

STATES OF JERSEY



STATES BUSINESS PLAN 2006 – 2010 (P.151/2005): AMENDMENT (P.151/2005 AMD.)– COMMENTS

**Presented to the States on 6th September 2005
by the Economic Development Committee**

STATES GREFFE

COMMENTS

While the Committee does not object to the principal of establishing a Financial Services Ombudsman, and indeed sought law drafting time for such a scheme in 2005, the reality is that the Committee's resources are limited. An ombudsman scheme will require a significant commitment, initially in terms of the demands placed upon officers of the Economic Development Department in consulting upon, implementing and designing a scheme, and subsequently in terms of potentially significant, year on year funding for such a scheme. Given that Guernsey has ruled out introducing an ombudsman scheme and that the Isle of Man scheme is government funded, it is unreasonable to expect that the costs of such a scheme could be imposed upon the finance industry.

The Isle of Man Scheme is comprised of 2.5 full-time senior administrators and a panel of 5 ombudsmen. It is likely that any Jersey scheme would be at least double the size of the Isle of Man scheme, to reflect Jersey's much larger financial services sector. Five full-time employees, a panel of 10 off-Island ombudsmen and the costs of premises, accommodation and travel all indicate that the scheme would cost at least £500,000 a year to operate.

Such a scheme cannot be designed or funded from the Committee's existing budget. Such a scheme will not contribute to the ambitious economic growth targets that the Economic Development Committee has been tasked with achieving and therefore can only be implemented and operated through additional initial and subsequent year on year funding. There is no purpose in seeking law drafting time for an Ombudsman scheme unless the States is willing and able to provide the resources to fund such a scheme.

In addition, the Committee is not convinced that establishing an Ombudsman would be an effective use of the States' restricted resources. The information provided in the Amendment in relation to the Isle of Man indicates that the costs of a scheme are likely to be significant and difficult to contain. The Isle of Man figures also show that only 6% of complaints to the Ombudsman were made by Isle of Man residents. It is therefore clear that implementing an Ombudsman scheme is a very inefficient use of resources if the aim of the scheme is to benefit Jersey residents.

The Committee believes that existing alternative dispute remedies should be explored, such as encouraging the use of mediation for low-value claims against financial institutions, before any consideration is given to entering into what would be a long-term commitment to fund an Ombudsman scheme.

In addition, the Committee believes that, were the States to provide law drafting time in 2006 for an Ombudsman scheme, it will be impossible to consult upon the details of the scheme – including the question of how it is to be funded – and to finalise law drafting instructions within that timescale. The introduction of such a scheme will need detailed comment at all key stages from a large number of stakeholders, including consumer bodies, representatives of the finance industry, the Jersey Financial Services Commission, a number of States Committees, the Law Officers' Department and the Attorney General. Law drafting instructions will simply not be finalised during 2006.

Finally, the Amendment does not include any argument as to why the amendment to the Limited Partnerships (Jersey) Law should be removed from the law drafting programme. The Limited Partnerships Law is one of the laws most commonly used by the finance industry (not to be confused with the Limited Liability Partnership Law) and amendment is essential to ensure that Jersey does not continue to lose work to jurisdictions, including Guernsey, that offer greater flexibility to limited partnerships. This law is widely used and is a key law in our funds sector, one of the high value areas upon which resources must be focussed if the economic growth targets are to be met, and the Economic Development Committee strongly believes that amending this Law should remain an objective for 2006.