

Minutes – Board Meeting on 19 February 2024

<p>Board attendees</p> <p>The Baroness Manzoor CBE, Chairman Jacob Abboud, Director Bill Castell, Director Nigel Fretwell, Director Shrinivas Honap, Director Ruth Leak, Director Sarah Lee, Director</p>	<p>Executive attendees</p> <p>Abby Thomas, CEO/Chief Ombudsman James Dipple-Johnstone, Deputy Chief Ombudsman Karl Khan, Chief Operating Officer Jenny Simmonds, Chief Finance & Risk Officer and Company Secretary Jane Cosgrove, Chief People Officer Yvette Bannister, General Counsel</p>
<p>Other Financial Ombudsman Service attendees</p> <p>Mark Sceeny, Head of Private Office (MS) Matthew Belcher, Ombudsman Manager – for the item about charging fees to professional representatives (MB)</p>	

1. Introduction and approval of agenda

- 1.1. The meeting was called to order at 10.15am by The Lady Manzoor, Chairman.
- 1.2. The agenda was approved as presented.

2. Conflicts of interest

- 2.1. No conflicts of interest were declared.

3. Approval of board minutes

- 3.1. The minutes of the previous Board meeting held on 30 January 2024 were reviewed and approved subject to minor amendments.

4. Actions log

- 4.1. The actions log was approved subject to minor amendments.
- 4.2. MS confirmed that all Board members now had access to sub-committee papers on Board Intelligence as noted in paragraph 6.1 of the minutes of 30 January 2024.

5. Noting of Sub-Committee Minutes

- 5.1. The minutes of the Audit Risk & Compliance Committee (**ARAC**) on 22 January 2024 were approved.
- 5.2. The Chair of ARAC provided the Board with a summary of key actions. He also noted the constructive engagement that had taken place with the National Audit Office (**NAO**) and Comptroller & Auditor General with the Chairman of the Board, Lady Manzoor. This had resulted in a commitment from the NAO to lay the 2024/25 Annual Report and Accounts of the Financial Ombudsman Service (**FOS**) before Parliament's summer recess. However, the Annual Report and Accounts for 2023/24 would have to follow the timetable for the present financial year due to the NAO's

workload, i.e. after the summer recess.

6. CEO/Chief Ombudsman's report

- 6.1. The Board noted that February was a busy month due to preparations for a further Treasury Select Committee hearing on 27 February 2024 (shortly after the SME Finance session on 23 January) and the Oversight Committee of the Financial Conduct Authority (**FCA**) scheduled for 5 March 2024.
- 6.2. The Board noted the Chief Ombudsman's report on the possibility of very high volumes of Motor Finance Commission (MFC) cases, and the uncertainty of potential Discretionary Commission Agreement (DCA) case volumes, following the FCA's Policy Statement in January (called PS24/1), which allowed firms a 37-week pause for issuing final responses on DCA complaints to enable the FCA to carry out an expert review. The Board noted it was important to consider all potential scenarios in terms of incoming demand; and to ensure that FOS was fully prepared and adequately resourced to meet service standards if complaint volumes were to exceed budgeted expectations. The Board noted that MFC (and other potential unbudgeted high-volume scenarios) must not adversely impact service standards or FOS's more vulnerable customers, so requested a paper on how best to prepare for varying scenarios of incoming MFC casework. **Action: COO for March Board Meeting.**
- 6.3. The Board noted the imminent publication by the Information Commissioner of a Practice Recommendation about FOS's responses to 'freedom of information' and 'subject access requests.' This will include a plan for providing more timely answers. The CFRO assured the Board that additional resources were being deployed in the Data Protection Team (**DPT**) plus closer engagement with Casework and Enabling teams to ensure their inputs facilitated quicker turnaround times. FOS's data publication strategy is also being reviewed with the aim of publishing even more information on the website than at present in future (linked to the execution of our data strategy). This would enable the DPT to direct enquirers to answers more quickly and easily thereby saving time and resources.

7. Operational performance report (COO)

- 7.1. The Board noted the COO's operational performance report.
- 7.2. The COO explained that the end-of-year forecast indicated that some service standards would not be met in full. It was important to note that there were still significant year-on-year improvements in timeliness and quality. The COO explained that balancing both ends of case stock – i.e. clearing older cases whilst also focusing on new 2023/24 stock – had put more pressure on resources than anticipated, especially given the restructuring and staff moves in Q1. The Board noted that productivity and efficiency needed to improve in Casework as the number of resolutions was lower than budgeted.
- 7.3. The Board noted that total stock was increasing as a result of MFC cases; and that learnings from service complaints via the new Service Review Team were being fed back to Casework, hence the excellent quality score of 94% (against a 90% service standard). The Board noted the importance of balancing quality against timeliness and costs: maintain high quality but do not 'gold plate' by, for example, double-checking every answer before it goes out the door at a compulsory advice clinic or waiting too long for the parties to provide evidence beyond reasonable deadlines when statutory powers exist for case management and directions on evidence,

timelines, etc.

