

# Minutes – Board Meeting

## 30 January 2024, Microsoft Teams

### 1. Attendees

<p><b><u>Financial Ombudsman Service Board</u></b></p> <p><b>The Baroness Manzoor CBE</b>, Chairman  <b>Jacob Abboud</b>, Director  <b>Bill Castell</b>, Director  <b>Nigel Fretwell</b>, Director  <b>Shrinivas Honap</b>, Director  <b>Ruth Leak</b>, Director  <b>Sarah Lee</b>, Director</p>	<p><b><u>Financial Ombudsman Service Executive</u></b></p> <p><b>Abby Thomas</b>, CEO/Chief Ombudsman  <b>James Dipple-Johnstone</b>, Deputy Chief Ombudsman  <b>Karl Khan</b>, Chief Operating Officer  <b>Jenny Simmonds</b>, Chief Finance &amp; Risk Officer and Company Secretary  <b>Jane Cosgrove</b>, Chief People Officer</p>
<p><b><u>Financial Ombudsman Service Staff</u></b></p> <p><b>Nicholas Haigney</b>, Head of Internal Audit (<b>NH</b>)  <b>Mark Sceeny</b>, Head of Private Office (<b>MS</b>)</p>	
<p><b><u>Apologies</u></b></p> <p>None</p>	

### 2. Introduction and Approval of Agenda

- 2.1. The meeting was called to order at 10.15am by The Lady Manzoor, Chairman. The meeting took place virtually via Teams due to the train strikes.
- 2.2. The agenda was approved as presented.

### 3. Conflicts of Interest

- 3.1. No conflicts of interest were declared.

### 4. Approval of Board Minutes

- 4.1. The minutes of the previous Board meeting held on 27 November 2023 were reviewed and approved.

### 5. Actions Log

- 5.1. The actions log was approved subject to minor amendments.

### 6. Noting of Sub-Committee Minutes

- 6.1. The minutes of the Transformation Committee on 1 November 2023 were noted. The Board requested all sub-committee agendas and supporting papers to be accessible on 'Board Intelligence'. The Board noted the importance of ensuring that any impact on accruals is considered in line with our accounting standards.

6.2. The Board reiterated key transformation actions that arose during the strategy day discussions on 29 January (see paragraph 7 below).

6.3. The minutes of the Remuneration and People Committee (**RemCo**) on 11 December 2023 were noted.

6.4. All sub-committee terms of reference will be subject to annual review via Nominations Committee to ensure they are up-to-date and relevant. **Action: MS for CFRO.**

## **7. The Board noted the following actions from the strategy day discussions on 29 January:**

### **7.1. On Digital Portal, provide the Board with a paper to cover:**

- Clear explanation of the root causes of the Portal delivery issues with clarity on current situation and options to remediate in order to still deliver the desired outcome.
- Annotate and explain all changes to the approved business case, requirements, strategy, etc.
- If pivoting, outline the new approach and outcomes we are now seeking.
- Provide assurances to the Board on ability deliver with effective management governance.
- Provide full financial report on cost and benefits against approved business case. **Action: COO to the Board in February 2024.**

### **7.2. On Transformation initiatives:**

- Continue the focus on Customer First strategy.
- Update the 'Mountain Chart' to show evolution of cost and productivity FTE as Transformation progresses.
- Provide the Board with direct correlation between transformation initiatives and how they have resulted in cost reductions and improved productivity.
- On channels, adopt a Digital First policy but not exclude other relevant channels especially where it relates to vulnerable customers.
- Explore adoption of AI but ensure legal input and guiderails are provided. **Action: COO to the Board in February 2024**

### **7.3. Vision and Strategy for next three years:**

- Provide the Board with a full organisational plan with overarching vision and to link how their vision will be delivered through people, locations, data, digital, and 3-year forecast and FTE, etc with accountability and management structures. **Action: CEO to the Board in March 2024.**

## **8. CEO/Chief Ombudsman's Report**

8.1. The CEO/Chief Ombudsman's Report was noted.

8.2. The Board noted good progress on staff survey results, quality scores, timeliness and several casework areas, e.g. pensions liberation and reviewable Whole of Life insurance. More work was needed on improving productivity to reduce cost per case and clearing any cases over 12 months' old not held up by matters beyond our

control such as judicial review. The Board requested a forward look next time of the CEO/CO's top five priorities for 2024/25 and action being taken to deliver. **Action: CEO/CO.**

8.3. The Board thanked the CEO/CO and her team for all their work on the Treasury Select Committee hearing about SME Finance on 23 January 2024 and noted that the Financial Ombudsman Service had been invited back for a full scrutiny session provisionally scheduled for 27 February 2024.

## 9. Operational Performance Report (COO)

9.1. The Board noted the COO's Operational Performance Report and update on the Transformation Portfolio. There were lots of improvements in key metrics compared with last year and despite the delayed status of the Digital Portal. The Board noted that the targets set last year were stretching but achievable. The Board requested reinstatement of a report tracking overall stock levels to ensure all cases were being resolved as quickly as reasonably possible, not just the ones covered by the 2023/24 targets, i.e. those cases received on or after 1 April 2023. They also requested the reinstatement of data about productivity per FTE. **Action: COO.**

9.2. The COO reported that 70% of initial views were now being issued within 3 months, so the present shortfall on that target was only due to the final decision stage (ombudsman). Some firms and professional representatives were disproportionately exercising their right to move cases to final decision even after court cases (judicial reviews) had been won by the Financial Ombudsman Service and had clarified the position. The Board invited the Executive to let them have papers about any forward-looking initiatives on which the Board's support and/or expertise would be helpful to expedite casework.

