

## Minutes — Board Strategy Day & Board Meeting

27 September 2023, 10:15-17:30, Boardroom, Exchange Tower

<p><b>Board Attendees</b></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>Bill Castell, <i>Director</i></p> <p>Nigel Fretwell, <i>Director</i></p>	<p><b>Executive Attendees</b></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 &amp; Risk Officer and Company Secretary</i></p> <p>Owen Brace, <i>Director of Communications</i></p> <p>Jane Cosgrove, <i>Chief People Officer</i></p> <p>Yvette Bannister, <i>General Counsel</i></p>
<p><b>Other FOS Attendees</b></p> <p>Mark Sceeny, <i>Head of Business Management</i></p> <p>Katie North, <i>Business Manager and Enquiries Lead</i></p> <p>Charles Prendergast, <i>Company Secretary Assistant</i></p> <p>Carly Deal, <i>PA to Chairman and Chief Executive/Chief Ombudsman</i></p>	
<p><b>External Speaker</b></p> <p>Dr Nicola Sharp-Jeffs OBE, <i>Founder and CEO, Surviving Economic Abuse (SEA)</i></p>	

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## **External Speaker**

1. The Chairman welcomed all attendees and introduced the guest speaker, Dr Nicola Sharp-Jeffs OBE, Founder and CEO of Surviving Economic Abuse.
2. Dr Nicola gave a talk about the activities of Surviving Economic Abuse, a charity that provides financial advice and support through its national casework service and dedicated helpline.
3. Dr Nicola highlighted a banking directory tool that would be launched on the charity's website between 25 November and 10 December 2023 to help identify those suffering with economic abuse: <https://survivingeconomicabuse.org/>.

## **Plenary Session 1: *Our Strategic Vision***

4. The first session focused on the strategic aim of 'Better Outcome or Better Informed' — how we want complainants, firms, other stakeholders, and FOS staff to feel about the complaint journey irrespective of the outcome of the case.

## **Plenary Session 2: *Our Data***

5. The second session focused on how best to use data to support our Prevention agenda; and to optimise our performance and cultural changes in order to become an even more customer-focused and world-class ombudsman service. Our customers are both complainants and firms.

## **Plenary Session 3: *Our Digital Journey***

6. The third session focused on delivery to date and the ideal digital experience for staff, complainants, firms, and other stakeholders such as the Financial Conduct Authority (**FCA**), Treasury Committees, etc.

## **Session 4: *People Strategy***

7. The fourth session focused on the People Strategy (i.e. Location and Reward) and Three-Year Plan (**3YP**).

### *Location Strategy*

8. The COO led the discussion on our location strategy, highlighting the success of the Coventry hub, the regional pilot in Manchester, and the Edinburgh hub, which had started in July 2023 on a trial basis.
9. Virtual team huddles, a focus on the local area, and the careful management of remote workers in Manchester had resulted in higher-than-average complaint

resolutions per week per full-time-employee (**FTE**). The results compared favourably with the hybrid models in London and Coventry. The Board noted the positive effect on productivity of the diverse backgrounds, skills and work experiences of new recruits. This would help inform future recruitment across the whole service. Regional hubs have also raised the profile of FOS and increased awareness amongst local populations.

10. The Board noted that it was still relatively early days as the North-West recruitment had only commenced in December 2022. But it had been a positive experience so far — and the Board noted with approval the Executive’s desire to create new regional hubs in 2024/25, e.g. in Wales and/or Northern Ireland.
11. The Board agreed in principle with the proposal of further reducing the property portfolio as regional hubs were rolled out and successfully implemented. The Board discussed the proposed exits of floors 12 and 13 in Exchange Tower. The proposed exit of Floor 12 was agreed, but further information was requested for Floor 13 as there were greater costs implications for the lease buyout versus potential savings — with a net cost of c.£11m. All options needed to be explored—e.g. subletting, lending to a charity, etc—before a firm decision could be made (ideally at the January 2024 Board Awayday).
12. The Board requested a paper that clearly linked the proposed exit of Floor 13 to the People Strategy and regional hub results — and took account of the need for flexibility if there were another mass claims event. The paper should consider what type of employment contracts the Service should use for all employees across all our sites/locations and what this means for current employees as well as staffing numbers, and which functions were to be office-based and in London, along with a management structure for regional hubs.

#### **DECISION on Location Strategy**

- The Board **APPROVED** the proposed exit of Floor 12 at Exchange Tower.
- The Board noted the proposed exit of Floor 13 at Exchange Tower but did **NOT APPROVE** pending further and better information on costs and options.

