

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held on Wednesday 28 November 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
	Sienna Veit (SV)	director (from 10.00)
In attendance	Caroline Wayman (CW)	chief executive & chief ombudsman
	Julia Cavanagh (JC)	chief finance officer
	Chris McDermott (CMcD)	chief operating officer
	Annette Lovell (AL)	director of engagement
	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
	Alison Hoyland (AH)	board secretary
	Megan Webster (MW)	policy and communications manager

1-4/28/11 Board and committee meetings:

The board:

- approved the minute of the meeting of the board held on 31 October subject to one or two small amendments;
- noted the action log.

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, the head of internal communications and the Independent Assessor.
- Regulatory engagement: attending the Financial Conduct Authority's oversight committee to discuss the service's draft plans and budget, the progress being made against the recommendations from Richard Lloyd's Independent Review and preparations for the extension of the service's jurisdiction to receive complaints from larger small and medium sized enterprises.
- Industry engagement: chairing the meeting of the Insurance Steering Group.
- Other: speaking at a "Speakers for Schools" event.

Chief ombudsman and chief executive's update

The CEO update had been reformatted following feedback from the board effectiveness review. The board agreed the new report, which focussed on two or three strategic issues, was helpful and should provide the template for future updates.

Much of the chief ombudsman and chief executive's update was picked up in substantive business, with the discussion under the CEO update focussing on the latest developments in relation to small and medium sized enterprises (SMEs) and the provision of an effective alternative dispute resolution (ADR) mechanism.

At its October meeting, the board noted that the FCA had published its policy statement on extending the service's jurisdiction to cover complaints from larger SMEs and that the findings from a separate review commissioned by the banking industry body, UK Finance, into SME access to ADR had been published.

Since then, the FCA oversight committee in November had discussed the preparations the service was making to take on the wider remit. The FCA would be considering the final position at its December board. [The FCA has since confirmed the final rules extending the service's jurisdiction from 1 April 2019]. The wider recommendations in the UK Finance review were subject to broader stakeholder interest. While the service would stand ready should the government wish to explore any further changes to its remit, policy thinking and decision-making would need to take account of a number of factors, principal amongst which was the service's stated core purpose. The board would be kept updated on any relevant developments.

Brief discussion also touched on a recent article in the Times about a travel insurance case which raised issues around medical treatment abroad and repatriation; and the recent board file review exercise. On the latter, the board agreed that doing the review collectively, with an opportunity to have a discussion on each case, proved a more effective approach and that future file reviews should follow this format.

5/1811 19/20 budget

fos/18/11/05

At its October meeting, the board agreed the broad parameters within which the ombudsman service was preparing its 2019/20 budget for public consultation.

Further analysis and pre-consultation discussions since then, including at the FCA oversight committee, with the industry and with consumer representatives, continued to support the high-level planning assumptions around the work the ombudsman service might expect to receive. Stakeholders agreed that the current forecasts represented reasonable estimates for consultation, while noting that there were many uncertainties and that the outlook was far from stable, as

evidenced by the significant increase in case volumes the service was experiencing in the current year.

On funding, pre-consultation discussions with stakeholders had included the proposals the board discussed in October around the prospect of raising additional funds through the FCA levy to reflect the investment required to increase capacity to deal with higher volumes, manage volatility in the case-mix and to meet the costs of the planned SME and CMC extensions to the compulsory jurisdiction. The board noted the further work that had been undertaken since the October board to assess the impact on different fee-payers, which showed that the largest percentage increase would apply to consumer credit businesses, in line with the significant growth in the caseload in this area.

The plan and budget consultation would therefore propose raising the levy in 2019/20 and seek views on wider funding changes for future years, taking account of the close out of PPI, to reflect future case volumes and case-mix and to be better aligned with case-handling approaches and ways of working.

The board agreed that the ombudsman service should proceed to present its draft budget and fee plans to the FCA board, noting that as part of its oversight, and ahead of its December meeting, the FCA had also asked for further assurance on:

- the service's plans and preparations for taking on the extended SME jurisdiction;
- taking forward the lessons learned from the case review recommendation in Richard Lloyd's Independent Review; and
- its costs , and whether they remained flat in real terms.

In terms of the next steps, the draft consultation document would be circulated to the board for comment after the meeting, and then published as soon as possible after the FCA board.

Before seeking final FCA approval on the budget, the board would review the position again in February 2019, when it would have a clearer picture of the operational position and prevailing challenges as it approached the end of 2018/19, and then finally in early March in light of the very latest forecasts and consultation responses.

6/1811 Service Development

fos/18/11/06

Programme framework and governance

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.

One of the central features of phase 2 of the transformation, not least in the light of Richard Lloyd's independent review and his recommendations on

strategic planning, was to involve a wider set of colleagues from across the service and ensure staff felt engaged and informed more generally. The governance and project arrangements had therefore been designed with this in mind.

Business owner roles on the programme had been advertised, and had attracted a good amount of interest; once they were filled, further opportunities would arise for a wider set of staff to back-fill successful candidates' roles. People in roles supporting the programme would receive the appropriate training and support to ensure their effective contribution and to encourage a creative and solution-focussed mind-set. Plans were also in hand to set out the programme and the strategic framework to staff at two events on 10 December.

