Channel Islands Financial Ombudsman
ANNUAL REPORT 2017

Fairness of **outcome**...
Fairness of **process**...

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Financial Ombudsman (CIFO)
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Channel Islands Financial Ombudsman

R.82/2018

OUR MISSION

The Channel Islands Financial Ombudsman (CIFO) is independent. We support public confidence in financial services by resolving complaints when things go wrong and pointing out where things could be improved. We are easy to use and understand, and free for complainants. We do not take sides. We decide what is fair, even if that is not popular. We are open about our work. We are prompt and efficient, and seek to get better at what we do.

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CHANNEL ISLANDS FINANCIAL OMBUDSMAN

Senator Lyndon Farnham
Minister for Economic Development, Tourism, Sport and Culture
States of Jersey
Cyril Le Marquand House
St Helier
Jersey
JE4 8UL

Deputy Charles Parkinson
President, Committee for Economic Development
States of Guernsey
Raymond Falla House
PO Box 459
Longue Rue
St Martin's
Guernsey
GY1 6AF

Dear Minister and President

As you know, the Channel Islands Financial Ombudsman is the joint operation of the Office of the Financial Services Ombudsman established by law in the Bailiwick of Guernsey and the Office of the Financial Services Ombudsman established by law in Jersey.

On behalf of the directors, I am pleased to submit the report and accounts for 2017. These take the form of a shared report accompanied by separate accounts, which include a division of overall overheads in accordance with the memorandum of understanding between you.

The report and accounts are submitted under section 1(c) of Schedule 2 of the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 and article 1(c) of Schedule 2 of the Financial Services Ombudsman (Jersey) Law 2014.

Yours sincerely

David Thomas,
Chairman

MESSAGE FROM **THE CHAIRMAN**

David Thomas

The Channel Islands Financial Ombudsman (CIFO) is the joint operation of independent financial ombudsman bodies established by law in Jersey and the Bailiwick of Guernsey. This is our report for the calendar year 2017, which is our second full year since we opened for business on 16 November 2015.

CIFO resolves financial services complaints - fairly and impartially - as an informal alternative to the courts. In doing so, we help to support public confidence in financial services, within the Channel Islands and internationally. We are also an impartial source of information about themes which arise from the complaints that are referred to us.

The annual statistics in this report were foreshadowed by the quarterly statistics published throughout the year. But this report now includes a breakdown of those statistics between Jersey and the Bailiwick of Guernsey.

As in 2016, a significant number of the complaints referred to us related to types of financial services that the States of Guernsey and the States of Jersey excluded from our scope. It is for the States to consider whether or not the boundaries of our remit should be reviewed in the light of the data.

As previously agreed following consultation, published ombudsman decisions in complaints received from 1 January 2018 will name the financial services provider (FSP) concerned (but not the complainant).
Because many cases are resolved without a formal ombudsman decision, we hope to be able to publish named-FSP data about cases resolved in other ways. The States of Jersey has recently legislated for this, and we are looking forward to developments in the Bailiwick of Guernsey.

A number of complaints upheld during the year related to a single investment firm, which failed to pay compensation because of insolvency. In the absence of coverage by professional indemnity insurance, insolvency may leave consumers without the redress to which they are entitled under a CIFO decision or a court judgment.

The board's key role is to preserve the independence of CIFO and the ombudsman, and I am glad to report that this has not come under threat. The board is prohibited by law from becoming involved in individual cases, but we do exercise strategic oversight of CIFO's efficiency and effectiveness.

As foreshadowed in last year's report we are conducting a rolling review of how things have gone since the office opened for business. CIFO already measures up well against international standards – but we have a continuous focus on improving the service provided by CIFO, including in relation to communication and timeliness.

Since CIFO was established we have kept the organisation lean. We will need to keep under review whether, notwithstanding improvements in efficiency, it will become necessary to increase resources in order to fulfil effectively all aspects of CIFO's role.

We are also near the end of a four-stage consultation on CIFO's funding structure that will apply when the existing arrangements expire at the end of 2018. A high degree of consensus has emerged among stakeholders. We aim to adopt the new structure in time for it to come into effect from 1 January 2019, subject to any necessary legislative amendments.

Financial ombudsman schemes operate worldwide. But CIFO is unique in covering two separate international financial centres. This provides flexibility and economies of scale, but doubles our workload in dealing with two governments and two sets of stakeholders. We appreciate the ongoing support they have all given to us.

As we did last year, we will convene public meetings in Guernsey and Jersey, to discuss this report and answer any questions. This is part of our ongoing commitment to transparency and to engagement with our stakeholders.

I am grateful to the other members of my board for their time, effort and wisdom. They and I thank the Principal Ombudsman and all the members of the team for their hard work in resolving complaints and in helping CIFO to evolve and mature, to effectively meet the particular needs of the Channel Islands environment.

MESSAGE FROM THE **PRINCIPAL OMBUDSMAN & CHIEF EXECUTIVE**

Douglas Melville

Just when you think that your environment is settling down and visible patterns of activity are becoming clearer, new surprises emerge to remind us that change is the only constant in the financial services sector of the 21st century.

While the UK's Brexit decision will undoubtedly have implications for the financial sectors in the Channel Islands, that impact is not yet clear. However, there are other changes, some local, some global, that we are seeing from our perspective that are having an impact on financial consumers that are served in or from the Channel Islands.

Given the global focus and reach of the international financial centres of Guernsey and Jersey, it should not be surprising that some international trends and issues are reflected in the complaint themes we encounter. Such trends include the consolidation of established players in the financial sector through relocations and mergers and acquisitions, the advent of new applications of financial technology (FINTECH) in the retail financial services space, the extended period of low interest rates driving depositors and investors further up the risk curve, and the regulatory focus on FSPs' ability to clearly identify their customers' identity and addresses to meet "know your client" and anti-money laundering requirements. All these trends and issues, and others, have been visible in the complaint issues brought to CIFO in 2017. The pattern of complaints we reviewed are also entirely consistent with the experiences of our international counterparts, with banking generating the most complaints given the large customer base and frequent points of customer contact for payments and account transactions. Investment suitability is the most significant single complaint theme in the investment, life insurance and pension sectors, while claims adjudication dominates the health and property & casualty insurance sectors. Non-bank credit, while currently unregulated in the Channel Islands, falls within CIFO's remit and has proven to be an area where we have reviewed some challenging and concerning circumstances. Regulatory developments underway in both Guernsey and Jersey will bring welcome clarity of regulatory expectations to this area of financial services which is often serving the more vulnerable people in our society.

The volume of complaints reaching CIFO in 2017 was significantly less than the volumes from 2016, and more in line with initial expectations when plans for the office were made. On the other hand, the proportion of complaints that were within the remit set for us by the States of Guernsey and States of Jersey increased more than four-fold. So the number of new cases opened in 2017 approached the volume experienced in 2016 which outpaced our capacity and led to an accumulation of cases awaiting review by our team. The team made this caseload a key priority for 2017.

With a combination of additional case handling capacity and a 20% year-over-year improvement in staff case handling efficiency, our team was able to close 79% more case files in 2017 than in 2016, and yet this was only enough to address the new case volumes we experienced in the year. As a result, the overall level of inventory of case files under review has remained at the level that built up during 2016. The focus for our team going forward will be to make headway in closing more case files each week than we receive and absorb the inevitable, and hopefully only occasional, batch of complaints we receive that relate to a single issue, so-called "multiple complaints". The unexpected arrivals of these multiple complaints, involving many complainants relating to a single complaint issue and a single FSP, have put a strain on our case handling capacity. While we are often able to leverage our analysis across the cases, the individual circumstances and loss calculations, coupled with the other stakeholder and expectation management issues that can arise when you have a group of similarly-affected complainants, mean that these types of complaints are particularly intensive. Efforts continue to address the pipeline of cases and to shorten the time it takes to resolve complaints.

Over the course of 2017, we adopted several new approaches to tackle the volume of case files. We added a case file administrator role to the team to tackle the up-front aspects of our complaint review process, providing faster confirmations of receipt of complaints and faster mandate screening to advise those we are unable review under our laws. The new role also freed up the three case handlers to focus more on their existing inventory of case files. We partnered with the Jersey Law Institute to take on part-time legal interns. The interns, who joined our team in Q4 of 2017, have quickly proven to be effective at supporting the rest of the team with legal and case analysis and lending general support to keeping up with the case administration load.

We have been careful to allocate appropriate resources to training our staff, both existing and new, in relevant skills and technical issues. We partnered with The Resolution Centre in Jersey, the Jersey Law Institute, and Queen Margaret University in Edinburgh to bring professional mediation training to Jersey. Alongside staff from various other offices in Jersey, CIFO's entire team took part in training that focused on the skills and confidence development to engage with parties in difficult situations. As most of CIFO's complaints are successfully resolved through mediation rather than ombudsman determination, these skills are critical to our effectiveness. All complaint-handling staff successfully completed the intensive course and will receive their Chartered Institute of Arbitrators (CIArb) and Civil Mediation Council (CMC) designations in Q2 of 2018. This development is not only an important capacity-building initiative for CIFO and our team, but also an important development for Jersey, reinforcing an alternative approach to dispute resolution which is increasingly being embraced by various players in the community.

Our team continues to evolve and adapt to CIFO's pan-island nature and the needs of our various stakeholders. Now that people across the Channel Islands are somewhat more familiar with our role, the amount of energy devoted to stakeholder relations and outreach has lessened a bit enabling our small team to devote some effort toward other important tasks that are important to leveraging the value of CIFO's work. This past year, CIFO began to publish ombudsman determinations on CIFO's website. These are the actual written decisions on cases that could not be resolved between the parties through facilitated settlement or mediation. A new searchable database is under construction to provide easy access via CIFO's website to our written decisions organised by theme. Going forward, CIFO will identify the FSP in published determinations for complaints referred to our office on or after 1 January 2018. The identity of the complainant will never be disclosed.

