

Financial Ombudsman Service Limited

Summary Minutes

MINUTES of the one hundredth meeting of the directors, held at South Quay Plaza 2, 183 Marsh Wall, London E14 9SR on 3 February 2009 at 9.30am

Present	Chris Kelly Joe Garner John Howard Elaine Kempson Kate Lampard Julian Lee Roger Sanders Maeve Sherlock	chairman (items 3 – 9) by telephone (items 1 – 4)
	Walter Merricks	chief ombudsman
In attendance	Tony Boorman Roy Hewlett David Thomas Liz Sesnan	decisions director operations director (items 1 – 3) corporate director executive assistant

1 Apologies for absence

Apologies for absence were received from Alan Cook and Barbara Cheney

2 Minutes of the meetings held on 17 December 2008

- a) The minutes of the EGM were approved as an accurate record of the meeting.
- b) Having agreed two minor amendments, the minutes and summary minutes of the board meeting held on 17 December 2008 were approved as accurate records of the meeting.

3 Casework update

The operations director presented a casework update. He estimated there would be –

- almost 125,000 new cases in 2008-09 and 150,000 in 2009-10
- about 115,000 case closures in 2008-09 and 165,000 in 2009-10

He confirmed that the estimate for 2009-10 included significant increases in general insurance and investment complaints. The board suggested there could be a higher increase in banking cases than the estimated rise of 22%, due to unemployment, the impact of the Consumer Credit Act and the recession in general.

It was reported that the number of open cases over 12 months old had reduced in the past year but that the high volume of PPI cases was starting to have a detrimental effect on this indicator. Whilst there would always be some cases that take a longer time for a variety of reasons, the operations director confirmed that the objective was to reduce this as much as possible.

4 Payment protection insurance

The decisions director presented an update on PPI cases. On 29 January 2009, the Competition Commission had announced that sales of PPI with loans would be heavily restricted with a seven day ban on contact from the lender or intermediary and the sale of single premium products would be prohibited. There would be a delay in implementation to allow the industry sufficient time to prepare for these changes. He added that some firms had already pulled out of the single premium market.

Having summarised the industry working group's and the FSA's plans, the decisions director said there were three issues for the Service to consider –

- a) The position in respect of firms that had not been the focus of the FSA's recent work.
- b) Uncertain timescales.
- c) The way in which the review processes will tie in with complaints resolution will be the subject of continued discussions with the FSA.

Some doubt was expressed that there would be a reduction of 25% in new PPI cases in 2009-10, as forecast in the proposed budget.

The chief ombudsman reported that the FSA had said it would ensure any redress formulae in relation to its actions on PPI were consistent with the Service's approach and that this would be the subject of future discussion between the two organisations.

The board concluded that the discussion demonstrated that the degree of uncertainty about the future impact of PPI on the Service remained high.

5 Assessment of strategic challenges

The board considered a paper which set out issues relating to collective redress, claims management companies and contingency measures.

It was noted that the "wider implications" arrangements were not working as well as intended. Treasury officials were keen to understand the reasons for this and what could be done, and they had expressed some interest in the issue of collective redress.

The board thought that any review of these arrangements should focus on how collective solutions to large-volume cases could best be delivered and whether or not that implied any changes to the existing framework. It would be helpful if such a study were to be led by an independent person (unconnected with financial services or the law) who could think through the implications clearly and objectively to find a common sense solution.

It was noted that any developments in this area would not be immediate. So the Service needed to plan on the basis that existing heavy workloads would continue, and also seek bilaterally to identify any ways in which the existing arrangements could be improved – such as a more structured process for reporting to the FSA poor complaints-handling by particular firms.

In introducing a paper about claims management companies, the chief ombudsman explained that they only operated in areas of “wider implications” and were not involved in ‘routine’ complaints of an individual nature. They were a symptom of the underlying problem raised by a complaint-led approach to situations where there was widespread consumer detriment connected with a single product.

It was pointed out that it was important that the consumer was aware he/she was not getting any better service if represented by one of these companies than if he/she submitted a complaint directly to the Service. Also, the prospects of success were no better and a significant percentage of any award was retained by the claims management company. It was noted that standards varied considerably between individual companies and that it would be helpful to encourage good practice in complaints handling.

The board agreed that it supported the stance currently being adopted by the Service in this area.

6 Publication of complaints data

The corporate director reminded the board that the July 2009 policy statement on transparency had announced the board’s decision to publish business-specific complaint data. A discussion paper on the practicalities of this had been issued in September 2008.

The board was presented with a working draft of a feedback statement, which summarised the responses that had been received to the discussion paper. Board members were invited to comment, so that an updated draft could be prepared for consideration at the next board meeting.

7 Policy report

The board considered the policy report, including

a) Bank charges

Following a High Court judgment on 21 January 2009, the decisions director said that further consideration was being given to the way forward.

b) Payment services

The board was invited to agree the policy principles set out in the draft feedback statement from the FSA. The corporate director added that the board would be asked to agree the necessary changes to the DISP rules at the next meeting. The board approved the principles as drafted.

The board noted an update on litigation and on step changes in credit card & store card interest rates.

8 IT annual review

The board received the annual report about IT infrastructure and development.

9 External liaison work – October to December 2008

The board considered the quarterly report about external liaison work. It noted the range of initiatives that had been carried out by the small team.

There being no other business, the meeting ended at 12.30pm