Board critical friend support would now be provided by GC and SV. AJ was stepping down from the steering committee and the board and executive team expressed their gratitude for the significant contribution he made as critical friend to phase 1 of the service development programme, and the PPI programme before that.

The board agreed it would be important to ensure the critical friend role continued to strike the right balance between receiving assurance and providing challenge and that the steering committee's terms of reference should be subject to periodic review to check the effectiveness of the governance arrangements.

Technology

The technology transformation programme continued to be tracked under the main service development programme.

The board noted that GW had assumed responsibility for overseeing the roll-out of the new case-handling system, Phoenix, a core element of the technology transformation plans, in the light of the departure of the chief operating officer at the end of the financial year. A full roll-out would proceed once the testing was complete and a stable system was ready for release.

In the meantime, case handling capability for the new SME and CMC jurisdictions from April 19 was being built into both the existing case system and Phoenix as part of the operational readiness plans.

The board agreed a revised programme budget to cover the anticipated costs of completing the necessary testing and implementation work.

7/1811 Casework planning strategy

fos/18/11/07

The service's casework planning strategy was focussed on delivering a modern, flexible and responsive service to meet customers' expectations and better enable the service to be agile in matching resource to an ever changing

demand profile and case-mix. At the core was the establishment of a single operating model in the future for all 'business as usual' general casework. As it embedded this single investigation model, temporary transition support arrangements had been established as part of a wider set of initiatives to help the new teams as they built their capability and capacity. The service had committed to giving staff sufficient notice of plans to end the transitional support arrangements and to setting out the available opportunities in other areas of casework.

The latest assumptions supported a decision to end the transition support arrangements from June 19. Staff would be told in early December therefore, in line with the commitment to provide as much certainty and to give sufficient notice, ahead of a formal consultation in January 19.

Communications to staff would be careful to explain the rationale for continuing recruitment into the investigation teams and for contingent contractors. Staff in the transition support area would be able to apply for investigator roles and the contingent roles formed part of the service's strategy to be flexible and responsive to changing demand. Staff would also be able to elect to join the casework teams dealing with PPI and other mass claim cases. If people elected to leave, however, and did not want to take up further opportunities at the ombudsman service, there would be a number of points at which they would be able to take voluntary redundancy before the end of June 19 and before the start of a compulsory redundancy process on 1 July 19. The full risk assessment would be circulated to the board after the meeting.

Having been assured that the case had been made, and that the plans were consistent with the agreed casework planning strategy, the board agreed the service should proceed with its plans.

action:

- full risk assessment to be circulated to the board.

8/1811 Internal communications and engagement

fos/18/11/08

Significant investment had been made over the last year to improve internal communication and staff engagement including the development of an internal communication strategy and the appointment of an experienced internal communications professional to head a new dedicated function.

More recently, the team had overseen a 'mini' staff survey, the results from which helped test a new survey tool and check staff engagement levels since the last all staff survey the previous year.

The results showed that staff continued to value their teams and the people they worked alongside and were dedicated to helping the service achieve its goals and were proud of its work.

Challenges remained around people's perception of management and leadership; colleagues wanted more visibility and to better understand accountability for decisions.

Although the results showed that colleagues recognised the steps that had been taken to ensure that people were kept informed, there was still more to do to make sure communications were consistently seen as open and transparent.

A good deal of work to address the feedback was already in hand, including as part of the response to Richard Lloyd's independent review. Further action plans would be developed locally, so that area-specific feedback and circumstances could be addressed in the most meaningful way.

The new survey tool had proved effective and the service was confident that it would continue to be able to build on its flexibility and responsiveness and extend the insights it provided as it continued to use it and as it became more familiar with its capability.

In terms of the next steps, as noted earlier in the meeting, an executive-led staff event, at which NM would chair the question session with the executive, was being planned for December. The purpose was to provide an update on progress with the independent review, reflect on the service's key achievements in the year to date, and consider the current operational challenges. The agenda also included an update on how the service would be taking forward its change programme and an explanation of the '3 Horizons' strategic planning framework and the timelines and areas of focus for each of the horizons. Colleagues would have already been told about the transition support plans, and the event would provide an opportunity for people to ask questions about the implications and anything else on their mind.

09/1811 Independent Review

fos/18/11/09

The board noted the progress made since the October board in implementing the recommendations following Richard Lloyd's Independent Review. Action to implement all the recommendations was either complete or well underway. An update on progress would be published as part of the service's plan and budget consultation in December.

In the meantime, the Treasury Select Committee (TSC) continued to take an interest in the review, and in particular the recommendation for a sample case review to check that decisions made during the early stages of the service's reorganisation were handled in accordance with the controls and standards put in place at the time. It was likely that the outcome of the sample case review and the progress being made against all the recommendations would be a key feature of the expected follow up session with the TSC in the new year.

At the time of the board meeting, the sample case review was near complete, and plans to publish the results of the review at the same time as the wider progress update, were on track.

10/1811 Statutory obligations in relation to the FCA

fos/18/11/10

As part of the assurance framework, the ombudsman service provided bi-annual reports to the board on the statutory obligations relating to cooperation and information sharing with the FCA. The report presented to the November board covered the first six-months of the financial year and supplemented the more qualitative reports the board received at each meeting on ongoing liaison between the two bodies.

The board noted the paper.