

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at held at South Quay Plaza, 183 Marsh Wall, London, E14 9SR on Wednesday, 20 November at 9.00 am

Present	Nick Montagu (NM)	chairman
	Maeve Sherlock (MS)	director
	Julian Lee (JL)	director
	Alan Jenkins	director
	Pat Stafford (PS)	director
In attendance	Tony Boorman (TB)	deputy chief executive and deputy chief ombudsman
	Liz Brackley (LB)	strategic development director (for items 4 and 5)
	Julia Cavanagh (JC)	finance and performance director
	Caroline Wayman (CW)	legal director
	Alison Hoyland (AH)	board secretary & head, CEO's office (minutes)

Apologies for absence

An apology for absence was received from Gwyn Burr (GB).

Natalie Ceeney

An announcement had been made the previous week about Natalie Ceeney's decision to step down as chief executive and chief ombudsman, after nearly four years in the role. In his statement, the chairman had reflected on how Natalie had led an organisation that had risen to the challenge of PPI, trebling in size to do so, and which had become a *Sunday Times* "top 100" best employer under her leadership.

The Board was grateful to Natalie for her achievements as head of the ombudsman service and wished her well for the future.

The announcement had confirmed that Tony Boorman, deputy chief executive and deputy chief ombudsman, would lead the organisation until further notice.

Mireia Rull-Martinez

The Board and the executive wished to record, on behalf of everyone at the ombudsman service, their sincere sympathy for the family of colleague, Mireia Rull-Martinez, who had died tragically the week before, following a very short illness. Mireia had been a valued member of the learning and development team, and would be remembered by colleagues with fondness and great affection.

0/1311 Executive update

The Board noted the update from members of the executive on their respective areas, with some further discussion on the following:

staff survey

The Board was pleased to note the high response rate to the recent staff survey, up on last year's. A good response meant that the ombudsman service would get a good understanding of what staff thought about working at the service and their degree of engagement with the organisational values and priorities. The executive would then be able to focus on those areas where staff thought more should be done.

PPI closures

The ombudsman service had already achieved its budget target for PPI case resolutions for the year. While these had included a good number of cases where the financial businesses had agreed to review its earlier stance on groups of cases, in the light of the ombudsman's published approach, the service was still ahead of its target to date, without these 'cohort' resolutions.

action

- breakdown of PPI closures to come to a later Board.

senior staff development

As part of its commitment to staff development and succession planning, the ombudsman service had launched a development programme for senior staff, identified as having the potential for future executive positions. The Board agreed that opportunities should be found for this group to meet with the Board informally, as well as experience attending Board meetings to present items relevant to their respective areas.

action

- informal meeting to be arranged between the Board and participants in the ombudsman's senior management development programme.

outreach work

The Board commended the work of the ombudsman's outreach team who had recently partnered with a trust who helped co-ordinate volunteers running food banks, who as part their work with vulnerable people struggling financially, also provided front-line debt advice services.

1/1311 Minutes and approvals

The minutes of the Board meeting held on 23 October were approved.

2/1311 Matters arising

service performance

Future performance updates, and Board quarterly reviews, to include analyses of:

- older cases
- PPI resolutions, at the different stages of the case-handling process
- timeliness measures for new incoming cases
- service complaints split by general case-work and PPI

Other matters arising were picked up in the substantive business before the Board.

3/1311 2014/15 plan, budget and fees

fos/13/11/03

At its October meeting, the Board agreed the broad parameters within which the ombudsman service was preparing its 2014/15 budget for public consultation. Further analysis since then continued to support the planning assumptions around expected incoming volumes. Forecasts anticipated declining numbers, in both general casework and PPI, although much uncertainty remained around incoming PPI volumes. In meetings with the industry, representatives had also indicated that they considered the planning assumptions for the following year to be reasonable.

An analysis of the forward trajectory of the PPI caseload, in terms of both the different types of cases in the caseload and its ageing profile, supported the expectation that PPI would present some operational challenges for a few years yet. Over time, there were likely to be fewer straightforward and quicker to resolve cases, and the existing stock of cases would contain an increasing proportion of more

complex, more difficult to resolve ones. The implications of an increasingly heterogeneous caseload included the skills and capabilities that case-handlers would need going forward. Operational planning would need to remain flexible and responsive, therefore, and options kept open over the next 2 or 3 years, to take account of the size and nature of the caseload at different points and, most critically, the level of customer service being provided.

