

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at Exchange Tower, 1 Harbour Exchange, E14 9SR on Wednesday 29 April 2015, at 09.00

Present	Gwyn Burr (GB)	director
	Gerard Connell (GC)	director
	Alan Jenkins (AJ)	director
	Maeve Sherlock (MS)	director (acting chair)
Apologies	Nick Montagu (NM)	chairman
	Pat Stafford (PS)	director
In attendance	Caroline Wayman (CW)	chief executive and chief ombudsman
	Julia Cavanagh (JC)	chief finance officer
	Chris McDermot (CMcD)	chief operating officer
	David Cresswell (DC)	director of insight & engagement (items 1 to 6)
	Mark Gee (MG)	chief technology officer (item 11)
	Annette Lovell (AL)	director of policy, knowledge & stakeholder relations
	Richard Thompson (RT)	principal ombudsman & quality director (items 1 to 6)
	Jacquie Wiggett (JW)	director of HR & organisational development (items 1 to 6)
	Garry Wilkinson (GW)	principal ombudsman & director of new services (items 1 to 6)
	Caroline Wood (CWo)	chief of staff (item 8)
Amerdeep Somal (AS)	independent assessor (item 7)	
Alison Hoyland (AH)	board secretary & head of CEO's office (minutes)	

Apologies for absence

Apologies were received from Nick Montagu and Pat Stafford.

1-4/1504 Board minutes

The Board approved the note of the meeting held on 18 March 2015.

Matters arising

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

Chairman's opening remarks

Maeve Sherlock had undertaken a number of ombudsman service related engagements on the chairman's behalf while he was recovering from a knee operation, including:

- opening a (self-funded) international ombudsman event at the end of March, which had brought together financial services' ombudsmen from across Europe, and as far away as South Africa, to share experiences and discuss the things that are important to the ombudsman community; and
- attending, with CW, an FCA Board dinner.

The Board had been kept informed about service performance throughout the year, including by way of substantive quarterly reviews, and the overall position reflected a year of considerable achievement in which the ombudsman service had:

- resolved more cases than it had received;
- continued to see its PPI caseload reduce, despite continuing high levels of demand and external uncertainty;
- received its highest customer satisfaction scores to date for its general casework caseload; and
- maintained high staff engagement; and
- consistent with the operational performance, maintained a strong financial position.

Effort and focus would continue to be directed at areas of pressure, which included the progression of older cases, where legal or complex policy issues did not prevent the ombudsman from being able to move them on. Central to case-handlers being able to get to grips quickly with what was at the heart of the problem, was ensuring that they had the right skills and knowledge, in terms of both broader problem-solving skills and specialist and technical knowledge.

The steps the ombudsman service was taking to develop new ways of working, aimed at making sure the ombudsman was able to continue to deliver a valuable and relevant service to all, would also be key to successful service delivery and performance improvements.

In other areas, while staff engagement was high, over the past year, more staff than before had left for opportunities and higher salaries elsewhere. As well as ensuring recruitment plans were on track, the ombudsman service would continue to foster a positive working environment, including by making sure that there were opportunities for staff to develop and grow their knowledge and skills.

In noting the strong financial position and good overall performance, the Board welcomed the emphasis that was being placed on robust cost management and ensuring a disciplined approach to budget and resource forward planning. It noted too the commitment to a wider piece of work to get a 'value for money' perspective on what the ombudsman service did, and how it did it. The new service work provided a fresh impetus for this work, and the need for a broader sense of the impact and value, effectiveness and efficiency, of the full range of ombudsman service activity. Further updates on this work would come to later Board meetings at appropriate points.

As part of the year-end review, the Board also noted the position in relation to the statutory requirement for the ombudsman service to publish reports of all its final decisions. During the year, just over 38, 000 decisions had been published. The online database was currently being reviewed to see if any enhancements might be made, including to make the database more prominent, to make it more searchable and to help make it easier for those wishing to learn from the decisions.

In terms of the overall performance, the Board acknowledged how much had been achieved in the year and the successful way in which the ombudsman service had responded to the challenges it had faced: it was content, therefore, to approve the recommendations for the collective reward.

The Board reviewed the draft text of the 2014/15 annual review which was, as usual, a comprehensive round-up of what the ombudsman service had seen and done during the year. As noted under the end of year performance, the ombudsman had experienced another hugely busy year in which it had handled close to two million initial enquiries and resolved just short of 450, 000 cases.

A number of suggestions were made for some additional narrative, including in both the chairman and chief executive's forewords to pick up on text later in the report which acknowledged that the unprecedented PPI caseload had meant that people had been waiting too long for answers, and that the management of the PPI workload would continue to be an area of priority for some time yet. In a similar vein, the Board thought it would also be helpful to provide assurance upfront that while the external environment and the potential for continuing volatility in PPI would remain challenging, the service was nevertheless committed to ensuring that its time and resources were appropriately focussed on getting answers out to as many people as it could, as quickly as it could.

Any additional comments on the draft would be sent to the director of communications, as the final preparations were being made for publication on 19 May.

7/1504 Independent Assessor report

fos/15/04/07

The Independent Assessor (IA), Amerdeep Somal, attended to present her annual review for 2014/15, ahead of its publication in the directors' report and financial statements. The IA's report noted:

- a decrease in cases taken on for investigation by the IA;
- a slight decrease in the number of cases referred on to the IA stage, after the ombudsman service's own investigations; and
- an increase in the percentage of cases where the IA had found fault with the service's handling.

The IA was of the view that the higher percentage of critical findings reflected the fact that the cases coming through to her were the right ones, and were at the more complex end of the scale, and perhaps, therefore, more susceptible to handling problems. More generally, the IA commended the ombudsman service's openness to learning the lessons and using service complaints to drive improvement.