- 7.4. The Board requested an objective, high-level overview at the end of the financial year: what has gone well and what might have gone better (and why)? This should help the Board to better understand the pressures on delivery and mitigating actions, with any consequential impact on service standards. **Action: CEO for April Board.**
- 7.5. The Board also noted that the roll-rate age profile of cases shared in January was not in February's board papers. They found this useful and requested its inclusion for every board meeting. They also requested different colours for the graphs to make them easier to read. **Action: COO.**

8. Balanced scorecard and service standards for 2024/25

- 8.1. The Board discussed the COO's paper on proposals for the 2024/25 Balanced Scorecard and Service Standards. The Board noted that service standards should be stretching but realistic. The Board asked what the Executive could achieve based on the actual budget. There was a constructive discussion about productivity per FTE, with the Board noting that the transformation programme should enable increases in productivity through the delivery of supporting technical and process capabilities; and wanted to see how the transformation programme was increasing productivity. **Action: COO.**

9. Digital transformation

- 9.1. The Board **noted** the COO's paper on the service's digital portfolio. In the next four weeks, the COO will be able to confirm whether all trigger points are aligned for a 'go' or 'no go' decision on the beta version of a portal for firms that is decoupled from the case-management system. The Board discussed the proposals for alternative self-serve solutions (the 'Customer First' programme), some of which had already proven successful, e.g. the dynamic online complaint form. The Board were supportive of the proposals and noted the care and time taken on the lessons learnt analysis.

10. Finance and assurance (CFRO) – Plan and Budget for 2024/25

- 10.1. The Board noted the CFRO's Finance and Assurance Report.
- 10.2. The Board discussed the CFRO's papers on the proposed 2024/25 budget, incoming demand scenarios and feedback to the consultation on the draft 2024/25 Plan and Budget. There was further discussion about varying scenarios of incoming demand and the potential impact of MFC and the FCA's policy statement/pause (see above). The Board agreed that MFC and any other unbudgeted high-volume work should be considered separately in light of the uncertainty on how much demand should be included in the 2024/25 budget and being able to separately track against both the financial budget and service standard targets.
- 10.3. The Board noted that the budget now proposed was broadly the same as the draft used for the consultation save for minor adjustments to account for changed expectations of higher incoming demand due to some "BAU" areas of demand tracking higher. The Board noted and **approved** the baseline 2024/25 financial budget. However, they also acknowledged that a final 2024/25 budget needs to reflect any further refinements to "BAU" incoming demand and to propose how to best manage the uncertainty of the MFC demand profile.

10.4. The Board requested that the final 2024/25 budget papers be returned in March with additional clarity on how we would 'tool up' quickly if MFC or other unbudgeted high-volume work should exceed expectations – to ensure that FOS was ready to handle the extra work without affecting service standards for other customers. The Board noted the importance of recruiting the right skills and expertise and invited the Executive to be creative about recruiting the right people from throughout the entire UK, making use of regional hubs. There was a potential 'no-regrets' option suggested of recruiting additional staff and using these additional staff to clear older cases and reduce overall stock if MFC were resolved by, for example, a regulatory intervention under s.404 of the Financial Services and Markets Act 2000. **Action: CFRO for March.**

11. Reserves policy

11.1. The Board noted that the industry had supported the proposed level of reserves (working towards no more than 3-5 months' operational reserves by 2025/26). The Board **approved** the CFRO's paper on reserves and advised that reserves could be drawn upon for dealing with an MFC increase in incoming demand, should this become necessary.

12. Consultation on charging fees to professional representatives

12.1. The Board noted the paper about the consultation on charging fees to professional representatives by the DCO and MB. They **approved** the principle of charging such fees and noted that most respondents to the consultation were supportive of this.

12.2. The Board noted that a further consultation was planned for Q1 of 2024/25 about the level and charging point for such fees (assuming HM Treasury's secondary legislation is laid before Parliament as currently scheduled in or around May 2024). **Action: DCO.**

13. Casework policy and strategy (DCO)

13.1. The Board noted the DCO's update on FOS's work on APP Fraud and Scams. They also noted the Chief Ombudsman's concerns about the potential impact on volumes of mandatory reimbursement when the Payment Systems Regulator's new rules come into force in October 2024. It may be challenging to implement and might affect the Banking Directorate's ability to meet service standards.

13.2. The Board noted the DCO's update that HM Treasury has indefinitely postponed a scheduled meeting with FOS about extending the compulsory jurisdiction to cover contracts for Buy Now Pay Later.

14. HR report (CPO)

14.1. The Board noted the CPO's update report.

14.2. The Board noted the level of sickness due to mental health but observed that it was in line with current market norms. The CPO reassured the Board about all the measures already in place to assist and support staff, such as mental health first-aiders plus the various tools available via the intranet as part of the overall benefits package.

15. AOB and next meeting

15.1 There was no other business.

15.2 The next Board meeting is scheduled for **18 March 2024**.

16. Adjournment

16.1. The meeting was adjourned at 2pm.