

Meeting	OLC Board	Agenda item Paper no.	3 137.2
Date of meeting	29 January 2025	Time required	30 minutes

Title	Chief Ombudsman Executive Report
Sponsor	Paul McFadden, Chief Ombudsman
Status	OFFICIAL

Executive summary

Resolution performance continues to reach the upper end of forecasts, with Quarter 3 seeing an 8.1% year-on-year increase, and a year-to-date year-on-year increase of 6.6%. This leaves LeO on track to finish at, or marginally exceed, the higher end of 2024/25 forecasts.

Increasing demand continues to be a challenge. Core demand stabilised slightly across Quarter 3 but demand for in-depth investigations continued to be LeO's primary risk to overall customer experience, 9.7% higher than the same period last year, and up significantly year-to-date. This continues to impact queue reduction, although the queue did decrease slightly in Quarter 3 and a strong Quarter 4 resolution performance should bring the queue within reforecast range.

Despite this impact on queue reduction, customer journey times have continued to improve with percentage of all cases resolved within 90 days (average year to date) remaining at 45.9%. The proportion of investigations taking more than two years also reduced from 8.6% to 4.8% year on year, now accounting for less than 100 cases. Customers also saw a fall in average time in the queue and the average time to allocate to an investigator.

LeO continues to enhance and develop its relationship management and insight sharing, sharing its data and analysis on complaints received with regulators, identifying and developing targeted complaints handling support for service providers from LeO who have high numbers of complaints, and ongoing engagement with regulators supporting collaboration and alignment of vision and proposed approach to improve complaints handling.

Recommendation or action required

The Board is asked to **Note** the report.

Equality, diversity and inclusion

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.

Freedom of Information Act 2000

Paragraph reference	Exemption and summary
N/A	N/A

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"> ▪ Strategic Issue 01: Backlog ▪ Strategic Issue 02: Staff attrition ▪ Strategic Issue 03: Operations staff attrition: Investigators ▪ Strategic Risk 01 – Performance trajectory ▪ Strategic Risk 04 – Scheme Rule changes
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LeO's performance

LeO continues to perform well, reaching the upper end of forecasts

LeO's resolution performance has continued to reach the higher end of forecasts, with Quarter 3 seeing an 8.1% increase on the same period in 2023/24 and a year-to-date year-on-year increase of 6.6% (an increase of more than 380 customer resolutions). This leaves LeO on track to finish at, or marginally exceed, the higher end of the original Business Plan forecast ranges (8404).

New investigator productivity has increased with new investigators now at full case holding, supporting increased output performance.

Increased demand for investigation continues to impact queue reduction

Demand for LeO's service remains higher than the same period last year. Core demand – complaints that need an early resolution or investigation - increased by 1.7% in quarter 3 when compared to the same period last year. Demand for in-depth investigations in Quarter 3 is 9.7% higher than the same period last year, up 26.3% year to date (although some of this increase is attributable to a one-off increase caused by scheme rules carry over).

Taking account of Quarter 3 demand, it is now expected that LeO will exceed the upper end of re-forecast demand for in-depth investigation at around 4,300 cases, against an original forecast of 3,450. This is a significant rise in demand against forecast and the primary driver of higher than forecast year-end unallocated investigations.

Unallocated investigations have reduced to 3,364 in Quarter 3, 40 cases over re-forecast lower expectations. Year-to-date the queue has reduced by 0.4%, the rate of reduction significantly reduced on previous years' as a result of demand.

Higher expectations on resolution performance in Quarter 4, historically LeOs most productive period, mean that the unallocated investigations queue should come back within the re-forecast range by end March.

Lower attrition is supporting increased productivity

Investigator attrition has more than halved across five consecutive quarters. LeO is, however, seeing an increase in internal promotions, as operational staff develop into corporate and non-investigator operational roles, including recruitment to learning and insight. This is expected to continue and has been factored into forecasts. LeO has completed a highly successful investigator recruitment round which produced sufficient candidates to fill each vacancy at least twice which ensures that LeO has the pipeline to replace promoted staff.

