

Financial Ombudsman Service Limited

Minutes

Minutes of the meeting of the directors, held on 26 April at 10.15am

Present	Baroness Zahida Manzoor CBE	Chair of the board
	Sarah Lee	Non-Executive Director
	Ruth Leak	Non-Executive Director
	Jacob Abboud	Non-Executive Director
	Shrinivas Honap	Non-Executive Director
In attendance	Nausicaa Delfas	Chief Executive & Chief Ombudsman
	Nicola Wadham	Chief Information Officer
	Simone Ferreira	Interim Chief of Staff
	Yvette Banister	General Counsel
	Colin Douglas	Interim Director of Communications
	Paul Fleming	Head of CIO operations
	Becky Willis	Acting Director of HR&OD
	Chandra Hirani	Head of Strategic Finance
	Emma Jane Daly	Transformation Director (for item 5)
	Alison Hoyland	Board Secretary
Sacha McInnis	Policy and Communications Manager	
Apologies	Bill Castell	Non-Executive Director
	Nigel Fretwell	Non-Executive Director
	Caroline Nugent	Director of HR&OD
	Julia Cavanagh	Chief Financial Officer
	Carys Williams	Interim Operations Director

1-2/0422 Board and committee meetings:

The Board agreed the minutes of the Board meeting on 22 March 2022, subject to an amendment on attendees and a small amendment to reflect that the Board had acknowledged the achievements of the High-Volume Unit.

The Board noted:

- the minutes of the Transformation Committee meeting on 18 March and 4 April.
- the minutes of the Quality Committee on 21 March; and
- the oral update of the meeting of the Transformation Committee on 20 April.

In noting the minutes and updates from the Transformation Committee, the Board supported the Committee's steer to the Service to ensure the programme was properly resourced with the right skills and capabilities, and that where those capabilities did not reside in-house, consideration should be given to contractor support.

More broadly, the Board highlighted its desire for clarity on the longer-term vision, against which the transformation programme activities and wider interventions and activities could be mapped and tracked. The Board noted this longer-term vision would necessarily need to be kept fluid and flexible. The Executive reassured the Board that A Board away day was being planned for June to take a step back and consider the bigger picture and

the full range of implications and dependencies that would flow from it.

In noting the minutes from the Quality Committee, the Board emphasised the need for responsive remedial action on ineffective and inefficient casework processes, including the current processes for tagging cases. An update on the work and the timetable in relation to the remedial steps being taken on tagging cases would be included in the next casework report.

It noted too the update on the methodology used in quality and satisfaction sampling and agreed that Quality Committee member, Shrin Honap, would follow up on behalf of the Board to discuss the approach in more detail.

02a/0422 End of year performance review

fos/22/04/02a

The Chief Executive and Chief Ombudsman set out the Financial Ombudsman Service's key organisational achievements over the 2021/22 financial year. The Board noted that the Financial Ombudsman had exceeded targets in a number of key areas, setting the service on the path for a sustainable and successful future. It had exceeded targets across a range of casework delivery measures, having ended the year with a greatly reduced total case stock and having reduced its unallocated backlog, the numbers of oldest cases and its decision queue. Timeliness and, partially linked to this, customer satisfaction remained a challenge as the Financial Ombudsman tackled the queues. Improving both would be a firm focus in 2022/23, as the backlogs through the customer journey reduced.

The Executive Team provided further detail to the Board on key areas, including Casework, Finance, Technology, People, Legal, Policy, Strategy and Communications.

In relation to its core casework function, the Financial Ombudsman had resolved 218,740 cases against a budget of 220,000 cases. The Board noted that around 16,000 Amigo cases had not been able to be closed during the year due to the ongoing considerations in relation to a potential Scheme of Arrangement.

Productivity had improved by 12% over the whole year and the total stock of cases was reduced to 112,000 from 164,529 at the start of the year – the lowest total stock in the last 3 years. The unallocated workable backlog was reduced from around 90,000 cases to around 37,000, using innovative methods including the outcome code initiative which resolved over 6,500 cases in 5 months, delivering £15M to consumers, and resolved all but 163 of the service's oldest workable strategic measure cases, from around 47,551 at the start of the year. A phone pilot had been initiated to take calls away from case-handlers, allowing them to focus on the cases they were investigating

The Financial Ombudsman ended the year with financial performance ahead of budget on all key measures. End to end planning was improving, with casework variances being tracked on a monthly basis. A zero-based budget approach would be considered for future years, and mitigating steps to address variances from budget would be highlighted in future reporting.

The year had also seen the roll-out of technology improvements and the start of new IT contracts to transform the customer interface and deliver efficiencies and value for money. The new HR and Finance system, Workday, had been launched and was working well. The next phase would refine the reporting and MI capability.

Engagement with staff had improved over the course of the year, though attrition remained high, and particularly so in some places. Attraction and retention initiatives were being considered, both short to medium term tactical interventions, as well as longer term strategic approaches as part of a refreshed employee offer aligned to the change journey the Financial Ombudsman was on. To inform thinking and steps to take, the Board stressed the importance of ensuring diversity and inclusion were at the heart

of any plans, and that every opportunity to address unfair imbalances, gaps and variances should be taken.