Reference	Actions	Date	Owner
BC230927/13	The Board requested a paper on Location Strategy, specifically looking into the employment contracts across the Service including for the regional hubs, flexibility on employment contracts, numbers and working practice, and management structures	January Awayday (29/30 Jan)	COO  CPO

### *Reward Strategy*

13. The CPO presented her paper on the proposed new Reward Strategy, and requested decisions from the Board for the following matters:

- a. The basic pay construct, which would be implemented from 1 April 2024
- b. A policy change to implement a maximum payment to enhanced redundancy offers; and
- c. The bonus construct, which was intended to implement in two phases:
  - (i) 2023/24 (i.e. announce at the end of H1 to cover the current year), and
  - (ii) the principles for 2024/25 onwards.

14. Geographical labour markets between public and private sectors had been used for benchmarking staff pay. Benchmark pay criteria were aligned with local markets through 'job families' on regional and professional levels. To ensure fairness across the organisation, the Executive proposed benchmarking pay within regional hubs so that it would change depending on markets scales at both regional and national levels. The Board agreed to the proposal and noted the importance of having a pot of funds set aside to support fair and reasonable pay grades.

15. The annual pay review was discussed. The Board highlighted the risks of having a flat pay rate, which could result in retention issues and higher attrition. The Board agreed that the bottom of different job families could be re-benchmarked relatively quickly each year to provide flexibility. The Board requested that,

throughout the year, there be pay proposal adjustments and variations in pay could then be reviewed, first at the Remuneration Committee (**RemCo**) and then the whole Board. The Board noted the importance of considering pay proposals through a diversity perspective, so requested a paper for reassurance on eliminating any gender and ethnicity gaps. The Board also suggested to the Executive that an out-of-cycle pot agreed yearly could be a potential option for ensuring pay reviews were fair and flexible.

16. The Executive highlighted that every pay grade would have a ceiling and floor — and initial pay would depend on the skills and capabilities the individual brings i.e. if they were still building the required core skills, they would start below the median for the job family. The Board approved the basic pay construct, to be implemented from 1 April 2024.
17. The Board discussed and approved the proposal relating to a cap on the enhanced (above statutory minimum) redundancy offer. The paper had demonstrated that the change would affect very few staff and there were minimal risks. To further mitigate risks, the change would not be implemented until 1 April 2025, giving those affected plenty of time to consider the matter and provide feedback to management.
18. The Board noted the bonus construct presented by the CPO. However, this was not approved at this stage. The Board discussed the pros and cons of a collective bonus scheme with one that included an individual performance element. The Board wanted bonuses to drive excellent performance and ensure the service met its strategic aims and ambitious service standards. The Board advised that bonuses should be clearly linked to staff engagement, service standards, and the quality assurance framework. Differences in key performance metrics and the relative weighting of those would be necessary for awarding bonuses.
19. The Board accepted there was an urgent decision to be communicated regarding 2023/24 bonuses pay — and this could be agreed as soon as possible via email or a Teams meeting. However, the Board requested a further paper and discussion for the 2024/25 bonus scheme, considering a phased move to a scheme with increasing individual criteria.

20. The Board noted that the allocation of bonus pay could be adjusted flexibly based on organisational and individual performance. The allocation of the bonus pot for 2024/25 would initially be discussed at RemCo in November.

**DECISION on Reward Strategy**

- The Board **APPROVED** the basic pay construct, which would be implemented from 1 April 2024.
- The Board **APPROVED** the policy change to implement a maximum payment to the enhanced redundancy offering — for implementation on 1 April 2025.
- The Board noted the bonus construct, but the proposed 24/25 approach was **NOT APPROVED** and the Executive were asked to consider feedback and bring back an amended proposal to the next Remuneration Committee

Reference	Actions	Date	Owner
BC230927/14	The Board requested a paper to RemCo on any disparity in pay in relation to gender and ethnicity	January Awayday	CPO
BC230927/15	The Board requested a paper and further discussion on the 2024/25 bonus construct	30 Oct 2023	CPO
BC230927/16	The Executive to outline the following for the 2023/24 bonus scheme: <ul style="list-style-type: none"> <li>• Decide the 4 key metrics (the weighting to take account of the biggest drivers towards strategic aims and service standards)</li> <li>• Decide factors that determine the bonus pot size and source of funds</li> <li>• Decide how and when the new scheme will be phased in</li> </ul>	30 Oct 2023	CPO

### **Group Discussion: 3YP**

21. The Board noted that the link between strong data and clear finance plans was key to fulfilling targets such as reducing the cost per case to below the target of £1,000. The information within the plan needed to include inflation. The Board also requested a consultation on how FOS spends money (without inflation included). This would be important in calculating spending and demonstrating how value has been added because of transformation expenditure. The Board asked to bring this item forward to the October Board and requested more context about the proposed consultation.

