

STATES OF JERSEY

Economic Affairs Scrutiny Panel Depositor Compensation Scheme

MONDAY, 10th AUGUST 2009

Panel:

Deputy M.R. Higgins of St. Helier (Chairman)

Deputy C.F. Labey of Grouville

Deputy D.J.A. Wimberley of St. Mary

Deputy J.M. Maçon of St. Saviour

Deputy S. Pitman of St. Helier

Deputy G.P. Southern of St. Helier

Witness:

Mr. D. Warr (Jersey Chamber of Commerce)

Deputy M.R. Higgins of St. Helier (Chairman):

What we are going to do first of all is just introduce people around the table, the panel, and we will ask you to speak for the benefit of the tape. The other thing too, in terms of timing, we are not expecting a long session here. We thought a maximum of half an hour. I know your time is valuable, plus we all have to split off to different things as well, but we want to make sure we cover any issues that you have. I will start off. For the benefit of the tape, Mike Higgins, Chairman of the panel, and we will go round this way.

Deputy G.P. Southern of St. Helier:

Geoff Southern.

Deputy D.J.A. Wimberley of St. Mary:

Daniel Wimberley, St. Mary.

Deputy S. Pitman of St. Helier:

Deputy Pitman of St. Helier.

Deputy C.F. Labey of Grouville:

Carolyn Labey, Grouville.

Deputy J.M. Maçon of St. Saviour:

Deputy Jeremy Maçon of St. Saviour.

Deputy M.R. Higgins:

And Tim Oldham, our scrutiny officer. David, if you would just identify yourself and your organisation, please.

Mr. D. Warr (Jersey Chamber of Commerce):

Sure. David Warr. I am the owner of Coopers Tea and Coffee Merchants. I also sit on the Executive Council of Jersey Chamber of Commerce, as both Vice Chair and Chair of the Small Business Group.

Deputy M.R. Higgins:

Excellent. The main reason we called you here today was to discuss with you small businesses in relation to depositor compensation. First of all, could I ask were you consulted in any way on the proposals in the draft regulations that have been put forward?

Mr. D. Warr:

Not at all. There was nothing. No attempt was made to contact us and I do not believe there has been any contact made with the Small Business Forum either, which is a combination of government body plus private individuals.

Deputy S. Pitman:

When were you first aware of the scheme?

Mr. D. Warr:

Of the scheme? Just through the papers; that is all I have been aware of this ongoing discussion.

The Deputy of St. Mary:

Do you know if Chamber of Commerce has been approached?

Mr. D. Warr:

I have not heard of Chamber of Commerce being approached at all, no.

Deputy M.R. Higgins:

Again, I was going to ask a similar question of I.O.D. (Institute of Directors), have you got any knowledge whether they have?

Mr. D. Warr:

I do not know with I.O.D. at all, no.

Deputy M.R. Higgins:

Okay. We will ask them again in time. Obviously what is proposed in the scheme is that the depositor compensation scheme will cover personal deposits. There are a few exceptions in terms of trusts for children's education but by and large it is the deposits of individuals. We have been told by officers that, I think it was Jersey Enterprise if I am not mistaken, I will have to look at the transcript, but certainly through Economic Development that there has been some discussions with small businesses telling them they can structure their finances in such a way that they have it in their own personal accounts. Are you aware of any of those discussions?

Mr. D. Warr:

Absolutely not at all, no.

Deputy S. Pitman:

May I just ask before we get into more detail: how many small businesses do you represent?

Mr. D. Warr:

That is a difficult question to answer.

Deputy S. Pitman:

A rough idea?

Mr. D. Warr:

It seems to be a lot. I mean, in terms of my actual group there is about 12 or 14 businesses but I am approached on a daily basis, even this morning, by people who see my name in the paper and want to try and get some view across about what is happening in small businesses. So I do not know, for whatever reason, regardless of whether they are members of the Chamber of Commerce or otherwise, there is a lack of voice, or apparent lack of voice, for small businesses on this Island, which is rather saddening really, but there we are.

The Deputy of Grouville:

How do you define a small business?

