

<b>Meeting</b>	OLC Board Meeting	<b>Agenda item No. Paper No.</b>	6 135.5
<b>Date of meeting</b>	24 October 2024	<b>Time required</b>	15 minutes
<b>Title</b>	<b>Chief Ombudsman Executive Report</b>		
<b>Sponsor</b>	Paul McFadden, Chief Ombudsman		
<b>Status</b>	OFFICIAL		
<b>Executive summary</b>			
<p>Resolution performance remains high, increasing year on year despite a 13.8% increase in resolutions resolved by investigation. Performance at the mid-year point leaves LeO on track to finish at the higher end of 2024/25 forecasts.</p> <p>Demand for LeO's service, particularly for investigations, is seeing a sustained and long-term increase with revised 2024/25 forecasts showing an 8 to 13% year on year increase in core demand based on the first two quarters of the year. This includes a c.10 to 15% forecast increase in cases requiring investigation, directly adding significant pressure to the unallocated investigations queue.</p> <p>Unallocated investigations reduced in Quarter 2, but increases in demand, alongside sickness and carry forward from 2023/24, will continue to slow the rate of decrease. We continue to see stable waiting times and overall customer journey times despite closing a higher proportion of more complex investigation cases.</p> <p>LeO has maintained progress on delivering against its impact objective and learning and insight Business Plan commitments. As planned this has focused primarily on building capacity, developing greater data insight on complaints and the generators of complaints and building relationships and engagement with regulators. Priority areas of focus for the second half of the year, particularly on complaints handling and providers to target for support, will continue to be assessed in line with Business Plan commitments and work progressed so far, including in dialogue with key regulators.</p> <p>How LeO manages demand increases and influences regulators and the sector through its insight work are central elements of LeO's proposals in the 2024/25 Budget and Business Plan presented to the OLC Board on the basis of discussion at the September Board workshop. The Executive will also hold initial discussions with the LSB Executive on key elements of these proposals which the Chief Ombudsman will be happy to update on at the October Board meeting.</p>			
<b>Recommendation or action required</b>			
The Board is asked to <b>Note</b> the report.			
<b>Equality, diversity and inclusion</b>			
Does this paper have EDI implications?		Explanation	
Yes		The Chief Ombudsman's report provides a summary of activity and performance across all areas of LeO's strategic and operational focus, including in relation to LeO's customers and people and specifically updating on LeO's EDI	

	activity. The report, therefore, covers a wide range of areas with overarching relevance to LeO's EDI focus and the potential for EDI-related impacts. These are considered routinely across business areas as appropriate.
<b>Freedom of Information Act 2000</b>	
Paragraph reference	Exemption and summary
Paragraph on Edward House Lease negotiations under the enabler 'Value for Money, resources and governance'	<p>Reference to assessment of future accommodation options and negotiations related to Edward House.</p> <p>Section 43(2) exemption information on the basis that disclosure would, or would be likely to, prejudice commercial interests.</p>

## Performance against LeO's strategic objectives

### Strategic objective for LeO's service: LeO resolves complaints fairly and effectively, providing an excellent customer experience

Relevant strategic risks and issues	<ul style="list-style-type: none"> <li>▪ Strategic Issue 01: Backlog</li> <li>▪ Strategic Issue 02: Staff attrition</li> <li>▪ Strategic Issue 03: Operations staff attrition: Investigators</li> <li>▪ Strategic Risk 01 – Performance trajectory</li> <li>▪ Strategic Risk 04 – Scheme Rule changes</li> </ul>
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#### LeO's performance

##### *Resolution performance remains high and at the upper end of forecasts*

LeO's high rate of resolution performance continued across the first half of 2024/25. LeO resolved 4,085 customer complaints in the first 6 months, approaching the upper range of forecasts and representing a 6.7% increase on the same period in 2023/24. This is despite a far higher proportion of complaints resolved to date requiring an in-depth investigation, 13.8% more than the same period last year. This leaves LeO on track to finish above 8,000 resolutions, and at the higher end of annual resolutions forecasts by the end 2024/25.

##### *Demand for LeO's service is increasing and impacting the pace of queue reduction*

Demand for LeO's service, particularly for investigations, is seeing a sustained increase, year on year and in the long term. Based on a review of the first six months, LeO's revised forecast for 2024/25 core demand – demand for LeO's intervention through early resolutions or investigation – is between 7,500 and 7,900 cases (an increase of 8.1% to 13% year on year).