We are also making an effort to publish more case studies on our website and in our annual reports. Short and readable, these are based on the complaints referred to our office. They are a useful resource for all stakeholders to help them better understand the potential pitfalls that can arise and to better understand the approach that CIFO takes to fair and reasonable resolution of the conflicts that can arise. These case studies are selected to illustrate typical issues arising from the provision of certain financial services and also serve to highlight important aspects of our dispute resolution role. The new database on our website will also provide an on-line search capability for our case studies as the published collection grows. Both of these initiatives, published ombudsman determinations and case studies, are part of our ongoing commitment to transparency of CIFO's operation, complementing the transparency of our governance which already includes public disclosure of our financial accounts, board attendance, board minutes, and the personal expenses of the directors and chief executive. In our performance of CIFO's public interest mandate, what we do is very important, but so is how we do it.

We are very gratified to have received continued support from all stakeholders, both in the day-to-day contact to resolve complaints and in the stakeholder briefings and consultations which provide the important industry and consumer input to our current and future funding structures. We are mindful of the impact our work has on others and we seek to ensure that we are both responsive and accountable for the effective performance of our role and for the resources given us to perform that role.

The independence of our office is critical to our effectiveness and continues to be well protected by our board of directors. CIFO's chairman and the other directors are continually vigilant in ensuring that our statutory role is performed effectively and that our independence is protected from untoward influence. An ombudsman must be, and must also be seen to be, independent in order to garner the public confidence required to perform the role. Their protection of CIFO's integrity and their on-going guidance to management, ensures on behalf of all stakeholders that CIFO continues to evolve and delivers the promise of fair and reasonable resolutions to individual complaints. By so doing, they help CIFO to enhance the reputation of the financial sectors in the Channel Islands. For this, we all owe CIFO's board our thanks.

To our staff, we continue to combine building and refining the infrastructure, policies and procedures of our office with simultaneously resolving a large number of consumer complaints that find their way to us. It has been a tough year beset by various personal and organisational challenges, but our small team can be justly proud of our continued progress and our efforts to deal effectively with simultaneous multiple complaints and the review of CIFO's funding structure. We look forward to continuing to lay the foundation for our future work; while continuing to bring to both parties a fair outcome through the application of a fair process. This is a complex role that the CIFO team continues to approach with great commitment, energy and integrity. For that they deserve our ongoing support and appreciation. Well done.

Channel Islands Financial Ombudsman
WHO WE ARE

The Channel Islands Financial Ombudsman (CIFO) is the independent dispute-resolution service for unresolved complaints involving financial services provided in or from the Channel Islands of Jersey, Guernsey, Alderney and Sark. Complaints can be brought by any individual consumers and small businesses from anywhere in the world, plus certain Channel Islands charities.

CIFO is a joint operation of two statutory ombudsman roles, established in law by the Financial Services Ombudsman (Jersey) Law 2014 and the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014, jointly operating under the name Channel Islands Financial Ombudsman. CIFO operates from a single office in Jersey with one set of staff and the same board members overseeing the two statutory roles. The States of Jersey and States of Guernsey jointly appointed the Board of Directors and the Board appointed the Principal Ombudsman and Chief Executive. The office commenced operation on 16 November 2015.

The primary role of CIFO is to resolve complaints about financial services provided in or from the Channel Islands. It resolves complaints against financial services providers – independently, fairly, effectively, promptly, with minimum formality and so as to offer a more accessible alternative to court proceedings. This helps to underpin confidence in the finance sectors of Jersey and Guernsey, both locally and internationally.

Channel Islands
Financial Ombudsman
HOW WE WORK

OUR STAFF

Our staff – with a wide variety of experience and training in financial services, law, finance, consumer research and policy, dispute resolution and regulatory compliance – review and investigate unresolved complaints about financial services providers (FSPs) in or from the Channel Islands.

Douglas Melville
Principal Ombudsman & Chief Executive

Sophie Watkins
Manager, Administration & Stakeholder Relations

George Butler
Financial Accountant

Dominic Hind
Case Handler

Richard Langlois
Case Handler

Ross Symes
Case Handler

Dillon Pestana
Legal Intern

Juliette Raynier
Legal Intern

Jessica Toudic
Summer Intern

Heather Rushton
Administration Officer

Oana Lupu
Case File Administrator

OUR APPROACH

When we receive a complaint, our team looks at the information provided to make sure it falls within our remit (see our process on page 12). For instance, the FSP has to fall within CIFO's remit as set out by law in both Jersey and Guernsey. A summary of CIFO's remit is set out in the table on page 11. We also look for a final answer from the FSP to the consumer, which allows us to start our review knowing the positions of both parties.

During an investigation, we gather information from both parties and review the facts of the case. We make decisions based on what's fair to both the consumer and the FSP, taking into account general principles of good financial services and business practices, the law, regulatory policies and guidance, and any applicable professional body, standards, codes of practice, or codes of conduct. If we believe that the facts of the case do not warrant further review, we will let the consumer know quickly. We always make sure that we explain our reasons, just as we do when we are determining that compensation is appropriate.

If we determine that compensation is owed to the consumer, we try to resolve the dispute through a facilitated settlement between the consumer and FSP that aims to address the complaint quickly with a fair outcome to both parties.

PRINCIPAL OMBUDSMAN & STAFF

Back row: Dominic Hind, Dillon Pestana, Richard Langlois, Ross Symes, Juliette Raynier. Front row: Heather Rushton, Sophie Watkins, Douglas Melville, George Butler, Oana Lupu

If we are unable to facilitate a settlement but we continue to believe the consumer should be compensated, we will complete our investigation and make a determination. Our decision, if accepted by the consumer, becomes binding upon the FSP.

We can require that FSPs pay compensation to the consumer of up to £150,000. We may also determine that compensation for inconvenience is appropriate in the specific circumstances. In some instances, non-financial actions such as correcting a credit reporting agency record may be appropriate.

Neither a court nor a regulator, CIFO does not fine or discipline FSPs or individuals working within the financial sector. While we do not handle matters that have already been through a court or an arbitration, if a client does not accept our conclusions, they are free to pursue their case through other processes including the legal system, subject to statutory limitation periods.

OUR MANDATE

The scope or mandate of the Channel Islands Financial Ombudsman is set in the primary laws and supporting secondary legislation in Jersey and the Bailiwick of Guernsey. CIFO can only investigate complaints that meet certain conditions relating to the person bringing the complaint, the type of financial service complained about and the timing conditions. The table on the following page summarises the mandate according to the location from where the financial services were provided. Please note that this is a summary and the full detail is provided in the legislation viewable on our website.

<table>
<tr><th>Service provided in / from</th><th>Guernsey, Alderney and Sark</th><th>Jersey</th></tr>
<tr><td>Complainants</td><td colspan="2">1. Must be a consumer or microenterprise (anywhere in the world) or a Channel Islands small charity;
2. Must not be a financial services provider;
3. Must have been a client or had another specified relationship with the financial services provider.</td></tr>
<tr><td rowspan="3">Financial Services</td><td colspan="2">The complaint must relate to an action (or failure to act) by a person while carrying out relevant financial services business, in or from within the location. Relevant financial services business covers:

1. Banking
2. Money service business</td></tr>
<tr><td>3. Insurance, excepting commercial reinsurance;
4. Investment funds: activities relating only to Class A collective investment schemes and not other collective investment schemes;
5. Investment services such as advising, managing or dealing in Class A funds and other investments such as stocks and shares;
6. Pensions. Exemption for pension business carried on in relation to an occupational pension scheme, where the employer does not do any other pensions business;</td><td>3. Insurance;
4. Investment funds: activities relating only to recognized funds and not other collective or alternative investment funds;
5. Investment services such as advising, managing or dealing in collective investment funds and other investments such as stocks and shares;
6. Pensions. Exemption for pension business carried on by employers in relation to their occupational pension schemes, where the employer does not do any other pensions business;</td></tr>
<tr><td colspan="2">7. Credit. Exclusions for informal store credit; debt-advice from a third party such as the Citizens Advice Bureau; point-of-sale credit intermediaries that are not financial services entities;
8. Related (or ancillary) services provided by the same financial services provider;
9. Providing advice or introductions to the areas above.

Fiduciary / trust company business is exempt unless it relates to one of the areas above</td></tr>
<tr><td rowspan="2">Timing</td><td>1. ‘Starting point’: the act or omission that led to the complaint must not be before 2 July 2013;</td><td>1. ‘Starting point’: the act or omission that led to the complaint must not be before 1 January 2010;</td></tr>
<tr><td colspan="2">2. The financial services provider must have already had a reasonable opportunity to resolve the complaint (a maximum of 3 months);
3. The complainant must refer the complaint to CIFO by the later of:
a. 6 years from the act/omission; or
b. 2 years after complainant should have known he/she had reason to complain
4. The complainant must also refer the complaint to CIFO within 6 months of receiving the financial services provider’s decision on the complaint if the financial services provider met certain conditions in handling the complaint.</td></tr>
</table>

A SUMMARY OF
HOW WE DETERMINE IF A COMPLAINT IS WITHIN CIFO'S MANDATE

Were the financial services provided in or from Jersey, Guernsey, Alderney or Sark?

NO → CIFO will **not** be able to investigate

YES ↓

Are the financial services provided within CIFO's remit?

NO → CIFO will **not** be able to investigate

YES ↓

Are the timing conditions satisfied?