New investigator productivity, rising as expected, has increased investigator productivity to the highest point this year at 6.4 per FTE. Higher-than-forecast rates of sickness absence at the half-year point have improved throughout Quarter 3 and, although remaining high, gives additional confidence in LeO's Quarter 4 output forecasts. Continued focus on tackling sickness is having an impact and LeO will continue to monitor and manage accordingly.

LeO customers' experience

Increased productivity supports improving customer journey times

Overall combined customer journey times have improved marginally across Quarter 3, as they have across 2024/25 as a whole, with combined customer journey time for all cases reducing from around 300 days at end Quarter 1 to 277 days. The percentage of cases resolved within 90 days (year to date) remains at 45.9%. At the other end, the proportion of investigations taking more than two years has also reduced from 8.6% to 4.8% year-on-year, now accounting for less than 100 cases as LeO continues to push to resolve its oldest cases.

LeO has also continued to see a fall in the both the average time that a customer is currently waiting in the queue (202 to 195 days) and the average time it takes to be allocated to an investigator (356 days to 329 days). It is expected that the average time to be allocated will potentially rise across Quarter 4 as case holding splits are adjusted to prioritise older medium complexity cases. As a result, the average time that a customer is currently waiting should fall as less aged cases await allocation to an investigator.

Quality and service

The standard of work undertaken across early resolutions and LeO's ombudsmen remains consistently high, both in terms of reasonableness of outcomes and service provided. As expected, quarter on quarter there is a degree of variance in performance against the key quality metrics but we continue to exceed target levels.

Quality metrics in the investigations teams remain an area where improvement is needed. We did see an improvement in performance this quarter, with service standards increasing by 8% and an over 10% improvement against reasonable outcome metrics. It is hoped that this represents the start of an upward trajectory,

and that enhanced levels of insight that are becoming available through the new quality framework will help maintain and accelerate that upward trajectory.

Levels of overall customer satisfaction with the service received from LeO remain very consistent quarter on quarter. Satisfaction with the outcome of the investigation still clearly remains the principal driver of satisfaction with service received.

Considerable success has been seen in bringing the numbers of open service complaints and the time taken to progress them under control. Work will now start on the review of LeO's approach to service complaints with the aim of ensuring a more efficient and proportionate approach.

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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Regulatory and stakeholder engagement

2025/26 Business Plan and budget

In Quarter 3 and into January, LeO's external engagement has been focused on consultation on the 2025/26 budget and business plan and refining and finalising proposals on the basis of consultation responses. In total, 19 written responses were received, with overall support for LeO to continue improving the service it delivers to customers and support for greater collaboration and insight sharing over the course of 2025/26 and the lifetime of the strategy.

Responses were also supportive of LeO's proposals to review its case fee, recognising that the fee hasn't increased in the lifetime of LeO's operations. Considerations around the level of increase were focused on ensuring the increase was proportionate and at a level that did not negatively impact on some areas of law or professions.

Respondents were broadly supportive of ongoing commitment to increasing transparency, with many responses, including from regulators and those representing consumers, supportive of a proposal to work towards publishing more details about ombudsman decisions. Other responses, notably from those representing the profession, registered some concerns about the value of investing resource publishing decisions, the impact on LeO's operational efficiency, and about legal considerations around privilege and restrictions within the Legal Services Act. There were concerns generally about how the work required to publish decisions would likely impact productivity, and the budget required.

A fuller summary of stakeholder feedback is provided with the budget and business plan.

Legal Services Consumer Panel visit to Edward House

Following on from meetings with the Law Society President and LSB Chief Executive in Quarter 3, the OLC Chair, Chief Ombudsman and LeO colleagues welcomed the recently appointed Chair of the Legal Services Consumer Panel, Tom Hayhoe, to Edward House in January. The visit was an opportunity to provide an insight into LeO's service, operational processes and their transformation, the nature and complexity of complaints and common themes in service and complaints handling failings. Discussions also focused on how plans to grow LeO's impact on standards of service and demonstrate OLC's and LeO's shared commitment to transparency, alongside a recognition that it is far from straightforward. Discussion also focused on a shared commitment to improving first tier complaint handling and the positive outcome this would bring for both consumers and service providers across the legal sector, including demand for LeO's services.

