

Minutes – Board Meeting on 27 May 2025

Board attendees The Baroness Manzoor CBE, Chairman Jacob Abboud, Director Warren Buckley, Director Bill Castell, Director Shrinivas Honap, Director Sarah Lee, Director	Executive attendees Jenny Simmonds, Interim Chief Executive Officer ('CEO') Marc Harris, Chief Operating Officer ('COO') Jane Cosgrove, Chief People Officer ('CPO') Owen Brace, Director of Communications ('DoC')
Other attendees Andrej Zele, Chief Technology Officer ('CTO') – <i>for Item 7 (IT Strategy)</i> Mark Sceeny, Company Secretary and Head of Private Office	
Apologies Nigel Fretwell, Senior Independent Director ('SID') James Dipple-Johnstone, Interim Chief Ombudsman ('CO')	

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.
- 1.3. The Chairman noted that the DoC would be presenting Item 4 – Call for Input ('CFI') – in the absence of the CO. The Chairman had received some comments on the Board Papers from the SID, which she brought to the attention of the Board where appropriate.

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 28 April 2025 subject to minor amendments.

4. Actions log

- 4.1. The Board **noted** the Actions Log.

5. Noting of sub-committee minutes

- 5.1. The following Sub-Committee minutes were **noted** by the Board:
 - Transformation Committee ('TransCo') of 16 April 2025.
 - Audit, Risk and Compliance Committee ('ARAC') of 23 April 2025.
- 5.2. The Chair of TransCo noted that TransCo meetings were now more effective and

there had been some good work from the Transformation Team on IT and AI strategies; and on deep dives into certain projects. He also thanked his non-executive colleagues for their contributions and reiterated the importance, going forward, of being able to track how transformation investments were impacting the service standards of the Financial Ombudsman Service ('FOS').

- 5.3. The Chair of ARAC noted the importance of identifying any skills gaps and ensuring that FOS recruited suitable expertise for new products such as cryptoassets, which the Financial Conduct Authority ('FCA') was looking to regulate in due course.

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 resolutions were higher than for the equivalent period in the prior year. This output was supported by the increased staff numbers now in place. The Board also noted that the cohort of workable older cases (12 months plus) seemed static at around 5,000 when compared with Q1 of 2024/25. The CEO assured the Board that the new reporting dashboard under construction is hoped to give greater insight into operational performance and timeliness focus areas to help with discussions.
- 6.3. Looking beyond the Call for Input ('CFI'), the Board noted the importance of anticipating and planning for the next mass-claims event – for example, cryptoassets or Buy-Now-Pay-Later ('BNPL'). If FOS did not have the capacity to take on mass claims with the resources it was allocated, hard decisions would need to be made about whether to register new cases purely because they involve activities regulated by the FCA (which, the Board noted, had statutory powers to carry out a skilled-person's review or instigate a redress scheme).
- 6.4. The Board noted that the papers for this meeting were generally good. It would be helpful to reinstate quarterly performance-review sessions – e.g. at the end of each quarter – to allow a high-level steer about what Board Members would like to see happening. Going round the table, Board Members made the following observations on principles to use as a guide in approaching work:
 - FOS should be clear about what it stands for holistically and not get too detailed and specific when it comes to papers and consultations relating to the CFI. Do not readily concede powers and principles that are core to FOS's values and statutory remit. As a last resort, do not be afraid to engage the media in support of principles and powers that may be in jeopardy to the detriment of customers.
 - Ensure that cultural changes are properly embedded at the right time so that staff understand the importance of changing some longstanding approaches and processes in order to 'lift' the organisation and improve service standards.
 - Be clear about what FOS is trying to achieve in the midst of all the work that is going on – and be careful not to try and do too much all at once. Avoid duplication. Any initiatives should be viewed through an objective lens to look for any impact on FOS's independence and impartiality. Be clear that quite a few issues may require the FCA to take a firmer stand.
 - Ensure the risk appetite is in the right place to balance both timeliness and quality – for example, it may be necessary to sacrifice cost-per-case improvements in order to deliver greater resolution volumes, reduce open stock, and improve the overall customer experience.
 - Be pro-active rather than reactive so that FOS is equipped to deal with any material change in incoming volumes. Be careful to monitor any unintended consequences that may arise from the CFI.

