

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza 2, 183 Marsh Wall, London E14 9SR on 22 July 2009 at 9.30am

Present	Chris Kelly	chairman
	Alan Cook	director
	Joe Garner	director
	John Howard	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Roger Sanders	director
	Maeve Sherlock	director
In attendance	Walter Merricks	chief ombudsman
	Tony Boorman	decisions director
	Barbara Cheney	company secretary
	David Cresswell	communications director
	Roy Hewlett	operations director
	Ian Sansbury	business planning & assurance director
	David Thomas	corporate director
	Dan Waters	director - retail policy & conduct risk, FSA (part of item 3)

1 Minutes of the meeting held on 18 June 2009

- a) The minutes of the board meeting held on 18 June 2009 were approved as an accurate record of the meeting.
- b) The board noted the draft minutes of the meeting of the audit committee that was held on 11 June 2009.

2 Matter arising

The chairman of the audit committee confirmed that the committee would discuss director and staff expenses policies at its next meeting.

3 Payment protection insurance

It was reported that discussions had continued with the FSA about its proposed guidance for firms in handling complaints about payment protection insurance.

The board received papers from the chief ombudsman and the decisions director which summarised developments since the last meeting. The decisions director also reported that a further meeting had taken place with the FSA on 21 July to discuss the next steps.

Whilst progress was being made, there were a number of practical issues arising from the FSA's proposals that required further consideration. They were the subject of a full discussion by the board.

Dan Waters (director - retail policy & conduct risk, FSA) joined the meeting and clarified the FSA's position. During the ensuing discussion a number of options were explored. It was noted that the purpose of the wider implications process was to avoid decisions being made in individual cases that could set a precedent without other interested parties having the opportunity to express views. It also allowed regulatory action to be taken if necessary, so significantly reducing the volume of complaints to the ombudsman.

The board acknowledged that a considerable amount of time had been invested in this issue and repeated its commitment to finding a satisfactory resolution to it.

Dan Waters thanked the board for a helpful debate and for expressing its views in a clear manner. He confirmed he would report back to the FSA to review the way forward and expressed the hope that a speedy solution could be found.

4 FSA

a) internal structure

The corporate director reported that the FSA was implementing an organisational restructure with effect from 1 October 2009.

b) Conservative plans for regulation

The corporate director reported that the Conservative party had recently announced its plans for financial regulation which would involve the transfer of prudential regulation from the FSA to the Bank of England. The remaining work of the FSA would pass to a new Consumer Protection Agency (labelled as a 'consumer champion') which would also acquire consumer credit from the Office of Fair Trading. No changes had been proposed for the Service, which was described as playing an important role in consumer protection. If there were significant changes to the FSA, there could be consequential governance issues.

5 Operational review: 1.4.09-30.6.09

The operations director presented a summary of the operational results for the first three months of 2009/10.

The total number of new complaints had been in line with the forecast but complaints about PPI, current accounts and credit cards had been higher than expected. More consumers were claiming financial hardship. The Service's

approach to this problem was to gather evidence of hardship before undertaking a mediation exercise with the firm and customer. There had been 4,500 fewer case closures in the quarter, partly because adjudicators were spending more time mentoring an increasing number of new staff.

The decisions director reported that the waiver for bank charge cases had just been extended by six months. He added that, in its recently issued White Paper, the government had encouraged the parties to settle the court action.

Although it understood the reasons, the board noted its disappointment about the first quarter's results and it pressed the executive to take immediate steps to find ways to increase case closures.

6 Policy report

The board considered the policy report.

a) Freedom of Information Act

The corporate director reported that, since writing the report and as expected, a letter had been received from the Ministry of Justice which confirmed that the government was minded to designate the Service as an additional public authority under the Freedom of Information Act. There would now be specific consultation with the Service, which had been preparing for FOI for some time.

b) Collective redress

Also since writing the report, the Ministry of Justice had published its response to the Civil Justice Council's proposals on collective redress. The government had rejected an across-the-board approach. Decisions would be made on a sector by sector basis (which would facilitate specific arrangements for financial services).

c) Publication of business-specific complaint data

The corporate director confirmed that there were 142 financial businesses which met the criteria for data publication for the period from January to June 2009. The data was being checked by the Service's internal auditors after which each financial business would be sent a copy of its own data two to three weeks before publication. The board discussed the length of time that should be provided between sending firms their own data and the date of publication.

The board noted the chairman's six monthly letter to the FSA and updates about the consumer white paper, the financial regulation white paper, the FSA's strategic review of redress, the governance & wider implications review, industry liaison groups, the FSA's retail distribution review and the litigation report.

7 External liaison activities – April to June 2009

The board noted the informative report about external liaison activities.

8 Directors' report & financial statements 2008-09

The chairman of the audit committee reported that the directors' report and financial statements had been reviewed by the committee in detail. The committee had been satisfied with the responses it had received to its questions and the auditors had not found any difficulties with the accounts.

Having received the required assurances from the executive, she requested the board's approval of the report and financial statements and its authority to sign the letter of representation on behalf of the board.

The board approved the report and financial statements and authorised the chairman of the audit committee to sign the letter of representation to the auditors.

9 Private item

See private minutes

There being no other business, the meeting ended at 12.25pm