
30. The report showed key structures that had been implemented, with the right people and the right expertise.
31. The Board noted the report and agreed to discuss in detail after receiving and considering the final report.

Reference	Actions	Date	Owner
BC230717/09	The Board Effectiveness Review is to be circulated to key stakeholders and discussed at the October Board	July / October Board	CFRO / BMT

Future Funding Model

32. The paper discussed the proposed design and implementation of a differentiated approach to case-fee charging to adhere to the key principles of “polluter pays” and fairness along with better alignment of our income levels to drivers of costs.
33. The Board was asked to consider the progression of differential case fees by stage. Three stages were identified: pro-active settlement (low fee), investigation stage (mid-fee), and decision stage (high fee).
34. Ultimately, the goal is that case fees are reduced drastically. In the absence of robust case categorisations and limitations in IT, the Board were not persuaded that differential fees were the answer and should not enter budget this year as, ultimately, the goal is that case fees are reduced drastically. A paper was requested to show the impact of reducing case fees on case income and how this aligns to the reduction of our operational cost per case. The paper should cover outcomes over three years and be an integral part of the 3YP. The Board asked that workstreams be carefully project-managed with a clear integrated plan and focus in the 2024/25 financial period.
35. The Board was asked to approve the progression of the analysis and design for charging professional representatives case fees following recent Royal Assent for

the Financial Services and Markets Act 2023.

36. The Board noted the paper so far as it related to charging fees to professional representatives such as CMCs and SRA-regulated solicitors. FOS and HMT are working closely on CMC charging. The Board was given assurance that FOS’s consultation will occur in parallel to the timing of secondary legislation by HMT. The Board is committed to supporting CMC charging to implementation from April 2024.

DECISION on the Future Funding Model

The Board agreed that differentiated case fees would not be implemented.

The Board agreed case levy/fees would be significantly reduced.

The Board noted and agreed the progression of the analysis and design for charging professional representatives case fees following the recent Royal Assent for the Financial Services and Markets Act 2023.

Reference	Actions	Date	Owner
BC230717/10	A paper to the Board on how the income per case could be reduced over 3 years via case fees and levies	October Board	CFRO

3YP and Financials

37. This paper provided an update on the refreshed 3-Year Plan (**3YP**), including an overview, set of service standards, and financial plan to achieve objectives. The paper sought approval of (a) the overall strategy, including the proposed service standards for 2026/27 (the end of the 3YP); and (b) the financial plan, including the decisions to utilise surplus reserves by various options, e.g. further investment, reducing levies and/or fees, further reducing property portfolio, etc.
38. The Board noted the paper but did not approve the overall strategy.
39. Further discussion is to take place at the September Awayday around service standard targets, financials, people priorities, data and technology strategy, and

regional clusters (which are a Board priority). The ultimate goal is to improve service standards to reduce costs and ensure reserves break even by 2026/27. The September Awayday is an opportunity to delve deeper into 3YP. It was noted that consultation on the 2024/25 plan and budget is in November 2023. More detailed information (including financials) is to be provided at the September Awayday in preparation for that consultation.

DECISION on 3YP and Financials

The Board noted but did not approve the paper.

The Board requested further financial details and discussion for the September Awayday in preparation for going out to consultation in November 2023. The strategy must be clearly linked to reducing our operating cost and also reducing fees and levy to industry over the next 3 years.

Reference	Actions	Date	Owner
BC230717/11	Return 3YP to the September Board for discussion	September Awayday	CEO / CFRO / COO

Annual Assurance Reports

40. The Board noted the six Annual Assurance Reports covering:

- Data Protection
- Property, Health & Safety
- Social Responsibility & Sustainability
- Our statutory obligations in relation to the FCA
- The composition of the Ombudsman Panel and publication of decisions
- Our legal work and litigation

41. The Board questioned how social responsibilities are audited and whether timelines could be added on achieving social responsibility targets.

Reference	Actions	Date	Owner
BC230717/12	Add timelines to next assurance report on social responsibilities — and explain to Board how they are audited	July 2024	COO

Workforce Planning

42. The paper from RemCo on Workforce Planning—i.e. the process of aligning human resource needs with the organisation’s strategy—was noted by the Board. RemCo had been asked to note progress on the path to creating a stronger model to plan future capability requirements.

Delegation of Authority

43. The CFRO’s paper on financial delegations was noted by the Board, amendments having recently been reviewed and approved by ARAC.

44. The Chairman requested that, additionally to any reporting commitments included for ARAC meetings, any STA over £200,000 and any commitments over £1m be reported to her for assurance.

Miscellaneous — Functional Reports and New Consumer Duty

45. The Functional Reports covering Casework and Enabling Areas were noted by the Board.

46. The DCO’s paper on the FCA’s new Consumer Duty was noted by the Board.

AOB

47. There being no other business, the meeting ended at 13:45.

48. The next meeting is a forward core strategy meeting in Exchange Tower on **27 September 2023** followed by a short board meeting.