NO → CIFO will **not** be able to investigate

YES ↓

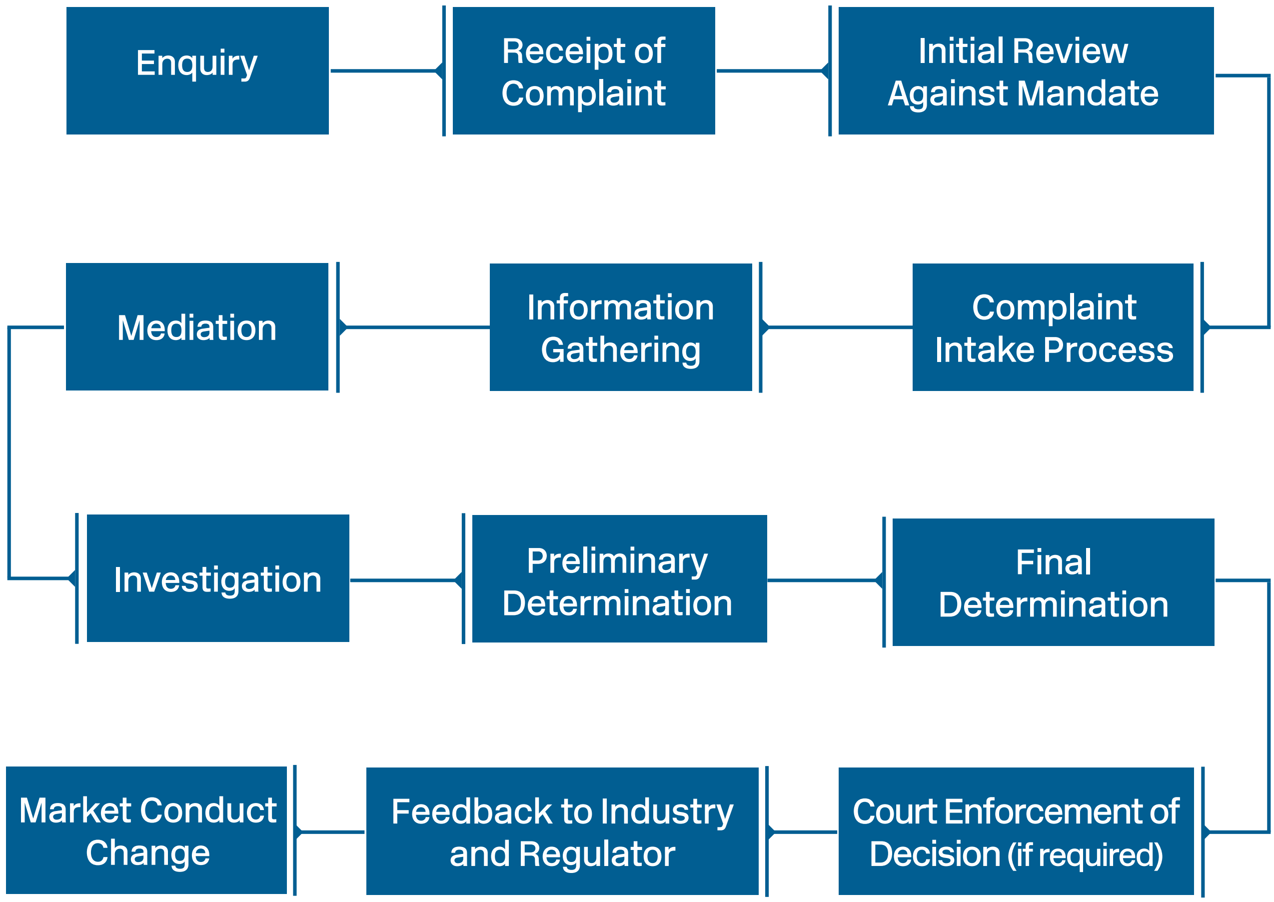
Is the complainant eligible?

NO → CIFO will **not** be able to investigate

YES ↓

CIFO will investigate further

THE PROCESS
FROM ENQUIRY THROUGH TO FINAL DETERMINATION



YEAR IN REVIEW
2017

OPERATIONS

Our second full year of operation saw CIFO tackling fewer new complaints than in 2016 but with a significantly higher (four-fold increase over 2016) proportion of complaints falling within CIFO's remit thereby becoming cases for review by CIFO staff. As a result, the total caseload faced by the office was similar to that experienced in 2016. The team met this challenge closing 79% more case files in 2017 as in 2016. This was made possible through the addition of a case handler to the team at the beginning of 2017 and a 20% year-over-year increase in individual case handler efficiency. The team closed virtually the same number of cases (196) as we opened in 2017 (197). However, despite this significant year-over-year increase in case closures, by only being able to close the volume of cases that came in during 2017, the inventory of cases under review that had already accumulated by the end of our first year of operation in 2016 was no lower at the end of 2017. This remains the key priority for CIFO staff to address.

In general, we have been successful in handling the weekly volumes of in-bound complaints and, for those complaints found to fall within CIFO's statutory remit, handling the weekly volume of cases we open. The unexpected arrivals of multiple complaints, those from many complainants relating to a single complaint issue and a single FSP, has put a periodic strain on our case handling capacity and has hampered our efforts to tackle the cases already with our office awaiting review. We also continue to expend significant effort dealing fairly and empathetically with the large number of complaints rejected as falling outside of our remit as set by law. We explain to affected customers why we are unable to review their specific complaint and, where appropriate, refer the consumer to other options they may wish to consider to pursue their complaint.

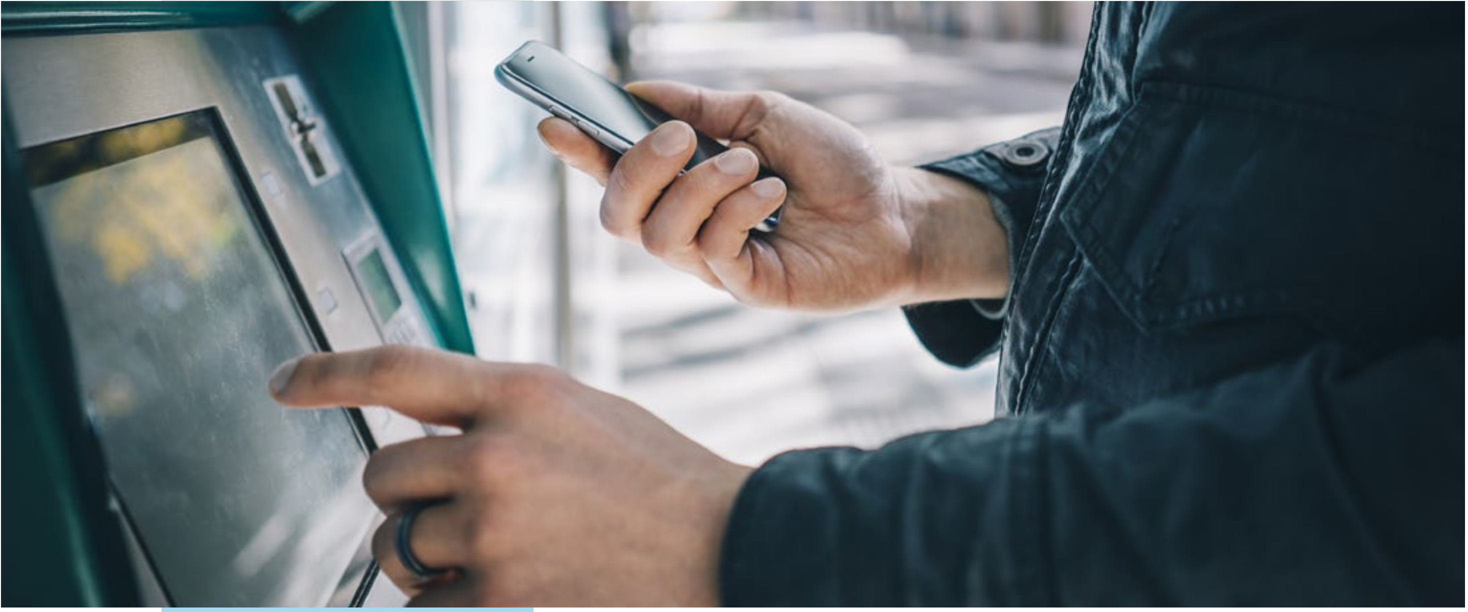
As noted earlier in this report, we adopted several new approaches in 2017 to tackle the growing caseload including the addition of a case file administrator role, engaging two part-time legal interns and significant investment in training and development for the team. We are seeing the benefits of these efforts in terms of case handler efficiency, faster case file completions and lower average age of case file inventory. Even with individual case handler file closures up 20% year-over-year it will take time, and additional capacity, to work through the accumulated case inventory which continues to await a case handler to begin work on a new file.

We expect to be challenged in 2018 as the accumulated inventory of complaints on hand in Q4 of 2017 were brought through our intake process, screened against CIFO's mandate, and those complaints deemed in-mandate have now become active case files on the desks of our case handlers with the clock running.

POLICY ISSUES ARISING

We continue to identify policy issues through our complaint resolution work and escalate those issues to CIFO's Board of Directors and, where appropriate, to both regulators and governments.

During 2017, CIFO experienced the situation where a FSP failed to pay the compensation awarded through a number of binding ombudsman determinations. At the time, the FSP concerned was under the control of a court-appointed administrator and was essentially insolvent.



