Thank you for your letter dated 20 March in which you proposed that your non-executive Board appoints an independent person to carry out a Review into many of the issues raised recently concerning the Financial Ombudsman Service (FOS). Thank you also for sending a copy of your proposed Terms of Reference.

The Committee naturally expects that the Reviewer chosen by the non-executives will be demonstrably independent. Conflicts of interest, or perceptions thereof, will undermine public confidence in their work.

As to the Terms of Reference, I consider that there are some important points of principle that should be reflected in the final version. In particular:

- The Review should not be restricted to the examination of those issues raised in the Channel 4 Dispatches programme. There should be sufficient flexibility for the Review to identify root causes of any failings it finds, and make recommendations to address these. In particular, the Review should conclude whether any failings can be attributed to management action or inaction, cultural factors, staff objectives and performance management, organisational structure, or any other underlying factors.

- The Review must have unrestricted access to all documents it feels necessary. To that extent, the FOS must immediately suspend its usual records management process (including any procedures for the deletion of documents and records).

- The Review must have unrestricted access to FOS staff. The Reviewer should ensure that staff are not unfairly affected as a result of their interactions with the Review.

I appreciate the FOS's desire to set an ambitious timescale for the Review. However, this must not preclude further work by the reviewer if issues arise that warrant a more detailed
investigation. If necessary, any deadline your non-executives propose may be met with an interim report.

The Committee expects to receive a copy of the report at the same time as the FOS Board. The Committee will expect the Reviewer to give evidence in public session, around two weeks after the publication of the report, and before the summer recess.

I would be grateful if you would let me know that you are content with these arrangements, and that the points above will be reflected in the Terms of Reference for the Reviewer, by 5 April.

Yours sincerely,

Rt Hon Nicky Morgan MP
Chair of the Treasury Committee