

CHANNEL ISLANDS  
FINANCIAL OMBUDSMAN

2025  
Annual Report

# Operational Report



Channel Islands  
Financial  
Ombudsman

# CEO's Statement

## Responding to new pressures while delivering our core Ombudsman role

### Introduction

Financial sector dispute resolution operates within a complex and fast moving environment. Priorities set at the outset of the year are frequently reshaped by external developments, emerging risks and rising expectations from consumers, industry and government. **2025 was a clear illustration of this reality.**

Against a backdrop of increased fraud, greater challenge to Ombudsman outcomes, and rapid technological change, CIFO remained focused on its core purpose: delivering fair, independent and expert complaint resolution. The year required difficult judgements about where to prioritise effort and resources, but it also demonstrated the resilience of our operating model, the professionalism of our people, and the strength of our governance.

Throughout the year, we remained mindful not only of resolving individual complaints, but of the wider systemic impact of our work — supporting confidence in the Islands' financial services sectors and contributing to their long-term reputations as fair and well-governed International Finance Centres.

### Case management experience

#### Fraud

Fraud was the most significant and impactful complaint theme during the year. By the end of 2024, volumes had increased sharply and fraud had become an area of growing concern across industry, government and consumer groups.

In response, we prioritised this issue in 2025, investing time and expertise in developing and clearly articulating our approach to the different types of fraud complaints we see. This work enabled consistent decision-making, supported constructive engagement with financial service providers, and allowed us to resolve our existing fraud complaint inventory before the end of the year.

Beyond individual case outcomes, this work has helped shape wider understanding of how fraud complaints should be assessed in the Islands. We expect it to support the development of an appropriate regulatory framework and to contribute to more timely, predictable and fair outcomes for consumers going forward.

#### Account closures and blocks

Another recurring theme involved transaction restrictions and account closures, often arising from providers meeting their legal and regulatory obligations around anti-money-laundering (AML) and counter-terrorist financing (CTF). These cases sit at the intersection of regulatory compliance, commercial judgement and consumer fairness.

Over the year, we refined our approach to ensure we strike the right balance between respecting providers' legitimate obligations and decisions, while safeguarding consumers' right to fair treatment. Where we identified unreasonable delay or poor communication, we awarded compensation for the distress and inconvenience caused. This work reinforces the importance of proportionality, clarity and timeliness in provider decision making.

**Douglas Melville**  
Principal Ombudsman & Chief Executive



## Operations

### Service complaints and Data Subject Access Requests (DSARs)

We continued to see an increase in service complaints following final decisions, alongside a rise in complainant DSARs made during and after investigations. This trend reflects broader experience across Ombudsman services and public bodies and indicates heightened consumer expectations around transparency and ability to challenge outcomes.

These developments place additional pressure on our limited capacity and budget and have implications for how an Ombudsman service can continue to operate effectively. Throughout the year, the Board closely monitored this experience, considering how best to balance individuals' data protection rights and transparency with the need to preserve the effectiveness, independence and confidentiality of the Ombudsman process. This remains a key area of focus as we look ahead to 2026.

### Stakeholder engagement

This year's Annual Report includes a new section on stakeholder engagement, reflecting both the breadth of our activity and its strategic importance. Effective engagement is essential to maintaining trust and confidence in an Ombudsman service.

Our engagement helps ensure we remain relevant, resilient and responsive. It supports alignment with domestic policy developments, informs continuous improvement, builds predictability and trust in our service with industry, improves consumer understanding of

key risks such as fraud and scams, and enables shared learning with international peers across the financial dispute resolution community.

### Demand-led service

As a demand-led, customer-facing service, we have limited control over the volume of complaints referred to our office. What we can control is the quality, consistency and fairness of our analysis and decisions in line with best practice and our statutory public interest mandate.

Our hybrid resourcing model, combining a skilled permanent team with highly experienced contract Ombudsman practitioners, continued to provide flexibility and resilience. Alongside this we piloted new technologies, including enhanced website search tools and artificial intelligence, to improve efficiency and accessibility, while maintaining clear boundaries around decision-making and professional judgement.

### The team

Our ability to deliver for users depends entirely on our people. I would like to thank our Jersey-based staff and our panel of contract professionals for their continued professionalism, commitment and resilience during a demanding year.

I also thank our Chair and Directors for their guidance, support and oversight and for their continued focus on protecting CIFO's independence, while ensuring we are accountable for our performance. Together, we remain committed to positioning CIFO to meet the challenges and opportunities for the next decade.

# Case Management Report

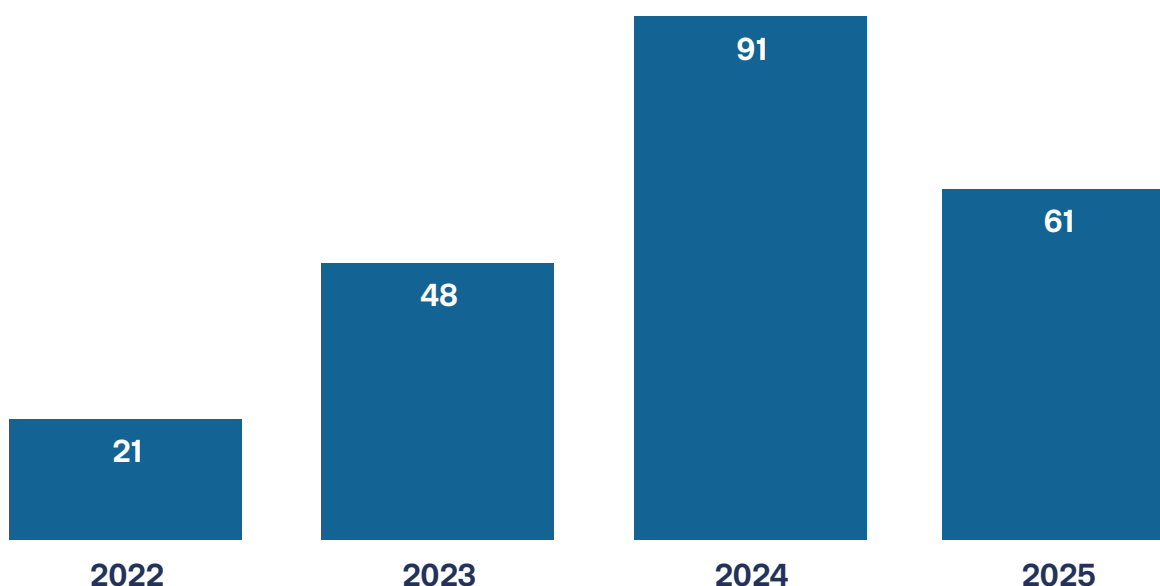
## Sector Observations: Banking

### Fraud

In many ways, fraud was our defining theme for 2025. It was one of the top three issues raised with us by customers and it was the main issue in 15% of the cases we resolved. While 15% might seem like a relatively small proportion, the amounts of money stolen, the impact on people's lives, and the distressing stories we heard from customers made it the most significant issue we have dealt with so far this decade. Working positively with banks to put things right in these complaints was our biggest success story of the year.

