

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held on Wednesday 6 February 2019 at 09.00

Present	Nick Montagu (NM)	chairman
	Gerard Connell (GC)	director
	Diana Warwick (DW)	director
	Jenny Watson (JW)	director
Apologies	Alan Jenkins (AJ)	director
	Sienna Veit (SV)	director
In attendance	Caroline Wayman (CW)	chief executive & chief ombudsman
	Julia Cavanagh (JC)	chief finance officer
	Annette Lovell (AL)	director of engagement (for items 8 to 10)
	Caroline Nugent (CN)	HR director
	Richard Thompson (RT)	principal ombudsman & director of quality
	Garry Wilkinson (GW)	principal ombudsman & director of new services
	Talal Barkatali (TB)	head of strategic finance (for items 5 to 7)
	Sav Notay (SV)	finance business partner – (for items 5 to 7)
	Alison Hoyland (AH)	board secretary

1-4/1902 Board and committee meetings:

The board:

- approved the minute of the meeting of the board held on 28 November 2018;
- noted the minute of the audit committee meeting on 10 October 2018;
- noted the oral update from the chair on the audit committee meeting on 16 January 2019; and
- noted the oral update on the meeting of the quality assurance quarterly meeting on 31 January 2019.

Matters arising

Matters arising were picked up in the main substantive business before the board.

Chairman's update:

The chairman updated the board on the ombudsman service business in which he had been involved since the last board meeting, which had included:

- Internal engagement: 1:1 meetings with NEDs, executive members and the Independent Assessor, a visit to an investigation pod and chairing the December staff event
- Regulatory engagement: 1:1 meeting with Charles Randell, FCA Chair
- Industry engagement: chair to chair meetings with Lloyds and Barclays

- Other: attendance at the Treasury Select Committee inquiry into the work of the ombudsman service.

Chief ombudsman and chief executive's update

Treasury Select Committee (TSC) inquiry on the work of the service.

The chairman and chief ombudsman and chief executive had attended a TSC session in January. The issues discussed ranged from the progress the service was making in response to Richard Lloyd's review and its extended remit to cover complaints from larger small and medium sized enterprises (SMEs) from 1 April to its quality assurance arrangements and case waiting times. In light of the committee's separate inquiry into economic crime and how it affected consumers, the committee was interested too in understanding the sorts of cases the ombudsman service saw. The discussion focussed on bank fraud and scams cases and touched on what more the service could do to help provide insight to make different sectors work better for consumers and prevent problems occurring in the first place.

The board noted that Richard Lloyd had written to the committee ahead of the session. He had reflected positively on the progress the service was making in responding to his recommendations, its commitment to making improvements and to doing the right thing for consumers.

The service undertook to send some follow up information on a number of areas the committee explored, including around quality assurance and waiting times. [The committee subsequently wrote to the service and its letter and the service's response, together with Richard Lloyd's letter to the committee, have now been published on the committee's webpages].

The discussion with the TSC and the areas of focus would help inform performance reporting and board scrutiny. It would also continue to provide a helpful impetus to the service's role in providing insight and informing the consumer protection landscape as well to the steps it was taking to ensure people could continue to have confidence in it.

Complaints from larger SMEs

Since the board met in November, the FCA had confirmed the final rules which would extend the service's jurisdiction to receive complaints from larger SMEs. Operational readiness preparations were well advanced.

In the wider landscape, developments continued to evolve. A steering group had been established to take forward the banking and finance industry's response to the Simon Walker review recommendations for ADR access for larger SMEs than the service's new jurisdiction would cover (those with a turnover of between £6.5 million and £10 million) and for a scheme to cover historic cases. Lewis Shand Smith, former chief ombudsman and chief executive of Ombudsman Services, had been appointed as the independent chair of the group.

The service had agreed to provide input as observers, alongside other key stakeholders from business representative groups, government and regulators.

The steering committee met for the first time in late January and discussed the group's terms of reference and a timetable for its work which it hoped to conclude by September.

In other related developments, the FCA consultation on increasing the service's award limit had now closed and the FCA was in the process of considering responses.

Complaints about claims management companies

Operational plans for receiving complaints about CMCs were also well advanced. The service was in the process of finalising the transfer scheme with the Legal Ombudsman.

Internal communications and engagement

When the board met in November, one of the key people developments the service was preparing for concerned the closure of its transition support area in line with its casework planning strategy. Shortly after that meeting, the plans for the transition area were shared with affected staff, and a formal collective consultation began on 17 January.

Previous messages had been clear that the transition support area was a temporary intervention and a commitment had been given to keeping people updated and to providing certainty as soon as possible. Feedback suggested that the announcements and consultation had been well-handled overall and that care had been taken to make sure that people understood the rationale, the options open to them and the timescales involved. Understandably, people wanted more clarity on some points of detail to get a better feel for their options, for example about the trial periods for working in other areas and about collective reward eligibility.

The broader staff event in December had gone well. The sessions provided the opportunity to look back over the past year and share the '3 Horizons' framework being adopted for future strategic planning. Close to 600 staff had attended over two sessions as representatives of teams across the service. Staff had been able to ask 'live' questions of the executive anonymously through a phone application, in a session chaired by NM. People voted on the questions and the most popular questions were answered on the day. A commitment was made to follow up on the other questions and these were currently being themed and answers drafted for publication. Local cascade events were also being held for all staff to talk through the key messages and the implications for their respective areas and ask their senior leadership questions.

The board agreed that these events, alongside other staff engagement opportunities, provided a useful check on current staff sentiment and morale. Care would need to be taken, however, to encourage a culture of open dialogue and one which provided for the majority voice to be heard.

