

Minutes – Board Meeting on 22 September 2025

Board attendees Nigel Fretwell, Senior Independent Director Jacob Abboud, Director Warren Buckley, Director Bill Castell, 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)
Other attendees Owen Brace, Director of Communications (DOC) – <i>item 3 only</i> James Hand, Head of Regulatory Reform Strategy – <i>item 3 only</i> Rachel Lam, Ombudsman Managing Director (OMD) – <i>items 4 and 5 only</i> Mark Sceeny, Company Secretary and Head of Private Office Katie North, Business Manager	
Apologies Jane Cosgrove, Chief People Officer (CPO)	

1. Introduction and approval of agenda

- 1.1. The meeting was called to order at 9.55am by Nigel Fretwell, Senior Independent Director (SID).
- 1.2. The agenda was approved as presented.

2. Conflicts of interest (item 1.1)

- 2.1. Nobody declared any interest that had not already been disclosed and recorded by the Board Secretariat as causing no conflict with the work of the Financial Ombudsman Service (FOS).

3. Approval of board minutes (item 1.2)

- 3.1. The Board reviewed and **approved** the minutes of the previous Board Meeting held on 21 July 2025.
- 3.2. The SID noted that the Actions Log (item 1.3) would be reviewed at the end of the meeting – see below.

4. Noting of subcommittee minutes (item 1.4)

- 4.1. The Board **noted** the following subcommittee minutes:
 - Transformation Committee (TransCo) on 16 June 2025, 18 July 2025, and 4 August 2025
 - Remuneration and People Committee on 7 July 2025
- 4.2. The Chair of TransCo gave a brief summary of key points and actions noted in the TransCo minutes, including the following:

- The Consumer Digital Portal is live and in process of being rolled out; the Business Digital Portal current roll out plan is under revision as it is not achievable;
 - The Delphi Project phase 2 is also in planning as phase 1 did not fully deliver despite significant investment, and funding requirements will be discussed at the next TransCo meeting on 13 October 2025;
 - The Digital Front Door project is delayed but recoverable for the components of the project that are to continue;
 - Good discussions and lessons learnt had taken place regarding closure of the project on Key Document Identification (KDI); and
 - There had also been a good session on service standards with exciting new modelling on how benefits from transformation and change initiatives can be more meaningfully and explicitly linked to service standards.
- 4.3. The Board noted the recommended shift by the Executive towards “buying” rather than “building” digital tools as this should prove quicker, easier and cheaper.
- 4.4. The Board also noted that the nature of the discussion with the Oversight Committee of the Financial Conduct Authority (FCA) on transformation would be a better one if it operated at a more strategic level rather than a detailed project level. They noted that the FCA is actively reviewing the oversight process to facilitate a better two-way conversation between the organisations.

5. Chief Ombudsman and CEO’s report (item 2)

- 5.1. The Board **noted** the Chief Ombudsman and CEO’s joint report.
- 5.2. The Board noted that it had been a very busy summer owing to the Call for Input (CFI) and Review/Consultation by the Economic Secretary to the Treasury (EST). This had led to a lot of stakeholder engagement, which had been overwhelmingly positive and supportive of FOS’s proposals. Nobody so far had expressed support for making FOS a subsidiary of the FCA, as mooted in the EST’s consultation.
- 5.3. There had also been interesting developments with litigation, notably the consent order withdrawing a firm’s judicial review action against FOS in relation to final decisions on Motor Finance Commission (MFC). This followed the Supreme Court judgment on 1 August in *Johnson v FirstRand Bank Ltd (and others)* [2025] UKSC 33. Accordingly, there should now be more certainty about how to tackle some of the stock of MFC cases that has built up following the FCA’s pause on a subset of such cases. The Board expressed hope that any mass redress scheme implemented by the FCA be simple and accessible for consumers to avoid lots of cases being referred to FOS about the scheme itself. The Interim CO assured the Board that the focus, from FOS’s point of view, was to encourage a scheme that was comprehensive, clear, and consistent – to help FOS resolve its stock of c.100,000 MFC cases as soon as possible.
- 5.4. The CO confirmed that FOS was already sharing operational data with the FCA and HM Treasury to help inform their plans for the next steps in how to resolve MFC cases.
- 5.5. The Board noted the CEO’s report that uncertainties caused by MFC and the three live consultations (due to close in October) were complicating the Five-Year Plan. There are currently a lot of moving parts and unknowns. It was therefore important to get on the front foot with the reform/modernisation agenda and appropriate management of MFC cases. The Board noted that it should be easier to plan next

year when there is more clarity over the future.