A central part of this success came from our careful work in building our approach to assessing and resolving fraud cases. Our approach, which draws on local legislation and regulation, recognises that a customer's vulnerability arises not only from their personal capacity but also from the specific circumstances surrounding the fraudulent incident. This broader understanding of vulnerability reflects developments in the UK and, more widely, in the EU and internationally, including in sectors beyond financial services. It helped us better understand what it means to be placed in a vulnerable position. As a result, our reviews are more situation-specific, leading to more nuanced, fairer assessments and outcomes that better reflect the realities faced by victims of increasingly sophisticated frauds.

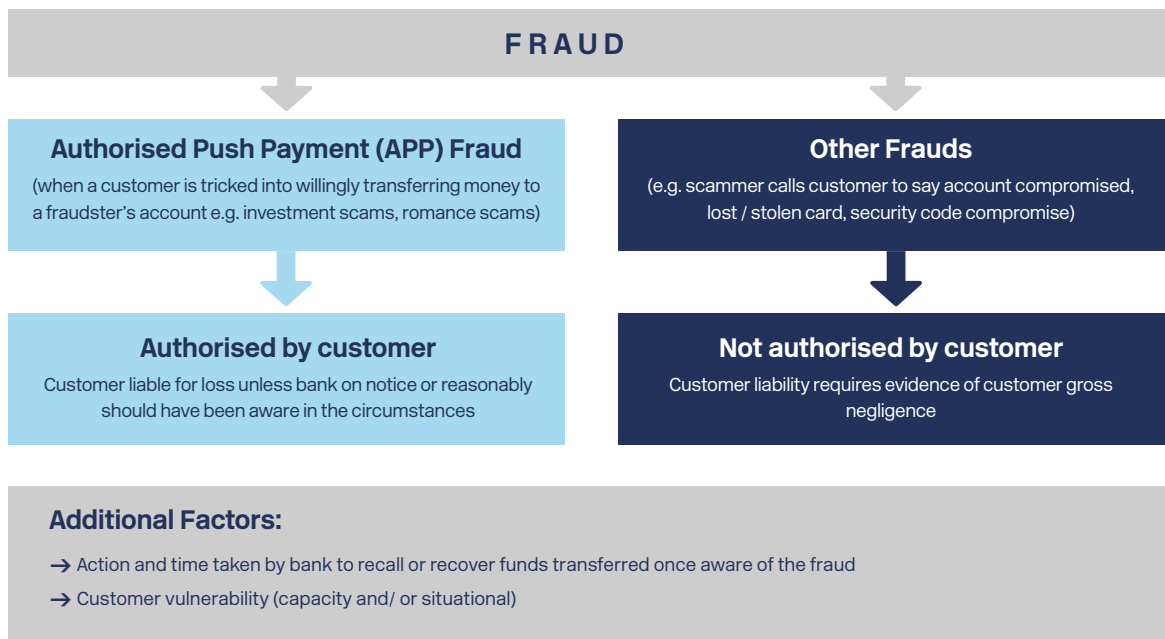
### Fraud cases opened



# Case Management Report

## Sector Observations: Banking

### Our approach to resolving fraud cases



Our engagement with banks throughout 2025 was broadly constructive. The banks have shown a willingness to reflect on their internal controls and communication processes, and how to improve them. We consider these reflections to be of great benefit both to the banks themselves and to their customers. Already, several institutions have begun implementing new risk management and fraud prevention systems, informed in part by insights emerging from cases resolved with us. While fraud as an issue is unlikely to go away anytime soon, there is clear evidence that our engagement with an industry willing to listen is fostering a more resilient and responsive environment for customers.

## PART 1: OPERATIONAL REPORT

# Case Management Report

## Sector Observations: Banking

### Case Study 1

#### Unauthorised payments following OTP scam

<p><b>What happened</b></p> <p>A couple received a phone call from someone claiming to be their bank warning them about suspicious payments on their joint account.</p> <p>Believing the call was genuine, they confirmed some of their account details. During the call, a one-time passcode (OTP) was disclosed to the fraudster who then used it to register a new device.</p> <p>Shortly afterwards, three payments totalling <b>£4,750</b> were made from the account without the couple's knowledge or consent.</p> <p>The bank said that use of the OTP meant the payments <b>were authorised</b> under its terms and conditions.</p>	<p><b>What we considered</b></p> <ul style="list-style-type: none"><li>• the nature of the scam and its impact on the couple</li><li>• whether sharing an OTP amounts to authorisation of the transaction</li><li>• whether it was fair and reasonable for the bank to rely on its own exclusion of liability where there was customer carelessness</li><li>• whether the couple's actions objectively met the threshold of gross negligence</li><li>• what the bank did to prevent the customer sharing the OTP inappropriately</li></ul> <p><b>Key learnings</b></p> <p>Being deceived into sharing an OTP during a scam does not automatically mean a customer authorises a payment. Each case must be assessed on what is fair and reasonable, taking account of context including reasonable belief about who they are in communication with, clarity of warnings, and the circumstances at the time.</p>	<p><b>What we found</b></p> <ul style="list-style-type: none"><li>• the couple believed they were dealing with their bank</li><li>• the payments were not authorised by the customer</li><li>• sharing the OTP may have been careless but did not amount to gross negligence</li><li>• the bank's warnings were not sufficient to shift the liability to the couple</li></ul> <p><b>COMPLAINT UPHELD</b> the bank was required to refund the loss and pay compensation for distress &amp; inconvenience</p>
--	--	---

