

# Financial Ombudsman Service Limited

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## MINUTES

MINUTES of the meeting of the directors, held at Exchange Tower, 1 Harbour Exchange, E14 9SR on Tuesday 21 July 2015, at 09.00

|               |                       |   |
|---------------|-----------------------|---|
| Present       | Nick Montagu (NM)     | chairman  |
|               | Gwyn Burr (GB)        | director  |
|               | Alan Jenkins (AJ)     | director  |
|               | Maeve Sherlock (MS)   | director  |
|               | Pat Stafford (PS)     | director  |
|               | Gil Whitehead (GW)    | director  |
| Apologies     | Gerard Connell (GC)   | 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 and engagement (items 1 to 6)                     |
|               | Annette Lovell (AL)   | director of policy, knowledge & stakeholder relations (items 1 to 10) |
|               | Richard Thompson (RT) | principal ombudsman & quality director (items 1 to 6)                 |
|               | Jacquie Wiggitt (JW)  | director of HR & OD (items 1 to 8)                                    |
|               | Garry Wilkinson (GW)  | principal ombudsman & director of new services (items 1 to 8)         |
|               | Alison Hoyland (AH)   | board secretary & head of CEO's office (minutes)                      |
|               | Mike Harris (MH)      | head of strategic analysis (for item 6)                               |

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### Welcome and apologies for absence

NM welcomed GW to her first meeting as a director. Apologies had been received from Gerard Connell.

### 1-4/1507 Board minutes

The Board approved the note of the meeting held on 29 April 2015, and noted the minute of the meeting of the audit committee on 15 June 2015.

### Matters arising

#### *Annual review and directors' report and annual statements*

Both reports had been published since the last meeting, in the case of the directors' report and financial statements, publication had followed the unqualified certification by the Comptroller and Auditor General and the report's laying in Parliament. The Board acknowledged the work that had gone into both, and commended colleagues from across the service.

#### *ADR directive*

The FCA had certified the ombudsman service as an ADR entity for the purposes of the ADR directive. The Board commended both policy and operational colleagues for the work that had gone into ensuring that the ombudsman service was ready for when the Directive came into force on 9 July.

### Chairman's opening remarks

The ombudsman service related engagements in which the chairman had been involved, included:

- an introductory meeting with the chair and chief executive, of the Banking Standards Board;
- a chair to chair level meeting with Santander, as part of the regular cycle of industry engagement meetings; and
- a chair-level dinner with dinner with the chairs of the FCA, FSCS and MAS

### **Chief ombudsman and chief executive's update**

The chief executive updated the Board on a number of organisational developments since the last meeting, including:

- recent staff engagement events, including a round “roadshow” visits to every team across the service. The chief executive noted how encouraged she was by the clear sense staff were focussed on customers and how the ombudsman service could make sure that it was accessible and reached those who needed it;
- her introductory meeting with the Economic Secretary to the Treasury
- a range of IFA engagement events, including a well attended IFA roundtable held in June at which the FCA was also present, The roadshow's central theme was “consistency” and it had provided the opportunity for open discussions with the IFA community about the things that were uppermost in their minds and about the respective roles of the ombudsman service and the regulator.

### **5/1507 Q1 performance review and forward look**

**fos/15/07/05**

The chief operating officer reported a good start to the year, with a higher number of case resolutions in general casework than forecast. Progress on PPI cases had inevitably been held up by the Supreme Court ruling in the case of *Plevin v Paragon Personal Finance*, which now fell to be considered for its potential relevance to the PPI cases referred to the ombudsman service. Other relevant considerations also included any regulatory action that the FCA might take as a result (the FCA had confirmed that it was considering whether additional rules and/or guidance might be required to deal with the impact of the Plevin decision on complaints about PPI).

Notwithstanding the continuing uncertainties, the ombudsman service remained committed to providing as many answers as it could to people who had brought PPI complaints to it, and was considering the options for how it could best do that, including by way of increased resources. The Board would be kept undated on any relevant developments.

Operating income was in-line with operational performance, although expenditure was lower than budgeted, due mainly to lower recruitment expenditure (as noted above, however, an increase in resources in PPI was being considered, and the costs of this would be met by the budget under-spend).

General casework timeliness was at an all-time high in most areas and customer satisfaction against the service's ‘fairness’ measures were also running high.

Challenges remained around the oldest general casework cases (primarily because of legal or policy issues, which made these cases difficult to progress); however, more positively, the number of cases approaching this age profile was falling.

### **6/1507 The service's approach to effectiveness and efficiency**

**fos/15/07/06**

Being recognised as a well run and efficient service was one of the service's key commitments, which meant that a strong emphasis on efficiency was a thread that ran through everything it did and that everyone in the ombudsman service understood their role in this regard.

The spectrum of activity ranged from the things that were easily quantifiable, and which formed part of the performance measurement framework, to the things that were less so – for example, the wider impact of the ombudsman's engagement and insight work or its

decisions on key cases. Notwithstanding the difficulties of establishing meaningful measures for some of its wider work, it was agreed that some further work should be undertaken to explore the extent to which it could be done, and that there might be some helpful comparators, for example in the public and charity sectors.

**action**

- further work on impact measures to come back to the Board as part of the performance review at quarter 2.

**7/1507**

**Service development**

**fos/15/07/07**

A progress update was provided on the service development work. As the Board had noted in February, the first phase of the work had focussed on the ADR directive requirements and the timetable for its implementation. The ADR Directive was now in force, the ombudsman had been certified and a great deal of work had been involved in getting the service operationally ready. At the same time, the trials and pilots for new ways of working had continued. The next phase was now focussed on delivering the long term strategy, taking the experience of the trials and pilots to determine how the new ways of working could be rolled out more widely and to inform the new organisational design.

