

## Minutes – Board Meeting on 28 January 2025

<b>Board attendees</b> The Baroness Manzoor CBE, Chairman Jacob Abboud, Director Warren Buckley, Director Bill Castell, Director Nigel Fretwell, Director Shrinivas Honap, Director Sarah Lee, Director	<b>Executive attendees</b> James Dipple-Johnstone, Deputy Chief Ombudsman ('DCO') Jenny Simmonds, Chief Finance & Risk Officer and Company Secretary ('CFRO') Marc Harris, Chief Operating Officer ('COO') Jane Cosgrove, Chief People Officer ('CPO')
<b>Other attendees</b> Mark Sceeny, Head of Private Office	
<b>Apologies</b> Abby Thomas, Chief Executive Officer/Chief Ombudsman ('CEO/CO')	

### 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. Nobody declared any conflict of interest.

### 3. Approval of board minutes

- 3.1. The Board reviewed and **approved** the minutes of the previous Board Meeting held on 25 November 2024.

### 4. Actions log

- 4.1. The Board **approved** the Actions Log.
- 4.2. The Board noted that some actions were overdue and requested that the Executive Team focus on any overdue actions in good time before they become overdue. The Board noted that all Executive Directors had monthly meetings with the Chairman and CEO/CO's Private Office to discuss three-month forward agendas and the Actions Log.

### 5. Noting of sub-committee minutes

- 5.1. The Remuneration and People Committee ('RemCo') minutes of 11 November 2024 were **noted** by the Board.

## 6. Casework Resourcing (Day Two Strategy Awayday)

- 6.1. The Board **discussed** and **noted** the papers submitted by the CFRO and CPO.
- 6.2. The Board agreed with the Executive Team's recommendation that it was not necessary at present to undertake outsourcing in casework because that would require a certain commitment in terms of volumes of incoming cases (which were currently unknown due to external factors affecting Motor Finance Commission ('MFC'), i.e. litigation and the regulatory pause whilst the Financial Conduct Authority ('FCA') carried out its 'skilled person review' under s.166 of the Financial Services and Markets Act 2000). Moreover, outsourcing would involve significant work and costs to set up. This could not be justified at present because the Financial Ombudsman Service ('FOS') was already well-placed to meet increased demand by quickly and optimally scaling up or down with its flexible resources. The annexes to the papers set out the scaling up/down options for creating capacity and being flexible together with the key metrics about the consequences of certain 'levers' being pulled or not pulled.
- 6.3. The Board noted that outsourcing might still be beneficial in the event of a mass claim and the importance of keeping it under consideration as a 'no regrets' backup option for tackling existing stock and reducing the age profile of cases. The Board agreed that a preference would be for any future outsourcing option to be UK-based and not offshore in light of FOS's role as a public authority (subject to being compliant with public sector procurement requirements). The Board also agreed that outsourcing of support staff would remain under review, dependent on skills requirements.
- 6.4. The Board also noted that the Academy was now facilitating the onboarding of new staff, with the process of recruiting and training new people taking casehandlers away from their day jobs much less significantly than previously. The biggest constraint now was office space for training. However, FOS's new nationwide hubs could be utilised together with increased digital content to help alleviate this constraint. The CPO will show the Board the new digital recruitment tool at the April Board Meeting. **Action: CPO by 28 April 2025.**
- 6.5. The Board noted the CPO's report that the Academy would be able to onboard new starters in ten weeks. The Board agreed that it was important to have clear lines of sight from incoming volumes to people resourcing and then to service standards, to ensure appropriate plans could be put in place. The Board also wanted enhanced clarity as to how the transformation projects impacted resourcing requirements and service standards. The Board emphasised the importance of being clear and transparent about whether a project was in proof of concept, in pilot, in beta, or fully implemented, to enable a better appreciation of the timing of impact to avoid misrepresentation.
- 6.6. The Board noted there was a need for some flexibility within the specialist directorates and contingent resources so that caseworkers did not become too specialist and only able to deal with a narrow range of work. There was a discussion about building national hubs that were the right size for the forecast work and anticipated working patterns and carefully managing the associated risks and opportunities. There was always potential to grow talent from within the organisation – and the Board noted that the CPO's paper highlighted future capabilities in certain areas against a range of indicators.

## 7. CEO/Chief Ombudsman's report

- 7.1. The Board **noted** the CEO/Chief Ombudsman's Report.

