

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at Exchange Tower, 1 Harbour Exchange, E14 9SR on Wednesday, 8 February 2017 at 09.00

Present	Nick Montagu	chairman
	Gerard Connell	director
	Alan Jenkins	director
	Maeve Sherlock	director
	Pat Stafford	director
	Gill Whitehead	director
In attendance	Caroline Wayman	chief executive and chief ombudsman
	Chris McDermott	chief operating officer
	David Cresswell	director of strategy (for item 9)
	Annette Lovell	director of engagement (for items 7, 8 & 9)
	Richard Thompson	principal ombudsman & director of quality (for items 1-6)
	Garry Wilkinson	principal ombudsman & director of new services (for items 1-6)
	Talal Barkatali	head of strategic finance (for items 5 & 6)
	Mark Gee	chief technology officer (for item 6)
	Caroline Wood	chief of staff (for item 6)
	Tracy Campbell	head of property and customer help (for item 6)
	Alison Hoyland	board secretary

Apologies for absence

Apologies were received from Julia Cavanagh.

1-4/1702 Board minutes

The Board:

- approved the minute of the meeting held on the 26 November 2016
- noted the minute of the meeting of the audit committee on 3 October 2016.
- noted the oral update by the audit committee chairman of the meeting held on 17 January 2017.

Matters arising

Matters arising were mainly picked up in the formal business before the Board: the analysis on litigation costs would come to the March Board.

Chairman's update

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

- with the chief ombudsman & chief executive and the chief finance officer, attending the FCA Board to present the ombudsman service budget ahead of its publication for consultation;
- with the chief ombudsman & chief executive, attending the FCA board dinner;
- meeting the chairman of the Money Advice Service, Andy Briscoe;
- non-executive recruitment and the appointment of search agencies;
- approving ombudsmen appointments, which the Board noted; and
- giving a speech as part of the 'Speakers for Schools' initiative.

4/1702 Chief ombudsman and chief executive's update

Much of the chief ombudsman and chief executive's update was picked up in substantive business, with the Board noting here:

- a visit to the service by Andrew Bailey, chief executive of the FCA, to see the work of the ombudsman at first hand; and
- the service's re-accreditation as 'leaders in diversity' which acknowledged the service's commitment to fairness, respect, equality, diversity and inclusion throughout a period of change when many organisations tend to let drift when there are other competing priorities; and
- litigation cases of note.

5/1702 Service performance and budget

Q3 performance & Q4 forecast

fos/17/02/05a

Performance overall remained strong at the Q3 point, with customer satisfaction at record levels. Marginally fewer cases had been resolved than anticipated, partly because of lower incoming volumes of packaged bank accounts cases than expected.

Overall, though, incoming general casework volumes were up and at the current rate, could exceed the end of year forecasts. Timeliness in general casework was being impacted by these higher volumes – and performance was behind the more challenging targets the service had set for the year against the lower incoming case volumes it had budgeted to receive.

In PPI, 95% of cases not affected by the *Plevin* ruling had had a first answer within 3 months and were less than a year old. Cases impacted by the *Plevin* ruling now represented around 80% of the total PPI caseload.

The financial position was in line with the operational casework position – but more broadly, it reflected an underspend in staff and staff related costs and the achievements the support departments had made in securing savings and efficiencies.

The Board noted the position at the Q3 point and agreed the following year end reforecasts:

- New packaged bank account cases – 21,000 (down from the Q2F of 24,000)
- New PPI cases – 165,000 (down from the Q2F of 170,000)
- Total new cases – 311,000 (down from the Q2F of 319,000)
- Resolved packaged bank account cases – 25,000 (down from the Q2F of 27,000)
- Resolved PPI cases – 185,000 (up from the Q2F of 170,000)
- Total resolved cases – 335,000 (up from the Q2F of 322,000)
- Total operating income - £228m (up from the Q2F of £224m)

2017/18 plan & budget update

fos/17/02/05b

The Board reviewed the latest budget assumptions ahead of discussions at the FCA oversight committee, and before its final review and approval in March.