9.3. The Board noted and discussed the COO's paper on the proposed targets and service standards for 2024/25. They questioned the need to move metrics from months to weeks for external reporting in case this proved confusing for people but agreed with the general direction of travel and ambition to reduce resolution times even more, e.g. resolve 90% of all cases (stage 1 and decision) within 5 months (*cf.* the 2024/25 Plan & Budget Consultation). The Board requested that the proposals be brought back to the next Board Meeting as approval would be subject to the outcome of the Plan & Budget Consultation (which hadn't yet closed). It would also help to include a few more metrics from the Balanced Scorecard for the Board to select the final options, e.g. reporting on all cases over 12 months, forecasting/budgetary accuracy, productivity per FTE (overall) and by Directorate, etc. **Action: COO.**

## 10. Finance and Risk Report (CFRO)

10.1. The Board noted the CFRO's Finance and Risk Report.

10.2. The Business Continuity Report was not yet available but the Audit Risk & Compliance Committee (**ARAC**) had been fully apprised of its status and had no concerns. ARAC was keen to minimise the risk of ransomware though. The Report will go to ARAC regularly and will be reported to the Board as and when there are key issues to highlight. **Action: Interim IT Delivery Director for the CFRO.**

10.3. NH joined the meeting to talk through his paper on the 2023/24 internal audit and his plans for the 2024/25 internal audit. The Board noted the paper. ARAC will

feedback to NH if there is anything else to add to the 2024/25 audit programme. The Board requested a one-page interim report from NH every six months on any emerging trends he is finding. **Action: NH for the CFRO.**

## 11. Casework Policy and Strategy (DCO)

11.1. The Board noted the DCO's report on Casework Policy & Strategy.

11.2. The Board also noted the DCO's updates which he presented at the strategy day on 29 January:

- The DCO's update on charging representatives was noted by the Board. The DCO explained that, so far, feedback on the consultation had broadly been positive, accepting the concept and more interested in the actual level of fees.
- The DCO's update on the Consumer Duty was noted by the Board. They suggested inviting CEOs of big firms to come and talk to the Board about the Consumer Duty. **Action: CEO/CO and DCO.**
- The DCO's update on Motor Finance Commission was noted by the Board. The Board requested a breakdown of the potential size of the market and volume of cases we might receive and are receiving; and requested ongoing monitoring and age profile of the cases. **Action: DCO.**

## 12. HR Report (CPO)

12.1. The Board noted the CPO's update report. They were pleased at the focus on performance management and the setting of clear objectives for 2024/25.

12.2. The Board noted and discussed the CPO's paper on the results of the staff engagement survey, which included many positive scores despite a year of change and transformation. Leadership and communications were areas highlighted which needed further work.

12.3. The Board discussed the CPO's paper on the proposed bonus scheme for 2024/25, which had taken account of previous feedback about including an individual element to recognise top performance whilst also retaining a collective element to ensure equal distribution across different grades. The Board noted the importance of communicating the new scheme accurately and fairly, so asked that communications be sense-checked with the Chair of RemCo and shared with the Board before publication. **Action: CPO.**

12.4. The Board noted the importance of avoiding any custom or practice whereby people would end up being rewarded over and above their salary just for doing their job and meeting expectations. Bonuses should not be a substitute for ensuring that salaries were fair and properly benchmarked. The Board therefore asked that future bonus proposals be considered as part and parcel of the 3-Year Plan — and be shared with RemCo and then referred back to the Board. **Action: CPO.**

12.5. After discussing the paper, **the Board approved the bonus proposal for 2024/25.**

12.6. The Board noted the CPO's paper on Gender & Ethnicity Pay Gaps. They noted that the Financial Ombudsman Service published ethnicity information even though this was not currently a legal requirement. There was still more to do, particularly at senior grades, but the results were encouraging.

### **13. ESG Report (Scope 1 and 2)**

13.1. The Board discussed the CFRO's paper on ESG Scope 1 and 2 and noted that Scope 3 will be brought back to the Board in April. **Action CFRO.**

13.2. **The Board approved the proposal to invest in LED lighting at Exchange Tower**, which was estimated to provide financial savings of ~£2.4m over 5 years as well as reducing our carbon footprint by nearly 2,000 tonnes over that period.

13.3. On the second proposal (i.e. to implement an in-house ESG measuring tool rather than relying on a third-party provider), the Board noted the proposal but asked that it be referred back for a decision when there was further/better information about the potential costs, which the paper indicated varied quite a lot. **Action: CFRO.**

### **14. AOB and Next Meeting**

14.1. There was no other business.

14.2. The next Board meeting is scheduled for **19 February 2024** in London.

### **15. Adjournment**

15.1. The meeting was adjourned at 1pm.