
Feedback on Consultation Paper 22 **2023 Levy Schemes**

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Contents

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

A: Summary

The Channel Islands Financial Ombudsman (CIFO) published Consultation Paper 22: 2023 Levy Schemes on 3 January 2023, with a closing date of 3 February 2023. Notifications of the consultation paper were sent to stakeholder representatives.

The consultation paper sought views on the proposed Financial Services Ombudsman Levy Scheme (Jersey) 2023 [the 2023 Jersey Levy Scheme] and the proposed Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2023 [the 2023 Guernsey Levy Scheme].

B: Consultation overview

The consultation invited comments on the proposed 2023 Jersey Levy Scheme and the proposed 2023 Guernsey Levy Scheme. These include the levy amounts that will be payable by registered providers for 2023. Registered providers are providers that, in relation to them 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.

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.

C: Summary of responses

One submission was received in response to the consultation. The Jersey Bankers Association advised their members were concerned at the increase in the individual banking levy of 23% especially after the agreement to significantly increase the case fees for 2023. They felt the provision of £70,000 for non-recovery of case fees was overly prudent, especially as the banking sector pay the majority of the case fees and it was hoped that this would result in a reduction in the levy for 2024.

The Board has carefully considered the Association's representations and understands the concern. The banking sector pay slightly less than half of the case fees, around 46%. The £70,000 provision was agreed by the board as a prudential measure. While CIFO noted that it has successfully collected all case fees billed in previous years, an increase of over 100% in the amounts due from some FSPs, especially those which generate a significant number of cases could result in a material level of non-collection, which in turn could cause cashflow problems for CIFO.

If, as the Board hopes, the provision is not required and all case fees payable are successfully collected, barring any other unforeseen circumstances which might affect CIFO's operating reserves, it is anticipated that CIFO's reserves will be sufficiently robust to reduce or eliminate the amount required as a contribution to the operating reserve in 2024. This would affect the total 2024 levy as contributions to the operating reserve are in addition to the operating expense budget, which is the primary determinant of CIFO's annual levy. CIFO is committed to containing the costs levied on FSPs and will fully report the position to industry stakeholders when making proposals for the 2024 levy.

D: Next steps

Industry stakeholders should note that individual levy amounts will remain sensitive to the number of payees in the banking and non-banking sectors. These figures are determined from licence data obtained from the Commissions in both Jersey and Guernsey and are therefore a variable in the calculation of individual levies over which CIFO has no control.

During the consultation period, CIFO received and reviewed data from the Financial Services Commissions on registered providers as at 8 January 2023 and reviewed certifications received from new registered providers on their liability for CIFO levies. After the case fee consultation was closed, CIFO was made aware that a Jersey bank licence was going through the revocation process. The individual banking levy is dependent on the number of banking licences. In 2022 there were 36, for 2023 there are 35 and with the recent news of another licence being revoked in Guernsey in either 2024 or 2025 this will reduce the number to 34. However, the amounts to be raised in levies remain the same for the bank sector. Due to an increase in licences the other sectors' individual levy amount is less than was originally proposed in the consultation.

Table 1: Levy Amounts by Sector for 2023

2023 Levy Amounts	Bank Sector	Other Sectors
Levies as proposed in Consultation Paper 22	£15,415	£1,450
2023 levies	£15,415	£1,376

The 2023 Jersey Levy Scheme and 2023 Guernsey Levy Scheme will be published on 28 February 2023 and come into effect on 1 March 2023. The collection of 2023 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 will be sent sometime in June or July.