The main change in position from that presented to the Board in November, and then consulted upon, related to the assumptions for PPI. The FCA had yet to publish its PPI rules and guidance, and there was a chance, therefore, that the anticipated increases in PPI volumes might not be evident until the second half of the financial year. The year to date position in the current financial year also supported some minor amendments to the assumptions elsewhere.

The Board noted the initial review of the responses to the consultation on the budget received so far, which showed broad support for the service's assumptions; it would

have the benefit of seeing all the responses and a more detailed analysis before it signed off the budget in March.

The Board agreed the latest position on the budget for discussion with the FCA oversight committee.

2017/18 commitments

fos/17/02/05c

The Board undertook its annual review of the performance reporting framework. It had agreed significant changes to the framework two years previously, when the service introduced its 'commitments' dashboard to provide for better alignment between performance reporting and the key strategic objectives. The framework continued to provide appropriate oversight on service performance and so no fundamental changes were proposed for 2017/18 reporting.

A number of objectives were, though, redistributed to reflect where they better addressed certain commitments and some objectives were updated to reflect where the service was in the change programme, for example, the people and diversity and inclusion measures.

The Board agreed the commitments and the measures, subject to a few refinements in places to ensure performance could be tracked and compared. It would agree the underlying targets at its March Board.

6/1702 Service development

Programme update

fos/17/02/06a

The update on the service development programme focussed on:

- *The progress being made in establishing the investigation teams:*
The majority of the recruitment for the new investigation pods had been completed - and the 'waves' of new teams were being rolling out as planned.
- *Service performance and quality:*
The performance in the first of the established investigation pods continued to track against the trajectory. Productivity in the teams was also tracking as expected against plan. A number of changes to both the induction and performance management framework training had been introduced, based on the feedback from the first teams on what could be better. On performance management, the full breadth of what colleagues were doing to help customers was not being recognised and people were feeling undervalued as a result.

Consumer satisfaction on non-upheld cases continued to be higher than elsewhere in casework, and the investigation teams were now resolving around 50% of cases within 6 weeks, again this compared very favourably to waiting times elsewhere in casework.

- *The transition of colleagues to mass claims teams:*
Planning was underway to transition staff from general casework to PPI – a complex task for which the logistics themselves were significant in terms of the physical moves, but importantly, where much planning was needed to balance the teams to get the right blend of skills and capabilities. The transition would also require the close management of existing caseloads and a training programme to equip general casework staff to handle mass claims casework. The impact on staff morale and levels of engagement could not be underestimated either.

Governance for the programme of work for mass claims would now come under the service development programme arrangements.

- *Staff engagement:*

As the chief ombudsman and chief executive had highlighted in her report to the Board, the service was working with independent external consultants to gauge how people were feeling through this period of significant change. As noted earlier in the discussion, feedback from the focus groups held with the first investigation teams was helping identify those things where things could be done better – the quick wins and the things that might take a little longer to work through.

The Board emphasised the need to track engagement over time and across the different areas to check the impact of interventions and initiatives.

IT strategy

fos/17/0206b

The chief technology officer, Mark Gee, attended the meeting to present an update on the service's IT strategy.

The service's IT needs and capability had developed considerably over the last 5 or so years, including to support a significant increase in users as the service had grown, to introduce new technological solutions for handling PPI cases (and other similar IT tools for handling other cases), to introduce e-files and to extend the range of IT applications more broadly. As the service's IT capability and systems had grown, new data centres had been established and much had been done to improve IT resilience and security.

IT resource was now focussed on implementing the new customer-centric case handling platform and on the IT to support service delivery needs into the future, which included enhancing the service's on-line presence with the development of customer portals.

The Board recognised the dual challenge of scaling up and building resilience, while at the same time keeping an eye to the future and technological advances. While the service did not need to lead the way in technological innovation and take attendant risks – it did need to keep pace with customer need and expectation and so look beyond its current modernisation programme.

The steps being taken to strike this balance included making sure that any IT choices being made now did not close off or limit the possibilities for any technological developments in the future. The IT strategy and the service's scale of ambition would be kept under review against its broader strategic ambitions. As it discussed later on the agenda, when it considered its next board commissioned review, the Board noted that there would be no slowdown in the pace of evolution. The service would need to keep up with what its customers wanted and needed in order to stay meaningful and fulfil its role.