An update would come to the September Board away days: further detail would be provided on the emerging organisational design and on a number of other associated considerations, including the funding arrangements .

**8/1507**

**Annual assurance reports**

**fos/15/07/08**

The ombudsman service presented annual reports on health and safety & the environment and its property, as part of the Board programme of periodic reviews of statutory obligations and other areas on which members had said they wanted to receive assurance.

*Health and safety & environment update*

The update to the Board included a report from an independent health and safety audit undertaken by the British Safety Council. The service had achieved a two star rating – with the main recommendations relating to improvements that could be made to written policies and associated documentation. A full review of the recommendations was under way, with the focus on those areas that had a direct impact on the safety and well-being of staff.

The Board noted the report and the assurance it gave on the actions that were being taken more broadly, and the service's continuing commitment to health and safety and the well-being of staff.

*Property update*

The ombudsman service had relocated to Exchange Tower during the summer of 2014, so had been in its new premises for a year. The relocation had meant that it was able to vacate one of its previous properties fully, and the majority of a second, meaning that the core of its operation was now co-located in one building.

The overall management of the service's property, including in relation to the terms of leases and break clauses, was consistent with the service's operational plans for the coming years and the need to be able to be flexible and respond to changing levels of demand and future space requirements.

**9/1507**

**Contingent services**

**fos/15/07/09**

Part of the ombudsman's service's strategy for having flexible and responsive resources, included having a small contingent workforce.

The contract with its current provider was coming to an end and, as the service expected to need to continue to call on this resource, at least for the time being, it had undertaken a procurement exercise to source the service going forward.

Following that exercise, a new provider had been chosen. If approved by the Board, the new arrangements would realise cost savings and also included termination clauses allowing the service to end the arrangements and affording it greater flexibility if its needs changed.

The Board agreed that the contract should be awarded to the preferred supplier.

**10/1507 Rule changes: complaint handling**

**fos/15/07/10**

The FCA Board had made changes to the complaint handling rules in the compulsory jurisdiction and had transposed into the rules the provisions on successor firms which were introduced by the Financial Services Act 2012. The ombudsman Board was asked to make the same changes to its voluntary jurisdiction rules, consistent with its normal practice. At the same time, the Board was asked to make changes to the procedural rules, in the light of some final changes to the Financial Services and Markets Act in order to implement the ADR Directive and some FCA rule changes.

The main complaint handling rule changes comprised:

- from 30 June 2016: amendments to the next business day rule which would extend the early resolution period to three business days and introduce new reporting and ombudsman referral rights.
- from 26 October 2015: amendments introducing a rule to limit the cost of consumer calls to firms to a maximum 'basic rate'.
- from 30 June 2016: amendments to introduce a number of changes to the data which businesses are required to provide the FCA.

The Board agreed the rules.

**11/1507 Board effectiveness review**

**fos/15/07/11**

As part of its governance activities, the Board and Executive undertook an annual board effectiveness review to evaluate how the Board was performing and identify any improvements to how it worked. In accordance with best practice, the evaluation took the form of an external review every three years. After an independent review last year, this year's review was carried out internally.

Last year's external review concluded that:

***“The Ombudsman Service is a very well run organisation with solid governance in place, which is being further enhanced at this time. It is well-chaired, has an able senior management team and strong Non-Executive Directors. The quality of information coming to the Board is excellent, and Board members are fully prepared.”***

This year's annual evaluation comprised:

1. Surveys on the Board, audit committee and the Chairman
2. One to one conversations between Board members and the Chairman and senior independent director.

The survey results indicated a high level of satisfaction across the piece, with the Executive and Board members in close agreement and the findings very much in keeping with those from last year's external review.

In discussing those areas that had been identified for further consideration, the Board made the following observations:

- The structure and composition of the Board
  - The Board agreed that the size of the Board should be kept under review, and new members given sufficient time to settle in before any further consideration should be given to expanding the Board. Any future extension would then be able to take account of the Board dynamics and the existing skills-mix and whether there were any gaps.
  - Some had raised concerns about the lack of ethnic diversity on the Board, although the gender diversity of the current Board had been recognised as a strength. The Board agreed, therefore, that it would want to consider the approach for future recruitment rounds and how it could best ensure it attracted a pool of candidates from as diverse a field as possible.
- Board business
  - Responses to the survey had highlighted the need to guard against meetings becoming too full, with insufficient time for discussion. The Board agreed that assurance papers, for example, could be marked for information and taken as read, unless points had been flagged in advance, and that the majority of the time should be reserved for the more strategic discussions and where Board decisions were required. The Board also agreed that it would be helpful to include the annual forward agenda in the information papers.
- Board delegation and committees
  - Comments had indicated a clear desire for more regular and formal reporting of the sub-committees to the wider board. The Board agreed that the Board agenda should allocate time to allow committee chairs to report back to the full Board.
  - A good number of responses to the survey had highlighted that the terms of reference of sub-committees were overdue a review. Since the survey, the terms for the nomination and remuneration committees had been reviewed and the Board agreed that the audit committee's terms should be reviewed as a matter of priority.
  - There was an appetite amongst the audit committee for increasing its membership, and the Board agreed that the Chairman should give further thought to this, alongside his review of the membership of the remuneration committee. The chairman would make his recommendations to the nominations committee in due course (it had been agreed that all members of the Board should sit on the nominations committee).

### **Any other business**

*Gwyn Burr*

The Board wished to record its thanks to Gwyn Burr, who was standing down from the Board after nearly four years. The Board acknowledged Gwyn's incisive contributions – her retail, commercial and marketing background had proved especially valuable as the ombudsman looked to develop and modernise so that it stayed relevant and able to provide a meaningful service to its customers.

The meeting ended at 14.00