Demand for investigations has increased at the highest rate from approximately 3,700 in 2023/24 to a 4,050 to 4,250 forecast in 2024/25 (10.2% to 14.9%) cases against a Business Plan forecast of 3,450, pointing to increasing complexity of cases.

Unallocated investigations reduced in Quarter 2 to 3,433 as new investigators grew in productivity, but increases in demand, especially increased demand for investigations, has slowed the rate of decrease. Other factors have also impacted the rate of decrease: an increase in investigator sickness with reallocations directly added to the queue; and carrying forward 376 cases more than forecast into 2024/25. The combined effects of these are expected to account for around 1,200 more unallocated investigations by March 2025.

##### *Lower attrition is offset by increased sickness absence*

Investigator attrition remains a key factor in LeO's performance and has continued on a downward trajectory from the second half of 2023/24. This has increased productive investigator numbers, with LeO's recent new starters on track to

become productive in Q3. This will increase LeO's overall output in the second half of 2024/25.

This will go some way to offsetting other factors impacting the pace of queue reduction. Some of the benefit may be offset, however, by higher-than-forecast rates of sickness absence which LeO continues to monitor and manage.

#### *Delivering an efficient and proportionate service*

LeO continues to focus on delivery of efficiencies, with an open appetite to delivering operational improvements. A full lean review process has now commenced, focused on investigations and based on recommendations from the initial review earlier this year. Throughout Quarter 3, two external lean specialists will be embedded within operations to work with selected LeO staff to thoroughly review the investigations process and areas of bottleneck identified. The review is expected to run until Quarter 1 2025/26, with recommendations being delivered through 2025/26.

The new support and development policy and recently-introduced quality framework is being trialled with recent investigator recruits. Early feedback is that it has been received well and is delivering more individualised support as intended.

#### **LeO customers' experience**

##### *Customer journey time*

The increase in the proportion of resolutions by investigation has meant an increase in the closing of older cases. This has a bearing on overall average customer journey times, which fluctuate depending on the nature and age of complaints resolved.

So far in 2024/25, waiting times, and overall customer journey times, have remained stable. Overall, 43.3% of cases taken on by LeO were resolved within 90 days (an additional 100 cases year-on-year, despite being a small percentage decrease).

The average end-to-end customer journey time for early resolutions – which represent around half of all LeO's resolutions – was 48 days, which remains within the 60-day expectation. The combined customer journey time – early resolution and in-depth investigations – decreased from 306 to 295 days.

The average time once allocated to an investigator – the measure of active investigation time and time for procedural fairness checks – is 160 days for all complexities of investigations, remaining consistent throughout 2024/25. For all resolved cases, including early resolutions, the average time from allocation to an investigator to resolution is 110 days.

##### *Quality and service*

Quality and service remain of a high standard across LeO's Early Resolutions and Ombudsman teams in terms of both outcomes delivered and service provided to customers. Quarter 2 results showed the need for improvement in investigations: service reviews highlight the need to improve casework progression and the way we communicate with our customers. Outcome reviews show a need to ensure

that customers have the information they need to make fully-informed decisions on the outcomes of their complaints.

Customer satisfaction surveys show that, irrespective of the outcome of the complaint, customers are positive in their feedback on the service and support LeO's people provide. While the outcome of an investigation is still the major factor in overall levels of satisfaction, customers do also identify delays in the process and the standard and frequency of our communication as other areas of dissatisfaction.

The insights from the new quality framework will be used to identify ways to offer significant improvements for our customers and to support staff where areas for development are needed. These interventions will not only improve the customer journey but also levels of customer satisfaction, and therefore the overall customer experience.

The number of LeO service complaints remains high, impacted by the higher levels of demand and resolution. Underlying themes remain delay and poor communication, reflecting the insights of quality assurance work. Despite long-term staff absences, LeO has kept pace with incoming demand and has put a plan in place to reduce wait times, particularly for Stage 2 reviews. The ongoing review of LeO's approach to service complaints will streamline the process further and aim to free up capacity to focus on greater sharing and impact of insights.

#### *Implementation of new Scheme Rules*

The new scheme rules are now fully embedded into operational processes and ways of working. While efficiencies have been gained through the new rules, they continue to be diluted by the increased demand for LeO's service. Analysis of EDI data continues to provide assurance that there are no obvious adverse implications of the new rules on any group(s) of LeO customers.