Mr. D. Warr:

That is a good 64 million dollar question because I was looking in the U.K. (United Kingdom) here and I see the U.K. has turnover of not more than £6.5 million. In Jersey if you get up to £1 million as a small business I think you are starting to get towards medium, but I think it is sort of employment numbers. I would tend to say 10 employees and fewer.

The Deputy of Grouville:

Ten employees?

Mr. D. Warr:

Yes, that is right. That would be my view.

Deputy J.M. Maçon:

Fulltime?

Mr. D. Warr:

Fulltime employees or F.T.E.s (fulltime equivalents).

The Deputy of Grouville:

Any limit on the turnover? £1 million you said, roughly?

Mr. D. Warr:

I put a picture in of £1 million but when you look at the G.S.T. (good and services tax) exemption level you are looking at £350,000, something of that order. So there are clearly a lot of businesses in those kind of areas as well. That is the challenge on Jersey is what exactly defines a small business on Jersey. It certainly has no relevance to the U.K. economy for sure.

Deputy G.P. Southern:

Can I move us on to the actual content?

Mr. D. Warr:

Yes, certainly.

Deputy G.P. Southern:

Have you had time to have a look at the regulations that are proposed?

Mr. D. Warr:

No, I have not but I am aware that as far as small businesses are concerned there is no compensation plan idea for small businesses which really does surprise me. Again, looking and seeing what the situation was in the U.K., I see under the section 247 of the Companies Act 1985 and section 382 of the Companies Act 2006 there is already a compensation scheme there of up to £50,000 for small businesses in the U.K. and it sounds rather disappointing that if that is applied to the U.K. it cannot be applied to Jersey.

Deputy G.P. Southern:

Would you care to expand on that, surprised and ...?

Mr. D. Warr:

I think what it sums up for me is that there is a great deal of lack of understanding of the importance of businesses and the fact that if a business fails, say for instance a bank failed, the impact on a business in terms of cash flow is quite destructive so you immediately, maybe overnight, have no cash. Okay, as an individual you have no cash, you have no cash; your spending power goes out the window. But as far as a business is concerned that means an inability to pay wages, that means an inability to pay social security, it means inability to pay suppliers, potentially. So the ramifications of a business not being able to continue trading is quite significant and has a much wider base than for a private individual suffering the same issue. So as far as I am concerned it really is just part and parcel of this whole ... I am trying to think of the right word at this moment in time. There is just lack of awareness of the importance to our economy of small businesses on Jersey and it is really and truly sad. It is even reflected in this weekend's press by Deputy Gorst.

Deputy S. Pitman:

The E.D.D. (Economic Development Department) have said the way they have considered small businesses is ... I do not know if they have advised but they said there is an option there, small

businesses can put their money into personal accounts. What would you say to that?

Mr. D. Warr:

The actual logistics of doing that, personal accounts ... I mean, goodness me. You have got to think of the legal entity of what a business is. A business is a legal entity in its own right. Other than, say, sole traders, there is an option maybe there for a sole trader, but if you are talking about a limited company, banks are not going to want to see cash being siphoned off to one side. They want to see the whole accountancy package, under audited accounts and various things like that. That may sound good in theory; in practice I think that is extremely difficult to do.

The Deputy of St. Mary:

You would not be able to take that out as drawings?

Mr. D. Warr:

When you say take it out as drawings, what remove cash from the business? Is that what you are saying?

The Deputy of St. Mary:

When you are saying it is not audited, it is clearly traceable if you have X pounds a month going out as ... you would do that anyway, would you not?

Mr. D. Warr:

Yes, I guess as a salary situation, yes, but ...

The Deputy of St. Mary:

Then you would top it up because you want to take advantage of the D.C.S. (Depositor Compensation Scheme). I am just exploring it.

Mr. D. Warr:

Is the implication therefore that if a bank goes belly up that the individual who has been doing the drawings then refinances the business? Is that what you are implying by that?

The Deputy of St. Mary:

I do not know what the E.D.D. are suggesting but they are suggesting that that is what you would do so I am saying what would it be like if you did that?

