

Financial Ombudsman Service Limited

SUMMARY MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza 2, 183 Marsh Wall, London E14 9SR on 22 April 2009 at 9.30am

Present	Chris Kelly Alan Cook Joe Garner John Howard Elaine Kempson Kate Lampard Julian Lee Roger Sanders Maeve Sherlock	chairman
	Walter Merricks	chief ombudsman
In attendance	Tony Boorman Barbara Cheney David Cresswell Roy Hewlett Ian Sansbury David Thomas	decisions director company secretary communications director operations director business planning & assurance director corporate director

The chairman welcomed the newly appointed business planning and assurance director, Ian Sansbury, who provided the board with a summary of his background and experience.

1 Minutes of the meetings held on 13 March 2009

- a) The minutes of the board meeting held on 13 March 2009 were approved as an accurate record of the meeting.
- b) The board noted the minutes of the nomination and remuneration committee meeting that was held on 13 March 2009.

2 Matter arising

Publication of data

The corporate director confirmed that the policy statement had been published and that discussions were continuing with stakeholders about data contextualisation.

3 Pay review

The board agreed that the current arrangements should continue, namely

- a) ombudsmen's salaries are linked to fixed points on the Judicial Salary Scale;
- b) other senior staff's salaries are approved by the nomination and remuneration committee following recommendations by the chief ombudsman; and
- c) all other staff remuneration is set within the agreed budget parameters.

It was also agreed that the board will consider the principles and parameters of future pay settlements when it considers the budget each autumn. The operation of the pay review will then be delegated to the chief ombudsman within that framework. The board reserved the right to ask for a different course of action to be taken if subsequent events required further involvement by the board.

4 Caseload – results from 2008-09

The operations director reported the following outcome for 2008/09 -

cases received

forecast - 125,000
actual - 127,471

cases closed

forecast - 115,000
actual - 113,949

He confirmed that significant effort was being made to expedite the allocation of new cases to adjudicators. As 25% of new cases were about PPI, this continued to have a major impact on the workload. Work was also continuing to reduce the number of open cases over 12 months old.

The board discussed the optimum periods for each stage of the casehandling process, starting with the eight weeks for businesses to respond to complaints before the Service could become involved and the three to four weeks for them to send their files once cases were accepted for investigation. It was noted that timeliness targets had been added to the management information report and a request was made for productivity targets to be included in future reports.

5 Policy report

a) *Payment Protection Insurance (PPI)*

The board noted the interim public response that had been received from the FSA to the chairman's letter of 1 July 2008 about the wider implications of complaints about the mis-selling of PPI policies.

The only significant point raised in the letter was the FSA's plan to consult about handbook guidance on firms' handling of PPI complaints, a process that was likely to take several months. The decisions director said that discussions were being held to find out more about this proposal and the progress of other initiatives.

Operationally, considerable uncertainty remained about the future workload and financial businesses' responses to complaints - which made it difficult to ensure the necessary resources were in place. Complaints about PPI continued to be

made to the Service at the rate of 600-800 per week. The decisions director reminded the board that the PPI caseload was currently being handled by both Service and outsourced adjudicators. However, given the continuing high volume of cases, it was apparent that a different approach was now required that was sufficiently flexible to cope with the range of operational uncertainties being faced. He presented a proposal which involved the transfer of PPI work to an outsource provider, apart from CCD, ombudsmen and technical policy functions.

The board discussed a number of related issues including the retention of knowledge about PPI issues, the difficulties and disadvantages in recruiting the required number of Service staff to do the same work, the higher cost of outsourcing, the need to improve timeliness, the likely number of cases that would need to be resolved in the year, the greater flexibility provided by outsourcing and measures required to ensure the quality of output.

It was agreed that all possible steps must be taken to deal with the heavy PPI caseload as expeditiously as possible and that the proposed expansion of outsourcing should proceed. This should be done in the most efficient manner, whilst not compromising on quality. It was recognised that this would be more expensive than recruiting Service staff, and the board requested that costs should be kept as low as possible.

b) *Litigation report*

A report about litigation was noted.

6 External liaison

The communications director presented the external liaison strategy for 2009/10 which had been developed from the *corporate plan and budget*. He also presented details of external liaison activities that had been undertaken between January and March.

The board discussed the Service's interface with MPs and their role as opinion formers. The corporate director explained that the policy committee received regular reports about correspondence from MPs which included many matters, ranging from general queries about the role of the Service to issues relating to financial complaints made by individual constituents. The corporate director agreed to prepare a discussion document about relations with MPs which would enable the executive to draw on the board's knowledge and experience.

The level of external liaison resources was also considered. The communications director felt that the current number of staff was appropriate for the work being done. The objective of raising awareness of the ombudsman service was to do so at the time that consumers needed to use it. It was suggested that the reasons given by consumers for not pursuing complaints could be of more concern than lack of awareness. Whilst raising awareness could result in heavier demand which would stretch limited resources further, it was agreed that specific groups of vulnerable and "harder to reach" consumers should not be at any disadvantage.

7 Annual review timetable

The board noted the arrangements and timetable for the preparation and publication of the *annual review 2008-09*.

There being no other business, the meeting ended at 12.10pm.