Under normal circumstances, there would be recourse to a professional indemnity (PI) insurance policy held by the FSP as required by the regulator. In our experience, such policies are not paying out to consumers on complaints reviewed by our office. The reasons for this negative outcome vary and include the FSP's alleged failure to maintain the payment of premiums, alleged failure of FSP management to inform the insurer of the complaint issue on a timely basis, or insurance policy exclusions for losses caused by fraud or high-risk investments. Given the nature of the business conducted in the international financial centres of Jersey and Guernsey and the focus on attracting and serving high-net-worth investors, it would not be surprising to see high-risk investments in many investors' portfolios. The sufficiency and suitability of professional indemnity insurance is an ongoing issue that CIFO has noted and will continue to share perspectives as they arise from our complaint experience with both regulators and governments.

Complaints referred to CIFO that fall outside our mandate remain a matter of concern and frustration for affected complainants. We continue to draw attention to the differences in coverage for complaints between Jersey and Guernsey. As a pan-island institution, we strive to ensure a consistent experience for consumers and FSPs across the Channel Islands to the extent the laws provide. While the differences in the mandate coverage between the islands have not yet been demonstrated to be a problem in statistical terms, anecdotally we are aware that some consumers have been unable to have their complaints reviewed by CIFO due to the different coverage provided by CIFO in each of Jersey and Guernsey as illustrated in the table on page 11 of this report. This is in addition to the many complaints which fall outside CIFO's remit in both islands due to the exclusions set out in our legislation by the States of Jersey and States of Guernsey. Complaints affected by these exclusions are recorded in our complaint statistics as rejected owing to exempt financial services such as trust/fiduciary and exempt investment funds.

When a financial services provider applies good practice to the resolution of complaints, it makes a good-faith effort to provide appropriate redress for losses arising from any errors or service issues it may have caused. Such FSPs ensure that their customers are made aware of problems when they arise, signposted appropriately to internal complaint handling procedures, and if the matter is not resolved by the FSP to the customer's satisfaction, informed of where to go for an independent and impartial review of their unresolved complaint. This would be consistent with the laws that created CIFO, but also with the spirit of fair and reasonable complaint handling that led to CIFO's creation in the Channel Islands. However, we have seen a few instances where FSPs have not approached complaint handling in accordance with this spirit. Whether or not a complaint has yet been referred to CIFO, FSPs can reasonably be expected to adopt an approach to complaint handling that treats their customers fairly and reasonably.

In particular, we are concerned with any practice by FSPs which could obscure the impact of a problem from consumers, or attempt to achieve settlement with consumers without full and fair disclosure of the nature and financial impact of the problem. The use of offers to settle matters, whether involving a formal customer complaint or not, for amounts CIFO would not consider fair and reasonable upon review, is particularly offensive. The practices are generally described as "goodwill gestures" and "without prejudice" and formalised with customer-signed releases of FSP liability. We encourage any financial consumers faced with such a situation to contact our office for information and guidance on how to activate the proper complaint handling procedures to achieve a fair and reasonable outcome. We would be pleased to let consumers know whether the approach being taken by their FSP is consistent with how we would approach it. FSP offers to settle with their customer made conditional upon the customer complaint not being referred to CIFO for review are particularly concerning and inconsistent with the effective function of CIFO's mandate.

Widespread adoption of good practice in internal complaint handling by FSPs would bring multiple benefits. It would improve both the culture and operational approach to complaint handling by FSPs and thereby reduce the number of customer complaints referred to CIFO. For those complaints referred to CIFO, an effective internal review of the merits of a complaint and what would constitute fair compensation means that much of the information relevant to a subsequent review by CIFO will have already been assembled. This will likely increase the proportion of FSP settlement offers accepted by customers and result in a lower proportion of those complaints being appealed to CIFO. Better internal complaint reviews means better FSP complaint documentation and faster complaint reviews by CIFO for those complaints that are appealed. Fair FSP offers to settle complaints with their customers, even if they are still appealed to CIFO, will presumably lead to fewer CIFO mediated settlements and decisions for more compensation than what the FSP has already offered (an important metric which CIFO makes transparent through our quarterly and annual complaint statistics). At the very least, FSPs that are engaged in resolving the dispute make for faster CIFO mediated resolutions and lower overall costs of dispute resolution. All of these are worthy objectives and in the best interest of financial consumers, FSPs, and the reputations of the financial sectors in the Channel Islands.

Another policy area that warrants comment from CIFO's complaint experience in 2017 is the non-bank lending sector. While currently unregulated in Guernsey and Jersey, the non-bank lending sector falls within CIFO's statutory remit. CIFO reviewed a number of complaints in 2017 that raised general concerns about market conduct and the existence of credit providers operating with what we concluded were unfair terms and conditions. The complaints also highlighted a concerningly low level of financial literacy amongst some local consumers in the Channel Islands. Both of these observations have been shared with governments and regulators. We note that work is underway in both Guernsey and Jersey to regulate non-bank credit. This will be a welcome change which will clarify market conduct expectations and enhance both consumer protection and CIFO's ability to seek redress where warranted.

Finally, a long-standing policy issue that affects the performance of our role, and remains unresolved, is CIFO's ability to obtain certain sensitive information from FSPs, regulators, government agencies, and law enforcement that is occasionally required for our investigations into complaints against FSPs. CIFO's legislation provides an effective gateway for the sharing of confidential information in CIFO's possession that can assist other official bodies like the regulators and law enforcement in the performance of their duties, but the legislation governing these bodies prevents any reciprocity in most cases. We have long sought solutions to these challenges. Our requests for policy or legislative change have been supported by industry stakeholders who understand the opportunities such change would bring for increased efficiency and the ability to resolve highly sensitive case files in an appropriate, confidential and timely manner.

STAKEHOLDER OUTREACH

During 2017 our stakeholder outreach was largely focused on two key areas, the annual meetings in Guernsey and Jersey following the publication of our 2016 Annual Report and the several rounds of stakeholder consultations on the future funding structure of CIFO described in more detail below.

We continue to engage with industry and community stakeholders across Jersey and Guernsey speaking to groups and sharing the learnings from our complaint resolution work, but the initial phase of raising awareness of our existence is over. Our efforts have evolved to help stakeholders in industry and the community ensure that consumer issues are fairly and impartially resolved in a timely and efficient manner. We are also sharing our insights to help raise the general level of consumer awareness in the hope of averting future disputes and unnecessary financial loss.

The media in the Channel Islands have been very responsive and effective at using the information we publish to inform local residents about our mandate and about the issues we see that give rise to financial consumer disputes. We are proud to contribute to raising the general level of financial consumer awareness and financial literacy in the Channel Islands in partnership with other stakeholders.

FUNDING

In April of 2017, CIFO embarked on a four-stage consultation process with stakeholders to identify a revised funding structure to take effect after 31 December 2018, when the current funding structure that was established by both governments before CIFO commenced operation, and which was extended for an additional two years in late 2016, expires.

By the end of 2017, this extensive consultation process was well-advanced and a new funding structure was proposed by CIFO's Board in the light of the helpful views expressed by stakeholders during the three previous stages of the consultation. Stakeholder input had helped to significantly narrow the issues and options, and we are grateful to all those who contributed to the process.

The general consensus arrived at following completion of three of the four stages in the consultation was that stakeholders preferred a funding structure that: is simple and easy to understand; is easy and low-cost to administer; and avoids undue volatility. They were broadly content to continue with:

- a fixed charge (by way of annual levy) to be paid by all FSPs that can be identified from the registers maintained by their respective financial services commissions; plus
- a user-pays charge (by way of case fees) to be paid by those FSPs about which cases are handled by CIFO.

Stakeholders accepted that a fixed charge payable by all FSPs, whether they have any complaints or not, avoids undue volatility. It also recognises the benefit all FSPs derive from the increased consumer confidence created by the existence of CIFO. But a majority favoured revising the existing levy system, where the total levy is first divided between the two islands and is then divided among the relevant FSPs within each island. They preferred a structure under which the total levy is just divided among the relevant FSPs across both islands. Subject to that approach, stakeholders considered that any levy should continue to be shared according to the basis of the sectors for which registered providers are licensed or registered. They accepted that there is insufficient independent data to enable any levy to be shared by the size or market share of particular sectors or individual registered providers.

Accordingly, the final consultation paper (stage 4) issued in April 2018 proposed a revised new funding structure which combines:

- a fixed charge (by way of annual levy), to be divided among all relevant FSPs in both islands, so that similar FSPs in each island pay the same amount; and
- a user-pays charge (by way of case fees) to be paid by those FSPs about which cases are handled by CIFO.

Some stakeholders raised concerns about case fees increasing beyond the levels that came into effect from 1 April 2018. The final consultation paper sought further views from stakeholders on the appropriate level for case fees, and hence the proportion of CIFO's total funding that is raised on a user-pays basis.

