

Minutes – Banking Industry Steering Group

24 March 2022, Meeting held on Microsoft Teams

Financial Ombudsman Service attendees	Industry attendees
<p>Nausicaa Delfas, Interim Chief Executive & Chief Ombudsman</p> <p>Colin Douglas, Interim Communications Director</p> <p>Chandra Hirani, Head of Strategic Finance</p> <p>David Bainbridge, Head of External Relations</p> <p>Lauren Long, Ombudsman Leader</p> <p>John Wightman, Ombudsman Leader</p>	<p>Janet Chapman, Nationwide</p> <p>Lucy Hagues, Capital One UK</p> <p>David Lindberg, NatWest Group</p> <p>Fergus Murphy, Virgin Money</p> <p>Vim Maru, Lloyds Banking Group</p> <p>Enrique Alvarez, Santander</p> <p>Nick Slape, The Co-operative Bank</p> <p>Dan Frumkin, Metro Bank</p>

Apologies	Matt Hammerstein, Barclays ; Stuart Haire, HSBC ; Robin Bulloch, TSB ; TS Anil, Monzo ; Gerry Mallon, Tesco Bank
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Item	Agenda
1.	Welcome and introductions
2.	Key updates from the Financial Ombudsman Service
3.	Discussion - Financial Ombudsman Service 2023/2024 Funding Model
4.	Looking forward - the impact of the current economic environment and rising living costs, particularly for vulnerable consumers
5.	Closing remarks and AOB

1. Welcome

1.1 The chair welcomed attendees to the meeting

2. Key updates from the Financial Ombudsman Service

Action Plan

2.1 The Financial Ombudsman Service gave an update on its Action Plan, which was published

in December. This included some of the work already underway to change and improve, such as:

- making significant progress to reduce the backlog, which is down from 90,000 to around 38,000;
- developing the prevention strategy, resolving complaints in a timely way and communicating effectively, preventing complaints arising;
- building on existing relationships to ensure effective collaboration amongst regulatory partners on industry-wide issues through the recently launched Wider Implications process; and
- the intention to restructure case teams by industry verticals, improve business processes and invest in digital, including work on intelligent automation.

2.2 The Financial Ombudsman Service also confirmed it will be publishing a Discussion Paper on its funding model during Q1 of the 2022/2023 financial year.

Plans and budget for 2022/23

2.3 The Financial Ombudsman Service had received a range of feedback on its Plan and Budget consultation for 2022/23. It thanked the group for their contributions.

2.4 The proposed budget for 2022/2023 was about investing to make a step change in the performance of the Financial Ombudsman Service, implementing its Action Plan, and continuing to shorten its queues. The feedback statement would be published by the end of March.

Consumer Duty

2.5 The Financial Ombudsman Service acknowledged that the Consumer Duty is regarded as an important issue across all sectors of financial services, and that this was reflected in responses to its Plans and Budget consultation.

2.6 The Financial Ombudsman Service is eager to engage with industry on the Consumer Duty and is working closely with the FCA ahead of its implementation. This includes preparing case studies, which will be published.

3. Discussion - Financial Ombudsman Service 2023/2024 Funding Model

3.1 The Financial Ombudsman Service underlined the need for it to have a funding model that is fit for purpose, sustainable and incentivises constructive behaviour, where possible with the “polluter” paying.

3.2 The Financial Ombudsman Service talked the group through some of the options under consideration for possible changes to the funding model and that may be included in the Discussion Paper. These include options to incentivise good behaviour, more transparency in the Financial Ombudsman’s funding, or differential pricing for either the stage of closure or the complexity of the case.

3.3 The group welcomed that the Financial Ombudsman Service is exploring a number of options. The group made a number of points that it felt should be taken into account when considering different models, including:

- It could see the logic of greater transparency in the funding arrangements, including over what costs are covered by the levy.
- It would be important to balance any options around differential case fees with

maintaining simplicity;

- The need to guard against creating a misalignment of incentives. For example, if a complaint costs less to resolve at an earlier stage then it might reduce the incentive to prevent it being referred in the first place;
- The funding model needs to be flexible enough in order to respond to potential fluctuations in demand; and
- Any option that involves subjective judgements will risk creating another layer of administration (and potential disputes) in relation to case fees.

3.4 The group was invited to share further thoughts on the Financial Ombudsman Service's funding model ahead of the publication of the Discussion Paper.

4. Looking forward - the impact of the current economic environment and rising living costs, particularly for vulnerable consumers

4.1 The group discussed the cost of living crisis and how this will impact customers. The Financial Ombudsman Service confirmed that the issue was also discussed by the Chairs and CEOs of the regulatory family at their recent meeting.

4.2 The group made a number of observations about the cost of living crisis:

- There is a huge amount of uncertainty, so the Financial Ombudsman Service needs to build flexibility into its resourcing to account for this.
- Some customers have built up a financial buffer during the pandemic, but many would not and those who are less financially secure will be under the most pressure.
- Many consumers will not have experienced an interest rate rise before.
- Customers will prioritise mortgage payments and more pressure will be felt in the near prime unsecured sector.
- It was also suggested that the economic impacts of high inflation could be felt for a number of years.
- The group agreed that supporting vulnerable customers will be a key issue for the industry over the next few years and that this was an important area for industry to work collaboratively on.
- An additional risk arising from the war in Ukraine is the risk of cyber attacks resulting in consumers not being able to access services.
- Fraudsters continue to target customers with ever more sophisticated scams.

5. Closing remarks and AOB

5.1 The chair thanked the group for a useful discussion and closed the meeting.