- 5.6. The Board noted that payment services fraud-and-scam cases were taking longer than previously. The CO explained that this was not due to the regulatory rule changes last year on mandatory reimbursement but caused by the more complex and multi-party nature of increasingly sophisticated scams. These often require caseworkers to seek evidence from third parties who are not always under FOS's jurisdiction as well as requiring more investigation. The CO offered the Board a dedicated session on fraud and scams at or after a future Board Meeting if they would find this helpful.

6. Consultation by the Economic Secretary to the Treasury (item 3)

- 6.1. The Director of Communications (DOC) and the Head of Regulatory Reform Strategy joined the meeting at 10.30am for the discussion about FOS's draft response to the EST's consultation on reforming and modernising the regulatory regime for financial services.
- 6.2. The Board discussed and **approved** the CO's paper annexing the draft response, making a few suggestions, including but not limited to the following:
 - Include metrics to show that 'fair and reasonable' outcomes benefit firms as well as complainants;
 - Where possible, be clearer upfront in answers about whether FOS agrees or disagrees with a proposal (albeit noting that a more neutral stance on some issues is necessary);
 - Correct any factual errors or myths with empirical evidence and data;
 - Explain the benefits of prioritising DISP changes over legislative reform to ensure close alignment to regulatory rules – e.g. a rebuttable presumption that a firm would win a case if it had followed clear FCA rules (and the law) – whilst allowing some discretion, by exception, to ensure individual injustices could still be remedied; and
 - Ensure there is context about mass redress events to distinguish the approach in business-as-usual cases (which are not the catalyst for this review and consultation).
- 6.3. The Board were supportive of the overall tone and content of the draft response. They agreed that it was better for FOS to respond than remain silent in order to show that FOS welcomes an opportunity to change and improve, albeit there may be a slightly different stance over some proposals and certain misconceptions (e.g. about the 'fair and reasonable' jurisdiction). Responding also gives FOS a chance to comment on broader issues of interest, such as how the regulator might do things differently to facilitate the dispute-resolution process.
- 6.4. The Board welcomed the consultation and response as it should enable FOS to return to its core statutory mission of resolving business-as-usual cases rather than mass claims, with clearer regulatory guidance on the interpretation of rules and an overhaul of obstacles or processes that may previously have been regarded as non-negotiable. A leaner model was preferable with the right case getting to the right person to deal with quickly, with any similar cases or systemic issues being collated thematically for sharing with the industry alongside the regulator's endorsement. The Board emphasised the importance of implementing a strong front door with regulatory input and appropriate triaging, using existing and reformed rules robustly to ensure that FOS only registers cases that are suitable for informal ADR, so that –

in future – FOS could only be held accountable for its own performance and not for the acts or omissions of others.

6.5. The DOC and Head of Regulatory Reform Strategy left the meeting after this item.

7. First Strategy Session – financials (item 4)

7.1. The Ombudsman Managing Director (OMD) joined the meeting at 11.30am for the first strategy session, which comprised three papers with a view to obtaining the Board's early steer on financial matters relevant to the Plan & Budget consultation for 2026/27. Those three papers covered the following:

- The latest outlook for 2025/26 on performance and financials;
- A proposal on case fees for MFC; and
- The first draft of the refreshed Five-Year Plan.

7.2. The Board **noted** the 2025/26 outlook paper and, once again, all the uncertainty over the consultations and any MFC redress scheme. The need now was to prioritise reductions in costs due to reduced income. The Board was disappointed by productivity results as these were still not showing the uplift needed to improve timeliness sustainably and maintain financial resilience. The OMD was invited to give the Board an explanation of measures being taken by the Casework Directorates to address productivity. She discussed creating a leaner 'just in time' operating model that used the auto-allocation tool to maximise staff skills and casework experience. Cross-training in different product areas was underway to tackle shifting demand patterns, the reduction in cases being abandoned or withdrawn, and the 4% rise in referrals to ombudsmen for final decisions. However, supporting internal training and external liaison with firms and professional representatives did impact on caseworkers' productivity.

7.3. The Board noted there were big differences between the top and bottom performers and encouraged the OMD to ensure that performance management was effective. The Board emphasised the importance of managers using their best endeavours and all available tools to try to raise the bottom quartile of performers to at least the median quartile.

7.4. The Board noted there was no sensitivity analysis in the papers (to show the impact up and down if incoming demand were to increase or decrease by certain margins) – but the CEO reassured them that this is modelled but was merely omitted from these papers for conciseness.