Transparency of LeO's decisions

Discussion with OLC Board on the 2024/25 Budget and Business Plan will focus on proposals on forward plans for resourcing LeO on transparency of ombudsman decisions. The Executive have given careful assessment to consultation feedback, and have assessed that the most realistic pathway to delivering transparency in this strategic period is to pursue an option involving summarisation of decisions in their current form – while continuing to assess in the longer term options for a phased approach to re-designing decisions and the publication of decisions in full. The draft budget and business plan also includes an outline of resources required in 2025/26 to allow LeO prepare the necessary systems, processes and operational resilience and knowledge to pursue this option.

These plans remain subject to consideration with the OLC Board and fuller consultation with stakeholders in 2025/26.

As part of our wider commitment to decision transparency, work is ongoing to enable LeO to make better use of the power to publish public interest decisions (formerly referred to as Category 1 decisions). Resources, processes and the criteria used to identify suitable cases are being reviewed with a number of potentially suitable cases identified for detailed assessment.

Improving legal sector complaint handling

Progress is being made on complaints handling best practice and engagement with regulators to inform development of model complaints handling best practice. Two senior ombudsmen have moved to lead LeO's complaints handling best practice and support, adding significant experience and pace.

Benchmarking of best practice across the ombudsman and redress sectors is informing the principles which will form the basis of LeO's guidance on best practice. LeO is hosting a workshop all approved regulators in early February to

begin to develop a shared vision and agreed approach and to agree how LeO and regulators align and collaborate to reach a common aim of improving first tier complaints handling. This will include discussion on the current challenges for first tier complaint handling across the sector and what support is required from LeO to support regulators in the implementation of the Legal Services Board's first tier complaints handling requirements. This will provide an opportunity to highlight the role that standardisation can play in ensuring the core principles and standards of first tier complaint handling are embedded within processes across the whole sector. Our aim is that this will evolve into a regular regulator's forum on complaints handling.

Work is also in progress to develop and deploy targeted support (assisting providers who have high numbers of complaints with LeO to improve their first-tier complaint handling). This includes identifying providers who would benefit from targeted support, building reports to further analyse our data, defining appropriate benchmarks, and developing the support toolkits LeO that could offer. A number of potential service providers have been identified where this engagement and support with LeO could be beneficial to reverse negative patterns in complaints. Learning and insight colleagues have been working closely with colleagues at the SRA to agree approach to reaching out to one of these providers.

Sharing insights to improve complaints handling and prevent complaints

A range of work has continued to identify and share insights on complaints with the sector, including:

- Publication of LeO's 2023/24 annual report of complaints in Quarter 3, with the Chief Ombudsman writing to legal regulator Chief Executives to provide additional specific data and firms with high volumes of complaints and set out a clear picture of the cultural shift that needs to happen in respect of complaints handling.
- Work to develop a framework to guide LeO in sharing its insight to manage specific drivers of demand.
- A commitment to regulators to share enhanced information about providers as part of the development of a new Regulatory Information Service (RIS) as a single digital register of regulatory information to support consumers.
- Delivering online training for members of the Association of Costs Lawyers to develop a better understanding of LeO's position on what good costs information looks like, focused on client care letters and the information LeO would expect to see included to ensure clients are fully informed about expected costs and deductions.
- Procurement and discussions with potential suppliers of an external platform to assist delivery of learning and insight.
- Remining on track with LeO's stated commitment to share insights on a quarterly basis, with the Business Intelligence team actively working on

additions to our reporting capability to enable us to share further insights. We anticipate publishing our Quarter 3 data in March 2025.

- Developing content to share externally on ‘hot topic’ areas of law and complaint types, including those where we see high demand.
- Progressing recruitment for new Insight and Engagement Officer roles.