Mr. D. Warr:

To me it just sounds like a pretty dodgy way of running a business. It is effectively removing all the capital out of the business and operating a shell company. It does not sound like the real world.

Deputy M.R. Higgins:

Let me read to you the statement that was made. This is from Mr. Martin de Forest-Brown. We were obviously challenging him about small companies being involved and he admits there was no consultation: "The solution that was arrived at was that for 2 reasons the smaller end that we felt should be covered are those that are effectively sole traders at the very smallest end. In those cases they have the option of managing their affairs to ensure that their cash income is covered. This is not inconsistent with the current fiscal environment which is designed to increasingly prevent deferral of cash roll-up within a business that avoids taxation, proper taxation by the Government. So this was effectively joined-up government in this case and it was saying that we should not allow the position for a wealthy individual to set up companies 1, 2, 3,4, 5, 6, 7, 8 and have them all covered just because they have got lots of small companies that he has set up. So this in a way ... okay, arguably more consultation should have gone on but this was us jumping ahead to the issue which is how do we prevent abuse, how do we make this consistent with the other infrastructure and taxation infrastructure and how do we ensure that the people who need to be covered, the most vulnerable, get the best cover they can? The answers to all those questions are addressed by the structure of the scheme."

Mr. D. Warr:

Again, we come back to sole traders. Sole trading is a completely different entity to a limited company, a limited liability company. It is just a whole different concept. I really struggle to know where he is coming from on that front. If this is such a comprehensive solution, why is it not being applied in the U.K.? Why is there a compensation scheme for limited companies in the U.K.?

Deputy G.P. Southern:

Is there any grounds for saying sole traders are so very much more significant than small businesses?

Mr. D. Warr:

Absolutely not, no. I mean, a sole trader can be a small business, obviously, and therefore you are talking about 2 different structures of business, of ways to operate businesses, but a sole trader tends to be a much, much smaller operation and probably its implications, therefore, on a sole trader going down is probably less than if it were a limited company with shareholders.

Deputy M.R. Higgins:

But equally, going on to a partnership. There are partnerships on the Island and partnership is not covered either. Joint account holders are, as private individuals, but a partnership, which is an organisation that has been set up with a view to profit, is not covered by the scheme.

Mr. D. Warr:

It is just totally inconsistent, yes. I am just very, very surprised because I keep coming back to this point of the lack of value being placed on small businesses in this economy of ours. It is crucial we have got businesses with employment issues which is over the weekend, and I know that gets away. We have got migration issues. Everything seems to be being piled into businesses without thinking about those consequences of not somehow ... I keep coming back to the red tape element, not loosening the red tape, lifting the red tape.

The Deputy of St. Mary:

If I were to ask you would you prefer to have been consulted I guess it is a fairly easy answer.

Mr. D. Warr:

Absolutely.

The Deputy of St. Mary:

But when you just said about red tape, the difficulty there is that in order to consult with small businesses properly on this, and indeed on the other things too, on how to have less red tape, you need someone to do it and so does that imply a slightly more nuanced position on how many bods there are in Cyril Le Marquand House than sometimes comes out of the Chamber of Commerce?

Mr. D. Warr:

That is a good question.

The Deputy of St. Mary:

It does take someone to do that research.

Mr. D. Warr:

I appreciate that. What I think the biggest concern, obviously if we were looking at it from the Government's point of view, is their liability or their potential liability should a bank go under. Again, if you look around the various jurisdictions around the world, and I was doing a bit of research on this, we look at the Isle of Man, Liechtenstein, Guernsey, Bahamas, all of these different jurisdictions, and some of them put in a limit. Guernsey, interestingly enough, are suggesting capping the liability of £100 million over a 5-year period. So I think there are ways in which this potential liability, which I can understand from a governmental point of view, could be unlimited liability, could be handled. Maybe the issue should be turned the other way round. It is a case of let us cap the liability from a governmental point of view but we are going to have all the equivalent deposit protection scheme as we

have per the U.K. It is quite interesting, is it not, here is Jersey sitting alongside Switzerland and Andorra on this and not having any scheme in place, which I think is pretty poor.

