

Minutes – Board Meeting on 24 March 2025

Board attendees The Baroness Manzoor CBE, Chairman Jacob Abboud, Director Warren Buckley, Director Bill Castell, Director Nigel Fretwell, Director Shrinivas Honap, Director Sarah Lee, Director	Executive attendees James Dipple-Johnstone, Interim Chief Ombudsman ('CO') Jenny Simmonds, Interim Chief Executive Officer ('CEO') Marc Harris, Chief Operating Officer ('COO') Jane Cosgrove, Chief People Officer ('CPO')
Other attendees Mark Sceeny, Head of Private Office ('MS')	

1. Introduction and approval of agenda

- 1.1. The meeting was called to order at 9.30am 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 24 February 2025.

4. Actions log

- 4.1. The Board **noted** the Actions Log subject to requesting that certain actions be redesignated as 'paused' instead of 'closed' or 'closing' with an adjacent explanatory note (e.g. where the Board had agreed that no further action could be taken at this point due to the re-prioritising or re-sequencing of a project). **Action: MS by 28 April 2025.**

5. Noting of sub-committee minutes

- 5.1. The following Sub-Committee minutes were **noted** by the Board:
 - Transformation Committee ('TransCo') of 3 February 2025.
 - Audit, Risk & Compliance Committee ('ARAC') of 7 February 2025.
- 5.2. When available, the Chair of ARAC will send the Board a copy of the plan for auditing the 'Phoenix' Case Management System. This is planned for the first half of 2025/26. **Action: COO.**

6. Chief Ombudsman and CEO's report

- 6.1. The Board **noted** the Chief Ombudsman ('CO') and CEO's joint report.
- 6.2. The Board noted that the RAG status of the professional-representative billing project was now 'green' and on track for the 1 April start date. The Board acknowledged the amount of work involved and asked the CO and CEO to pass on their thanks and appreciation to the project team, including to those who had prepared a precautionary backup plan.
- 6.3. Turning to Motor Finance Commission ('MFC'), the Financial Conduct Authority ('FCA') had now announced the likelihood of implementing a redress scheme pursuant to s.404 of the Financial Services and Markets Act 2000 subject to the imminent Supreme Court judgment. Therefore, the Board queried why FOS was undertaking any work on these cases. The CO stated that the work being done on MFC – i.e. factual summaries only – would not be wasted as the FCA has indicated that FOS will be expected to complete the cases already referred even if there were a redress scheme, which would at present only apply to new cases, and as it would still be necessary to have sufficient understanding of the cases to advance them at any future juncture. The Board noted that this did not seem a satisfactory solution given how many non-progressable cases FOS already had due to the FCA's pausing of the DISP 1 complaint-handling rules for firms. However, the Board also noted, in the absence of a regulatory solution to existing case referrals, that the CO has proposed a reasonable course of action.
- 6.4. The Board asked the CO to write formally to the FCA about these concerns, noting that FOS must charge for cases that it has had to do work on. **Action: CO by 28 April 2025.**
- 6.5. The Board noted that resolving the MFC cases would have to involve multiple parties and not just FOS, i.e. the regulator, the courts, firms, and professional representatives. In light of present uncertainty about either an FCA redress scheme or the terms of reference for the recently announced Review of FOS by the Economic Secretary to the Treasury ('EST'), the Board asked the Executive Team to prepare and propose an appropriate external media/stakeholder management plan for the near to medium future that best takes into account various events and activities. **Action: Director of Communications on behalf of the CO and CEO.**

7. Call for Input (CO)

- 7.1. The Board **discussed** the CO's paper about progress on the joint Call for Input ('CFI') with the FCA. They noted that many initiatives were already potentially within FOS's gift. The Board were supportive of the CO's proposals and gave a steer that FOS should do as much as possible itself rather than rely on legislative changes. The CO will update the Board – at meetings or via correspondence – with further details on this topic as and when it becomes available.
- 7.2. The Board noted the CO's comments that the FCA appeared to be supporting two ideas which the Board opposed: (i) an appeal panel above FOS, and (ii) a review of the fair and reasonable jurisdiction. The Board noted it was important that consumer groups also participated in the CFI and consultation to ensure balance and diverse perspectives – and to counter some of the false narrative that FOS acts as a quasi-regulator or applies modern standards of conduct retrospectively. To help redress that narrative, the Chairman and CO will write to the EST ahead of their (and the CEO's) meeting with her after the Easter Parliamentary Recess. **Action: Chairman and CO.**
- 7.3. The Board emphasised that it was within FOS's mandate to take forward certain