The proposed new funding structure retains the following features of the existing structure:

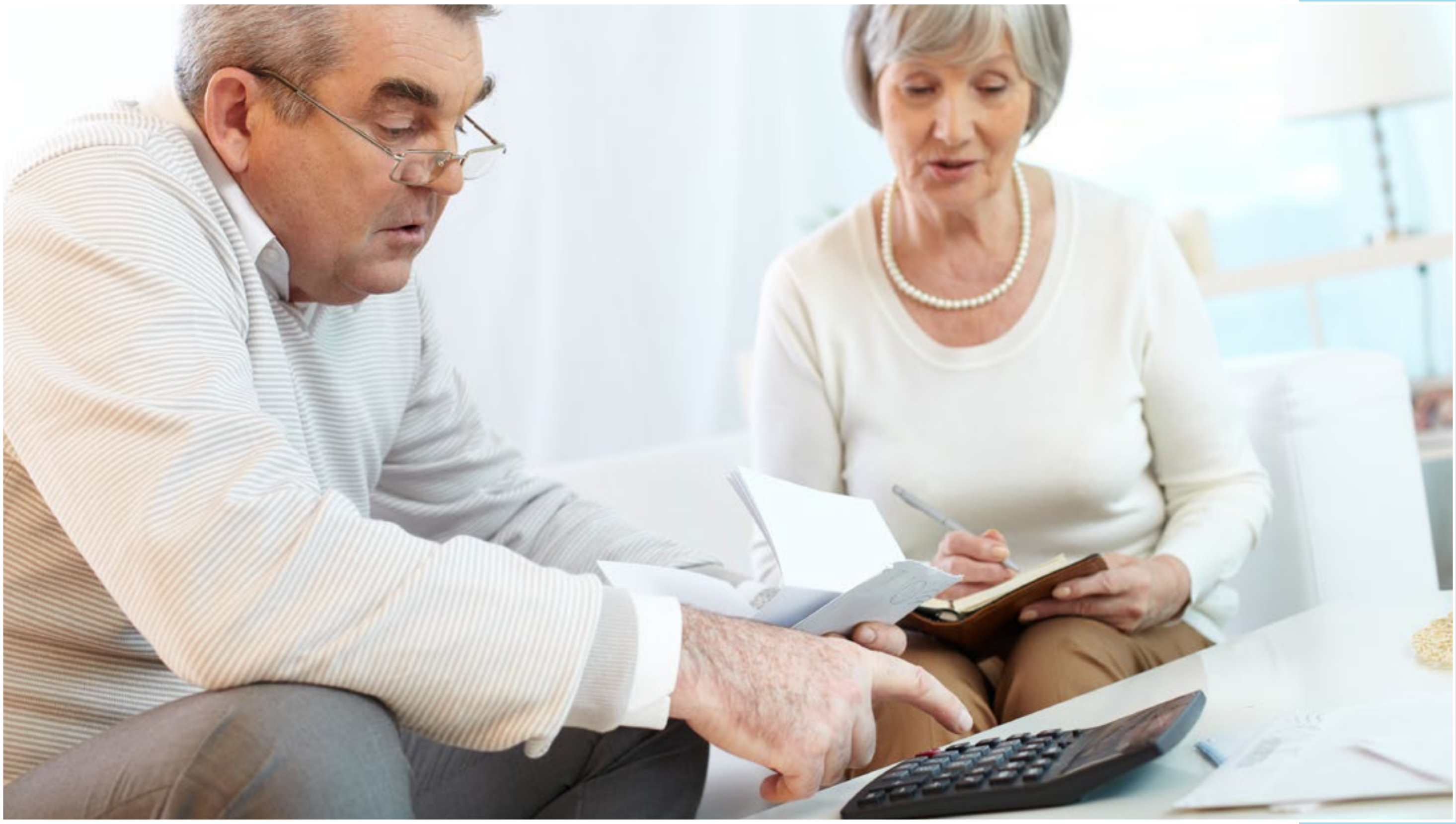
- Division of the levy on the basis of the sector(s) of activity carried out by an FSP.
- 50:50 weighting of the total levy raised between the banking sector and the non-banking sectors.
- Zero-rating of FSPs that are sufficiently unlikely to generate a complaint.
- Lower case fees for FSPs that have paid the levy.

It has been proposed to implement the new funding structure to take effect from 1 January 2019, without a transition period, subject to completion of the necessary legislative changes in each of Guernsey and Jersey.

OFFICE INFRASTRUCTURE DEVELOPMENT

With the implementation of our complaint management system (CMS) on 1 January 2017, much effort went into learning what the new system could do for us in terms of our day-to-day complaint recordkeeping as well as quarterly reporting for the board of directors and our publication of quarterly complaint statistics. The ability to query the inventory of complaints and case files also gave management improved insight into the status of individual cases under review and our overall inventory of case files.

During 2017, we commenced work to increase CIFO's information security and develop the policies and procedures required to achieve an information security certification level comparable to those of similar agencies in the UK. By the end of the year, the audit had been completed and the required policies and procedures were being developed to enable certification in early 2018. This coincided with our work to align to new data protection standards.



LOOKING AHEAD TO 2018

The primary focus of the entire CIFO team for 2018 will be to tackle the accumulated inventory of case files and thereby reduce the overall time it takes to resolve new complaints. Assuming that new complaint volumes remain steady, we hope to continue to improve our efficiency through the various initiatives we started in 2017 including a new staff role, the engagement of legal interns, and enhanced training in mediation skills to promote successful earlier resolutions of complaints through facilitated settlements. The combination of these initiatives should see the team able to close more case files in 2018 than we did in 2017 and make further progress toward reducing the accumulated case file inventory.

Another significant project will be the completion of the funding structure consultation mid-year and commencement of the process to secure any required legislative changes to enable the new funding model for implementation by year-end to become effective 1 January 2019.

CIFO's transparency will be enhanced with the reporting of complaint statistics on an island-specific basis. Q1 of 2018 will be the first time that CIFO will publish quarterly statistics showing the complaint experience in each of Jersey and Guernsey. We will pursue further enhancement of our transparency and outreach activities through publication of our first ombudsman determinations on a named-FSP basis and completion of the on-line search database to enable easy access to published determinations and case studies through CIFO's website. Populating the database with ombudsman determinations and additional case studies will be a priority.

One final item related to transparency is CIFO's ability to publish complaint statistics on a named-FSP basis. CIFO's board of directors had intended to commence the reporting of summary complaint statistics naming FSPs in 2018. A lack of legislative clarity in both Jersey and Guernsey called into question CIFO's statutory power to do so. The legislative change required to enable publication of named-FSP summary complaint statistics was approved by the States of Jersey in Q1 of 2018 and is under review in Guernsey.

In terms of CIFO's infrastructure, in particular our information systems, policies and procedures, the priorities for 2018 will include completion of our Cyber Essentials Plus information security certification and our preparations for the General Data Protection Regulation (GDPR) which comes into force on 25 May 2018.

In Q4, we hope to relocate within our current building to new premises that will enable the entire CIFO team to once again be co-located bringing the benefit of continuous informal discussion on case files as the team seeks to accelerate resolutions while maintaining the quality and consistency of our decisions.

COMPLAINT STATISTICS **2017**

This presentation of CIFO's complaint statistics represents the second full calendar year of operation for CIFO and supplements the quarterly complaint statistics regularly published by CIFO on our website.

The volume of complaints received by CIFO in 2017 was lower than our experience in 2016 and more in line with the anticipated complaint volumes when CIFO was in the planning phase prior to commencement of operations in late 2015. The lower complaint volumes offset the significant increase in the proportion of complaints which fell within CIFO's remit compared to 2016. As a result, on balance, the workload faced by CIFO staff reviewing in-mandate case files was comparable in 2017 to that faced in 2016.

The annual complaint statistics are presented here in our annual report on an island-specific basis for the first time showing the distinct complaint experience in Jersey and the Bailiwick of Guernsey (including the islands of Alderney and Sark). We have also reorganised, modified, and added to the data presented based on feedback received on our 2016 annual report.

Compared with the quarterly statistics published for 2017, data have been updated as classification of a complaint can change during its life cycle and there is an ongoing effort made to review and refine the accuracy of complaint data which can lead to minor post-period adjustments.

2017 COMPLAINT STATISTICS SUMMARY

246 *Opening Complaints on Hand*

134 Stage 1 *Enquiries*

678 Stage 2 *Complaints Received*

Stage 3
Initial Review as at 31 December 2017

0 Awaiting customer documents/ consent

54 Complaints under initial review

Rejected as out of mandate

Appears within mandate

Stage 4
FSP Document Request as at 31 December 2017

72 Waiting for documents from FSP

3 Pending further review against mandate

Rejected as out of mandate

Within mandate

Total Rejections as out of mandate

441

Withdrawn by complainant

39

Case Fee Payable

Stage 5 *Open Case Files as at 31 December 2017*

36	23	24	36
Under 30 days	30-60	61-90	Over 90

Closed Case Files

82	110	4
Mediated	Decided	Withdrawn

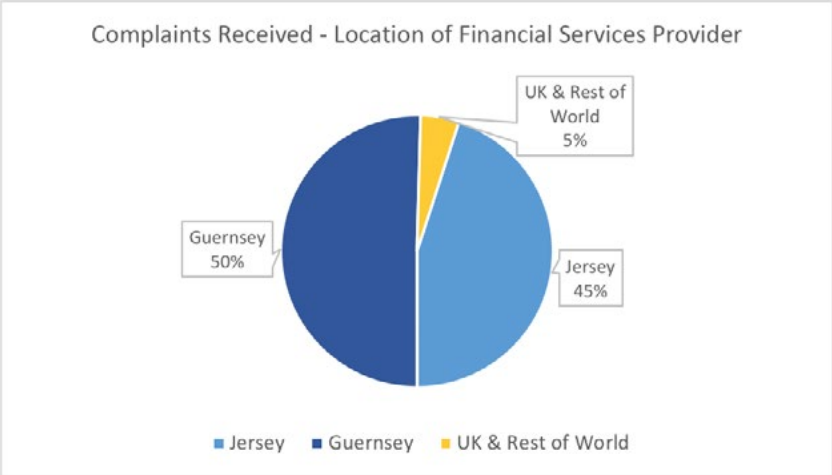
Closing Complaints on Hand

248

2017 COMPLAINT STATISTICS ANALYSIS

Table 1: **Complaints Received - Location of Financial Services Provider**

Jersey	305	45%
Guernsey	342	50%
UK & Rest of World	31	5%
Grand Total	**678**	**100%**