- Give careful consideration to the right time to introduce big new initiatives such as differential case fees. It might involve a lot of work at a busy time – but, equally, it might signal key messages about the sort of organisation FOS wants to be and influence better conduct from all parties to a complaint.
- Ensure that all casehandlers are working together collegiately and in line with the culture and values and direction of travel. Be clear that obstructing FOS's vision and transformation is not acceptable, especially at those critically influential management and leadership grades. The Board noted that the CEO and CO were holding a senior leadership awayday on this very point in June.

7. Call for Input – DoC on behalf of the CO

- 7.1. The Board **discussed** the CO's update report on the joint CFI with the FCA, which set out consultation proposals – in separate annexed papers – for three key initiatives:
 - A lead-decision 'sandbox';
 - Reviewing the interest rate for money awards; and
 - Decision frameworks.
- 7.2. There was a further linked paper on potentially introducing differential case fees based not on case complexity – which is subjective and hard to assess – but on simpler measures such as resolution stage and outcome. (The Board noted that options needed to be both preferred and executable and not, as drafted, "preferred *and/or* executable".)
- 7.3. The paper also sought Board endorsement for other proposals (interpretative rulings from the FCA; referrals of mass-claims events to the FCA; a rules-based registration stage; and a 15-year longstop on extending time limits for latent knowledge of cause for complaint). On the longstop, the Board queried whether 15 years might be too long for alternative dispute resolution. The CEO commented that, indeed, analysis is in progress to assess volumes at different age increments between 6 and 15 years to consider whether an alternative longstop would be more appropriate.
- 7.4. The Board noted that HM Treasury ('HMT') was minded to introduce legislative changes as part of the review of FOS by the Economic Secretary, building on the foundations laid out in the CFI. This was because, historically, FOS had not exercised certain case-management powers or made some casework policy decisions with wide impact (examples cited included the 8% interest rate and time limits for the purpose of s.140A of the Consumer Credit Act 1974). This made it difficult to introduce changes of FOS's own volition even though there was an impetus to self-reform by the Executive and Non-Executives Boards. Nevertheless, it was important to demonstrate that, whilst aligned with the FCA and HMT, FOS was actively supporting reform and wanted a bold reset, and was not an unwilling recipient of changes imposed externally. The Board also noted the importance of ensuring the consumer voice was not omitted from the discussions around reform; and of protecting core scheme features such as the fair and reasonable jurisdiction and finality of ombudsman decisions.
- 7.5. The Board **approved** the consultation proposals on the sandbox and decision frameworks – but they asked for the paper on interest rates to be revised and returned. That paper included one option that was not considered viable; and the paper was not clear about FOS's preferred option. The Board asked to keep things simple by having just one interest rate covering losses before and after FOS decisions (rather than a higher post-decision rate to encourage swift settlements);

and thought the wording about the retention of discretion in individual cases needed to be clearer to avoid consistency concerns and explain its purpose, e.g. if a complainant's own conduct had led to delays or losses that were not the firm's fault. Although some Board Members thought that certain initiatives could probably be introduced now without consultation (e.g. because they involved existing discretionary powers under the Financial Services and Markets Act 2000 and DISP), the Board agreed that it was prudent to consult publicly to mitigate any risks. Accordingly, the Board agreed that the Executive Team should consult on all CFI proposals, but the consultation/s should clearly say what FOS wants to do – without having too many options – whilst still being open to other views from third parties.

Action: CO by 23 June 2025.