initiatives, e.g. the approach to interest on compensation awards. The Board were keen to ensure this issue was progressed quickly. The Board expressed concern that the FCA were expecting FOS to lead on so many CFI actions. The onus should be on the regulator to lead on changes that fall more within a regulator's remit.

- 7.4. There was also a discussion paper about introducing differential fees and the challenges of setting up a system that was simple but fair. It was important to have the discussion now to ensure there was enough time to implement what was wanted and needed. The Executive Team sought a steer from the Board prior to likely publishing a guided consultation that would ensure the desired solution could actually be implemented. The Chair of TransCo thanked the CEO for incorporating the Sub-Committee's feedback into the paper.
- 7.5. The Board agreed that it would be important to take account of the EST Review and CFI, and to have a differentiated fees solution that was deliverable and realistic. The Board **approved** the CEO's recommendations and the proposed direction of travel in the paper, i.e. to aim for a solution beginning in April 2026 using quarterly billing in advance for larger firms that bring in 95% of cases, based on historical data and projected volumes with end-of-period adjustments to reconcile any differences. The Board noted the importance of having robust data points to support a viable solution to launch on 1 April 2026 and that it continues to be important not to build in any perverse incentives for FOS to determine cases one way or the other.

8. Plan & Budget 2025/26 (CEO)

- 8.1. The Board noted that there were only a few minor adjustments to figures from the draft version presented at the February Board Meeting.
- 8.2. The new service standards for 2025/26 had been noted but not approved in February, so the paper on these was discussed. As part of the reset for the new financial year, the proposed service standards had a clearer narrative. There had been feedback about current standards being hard to understand and/or not fully representative of the full year. Therefore, to mitigate this risk, the new timeliness service standards would be based on a cohort of case resolutions rather than case conversions (albeit the latter would also still be reported for the time being for comparison and trend analysis purposes). This change would remove the current lag in reporting – e.g. where a case converted on the last day of a given reporting period could not be included until at least three or six months after the end of that period. Moreover, this would ensure that all backlog cases are included to give a more accurate picture.
- 8.3. The Board noted the CEO's explanation that having the primary timeliness measure as the resolution cohort would track how long it took cases closed in the reporting period to be resolved. So, this includes *all open cases with FOS at the start of the year in addition to cases received in the reporting period*. The secondary metric is based on the conversion cohort – i.e. the metric used in 2023/24 and 2024/25 reporting – and only tracks how long it takes for *cases received in the reporting period* to be resolved, i.e. only those complaints newly raised in the period. This change therefore results in a reporting standard that is more complete and representative of the customer experience. It does, however, mean that the three-month timeliness metric is likely to be lower than preferred until later in 2025/26.
- 8.4. The Board noted there was a reasonable argument for approving service standards that, whilst seemingly lower, are more accurate and achievable based on the circumstances in which FOS currently operates. However, it was important to communicate this very clearly in the Annual Report & Accounts and other external communications. The CEO will also write to the FCA's Oversight Committee about

