

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza, 183 Marsh Wall, London E14 9SR on Wednesday 25 January at 9.30 am

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| Present | Chris Kelly | chairman |
| | Gwyn Burr | director |
| | Alan Jenkins | director |
| | Elaine Kempson | director |
| | Kate Lampard | director |
| | Julian Lee | director |
| | Roger Sanders | director |
| | Maeve Sherlock | director |
| | Pat Stafford | director |
| In attendance | Natalie Ceeney | chief executive and chief ombudsman |
| | Tony Boorman | decisions director |
| | Julia Cavanagh | performance & finance director and company secretary |
| | David Cresswell | communications and customer insight director |
| | Chris McDermott | interim operations director |
| | Caroline Wayman | legal director |
| | Jacquie Wiggett | HR & organisational development director |
| | Alison Hoyland | board secretary & head, CEO's office (minutes) |
| | Nick Montagu | chairman elect (observing) |

Apologies for absence

An apology for absence was received from Janet Gaymer.

0/1201 Executive update

The board noted the update from the executive and discussed the following issues:

- a) *Financial Services Bill*
The Government was expected to publish the Financial Services Bill later in the week.
- b) *Recruitment and awareness raising*
Various recruitment campaigns were ongoing – including those for team managers, heads of case work teams and ombudsmen. In relation to PPI specifically, the service had launched its recruitment drive for case assessors; the campaign was supported by awareness raising advertisements placed in a number of newspapers and at central London mainline stations.
- c) *Accredited training*
The Board was pleased to note the success of the accredited training pilot and agreed that consideration should be given to how the training might be developed further and receive external recognition.
- d) *Staff Survey*
The Board congratulated the service on achieving 'ones to watch' accreditation in

the 'Sunday Times 100 Best Companies' survey, noting that the Service's results had improved across all categories.

e) *Litigation*

Europ Assistance's application for permission to apply for Judicial Review of the Service's 'volcanic ash' decision was refused on 19 January. The Board noted the potential for the business to seek to appeal the permission decision; the Service would keep the Board updated on any developments.

f) *Continuous Improvement*

The first phase of the programme was concerned with introducing new ways of proposing improvements and encouraging the right culture in this regard. The Service would keep the Board updated on the tangible results coming out of the next phase.

1/1201 Minutes and approvals

The minutes of the board meeting held on 21 December were approved.

The Board noted the draft minutes of the nomination and remuneration committee meeting held on 21 December.

2/1201 Matters arising

The board had agreed at its December meeting that a consequence of many of the risks recorded in the corporate risk register was an element of reputational risk. This was discussed further in relation to the revised risk register and the approach confirmed.

3/1201 Q3 performance review

fos/12/01/03a

The *performance and finance director* presented a report of the ombudsman service's performance for the third quarter. A rising case-load, particularly for payment protection insurance (PPI), had presented a number of challenges, particularly in relation to lower than required staffing levels and the consequent impact on case closures. However, a combination of higher than forecast case-closures in PPI and lower costs had resulted in a better Q3 performance than anticipated. .

In discussing the performance in Q3, the board was pleased to note that:

- 180 new adjudicators had joined non-PPI casework teams with minimal disruption to productivity; *and*
- the target for closing the oldest cases looked on track for non-PPI cases (as a result of effective close working between adjudicators and ombudsmen).

The Board accepted that a number of pressures and challenges – and particularly the reduced levels of staffing as a result of adjudicator losses to banks in the summer - meant that the three month timeliness target was unlikely to be met for 2011/12. The Board noted that the Service was confident that as new adjudicators settled in to teams, performance would improve going in to 2012/13.

Going forward, the Service was reviewing the metrics needed to measure timeliness for 2012/13, and would bring the proposals to the February board.

While the board acknowledged the achievements in Q3, it noted that significant challenges remained, and that performance going forward would be very much PPI-dependent – with PPI likely to make up half to two-thirds of the Service's case-load for the coming year.

The board also discussed the risk register for the service, and confirmed the role of the Audit committee to conduct regular reviews of the whole risk register, as well as to conduct 'deep dives' into specific risks. Similarly, the board confirmed the role of the Quality Committee to look closely at the metrics relating to customer/quality outcomes.

Q4 financial forecast

fos/12/01/03b

The *performance and finance director* set out the financial implications arising from the service's performance up to the end of the third quarter and the challenges it would face approaching the year end.

While the service had ended the first half of the year in a strong financial position, and Q3 performance was better than anticipated, PPI-related challenges, in particular, would impact the financial performance during the remainder of the year. The Board formally noted and accepted the *performance and finance director's* forecast for the year end.

The board also reviewed some of the cost pressures and savings which had impacted on the service's unit cost over the last couple of years and those that would impact going into 2012/13. The board noted the significant impact that changes in the case-mix and business behaviour had on unit costs.

4/1201 Update on PPI planning

fos/12/01/04

The board confirmed at its December meeting that it continued to be assured that the Service's proposals for increasing its capacity to deal with the PPI work it expected to receive remained right. The board would be updated again at its January board and the Project Steering Group would continue to have close oversight of the detail in the meantime.