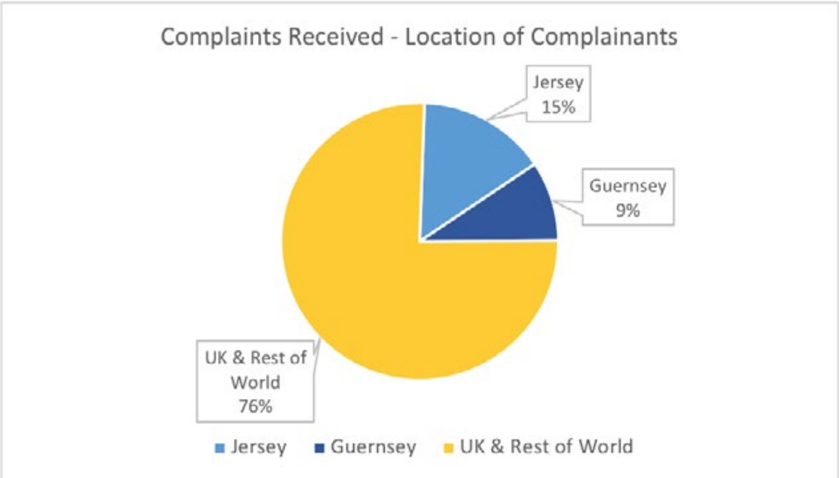


This section of the 2017 statistics analysis provides detailed information concerning all complaints about a financial services provider that have been received by CIFO whether or not they are ultimately deemed to fall within CIFO's statutory mandate.

Of the 678 complaints received by CIFO in 2017, 647 (95%) were against financial services providers operating in or from within the Channel Islands, 45% in Jersey and 50% in Guernsey. 31 (5%) operated in or from the UK or rest of the world. When CIFO receives a complaint against a financial services provider operating outside the Channel Islands, it will be referred to the most appropriate financial ombudsman service or regulator within that jurisdiction.

Table 2: **Complaints Received - Location of Complainants**

Jersey	102	15%
Guernsey	63	9%
UK & Rest of World	513	76%
Grand Total	**678**	**100%**



CIFO reviews complaints about financial services provided in or from the Channel Islands. The complainants can be from anywhere in the world. Of the 678 complaints received by CIFO in 2017, 165 (24%) were from complainants residing in the Channel Islands, 15% in Jersey and 9% in Guernsey. 513 (76%) were from complainants residing outside the Channel Islands in the UK or rest of the world.

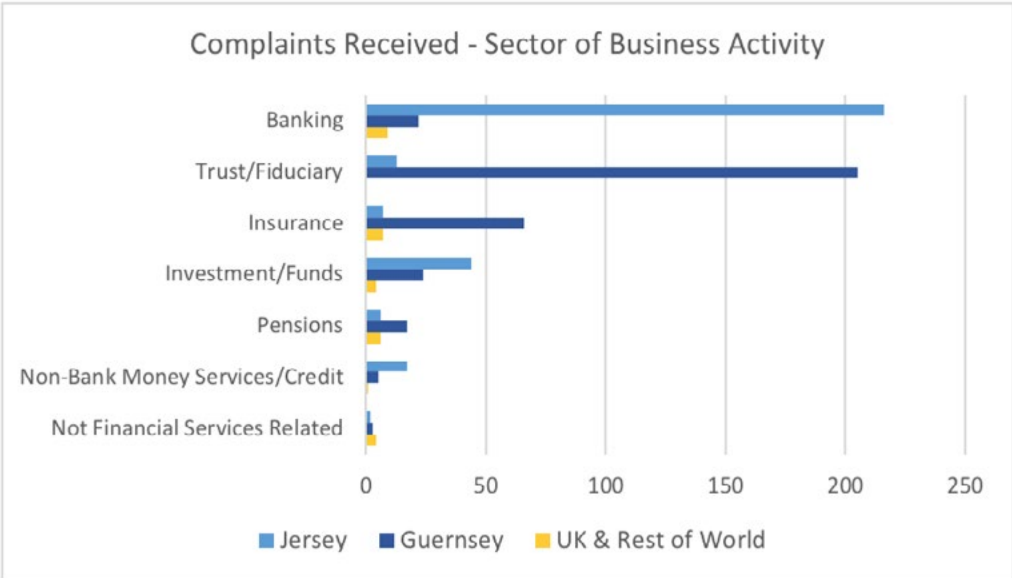
Table 3: **Complaints Received - Type and Origin of Complainant**

	Jersey		Guernsey		UK & Rest of World		Total	
Consumer	92	90%	59	94%	497	97%	648	96%
Microenterprise	10	10%	4	6%	13	3%	27	4%
Trustee	0	0%	0	0%	3	1%	3	0%
Charity	0	0%	0	0%	0	0%	0	0%
Other	0	0%	0	0%	0	0%	0	0%
Total	**102**	**100%**	**63**	**100%**	**513**	**100%**	**678**	**100%**

Of the 678 complaints received by CIFO in 2017, 648 (96%) were from consumers. Only 27 (4%) were from microenterprises and 3 from trustees. The proportions were not significantly different for Jersey, Guernsey, and the UK & rest of the world although Jersey had the highest proportion of microenterprise complainants at 10%.

Table 4: **Complaints Received - Sector of Business Activity**

	Jersey		Guernsey		UK & Rest of World		Total	
Banking	216	71%	22	6%	9	29%	247	36%
Trust/Fiduciary	13	4%	205	60%	0	0%	218	32%
Insurance	7	2%	66	19%	7	23%	80	12%
Investment/Funds	44	14%	24	7%	4	13%	72	11%
Pensions	6	2%	17	5%	6	19%	29	4%
Non-Bank Money Services/Credit	17	6%	5	1%	1	3%	23	3%
Not Financial Services Related	2	1%	3	1%	4	13%	9	1%
Grand Total	**305**	**100%**	**342**	**100%**	**31**	**100%**	**678**	**100%**

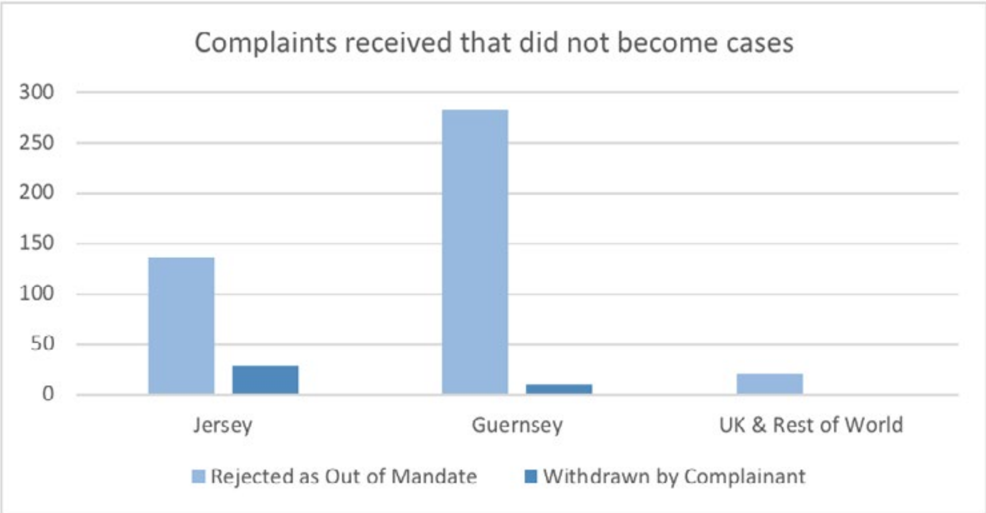


Of the 678 complaints received by CIFO in 2017, 36% related to the banking sector. The proportions by location varied widely with Jersey having 71% of complaints from the banking sector while Guernsey had only 6%. This contrasts significantly with the second most prevalent sector, trust/fiduciary, which accounted for 32% of the overall total - which was 60% of the complaints in Guernsey but only 4% in Jersey. Of the remaining complaints, 12% related to the insurance sector, 11% to the investment/funds sector, 4% to the pensions sector, and 3% to the non-bank money services/credit sector. The relative proportions attributable to each sector differed significantly between Jersey and Guernsey.

The columns in Tables 4, 5 and 6 show the location from where the financial services were provided.