this change for complete transparency. **Action: CEO by 28 April 2025.**

- 8.5. The Board therefore **approved** the paper on new service standards and the paper setting out the financials for the 2025/26 Plan & Budget. Subject to double-checking the citation of an annex about start dates [which has since been done], the Board also **approved** the accompanying FEES Instrument to update the relevant section of the FCA Handbook (which, as indicated by the Oversight Committee on 20 March 2025, the FCA Board would also formally approve in due course).
- 8.6. Whilst approving the 2025/26 Plan & Budget, the Board noted the importance of bringing service standards back up as soon as reasonably possible; and of making FOS's risk appetite clear as to what actions could be taken to improve standards further. This would form part of the internal and external messaging about resetting, cultural changes, and not going above and beyond the core statutory mission of resolving financial disputes quickly and with minimum formality. It would also be important to ensure that high quality standards were maintained.
- 8.7. As part of the Plan & Budget discussions, the Board **noted** the COO's paper on transformation priorities and agreed that the direction of travel was right. Lessons had been learnt which were informing the current review of transformation projects re-prioritisation and sequencing; not trying to do everything at once. The COO explained that projects have been categorised into things that FOS *must do*, *should do*, and *could do*. The Board noted that it was a good, clear paper but cautioned against any risk of de-prioritising projects with greater net benefits just because of any technical difficulties. Achievements should not be oversold, and there should be a clear line of sight to how spending translates to productivity and timeliness, i.e. net benefits are about operational effectiveness and value for money but are also about customer experience.
- 8.8. The Board asked the COO to bring a paper on how transformation investment benefits drive improvements in service standards via a reduction in dwell time to TransCo and then to the Board. **Action: COO to TransCo in Q1 of 2025/26.**
- 8.9. The Board also requested a paper and data points to show levels of compensation awards for substantive issues and administration issues. **Action: COO.**
- 8.10. As part of the Plan & Budget discussions, the Board also considered the COO's paper on the Digital Portal ('DG'). This requested a further investment of £1.58m and a revised plan. There would be plenty of customer benefits as a result, but the DG project would need better governance and oversight of a third-party supplier. The Board **approved** the paper on a pragmatic basis – as there was no realistic alternative at this late stage – but noted concerns about:
 - the ongoing running costs of the DG (which the COO made clear would inevitably become problematic in due course resulting in functionality moving to other front door projects);
 - the delivery by the third-party supplier;
 - the risk of any further requests for additional outlay on this project; and
 - the lack of clarity up to the end of December 2024.
- 8.11. Board Oversight will therefore be enhanced – and this will become a single standing agenda item at the monthly TransCo Meetings. **Action: COO by the next TransCo Meeting and ongoing.**

9. Modern Slavery Statement (CEO)

- 9.1. The Board **approved** the paper attaching the refreshed Modern Slavery Statement

for the financial year ending 31 March 2025.

10.2024/25 Bonus outturn (CPO)

- 10.1. The Board **discussed** the forecast end-of-year outturn for calculating staff bonuses and noted that this had reduced from 41% in the January preview to just 32%, i.e. a total cost of c.£1.9m versus a budget of £6m. The paper (plus the annexed paper from the Remuneration & People Committee) proposed an additional *ex-gratia* payment to improve staff morale because the likely outcome at year-end would result in relatively low payments for staff who meet expectations or exceed expectations.
- 10.2. The Board discussed the pros and cons of an *ex-gratia* payment when some key service standards had not been met, such as clear and consistent messaging at a time of cultural resetting versus staff demotivation at a time of change and uncertainty. In light of the significant strides made in performance management and the impact of increased demand in certain product areas, the Board gave a steer that, in principle, an *ex-gratia* payment could be justified so long as the messaging and context were clearly communicated, i.e. that it was a goodwill payment due to exceptional circumstances that were beyond the control of staff who were performing well on a personal level. It does not signal that there are no consequences for poor performance because staff on performance improvement plans will not qualify for any bonus. The Board noted that the bonus pot and scheme terms had already been approved, so how and to whom it was distributed was now a matter for the Executive Team (whose own qualification for any bonus would be decided separately later at the Nominations Committee in May 2025).
- 10.3. The CEO clarified to the Board that the recommended option (3) – agreed in principle – was a flat payment uplift for all qualifying staff in two tiers, i.e. additional goodwill payments of £700 for those meeting expectations and £1,400 for those exceeding expectations.

11. Papers for noting

11.1. The Board **noted** the following functional reports and other papers:

- Operational Performance (COO)
- Transformation (COO)
- Quarterly update on casework tools (COO)
- Monthly finance report (CEO)
- Risk report (CEO)
- Litigation report (CO)
- Monthly HR report (CPO)
- Communications report (CO and CEO)

12. AOB and next meeting

12.1. There was no other business.

12.2. The next Board Meeting is scheduled for **28 April 2025**.

13. Adjournment

13.1. The meeting was adjourned at 12.17pm.