MINUTES

MINUTES of the meeting of the directors, held at Exchange Tower, 1 Harbour Exchange, E14 9SR on Wednesday, 26 July 2017 at 09.00

Present
Nick Montagu  chairman
Gerard Connell  director
Alan Jenkins  director
Maeve Sherlock  director
Pat Stafford  director
Jenny Watson  director
Gill Whitehead  director

In attendance
Caroline Wayman  chief executive and chief ombudsman
Julia Cavanagh  chief finance officer
Chris McDermott  chief operating officer
David Cresswell  director of strategy (items 5)
Annette Lovell  director of engagement
Sally Webster  HR & OD director (item 5)
Garry Wilkinson  principal ombudsman & director of new services (items 5 & 6)
Alison Hoyland  board secretary

By invitation
Diana Warwick  director (with effect on 1 September 2017)
Richard Sheath  Independent Audit
James Littlefair  Independent Audit

Apologies for absence
There were no apologies.

1-4/1707  Board and committee minutes

The Board:
- approved the minutes of the board meeting held on 9 May 2017

Matters arising

Matters arising were mainly picked up in the formal business before the Board, with the Board noting here that the Annual review and the directors’ report and financial statements had been published.

Chairman’s update

The chairman welcomed Jenny Watson to her first meeting as a Director, and Diana Warwick, who would join the Board in September. He noted with pleasure Jenny’s award of a CBE in the 2017 Birthday Honours.

The chairman updated the Board on the ombudsman service business in which he had been involved since the last board meeting, which had included:
- 1:1 meetings with Board and executive members.
- Spending time with case-handling colleagues in mass claims.
- A banking steering group meeting.
- A meeting with Tim Clement-Jones (chair) and Lewis Shand Smith (CEO), ombudsman services.
- Non-executive director recruitment.
- Approving the latest ombudsmen appointments (which the Board noted).
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 developments in relation to:

- SME access to ADR.
- The transfer of claims management regulation and complaint resolution.
- Litigation cases of note.

Developing the service and our people journey

For the last two years, the service had been transforming the way it worked in line with its strategy to develop and maintain a ‘relevant and sustainable’ service fit for the future. To do that, it had been balancing a number of priorities to:

- modernise and re-engineer its casework model to provide a responsive and efficient service for its customers;
- manage considerable uncertainty in its PPI caseload and see it through to an orderly conclusion; and
- reduce the costs of its support functions and make better use of its resources.

The large scale changes, which had touched every part of the service, had been unsettling and had brought significant uncertainty for staff. The impact on engagement levels had been considerable.

At the May Board, Jenny Davenport, an independent consultant, had provided an update on how staff were feeling and presented the overall findings from the service-wide staff focus groups she had facilitated. She had mentioned that the results of an all-staff survey, due to be run at the end of the month, would provide further insight and help identify where actions should be focussed.

The staff survey results were now available. The response rate was high, with 78% of staff completing it. The results showed that there was much that staff were unhappy and concerned about – consistent with the feedback other channels had provided to date – including the service’s ‘pulse surveys’, the focus group sessions, external commentary on review site, ‘glassdoor’, and the on-going follow up work in teams.

Encouragingly, 88% of staff said they were committed to playing their part in helping the service achieve its objectives and to treating customers well and respecting their needs. While there was marked improvement on the extent to which colleagues were proud of the work the service did, compared to the results reported in the last quarter’s performance dashboard, there was still some way to go before the ‘proud’ scores were at a more comfortable level.

The May Board had noted that the results were likely to be especially critical of executive-level management, and this had proved to be the case. This made for particularly uncomfortable reading, alongside the low scores for the perception of how changes had been managed and communicated. People were sceptical about anything happening as a result of the feedback and, while there were no apparent cultural issues as far as bullying and harassment were concerned, it would be important to look at the results at a more local level to check for any outliers and to do more to understand the results which indicated low levels of reporting.

