

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held on Wednesday 25 July 2018 at 09.00

Present	Nick Montagu (NM)	chairman
	Gerard Connell (GC)	director
	Alan Jenkins (AJ)	director
	Diana Warwick (DW)	director
	Jenny Watson (JW)	director
Apologies	Sienna Veit (SV)	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
	Richard Thompson (RT)	principal ombudsman & director of quality
	Annette Lovell (AL)	director of engagement
	Tim Archer (TA)	lead ombudsman and director of casework (item 8)
	Nathan Horner (NH)	lead ombudsman and director of casework (item 7)
	Kate Lloyd (KL)	senior legal counsel (item 10)
	Alison Hoyland (AH)	board secretary
	Megan Webster (MW)	policy and communications manager

1-4/25/07 Board and committee meetings:

The Board:

- approved the note of the board meeting held on 25 April 2018 and 18 May 2018;
- noted the minutes of the meeting of the audit committee on 18 April;
- noted the oral update of the meeting of the audit committee on 27 June 2018; and
- noted the oral update of the meeting of the board sub-committee meeting on 4 July.

Matters arising

The matters 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: 1:1s with NEDs and members of the executive, and a visit to Coventry;
- regulatory and other policy engagement: FCA oversight committee meetings, FCA chairman, Charles Randell's, visit to the service and meetings with peers: Lord Flight, Baroness Tyler & Lord Clement-Jones;
- industry engagement: banking ISG, chair to chair meetings with Santander & RBS;
- independent review engagement: 1:1 with Richard Lloyd, TSC prep and the TSC session.

Chief ombudsman and chief executive's update

Much of the chief ombudsman and chief executive's update was picked up in substantive business.

5/1807 Q1 performance review

fos/18/07/05

A number of external and internal pressures had impacted performance against key commitments in the first quarter of 2018/19.

In headline terms, overall performance and the prevailing context included higher than anticipated incoming case volumes (short term lending case volumes were more than double the number anticipated in the budget and there were wider handling and policy issues at play) and lower total resolutions than target and longer waiting times, as a result.

Encouragingly though, consumer satisfaction scores remained above target, (68%, against a target of 65%) and the flexibility of the investigation model had meant that the service had been able to respond to the immediate needs of consumers and sudden demand, such as that presented by the recent IT problems TSB had experienced.

The board discussion centred on the challenges to performance and the plans to tackle shortfalls by the end of the year. The service was confident that the different levers it was pulling would help to address the issues, including ongoing recruitment, a range of initiatives to build people's capability and ongoing engagement with stakeholders to work through policy and other case-handling issues impacting the progression of cases.

The wider environment was likely to continue to be volatile, including in areas like the short term lending market, where developments there could have a significant impact on the work of the service (and on which the board received a further update later on the agenda).

The board's review of the risk register, the format of which had been updated recently following a review of the risk management framework, identified the need for an overview or executive summary. The board asked that this overview

identify the current critical risks, and the areas where the board should direct its attention and scrutinise mitigating actions and plans.

6/1807 Independent Review

fos/18/07/06

The board formally received Richard Lloyd's independent review and accepted the recommendations, agreeing that they would help the service focus on the right things as it learnt lessons and looked ahead. The findings would be helpful in guiding planning and decision-making on how the service could do even better in the future – improving things for its customers and its people.

As the report recognised, a good deal of work was in train and it would be important to keep up the momentum on this work and quickly assess what more needed to be done, as well as identify any gaps and the need for new approaches. It would be important to engage colleagues from right across the service – combining work streams, staff events, and discussion forums – and involve them in the substance of the findings and the work to address them.

The report would provide helpful context to the board's upcoming strategic away days and progress against the recommendations would be published by the end of the year.

In the meantime, the board noted the Treasury Select Committee session the previous week, to which the reviewer, the chairman and chief executive and chief ombudsman had been invited to give evidence on the report. Subsequent updates to the board on progress would include any further dialogue with the committee.

7/1807 Handling short term lending cases

fos/18/07/07

As highlighted under the performance review earlier in the agenda, volumes of incoming short term lending cases were coming in at a significantly higher rate than anticipated. In considering the plans for responding to the higher volumes, the board noted:

- increased claims management company activity in the sector;
- the sector was not covered by the Financial Services Compensation Scheme;
- some cases involved consumers in extreme financial distress; and
- the potential impact on the service of dealing with another wide scale mass complaint issue and the risks to revenue in the event that providers were unable to meet case fee bills.

The service would keep developments under close review, including through its engagement with the regulator to consider any action it might be appropriate for it to take. In the meantime, the operational steps the service would take included:

- recruiting additional contingent case-handlers; and
- training, with a continued emphasis on helping vulnerable consumers.

Further updates would come to the board on developments in the sector and what this meant for the service's operations.

8/1807 Developing our service and our people journey

fos/18/07/08

Embedding the investigation model

The service development programme of work in investigation was focussed on building capability and capacity, and included further recruitment, a comprehensive programme of training and embedding the '70/30' model – an operating approach that distinguished cases everyone would handle and those cases the service saw less often and/or which carried (for a wide variety of reasons) additional risk.

In relation to the transition support area, the board noted that the consultancy period for the agreed voluntary redundancy exercise was due to close the following week. The number of applications that been received were in line with expectations. In the circumstances, the service was likely to be able to accept all the requests and would not, therefore, need to undertake a compulsory exercise at this stage. Given the nature of the exercise, the board was reassured to note that the communications surrounding the exercise had been generally well received by staff.

Technology

The board noted that the launch date of Phoenix, the service's new customer-centric case-handling system, was going to be further delayed.

The board was disappointed with the additional delay and the attendant costs, but noted that the focus must remain on the delivery of a user-friendly system that would serve customers' purposes as intended.

On wider issues, the board noted that the service had commissioned a review by the Society of Information Technology Management to help inform thinking on IT services in the future.

9/1807 Rule changes

fos18/07/09

EU Benchmarks Regulation

The board agreed the changes to the rules for EU Benchmarks Regulation.

Handling complaints from larger SMEs

The board noted the current timetable for the rule changes.

The director of engagement noted for the record her Office for Legal Complaints non-executive role (the board for the Legal Ombudsman), although no conflict arose as she did not participate in discussions in relation to this matter in her capacity as a board member.

The board noted the progress being made in preparing for the extension of the service's jurisdiction to cover complaints against CMCs, including in relation to resources, costs and data protection. The board would be kept updated on progress and key issues.

11/1807 Annual assurance and governance reports

As part of the routine assurance framework, and in line with the provisions of the schedule of matters reserved for the board, year-end reports were provided on:

- litigation;
- health & safety;
- environment/sustainability;
- property;
- the work of the audit committee;
- the work of the remuneration committee;
- the work of the service development steering committee; and
- the work of the quality assurance group.

Under the report from the audit committee, the board approved the annual review of the audit committee's Terms of Reference and the chairman signed the service's annual statement under the Modern Slavery Act 2015 for publication on the website.

Under the report from the remuneration committee, the board noted that the committee would be reviewing its terms of reference with a view to passing responsibility for executive development and succession planning to the nomination committee. Subsequent changes to the Terms of Reference would come to the board for final approval in due course.

AOB

The board welcomed the new HR director, CN and invited her to provide an overview at an upcoming board or audit committee meeting, setting out her early impressions of the service and the key people issues.