The Board welcomed the Chief Executive and Chief Ombudsman's update and that of the Executive Team and commended the Financial Ombudsman's achievements. Set against this context, the Board agreed to release 95% of the budget for the annual Collective Reward, noting that while not all targets had been met, including some key customer service standards, a great many had during a period of significant challenge.

Actions

- An update on the new digital portal to come to the next meeting of the Transformation Committee.
- Where relevant, disability to be included in sensitivity and variance analysis going forward, alongside other demographic breakdown data.

02b/0422 Chief Executive and Chief Ombudsman Report

fos/22/04/02b

The Board noted the update and recent key developments, including in relation to the upcoming session before the Public Accounts Committee on British Steel Pension Scheme cases, where the interim Chief Executive and Chief Ombudsman would be in attendance, alongside colleagues from the FCA and FSCS. Associated to that the FCA was consulting on a s404 scheme. The Board noted too the recent meeting of the Chairs and Chief Executives of the regulatory family on issues with Wider Implications, where the implications arising from cost of living increases were discussed and how their respective roles intersect and might be called into play.

03/0422 Vision, strategic direction, outcomes and measures

fos/22/04/03

The Financial Ombudsman had refreshed its strategy to make it more outcome focussed. Having done so, it had taken the opportunity to review key elements of the associated framework to ensure it remained aligned with its overall ambition and aspiration. The Board was asked to sign-off the revised vision, strategic direction statements and strategic outcomes. The strategic outcomes together with the Level 1 measures – which were finalised by the Board in March – would be published in May 2022. This material would publicly, and internally, indicate the Service's "reset" direction of travel.

The Board explored the phrasing of aspects of the proposed vision and discussed the importance of reflecting the Financial Ombudsman's independence. There also needed to be cohesion between what the service was saying and doing – though the Board recognised the need to be aspirational.

The Board commented that 'technology' should be highlighted within the strategic pillar on building capability and that the supporting strategies should all have clear deliverables and KPIs

Subject to the changes, the Board approved the strategic outcomes and Level 1 measures for publication – noting that the vision statement should be published too to provide an overview of how all the component parts fit together, starting with the vision at the top.

With regard to the more detailed level 2 performance measures which would be finalised for approval at the May Board, the Board wanted to see both the 'threshold' targets and, where relevant, more 'aspirational' targets' to drive performance and align more closely with customer expectations. The Board noted some targets would reflect the nature of the work in the different verticals under the anticipated new casework model.

Actions

- Vision and strategic objectives to be published. [Since the meeting the Service also decided to publish its new Strategic Direction statements]
- Level 2 measures to come back to the Board in May for final sign-off, including some more ambitious aspirational targets, where relevant.

04/0422 Amigo scheme of arrangement

fos/22/04/04a

Amigo Loans Ltd (“Amigo”) had originally proposed a scheme of arrangement in December 2020, which was rejected by the court. It was now proposing two alternative New Schemes.

The Financial Ombudsman put forward that the most relevant factors for the Board to consider were the immediate funding consequences for the Service and the potential longer-term consequences (it was for the court – and FCA as Amigo’s regulator – to consider the New Schemes’ fairness for consumers). FCA’s public position as at 11 April was that it would not oppose the New Schemes. It had also indicated that Amigo could resume lending, subject to certain conditions.

The Board was therefore asked to approve a vote in favour of the schemes. The service’s recommendation was to vote in favour of both the New Business Scheme and the Winddown Scheme because this would give the highest return to the service and was likely to be the best outcome for most Amigo customers. It would also enable the service to close its existing Amigo cases in June.

The Board broadly agreed with the recommendation highlighting the need to stay close to the FCA on the matter. The Board expressed concern around ‘phoenixing’ though recognised the service could only consider the issue from the position of a creditor, and that it was for the regulator to consider those aspects of the arrangements.

05/0422 Transformation programme update

fos/22/04/05

The Head of Transformation provided an update on the Transformation portfolio of work and the development of the portfolio’s governance, alongside a roadmap of deliverables for the coming year. An initial iteration of the Integrated Plan had been shared with the Transformation Committee, which would continue to be developed to all the Committee and Board to track progress against key milestones, budgets and anticipated benefits. The Board was asked to note progress and invited to provide feedback on the portfolio of work.

The Board highlighted the need for clarity around the ‘end state’ with KPIs set out and the proposed outcomes in terms of service delivery. The Board asked for clarity around what the organisation would look like in 3-5 years and what the service was aiming for. Further, the Board asked that the service set out what support services it considered it would need and whether there were employees in place at the right levels to provide this. With regard to the ‘front end’ function, the Board asked for more detail around resource indicating links with the budget to show where costs were coming down.

Action

- Board away day in June to step back and consider the longer-term vision, and the key building blocks to realise the vision and the steps required to get there.

06/0422 Q4 performance report

fos/22/04/06a

The Board noted the Q4 performance report and reiterated the need for clarity on KPIs, milestones and endpoint to enable careful forward planning along with the ability to track performance against agreed aims. The Board also commented on the benefits of retaining in house expertise and not being too reliant on contractor support.

The Board reflected positively on the papers provided and asked that all future Board papers include a risk assessment, a values assessment and a D&I assessment.

Action

- Board paper template to be updated to include risk and impact assessments.

AOB

The Board noted the progress in relation to the current search for the permanent Chief Executive and Chief Ombudsman and for the Deputy Chief Ombudsmen.