Updates on strategic enablers and supporting strategies

People and culture

Strategies relevant to update

People and EDI

People performance

Whilst Quarter 3 saw a slight increase in overall attrition, monthly fluctuations are to be expected as part of healthy staff turnover. At 12%, the Quarter 3 attrition rate remains well within the 19% target. Investigator attrition continues to show a positive trend, falling month-by-month during Q3 to 14.1%, a decrease of 0.7% compared to the end of Q2 and within the 19% target.

Sickness absence levels remain high but have shown a slight decrease compared to the end of Q2. Absence management continues to be a key focus for HR – the ‘deep-dive’ review on long-term and recurrent absences has now been completed, the outcomes of which are being considered to assess the next steps as appropriate. HR Business Partners continue to work closely with managers to enable timely intervention on absence management and support, facilitated by improved reporting mechanisms.

A raft of HR and equality initiatives are in place to support employees, including improved wellbeing resources and support through LeO’s employee benefits offer; regular internal comms on wellbeing, including mental health; wellbeing champions; a Reasonable Adjustment Policy and reasonable adjustment passports.

Delivery of the People Strategy

The ongoing Leadership Development Programme continues to focus on equipping LeO’s managers with the knowledge and skills needed to deal with people issues consistently and fairly. Bespoke guidance sessions were delivered to managers on the approach of employment tribunals, with further sessions planned in the new year on flexible working and the new protections in relation to sexual harassment.

A new Aspiring Leaders programme is currently in development, the key aims of which will be to equip first-time managers with the skills they need, increase LeO’s leadership capability and support succession planning.

Key priorities for the remainder of the business year include the development of attraction and retention and succession planning/talent management strategies.

Engagement with LeO's people

Headline findings of the 2024 People Survey were shared at the December OLC Board meeting. Detailed analysis of the results will be shared with all staff when available and presented at the RemCo meeting in March. As has been the case in previous years, 'safe space' meetings will be held with LeO's staff networks to explore further the experience of staff with protected characteristics and caring responsibilities. Manager-led sessions with individual teams will also be held to obtain further feedback. Findings will inform the 2025-26 People Strategy deliverables and ED&I Strategy and action planning where applicable.

LeO's commitment to employee engagement continues with regular meetings of the new Staff Council taking place and scheduled for the remainder 2024/25 and into 2025/26; recent topics for discussion have included the new hybrid working model, updates on business planning and stakeholder engagement and formal consultation on a number of HR policies. The Head of People Strategy and Services and Lead Staff Council Representative are working closely together to help shape and embed the role of the new Staff Council going forward.

Equality, Diversity and Inclusion (EDI)

LeO's EDI team remain on track to deliver all key deliverables from the 2024-25 EDI Action Plan. Regular updates and engagement sessions, including quarterly EDI Steering Group meetings and briefings with leaders, continue to ensure transparency and organisation-wide involvement.

In December LeO launched a menopause policy and an updated policy on managing unacceptable customer behaviour in addition to new guidance to support staff experiencing micro-aggressions. This policy work has been well received by staff and helps to enhance LeO's approach to inclusion and staff wellbeing.

Insights from our external engagement continue to be shared with internal stakeholders to support service improvement and professional development. Notable Quarter 3 engagement includes discussions with the General Optical Council and the Ministry of Justice on LGBTQ+ inclusion best practices, which will help to inform future inclusion initiatives.

As a forward look to Quarter 4, Race Equality Week in February 2025 will feature a four-day challenge encouraging LeO colleagues to act on race inclusion, aligned with the national theme, "Every Action Counts." We will deliver vulnerable customer champion training sessions to increase the number of VCCs in the

business. The Business Disability Forum will also deliver dyslexia in the workplace training session for LeO's managers.

Relationships and collaboration

Strategies relevant to update	Knowledge and insight (in development)
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LeO continued to build engagement with legal regulators across Quarter 3 and into 2024/25 with regular information sharing and engagement at strategic and operational level and collaboration on: LeO's annual complaints data insight; aligning collaboration and vision on influencing better first tier complaints handling; alignment of approach to handling high profile cases involving firm failures and high-volume claim events which have the potential to drive complaints to LeO on a large scale; joining discussions Legal Regulators EDI Forum, discussing areas of common interest across the sector including better customer data.

