

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at the office of the Financial Ombudsman Service, SQP2, 183 Marsh Wall, on Wednesday 24 October at 8.30 am

Present	Nick Montagu (NM)	chairman
	Janet Gaymer (JG)	director
	Alan Jenkins (AJ)	director
	Julian Lee (JL)	director
	Roger Sanders (RS)	director
	Maeve Sherlock (MS)	director
	Pat Stafford (PS)	director
In attendance	Natalie Ceeney (NC)	chief executive and chief ombudsman
	Tony Boorman (TB)	decisions director
	Julia Cavanagh (JC)	performance & finance director and company secretary
	Chris McDermott (CM)	operations director
	Caroline Wayman (CW)	legal director
	Alison Hoyland (AH)	board secretary & head, CEO's office (minutes)

Apologies for absence

Apologies for absence were received from Gwyn Burr and Elaine Kempson.

0/1210 Executive update

Ombudsmen appointments

The Board noted NM's approval of the most recent ombudsmen appointments.

Equality and inclusion

The Board commended the ombudsman on being recognised by Investors in Diversity as an organisation fully committed to equality and being put forward for the highest level of award, the Investors in Diversity Award - leaders and ambassadors.

Working with smaller-businesses

As part of its customer insight work, the ombudsman had previously produced a set of videos involving consumers talking about their experience of complaining and of using the service. It had now produced a 'companion' set of videos, involving smaller businesses, such as financial advisers, insurance brokers and collection agencies – who, as a set of practitioners, tended to have fewer complaints, compared to big financial services providers. These videos were being used for customer service training, to enhance understanding of the customers' perspective.

action

- the Board to see the videos at its December meeting.

1/1210 Minutes and approvals

The Board approved the minutes of the meeting held on 26 September, subject to a couple of small amendments.

2/1210 Matters arising

Independent Assessor

PS had agreed to act as 'critical friend' in recruiting the successor to the Independent Assessor role, when the current assessor's term ended in May next year.

3/1210 2012/13 Q2 performance**fos/12/10/03**

Good progress against performance measures at the end of the second quarter reflected well on the new professional leadership model in general casework, with newer case-handling staff trained, and in teams, and ombudsmen and case-handling teams working closely together, sharing knowledge and best practice.

Incoming cases volumes were increasing steadily, as more people turned to the ombudsman in difficult times, and planning was focussed on responding to the increase in demand. There was continuing focus too on older cases, where the complexities of the issues involved and, in some instances, the wider implications, meant that they could not be readily progressed.

In PPI, the plans to scale up resources to meet the demand were on track. A significant increase in calls meant front line efforts had been focussed on responding to the immediate needs of those contacting the ombudsman for help.

The prospect of further increases in PPI case volumes, and the ombudsman service's response, would be considered under substantive business later on in the agenda.

The financial position reflected performance to date, and the increased number of PPI cases coming through (for which a supplementary fee was charged when the case was taken forward for investigation). The Board noted how revenue from the supplementary case fee would be recognised, and the financial position that the ombudsman service was likely to be in going into the next financial year: there would be further discussion of this under the outline plan and budget for 2013/14 agenda.

4/1210 PPI planning**fos/12/10/04**

At its away day meeting in September, the Board had considered how the ombudsman service should respond to the analysis which showed incoming volumes of PPI complaints increasing yet further. It had agreed that the service would have to add significantly to its capacity, and asked the executive team to prepare an analysis of the operational options for doing so.

The Board agreed that timeliness and cost would be two of the most critical factors in assessing the feasibility of the options, together with the over-arching need to preserve reasoned decision-making – which lay at the heart of the ombudsman's role. A detailed option appraisal had been prepared and reviewed by an independent external party and by Board 'critical friends', JL and AJ, before being put to the Board.

Reviewing the option appraisal led the Board to conclude that the ombudsman service should further build its capacity in line with its current approach to meet the significant increase in PPI demand to date. In doing so, the service's recruitment approach should positively impact the local employment market by continuing to offer local employment opportunities and explore employment initiatives in partnership with relevant organisations.

action

- next steps analysis of operational approach, and medium to longer term implications against expected volumes, to come back to the December Board.

5/1210 2013/14 outline plan & budget**fos/12/10/05**

The tight timetable for the planning and budget process meant that the Board needed to take an early view on the high-level approach for next year. Further detail on the plan and budget would come to the Board in November, before it signed off the budget in March, following public consultation in January.

The Board agreed the current planning assumptions around expected volumes, which anticipated modest increases in general case work, and continuing high volumes in PPI. While PPI volumes continued to be subject to significant volatility, its earlier focus on their trajectory had led the Board to conclude that the ombudsman service's existing resource was likely to be too small and that it would have to add significantly to its capacity.

Early soundings from senior leaders in the banking industry supported the ombudsman's assumptions, and there had been broad agreement that the overall operating and expenditure plans were realistic and appropriate.

The process for setting the plan and budget included how the industry should fund the costs next year. The ombudsman had already been consulting on its funding approach for 2013 and beyond, which would require the four major financial services providers responsible for the majority of cases – approximately 60% - to pay advance fees for the numbers of cases the service expected to receive against them in the year. Against the background of continuing volatility, the Board agreed that this approach would allow for stability in revenue, and reflect better the fixed nature of the costs associated with these larger providers. Minimising funding volatility would also mean that the ombudsman would be in a position to review its policy on the reserves it held specifically for volatility in the case-load, and reduce the levy it would otherwise be required to raise.

The Board noted that, again, in early discussions, these proposals had been broadly accepted by the larger providers as an appropriate response to the expected workload and the volatile nature of the work. Other features of the proposals, for example, the increase in the number of cases for which a case-fee would not be charged – to 25 – had been welcomed by smaller financial businesses.

In the light of the Board's agreement that the ombudsman service should proceed on the basis of its plans, there would be further work on the detail to bring back to the November Board. In preparing its plan and budget, the ombudsman would continue discussions with the industry, consumer organisations and the regulators, explaining its views on plans and assumptions about the associated costs and seeking comments.

6/1210 Interest rate hedging products

fos/12/10/06

At its meeting in July, the Board agreed that that the ombudsman service should continue to explore, with the FSA and the industry, the possibility of establishing a specific scheme for dealing with the outcome of reviews by businesses of their sales of interest rate hedging products. Working together, the FSA and the ombudsman had produced proposals which sought to minimise legal and operational risks. The Board agreed that the ombudsman and the FSA should consult on the proposals and the associated rules; their ultimate decision on whether to go ahead with the scheme would be informed by responses to the consultation.

7/1210 Quality assurance

fos/12/10/07

At its June away day, the Board agreed that quality assurance arrangements should reflect the fact that quality sat at the heart of everything the ombudsman service did and was something in which the whole Board would want to be engaged, rather than delegated to a sub-committee.

The Board agreed proposals to enhance quality assurance and allow for greater flexibility and responsiveness. Two Board members would be appointed to act as 'critical friends' to meet periodically with ombudsmen and other senior staff to discuss specific themes and critically assess 'quality assurance' against agreed measures. With its over-arching assurance role, the Audit Committee would also consider quality assurance processes and controls and highlight matters which warranted further examination.

action

- NM to appoint two Board members to act as 'critical friends' on quality assurance matters.

There being no other business, the meeting ended at 13.00.