

# Financial Ombudsman Service Limited

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## MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza, 183 Marsh Wall, London E14 9SR on Wednesday 19 October at 9.00 am

|               |                 |  |
|---------------|-----------------|--|
| Present       | Chris Kelly     | chairman   |
|               | Gwyn Burr       | director   |
|               | Janet Gaymer    | director   |
|               | Alan Jenkins    | director   |
|               | Elaine Kempson  | director   |
|               | Kate Lampard    | director   |
|               | Roger Sanders   | director   |
|               | Maeve Sherlock  | director   |
| In attendance | Natalie Ceeney  | chief executive and chief ombudsman                  |
|               | Tony Boorman    | decisions director                                   |
|               | Julia Cavanagh  | performance & finance director and company secretary |
|               | Simon Rouse     | operations director                                  |
|               | David Thomas    | corporate director                                   |
|               | Caroline Wayman | legal director                                       |
|               | Jacquie Wiggett | HR & organisational development director (items 1-4) |
|               | Alison Hoyland  | head, chief executive's office (minutes)             |

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### Apologies for absence

Apologies for absence were received from Julian Lee and Pat Stafford.

### 1/1110 Minutes and approvals

The minutes of the Board meeting held on 14 September 2011 were approved as an accurate record of the meeting.

The Board approved the following recommendations made by the Nomination and Remuneration Committee at its meeting on 26 September 2011:

- the appointment of Maeve Sherlock as Senior Independent Director (to take immediate effect);
- the appointment of Julian Lee as the next Chair of the Audit Committee (to take effect from 23 February 2012);
- the appointment of Alan Jenkins as the next Chair of the Quality Committee (to take effect from 23 February 2012); *and*
- the appointment of Gwyn Burr to the Nomination and Remuneration Committee (to take immediate effect).

The Board noted the draft minutes of the Nomination and Remuneration committee meeting held on 26 September 2011.

The Board noted that the search for a permanent Company Secretary had proved unsuccessful. The Board approved the proposal that Julia Cavanaugh, performance and finance director, who had been appointed Company Secretary on

an interim basis, should therefore be confirmed as being appointed to the role on a permanent basis. The Board noted that Alison Hoyland would support the Company Secretary and take on the role of Board Secretary and that the service would now look for someone with the appropriate expertise to provide the requisite risk and governance oversight.

## **2/1110 Matters arising**

The Board noted that industry feedback on the service's plans to publish ombudsmen decisions had so far been positive. The Chairman and senior ombudsman service colleagues had met with the Industry Steering Group for Banking earlier in the week at which attendees had noted that there were potential benefits to the service proactively releasing objective, balanced and structured information. A number of potential concerns were raised by the Group, however, in relation to the application of the Freedom of Information Act to the service the following month.

## **3/1110 2011/12 Q2 performance review**

**fos/11/10/03**

The *operations director* presented a report of the ombudsman service's performance for the first half of the financial year. The key highlights showed that:

- the customer contact division had coped extremely well with significantly increased call volumes (for example, incoming call volumes in September were 57% higher than in the previous September), with operational performance and customer satisfaction survey results holding steady;
- the service was broadly on track to meet the timeliness target for the year-end for non-PPI cases over 18 months old;
- the three month timeliness target remained challenging;
- productivity in both non-PPI and PPI casework was strong, despite headcount challenges;
- a strong financial position; and
- a sustained improvement in the level of complaints the independent assessor determined that the service had handled satisfactorily; and

The Board welcomed the planned extension to the opening hours of the Customer Contact Division, and noted that it was unlikely that call volumes would increase yet further, but rather that the expectation was that calls would spread out more evenly.

In noting that the three month timeliness target remained challenging, the Board recognised the inherent tension between that target and the target for older cases. While the target remained valid, the *operations director* explained that it would not be pursued at the expense of other timeliness targets. The aim should continue to be to strike the right balance and ensure that the service delivered good customer service across the board.

The *decisions director* outlined a number of steps that the service was taking to keep on top of timeliness and which should give the Board the assurances it sought that the service was doing what it could to minimise delays, including for example, in relation to how long businesses took to provide their files. Steps the service was taking included:

- refreshing the guidance to staff on getting information from firms;
- Continuous Improvement initiatives which looked at the end-to-end process and where process inefficiencies might be removed; and
- engaging operational colleagues in businesses at a senior-level.

The Chairman said that the Board understood the challenges that the service was facing, in terms of staff turnover, timeliness and the continued uncertainties around caseload volumes and case-mix. Seen against these challenges, the Board was pleased with the strong performance of the Customer Contact Division and the fact that productivity was holding. However, the Board would want to remain watchful of

the challenges and the service's response to them.

**4/1110 Forecast for Q3 and remainder of 11/12**

**fos/11/10/04**

The *performance and finance director* set out the financial implications arising from the service's performance and the challenges it was facing.

While the service had ended the first half of the year in a strong financial position, this was mainly as a result of closing high volumes of PPI cases following the PPI judicial review and closing high volumes of other less complex cases. The large intake of new staff and the timelines involved before they become fully productive, together with a changing case-mix profile were expected to result in cost pressures being evident in the second half of the year.

