

## Minutes – Board Meeting on 29 April 2024

<p><b>Board attendees</b></p> <p>The Baroness Manzoor CBE, Chairman Jacob Abboud, Director Bill Castell, Director Nigel Fretwell, Director Shrinivas Honap, Director Sarah Lee, Director</p>	<p><b>Executive attendees</b></p> <p>Abby Thomas, CEO/Chief Ombudsman James Dipple-Johnstone, Deputy Chief Ombudsman Karl Khan, Chief Operating Officer Jenny Simmonds, Chief Finance &amp; Risk Officer and Company Secretary Jane Cosgrove, Chief People Officer</p>
<p><b>Other Financial Ombudsman Service attendees</b></p> <p>Mark Sceeny, Head of Private Office (MS)</p>	

### 1. Introduction and approval of agenda

- 1.1. The meeting was called to order at 10.15am by The Lady Manzoor, Chairman.
- 1.2. The agenda was approved as presented.

### 2. Conflicts of interest

- 2.1. No Board Member declared any conflict of interest.

### 3. Approval of board minutes

- 3.1. The Board reviewed and **approved** the minutes of the previous Board meeting held on 18 March 2024 subject to minor amendments.

### 4. Actions log

- 4.1. The Board **approved** the Actions Log subject to minor amendments.

### 5. Noting of sub-committee minutes

- 5.1. The Transformation Committee minutes of 4 March 2024 were **noted** by the Board. The Committee Chair provided the Board with a summary of key points and actions.

### 6. CEO/Chief Ombudsman's report

- 6.1. The Board **noted** the CEO/Chief Ombudsman's Report.
- 6.2. There was a discussion about how – despite not meeting all targets – there was overall improved performance on nearly all metrics year-on-year. The CEO highlighted, for example, the 32% increase in resolving service complaints quickly. However, it was noted the number of cases over 12 months had gone up; and the number of cases overall had gone up to about 81,000 from about 71,000 in April 2023. The Board noted the overall annual cost-per-case was higher than the target set; and productivity was about 2.6 for the year overall, a slight improvement from the previous year.

- 6.3. There were discussions about the recent appearance by the CEO/CO and Chairman before the new House of Lords' Financial Services Regulation Committee; about a firm's judicial review of a Motor Finance Commission (**MFC**) final decision (plus three relevant cases currently before the Court of Appeal); and about the timetable for the further consultation on charging fees to professional representatives once HM Treasury has laid the statutory instrument before Parliament – likely to be late May or early June 2024.
- 6.4. The Board requested a paper to note at the May Board explaining the interaction between the aforesaid MFC judicial review, the Court of Appeal cases, and the Financial Conduct Authority's current s.166 review of MFC. **Action: DCO by 28 May 2024.**
- 6.5. The Board noted that stock was still high at about 81,000 cases – but thanked staff for their hard work during a challenging 2023/24. The Board also noted there were now some good new digital systems and processes in place, the full benefits of which should see fruition in 2024/25.
- 6.6. The Board also requested that, in future, information about recent/current judicial reviews against the Financial Ombudsman Service (**FOS**) could go in the DCO's routine update together with an analysis of any impact on FOS's effective operation, as there seemed to be more judicial reviews now than a few years ago. The Board noted that FOS's success rate in defending judicial reviews was still very high (c.97%), so the increased volumes and steady outcomes, taken together, might indicate an increase in meritless claims and/or more adversarial approach to dispute resolution by some firms and professional representatives.

## 7. Operational performance report (COO)

- 7.1. The Board **discussed** and **noted** the COO's update on operational performance, which covered Q4 of 2023/24 and the overall end-of-year position. Year-on-year, all but two metrics had improved. The COO explained that the two 'red' results – i.e. cost-per-case and converting enquiries within five working days – were respectively due to (i) a weaker Q1 (as a result of staff moves and training on new products following the restructure), and (ii) increased demand in the second half of the year, especially in Q4.
- 7.2. The Board noted that FOS had achieved fewer resolutions than budgeted for and the annual cost-per-case was higher than targeted. The Board emphasised that the overall annual performance was more important than quarterly results, albeit they noted that the direction of travel in Q4 was positive and a pattern also seen in previous years. Moreover, FOS appeared to have broken the cycle of an end-of-year rush, with resolutions now spread more evenly across the whole financial year. The Board noted the COO's commitment to balancing the need to deal with older cases whilst also meeting current service standards, which tend to drive a focus towards newer cases. The target of having <1% over 12-month-old cases should address this (excluding judicial review cases).
- 7.3. The Board requested an update and age breakdown on cases older than 12 months, including assurance on any policy issues that may be holding them up. **Action: DCO by 28 May 2024.**