### Case Study 2

#### Multiple unauthorised payments following an impersonation scam

<p><b>What happened</b></p> <p>Sarah's work colleague received a scam call claiming there was fraud on Sarah's account. The colleague then sent Sarah a note for her to call them back. Sarah called the number provided.</p> <p>During the call, she was persuaded to log into her online banking, install third-party software and share multiple security codes, enabling the fraudster to gain remote access to her devices, resulting in <b>£24,000</b> being stolen.</p> <p>Despite feeling uneasy at points, she continued to follow their instructions.</p> <p>The bank declined to reimburse her, stating she ignored warnings, shared security codes and allowed remote access to her devices.</p>	<p><b>What we considered</b></p> <ul style="list-style-type: none"><li>• the nature of the scam and its impact on Sarah</li><li>• whether Sarah's actions objectively met the threshold of gross negligence</li><li>• whether the bank acted reasonably in allowing the payments to proceed</li><li>• whether the bank acted quickly enough upon notification of the scam to recall the funds from the other bank</li></ul> <p><b>Key learnings</b></p> <p>Where a customer takes numerous separate actions that compromise account security, and ignores real-time warnings, their conduct can amount to gross negligence. In this case, it's the combined impact of the customer's actions, not just one error, that resulted in the customer being held responsible.</p>	<p><b>What we found</b></p> <ul style="list-style-type: none"><li>• Sarah believed she was dealing with her bank</li><li>• multiple security codes and account credentials were disclosed, and the account security was compromised</li><li>• the bank provided clear warnings not to share the security codes</li><li>• Sarah's actions met the threshold of gross negligence</li></ul> <p><b>COMPLAINT NOT UPHELD</b> the bank was not required to reimburse the loss</p>
--	---	---

# Case Management Report

## Sector Observations: Banking



### Account Suspensions

In 2025, around 14% of our cases related to bank accounts being frozen or closed. Two main problems kept coming up: first, some banks restricted customers' accounts without explaining why or giving them sufficient warning; and second, some banks took too long to fix these problems, even when the customer had done nothing wrong.

Banks may restrict, freeze or close an account for a range of reasons. In some cases, action is required to meet legal and regulatory obligations, including financial crime controls and other duties that can limit what the bank is able to share with the customer. In other cases, the bank may make a commercial or risk management decision to change its appetite for certain customers, products or jurisdictions.

When customers complain about these actions, our role is to consider whether the bank acted fairly and reasonably in the circumstances. For example, whether it communicated as clearly as it could, applied its processes properly and progressed any necessary checks without undue delay.

Where the restriction or closure is driven by legal and regulatory responsibilities, we will generally defer to the provider on the underlying decision given the legal constraints around sensitive information. We will still consider whether the time taken to carry out reviews was fair and reasonable. Where the action reflects a commercial decision, and the customer has been given appropriate advance notice, we will not generally engage with the decision itself. However, a customer's complaint about such actions of the bank will still be valid if they were not carried out properly.

To help resolve these complaints, we have looked again at how we assess compensation in cases where an account is restricted but the bank has made mistakes. This revised approach encourages banks to talk clearly and promptly with their customers when they restrict an account and to reduce delays when sorting things out, while also respecting the complex legal and regulatory responsibilities that banks face.

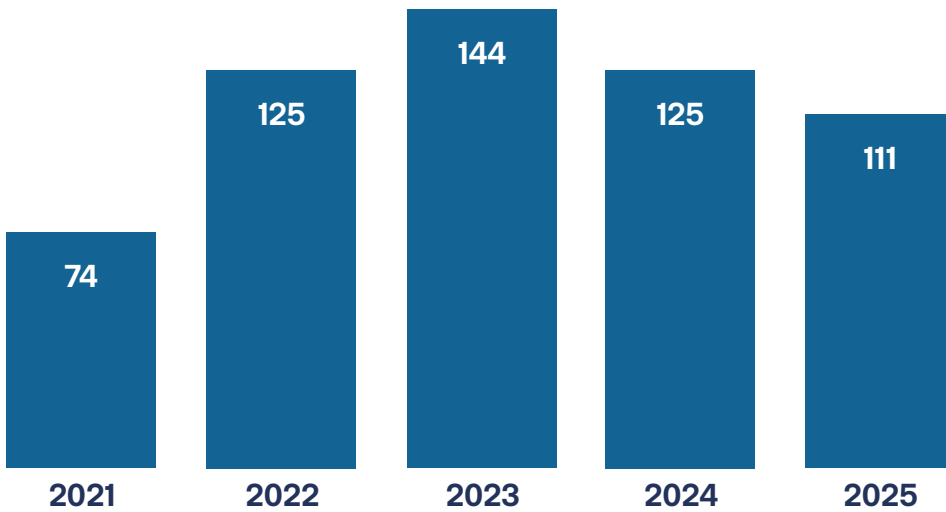
# Case Management Report

## Sector Observations: Insurance



There was good news in the insurance sector, especially in Guernsey, where the number of cases continued to fall. This reduction likely happened because insurers and brokers are getting better at communicating with their customers, explaining things clearly, and sorting out problems earlier. Our main observation is that when businesses do this, their customers feel better supported and fewer complaints arise. This positive trend demonstrates the value of the effective working relationships that many brokers and insurers have built up with us in recent years.

### Insurance cases opened in Guernsey



# Case Management Report

## Sector Observations: Other



### Motor finance and consumer credit

If we look to the future, the customer experience of obtaining motor finance and other forms of borrowing is increasingly in the public eye, and we expect this to continue throughout 2026.

Motor finance agreements, especially, have received a lot of publicity in the UK, where the Financial Conduct Authority and the Financial Ombudsman Service are examining potential breaches relating to the non-disclosure of discretionary commission arrangements, the fairness and reasonability of this non-disclosure, and whether it affects customer decisions and cost of credit.

Locally, we are experienced in dealing with lending complaints; even before the recent regulatory framework was introduced in Guernsey, we could look at complaints about whether loans were affordable or properly explained. Toward the end of 2025, we began discussions with a range of groups to understand how we might apply the different laws and regulatory systems in Jersey and Guernsey to motor finance complaints. While we are mindful of the UK approach, we recognise that the financing arrangement is only one part of the overall package when buying a vehicle, and that the wider circumstances of the individual buyer, who may sometimes receive a price discount when financing the vehicle purchase, will also be relevant to our assessment.

The approach we took on fraud cases which emphasised the importance of working together, openness, and clear expectations, will also guide our approach to resolving motor finance complaints. We look forward to engaging with industry and consumer representatives as we review complaints in this area in 2026.