Equality, Diversity & Inclusion

The service had published its annual report on equality, diversity and inclusion highlighting the key achievements in the year which included being listed by Business in the Community as one of 70 employers recognised for work on race, equality and inclusion, the work of its employee networks and its reverse mentoring programme. It also set out a number of areas of focus which included looking at how it could best improve the balance of BAME representation at senior level and investing in technology to offer and support even more flexible working arrangements.

The board expressed how impressed they were with the report and its production and asked for their thanks to be passed to the team responsible.

5/1902 Q3 performance review

fos/19/02/05

Performance at Q3 reflected the higher case volumes the service was receiving and continued volatility in its case-mix.

In headline terms, overall incoming case volumes were significantly higher than forecast in the budget and plans; while PPI volumes were lower, short term lending case volumes continued to outstrip budget forecasts and general casework volumes were up 20%. Total resolutions were lower than budgeted – though ahead of the revised forecast at the half year point. The inevitable impact of high demand on timeliness had placed an increased emphasis on the need to prioritise handling for those for whom a longer wait would be most difficult. In the meantime, it was encouraging that consumer satisfaction continued to track above target and business satisfaction was at expected levels.

The board was pleased to see that sickness absence continued to improve, a sign that the new performance management approaches and the additional support that had been put in place was bearing fruit.

Operating income was higher than forecast – largely as a result of the increased number of short term lending and TSB case resolutions.

More broadly, the prevailing environment and risks to performance in the shorter term included ongoing recruitment as part of the investment the service was making in 2018/19 for the larger volumes it expected to receive and handle the following year. Relevant too was the work the service was doing to build capability across its casework, including to be able to respond to areas of hitherto unforeseen high demand such as in short term lending.

The board agreed the reforecast position for the year end that the service would:

- receive 150,000 and resolve 120,000 general casework cases;
- receive and resolve 12,000 package bank account cases;
- receive 50,000 and resolve 24,000 short term lending cases; and
- receive 180,000 and resolve 210,000 PPI cases.

The end of year performance report would provide a summary of the decisions taken and interventions deployed to respond to the different demand levels and to casework volatility in year.

6/1902 19/20 budget

f0s/19/02/06

At this point in the budget cycle, the assumptions remained largely unchanged from those set out for consultation. The latest analysis of expected demand and case mix did though support a re-balancing of the number of resolutions between the different casework areas. The service now planned to proceed on the basis of resolving 170,000 general casework cases and 60,000 short term lending (STL) cases.

In line with the earlier discussion on performance in the current year, increasing the number of planned resolutions for STL would help reduce the waiting times for arguably the most vulnerable consumers and who could least afford to experience delays.

The balance of resolutions aside, the challenge of resolving 510,000 cases overall should not be underestimated and much would depend on the prevailing environment as the year progressed. The service would need to continue to ensure it was able to flex and respond to different demand levels and the priority needs of its customers. This would require it to strike the right balance between resourcing to demand and ensuring quality case-handling, alongside applying a range of other interventions and innovations.

The position would continue to be refined in the light of responses to the consultation and stakeholders' views on complaint volumes and case mix. The board agreed that it would be helpful to see further detail on the assumptions being made to achieve 510,000 resolutions, including for productivity and resourcing, across the different areas of casework as part of its final review in March.

Subject to board agreement in March, the budget would be submitted to the FCA for final approval.

7/1902 19/20 commitments

f0s/19/02/07

The board agreed that the existing commitments framework continued to provide for appropriate scrutiny of performance against the key strategic objectives and that it was important to maintain continuity during a period of significant change.

A more fundamental review was planned for 2020/21, for which initial discussions would start earlier in the process to ensure close alignment with the board's strategic planning. For 2019/20, the dashboard would be updated to keep it relevant, including to:

- ensure the narrative describing the high-level commitments continued to reflect the focus and ambition of activity;
- take account of new PowerBI tools and the roll-out of the new case-handling system and its new MI capabilities; and
- address feedback from the last board effectiveness review on optimising the presentation of performance data.

In March, the board would be asked to review and agree the underlying performance targets and measures having taken into account the rationale for any changes, or where relevant, for maintaining the current targets.

8/1902 Service Development

fos/19/02/08

The service development programme of work to modernise and meet future customer need was now being progressed under the second phase of the service's transformation programme and its new '3 Horizons' strategic planning framework.

The board noted the update on the work being progressed under each of the the Horizons, which in the nearer term, under Horizon 1, included the steps being taken to optimise performance, capability and capacity in investigation and operational preparations for the new SME and CMC jurisdictions from 1 April 2019.

A number of cross cutting workstreams ran alongside the programme, one of which was looking at the opportunities that technology provided and could facilitate. The current focus of work under this workstream was the roll-out of the new case-handling system, Phoenix. A detailed update had been presented in January to the audit committee, who noted the progress being made against the current primary objective of delivering a stable product, for which work was focussed on the 'Day 1' functionality. Since then, the programme remained on track, and weekly code and load testing had not identified any issues of concern to date. The next significant phase would be full end-to-end testing and the release of the updated document production facility and further testing.

As noted at the audit committee, the programme would consider the pros and cons of a phased release of Phoenix, versus rolling it out across all casework at the same time.

9/1902 Extending the Independent Assessor's term

fos/19/02/09

The board agreed to extend the term of the Independent Assessor (IA) for a final year to June 2020. The extension would provide sufficient time to allow the new

chair of the board to settle into the role and have a clear idea of the function and the credentials required for the IA role before needing to recruit a successor.

10/1902 Rule change update

fos/19/02/10

The board noted the update on proposed rules changes in relation to:

- increasing the award limit; and
- the FCA's preparations for the UK leaving the EU.

The FCA consultations on both these areas had now closed and the FCA was considering the responses before finalising its policy position. The board would be kept updated on progress.