- 7.2. The Board **noted** the paper from the CEO/CO – annexed to the Actions Log – regarding indicative redress awards. This was an action from the Board Meeting on 4 November 2024. The Board requested that any future papers imported from Executive Committees should include an explanatory cover note to assist Non-Executive Directors with the background facts and context. The Board requested that substantive awards should be separate from distress and inconvenience awards. The Board asked again, in light of only being given indicative data, that work be carried out to obtain more detailed data on the nature and scope of awards being made by FOS. For example, to enable better analysis of impact and whether there was a substantive change in outcome or just a modest award for maladministration, distress or inconvenience. **Action: COO and CFRO.**

## 8. Process for CMC Charging – FEES Instrument (DCO)

- 8.1. In making the FEES instrument, the Board noted that the FCA Board had formally given its consent the week before and that FOS had followed due process throughout. All foreseeable risks had been mitigated so far as reasonably possible through multiple public consultations (amongst other things), with the full support of HM Treasury (*cf.* the Economic Secretary's comments in *Hansard* when the statutory instrument was passed in the House of Commons' Delegated Legislation Committee on 25 November 2024).
- 8.2. The Board noted that FOS had commissioned a survey from YouGov which indicated that most complainants were likely to come directly to FOS rather than use a CMC or other representative – and FOS data indicated that vulnerable complainants also mostly referred cases directly. Any concerns about fees being passed onto complainants by CMCs had been mitigated as far as possible by FOS's dialogue with the FCA and the Solicitors Regulation Authority, both of which have explained their regulatory framework should help prevent this.
- 8.3. The Board also noted that, despite expressly inviting the submission of data in the final public consultation, the CMC sector had not provided compelling evidence that charging fees would have a significant negative adverse financial impact on it. On the contrary, the DCO reported that most of the analysis of their income suggested it appeared to be generated from other activities, such as initial stages of the complaints process, marketing and trading in data. In any event, the evidence strongly supported that income generated was not entirely reliant on successful referrals to FOS."
- 8.4. With regard to the new IT system for billing CMCs, the Board confirmed that the Executive Team had implemented a manual contingency plan just in case it was not ready for 1 April 2025. This plan is planned to be shared at the Audit Risk & Compliance Committee on 7 February 2025. The Chairman emphasised the importance of FOS being operationally ready to start charging fees from 1 April 2025, as this was a matter of considerable interest to FOS's key stakeholders and for the reputation of FOS.
- 8.5. The Board approved the DCO's cover paper recommending the making of the FEES instrument for FOS to charge fees to Claims Management Companies ('CMCs') and other professional representatives. The instrument was approved, so CMCs (etc) who refer cases to FOS on or after 1 April 2025 will be liable to pay a fee as set out in the FCA Handbook (to be updated) The Board noted that the Executive Team fully supported this rule change.

## 9. Board and Sub-Committee timetables (CFRO)

- 9.1. The Board **approved** the CEO/CO and CFRO's paper on reviewing and refreshing the cadence of Board and Sub-Committee meetings so they are better aligned with regular internal and external commitments – and will ensure that governance, supervision, and steering continue to work effectively throughout the annual business cycle. The Chairman emphasised that forward agendas and the timing of meetings were a matter for the CEO/CO and Executive Team to decide because meetings were not just for governance and assurance but also for supporting the Executive in carrying out their plans and duties.