Deputy M.R. Higgins:

Just going back to a point you were making, do you have any figures at all or any idea of how many people are employed by small businesses? Are there any statistics you have ever seen on this?

Mr. D. Warr:

As a percentage it is about 25 per cent of the workforce in Jersey is employed in small business, and we are talking about the 10 and unders.

Deputy M.R. Higgins:

So, therefore, what we are saying is if a bank does go down and, as you have already mentioned, there is an immediate loss of liquidity in the sense that most small businesses are relying on loans from the banks which are going to be taken away from them, number one.

Mr. D. Warr:

The current credit crunch is exactly a case in point and this is what is going on right now with banks. Banks are unwilling to extend overdraft facilities to certain businesses who they believe have become a greater risk. That then piles back into the business who is providing credit as a supplier, for instance. Our business in particular is in the food service business and we are experiencing much longer lead times in terms of payments to us so we are effectively becoming bankers to other businesses. So really, if you then talk about a bank absolutely failing, it just completely ... you think liquidity is tight now. Boy oh boy, it would become seriously tight if a bank fails.

Deputy M.R. Higgins:

Then again, of course, if you did have any deposits or whatever facility you have got you are losing that money as well.

Mr. D. Warr:

Absolutely.

Deputy M.R. Higgins:

I am not trying to lead you on this but what would be the consequence of, let us say, a bank failing? You have suddenly lost your liquidity, you have lost your deposits and everything else. What impact would it have on your business?

Mr. D. Warr:

I think it has immediate impact, does it not? It depends obviously how many accounts that bank is holding, and presumably on Jersey, if you are one of the big clearing banks, as we are now, I am sure a bank manager would come in and tell you: "We have got 150, 200 small business accounts." It may even run to 1,000. Can you imagine the impact of that shutting down with all those facilities and all that deposit lost, all that cash effectively removed suddenly overnight from the system? What are you talking about? Weeks, days, when the situation would completely close the operation down?

Deputy G.P. Southern:

You are focusing on the function of the deposit compensation scheme which is to keep the system going while you sort out 3 years down the line what is going on and where the balance is.

Mr. D. Warr:

Absolutely, while you sort out what is going on. Precisely.

Deputy G.P. Southern:

As you say, for small businesses, which is a significant operator on the Island, that would be a nightmare, a disaster.

Mr. D. Warr:

A disaster, a complete disaster, and I think that is a problem with small business being represented. That is where small business struggles to be represented.

Deputy G.P. Southern:

I hear lots of coverage in the press about initiatives for small businesses, start-up money, guarantees, I hear about meet the main contractor meetings. It seems to me like on the surface the relationship between you and the Treasury, E.D., is quite a good one. When you say you are surprised you were not consulted on this one, how big a surprise in terms of the contacts that go on? How good are the contacts?

Mr. D. Warr:

I think you are leading me on here, Geoff.

Deputy G.P. Southern:

I am asking an open question. How good are the contacts?

Mr. D. Warr:

No, that is a fair comment. I think what the challenge right now is, there is a huge emphasis on start-up, on trying to get business to start up. My biggest issue right now is what about the players who are already out there? We are talking about, I know it is a U.K. term, the quantitative easing situation, but I ask myself - and we have got one case in point on the go at the moment - what is happening in terms of helping existing operators out there to improve, to bring on new projects and things like that? It is a real, real battle. The focus seems to be on very, very new start-ups and relatively low risk businesses. As far as the small business loan guarantee scheme is concerned, right now I am not convinced it is worth the paper it is written on, to be honest with you. We have seen a couple of people who have told me that. They have gone into a bank with that in their back pocket and still not received overdraft facilities. So there are definite issues. It is not certainly all plain sailing.

Deputy G.P. Southern:

So the issue for you at the moment is maintenance and development of what is already here and perhaps secondary is where are the new business start-ups?