In examining the more detailed financial plans before it, looking 5 years out, the Board accepted that detailed operational planning further than a year ahead was difficult, not least in the light of continuing uncertainty around PPI. However, the strong financial position, in terms of the reserves held to deal with PPI over the next few years, meant that the service was confident that it had sufficient funds to cover a broad range of scenarios, including any future changes to its operational response.

A key area on which the Board sought assurance concerned the ageing profile of the PPI caseload and how long customers might have to wait for an answer. A forward look at case-age, case-mix, volumes of incoming cases and the capability and skills of case-handlers, did not currently support further mass recruitment. That said, the service was not ruling out the possibility that further recruitment may be necessary in future, especially if volumes did not decline as expected. Further, the Board welcomed the assurances given that developing competency levels in PPI to tackle the oldest cases and those heading that way would be central to developing an appropriate operational response, along with keeping open a range of other options, for example, contracting out to other schemes or recruiting considerably more ombudsmen.

Further information and assurance around older PPI cases and the range of different options for dealing with the PPI caseload would come to subsequent Board meetings, as the service developed the detail of its operational plans.

The funding arrangements introduced in 2013/14 had provided for advance fees from the larger providers of financial services. These new arrangements, coupled with the earlier introduction of a supplementary case-fee for PPI, had brought greater revenue stability and had meant that the service had not needed to raise any additional fees that year to increase the reserves it held.

The budget preparations for 2014/15 assumed continuing stability in revenue and again, therefore, no further fee increases for reserves. Moreover, in the light of a strong financial position going into the following year (from funds held for dealing with PPI), the service did not expect to need to continue to call for supplementary case fees for PPI. This assumption was based on the forecasts for a significant reduction in incoming PPI cases. Continuing uncertainty around PPI volumes could mean more cases, though, and so the consultation would include proposals for advanced fee-payers to pay additional amounts, equivalent to the supplementary case-fee, if their case numbers were above an agreed threshold. The consultation would also propose no increases to the underlying general levy and standard case-fee, and the retention of the free case fee level at 25.

In concluding its discussions, the Board agreed that on the basis of the analysis, the ombudsman service should proceed to present its budget and fee plans to the FCA Board in December. Subject to FCA approval, the plan and budget would then be published for consultation in January. The Board would have the opportunity to take a final view on the budget against the latest forecasts and responses to the consultation, when it was asked to approve it in March.

4/1311 Developing a service for the future

fos/13/11/04

The ombudsman was continuing its programme of work to look for efficiencies in the way that it did things and develop further to meet customer needs and be accessible to everyone who wanted its help. A focus on continual improvement would help ensure

the ombudsman service remained relevant and able to fulfil its function (which included helping to maintain trust and confidence in financial services).

As part of this, the Board had commissioned an independent review looking at future changes in the ombudsman's operating environment and society more broadly, to help inform how it could continue to deliver a service valued by all. While the organisation would continue to look for ways to improve what it did, and how it did it, the Board agreed that the prospect of, or need for, any more fundamental transformative change would need to be informed by the outputs from the independent review.

action

- Executive and Board to meet informally in January 2014 (ahead of the executive bringing a service development update to the February Board). The initial outputs from the independent review work to be fed into the discussions.

5/1311 Risk

fos/13/11/05

The executive team had reviewed the major corporate risks, in the light of the current challenges facing the organisation, and the challenges it expected, or might expect to face looking ahead. Inevitably, many were linked to the high PPI caseload, the operational challenges it presented and being able to continue to meet customer needs. Others related to the wider external environment, for example, any further changes to the regulatory or redress landscape or to customer/societal expectation and behaviour.

The Board agreed that the risks identified across a short to medium term time horizon, looked appropriate, as were the mitigating plans and management strategies. It suggested that some should be separated out, to make clear differing aspects of the risk, that a number could now be considered to more within tolerance in the light of mitigating actions that had been taken, and agreed too that a few others should now be removed, as they had been carried forward over time and were now well within tolerance.

The Board would undertake quarterly risk assurance reviews, as well as "deep-dive" strategic reviews of specific risks identified as requiring whole Board engagement, as necessary. The audit and remuneration and nomination committees would continue their programmes of "deep-dive" reviews of other specific risks, relevant to their respective remits.

action

- corporate risks to be updated in the light of the Board discussion

Any other business

Service complaints

The Board welcomed the inclusion of further data on complaints about how the service itself had handled cases in the October performance update; it asked if future reports could split the data between general casework and PPI.

The meeting ended at 12.30