### All sector case studies

See all [2025 Case Studies](#)

# Case Management Report

## Emerging Issues in Complaints Management

### AI (Artificial Intelligence)

We have noticed more consumers using AI tools and large language models like ChatGPT to help write the complaints and email messages sent to us. We are broadly supportive of anything that can help customers explain what's happened to them and what they would like to see put right. We also recognise AI is a powerful tool that helps the finance industry articulate their side of the story too. But we are aware of its limitations. For example, we've found some AI-generated messages that are unclear or inconsistent with what the customer has previously told us. Sometimes AI-generated responses include a lot of irrelevant information that is not relevant to our efforts to reach a fair outcome.

We believe AI is here to stay and, while it brings many benefits, we encourage customers and financial service providers to use it in a way that both supports their own views and supports us in our efforts to resolve complaints as efficiently as possible.



# Case Management Report

## Emerging Issues

### Increased challenge to case outcomes

In 2025 we continued to see a trend for increased numbers of Data Subject Access Requests (DSARs) by complainants, and challenges to our decisions in the form of service complaints. This reflects the experience seen by other Ombudsman services and public bodies generally.

In response to this trend, we are in the process of adopting a new approach to disclosure for our complaint management process. This new approach will allow for earlier sharing of evidence with both parties where it is fair and appropriate to do so. This will ensure there is greater transparency and we are able to build better trust and confidence with our users, particularly complainants, around what we have based our decisions on and why.

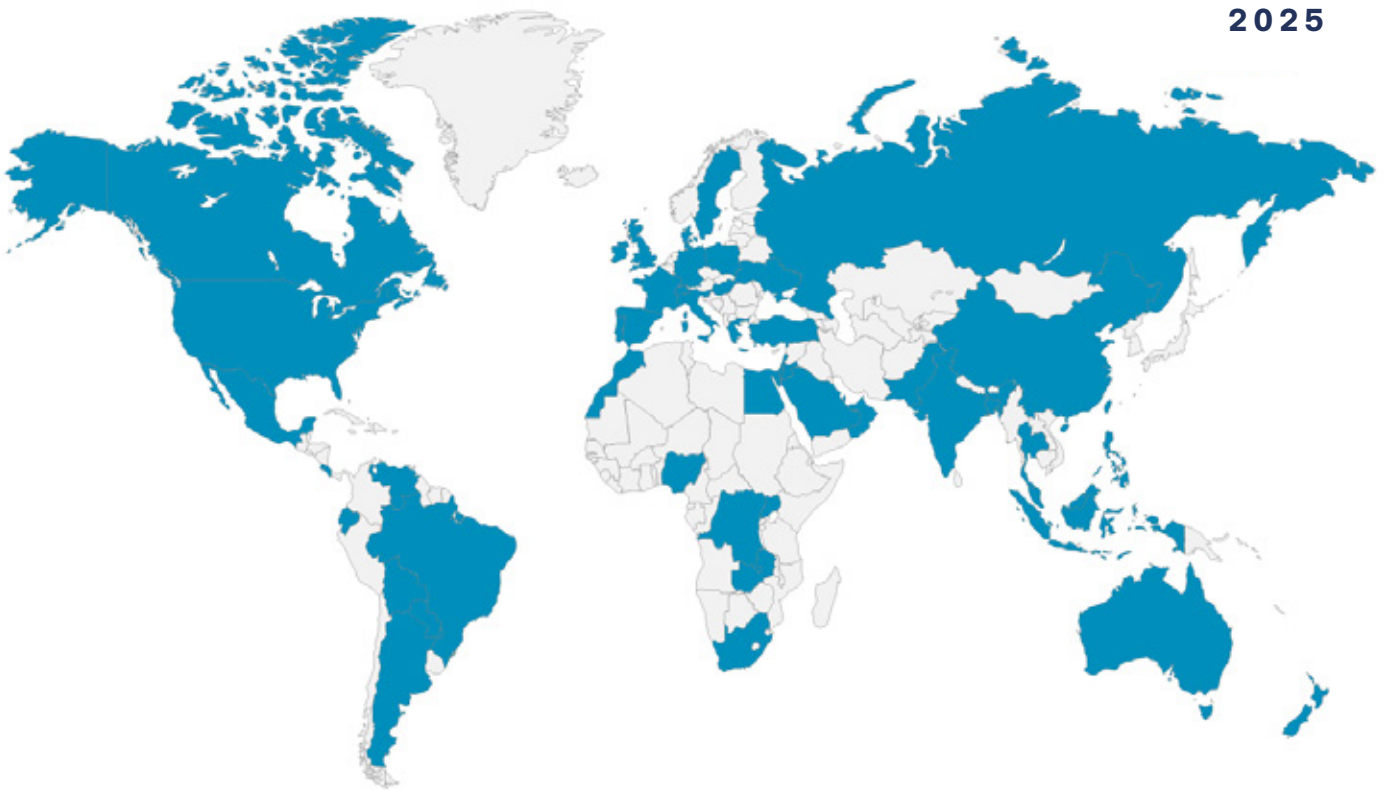
We hope this new approach will address some of the underlying concerns we see expressed in the DSARs and service complaints made to our office.



# Case Management Report

## Case Management Performance Report

2025



### COMPLAINTS BY CONTINENT



**395**  
EUROPE



**75**  
ASIA



**43**  
NORTH  
AMERICA



**36**  
AFRICA



**13**  
OCEANIA



**9**  
SOUTH  
AMERICA

PART 1: OPERATIONAL REPORT

# Case Management Report

## Case Management Performance Report



**77%**

OF COMPLAINANTS  
ARE NOT LOCAL  
TO THE CHANNEL  
ISLANDS

**97%**

OF COMPLAINTS  
ARE FROM RETAIL  
CUSTOMERS

**TOP COUNTRIES**

- UK 201
- Jersey 91
- Guernsey 39
- USA 29
- Hong Kong 18

**2025 COMPLAINTS  
STATISTICS**

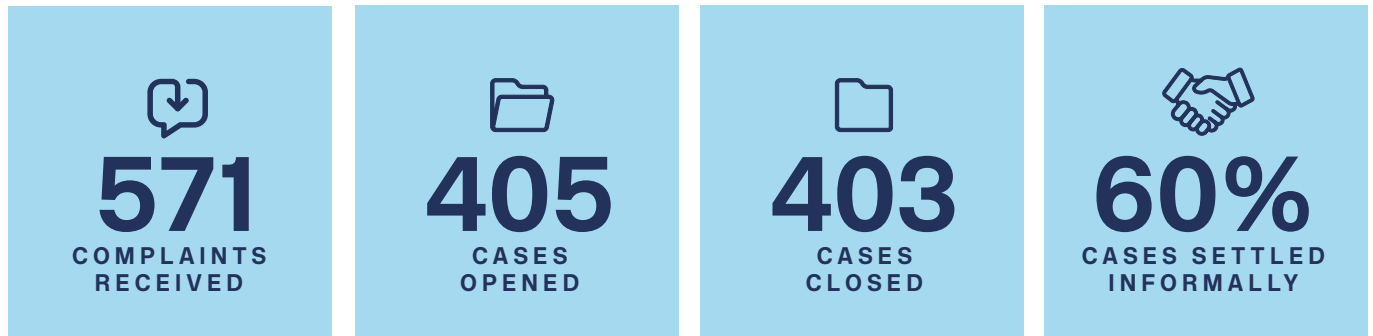
For the detailed statistics for 2025, see our [website](#).