Mr. D. Warr:

Yes. I think we always need that following in of new businesses but what we cannot have constantly ... I mean, I come back to this. I know this is diverging away from your deposit protection scheme but when we see issues like Deputy Gorst coming out with people having to do anything, as it were, to get a job and things like this ... the conversation I had this morning was, sadly, not quite the last person I would employ would be a local but of that ilk because of the lack of motivation there seems to be in the potential younger workforce to get out there and get a job. The issue is not so much about businesses not being prepared to employ and hire locals; it is about locals themselves being motivated to get out there on a Monday morning at 8.00 a.m. when they have maybe been out over the weekend having a drinking session. So I think there is quite a bit of resentment out there.

Deputy M.R. Higgins:

I am pleased you did go to that, even though it has moved away from what we are here for, because this committee is looking at what E.D.D. is doing and obviously the relationship with small business. So any feedback is useful.

Mr. D. Warr:

Migration policy right now is, in my view, completely in the wrong area. We have got this migration policy ongoing at the moment which the Chamber of Commerce is going to respond to in September but what is concerning me and is concerning a lot of people is the onus being put on businesses to say whether they can hire, in terms of licences, qualified or unqualified. I think the whole issue should be laid at the door of Housing. It is about qualified and unqualified housing. If you have a right to live on this Island surely you have got a right to work on this Island and it is not for businesses to be the police

as well as Housing to be policemen but, as I say, I am moving away from ... I am just going to throw that one into you.

Deputy M.R. Higgins:

Yes. If we can just go back to the depositor scheme.

The Deputy of St. Mary:

You were talking a while ago about the effect of one of the big banks going down with maybe 1,000 small businesses on their books. What would be the effect of a smaller bank? What they are telling us is if a big bank goes down it will be saved by Gordon Brown or somebody but if a smaller bank went down what would be the consequences on the local economy if that happened, in terms of ricochet?

Mr. D. Warr:

Well, define small. What has been surprising ...

The Deputy of St. Mary:

Within the scope of the scheme.

Mr. D. Warr:

Take the Icelandic banks going down, I am quite surprised how many people I knew who had money with an Icelandic bank. It did not even come up on my radar that these banks even existed so I think that is a very difficult question to answer because I think until something happens you will not find ...

The Deputy of St. Mary:

I think what E.D. would say - I suppose it is inexcusable not to consult you - if one of the smaller banks went, and we are not talking about protecting against a big bank going, then presumably their assumption is the impact on small businesses would not be that great because Landsbanki, you did not have money in Landsbanki, did you? You would have been crackers to. So what would happen if one

of the smaller banks with deposits out there went down in terms of business?

Mr. D. Warr:

This is all just what if, what if, what if, is it not? We are all in the speculation game, are we not? The fundamental question is do we want a depositor protection scheme, yes or no? If we do want to have one who is it going to cover? If it does not cover businesses which are covered in the U.K. why are we not doing that? So I do not think it is a case of whether it is a small bank, big bank, anything like that. The point is do we need the scheme, should the scheme be there?

Deputy G.P. Southern:

If I were to suggest to you that there is evidence that the answer to that question is why not cover small businesses to keep the cost down, how would you react to that?

Mr. D. Warr:

That is a potential answer, is it, to keep the costs down?

Deputy G.P. Southern:

Yes.

Mr. D. Warr:

I do not see that as anything relevant at all. I think this is about protection, this is about making sure everything keeps running. I come back to the point, it is fundamental that businesses keep running. People forget that business drives this economy. If we do not have an economy we do not have business, full stop.

Deputy M.R. Higgins:

What about the thought that to keep the costs down the banks would have to pay the levies?

Mr. D. Warr:

I noticed even the banks in the U.K. were complaining of the way in which they had to put money to one side potentially for protection schemes. I mean, banks are having it every way, are they not, at the moment? That is rather depressing. It was an interesting one with a cracked piggybank where the Bank of England were putting money in the top and all the toxic debts were coming out of you know where on the pig. So it was quite interesting and I thought it summed up an awful lot of what is going on in the banks.

The Deputy of Grouville:

What is your feeling about taxpayers' money being used for this scheme?

Mr. D. Warr:

Taxpayers' money. It always comes down to taxpayers' money. Ultimately it will be the taxpayer who will pay in the end, will it not? We will all pay in the end. If a bank goes down somehow that money has to be recouped somewhere right now.

