MINUTES of the meeting of the directors, held on Wednesday 6 March 2019 at 08.30

Present
Nick Montagu (NM) chairman
Gerard Connell (GC) director
Alan Jenkins (AJ) director
Sienne Veit (SV) director
Jenny Watson (JW) director

Apologies
Diana Warwick (DW) director

In attendance
Caroline Wayman (CW) chief executive & chief ombudsman (items 1-7 & 9)
Julia Cavanagh (JC) chief finance officer
Annette Lovell (AL) director of engagement (for items 1-7 & 9)
Caroline Nugent (CN) HR director
Richard Thompson (RT) principal ombudsman & director of quality
Garry Wilkinson (GW) principal ombudsman & director of new services
Charlie Sweeney lead ombudsman and director of casework (for item 7)
Talal Barkatali (TB) head of strategic finance (for item 5)
Alison Hoyland (AH) board secretary (for items 1-7 & 9)
Megan Webster (MW) policy and communications manager

1-4/1903 Board and committee meetings:
The board:
- approved the minute of the meeting held on 6 February 2019, subject to a small amendment.

Matters arising
Matters arising were picked up in the main substantive business before the board.

Chairman's update:
The board began by noting with sadness that lead ombudsman, Caroline Mitchell, had passed away after a short illness. Caroline had worked at the ombudsman for a good many years, most recently as one of its principal ambassadors, leading the relationship with many key stakeholders, including internationally.

NM and CW had written to Caroline's family on behalf of the board and the whole service and would be sharing the many messages of condolences received both from within the service and from around the world.
The chairman updated the board on the ombudsman service business in which he had been involved since the last board meeting, which had included:

- Internal engagement: 1:1 meetings with NEDs and executive members, attendance at the long service event and attendance at a ‘Parity’ event focussed on helping Somali women to find suitable employment. On the latter, the chairman and chief ombudsman and chief executive had both attended and had spoken about their respective career experiences.
- Other: Speaking at a “Speakers for Schools” event at the Rivers Academy in Feltham.

Chief ombudsman and chief executive’s update

The chief executive and chief ombudsman updated the board on a number of key strategic and operational developments since the last board meeting and provided a summary overview of key external and internal engagement and litigation work during the period. Further discussion on some of the issues was picked up in substantive business before the board.

Authorised push payment scams

Since the last board meeting, the Authorised Push Payment (APP) Scams Steering Group had agreed a voluntary code of good practice which aimed to better protect customers and reduce the occurrence of APP fraud. The code would be effective from 28 May 2019. The ombudsman service was one of a number of observers to whom the group had access for insight and input.

Complaints from larger SMEs

The service’s operational preparations for the extension of its remit from 1 April 2019 were picked up in later discussions under the substantive item on the service’s strategic development programme. The wider landscape included the work of the Dispute Resolution Service Implementation Steering Group which had been set up to deliver the Simon Walker recommendations for ADR access to larger SMEs not eligible to complain to the Financial Ombudsman Service (including under its extended scope due to come in to effect in April 2019) and a mechanism for historic cases. The ombudsman service was again acting in an observer capacity. The group was currently working towards establishing pilot arrangements by September 2019.

Complaints about claims management companies

Again, the service’s operational preparations for the extension of its remit from 1 April 2019 were picked up in later discussions under the substantive item on the service’s strategic development programme. The board noted that the work to finalise the arrangements for the transfer scheme from the Legal Ombudsman to the Financial Ombudsman from 1 April 2019 was on track.
**Treasury Select Committee (TSC)**

Following an exchange of correspondence between the FCA and the TSC about vulnerable customers, the Chair of the TSC had written to ask the service about its experience of handling cases about reasonable adjustments under the Equality Act 2010. A copy of the service’s reply would be sent to the board, once sent.

There had also been further exchanges between the TSC and the FCA about the lack of FSCS coverage for consumer credit, in particular high-cost, short term credit.

On related matters, the board noted that another pay day lender, Curo Translantic Limited, had entered administration.

[The TSC exchanges of correspondence have since been published on the committee’s webpages].

**Litigation report**

The board noted that Berkeley Burke had been granted permission to appeal the judicial review ruling and the matter was due to be heard in autumn 2019.

In noting the update on Information Tribunal cases, the board noted that the Independent Assessor was seeing cases about the time taken to process a subject access request (SAR). Like many organisations, the removal of the £10 process fee for a SAR had meant a large increase in the number of SARs being made to the service. Steps had been taken to recruit more people to process the requests and improve handling and further training had been given on what could and should be released without someone needing to make a SAR. The service was confident the steps being taken would help bring down the timescales. While adherence to the timescales was important, so too was the quality of responses and ensuring the information being released was comprehensive and accurate. It would be important to get the balance right in this regard.

**5/1903  Plan and budget  fos/19/03/05**

The March Board represented one of the final stages in the budget approval process.

The Board noted that respondents to the consultation were in broad agreement with the case volume assumptions; while some thought the central assumption for PPI might be on the high side – they agreed the planning environment was challenging and that PPI numbers were difficult to forecast with any degree of certainty.

