

# Financial Ombudsman Service Limited

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## MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza 2, 183 Marsh Wall, London E14 on 10 March 2010 at 9.30am

Present	Chris Kelly	chairman
	Alan Cook	director
	John Howard	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Roger Sanders	director
	Maeve Sherlock	director
In attendance	David Thomas	interim chief ombudsman
	Tony Boorman	decisions director
	Barbara Cheney	company secretary
	David Cresswell	communications director
	Roy Hewlett	operations director
	Jeremy Kean	finance & IT director
	Peter Stansfield	HR director
	Jennifer Long	conduct risk, FSA (item 2)
	Nadege Genetay	ombudsman liaison, FSA (item 2)
	Jane Hingston	lead ombudsman, banking & credit (item 9)
	Garry Wilkinson	head of casework division (item 9)

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### 1 Minutes of the meeting held on 2 February 2010

Subject to a minor amendment, the minutes of the board meeting held on 2 February 2010 were approved as an accurate record of the meeting.

The board noted the minutes of the nomination & remuneration committee meeting that was also held on 2 February 2010.

### 2 Conduct risk identification

Jennifer Long presented an overview of the Financial Services Authority’s recent work on “horizon scanning” for future risks in the retail financial services market.

She reported that a key objective for the FSA was to identify “conduct risks” that were most likely to emerge or develop in the coming 12 to 24 months. The Financial Risk Outlook which was due to be published by the FSA later in the day (and then every six months) represented a change in approach with greater emphasis on the early identification of risks. Input to this FSA document had been gathered from a

range of internal and external sources. She stressed that the importance of complaints handling by businesses was an ongoing issue. She also explained the methodology used, the key assumptions that had been made and the risks that had been identified.

The board discussed examples of the risks that could give rise to difficulties and possible future complaints to the ombudsman service. It was thought that the Service had much to contribute to this important work.

The chairman welcomed this development and he thanked Jennifer Long and Nadege Genetay from the FSA for an interesting and useful presentation. Having identified the risks, he said the board was of course as interested in the steps being taken to mitigate them. He invited the FSA personnel to come back and update the board about developments in this area at a future date.

### **3 Payment protection insurance (PPI)**

Since writing his paper, the decisions director reported that the FSA had published feedback on its plans to reform the PPI market and had announced a further six weeks of consultation on its revised packet of measures.

The board discussed the range of possible implications for the Service and the next steps. The decisions director agreed to consider the best way of managing the challenges from the Service's viewpoint and to expand on the range of operational and strategic risks he had described in his paper. He also agreed to analyse the potential number of policies and complaints that could reach the Service.

### **4 Decision capacity plan**

The decisions director presented a paper which summarised the current ombudsman decision-making capacity, forecasts for final decisions in 2010/11 and plans for resourcing this part of the Service. He confirmed that, once the current recruitment had been completed, the ombudsman panel would consist of 58 "full-time equivalent" ombudsmen. He explained that the need to keep case levels under control had to be balanced against the training, mentoring and management of an ombudsman panel of this size.

The board welcomed the flexibility that had been built into the plan and it encouraged the decisions director to appoint a higher number of ombudsmen if there was a good response to the latest recruitment campaign.

The board confirmed the recruitment of ombudsmen to increase the panel to 58 full time equivalent ombudsmen. It was agreed that, if the panel needed to be increased further, this should be referred back to the board for consideration.

### **5 2010/11 Budget**

The board considered the final version of the 2010/11 budget and a summary of responses to the consultation about the budget.

The board agreed the 2010/11 budget and rules instrument FOS2010/1 (Fees Manual (Financial Ombudsman Service Case Fees 2010/2011) Instrument 2010 and

that both should be forwarded to the FSA board for approval on 25 March 2010.

## **6 Policy report**

### *a) FSA/OFT/ombudsman redress discussion-paper*

The interim chief ombudsmen reported that the wording of the discussion paper had been agreed with the FSA and that it was due to be published on 11 March.

### *b) Financial Services Bill*

The board noted the current position in respect of the passage of the Financial Services Bill.

### *e) Publication of business-specific complaints data*

The second six-monthly set of complaints data relating to individual financial businesses was published on 25 February 2010. The data related to the period from 1 July to 31 December 2009. The board discussed the change in the percentage of cases upheld in favour of the consumer which had decreased from 59% to 53%. It was suggested that this could be due to a change in the mix of types of cases.

The board agreed that, whilst early indications were encouraging, it was likely to be some time before any significant changes in casehandling by businesses would be apparent.

## **7 HR report**

The chairman reported that the HR director, Peter Stansfield, would be leaving the Service in May after five years with the ombudsman service.

The HR director presented his report for the period from October 2009 to January 2010. He drew the board's attention to the conclusion of the extensive recruitment exercise during which the headcount had increased by 65% in the past 18 months.

## **8 Management information**

The board noted the management information report as at 31 January 2010. The operations director reported that he was confident the targets set in May 2009 would be met. He added that he would provide a review of the reporting year 2009/10 and details of the strategy for 2010/11 at the next meeting.

## **9 Update on the project to review the way outcomes are communicated**

The decisions director introduced the project, which aimed at communicating views and decisions more succinctly. He stressed that this was a change in the way the outcome of cases was communicated, not a change in the approach by which outcomes were arrived at. Instead of sending complicated, protracted letters and reports to the parties, short, concise and focused communication was being used.

Jane Hingston and Garry Wilkinson explained that the idea for this way of working had arisen as a result of feedback from consumers. Fifty (mostly newly appointed) adjudicators had taken part in the pilot phase which was now coming

to an end. A broad range of types and complexities of cases had been trialled and over 3,000 views had been issued since the pilot began on 2 November 2009. The outcome of these cases had been almost equally divided between those that had been upheld and those that had not. The average time taken to close cases had been reduced.

It was confirmed that the next steps would include a controlled roll-out to 100 adjudicators from 1 April 2010. The project was an important part of the casehandling initiatives that were currently being developed.

Having reviewed examples of the templates being used, the board welcomed this development. In response to a question, Jane Hingston confirmed that this method of communication fulfilled the Service's obligations under the Financial Services & Markets Act.

## **10 Any other business**

### *a) Joe Garner*

The chairman reported, with regret, that he had accepted Joe Garner's resignation as a non-executive director of the Service.

### *b) David Thomas*

On behalf of the board, the chairman expressed his appreciation to David Thomas for carrying out the role of interim chief ombudsman for the past five months in a highly competent manner.

There being no other business, the meeting ended at 12.50pm