The Deputy of Grouville:

Well, from the banks themselves. In other jurisdictions the banks themselves are covering the liabilities.

Mr. D. Warr:

Yes, they are but take that one stage further. Where do the banks then recoup the money that they have paid out, maybe on a depositor protection scheme? They get it from charging extra margins, as they are now for borrowings. So, as they say right now: "We are rebuilding our balance sheets." That is the standard issue phrase that you get now. So they either do not lend, or if they are lending they are lending at bigger margins to rebuild. So, as a taxpayer I think I am paying for it. It goes round that way.

Deputy G.P. Southern:

I suppose the central question is ... and certainly we just came back from the U.K. talking about their

depositor compensation scheme, and one of the issues was, they were saying, yes, the banks did used to object most strongly to putting money into a real pot and paying for this. However, we have seen so many collapses now ... they were talking about 8 collapses, they no longer say it will never happen, it is happening, and that objection has gone away. The phrase was used this is a legitimate cost of doing business for the banks. How do you feel about that?

Mr. D. Warr:

I think that is a fair comment, absolutely right. I think we are living in such a global world right now that money can be transferred and moved around. Who would have thought that banks were lending money out in the U.K., at the same time there are these dodgy loans going on, these ninja loans, as they are called, in the U.S. and because you or I cannot see where they are raising those funds from it is all just blind, it is all hidden away, hence why we are in the situation we are today. So the implication therefore is can you trust the bank to do the right thing. I do not know any more that you can. I thought you used to be able to but I think right now, the way bonuses are set up, the way all these other schemes are set up, I think banks have to show a real commitment. Some of the reasons the banks were saying: "We are not going to put money to one side is because it affects our balance sheet." I think: "I am sorry, guys, you put the money to side and if you ..."

Deputy G.P. Southern:

If you want to engender that trust then you put that money aside.

Mr. D. Warr:

Yes, exactly, you put the money to one side.

The Deputy of Grouville:

So that being the case, if I could go back to my point, is it right that government money, taxpayers' money, is used to prop up these businesses, these banks?

Mr. D. Warr:

That is a good question. I do not know, is the simple answer.

The Deputy of Grouville:

If I could ask, how do you feel about foreign investors, individuals, being protected in the scheme and not local businesses?

Mr. D. Warr:

Obviously that is pretty appalling, simple as that. The first people you want to protect are your own kind, are they not? I think that is quite simple.

Deputy M.R. Higgins:

I think we have covered most of the areas. Just one thing I would like to sound you out on. There are proposals from different depositor schemes to do with what is known as set-up so that if a bank goes down and a customer, let us say they have got a £50,000 deposit but they also have an outstanding £30,000 loan that they will only get the net figure of £20,000. Do you think there is a case for netting or do you think it should be paid out gross and then let the liquidator try and recover the money from the person concerned, looking in terms of mechanics of the scheme?

Mr. D. Warr:

Yes. I think netting is quite a reasonable thing to do. The danger you always have there is you are shelling out all this money and then after the event you are trying to recoup something. I do not particularly have an issue with netting off.

Deputy M.R. Higgins:

I will just mention the 2 arguments so you consider those. The other argument is that if have foreign depositors they are less likely to have loans outstanding to the banks, so therefore they will be getting their money completely and it would be local people who would be getting the net figure. The other

argument is if you do have netting then it keeps down the exposure to the fund and therefore you are not going to hit the cap as early. Do you have any views on either of those?

Mr. D. Warr:

Well, Deputy Labey was just saying here about the foreign depositors getting their money ahead of local businesses and I think that is certainly a no no.

The Deputy of Grouville:

It is proposed that they will be covered whereas small business ...

Mr. D. Warr:

Yes, be covered, whereas small business, local or small business potentially would not be and I think that is a pretty appalling situation. The netting off thing in terms of cost and exposure, if you are trying to reduce cost, I come back to you are talking overall government exposure. Is that what you are alluding to?

Deputy M.R. Higgins:

We are talking first of all about the exposure of the banks because we have got a £100 million cap but if they cannot fund that out of levies then there is an exposure of the Government for the difference. Again, if you have more than one failure than the exposure of the Government gets even greater. So netting is one way of minimising the risk to the fund, in a sense, because you are subtracting money that is owed from it when you are making the payments.