## 10. Update on MFC cases (DCO)

- 10.1. The Board **noted** the DCO's update on MFC casework. The DCO reported that FOS had won the judicial review brought by firms on all grounds. The Board noted that MFC posed an operational risk to FOS but also an opportunity to help customers with resolutions differently – especially given the FCA's review/pause and the Call for Input on Modernising the Redress System<sup>1</sup> – by deploying FOS's statutory powers assertively, perhaps in ways not previously considered, so that FOS was not left with thousands of non-progressable aging cases that it was unable to resolve "*quickly and with minimum formality*".<sup>2</sup>
- 10.2. The DCO reported that many firms and CMCs were not implementing the FCA's complaint-handling pause as intended, resulting in cases being referred to FOS without final-response letters or with FRLs when perhaps accessing the pause would have been advisable. FOS was also receiving cases that were beyond the scope of the FCA's initial pause or where the situation was unclear and needed work to clarify. This, and the volumes involved, posed operational and cost challenges to FOS. The Board queried whether the FCA had been formally asked by the Executive Team what it expected FOS to do in such circumstances.
- 10.3. The Board noted that the Executive Team had decided to carry on with the current approach of working MFC cases as far as possible – i.e. up to resolution where that was possible or a factual summary document where not – even though they could not yet be determined or resolved because, given ongoing appellate litigation or the FCA pause, which for DCA cases would probably continue until at least December 2025. This was not entirely wasted work for customers however because it enabled FOS to work out which 'bucket' a complaint would fall into, e.g. a paused discretionary-commission-arrangement case or another type of motor finance case that was workable and a modest number of resolutions would still be possible over the period (for example where on investigation it was found that no commission was involved) for customers. The preparatory work would also assist the service in advancing the cases later; for example, when the Supreme Court has clarified the law, or the appeal been resolved or any FCA redress scheme developed.
- 10.4. The Board asked the DCO to write a letter to the FCA about the potential options for handling this large tranche of cases, requesting a steer on what the FCA's expectations were and setting out the respective implications and timeline for options. **Action: DCO by 24 February 2025.**
- 10.5. The Board asked the DCO and COO to submit a separate report on MFC policy developments, volumes, cost, and caseworker productivity regularly so the Board could monitor the situation and risks. **Action: DCO and COO monthly from 24**

<sup>1</sup> FCA/FOS publication – *Call for Input: Modernising the Redress System*:

<https://www.fca.org.uk/publications/calls-input/modernising-redress-system>

<sup>2</sup> Financial Services and Markets Act 2000, s.225

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- 10.6. Until any further direction is possible, the Board agreed that the recommendation contained in the DCO's paper should be included in the 2025/26 budget (which is consistent with that shared for consultation in December 2024).

## **11. Transformation Committee: delegations of authority (CFRO)**

- 11.1. The Board **approved** the CFRO's paper recommending a change in the previous requirement – dating from September 2024 – for the Transformation Committee ('TransCo') to approve business cases with implementation costs of £1m or more. The Board agreed that the threshold for approving 'business cases' (as defined by TransCo) could be increased to £2m with immediate effect. No other changes were proposed regarding the delegations of authority approved at the Board Meeting of 24 September 2024.
- 11.2. The Board noted that, in September 2024, it had agreed to review the threshold after six months – but had brought that review forward due to submissions from the Executive Team about the practicalities of implementing projects with the lower threshold. The Board noted that the *oversight* threshold had always been £1m and the revised threshold applied to "*implementation approval*". The definition of implementation costs is included in the Transco terms of reference as approved in September 2024, and no changes to the definition were proposed, just the approval threshold level.

## **12. Papers for noting**

- 12.1. The Board **noted** the following functional reports and other papers (also noting that all COO papers had been prepared and submitted by the former COO, not the incoming COO, Marc Harris):
- **Operational Performance (COO)** – for operational data and consistent reporting, the Board asked for greater clarity about the data points that are and are not available. The Board requested a clearer data strategy with, for example, a unified self-serve dashboard that could be used by both Executive and Board to allow clear lines of sight and easy lifting into Board Papers, Executive Briefings, Oversight Committee Papers, etc. These must be one version of the truth.  
**Action: COO by Q1 of 2025/26.**
  - **Transformation (COO)** – the Board asked for improved reporting on transformation and, noting that delivery of the Digital Portal had once again slipped, requested clarity on when the second phase would begin. **Action: COO for 24 February 2025 Board Meeting.**
  - **'Customer First' Transformation Programme Service Blueprint (COO)**
  - **IT/Tech Architectural Design (COO)**
  - **Digital Portal Adoption Plan (COO)**
  - **Monthly finance report (CFRO)**
  - **Potential outturn for the 2024/25 bonus scheme (CFRO)** – the Board noted concerns that the current bonus forecast was tracking below 50% of the available 'pot' due to so many service standards not being on track. The Board noted the 'exceptional circumstances' provision in the scheme – agreed in light of concerns last year about MFC volumes – and that the matter was due to be discussed at the next RemCo meeting.

- **Monthly report on casework issues and litigation (DCO)**
- **Explainer on the DISP Rules by the Legal Team (DCO)**
- **Monthly HR report plus preview of the Staff Engagement Survey (CPO)**

### **13.AOB and next meeting**

13.1. There was no other business.

13.2. The next Board Meeting is scheduled for **24 February 2025**.

### **14.Adjournment**

14.1. The meeting was adjourned at 1.30pm.