- 7.6. There were varying views about the practicalities and prudence of trying to introduce differential case fees in time for April 2026 (even using simpler formulae than cited in FOS's previous consultation on this topic). The CEO explained that it would take time to consult, build, test, and set up – so it is preferred that work begins soon, even if a later launch date than April 2026 was ultimately decided. Mindful of their decision in March 2025 to aim for April 2026, the Board were supportive of either introducing differential fees earlier (i.e. April 2026) – particularly in light of the forthcoming regulation of BNPL – or introducing them later (for example April 2027), depending on what makes the most sense as work is progressed. The Board **approved** delegating to the Executive Team the decision on whether to consult on this now or at a later date.

8. 2025/26 bonus targets – CPO

- 8.1. The Board noted that the bonus proposal for 2025/26 brought a better balance of metrics and therefore should be less skewed by specific events. It is preferred that the Board would not need to make a discretionary payment – as in 2024/25 – on the basis that outcomes did not fairly reflect performance by employees.
- 8.2. The Board noted that there were clearer service standards for 2025/26, albeit there was a discussion about whether the entry point for low-end results was too high at 90% or should be dropped to, say, 80%. There was also a discussion about whether it might be better to embed quality in the main metrics or leave it in the 'gateway' as before – but it would be important not to send mixed signals about the importance of quality if changes were made. The Board concluded that the proposals should be **approved** subject to any minor adjustments the Executive Team might wish to make regarding where the Net Easy score and quality metric were to be seated.
- 8.3. The Board noted that any discretionary award in exceptional circumstances (should targets be missed) would need to be approved by the Board and not just the Remuneration and People Committee. The Chairman also noted that basing bonuses on a general salary pot rather than a percentage of individual salaries might act as a disincentive to more senior staff, who were key people in terms of their ability to lead cultural change, motivate results, and influence strong performance. The CEO indicated that she also supported bonuses based on actual salaries, so this was an area to keep under review for future schemes, the current three-year construct having long been agreed.

9. Strategic risks and risk appetite statement – CEO

- 9.1. The Board **approved** the paper on strategic risks and the risk appetite statement, supporting the risk appetite of law and regulation moving to 'cautious' from 'averse'. This better supports the assessments and decisions that need to be taken. The

Board suggested it would be good practice to hold a focused risk session at a future Board meeting or strategy day. **Action: CEO for September 2025.**

9.2. The CEO noted the importance of ensuring the stated risk appetite was actually lived in day-to-day operations – and the Board fully supported this.

10. IT strategy – COO and CTO

10.1. The CTO joined the meeting at 12.30pm for a **discussion** on the new IT Strategy. He talked through the paper, listened to the views of individual Board Members, and answered their questions. The Board discussed the report and gave their support to the proposed strategy. They gave the following steer:

- Bring the strategy back to the Board at key stages of its development for assurance and to demonstrate how it dovetails with delivery and outputs.
- View the strategy iteratively and start the first stage as early as possible.
- The Gartner Score to measure maturity is a useful feature to maintain for readers with less technical knowledge.
- Ensure there is enough technical expertise internally.
- Do not be afraid to have a rethink on key applications – such as the case management system – if something does not seem to be working well.

11. Papers for noting

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

- Operational Performance (COO)
- Transformation (COO)
- Monthly finance report (CEO)
- Litigation report (CO) – the Board noted there were some critical court judgments on the horizon, so requested real time updates (i.e. synopsis and key implications) of anything the Legal Team regard as key, which could be done outside meetings via the Board Intelligence application. **Action: CO as and when required.**
- Monthly HR report (CPO) – the Board noted that it was more of an employer's market at present, so recruiting new staff was not a problem; and there was always the option of pivoting to fixed term contracts if any issues arose with contingent agency workers.
- Communications report (CO, CEO, and DoC)

12. AOB and next meeting

12.1. There was no other business.

12.2. The next Board Meeting is a Strategy Day scheduled for **23 June 2025.**

13. Adjournment

13.1. The meeting was adjourned at 1.05pm.