Table 5: **Complaints assessed that did not become cases**

	Jersey		Guernsey		UK & Rest of World		Total	
Rejected as Out of Mandate	137	83%	283	97%	21	95%	441	92%
Withdrawn by Complainant	28	17%	10	3%	1	5%	39	8%
Grand Total	**165**	**100%**	**293**	**100%**	**22**	**100%**	**480**	**100%**

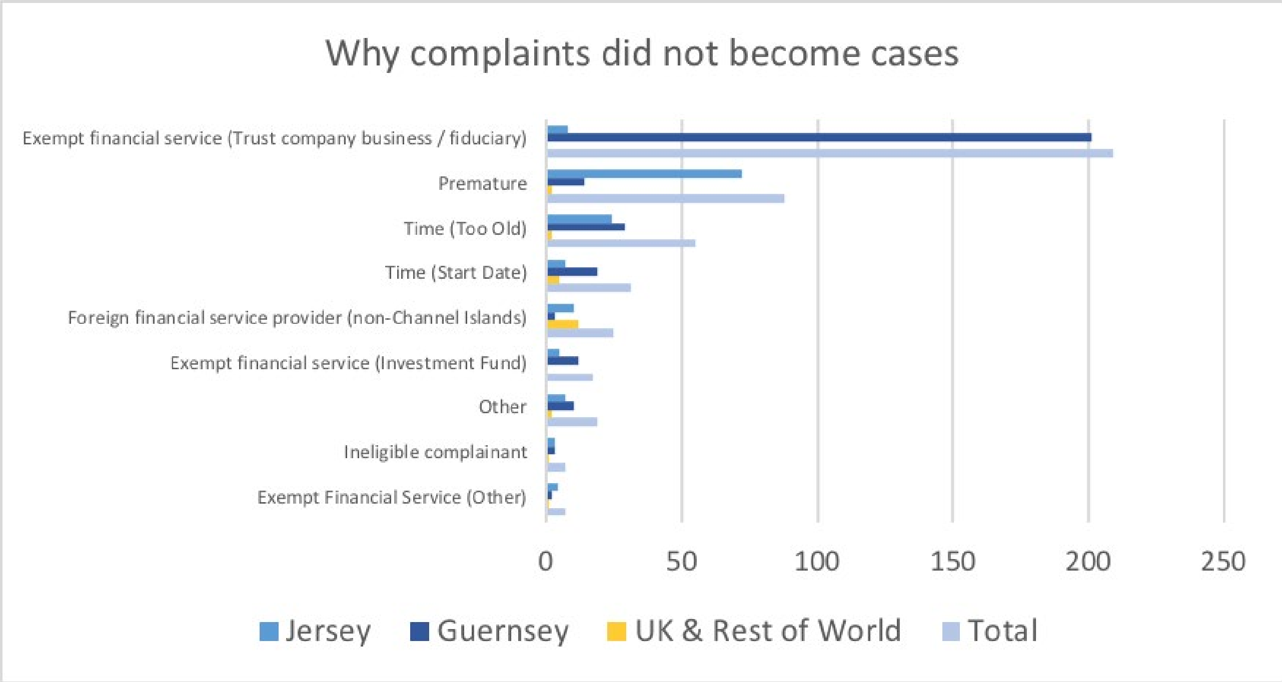


Of the 678 complaints received by CIFO in 2017, 480 complaints (71%) did not become case files. Of those 480 complaints, 92% were rejected as falling outside of CIFO's statutory mandate. 8% were withdrawn by the complainant. The proportions differed between Jersey and Guernsey with Guernsey having a higher proportion (97% compared with 83% for Jersey) of complaints rejected as out of mandate. Jersey had a higher proportion of withdrawn complaints (17% compared with 3% for Guernsey).

Table 6: **Why complaints did not become cases**

	Jersey		Guernsey		UK & Rest of World		Total	
Exempt financial service (Trust company business / fiduciary)	8	6%	201	69%	0	0%	209	46%
Premature	72	51%	14	5%	2	8%	88	19%
Time (Too Old)	24	17%	29	10%	2	8%	55	12%
Time (Start Date)	7	5%	19	6%	5	20%	31	7%
Foreign financial service provider (non-Channel Islands)	10	7%	3	1%	21	48%	25	5%
Other	7	5%	10	3%	2	8%	19	4%
Exempt financial service (Investment Fund)	5	4%	12	4%	0	0%	17	4%
Ineligible complainant	3	2%	3	1%	1	4%	7	2%
Exempt Financial Service (Other)	4	3%	2	1%	1	4%	7	2%
Grand Total	**140**	**100%**	**293**	**100%**	**34**	**100%**	**458***	**100%**

*Please note some complaints may have been out of mandate for more than one reason



Of the 458 complaints that did not become case files, 46% (most of which were from Guernsey) were rejected because they related to exempt financial services in the trust/fiduciary sector. The second most common reason for rejection was premature complaints (19%, most of which were from Jersey) where the FSP had not yet been provided with an opportunity to resolve the complaint or where the complainant's loss had not yet crystallised to establish a fair amount of compensation. Timing of the complaint, whether the complaint being too old or arising from before the statutory start times set for CIFO's mandate in each island, was the reason for rejection in 19% of complaints. The various other reasons for complaint rejection were minor by comparison.

Table 7: **Case Files Opened - Location of Financial Services Provider**

Jersey	136	69%
Guernsey	61	31%
Total	**197**	**100%**

Of the 197 case files opened in 2017, 136 (69%) were about FSPs from Jersey and 61 (31%) were about FSPs from Guernsey

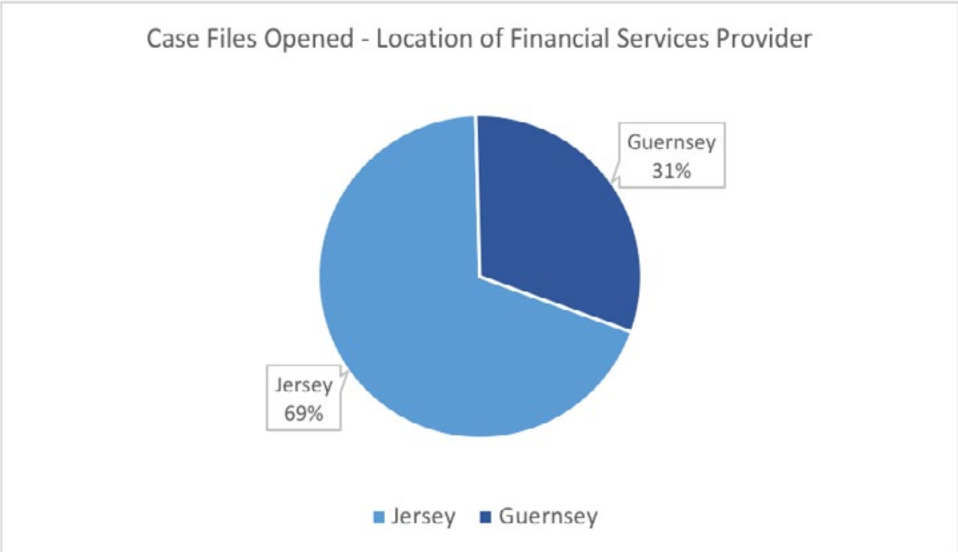


Table 8: **Case Files Opened - Location of Complainants**

Jersey	48	24%
Guernsey	17	9%
UK & Rest of World	132	67%
Total	**197**	**100%**

Of the 197 case files opened in 2017, 48 (24%%) were from residents of Jersey, 17 (9%) were from residents of Guernsey, and 132 (67%) were from residents of the UK or rest of the world.

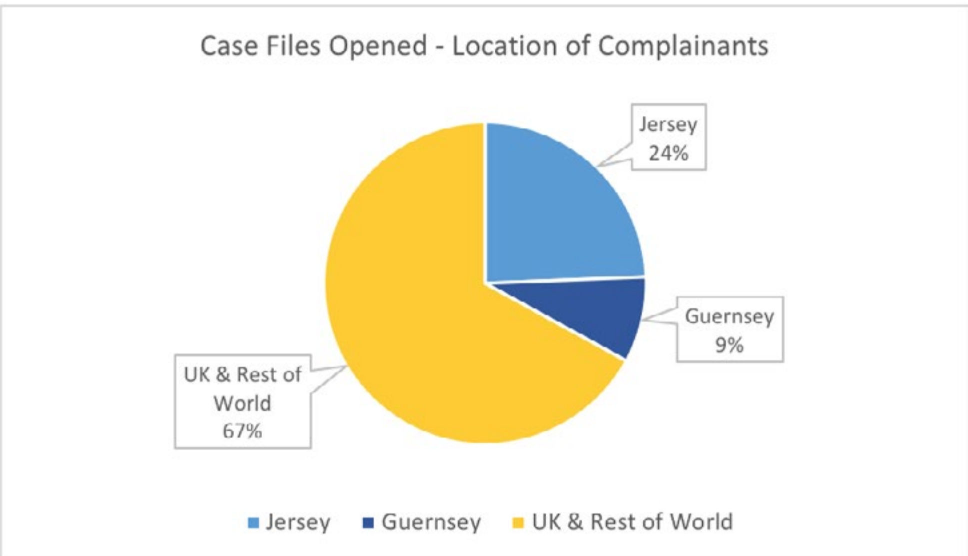
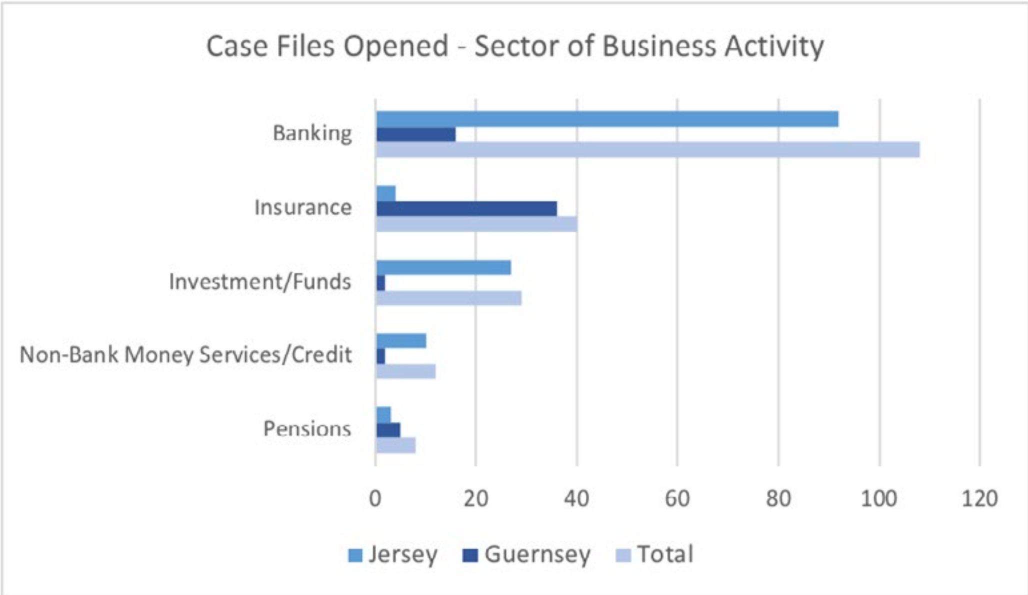