### **Strategic objective for LeO's impact: LeO's independent voice and experience lead to improvements in legal services**

Relevant strategic risks and issues	Strategic risk 6 : Failure to deliver new impact objective
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#### **Delivery and resourcing – progress and priorities**

Following the budget approval in March 2024, LeO's focus in the first half of 2024/25 has been on the building of capacity and greater data analysis to assess priority areas of focus.

Recruitment and transfer of operational staff has progressed for key insight and impact delivery-focused roles, with appointments to the roles of Learning and Insight Manager and Strategic Engagement Manager. LeO has been mindful of the impact on drawing on productive operational resource in the context of sustained higher demand, which has slightly delayed getting people in post. LeO continues to deliver the activities and outputs outlined in the 2024/25 business

plan, with substantial progress planned in the second half of the year with the benefit of resource.

LeO has substantially increased its analysis of historic and current years' complaints trends. This includes identifying legal providers driving high volumes of complaints, and/or whose behaviour in respect of clients, LeO or both are cause for concern, who would benefit from targeted intervention. Building on the success of pilot interventions that saw investigable demand more than halve year-on-year for a large provider, there is considerable scope to deliver meaningful impacts over the coming year and this the priority focus of LeO's planning. LeO will be engaging shortly with regulators to set out firms and areas of concern and secure support for LeO intervention to support complaints handling improvement.

In the longer term, the full realisation of LeO's ambitions under its impact objective will require significant input from across LeO's operational teams, recognising their essential insights into drivers of demand for LeO and areas where the legal sector requires improvement. This is reflected in the 2025/26 Budget and Business Plan, where LeO has assumed for trajectory purposes that 3 investigator FTE will be used supporting learning and insight activities. For context, a 5% decrease in demand would translate to 365 fewer cases requiring either early resolution or in-depth investigation. This saving equates to 8 FTE investigators who could instead be focused on further reducing the volume of unallocated investigations and driving down waiting times.

### **Regulatory and sector engagement**

Engagement in the second quarter of the new strategy period has focused on setting out the need for a culture change in relation to complaint handling, enhancing the data and intelligence LeO shares with regulators and the wider sector, and sharing LeO's insights into specific areas of complaint to anticipate and prevent consumer detriment and demand.

The Chief Ombudsman and Executive colleagues have met with senior leaders from the Solicitors Regulation Authority and Bar Standards Board as part of introductory and regular catch-up meetings and on high-profile cases. Senior-level discussions with the SRA on a range of issues are taking place on a regular basis, with further detailed discussions planned on targeted intervention in firms of concern based on what LeO sees (SRA-regulated firms account for around nine in ten complaints brought to LeO).

LeO has continued to engage with the SRA on high-profile cases involving significant consumer risk, including where there is potential for larger number complaints to be escalated. This includes issues with cross-border UK considerations due to the firms being dual regulated in England and Wales and Scotland. The overriding objective is to ensure a joined-up approach to ensure consumers receive clarity about options for seeking redress and a fair and timely outcome from LeO if they need one.

In September, LeO attended the Law Society's Regulatory Processes Committee meeting, giving an update on LeO's performance, demand and insight. This

included a detailed discussion on the second of LeO's strategic objectives – including transparency and first tier complaints handling. Feedback from Committee members focused on understanding LeO's current wait times, support for service providers in relation to remedies and the issue of demand. LeO is preparing for a visit from the new Law Society President in early November.

### **Transparency of LeO's decisions**

LeO and OLC have continued to engage the LSB on plans to establish a viable pathway to publishing LeO's ombudsman decisions. The OLC Chair has been in correspondence with the LSB Chair was sent in August outlining the considerations from the July meeting of OLC Board. The 2024/25 Business Plan and Budget consultation will seek stakeholder views on options for progressing transparency work, outlining the practical and resource implications as part of a wider engagement process with the legal sector and its stakeholders.

### **Improving legal sector complaint handling**

Work is ongoing to develop plans for best practice complaints handling. This will be supported by full time Senior Ombudsman resource which is being moved from operations to lead and add senior level insight to progress on best practice complaints handling deliverables. This will include development of LeO's programme of interventions support based on its analysis over the last quarter on providers who are high generators of complaints.

In September the Chief Ombudsman attended an LSB All Chairs meeting focused on first tier complaint handling. The event was an opportunity to present evidence on what LeO is seeing in poor complaint handling alongside setting out an ambition for the cultural change required by the profession and outlining thoughts on the required next steps to achieve systemic improvements, including alignment with regulators on the role they have to play. LeO is considering the most effective next steps: in particular, how to secure effective engagement with practitioners, supported by professional bodies and regulators. Discussion is ongoing with the LSB on next steps on the LSB first-tier complaints coalition.