7.5. The Board did **not approve** the paper on reducing case fees for MFC. In the context of the 2025/26 latest outlook, it did not seem affordable. Moreover, with uncertainty as to how MFC might ultimately be resolved, and how much that might cost FOS in terms of productivity and sunk resources, there was not a good case for voluntarily reducing fees that FOS was legally entitled to charge under the FEES section of the FCA Handbook. Additionally, the Board noted that there had been considerable opportunity for firms to address the cases and apply the regulatory pauses and as things currently stood, firms were charged the same fee for a quick, simple case as for a lengthy, complex one. Other mass redress events had not attracted a reduced fee; on the contrary, an enhanced fee had been charged by FOS for Payment Protection Insurance (PPI) cases. Additionally, that firms needed to be incentivised via a case fee reduction to do the right thing by their customers in resolving their complaint more quickly was not a principle the Board were comfortable to support.

7.6. The Board observed that it may not be possible for FOS to absorb the costs of inflation (as has been the case for the past two years) rather than passing this onto

its customers (i.e. firms and professional representatives) as most businesses do. The Board was supportive of the direction of travel proposed in the Five-Year Plan but emphasised the importance of delivering it, given that not all improvements previously planned had come to fruition. The Executive Team were asked to provide more detail on proposed interventions to support confidence that the plan is deliverable and to reduce the level of stretch included if necessary to improve this confidence.

- 7.7. Given the above decision and steer, the CEO will bring an updated 2025/26 outlook paper to the October Board Meeting (with a recalculation and reshaping of the Five-Year Plan for reference), which achieves an in-year reserves deficit in line with budget. **The CEO will prepare a revised 2025/26 outlook that flows into the proposed 2026/27 budget for consultation and Five-Year Plan. Action: CEO by 20 October 2025.**

8. Second Strategy Session – workforce focus areas (item 5)

- 8.1. The Board **discussed** the CPO's strategy paper on the workforce strategy areas of focus. Whilst broadly supportive of the strategy, the Board asked that, when the final strategy is returned, the Executive Team focus on the following (amongst other things):
- Explicitly show the likely impact of technology and artificial intelligence (AI);
 - Explicitly show linkage to the Five-Year Plan metrics (the CEO confirmed this was the case, hence the estimated productivity increase over the period from 2.9 to 4.5 weekly resolutions per FTE);
 - Explicitly articulate the key assumptions, milestones and decisions, e.g. the outcome of the EST/CFI consultations, etc. that underpin the FTE movements;
 - Share sensitivity modelling of the right balance between core and contingent staff - to ensure that FOS has a strong internal team for building, training and complementing this internal workforce flexibly with contingent workers;
- 8.2. The Board agreed that, if demand reduces and operational efficiency increases, it is not feasible for a relatively small organisation such as FOS to maintain a presence in all four nations – but there did still need to be the right amount of workforce diversity across locations.

9. Papers for noting (items 6 and 7)

- 9.1. The Board **noted** the monthly reports for the following functional areas:
- Operational Performance (COO)
 - Corporate Dashboard (COO)
 - Transformation (COO)
 - Finance (CEO)
 - Litigation (CO)
 - HR (CPO)
 - Communications (CO and CEO)
- 9.2. The Board also **noted** two papers in completion of previous actions:
- Data Strategy (COO action from April's Board Meeting)
 - Internal Audit Update (CEO's action from June's Board Meeting)

- 9.3. The monthly Risk Report was not noted as this will be reviewed at the next meeting of the Audit, Risk and Compliance Committee (ARAC).

10.Actions log (item 1.3)

- 10.1. The Board **noted** the Actions Log and directed that certain actions had been completed and/or superseded by events and could therefore be closed by the Board Secretariat prior to the next meeting.
- 10.2. Regarding an improved reporting of compensation awards so as to allow the monitoring of FOS's impact, the Board sought assurance that FOS had this action in hand. The CO confirmed that this was already scheduled for inclusion in Release 7 (c.mid-November) of updates to the Case Management System ('Phoenix').

12.AOB and next meeting

- 12.1. **The CO agreed to provide an update on cases about s.140A of the Consumer Credit Act 1974 before the next Board Meeting. Action: CO by 20 October 2025.**
- 12.2. The Board noted that this was the SID's last Board Meeting before his retirement and thanked him for all his hard work and excellent contributions during his two terms of office.
- 12.3. There was no other business.
- 12.4. The next Board Meeting is on **20 October 2025**.

13.Adjournment

- 13.1. The strategy day and meeting was adjourned at 2.30pm.