The Board noted the cost impacts the service expected to feel in the second half of the financial year and leading into the next financial year. The Board agreed that continuing uncertainty around volumes, for example, meant that it was difficult to forecast the end of year position with any certainty but that it was nevertheless right that the planning process should attempt to take a view based on the service's best assumptions at the time.

**Action** The *finance and performance director* to provide further detail to the November Board on the costs, including whether they were recurring or one-off, and a breakdown of the timeline for when the service expected to see the returns on the investments it was making.

**5/1110 2012/13 Financial Planning**

**fos/11/10/05**

The timetable for the planning and budget process meant that the Board would need to take an early view now on the high-level approach for next year. The Board would see an outline budget in November and sign off the detailed budget in March, following public consultation in January.

Set against the background of the planning assumptions the service was currently making around inflationary pressures, expected volumes, case-mix profile, investment plans and related cost pressures, the *performance and finance director* outlined a number of options for the Board to consider on the strategic approach the service should take.

After considering the options, the Board agreed that the service should continue to plan to make the investments that it needed to do in order to meet the challenges it was facing and to meet its performance targets. The service would do so by using the operating surplus it expected to have at the year-end. While this would mean that the levy and case-fee would remain flat for 2012/13, the Board noted the service's proposals to revisit the funding model for the following year.

Early soundings from senior industry representatives about a revised funding model were positive. In particular, the industry welcomed the concept of a charging model which reflected the size and/or the type of firm and which also encouraged better complaint-handling.

The Board noted that the additional reserve, which had first been raised for 2011/12 in the light of the potential impact of an uncertain case-load (which for 2011/12 related to PPI), would be reviewed by the Audit Committee at its next meeting. The Audit Committee would do so against the background of continuing uncertainty and the expectation that the risks associated with a volatile case-load remained.

The Board noted that the service would continue to look to deliver cost-improvements in order to make cost savings in-year, where it could. The Board indicated that in looking to agree the plan and budget for consultation in January, it would want to do so in the context of a multi-year plan reflecting the timeline of the investments being made and when the returns were expected. The Board accepted, however, that such a plan would be at a relatively high-level at this stage in the planning process.

**Action** The *finance and performance director* to contextualise the 2012/13 plans alongside an outline multi-year timeline.

#### **6/1110 Strengthening Professional Leadership**

**fos/11/10/06**

The *legal director* presented a paper on proposals to strengthen professional leadership and increase investment in ombudsmen. The paper reflected the discussions at the Board's September away days about the services aims to put ombudsmen more central to core case-handling activities. The Board had reached a broad consensus that the proposals for doing so should provide for the following:

- earlier intervention on cases;
- professional leadership;
- professional development;
- more timely and more experienced focus on harder/more complex cases & emerging issues;
- better outcomes for consumers; and
- faster and more effective resolutions

The Board agreed to the plans to put ombudsmen closer to casework teams and enhance professional leadership. The Board, therefore, approved the proposals to recruit additional ombudsmen, further to the ombudsmen the service proposed to take on to deal with the higher numbers of cases going to decision. The Board agreed that although these proposals formed part of the 2012/13 plans, recruitment should start as soon as was practical.

#### **7/1110 Health & Safety Report**

**fos/11/10/07**

The *operations director* presented a paper on the service's health and safety statutory duties and obligations. The report would be made annually to the Board going forward. The Board noted that the service had established a health and safety committee which met quarterly and that the service had recently been subject to its first independent health and safety audit earlier in the year.

The Board noted the findings of the health and safety audit. Although the audit had identified a number of areas for review, it had found that the service's procedures complied with the legislation.

The Board was assured that the service was taking its health and safety obligations seriously and that appropriate steps were being taken in response to the audit.

The Board agreed that, going forward, the annual health and safety report should also go to the Audit Committee for a more detailed review.

#### **8/1110 Rules Instrument**

**fos/11/10/08**

The *legal director* explained the change to the complainant eligibility rules to allow victims of identity theft (or mistaken identity) to access the ombudsman service and obtain redress, where due.

Until now, a loophole had existed which in some circumstances had prevented victims of identity theft and similar to use the service as they were not technically 'customers' of the financial service provider. The position was one that had been hard to defend to the complainants affected and had regularly led to correspondence from MPs.

The rule change followed the usual public consultation.

The Board approved rules instrument FOS 2011/6 (FSA 2011/xx) – Dispute Resolution: Complaints (Amendment No 4) Instrument 20011, subject to approval by the board of the FSA at its meeting on 2 November 2011.

#### **9/1110 Any other business**

- (a) There was currently no Board meeting planned for February 2012. It would be a critical time in the budget and planning cycle and the service would have a new Chairman. It was agreed that a date would therefore be found for a February meeting.

**Action** – Alison Hoyland to contact Board members to find a suitable date.

- (b) Board members were reminded that the results of the file reviews that members were undertaking would be considered at the November Board meeting.

There being no other business, the meeting ended at 12.30 pm.