

# Financial Ombudsman Service Limited

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## MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza, 183 Marsh Wall, London E14 9SR on Wednesday 13 October 2010 at 9.30am

Present	Chris Kelly	chairman
	Alan Cook	director
	John Howard	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Maeve Sherlock	director
	Roger Sanders	director
In attendance	Natalie Ceeney	chief executive & chief ombudsman (CEO)
	Tony Boorman	decisions director
	Barbara Cheney	company secretary
	David Cresswell	director of communications & customer insight
	Stuart Curl	interim performance & finance director
	Simon Rouse	operations director
	David Thomas	corporate director (items 3 to 5)

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### 1/1010 Minutes of meetings

The minutes of the board meeting held on 8 September 2010 were approved as an accurate record of the meeting.

The minutes of the nomination/remuneration committee meeting that was held on 13 September 2010 were noted.

### 2/1010 Executive update

*a) FSA consultation*

The board noted the highlights of the FSA's consultation paper CP10/2: Consumer complaints – the ombudsman award limit and changes to complaints-handling rules. The proposal for a nominated senior person within a firm to be responsible for complaints handling was welcomed, provided he/she was of sufficient seniority.

**Action** The corporate director will provide further information about the FSA's proposals in this area.

*b) Audit committee*

The chairman of the audit committee reported that, having made appropriate inquiries, the committee had approved exemption from tendering for the appointment of a leadership development programme provider. She confirmed that the value of the contract was below the EU threshold.

*c) Premises*

It was noted that a review of the use of office space was under way in the light of break clauses in the leases for the 12<sup>th</sup> and 13<sup>th</sup> floors at South Quay Plaza 3 in December.

*d) Ombudsman awards*

The board discussed the Service's role in checking that financial businesses follow ombudsmen's formulaic directions accurately when calculating awards. A recent article in The Times had highlighted the difficulties that can arise. It was noted that some calculations were complex but if consumers had concerns they could refer them to the Service.

**Action** A paper will be prepared to provide an understanding of the issues involved in making formula awards.

### **3/1010 Payment protection insurance**

The decisions director presented his paper which contained developments following the FSA's publication of its policy statement PS10/12 – *the assessment and redress of payment protection insurance complaints*. He confirmed that, since writing the paper, the British Bankers' Association had issued judicial review proceedings against both the FSA and the Service. He added that all aspects of this development were being carefully considered and that the Service was taking advice from Counsel.

The board noted the position and discussed a range of possible scenarios that might develop as a result of this action. It was recognised that this was a fast moving situation to which the executive and other key staff were devoting a significant amount of time. The board would be kept regularly informed of developments as they unfolded. Appropriate decisions would be taken to the board but it was also recognised that some decisions might well need to be taken between board meetings.

### **4/1010 Mid year progress report**

The board received an in depth quarterly report about business performance which included operational & financial reviews, progress against the business plan and a balanced scorecard with supporting management information.

*a) operational performance*

The operations director presented a summary of operational performance in the first half of the 2010/11 financial year, the financial impact and steps being taken to enhance operational efficiency. He added that greater focus was being placed on teams and working collectively.

He reported that there had been more complaints about payment protection insurance than expected but fewer complaints about all other products.

There was some evidence which suggested that the latter was due to improvements in complaint handling by financial businesses. As information was now available about the volume of complaints being made to financial businesses, the CEO confirmed that it would be possible to start analysing the figures further, for example by looking at the proportion of complaints made to firms that were subsequently referred to the Service.

The operations director confirmed that good progress had been made on the resource strategy project in the past month and that the outcome would be presented to the board in November. This work had provided an opportunity to review the casework process from the perspective of different customers. There was no 'one size fits all' answer and a more strategic approach was being taken to ensure that the process met different needs. He added that further details of this work would be presented to the board in November.

The board welcomed the report and the wealth of information it contained. It was agreed that, once the content of the report had been further developed a few key measures should be highlighted and that the scorecard should be more closely linked to the supporting documents.

**Action** The CEO's paper about the Service's approach to quality will be circulated to the full board.

*b) risk management*

The board noted the recent developments in risk management and that sufficient time was being allocated at the November board meeting to allow more detailed debate about this issue. This will include a discussion about risk appetite and governance arrangements for the board and the audit committee.

*c) key priorities*

The CEO confirmed that progress against the Service's key priorities was one of the many tools that were regularly reviewed by the executive. This was also published on the intranet so that all staff were aware of developments. A request was made for information about staff engagement and how it worked at the Service.

**Action** An update on staff engagement will be added to the quarterly operational report by the HR director and the director of communications & customer insight.

## **5/1010 2011/12 financial plan**

The CEO explained that a different approach to planning the 2011/12 budget was being adopted. Previously, the budget had been derived from the expected volume of complaints but, building on its budget setting experience in the past, the executive was approaching 2011/12 in four stages -

1. Identify a range of likely complaint levels and consider the costs that will be incurred if the volume is within this range.
2. Agree goals for the unit cost (case fee and levy) and other financial objectives, such as pay rates and investment.

3. Use the volume range and assumptions to model the cost structure. A gap was likely to emerge which would become the savings target.
4. The savings target would then be reviewed and tested to ensure it is feasible. If it was found to be unachievable, assumptions previously made would continue to be challenged until a balanced budget was produced.

It was confirmed that the board was not required to make any definitive decisions at this stage but, to enable the planning process to be developed, the board was asked to approve the revised approach and agree a number of assumptions.

The board approved the approach and, after some discussion, the following were agreed

- a) The aim should be that the case fee and levy be kept at 2010/11 levels. It was noted that savings of £2-3m would be required to achieve this depending on the volume of complaints.
- b) Budget plans will take account of the board's decision to review the ratio of outsourced casehandlers in line with the resource strategy.
- c) The pay review would be developed as proposed in the paper. Further analysis would be carried out which would be submitted to the nomination & remuneration committee.
- d) About £3m will be allocated for investment in IT infrastructure and staff training & development. Part of this sum would be capital expenditure which would be depreciated.
- e) Reserves at the end of the year were expected to be about £6m. This level of reserves will be retained in 2011/12.

The CEO confirmed that the uncertainty arising from the judicial review proceedings in respect of PPI cases had not been taken into account when preparing these plans. This was being considered as a separate issue.

There being no other business, the meeting ended at 1.25pm