

### **3.4 Deputy R.G. Le Hérisser of the Minister for Economic Development regarding the introduction of a Financial Services Ombudsman:**

Does the Minister have any plans to introduce a Financial Services Ombudsman and, if so, when does he intend to bring the relevant legislation forward?

#### **Senator P.F.C. Ozouf (The Minister for Economic Development):**

I should start by saying that I do support the concept. However, my difficulties are ones of cost and implementation. This issue is a complex one to deal with a short oral answer. It also has a bearing on a number of other issues, such as the arguments for greater regulation of the domestic financial services sector, the need for compensation schemes, and the current effectiveness or otherwise of the schemes already provided by companies by way of self-regulation. Last year I presented a report to the States in relation to the introduction of a Financial Services Ombudsman Scheme. The key findings of that report were that Guernsey has decided against a scheme, and that the only other comparable jurisdiction with an ombudsman scheme is the Isle of Man. That scheme is funded by government. If a similar scheme was operated in Jersey, or set up in Jersey, we would estimate the annual cost to be in the region of £500,000 to £750,000; and probably higher. Also, 94 per cent of the claimants were non-Isle of Man residents. The average compensation award was small, under £1,000. It gives me no pleasure to inform the Assembly that we do need to be aware of believing that we can match the infrastructure of larger jurisdictions, such as the U.K., where the costs of industry-only regulation can be absorbed by a vast captive market, and particularly levied against repeat offenders. However, I understand and support the concept. My problem is one of resources. I propose to approach the finance industry to identify if there are alternative solutions, for example, the use of the mediation court service, and possibly a voluntary scheme. I do understand that if I fail to convince the industry for a voluntary scheme, then I am going to have to bring forward legislation for a compulsory scheme. But this Assembly is going to have to find £750,000 to pay for it.

#### **3.4.1 Deputy R.G. Le Hérisser:**

Does the Minister not acknowledge that when other people have laid down complications he has called them ditherers and indecisive and undynamic. Does he not further acknowledge, Sir, that with the very complex and sophisticated regulatory scheme in, which again met with similar sentiments to those he has expressed, it is now being lauded by him and his Ministerial colleagues?. Why is this essential part...

#### **Senator P.F.C. Ozouf:**

I am not sure that I have never ever been accused of being a ditherer. It is something that is high up on my agenda. I am not sure whether the Deputy has read the report, but the reality is that an alternative scheme for Jersey will cost, if we take the Isle of Man model, £750,000; 94 per cent of those claimants will be non-Jersey people. The people that I am worried about are the domestic people, the Island residents, and I am trying to find a solution that benefits the people we are targeting, but also has a cost which is not going to be thrown out by this Assembly. I will not win a debate for £750,000 against Home Affairs, Health, or Education. I simply will not win it.

#### **3.4.2 Deputy C.J. Scott Warren of St. Saviour:**

Would the Minister concede that the annual cost which is mentioned for the Financial Services Ombudsman could well be, over a period of years, outweighed by the increase in our standing as an international finance centre?

#### **Senator P.F.C. Ozouf:**

I think the Deputy is right to say that we need good regulation, and the J.F.S.C. (Jersey Financial Services Commission) with a budget of £7 million or £8 million is precisely doing the job of raising our reputation. The issue here is one of putting in place a fast and efficient complaints procedure for the domestic financial services industry; somebody that has an argument about their

banking charges, somebody that has an argument about a financial services player who has misadvised them, or given them incorrect advice in relation to a pension, or an endowment. That is what we are trying to do; it is the domestic market that we are trying to solve the problem for. I have not found a solution to that. But I am going to talk to Jersey Finance, I am going to talk to the Bankers Association, to see if we can find a voluntary scheme which does not have the bureaucratic burden of cost.

**3.4.3 Deputy G.P. Southern:**

In his consideration of a Financial Ombudsman, does he envisage that such a position will cover pension arrangements, both private and occupational, under any scheme that he brings forward?

**Senator P.F.C. Ozouf:**

Well, there are certain other arrangements that are in place for the regulation of pension schemes, and an ombudsman is not a regulator. It is somewhere that deals with complaints, so the issue of pension regulation is different from the issue of a Financial Ombudsman. The Financial Ombudsman is designed to deal with individuals, and it is a relatively small complaint in most cases. The Isle of Man puts the average compensation at about £1,000. That is a lot of money for individuals, but we need to put it into overall concept. Pension Regulations are not what are being asked I think.

**3.4.4 Deputy K.C. Lewis:**

Does the Minister believe there could be merit in possibly sharing an ombudsman with other jurisdictions, such as the Isle of Man?

**Senator P.F.C. Ozouf:**

My difficulty there is that I will be asked to share a scheme that is costing, if we were to basically pool our resources, well, probably at least £500,000. That is the difficulty. 94 per cent of those people would be non-Islanders, and frankly our excellent court system, and the mediation system that exists in the courts, are there to deal with disputes I think for non-Island, wealthy individuals. So, no, not the Isle of Man, because I will have to come to this Assembly to ask for £500,000 at a minimum. My problem with Guernsey is they said no, they do not want one. I do not necessarily agree with that.

**3.4.5 Deputy S.C. Ferguson:**

Would the Minister be able to share his estimates of the figures with Members, and has he not considered the fact that I think the Isle of Man Ombudsman is part of the equivalent of our Trading Standards Department, and when they are not working on financial services work, as I understand it, they are doing general work. So, would the Minister share the figures with the House?

**Senator P.F.C. Ozouf:**

I am happy to do so. It is, I think, fairly fully outlined in the report that I submitted last June. Also, the *pro rata* example is that of the United Kingdom's Ombudsman, who I am told receive approximately 100,000 complaints per year and have a staff of over 950. So, she is right to say that it is in fact a shared resource within the O.F.T. (Office of Fair Trading) in the Isle of Man. I do not agree with the concept of the O.F.T. because we have got our independent regulator, the J.F.S.C., who is covering some of the same ground. But I am happy to share some of the detail. I am confident that I have been properly advised that an Isle of Man scheme equivalent would cost Jersey a minimum of £500,000, and probably £750,000, but I am happy to share the figures with the Deputy.