The Project Steering Group, which included board members, Julian Lee and Alan Jenkins, as critical friends, met the day before the board. Julian Lee and Alan Jenkins confirmed to the board that they had received the necessary assurances and were happy that the proposed approach being taken towards PPI case-handling was right. The project management support for the project was also now in place, and would be tracking the scoping and design work as it developed and monitoring the interdependencies across the piece.

The board agreed that it was unlikely that the volumes anticipated would fall away altogether or even come close to doing so – and that forecasts for PPI volumes remained very high. The Board was further reassured to know that the desire to deliver quality outcomes to customers was core to the service's modelling of the approach. The service was doing more work to map the 'customer experience' within PPI case handling, and to explore ways of improving the service offered. The executive team explained that its goal was to apply its innovations and approach to PPI case-work to other areas of its business, as appropriate.

The Board confirmed its endorsement of the service's proposed approach to handling PPI cases, noted the progress made to date and acknowledged that significant challenges remained as the service geared itself up to deal with the work it expected to receive. A further update on progress would be provided to the board in February.

5/1201 People Strategy

fos/12/01/05

The *HR and OD director*, together with the *legal director*, made a presentation to the Board, providing an update on the service's people strategy and how its people plans should assist the service in meeting its organisational priorities.

The update covered the progress the service had made in relation a number of key people-investments made, including in relation to:

- an evolving culture, which reflected the service's core values;
- having a flexible and cost effective recruitment model which is able to deliver on the service's brand, identity and values;
- redefining the behaviours the service rewards;
- determining 'the deal' for working at the service;
- identify talent and skills;
- reshaping and engaging leaders; *and*
- establishing a career path and ways of working based on performance and professionalism,

The service would continue to monitor its policies and practices from a 'diversity and inclusion' perspective and the board noted that the intention to add appropriate new performance measures to its KPIs for 2012/13, and which would be discussed at the February Board.

The Board commended the Service on the work it had done.

6/1201 File review

fos/12/01/06

The *legal director* presented a paper on the results from the case file review which the executive team and other senior ombudsman staff had undertaken, together with members of the board. The review had focussed on the 'customer service' element of the service's quality assessment framework – which was one of three aspects of quality monitored closely (the other two being to 'get to the heart of the issue' and to 'get the basics right'). The paper set out a number of themes from the findings and detailed the key actions that had been put in place to drive improvements in quality.

In reviewing the results and discussing the action plan, the board noted that the review looked at cases that had been closed long since and that some of the steps the service had already taken to drive improvements would mean that cases were already being resolved in a way likely to improve levels of customer (firm and consumer) satisfaction – independently of the case outcome.

The board agreed that the Quality Committee should continue to be briefed on the progress being made against the action plan detailed.

The board confirmed that it felt assured that the executive and senior management were maintaining oversight of the quality of the Service and that it was content with the service's plans for continuing to put quality at the heart of what it did. The board agreed that the file review was a useful exercise and that the board should continue to be asked to conduct such a review on a periodic basis.

7/1201 Feedback on 'transparency and publishing decisions: next step's fos/12/01/07

In September last year, the service published a discussion paper on how it proposed to take forward its transparency agenda by publishing ombudsman decisions. The proposals sought early views on the ombudsman's plans in the light of the likely legislative requirement for it to do so as part of the Government's reform of the regulation of financial services.

The deadline for responses passed in early December and the paper received a relatively high response rate – with many stakeholders submitting views, both from firms and consumer groups (as well as from some individuals).

The service intended to issue a feedback statement outlining the main themes coming out of the responses and confirming that its proposals remained largely as set out in the

discussion paper. As the paper noted, the service hoped that the discussion paper and feedback would help inform deliberations on this aspect of the Financial Services Bill as it passed through the Parliamentary process. The paper noted also that the final outcome would be informed by Parliament's eventual conclusions – at which stage the detail of the service's final position would be set out.

The board considered the feedback received from key stakeholders. The board decided that, after considering all of the feedback, it remained of the view that final ombudsman decisions *should* be published, and that firms' names should be published, but consumers' names redacted.

The board also discussed issues around accessibility, and specifically around how consumers could be assured that their identity would not be identified even if their name was redacted. The *decisions director* stressed that every effort would be made to ensure that a consumer's identity could not be revealed; personal and any other identifying details would not be included and in exceptional cases (where the risk of identifying the consumer from the facts of the case were significant) the service would reserve the right not to publish a decision. The *decisions director* stressed that he was very mindful of the issues surrounding identification of consumers, and would continue to look at this, including by working closely with relevant stakeholder groups as it developed its plans.

Subject to any drafting comments to be sent to the *decisions director* after the meeting, the board agreed to the publication of the feedback statement.

8/1201 Any other business

a) *Interest on awards*

The board noted external debate around the issue of interest on awards. The *decisions director* agreed to update the Board on this issue.

Action The *decisions director* to update the Board.

b) The board thanked Sir Christopher Kelly who was leaving the Board after 31 January 2012, having served as Chairman for seven years and as a non-executive director for three years before that. The board welcomed Sir Nicholas Montagu as its next Chairman from 1 February 2012.

There being no other business, the meeting ended at 13.30