

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza 2, 183 Marsh Wall, London E14 9SR on 20 May 2009 at 9.30am

Present	Chris Kelly	chairman
	Alan Cook	director
	Joe Garner	director
	John Howard	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Roger Sanders	director
Maeve Sherlock	director	
In attendance	Tony Boorman	decisions director
	Barbara Cheney	company secretary
	David Cresswell	communications director
	Roy Hewlett	operations director
	David Thomas	corporate director

1 Apology for absence

An apology for absence because of illness was received from Walter Merricks.

2 Minutes of the meetings held on 22 April 2009

- a) The minutes of the board meeting held on 22 April 2009 were approved as an accurate record of the meeting.
- b) The board noted the minutes of the quality committee meeting that was held on 22 April 2009.

3 HMT White Paper on Financial Service Regulatory Reform

The board noted the discussions that had taken place about redress and governance.

The board agreed it would be important to engage with all stakeholders to give them an opportunity to comment on the ombudsman's independence. The core role of the Service was to resolve individual disputes and provide redress where appropriate, rather than to influence others. There was a discussion about the optimum form of governance for the Service and it was concluded that the current arrangements were generally adequate.

It was suggested that, whatever might happen in the longer term about collective redress in other fields, it would be helpful if the possibility of earlier action in financial services was considered. Initiatives in respect of collective redress were being considered at both national and European levels. The corporate director was involved in the latter. The board asked for a discussion document which defined the problem and which considered the possible outcomes, options and objectives to which the Service might aspire.

Wider implications was a matter of greater concern and an issue about which the Service needed to have clear objectives. The current system worked reasonably well if early action was taken but it was less successful if the problem had been in place for a number of years. It was agreed that it was important not to confuse the two situations.

It was agreed that the Service's objectives were to –

- a) maintain the ombudsman's independence. The co-authors of the proposed discussion paper should be HM Treasury, the FSA and the Service;
- b) find a better way of dealing with cases with wider implications; and
- c) explore ways of providing collective redress, including for those who do not complain.

4 Payment protection insurance

The decisions director introduced his paper which included details of the FSA's proposed (compliance based) case handling guidance for firms. The Service wanted to avoid a situation in which the FSA's plans for awarding redress differed from the ombudsman's traditional approach. The decisions director confirmed that discussions were continuing with the FSA about the implications for the Service.

The board agreed that it was important to establish a system that was as close as possible to that of the ombudsman's approach to redress and other related matters. It was important that issues faced by the Service were fully understood and discussions should continue with the FSA to find a satisfactory outcome.

5 Caseload

The operations director presented an update about the allocation of cases and a forecast for the next 12 months for each of the banking, insurance (excluding PPI) and investment sectors. He reported that the key objectives were to equalise the workload and reduce the average amount of time taken to consider complaints.

The decisions director reported that constructive discussions had been held with Deloitte about the contract for providing case-handling staff to deal with the large volume of complaints about payment protection insurance and that negotiations had virtually been concluded to lease two floors (30,000 sq ft) at South Quay Plaza 3. It was hoped that this extended project would be under way in the near future.

Whilst understanding the difficulties in reducing the increased caseload, and appreciating the achievements so far, the board asked whether further work

could be carried out, to help provide increased flexibility to deal with the volatility of the caseload.

It was confirmed that the cost of the current plans to recruit more adjudicators - on a permanent, contract or outsourced basis - was within the budget for 2009/10. If these numbers were to be increased further, an assessment would need to be made about the impact on the budget.

The board remained concerned about the time taken to resolve complaints. The model involving Deloitte had proved to be a success and the board wanted to better understand the implications of expanding it.

It was agreed that further management information would be provided and that the executive would give further consideration to the issues raised during the discussion.

6 Policy Report

a) Bank charges

The decisions director reported that agreement had been reached with the FSA and Barclays that the latter would act as if the cases arising from its new personal current account charging-structure would fall within the scope of the FSA waiver.

b) Publication of business-specific complaint data

The board noted the progress that was being made by the industry/consumer contextualisation group towards understanding the difficulties in contextualising the ombudsman service's complaint data.

c) Members of Parliament

A paper about the Service's interaction with MPs was considered. It was suggested that further thought should be given to engagement with MPs.

The board also noted an update on Lehmans-backed structured products and the litigation report.

7 Annual review 2008-09

In presenting the final version of the *annual review 2008-09*, the communications director thanked board members for their comments. He confirmed that this version had been sent to the FSA and that the final *review* would be published on the website on 27 May 2009.

The board approved the *annual review 2008-09* for publication.

8 Board planning meeting – June 2009

The board considered a range of issues that it would discuss at its forthcoming strategy planning meeting on 17/18 June.

There being no other business, the meeting ended at 12.35pm