Following engagement with regulators at the end of last year on LeO's annual complaints data, the Chief Ombudsman met with the SRA Chief Executive in January to focus on a number of these areas specifically and agree how each organisation can support the delivery of individual and collective priorities. Regular meetings are also taking place between LeO and the SRA to ensure a collaborative approach to working with one another on areas such as complaint handling and consumer protection.

Wider engagement with the Legal Services Board, Legal Services Consumer Panel, professional bodies and wider sector stakeholders will continue through Quarter 4 on key aspects of LeO's forward plans for 2024/25 as we finalise the 2024/25 Budget and Business Plan.

Systems and intelligence

Strategies relevant to update	Technology and innovation (in development), knowledge and insight (in development)
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LeO continues to focus on approaches to integrating AI in the workplace. In collaboration with the Government internal Audit Agency (GIAA), LeO has finalised 'Proof of Concept' work on two business processes, drafting decisions and summarising decisions, and projects have been established to transform these concepts into solutions with measurable success indicators.

Our commitment to robust governance, balancing the risks AI implementation poses to people, customers, and systems against the opportunities it presents, has advanced with the procurement of specialist technology consultants in Quarter 4. The outcome of this process will provide LeO with a governance policy that encapsulates industry best practices and proposed regulatory frameworks, alongside roadmaps for deploying AI within LeO.

Work on updating and improving the automation of data processing collected from LeO's online customer complaint form began in January 2025. This project will upgrade the existing robotic process automation to allow transfer of data directly

into the CMS, improving data accuracy, data security, and productivity. This improvement will also enhance the way that we capture and store EDI data, automating the process within the online complaint form.

Value for Money, resources and governance

Strategies relevant to update

Future ways of working

2024/25 Budget position

The 2024/25 outturn budget variance projection as of 20 January 2025 was for an underspend of £120k, -0.67% of the budget. This amount is changing as various actions are being taken to manage spend.

The Executive is monitoring any changes from the forecast closely by meeting more frequently in Quarter 4. This will help ensure that any risks of increasing the underspend are addressed timely and the budget variance remains within the tolerance level at year end.

Savings to reduce the impact of increased Employer's National Insurance

Following the increase in the Employer's NI contributions from April 2025, announced by the Chancellor in October 2024, the OLC Board and ARAC challenged the Executive to analyse the 2025/26 budget proposal further and find potential savings that could reduce the resource ask in the 2025/26 budget without negatively affecting service provision. LeO has identified savings of £230k from the total draft budget consulted on, including the proposed transparency budget, which represents 66% of the additional NI costs requirement. The savings comprise of additional vacancy factor, reduced ask on preparation for decision transparency in the initial stages and reassessment of expected increase in bank interest received due to the interest rates remaining at a higher level than initially budgeted, especially in Q1 and Q2 when our bank balance will be high.

Risk management, audit and governance

Strategic risks and issues

Volatility in demand has previously been reported as a strategic risk but, as the level of customer demand has continued to increase, this risk has crystallised into an issue with an increase in scoring. The strategic risk on LeO's impact objective has also been reviewed with an increasing in scoring following consideration with OLC Board and ARAC. This now places the risk within tolerance as opposed to being in an 'optimal' position.

One accommodation risk remains out of tolerance as we await costings and business case approval from GPA on a future Birmingham Hub. This is a long-term risk being managed with appropriate governance and engagement with key partners in place.

The GIAA audit plan is on track with the Stakeholder Management Audit being in fieldwork stage. The Contract Management Audit commenced in early January. The Supplier Payments Audit is on track for completion by the end of Q4. We currently have seven internal audit recommendations under review, five are on track, and two are overdue due to capacity within the quality team.

Initial planning for the 2025/26 audit plan has commenced, with a follow up meeting is scheduled for the end of January to confirm the audit areas and timings and take account of ARAC feedback. Once agreed with the ARAC Chair this will be circulated to ARAC members for approval out of committee.