## 8. Bonus recommendation (COO)

- 8.1. In light of the discussion on end-of-year results (above), the Board **approved** in principle the COO's paper recommending a bonus of 78% of the pot agreed in

January for all eligible employees, which would result in individual payments of £2,106. However, the Board's approval was subject to the data being independently audited by the Head of Internal Audit and his team – which the CFRO noted could be carried out in the next week – and then submitted to the Remuneration & People Committee (**RemCo**) for final sign-off. **Action: CFRO before the next scheduled RemCo meeting.**

- 8.2. The COO's recommendations on the 2024/25 bonus metrics were **not approved** by the Board. The Board noted that the three-month timeliness target should remain (rather than use the six-month one instead, as recommended). The Board also noted that one bonus metric should cover the objective of having <1% of cases over 12 months' old (save for those cases legitimately held up for reasons beyond FOS's reasonable control, i.e. litigation against FOS, insolvency proceedings against respondent firms, or regulatory action affecting the cases in question). Whilst agreeing in principle with the proposed 2024/25 bonus construct, the Board requested that it be referred back to RemCo for a further detailed discussion about the metrics and whether there was scope for a discretionary override, e.g. for external factors beyond the reasonable control of FOS. **Action: CFRO.**

## 9. Transformation and Digital Portal

- 9.1. The Chair of the Transformation Committee gave an update on the progress of the Digital Portal programme to date. He noted that the business case had deteriorated since sign-off and had been refreshed to take account of the changes to costs and benefits. There was a discussion about the pros and cons of the programme, and its place within our wider digital transformation. The Board noted that, since the Digital Portal had been re-baselined in September 2023, it was now in beta testing with two respondent firms. The COO noted that the technical architecture should be flexible enough to allow us to build future service offerings beyond the current scope. There are some policy decisions to be made later on about the extent to which it should be rolled out to complainants (who are not usually 'repeat customers' and may therefore prefer not to sign up to a portal). Even if the digital option were preferred by FOS, the organisation is committed to serving people through their channel of choice to ensure maximum accessibility and ease of use.
- 9.2. In light of the above discussion, the Board **approved** the COO's recommendation to proceed with the Digital Portal programme. The Board also noted the package of other recent digital offerings – under the *Customer First* portfolio – designed to complement the Digital Portal and provide service-users with the optimum experience.

## 10. ESG plus finance and assurance report (CFRO)

- 10.1. The Board **noted** the CFRO's paper on FOS's commitment to Environmental, Social & Governance (**ESG**) matters, particularly on Scopes 1 and 2. The Board noted the ambition to move towards net zero. They noted the proposal to work with suppliers and key stakeholders (such as the Financial Conduct Authority and HM Treasury) in order to leverage their work on this. Because ESG Scope 3 was not currently a mandatory requirement for FOS, and because it would be difficult for FOS to validate carbon emissions by third parties, the Board agreed there was presently no need for further action. The Board noted the positive steps towards reducing carbon emissions that were already being taken by FOS under ESG Scopes 1 and 2, such as paying for the installation of LED lighting in the offices, recycling, etc.

10.2. The Board **noted** the CFRO's regular financial report, which continued to show a net surplus in 2023/24.

## **11. Casework policy and strategy (DCO)**

11.1. The Board **noted** the DCO's regular update on casework policy and strategy. There was a discussion about cases on irresponsible lending and how some of this work was moving from MFC to credit-card cases.

## **12. Workforce plan and HR update (CPO)**

12.1. The Board **noted** the CPO's paper on the long-term strategic workforce plan. They requested a discussion on the overarching strategy in greater detail at the Board Strategy Days in September, considering the future size and shape of FOS and how these will be supported via HR, technology and managers in three to five years.

12.2. The Board noted the CEO/CO's observation on the need to make certain decisions quickly. They agreed that the Executive could bring critical operational decisions to the Board (such as staff contracts) at any time. With that in mind, the Board **approved** the proposal to implement the trial of a regional hub in Belfast. The Board also agreed that the proposal on appropriate next steps for the Manchester team (e.g. permanent contracts and/or an approach to office space) should be brought to the next Board Meeting for a decision.

12.3. The Board **noted** the CPO's regular update report on HR matters.

## **13. AOB and next meeting**

13.1. There was no other business.

13.2. The next Board meeting is scheduled for **Tuesday 28 May 2024**.

## **14. Adjournment**

14.1. The meeting was adjourned at 1.45pm.