The final position remained as presented to the February Board, with a budget set on the basis of:

- 150,000 new and 170,000 resolved general casework cases;
- 10,000 new and 10,000 resolved packaged bank account cases;
- 50,000 new and 60,000 resolved payday lending cases;
- 250,000 new and 270,000 resolved PPI cases;
- an operating income of £297.0m, an expenditure of £331.8m and an operating deficit of £34.7m.

The board reviewed the further analysis it had asked for at its meeting in February on the operational assumptions being made in support of the plans to achieve a total of 510,000 resolutions. It remained the case that the plans represented a considerable challenge and that much would depend on the prevailing environment as the year progressed.

New PowerBI tools would enable the service to keep a very close track on the sensitivities and performance against measures and targets so that interventions and mitigating steps could be taken as soon as possible. As well as the ability to respond to different demand levels, the prospect of significantly higher volumes would put a particular emphasis on being able to identify vulnerable customers and prioritise the most pressing cases.

The Board agreed:
- the budget for submission to the FCA March Board for approval; and
- the FEES rules, subject to approval at the FCA March Board.

Board members had been sent a draft of the strategic plans and budget and would provide any comments in time for publication after the FCA Board approved the budget.

6/1903 2019/20 commitments fos/19/03/06

Following an update at its February meeting, where the board agreed the existing commitments framework ahead of a more fundamental review for 2020/21, the board was asked to review and agree the underlying performance targets and measures.

As in previous years, the satisfaction targets for consumers and businesses differed, largely because customer satisfaction was more closely linked to the outcome of a complaint than business satisfaction. Businesses satisfaction was, therefore, historically higher and so more stretching targets were set. Notwithstanding the current challenges and caseload volatility, the board was keen for the service to maintain an ambition to set itself more stretching targets once the operating environment made that a realistic goal. Other areas of focus remained around reviewing how the service could best measure the impact of its work and insight sharing.

The board agreed the 2019/20 commitment measures.
The service development programme of work to modernise and meet future customer need was now being progressed under the second phase of the service’s transformation programme and its new ‘3 Horizons’ strategic planning framework.

Since the board had last met, one of the key features of the programme had been engaging staff through a series of staff cascade sessions and senior manager briefings on the strategic framework and plans. Business owners for each of the 3 Horizon’s had delivered face to face briefings with senior managers, answered questions, explained the purpose of the programme, the proposed changes and the plans for making them happen. Managers had been asked to cascade the key messages to their teams. The board noted that as part of the service’s approach, people from across the service would be invited to be involved in the programme.

Some of the nearer term initiatives the service development programme was focused on included:

**Casework innovation hub**

The development of a casework ‘innovation hub’ would provide the opportunity to think differently about how best to respond to the challenges of increasing scale outside PPI. The board noted that the plans for the innovation hub would be based on continuous improvement rather than transformational change. The board agreed it would be important for clear measures to be put in place. Regular updates would be provided as part of the standing agenda item on service development.

**Phoenix customer relationship management system**

Since the board was updated in February, the project remained on track to deliver a stable day 1 product. Since the board papers had gone out, the ‘document production’ facility had been introduced to the system and testing had begun. The pilot team continued to work live cases through the system.

**Extended remit to cover larger SMEs**

The board noted the service’s preparations to handle complaints from a wider range of SME’s from 1 April including the formation of a panel of experts and an advisory group. The board agreed the service would need to be very clear about the role of the panel to manage expectations from both consumers and businesses. It would not be involved in decision-making per se, nor would it provide an appeal mechanism, rather it would provide expertise for the service to draw upon if required to inform its understanding as it sought to resolve cases.

The board noted that the service had asked its internal auditors to confirm whether it had successfully implemented the project plans for handling new SME cases and the assessment was one of ‘substantial assurance’.
Extended remit to cover complaints about claims management companies (CMCs)
The board noted the service’s preparations to handle complaints about CMCs.

8/1903 Governance fos/19/03/08

Criminal Finance Act 2017
The Act introduced new corporate offences for failing to prevent the facilitation of tax evasion, both in the UK and overseas. The board noted the legal analysis carried out by the service which concluded its risk of breaching the Act was very low. The board agreed a statement of compliance for signature by the chairman and publication.

Master Trust Legislation for pension arrangements
The board noted that the service was a participating employer in the FCA pension scheme and as a result of recent legislation the pension scheme was required to register as a “master trust” with the Pensions Regulator. The board noted that as part of that process, the service was required to sign an updated funding side letter, prior to its consideration by the trustee board on 18 March.

Ombudsman appointments
The board noted the most recent appointments approved by the chairman.

9/1903 Award limit rule changes fos/19/03/09
The board noted the proposed changes by the FCA to the service’s award limits for the compulsory jurisdiction (CJ) and was asked to make the corresponding rule changes to the voluntary jurisdiction (VJ). The board agreed the changes, subject to FCA approval and it making the CJ rules.

[FCA has since confirmed the rules have been made].

AOB

There being no other business, the meeting concluded at 11.15am