**Complaints:** are complaints received by CIFO about FSPs whether or not they are ultimately confirmed as falling within CIFO's statutory mandate  
**Cases:** are complaints that are within CIFO's statutory mandate (with some exceptions that may be found to be out-of-mandate after a closer review of the complaint)

## PART 1: OPERATIONAL REPORT

# Case Management Report

## Case Management Performance Report



# £1,979,865

## CIFO AWARDED IN COMPENSATION

\*Total settlement amounts are a multiple of this figure but subject to non-disclosure agreements

### TOP SECTORS



### TOP 3 PRODUCTS



### TOP 3 ISSUES



**Complaints:** are complaints received by CIFO about FSPs whether or not they are ultimately confirmed as falling within CIFO's statutory mandate

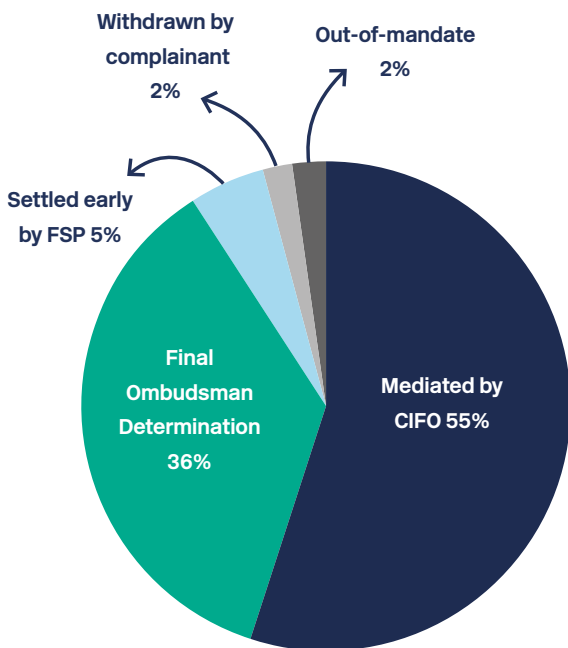
**Cases:** are complaints that are within CIFO's statutory mandate (with some exceptions that may be found to be out-of-mandate after a closer review of the complaint)

PART 1: OPERATIONAL REPORT

# Case Management Report

## Case Management Performance Report

### OUTCOME OF CASES OPENED



### JERSEY VS GUERNSEY CASES COMPARISON

■ Jersey  
■ Guernsey

Banking	231	29
Investments / Funds	4	0
Non-Bank Money Services / Credit	5	3
Pensions	6	11
Insurance	4	111

**92%**

of cases in Jersey were about the banking sector

**72%**

of cases in Guernsey were about the insurance sector

**Complaints:** are complaints received by CIFO about FSPs whether or not they are ultimately confirmed as falling within CIFO's statutory mandate  
**Cases:** are complaints that are within CIFO's statutory mandate (with some exceptions that may be found to be out-of-mandate after a closer review of the complaint)

PART 1: OPERATIONAL REPORT

# Operations Report

## DSAR and Service Complaint Report

In compliance with the orders imposed on us by the Jersey Information Commissioner in 2025, following a complaint made against our office in relation to our management of a complainant’s DSARs, we have updated our internal policies and procedures around the management of DSARs and service complaints and delivered internal training to our staff. These are now aligned to best practice and, also demonstrate our commitment to transparency and the integrity of our office.

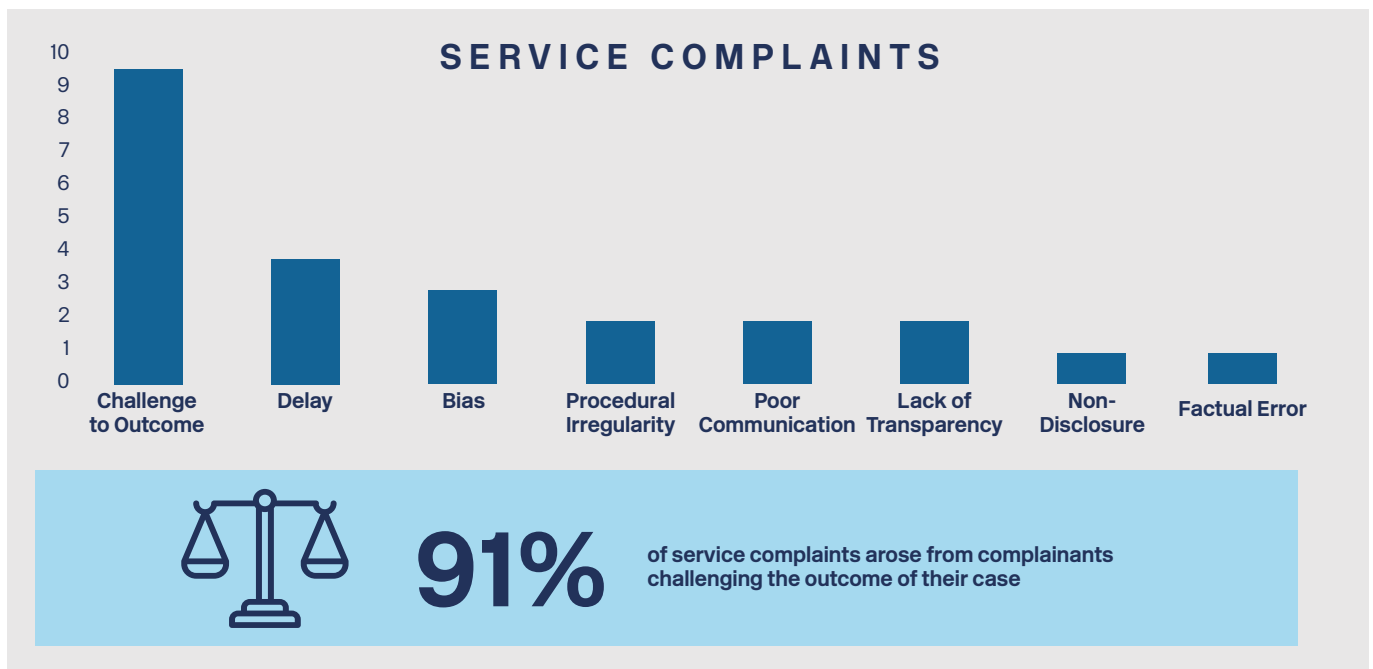
We have also adopted quarterly reporting to the Board of our DSAR and service complaint experience, and we have incorporated it into our Annual Report in this new section.

