

Feedback on Consultation Paper 16 **2020 Levy Schemes**

Issued 27 February 2020

Contents

A: Summary.....	1
B: Consultation overview.....	2
C: Summary of responses	2
D: Next steps.....	3

A: Summary

The Channel Islands Financial Ombudsman (CIFO) published Consultation Paper 16: 2020 Levy Schemes on 2 January 2020, with a closing date of 1 February 2020. Notifications of the consultation paper were sent to stakeholder representatives.

The consultation paper sought views on the proposed Financial Services Ombudsman Levy Scheme (Jersey) 2020 [the 2020 Jersey Levy Scheme] and the proposed Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2020 [the 2020 Guernsey Levy Scheme]. One submission was received from stakeholders in response to this consultation.

CIFO has carried out the further planned assessments of the number of financial services providers that will be due to pay a levy this year. There was an increase in the number of financial service providers in the banking sector which will slightly reduce the individual banking levy for 2020 from that mentioned in the consultation paper. There was a reduction in the number of financial service providers in the non-bank sectors, due to some licence surrenders at the end of 2019, which will slightly increase the individual non-banking levy for 2020 from that mentioned in the consultation paper, see section D. The levy schemes have been amended accordingly and the Financial Services Ombudsman Levy Scheme (Jersey) 2020 [the 2020 Jersey Levy Scheme] and the Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2020 were published on 27 February 2020 and come into effect on 28 February 2020.

B: Consultation overview

The consultation invited comments on the proposed 2020 Jersey Levy Scheme and the proposed 2020 Guernsey Levy Scheme. These include the levy amounts that will be payable by registered providers for 2020. Registered providers are providers that, in relation to their carrying out 'relevant financial services business'¹, are required to register with the Jersey and Guernsey Financial Services Commissions ("the Commissions") or are licensed or hold a certificate or permit under the regulatory laws as specified. The levy amounts are shown in table 1 below in section D.

C: Summary of responses

Two submissions were received from the banking sector in response to the consultation. One of which one had no comments and one was provided in a personal capacity from a staff member at a bank

The staff member response submitted that the reliance on the banking sector to provide 50% of the residual funding is no longer a true representation of the risk provided by the banking industry, nor the incidence of complaints and that other sectors underpay for the risk they run as regards involvement of CIFO and there should be a more balanced approach of allocating the funding levy to the industry sectors covered by the CIFO.

The allocation of a larger share of CIFO's levy requirement to banks was based on the assumption that, as bank accounts are the most common type of financial service and involve multiple transactions, banks had the potential to generate more complaints than other FSPs. This assumption was informed by the experience of other financial ombudsman schemes and the Commissions. CIFO have consulted on the funding split and have received support from FSPs for maintaining the 50:50 split. This assumption is also borne out by the complaint statistics which show the volumes for the different sectors.

No comments were received on the proposal to grant automatic zero-rating and an exemption from case fees for Guernsey Community Savings LBG (trading as Mimoney), the zero-rating has been effected for the levy in the 2020 Guernsey levy scheme and the case fee exemption will be included in an updated case fee scheme to be published later this year.

¹ As defined in article 9 of the Financial Services Ombudsman (Jersey) Law 2014 and section 9 of the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014, see www.ci-fo.org/resource-room/primary-legislation/

D: Next steps

During the consultation period, CIFO received and reviewed data from the Financial Services Commissions on registered providers as at 8 January 2020 and reviewed certifications received from new registered providers on their liability for CIFO levies. In light of this information, CIFO has recalculated its assessments of the number of financial services providers that will be due to pay a levy this year. There was an increase in the number of expected levy payers in the banking sector, as a result, the levy amounts for 2020 are slightly less than those proposed in the consultation paper for the banking sector. Due to some licence surrenders at the end of 2019, the non-banking levy is more than that proposed in the consultation paper, as detailed in the table below.

The total to be raised in levies remains the same.

2020 Levy amounts	Guernsey: Bank Sector	Other Sectors	Jersey: Bank Sector	Other Sectors
Proposed levies in Consultation Paper 16	£11,576	£1,206	£11,576	£1,206
Adjusted final levies	£11,307	£1,256	£11,307	£1,256

The 2020 Jersey Levy Scheme and 2020 Guernsey Levy Scheme were published on 27 February 2020 and come into effect on 28 February 2020. The collection of 2020 levies will be in a staged process, commencing in March with levy notices sent to banks in both islands. Levy notices to other registered providers are planned to be sent between May and July.