Other concerns were more area-specific; for example, colleagues dealing with mass claims cases felt they had fewer opportunities to learn, develop and progress compared to previous years where there had been rapid recruitment and progression. Added to this, people were uncertain about their future. They knew PPI work would come to an end at some point – but when was an open question, given how much was outside the service’s direct control.
In investigation, progression and job security were less of an issue, and key concerns centred on the pressure staff were feeling in their new roles, with lots of new things to learn and demanding targets. Levels of stress or worry were therefore higher than elsewhere.

The summer period would provide for a period of reflection, as the results were shared with staff and they had time to assimilate them. The executive management team was determined to listen and respond to staff, both by building on the things that were already in train and by looking at what else needed to be done to improve and do things differently. It would take visible and credible action to improve engagement levels and everyone’s experience of working at the service.

It would be important to involve people in addressing the concerns – the feedback in the staff survey showed that staff wanted to be consulted on the big issues. This was especially the case for senior leaders, who wanted to share their experience and expertise and make a contribution. A collaborative approach would enable that and encourage a sense of joint ownership, with colleagues able to play their part to help.

The Board agreed that the results made for difficult reading, and were struck too by the feedback that was directed at the executive-level management. While the results, in large part, reflected the major change that the new strategic direction involved, coupled with considerable uncertainties outside the service’s control, there was a clear need to get underneath the concerns being raised and address issues.

Engagement levels and how people were feeling would remain a key priority for the Board as the executive put in place its action plan to address the issues raised. It would keep in touch on a continuing basis with staff sentiment across the service, as well as at a more granular level where there were variances between the different departments. More specifically, the Board would want to continue to receive assurance on:

- how the investigation model was delivering everything the service and its customers needed it to (and that colleagues understood how the changes were benefitting customers);
- how PPI was being managed to an orderly conclusion (and that colleagues in mass claims were being given as much clarity as possible about the future outlook).

Casework performance and people measures would continue to be tracked through the commitments dashboard – and the service would look at what other metrics and measures it could draw on, for example, other relevant benchmark surveys and feedback channels.

The service had a good first quarter, with headline performance showing that:

- New cases and resolutions were slightly above budget.
- Just over 50% of all cases had been resolved within 45 days – in line with the service’s commitment to end the year having resolved 50% of cases overall within this timescale.
- Waiting times for consumers with PPI (non-Plevin) cases had come under pressure. And timeliness more generally was expected to come under pressure later in the year due to an expected increase in case volumes.
- Overall business satisfaction stood at 82%, compared to the target of 80% and overall consumer satisfaction stood at 67%
- Financial performance reflected the operational position, and was slightly ahead of the budget assumptions.

The Board noted the good start to the year and how the service was responding to areas of pressure. It agreed the following full year reforecast assumptions:

- New and resolved general casework volumes – 130,000 cases (up from 125,000).
- New and resolved packaged bank account volumes – 12,500 cases (down from 15,000).
- New and resolved payday lending volumes – 12,500 cases (up from 10,000).
- Overall total expenditure – £262.1m (down by £1.4m).

7/1707 Rules

The Board agreed the proposed changes to the voluntary jurisdiction rules, to reflect the changes the FCA was making to the compulsory jurisdiction rules in relation to the time-limits for PPI complaints.

The note on upcoming rule changes included an update on the latest position in relation to the FCA’s guidance on the treatment of politically exposed persons (PEPs) for anti-money laundering purposes and the potential for future rule changes to make it explicit that PEPs could bring complaints to the ombudsman service. The Board noted the need to consider any potential conflicts for those board members who might be a PEP, should any future rules changes come before it.

8/1707 Annual assurance reports

As part of the routine assurance framework, the Board received year-end reports on health & safety, the environment/ sustainability and property. In noting these reports, the Board thanked the head of property, Tracey Campbell, for her oversight and achievements across all three areas.

As part of a wider review of corporate governance practices, it was agreed that it would also be helpful to provide the Board with annual summary reports on the work of the board sub-committees, and committees on which Board members provided critical friend support. Reports had, therefore, been prepared on the audit committee, the remuneration committee, the service development steering committee and the quality assurance group.

AOB

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