

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held on Wednesday 7 February 2018 at 09.00

Present	Nick Montagu (NM)	chairman
	Gerard Connell (GC)	director
	Alan Jenkins (A)	director
	Maeve Sherlock (MS)	director
	Sienna Veit (SV)	director
	Diana Warwick (DW)	director
	Jenny Watson (JW)	director
In attendance	Caroline Wayman (CW)	chief executive & chief ombudsman
	Julia Cavanagh (JC)	chief finance officer
	Chris McDermott (CMcD)	chief operating officer
	Garry Wilkinson (GW)	principal ombudsman & director of new services (items 1 to 8)
	Richard Thompson (RT)	principal ombudsman & director of quality (items 1 to 8)
	Annette Lovell (AL)	director of engagement (item 9)
	Yvette Bannister (YB)	general counsel (item 4)
	Talal Barkatali (TB)	head of strategic finance (items 5 & 6)
	Alison Hoyland (AH)	board secretary

Apologies for absence

There were no apologies.

1-4/1802 Board and committee meetings:

The Board:

- approved the note of the meeting held on 22 November 2017;
- noted the minute of the meeting of the audit committee on 10 October 2017; and
- noted the oral updates of the meetings of the audit committee on 17 January 2018 and the remuneration committee on 30 January 2018.

Matters arising

Matters arising were picked up in the formal business on the agenda.

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, including meeting with Board directors, members of the executive and other senior managers, undertaking team visits and facilitating a staff event in December.

- Industry engagement, including chair to chair meetings.
- Regulatory engagement, including a meeting with the current chair of the FCA and his successor.

Chief ombudsman and chief executive's update

Much of the chief ombudsman and chief executive's update was picked up in substantive business on the agenda, with the Board noting at this point of the meeting developments in relation to:

- ADR access for small and medium sized enterprises.
- Attendance at a meeting of the Treasury sub-committee on the service's work.
- Litigation cases of note (which the service's general counsel attended to provide some further background information).

5/1802 Q3 performance and reforecast

fos/18/02/05

As the financial year-end approached, a number of factors were impacting the service's performance commitments. In PPI, FCA's rules and guidance had been finalised later than originally anticipated. And while a good number of Plevin-affected cases were now progressing, this was not the case across the board as some businesses were yet to agree the way forward. The service had, therefore, updated its expectations for case resolutions, and now expected to close 250,000 PPI cases, 30,000 less than the original budget figure.

In general casework, a range of interventions were in place to put the service in the best possible position to meet its commitments. The service still aimed to resolve as many cases as it received, but that was now likely to be in the region of 125,000 cases, which was the expectation set in the original budget.

Encouragingly, customer (business and consumer) satisfaction remained high and above target.

On a broader point, the Board asked to receive an analysis of output and productivity management in due course. Given the range and scope of initiatives deployed during periods of particular pressure, it would be helpful for the Board to be provided with a review of these to assess learning and effectiveness.

It also suggested that the level of detail on performance be reviewed to ensure the balance was right to allow for proper Board scrutiny. At the moment, it felt that there was too much information, and that the key issues weren't sufficiently signposted in the papers.

action

- output and productivity management analysis to be included in year-end performance report
- presentation of performance information to be reviewed and key issues signposted more clearly

6/1802 2018/19 plan, budget & fees – initial considerations

fos/18/02/06

Since the November Board and the subsequent public consultation, the service had continued to test its assumptions including through its usual engagement

with stakeholders. The current view also took account of the position as the 17/18 year-end was approaching, as discussed earlier on the agenda.

The draft budget remained largely as presented in the consultation, save for the central assumption for the volume of incoming PPI cases, which was now expected to be 220,000. The assumption for resolved cases was unchanged at 250,000.

The Board noted the position ahead of its discussions in March when it would have the benefit of the consultation responses and when it would be asked to agree the final budget for submission to the FCA for approval.

7/1802 2018/19 commitments

fos/18/02/07

The Board undertook its annual review of the performance reporting framework. Significant changes to the framework had been made a few years ago when the service introduced its 'commitments' dashboard to provide for better alignment between performance reporting and the key strategic objectives. While no fundamental changes were proposed for 2018/19 reporting, it was anticipated that a more wholesale review and update would be undertaken the following year when the service would be nearing the end of PPI and when the new case-handling system would be embedded (with new MI capabilities).

For now, the proposed changes comprised refinements to how the overarching objectives were described and updates to the presentation – including to bring it into line with the service's updated brand and tone and to streamline it in places.

One of the aims for the following year was to provide better visibility of the strategic commitments to staff, what the service was aiming to achieve (and how) and to help people understand the contribution they make.

The Board agreed the approach being taken to update the look and feel of the commitments, though advocated even less detail in support of providing clarity to staff. It would be asked to agree the performance targets and measures for next year's commitments at its meeting in March.

8/1802 Developing the service and the people journey

fos/18/02/08

Progress on establishing the investigation teams

The focus continued to centre on helping to support and develop colleagues' capability and capacity, as the service prepared to establish the investigation model to handle all general casework cases and reach full productivity.

Managing the PPI caseload

The focus continued to centre on helping to support mass claims colleagues and provide clarity about their future at the service, be that to stay and look to work in investigation, stay to see PPI through to conclusion or to seek to progress their career elsewhere.

Technology

Work continued at pace to develop and integrate the new case-handling and consumer portal systems ready for full launch in 18/19. The service was now

turning its attention to the next steps it could take in its technological development.

9/1802 Transfer of complaints about claims management companies **fos/18/02/09**

The service was preparing to take on responsibility for handling complaints about claims management companies (CMCs) when the FCA assumed responsibility for regulating them. The current expectation was that the earliest the service was likely to start to receive cases was April 2019. While that was a way off, planning was nevertheless underway, with initial focus on some of the more pressing considerations, of which managing conflicts of interest was one. This was of particular interest to the Board and it had asked to have an early discussion.

The Board reviewed the evaluation on how actual or perceived conflicts of interest could be best managed and risks mitigated. It agreed the approach and arrangements under consideration looked sensible. The Board would be kept updated on developments and on further key considerations as they arose and were being worked through.

10/1802 Updating our governance arrangements **fos/18/02/10**

A scheme of delegation had been in place for a number of years setting out the Board's statutory obligations under FSMA. However, its broader responsibilities had not been set out in a formal schedule of matters reserved for the Board. The findings from a recent governance review had supported the work that was in hand to draw one up.

Earlier drafts had been reviewed by the audit committee and the final draft before the Board reflected its detailed discussions.

Subject to a number of minor amendments, the Board agreed the schedule, as well as revised terms of reference (ToR) for the board sub-committees. The ToR had been updated both to take account of the schedule of matters reserved for the Board and to ensure consistency between them.

The schedule of matters reserved for the Board and the revised terms of reference were subsequently posted on the Board pages of the website.

Any other business

Maeve Sherlock's final term on the Board was coming to end later in the month, when she would have served the maximum 10 years allowed. Maeve had proved an invaluable Board member during her time. Her intuition and insightful contributions had brought rigour and objective scrutiny to the business before the Board. In her capacity as SID, Maeve had been an unfailing sounding board to the Chairman and she had the unwavering trust and support of her fellow board members. The Board and the executive management team would miss her very much and they wished her a fond farewell.