<b>Reference</b>	<b>Actions</b>	<b>Date</b>	<b>Owner</b>
BC230927/17	The Board requested a consultation on FOS expenditure net of inflation	30 Oct 2023	CFRO

### **Board Meeting**

22. The Chairman congratulated Bill Castell on his re-appointment for a second term of three years, which was recently approved by the FCA Board.

23. The Chairman also noted that Nicola Wadham had recently left FOS, and thanked Nicola for her contribution and work at FOS as Chief Information Officer.

### **Conflicts of Interest**

24. Shrin Honap had registered his new roles as a NED on the Board of One Touch Transfer Company and the Chair of Audit. The FOS Board agreed there is no conflict of interest.

25. No other conflicts of interest were declared.

### **Board and Sub-Committee Meetings**

26. The minutes of the Board Meeting on 17 July 2023 were noted and agreed.

27. The RemCo minutes of 4 September 2023 were noted and agreed.

### *Actions Log*

28. Due to time constraints, the Board Effectiveness Review to be discussed at the October Board.

Reference	Actions	Date	Owner
BC230717/08	The Board Effectiveness Review is to be discussed at the October Board Meeting	30 Oct 2023	CEO/CO

### CEO/Chief Ombudsman's Report

29. Overall, timeliness was reported as good. The CEO highlighted that FOS was above target for cases resolved within six months and for service-complaint resolutions. Service complaints have been handled better than previously with quality overall up 4% over target. The number of non-progressable complaints (i.e. cases held up or being progressed carefully because they are affected by litigation, insolvency proceedings or regulatory action) has significantly improved with the number of cases logged down from 7,500 to 500.
30. The CEO discussed the difficulties in reaching service standards for H2 for enquiries to be resolved within 5 working days — currently 15% below target. Case resolutions were also not on target — currently 10% below in September. This was due to the lack of ombudsman resource, new teams taking time to form, and the overall pace of work. To address these issues, FOS held two-day manager workshops between 19 and 28 September — to reinforce the new strategy and values, and support performance management. Further training days would follow.
31. The Board queried whether FOS's statutory powers were being used to ensure co-operation from firms. The Executive said that three firms had been reported to the FCA for lack of compliance with information requests; and there were ongoing discussions with the Finance & Leasing Association (**FLA**) to reiterate the importance of getting the right information quickly.
32. The CEO referred to successfully defending judicial reviews about solar panel and timeshare cases, which had resulted in over 4,000 cases now becoming workable. This would improve resolutions. The Board congratulated General Counsel and the Legal Team for also successfully defending the Assurant judicial review (vicarious liability for historic PPI sales) in the Court of Appeal. This was a significant legal decision for FOS with wider implications about its



jurisdiction over regulated firms and their agents. The Chairman emphasised the importance of using statutory powers when needed to progress cases.

33. The Digital Portal continued to be behind schedule. The Board questioned what is being done to address this and suggested that the project should re-baselined. It was agreed that the project will be referred back to the Transformation Sub-Committee for further discussion. The Board requested a report on the Digital Portal, to include lessons learned.
34. The Board asked how the new directorates were performing now they were up and running. A discussion followed about the differing challenges and performance levels in the directorates.

Reference	Actions	Date	Owner
BC230927/18	The Board requested a report on the Digital Portal, to include lessons learned	January Awayday	COO

### ESG Report

35. The Board noted the ESG Report. There was a desire to look more closely at emissions not owned or controlled by FOS (e.g. transportation, waste disposal, purchased goods and services, etc) but which could still be released into the environment. The Board agreed that the inclusion of an ESG narrative within the annual accounts was important. It is strategically challenging but worthwhile, and we should examine recent ESG performance as well as future plans. The Board asked to bring this item back for a more detailed discussion at the awayday in January.

Reference	Actions	Date	Owner
BC230927/19	Return ESG to Board for a more detailed discussion	January Awayday	CFRO

### Operational Plan on a Page

36. The Board noted the paper and would keep in under review at subsequent board meetings as a living, updated document.

### **Ombudsman Appointments**

37. Recent recommendations for appointment to the panel of ombudsmen were noted by the Board and approved. The Chairman congratulated the successful candidates and was reassured by the diverse and inclusive approach to recruitment.

### **AOB**

38. The Board Intelligence app has been commissioned and is now active. Board members were invited to a training session on 10 October 2023. The Chairman will attend.

39. There being no other business, the meeting ended at 17:30.

40. The next meeting will take place in London on **30 October 2023**.