### DSAR and service complaints statistics

In 2025, we received 8 DSARs. This was 3 more than in the previous year. All DSARs came from CIFO complainants, and 3 came from the same complainant. In all cases, the complainant was dissatisfied with the provisional or final decision made on their complaint.

In 2025 we recorded 10 service complaints; 1 was later withdrawn.

We have reviewed the interaction between our DSAR and service complaint experience over time to assess what trends are emerging and can already see there is a close interaction between them.

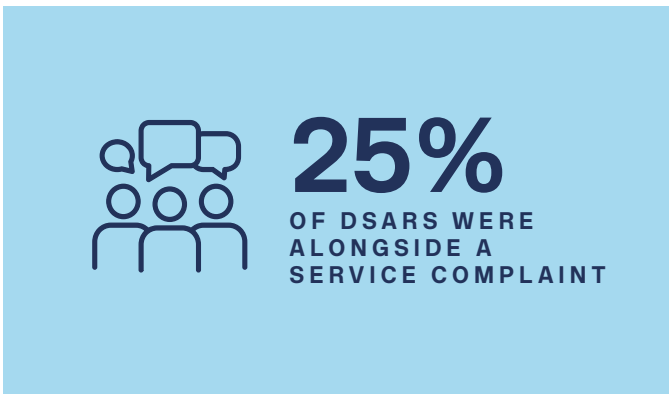


Multiple reasons for service complaints account for the data provided.

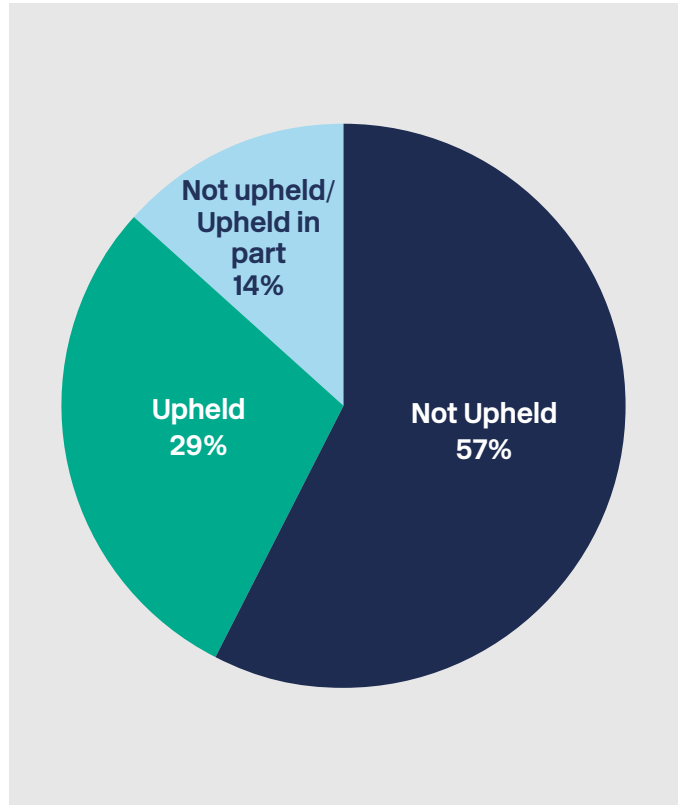
PART 1: OPERATIONAL REPORT

# DSAR and Complaint Statistics

## DSARS



## OUTCOME OF COMPLAINT



## STAGE OF COMPLAINT WHEN DSAR WAS RECEIVED



**12%**

CASE HANDLING



**50%**

RECOMMENDATION



**25%**

FINAL DECISION



**13%**

CASE CLOSED

PART 1: OPERATIONAL REPORT

# Operations Report

## Staffing Report

Our staffing remains stable, and we operate a hybrid office and remote working policy for our staff.

We remain committed to the development and training of our staff and their well-being. As part of our staff-relationship programme, we carried out a staff benefit survey to assess if we were continuing to meet their needs. The outcome of this survey confirmed that flexible working and supporting their healthcare and retirement benefits remained our staff's priorities.

### Staffing statistics

KEY STAFF STATISTICS	2025
Number of Staff	10
Ratio Part-time to Full-time	1:9
Staff Turnover	10%
Total Hours of Staff Training	151 hours
Employment Claims	0

### AGE PROFILE



### STAFF GENDER RATIO



### MANAGEMENT GENDER RATIO



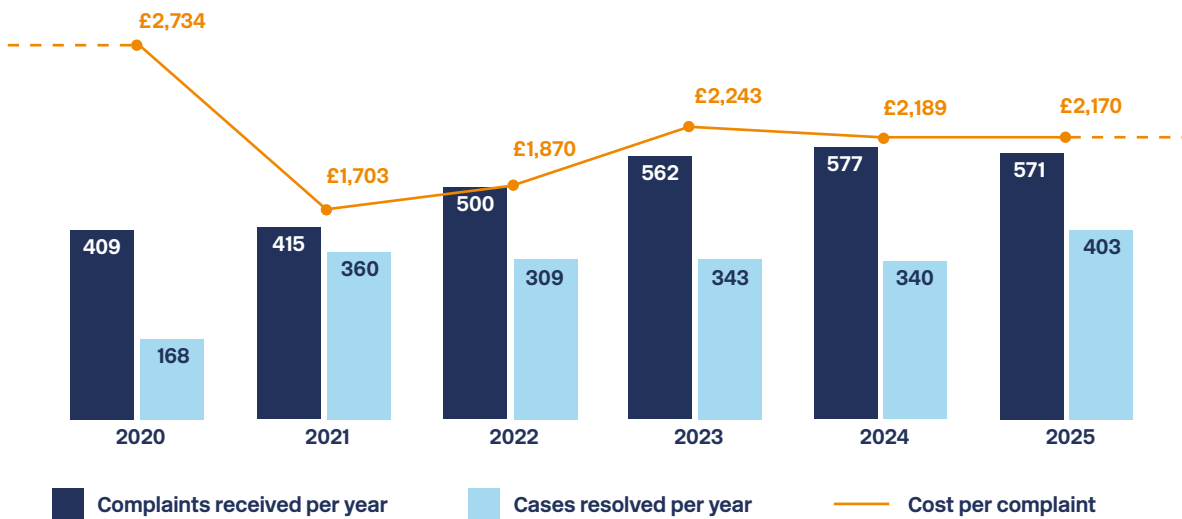
# Operations Report

## Our Resourcing Model

We outsource our Human Resources and Information Technology functions to external providers. This allows us to control our costs, but also benefit from the specialty expertise they provide.

