

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at Exchange Tower, 1 Harbour Exchange, E14 9SR on Thursday 20 October 2016 at 09.00

Present	Nick Montagu	chairman
	Gerard Connell	director
	Alan Jenkins	director
	Gill Whitehead	director
Apologies	Maeve Sherlock	director
	Pat Stafford	director
In attendance	Caroline Wayman	chief executive and chief ombudsman
	Julia Cavanagh	chief finance officer
	Chris McDermott	chief operating officer
	Annette Lovell	director of engagement
	Richard Thompson	principal ombudsman and director of quality
	Sally Webster	director of HR & OD
	Garry Wilkinson	principal ombudsman & director of new services
	Talal Barkatali	head of strategic finance
	Alison Hoyland	board secretary

Apologies for absence

Apologies were received from Maeve Sherlock and Pat Stafford

1-4/1610 Board minutes

The Board approved the note of the meeting held on the 22 September 2016.

The Board noted the minute of the June Audit Committee and the audit committee chair, Gerard Connell, provided an update on the meeting held earlier in October.

Matters arising

Matters arising were picked up in the formal business before the Board.

Chairman's update

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

- The bi-annual file review exercise – the analysis of which was due to come to the November board (Board colleagues who had yet to complete theirs, were reminded to do so); and
- His submission to the FCA Board on non-executive re-appointments.

The chairman noted the Board's condolences on the death of former Board member, Julian Lee. Colleagues had very fond memories of Julian, whose contribution to the Board during his 10 year's had been outstanding. The chairman had written to Julian's widow, Lesley Lee, on behalf of the Board and the service.

4/1610 Chief ombudsman and chief executive's update

The main developments since the last meeting were picked up in the Board business, but other matters to note included:

- The long-service event for staff which recognised those that had been at the service for 10 years or more. The event had been very well attended and very positively received.
- An introductory meeting with new FCA chief executive, Andrew Bailey.
- A meeting with the pension ombudsman and the respective regulators about how the two schemes worked together.
- Litigation cases of note.

5/1610 Q2 performance review and forward forecast

fos/16/10/05

The strong start to the year reported at Q1 continued. Customer satisfaction (consumer and business) remained at record high levels and the numbers of resolved general casework cases (including in the new investigation pods) were ahead of target. The vast majority of packaged bank account cases were being resolved within three months, and at the half year point, only 20 cases were older than this.

While case-handling teams were dealing with higher general casework volumes than anticipated, mainly because more people were asking for help with payday loan complaints, steps were being taken to respond to higher demand and to bring down waiting times for customers.

In PPI, while the service waited for FCA rules and guidance on cases affected by the *Plevin* Supreme Court ruling, it was getting answers out as quickly as possible on the mis-selling aspect of complaints. PPI colleagues were also working hard to prepare the groundwork for when the *Plevin* affected cases could be progressed once the FCA rules and guidance were in force. In the meantime, customers were being kept updated on what was happening.

The financial position remained strong, in line with operational performance, with savings being realised through reduced staff spend in the main, but also through the continued emphasis on robust cost management and efficient and effective working.

In looking at the forward view for the remainder of the year, the Board noted that the PPI resolution targets envisaged under the original budget plans were no longer achievable in the light of continuing *Plevin*-related delays, and so agreed a revised target of 170,000 PPI resolutions for the year.

Elsewhere, in the light of volume increases over the last six months, the board agreed a revised forecast of 125,000 new general casework cases (all of which would be resolved in year). It agreed though that declining volumes in packaged bank account cases supported a revised forecast of 24,000 new cases and a new resolution commitment of 27,000 cases.

The board commended the service on the performance to date and the work that was being done to manage the areas of pressure and continuing uncertainty in the PPI environment.

6/1610 2017/18 plan, budget & fees

fos/16/10/06a & b

As usual, the annual cycle for setting the plan and budget began in earnest in October with the board taking an early view on the assumptions for the following financial year. A review of the assumptions at this stage would help inform any further analysis needed ahead of discussions with the industry, FCA's oversight committee in mid-November, and before the board undertook a more detailed review later in November.

As the discussion under the previous item on performance and the operational and financial outlook for the remainder of 2016/17 had highlighted, management of the PPI caseload would continue to be central to setting the budget for the following year. With many external factors at play (largely the FCA's rules and guidance on cases affected by the Supreme Court ruling in the case of *Plevin* and on a time-bar), planning with any degree of certainty remained difficult.

To help test the range of possible scenarios, the service looked at a number of variables, including:

- volumes to date;
- estimates on the number of PPI policies sold;
- research on the number of people believed to have brought a complaint to date;
- potential claims management activity;
- industry cooperation with FCA rules and guidance; and
- industry redress provision.

The analysis identified that the range of plausible case volumes could be significant. A key challenge in the light of this would be how best to navigate the tension between being underprepared for high volumes (and the associated risks of longer waiting times for customers) and the risk of being over-resourced.

The Board agreed that a central assumption of a new incoming PPI caseload of 250,000 cases seemed a reasonable basis upon which to proceed for now. It would be important though to test the central assumption, and the potential for much higher or much lower volumes, with industry and other stakeholders during the budget cycle. Stakeholder input would be vital in informing the assumptions put forward for consultation and further refinements to the budget and plans.

The Board also agreed that against the near certainty of continuing deficits on any likely scenario of PPI case volumes compounded by the uncertainties in the PPI outlook, the service should maintain its reserves and that this should, therefore, be put to stakeholders in the consultation.

In other areas, general casework volumes were expected to remain stable, except those for packaged bank account cases, where numbers were expected to decline further. Again, these were central assumptions and subject to variation, for example, higher PPI numbers could drive numbers up across the board, as could new complaint handling rules (firms could now 'consent' to the service's earlier involvement and there were new obligations on firms to refer consumers to the service in certain circumstances). Stakeholder views would again help refine thinking as the budget cycle progressed.

For now therefore, the Board agreed that the current assumptions represented 'reasonable estimates' of the work expected the following year, and that the current operating and expenditure plans were realistic in the circumstances, subject to further refinement during the budget cycle.

Lastly, the current expectation was that the funding model would remain unchanged for the following year, though the consultation would ask industry stakeholders about providing data to help with an analysis of the impact of new complaint handling rules (which the Board had discussed earlier) and which might inform thinking on future funding approaches.

The Board noted the timetable and next steps, including:

- the FCA oversight committee in mid-November;
- a more detailed board review later in November;
- consultation in December;
- a post-consultation review in February; and
- submission of the budget to the FCA Board for final approval in March.

7/1610 Service development update

fos/16/10/07

The service development programme of work to modernise and provide for a more responsive and flexible case handling model better suited to meet the needs of today's customers was well advanced.

The latest internal recruitment round was now complete and colleagues would move to new roles between now and the end of January. It was likely that further internal recruitment would be needed, and that some external recruitment would be likely now too.

Consumers and businesses were responding constructively and positively to the new ways of working. While customer satisfaction levels were at record high levels across the service, they were even higher for cases handled in the new model. Businesses were also seeing signs of increased customer retention in their own performance measures.

The audit committee had received a detailed update on the associated IT development programme at its meeting in early October and had been assured about the progress being made to date. It was though early days and there was much still to do. The Board would keep track of progress and a substantive update was due to come to its meeting in February next year.

There being no further business, the meeting ended at 12.35