SUMMARY MINUTES

MINUTES of the ninety eighth meeting of the directors, held at South Quay Plaza 2, 183 Marsh Wall, London E14 9SR on 12 November 2008 at 10.00am

Present
Chris Kelly  chairman
Alan Cook
Joe Garner
John Howard
Elaine Kempson
Kate Lampard
Julian Lee
Roger Sanders
Maeve Sherlock
Walter Merricks  chief ombudsman

In attendance
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
David Thomas  corporate director
Kate Maloney  pensions manager, FSA Pension Plan (Item 7)

1 Minutes of the meeting held on 8 October 2008

The minutes and summary minutes of the board meeting held on 8 October 2008 were approved as accurate records of the meeting.

2 Caseload update

The operations director reported that the three key priorities in the next few months were to

- increase capacity for dealing with the continued high volume of complaints being referred to the Service
- expedite the allocation of new cases to adjudicators
- retain, and improve, quality and consistency in complaints-handling

He reported that the higher level of new complaints remained steady and that about 40% of them were about payment protection insurance (PPI) and credit card charges. He added that the high volume of the incoming caseload was placing increasing pressures on the Service but that the outsourcing of some casehandling functions was making a significant contribution to output. A range of detailed checks had showed
that the quality of outsourced work was comparable to work performed by the
Service’s own staff.

The chief ombudsman confirmed that a paper was being prepared for the next meeting
which would examine complaint trends, drivers of complaints, the effect on the Service
if the caseload rose even higher and an insight into the future of the Service if the
trend to a higher caseload was maintained. He confirmed the paper would also
include a discussion about differentiating types of complaints to establish the extent to
which the outcome was obvious at the outset or required a balanced judgement after
investigation.

The board noted the initiatives to tackle the workload on a number of fronts, such as
increasing capacity through recruitment, outsourcing, referral of PPI cases to the FSA
under wider implications and complaints-handling education work. However, concern
was expressed that, particularly in the current economic climate (which was becoming
more complex), there were likely to be other single issues that would test the Service’s
capacity to deal with high levels of workload.

It was agreed that a combination of the economic climate, transparency initiatives and
publication of data may all have an effect on the future behaviour of businesses.
These factors needed to be addressed internally in conjunction with ensuring that
other stakeholders played their part to prevent large volumes of justified cases being
referred to the ombudsman.

3 Corporate plan

The corporate director presented the draft corporate plan which will form the first
half of the corporate plan & 2009/10 budget. He drew the board’s attention to the
accompanying note about the recent meeting with the industry funding forum
during which industry trade-bodies had agreed there were likely to be continued
high levels of complaints in the coming year.

During its discussion about the plan, the board agreed that comments about the
workload challenges resulting from decisions taken by regulators – and the steps
that should be taken to enable the Service to revert to its core role – should be
promoted to the overview in chapter 1.

4 Policy report

a) Payment protection insurance

The decisions director circulated the draft terms of reference for the executive
community for the Statement of Principles on PPI Complaints Handling (an
external committee involving industry trade-bodies, businesses and consumer
groups) and the covering letter from the BBA. He hoped the Service would be
able to participate but some important points of detail needed to be resolved first.

He confirmed that a review of all PPI complaints had provided a better
understanding of the issues involved, including the wide range of premiums
being charged for single premium policies. More information will be added to the
website shortly, which will include the ombudsman’s approach, examples of
cases, decisions and redress.

The board agreed that all possible steps must be taken to find a lasting solution
as a matter of urgency.
b) Credit card complaints
The board noted that some credit card providers were recalculating interest rates on an individual basis for customers who paid the minimum balance or were late in making payments.

c) DISP time limit rule
The board noted the approval of Instrument FSA 2008/55 & FOS 2008/5 which had been agreed by email in the period since the last meeting.

d) Treating customers fairly
The corporate director said that, rather than reporting separately on the implementation of its treating customers fairly initiative, the FSA had decided to roll this into its routine supervisory work.

e) Publication of firm-specific complaint data
It was confirmed that the FSA was reviewing responses to its consultation paper about data publication. The corporate director added that it was possible that the Service would be in a position to start to publish its data before the FSA did so.

The chief ombudsman reported that a meeting had been arranged with a wide group of stakeholders to discuss the ‘contextualisation’ of the Service’s data. Depending on the outcome of the current consultation (which closes on 24 December) and the amendments that may be required to the casework system, publication of data relating to the six months from January to June 2009 could begin later in the summer of 2009.

The board will be asked to decide the basis on which to proceed in February.

f) Retail distribution review
The FSA was due to publish a feedback statement on 25 November. The Service had been broadly supportive of its objectives whilst pointing out some practical difficulties. There was concern that there could be future problems if there was confusion, or lack of clarity, about the nature of the service financial businesses thought they were providing and the nature of the service consumers thought they were receiving.

The board noted updates on the smaller businesses forum, regulation of sale-and-rent back, the FSA’s retail markets strategic framework, the £100,000 limit on ombudsman awards, victims of identity theft as eligible complainants, banking conduct of business regulation, an FSA discussion paper about consumer responsibilities, a proposed EU directive on consumer rights and litigation.

5 External liaison work

The communications director presented his external liaison report for the three months to 30 September. He explained that the format had been changed to clarify the context of the various activities undertaken.

The board was impressed with the range of initiatives that had been carried out with limited resources and enquired whether more resources were needed to help promote accessibility and transparency. The communications director said that the cost of some services such as translation was increasing. There were also other, less tangible costs, such as the impact on casehandler time of
implementing initiatives to assist consumers with different needs.

It was agreed that the quality committee would consider further the challenge of meeting the high productivity demands and the need to reach high standards of quality which reflected the varying needs of consumers (and especially the needs of particular groups of more vulnerable customers).

6 HR report

The board considered the HR report for the period from July to September. The HR director reported that the number of staff had increased by 15% in the quarter and that 170 staff (of whom 105 were adjudicators) will have been recruited by the end of November – reflecting the increased volumes of new complaints referred to the Service. He added that a major review of competencies, job profiles and appraisals was nearing completion.

7 FSA pension plan

The finance & IT director explained the background to pension arrangements for the Service’s staff who were eligible to join the FSA Pension Plan. He confirmed that over 90% were members of the money-purchase scheme and just under 10% were in the final-salary arrangement (as a result of previous employment rights). Kate Maloney, the pensions manager, FSA Pension Plan, introduced her paper which explained the investment strategy of the fund.

The board discussed the current pension plan arrangements. It was agreed that a more detailed paper should be prepared for consideration initially by the audit committee before being referred to the board.

The board thanked Kate Maloney for her paper and for attending the meeting to answer its questions.

8 Any other business

The chairman reported that he would be attending his first meeting with the new chairman of the FSA, Lord (Adair) Turner, on 18 November.

There being no other business, the meeting ended at 12.55pm