

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza 2, 183 Marsh Wall, London E14 on 12 May 2010 at 9. 30am

Present	Chris Kelly	chairman
	John Howard	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Roger Sanders	director
	Maeve Sherlock	director
In attendance	Natalie Ceeney	chief executive & chief ombudsman (CEO & CO)
	Tony Boorman	decisions director
	Barbara Cheney	company secretary
	David Cresswell	communications director
	Mike Harris	interim planning & analysis director
	Roy Hewlett	operations director
	Peter Stansfield	HR director
	David Thomas	corporate director
	Jacquie Wiggett	deputy HR director
	Caroline Wayman	lead ombudsman (item 4/1005)

1/1005 Apology for absence

An apology for absence was received from Alan Cook.

2/1005 Minutes of the meeting held on 14 April 2010

The minutes of the board meeting held on 14 April 2010 were approved as an accurate record of the meeting.

The board noted the draft minutes of the quality committee meeting held on 14 April 2010.

3/1005 Payment Protection Insurance (PPI)

fos/10/05/07

The decisions director reported that the period for consultation about the FSA's guidelines had closed and that the FSA was now considering the responses.

As requested at the last meeting, he presented three scenarios which set out what might happen to PPI complaints. The objective was to explore significant downside scenarios for the Service, focusing on the financial, operational and service impacts together with potential mitigation strategies. In compiling these scenarios, the decisions director confirmed it had been assumed that the volume of all other cases would be broadly stable.

The board noted that in the downside scenarios, although the cash position was currently strong, there could be significant implications for finances in 2010/11 and for the budget in 2011/12. In most cases, the cash position was manageable within the pre-arranged facility and the finance director was of the view that extending the facility should be achievable, albeit at some cost. The outcome cost per case could also vary quite widely in the scenarios.

The board considered each of the scenarios and whether there were key risks that had not been included in the paper. It agreed that the identification of key decision-making points would be crucial to ensuring that sufficient resources were in place at the right time. The board agreed that, due to the uncertainties inherent in the three scenarios, it would be preferable for the Service to be over rather than under resourced.

The board also explored the time and costs involved in either building up or in reducing outsourced casehandling capabilities. It recognised that it would be difficult to anticipate how this issue would develop and that it was unlikely that there would always be sufficient notice to make the required preparations. In some scenarios, it might be more cost effective to retain an under-utilised resource than to incur re-training costs and delays.

The board agreed that

- a) a group of executives and non-executives should meet to consider how best the Service could respond to various PPI risks and report back to the board.
- b) the funding position should be reviewed.
- c) the FSA should be informed of the board's deliberations
- d) the position should be kept under review and PPI would remain a standing item on future board agendas.

Action The decisions director will take these issues forward.

4/1005 IT strategy

fos/10/05/04

The CEO presented a paper which provided further analysis of the IT strategy and structure and a proposal for handling IT development. She explained she had prepared her proposals by deciding how the strategy and architecture that was needed should be developed - and then formulated plans to achieve them. She reported that external advice had also been taken from a 'critical friend', an IT and tendering specialist, who would also test the thinking behind the strategy as it developed.

It was proposed that an ad hoc group of board members should meet at critical points as the strategy developed. This would probably be first in July before the chief technology officer was appointed and again in early 2011 when the outline technology strategy should be clear.

In respect of scanning, a query was raised about the need to have sight of original documents. The executive confirmed that this would be one of the issues being considered in the development of the overall IT strategy.

The board endorsed the proposal to extend the IT development contract and to resolve the arrangements for IT development in parallel. It agreed

- a) the next steps for the development of the IT strategy as explained in the paper
- b) the plan for managing IT development arrangements
- c) that compromises may be needed to achieve the required strategy
- d) that it was helpful to be consulted about this issue at an early stage in the process

Action Board members who would like to join the IT group should contact the CEO.

5/1005 Annual review 2009/10

fos/10/05/05

The board considered the *annual review 2009/10*.

Subject to an amendment to the chairman's foreword, the board approved the *annual review 2009/10* for publication on the website on 19 May.

6/1005 Policy report

fos/10/05/06

a) Travel insurance, credit cards and Eyjafjallajökull

The decisions director reported that travel disruption caused by the eruption of the Eyjafjallajökull volcano could have an impact on future casework but this was unlikely to be significant. In any case it would be a few weeks before complaints reached the Service.

The board discussed the gap between consumers' expectations and the nature of insurance products, the importance of clear, precise terms & conditions, and the need to ensure that policies matched consumer needs. The board also considered the ombudsmen's role and the part they should play in such debates. The decisions director reminded the board about the Service's specific remit – to deal with individual cases. However, the board agreed that the Service should also assist the industry and others to consider these wider issues further.

It was also noted that the case issues raised by the volcano may well be of significance for a range of parties. Early public evidence of the ombudsmen's decisions would assist the parties to avoid unnecessary disputes.

The board concluded that it was important to share the valuable information the Service had gathered but without assuming a regulatory role.

b) Post-election landscape

The CEO reported that she had met officials at HM Treasury to discuss the Service's relationship with the regulatory infrastructure.

c) FSA review of complaint-handling by banking groups

The board noted that the FSA had published its review of complaint-handling by banking groups and discussed the implications.

d) Industry steering group

The chairman reported that he had chaired the inaugural meeting of the industry steering group on 28 April 2010. The second round-table meeting of consumer groups was due to be held on 25 May. The board considered:

- the pros and cons of meeting industry and consumer representatives separately or together
- the importance of even-handedness in the design of the engagement strategy for both groups
- whether there were any changes needed to this engagement strategy for claims-management companies

Action The CEO will give further thought to the points raised and review them with the chairman.

e) Press office

The board applauded the press office for winning the award for press office of the year in the HeadlineMoney annual awards.

f) Litigation report

The board noted the litigation report.

7/1005 Management Information report

fos/10/05/08

The board noted the April MI report. Some suggestions were made about the statistical presentation of the information which the head of planning & analysis agreed to explore.

8/1005 Restructure timetable

The CEO outlined the timetable for publication of both the *annual review* and announcements about structural changes –

- 17 May briefings to staff about the *annual review* headlines
- 19 May publication of the *annual review* on the website
- 20 May senior staff briefing about structural changes
- 21 May briefings to the Information & Consultation Council and all staff about the new structure (including video for staff)

9/1005 Board planning meeting agenda

The CEO proposed that the board should consider key strategic questions, what the world could be like in ten years, the impact on the Service and the consequential decisions that needed to be made. There would also be an

evaluation of the board and a discussion about stakeholder feedback about the Service.

Action The chairman and CEO will develop the agenda

10/1005 Any other business

As this was his last meeting before retiring, the chairman thanked Peter Stansfield for his valued contribution to the Service as HR director for the past five years.

There being no other business, the meeting ended at 11.40am