

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held on Wednesday 7 March 2018 at 09.00

Present	Nick Montagu (NM)	chairman
	Gerard Connell (GC)	director
	Alan Jenkins (A)	director
	Sienna Veit (SV)	director
	Jenny Watson (JW)	director
Apologies	Diana Warwick (DW)	director
In attendance	Caroline Wayman (CW)	chief executive & chief ombudsman
	Julia Cavanagh (JC)	chief finance officer
	Chris McDermott (CMcD)	chief operating officer
	Garry Wilkinson (GW)	principal ombudsman & director of new services
	Richard Thompson (RT)	principal ombudsman & director of quality
	David Cresswell (DC)	director of strategy
	Annette Lovell (AL)	director of engagement
	Yvette Bannister (YB)	general counsel (items 1 to 4)
	Talal Barkatali (TB)	head of strategic finance (items 5 to 7)
	Alison Hoyland (AH)	board secretary

Apologies for absence

Apologies were received from Diana Warwick.

1-4/1803 Board and committee meetings:

The Board:

- approved the note of the meeting held on 7 February 2018;
- noted the minute of the meeting of the remuneration committee on 30 January 2018; and
- noted the oral update of the meeting of the remuneration committee on 21 February 2018.

Matters arising

Future funding was due to be discussed later on the agenda and other matters arising were scheduled for later meetings.

Chairman's update:

The chairman updated the Board on the ombudsman service business in which he had been involved since the last board meeting, which had included:

- Internal engagement, including meetings with Board directors and members of the executive.
- Regulatory engagement, including a call with the chair of the FCA.

Chief ombudsman and chief executive's update

Much of the chief ombudsman and chief executive's update focussed on the upcoming Dispatches programme on the ombudsman service. The programme was originally due to be aired on 5 March, but had been pushed back to 13 March. The board had been kept updated on developments since the service had been told about the programme by the production company. While the service had not been given the opportunity to see the programme in advance, it had been told that the issues raised included training, the approach to some types of cases and the level of awards. Ahead of the programme airing, the service had identified three priority areas of focus:

1. reassuring customers and stakeholders that its decisions were trustworthy and fair, and providing people with the opportunity to raise any concerns arising from the programme;
2. supporting and caring for staff, and recognising their loyalty, hard work and professionalism; and
3. looking into the detail of all the areas raised by Dispatches, and learning the lessons on where the service could improve.

The board noted the range of activities being undertaken under the three priority areas and it would be kept updated on developments pre and post programme.

5/1803 2018/19 plan, budget & fees – initial considerations fos/18/03/05

The March Board represented one of the final stages in the budget approval process.

The Board noted that respondents to the consultation were in broad agreement with the case volume assumptions; while some thought the central assumption for PPI might be on the high side – they agreed the planning environment was challenging and that PPI numbers were difficult to forecast with any degree of certainty.

The final position remained as presented to the February Board, with a budget set on the basis of:

- 130,000 new and resolved general casework cases;
- 10,000 new and resolved packaged bank account cases;
- 20,000 new and resolved payday lending cases;
- 220,000 new and 250,000 resolved PPI cases;
- an operating income of £230.4m;
- an expenditure of £289.8m; and
- an operating deficit of £59.3m.

The Board agreed:

- the budget for submission to the FCA March Board for approval; and
- the FEES rules, subject to approval at the FCA March Board.

Board members had been sent the draft *our plans for the year ahead* document and would provide any comments in time for publication after the FCA Board approved the budget.

6/1803 2018/19 commitments

fos/18/03/06

In February, the Board had undertaken its annual review of the performance reporting framework. The existing framework remained appropriate for now, ahead of a wholesale review post-PPI and once the new case-handling system was in place.

For now, presentational changes brought the reporting framework into line with the service's updated brand and tone and made it more streamlined to provide better visibility of the strategic commitments to staff and the contribution they made.

The update to the March Board presented the underlying measures and targets which had also been streamlined, again to ensure minds were focussed on the right things and to aid scrutiny. As part of this process, the measures which would determine the collective reward had also been refined to put the emphasis on the objectives most closely linked to good customer service and those which were most relatable to all staff across the service. While the Board welcomed the reduction in the number of measure for the commitments dashboard, it wanted business and consumer satisfaction rates to continue to be reported separately.

The high-level measures and targets would be underpinned by further measures in the different areas of the service. Each area would track and test a whole range of specific things to ensure performance management accountability and to ensure intervention strategies were timely and appropriate.

7/1803 Future funding

fos/18/03/07

As the post-PPI outlook came into sharper focus for the service, it was starting to consider the prospect of future changes to the funding arrangements. The potential for future change had been a feature of the service's consultation on its budget for the last couple of years and discussions with main stakeholders indicated an appetite for future change.

Ahead of more detailed work and analysis, the board agreed some broad principles to help inform thinking, including the need to avoid cross-subsidy and incentivise the right behaviour.

A fuller option analysis would come to the Board's strategy away day in the Autumn.

8/1803 Developing the service and the people journey fos/18/03/08

The service development update to the March board was focussed on the operational plans for the PPI, mass claims and the service's transition support casework areas.

The picture for PPI was becoming clearer now that the FCA rules and guidance were in place for progressing Plevin-affected cases and to fix a deadline for complaining. Managing through to the end of PPI and continuing to build the investigation pods to handle all general casework would balance a number of factors to ensure resources were matched to demand.

The agreed strategy to date had been to provide as much flexibility and responsiveness within the case-handling model as feasible and the board confirmed that this strategy continued to remain appropriate. The board would consider further detail and planning options at its meeting in April.

9/1803 2018/19 Pay and collective reward fos/18/03/09

The current pay and collective reward arrangements had been in place for a number of years. The board agreed that a review of the arrangements was due, not least to ensure that they continued to remain aligned with the service's strategic aims, would help attract, retain and motivate people and would drive the right behaviours.

On the collective reward, the board recognised the important principle of everyone having a stake in meeting – or exceeding – the overall strategic aims. It agreed, therefore, to retain arrangements where the amount of collective award was proportionate to the service's achievements across the board.

The board was mindful, though, that performance in the first six months, however strong, was no guarantee of what performance might look like at the end of the next six months. The board agreed, therefore, the remuneration committee's recommendation that the collective reward arrangements should no longer provide for a mid-year advance.

10/1803 Rule changes fos/18/03/10

Subject to approval by the FCA board, the board approved rule changes in relation to:

- the proposed tariff data (measure of size) to be used to calculate FCA periodic fees for insurers; and
- specifying PEPs as eligible complainants in the voluntary jurisdiction.