### **Sharing LeO's insight to prevent complaints**

Following high-profile court cases about legal costs, LeO became aware of the potential for thousands of complaints to be made about refunds of legal fees. Having engaged with representatives of the legal sector and consumers, in September it published a clear position and resources to help both firms representing consumers and those receiving complaints to resolve issues fairly without recourse to LeO. As well as engaging with a particular firm who LeO understood was looking to bring a tranche of claims, LeO shared the guidance with regulators, professional bodies and consumer organisations. Feedback and available metrics have so far been very positive; since being published, the guidance has been viewed approaching 800 times, with a good number of visitors clicking through from the legal knowledge service Practical Law, LinkedIn and the SRA website, as well as via Google search.



LeO's insights were featured in the latest Counsel magazine: a publication aimed at barristers. We set out the common issues we see in barristers' complaints handling, including the defensive tone of complaints responses. LeO is due to deliver complaints-handling training for the Bar Council in November.

In October LeO delivered a focused session on client care letters at the Association of Costs Lawyers Annual Conference in London. While relevant to the guidance LeO recently published on legal fees, the session also focused on providing good service and information from the start of any client and provider relationship. On the day there was notable interest in LeO's attendance, our costs guidance and our role in securing out-of-court redress for clients who have a costs dispute.

In early October the Competition and Markets Authority published final guidance for unregulated businesses providing will writing, online divorce, and pre-paid probate services, together with guidance for consumers. LeO responded to the CMA's consultation on its draft documents, highlighting common areas of poor practice and consumer confusion it sees in complaints about regulated providers – helping ensure our expertise supports effective consumer protection across unregulated and regulated sectors.

## Updates on strategic enablers and supporting strategies

### People and culture

Strategies relevant to update

People and EDI

### People performance

The positive reduction seen in attrition levels last quarter continues into Quarter 2, with both the overall and investigator attrition rate decreasing for the eighth consecutive month. Managing attrition remains a key priority in this year's People Strategy: the outcomes of the Executive Team and Board strategic attrition workshops continue to be progressed and will also inform the development of the attraction and retention strategy and new EVP during 2024/25.

Conversely, sickness absence continued to increase this quarter, driven by an increase in long-term sick leave and by a small number of recurring absences. Absence management continues to be a key focus for HR – a 'deep-dive' review is currently underway on long-term and recurrent absences to assess potential root causes/issues, the level of support in place and any mitigating actions where appropriate. HR Business Partners continue to work closely with managers to enable timely intervention and support, facilitated by improved reporting mechanisms.

### Delivery of the People Strategy

The next major process review is onboarding and induction. Work is well underway – a new Induction Policy and associated line manager guidance have now been developed and will be progressed through the consultation process. A new, online



core induction for all new employees is currently under development which will give all new employees a detailed, focused introduction to LeO across a range of key areas. Work is also underway on the creation of an onboarding portal, to facilitate access to key pre-employment information and ensure new employees remain engaged with the business in the period between job offer and start of employment.

A new apprenticeship framework now provides a structured approach to the recruitment of apprentices, including the provision of a relevant apprenticeship offer for existing staff. The framework will support key priority to attract and retain skilled people across the business, and support LeO employees to reach their full potential and develop the skills needed both now and in the future.

As part of our ongoing Leadership Development programme, two bespoke guidance sessions will be delivered to managers on the employment tribunal process and experience by LeO's employment law solicitors. The sessions will provide an introduction to the law and common issues being considered in ETs and common pitfalls to avoid.

### ***Engagement with LeO's people***

The new refreshed Staff Council launched in early October with the first meeting with the Chief Ombudsman and Head of People Strategy and Services. This included significant internal engagement around the Staff Council and its role, promoting the work and value of the Staff Council and its plans for engagement across the business.

The 2024 People Survey launched in September with 185 responses at the point of closing, a response rate of 60% and an improvement on the previous year (57%). The Cabinet Office has confirmed that access to the results is expected late November, after which high-level results will be shared prior to commencing detailed analysis.

### **Equality, Diversity and Inclusion**

Positive progress continues on EDI with the delivery of the majority of activities against LeO's EDI strategic objectives and year 2 action plan. Confidence remains high that we will be able to deliver all year 2 activities by the end of our financial year. A Government Internal Audit Agency (GIAA) internal audit on LeO's EDI delivery saw LeO achieve substantial assurance rating, a significant achievement which provides welcome assurance on LeO's approach and commitment to EDI.