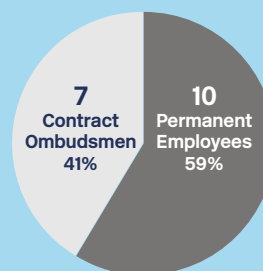
For our complaint management, we continue to use a hybrid resourcing model made up of both permanent and contract staff. This allows us to leverage the experience and additional capacity offered by our contract Ombudsman panel and new contract Adjudicator, sourced mostly from the UK Financial Ombudsman Service, while maintaining a permanent workforce to manage our core workload. This also allows us to keep our staffing costs down, which remains our greatest recurring annual expense. All staff operate on our secure IT platform, which is monitored and tested for its resilience against cyber-attacks. We undertake regular staff training and have in place policies and procedures to protect individuals' personal data and to ensure all data is kept secure.

### Hybrid resourcing model



Our introduction of a hybrid mixed model of employee and contract ombudsmen has enabled CIFO to keep on top of its growing caseload while simultaneously containing costs.

The reactive nature of our work means that there will be periods when the volume and complexity of complaints referred to CIFO varies. It is more cost-effective to bring in contractors than additional permanent hires to meet additional variable demand.



# Operations Report

## Stakeholder Engagement Report

### 2025 stakeholder engagements

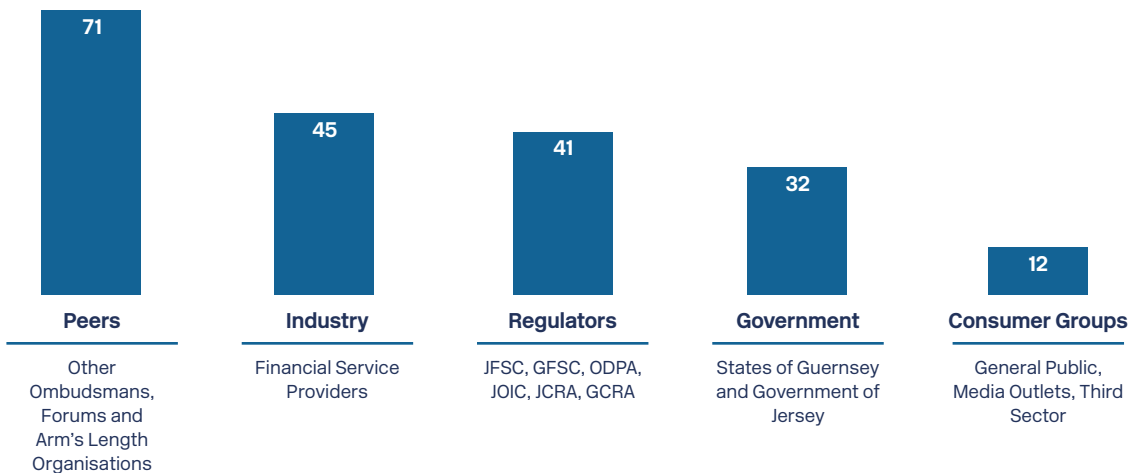
2025 was a busy year for CIFO and its stakeholder engagement. We benefitted from the additional resources provided by our new Head of Legal, Policy and Compliance who supported our CEO and Principal Ombudsman in CIFO’s stakeholder engagement activities.

Key highlights from the year were:

- the policy work we undertook with Government of Jersey on fraud and consumer lending
- the presentations we gave to the newly-elected members of the Committee for Economic Development in Guernsey and to the Jersey Government Scrutiny Panel for Economic and International Affairs about our operations and impact
- team representatives at the annual events of the Ombudsman Association’s and the International Network of Financial Service Ombudsman Schemes (INFO) Network’s annual conferences

In Q4 of 2025 we also recruited a new Stakeholder Outreach and Communications Officer to support the team in undertaking its stakeholder outreach and media management.

As part of our new and transparent approach to our performance, we have mapped those stakeholder engagements we undertook during 2025 into categories of stakeholder group (see below):



## PART 1: OPERATIONAL REPORT

# Operations Report

### User survey

One of our deliverables for 2025 was to introduce a user survey for our Ombudsman service. It was launched in May. It was designed to be automatically sent by our case management system to the complainant and financial service provider (FSP) upon case file being closed. The results are anonymised.

We have had a good response uptake, with a response rate of approximately 20-25% since its inception. This compares well with our peers who typically have a response rate of 20% or less.

Its purpose was to help us understand what we were doing well and where we can make improvements in the future. The Board has been kept advised of results each quarter. We have been encouraged to see a consistent improvement in our users' experience since the survey was launched, with the results showing our performance to be in the top quartile for nearly all aspects of our service delivery.