The Board thanked the IA for her work, which it saw as an important part of the assurance framework and a check and balance on the level of customer service being provided. It acknowledged the particular value of the additional work that the IA and her team undertook to share the insights from what they saw to help improve service standards, which included team talks and a regular column in the ombudsman's staff newsletter.

The Board formally accepted the Independent Assessor's annual report for inclusion in the 2014/15 directors' report and accounts, which was due to be published later in July.

8/1504 Annual assurance reports

fos/15/04/08

As part of the Board assurance framework, the ombudsman provided year-end reports on its statutory obligations in the following areas:

Information sharing with the Financial Conduct Authority

The Financial Services Act 2012 placed duties on the ombudsman service in relation to cooperation and information sharing with the regulator. Engagement with the regulator during the year had been wide-ranging and had included formal Board and executive-level engagement, for example, in relation to FCA Board approval of the ombudsman's budget, as well as liaison between ombudsman and FCA teams on a broad range of issues relevant to both organisations' work.

The statutory framework (s234D of FSMA) also provided for referrals to the FCA in circumstances where the ombudsman service was of the view that there had been regular failures on the part of an FCA authorised firm. The ombudsman service had, therefore, prepared a draft framework for Board approval, should the need for any such referral arise. In approving the framework, the Board accepted though, that referrals under this provision should be uncommon, and that the more routine engagement between the ombudsman and the regulator should pick up any issues.

In terms of future reporting, the ombudsman service would review the format and content to make sure that it continued to provide the Board with the requisite assurance, including in relation to the processes and controls in place and the wider context of information exchanges.

Information rights

The ombudsman service was subject to the Data Protection Act (DPA) and the Freedom of Information Act (FOIA).

The numbers of requests under both Acts were up on the year before, with the highest increases in FOIA requests: in both cases, the majority of requests had come from individual consumers (or their representatives).

Data protection

Over the last year, the ombudsman service had taken a number of steps to strengthen its systems and controls around data protection, including in the light of an internal audit in 2014. The steps included the appointment of a member of the senior management team to the role of data protection officer and the establishment of a cross-departmental data protection group to identify, monitor and address data protection risks across the service.

An ongoing programme of work sought to ensure that all staff were clear about the importance of data protection and what they personally needed to do: this included the promotion of a short, plain English policy statement, online training, articles on the intranet and discussions with senior managers and teams.

The data protection group's remit included taking proactive steps to address the main data protection risks, as well as co-ordinating responses to any data breaches (or potential breaches) to ensure swift and decisive action. At the highest level, the governance arrangements provided for executive oversight of high risk breaches, or potential breaches, a register of which was also presented at every meeting of the audit committee.

The Board acknowledged the work that had been done and commended the service's record and reputation with the Information Commissioner's Office (ICO). The service was not complacent, however, and it recognised the need to ensure that the careful and responsible handling of data would and should remain a priority.

action

- ombudsman service to look to ICO for any advice it was able to give about best practice and the features of an exemplar organisation.

10/1504 Implementation of the ADR directive

fos/15/04/10

The ADR directive was due to come into force on 9 July and the ombudsman service was preparing to seek formal approval as an 'ADR entity' from the FCA as the relevant competent authority.

The FCA's assessment would be based on a 'reasoned statement', comprising written evidence on how the ombudsman service satisfied the Directive criteria.

The first part of the formal process would involve a meeting with the FCA oversight committee later in May, after which a recommendation for approval would go to the FCA Board in June.

The purpose of the discussion with the Board at this stage was to help inform the final preparations as the ombudsman service headed into the formal stages. In considering the statement and the Directive criteria, the Board was also able to draw on the earlier discussions on operational performance and, in particular, the challenges posed by the PPI caseload, as relevant context for the timeliness provisions in the Directive.

The Board agreed that the 'reasoned statement' reflected accurately the service's position against the Directive criteria, and that the ombudsman's plans to meet the criteria across the full breadth of its work (including PPI) looked reasonable. It was content, therefore, to approve the 'reasoned statement' for submission to the FCA. Board members were invited to submit any drafting comments on the 'reasoned statement' as soon as possible after the meeting.

In the meantime, the Board noted that the second set of implementation regulations (as well as guidance on the first set) had yet to be issued by the Department of Business, Innovation and Skills (BIS). The ombudsman service would continue to work with BIS and other relevant colleagues, and would keep the Board updated as appropriate.

11/1504 New case-handling system

fos/15/04/11

The ombudsman service was in the process of looking to replace its core case-handling system which had been effective to date, but which was now starting to show its age and was unlikely to be able to meet the service's needs for much longer. A new system, with increased functionality and greater flexibility, would support the ombudsman's longer term need as it developed new approaches and new ways of working consistent with providing a meaningful and effective service to its customers.

Following an evaluation process, a preferred software solution had been selected and the purpose of the discussion at this stage was to update the Board on the process so far, before embarking on the next steps, which would involve a tender process for sourcing the software and the supplier to help install the solution.

The Board was reassured to know that the software was suitably flexible to allow for different future operating model designs, and that the IT and operational considerations were being closely aligned. The service intended to take a phased approach to replacing the existing system, to minimise disruption and allow for periodic reviews of the costs and integration arrangements.

The Board was content, therefore, with the process so far, the expected cost envelope and the overall governance arrangements. It agreed the next steps, noting that it would be kept updated on progress, as appropriate, including on the design specification as this was finalised and the costs.

Any other business

Annual Board Evaluation

The board secretary outlined the timetable for the upcoming annual Board evaluation.

The meeting ended at 14.00