The quarterly EDI Steering group continues to provide an opportunity for network co-chairs and Executive Team colleagues to contribute to the ongoing development of our EDI strategy.

Work is progressing on reviewing our managing unacceptable behaviour policy and a new menopause in the workplace policy, building on training and awareness earlier in the year.

LeO's leadership development programme delivered training for all managers on increasing knowledge, awareness and confidence around ADHD and its impact in the workplace.

LeO's Reach network wrote a series of blogs to celebrate South Asian Heritage month, and we also issued a special blog about the national rioting to provide support for colleagues. External engagement continues with LeO colleagues attending an EDI Forum with the Association of Chief Executives where best practice in creating and delivering EDI strategies was discussed. We also attended a networking meeting with the SRA to learn and share best practice on developing employee networks.

**Relationships and collaboration**

Strategies relevant to update	Knowledge and insight (in development)
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The engagement outlined above underlines the positive progress LeO has continued to make in evolving its relationships into a strategic space – focused on addressing the shared aim of driving higher standards and better outcomes in legal services.

Notably, LeO's constructive recent engagement with approved regulators has focused on enhancing the complaints data and insights being shared, and identifying areas of concern for future intervention. LeO is ensuring it has appropriate forums in place to enable regular and effective strategic engagement with both regulators and professional bodies, in view of the role of both in bringing about a culture shift in the sector's attitude and approach to complaints.

LeO has continued to engage with other ombudsman schemes, with an emphasis on behaviour and issues that cut across jurisdictions. This includes discussions with the Housing Ombudsman about the standards of service provided by law firms pursuing housing disrepair claims. LeO celebrated Ombuds Day on 10 October, also supporting the Ombudsman Association's release of their [Guide to Ombudsman Offices](#).

LeO will be participating in the cross-sector Collaboration Network's annual complaints forum in November, as part of an Ombudsman Panel.

**Systems and intelligence**

Strategies relevant to update	Technology and innovation (in development), knowledge and insight (in development)
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Quarter 2 saw further refinement of automation and AI work. Collaboration work with the GIAA continued on using AI to produce automated first drafts of service complaint letters, initial proof of concept work identified that the solution is viable, and work is underway to refine the process with a multi-disciplinary team engaged with the project.

The work to capture EDI data has been integrated into a project to modernise and improve communication from LeO website to the Case Management system

(CMS). This work will not only reduce the complexity found with the existing Robotic processing solution but will reduce the touch points found with processing emails from the GET inbox to CMS.

LeO engaged a third party to test the security of LeO infrastructure not managed by third party support and to review the current configuration of LeO's Microsoft 365 estate including email, SharePoint, Dynamics (CMS) and authentication and password security. Of the 91 tasks generated from this report only 11 remain to be actioned, all of which are low priority and risk

Cyber awareness remains a high priority with training and testing for all staff and targeted supplementary training shared with staff on the back of simulated phishing tests.

### **Value for Money, resources and governance**

Strategies relevant to update

Future ways of working

#### **2024/25 Budget position**

The forecast end year position at the end of Quarter 2 was a £118k underspend (0.66% of the 2024/25 budget). The underspend pressure is mainly due to delays and challenges in recruiting for new and replacement corporate staff, with some of the positions being filled by promotions from internal staff. This also results from a balancing of priorities on the timing of transfers from operations to learning and insight work in the face of increases in demand, particularly increased demand for investigations.

The Executive continues to monitor the underspend and potential mitigating actions on a regular basis to ensure that the end-year position is managed down and within tolerance. The list of mitigating actions being considered or implemented all impact on performance and strategic objectives.

#### **Risk management, audit and governance**

2024/25 strategic risks and issues were approved at the OLC Board workshop in July 2024 and are detailed in Appendix A of the integrated performance report item.

Strategic issues relating to staff attrition are both now within a tolerable position, with the strategic issue relating to corporate and operations roles (other than investigators) reducing in quarter 1 and with the positive trajectory on overall attrition which has fallen for the eight consecutive month.

[REDACTED]

The GIAA audit plan is on track with the completion of the Equality, Diversity, and Inclusion audit in quarter 2, which resulted in a substantial opinion with three recommendations. We currently have ten internal audit recommendations, eight

are on track and two are overdue. Both overdue actions have been extended to the end of quarter 3, capacity the key barrier. The quality framework review has been the main priority for quarter 2.