7/1702 ADR landscape

fos/17/02/07

The Board discussed a number of developments in the ADR landscape which had a bearing on the work of the service.

Research into the comparative performance of ADR schemes

Citizens Advice was conducting comparative research into performance of ADR schemes across selected consumer markets. The purpose of the study was to assess the effectiveness of the ADR regulations and inform the preparation of a set of evidence-based best practice recommendations to improve consumer access to redress. The service was contributing to the study, and would keep the Board updated as this work progressed.

Access to redress for small and medium sized enterprises (SMEs)

In 2014 and 2015, the work of the Treasury Select Committee and the Parliamentary Commission for Standards in Banking highlighted a number of high-impact cases where SMEs had experienced poor outcomes in dealing with financial services firms and where they had concerns about access to redress. In response, the FCA published a discussion paper in which it had reviewed the protections available and whether the eligibility criteria of the ombudsman service should be expanded and the award limit raised for SME complainants.

Since then, a number of other interested parties, including two All-Party Parliamentary Groups - on Fair Business Banking and Alternative Dispute Resolution - had joined the debate, with proposals which had included the creation of financial services tribunals and a commercial financial dispute resolution platform.

It was important that policy thinking should take account of the risk of confusion for consumers if there were overlapping jurisdictions between different schemes, and the service should ensure that government and the regulator recognised this risk.

While acknowledging that any extension of the service's jurisdiction was a matter for decision by government and the regulator, the Board was clear that the service had the relevant expertise to handle complaints from larger businesses and should stand ready to accept any new responsibilities. Depending on the scope, though, options should be kept open on the structure of any additional jurisdiction and the funding arrangements.

The service would keep the Board updated on any relevant developments, including any plans to seek to extend the service's jurisdiction.

ADR for pension complaints

A memorandum of understanding (MoU) was in place to help navigate elements of overlap between the jurisdictions of the financial ombudsman service and the pensions ombudsman. The two schemes were in discussion about the operation of the MoU, how it could best work alongside certain rule obligations and how to ensure ease of access for consumers. Again, the Board would be kept updated on any relevant developments.

8/1702 Rules

fos/17/02/08

The FCA was proposing to make minor administrative amendments to correct some historical drafting discrepancies and to amend the glossary of definition in relation to consumer buy-to let firms. Consistent with the established approach of mirroring changes to compulsory jurisdiction rules, the ombudsman service was proposing to make the equivalent changes in relation to the voluntary jurisdiction. The FCA had the power to make such administrative changes without a consultation, but the service was required to consult on voluntary jurisdiction changes, which it had done, and to which it had received no responses.

The Board agreed the changes, subject to FCA approval at its Board meeting later in the month.

9/1702 Next Board commissioned review

fos/17/02/09

The Board had explored potential areas for its next independent review at its September away days. To help frame the discussion, the service had asked stakeholders for views. Ideas had been wide ranging, with no natural consensus. The areas identified ranged from forecasting demand to the impact of the UK vote to leave the EU.

The initial discussion in November had suggested that there might be some merit in a review around digitisation and/or the service's 'people' offer. However, further thinking since then had concluded that both these areas were already key strands of the service's modernisation and change programme. To add value, and be more forward looking therefore, it was suggested that these areas should be reviewed in the context of a future or evolving workplace.

While the Board liked the idea of applying various different lenses - social, economic and technological - to the issues and agreed that this approach would provide a broad perspective, it was concerned that a focus on the 'evolving workplace' ran the risk of being too inward looking. As such, it was unlikely to go far enough to help develop a broader, longer-term strategy for the service. As the earlier discussion on IT had highlighted, attention would soon need to turn to a timeframe that looked a good way out and beyond the horizon of service's current modernisation programme. Further proposals would, therefore, be worked up for the March Board that looked at the service's role and existence and customer need and expectation in a future world where the pace of evolution was likely to only increase.

AOB

There being no other business, the meeting ended at 14.00.