Mr. D. Warr:

Give me an example. Give me an example how you would say that would work. Are you talking about a business, are you talking about an individual?

Deputy M.R. Higgins:

It applies to everyone. Anyone who has money that they owe the bank would be subtracted from any money that the bank owes them essentially is what it is about.

Deputy J.M. Maçon:

So instead of getting £50,000 you get £30,000.

Mr. D. Warr:

They get £30,000 instead of £50,000, that kind of payout on it.

Deputy G.P. Southern:

It is a relatively minor point, I think. Given that you are not included in the decision, to talk about how you might be included is a bit different.

Mr. D. Warr:

As a fundamental idea I think netting off is not an unreasonable idea.

Deputy M.R. Higgins:

For your information, by the way, it is not proposed in this scheme.

Mr. D. Warr:

It is not proposed in the scheme, okay.

Deputy G.P. Southern:

Certainly in the U.K., and I think in the majority of schemes that have been set up, they are saying our responsibility is to the depositor and we will not net off. That is the problem of the receiver and somewhere down the line they will recover the assets and see what the balance is and they will chase that money but our job is to get some immediate relief to the depositor so that they are not there stuck, unable to live or unable to trade in the case of small business.

Mr. D. Warr:

The danger of not choosing a setoff is just that it is a bit like sort of closing the stable door after the horse has bolted really, is it not, if you do not consider that kind of idea.

Deputy M.R. Higgins:

You might not have a view on this but just exploring it with you. The other argument, by the way, as well is the fact that if you do not have setoff then there is the possibility the loan book the bank has could be sold on to another institution anyway so you would carry on servicing it as normal. So these are part of the arguments we are looking at.

Mr. D. Warr:

Yes. That has been done before, has it not? Loan books have been sold on to other businesses.

Deputy M.R. Higgins:

In the U.K. especially at the moment.

Mr. D. Warr:

Yes.

Deputy M.R. Higgins:

Has anybody else got any more ...?

Deputy S. Pitman:

Just a little one. On the small businesses, 10 and under, you said that it is about 25 per cent of the economy. How many of those small businesses do you know are sole traders?

Mr. D. Warr:

I do not, is the simple answer. I think you would have to get that out of the Statistics Department, the statistics.

The Deputy of St. Mary:

Do you think they would know or do you think E.D. would know? Where do we get this information?

Mr. D. Warr:

It is probably a bit of both but Statistics tend to be pretty good on that.

Deputy M.R. Higgins:

Are there any returns you have to make? There is the employment return for one.

Mr. D. Warr:

Yes, there is the employment return which is E.D. but the problem with some of this data is that it is all under the Data Protection Act and so hence we have issues whereby one department cannot tell the other department what is going on, even though it is in everybody's interest.

Deputy M.R. Higgins:

I am surprised they cannot gross the figures up.

Mr. D. Warr:

Yes, I do not know. But I know the Statistics Department, I am sure, will be able to come up with something. Obviously there is Companies Registry, various things like that.

Deputy M.R. Higgins:

Any questions?

Deputy J.M. Maçon:

No further questions.

Deputy G.P. Southern:

A final one: should the small businesses be included in the scheme eventually I presume you would appreciate that the aim of most schemes now is to go for some payment upfront within 7 days and that might solve some of the problems?

Mr. D. Warr:

Yes, liquidity problems, absolutely right. The sooner the better. It is timely, I think Mr. Ozouf would say.

Deputy G.P. Southern:

Timescale, timely, yes, when it is needed. Redundancy payments should be timely, not 3 months down the line. Okay.

Deputy M.R. Higgins:

I think that has exhausted it. So can I just say thank you very much for coming and sharing your views with us. Is there anything that you would like to say?

Mr. D. Warr:

No, I think it is good that you are pursuing these things. It is very, very important that they are pursued because clearly there is a lack of - I hate to say it - respect for this whole process, which is really tragic.

Deputy M.R. Higgins:

Thank you.