### Looking forward to 2026

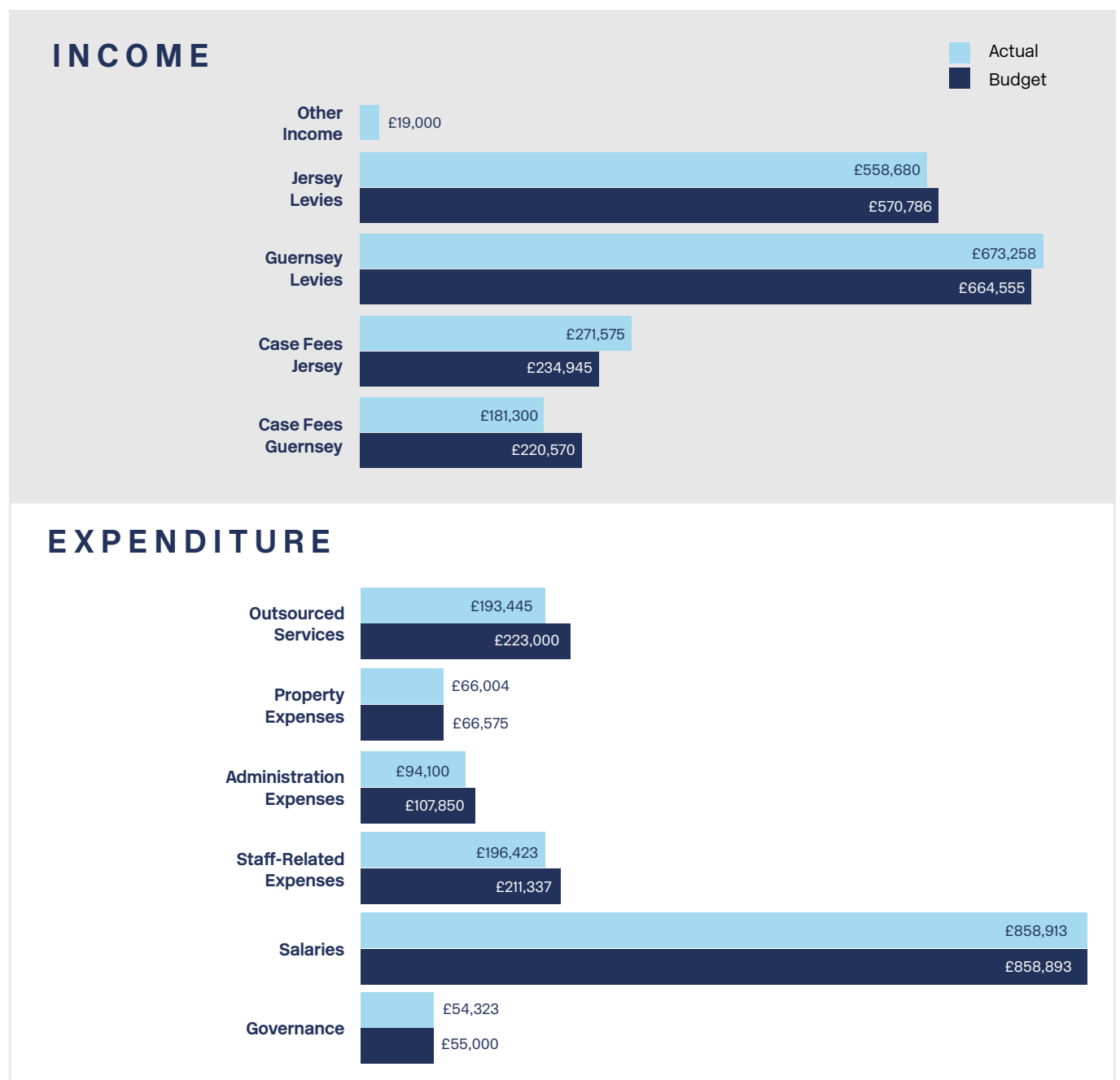
Following complainant feedback in 2025, we have initiated additional mediation training for our case management team. Another area we identified for improvement was to better manage complainants' expectations as to the likely outcome of their complaints. We expect to undertake further work on this during 2026.

## PART 1: OPERATIONAL REPORT

# Financial Performance Report

## Summary of 2025 Annual Financial Results

Our performance against our 2025 budget was satisfactory with a surplus of £72,000 (£13,000 additional income and £59,000 cost savings). This performance reflects the overall positive result we saw in our cashflow during 2025 as we shifted our funding framework to a more user-pays model with the new higher case fees and continued rigorous expenditure management.



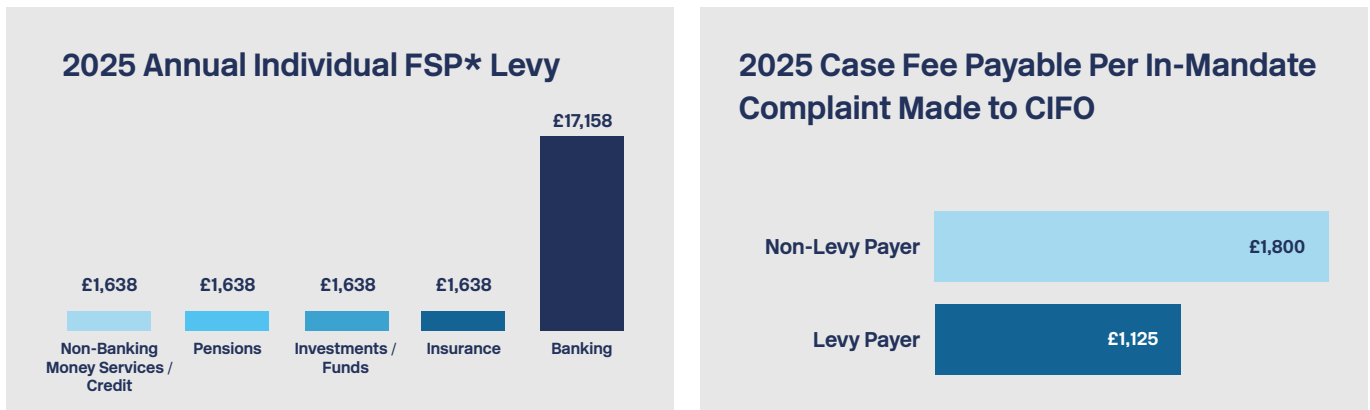
PART 1: OPERATIONAL REPORT




# Financial Performance Report

## CIFO's 2025 Funding Model: Levy and Case Fees

At the end of 2024 we saw an increase in the proportion of banking complaint cases. This took banking complaints back to around 50% of the complaints CIFO received during the year. As a result, the Board determined that the existing levy allocation and funding model remained fair and appropriate to the size and scale of CIFO's operations. Industry supported this position in our 2025 Levy Consultation.

### Demand-led service and a successful and sustainable funding solution designed in response to the views of industry



-  **50:50 Funding Formula:** CIFO's funding model is based on a 50:50 sectoral split between banks and non-bank FSPs
-  **Simple, Non-Competitive Model:** The individual levies are the same across both islands
-  **User Pays:** The case fee ensures there is a user pays element to CIFO's funding model

\*FSP - Financial Service Provider

## Looking forward to 2026

CIFO's current funding model continues to be a suitable formula for raising income to cover our operating costs. We received no adverse feedback on the 2026 proposed levy amounts in our levy consultation and our case fees for 2026 remain the same as they were in 2025.

In 2026 we are looking to deliver some infrastructure projects to enhance and modernise our service delivery and our compliance and data management systems.