Table 9: **Case Files Opened - Sector of Business Activity**

	Jersey		Guernsey		Total	
Banking	92	68%	16	26%	108	55%
Insurance	4	3%	36	59%	40	20%
Investment/Funds	27	20%	2	3%	29	15%
Non-Bank Money Services/Credit	10	7%	2	3%	12	6%
Pensions	3	2%	5	8%	8	4%
Grand Total	**136**	**100%**	**61**	**100%**	**197**	**100%**

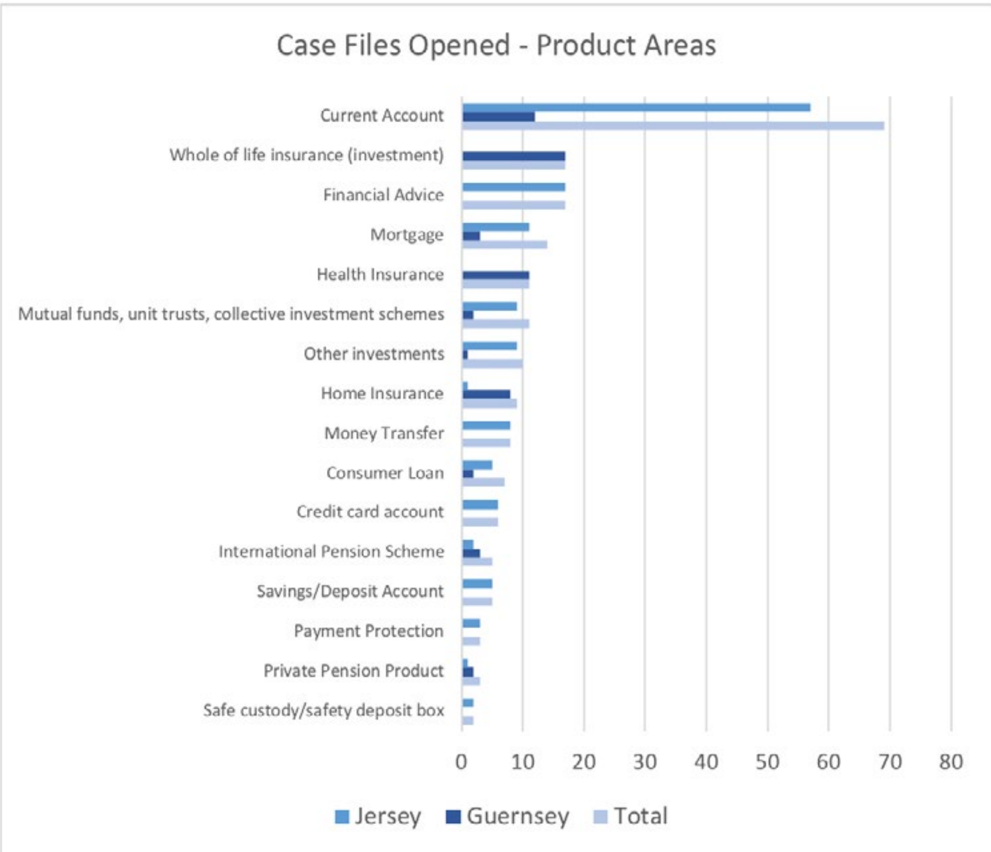


Over half of 197 case files opened in 2017 related to the banking sector (55%). This proportion varied significantly between Jersey and Guernsey with banking comprising 68% of opened case files in Jersey but only 26% of opened case files in Guernsey. In contrast, the insurance sector accounted for 20% of all opened case files but was 59% of opened case files in Guernsey and only 3% in Jersey. The investment/funds sector was 15% of all opened case files but was 20% of opened case files in Jersey and only 3% in Guernsey.

The columns in Tables 9, 10, 11, 12 and 13 show the location from where the financial services were provided.

Table 10: **Case Files Opened - Product Areas**

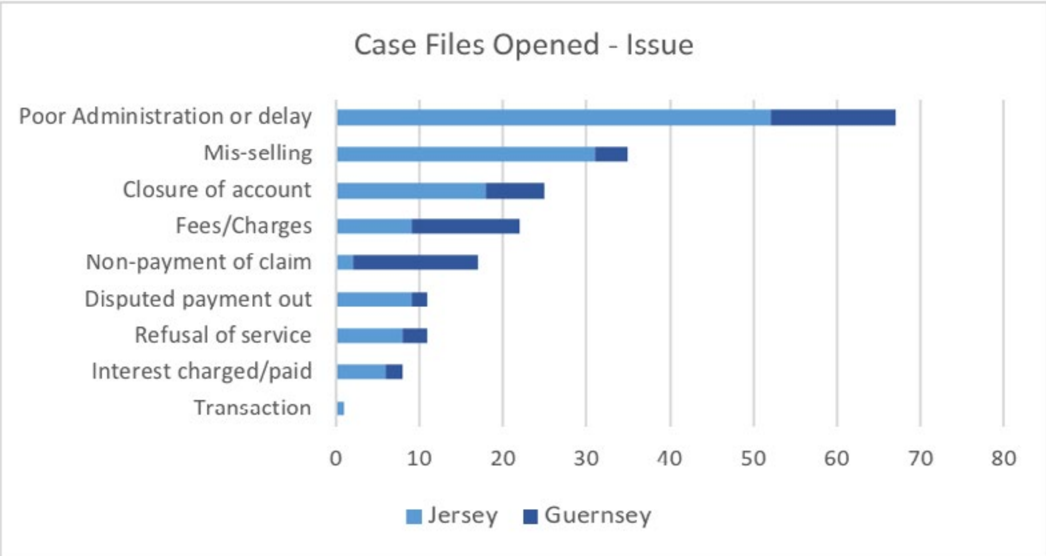
	Jersey		Guernsey		Total	
Current Account	57	42%	12	20%	69	35%
Whole of life insurance (investment)	0	0%	17	28%	17	9%
Financial Advice	17	13%	0	0%	17	9%
Mortgage	11	8%	3	5%	14	7%
Health Insurance	0	0%	11	18%	11	6%
Mutual funds, unit trusts, collective investment schemes	9	7%	2	3%	11	6%
Other investments	9	7%	1	2%	10	5%
Home Insurance	1	1%	8	13%	9	5%
Money Transfer	8	6%	0	0%	8	4%
Consumer Loan	5	4%	2	3%	7	4%
Credit card account	6	4%	0	0%	6	3%
International Pension Scheme	2	1%	3	5%	5	3%
Savings/Deposit Account	5	4%	0	0%	5	3%
Payment Protection	3	2%	0	0%	3	2%
Private Pension Product	1	1%	2	3%	3	2%
Safe custody/safety deposit box	2	1%	0	0%	2	1%
Grand Total	**136**	**100%**	**61**	**100%**	**197**	**100%**



Of the 197 case files opened in 2017, 69 (35%) related to current accounts. No other single product area comprised more than 10% of the total although combining all investment-type products and financial advice would account for 50% of all opened case files.

Table 11: **Case files opened - issue**

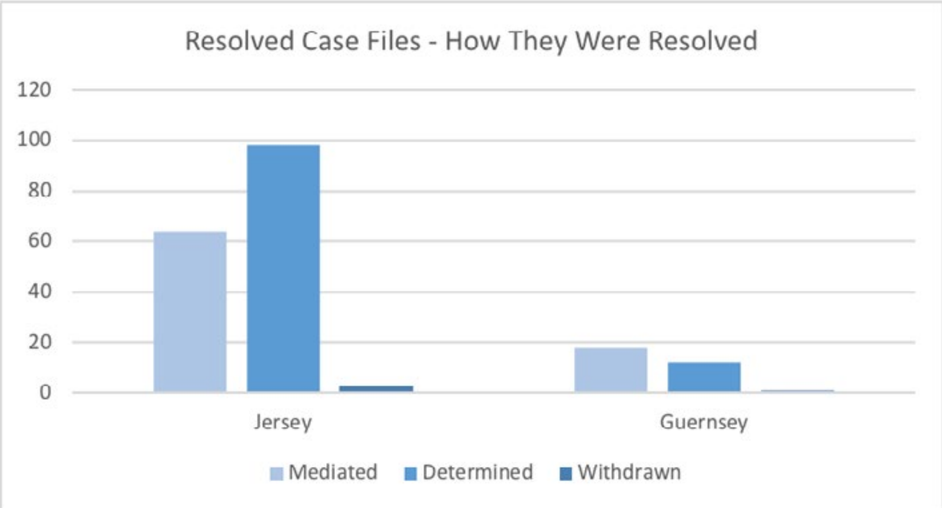
	Jersey		Guernsey		Total	
Poor Administration or delay	52	38%	15	25%	67	34%
Mis-selling	31	23%	4	7%	35	18%
Closure of account	18	13%	7	11%	25	13%
Fees/Charges	9	7%	13	21%	22	11%
Non-payment of claim	2	1%	15	25%	17	9%
Disputed payment out	9	7%	2	3%	11	6%
Refusal of service	8	6%	3	5%	11	6%
Interest charged/paid	6	4%	2	3%	8	4%
Transaction	1	1%	0	0%	1	1%
Grand Total	**136**	**100%**	**61**	**100%**	**197**	**100%**



The most common issue in the 197 case files opened in 2017 was poor administration or delay with 67 (34%). Mis-selling was the second most common issue with 35 (18%) and arose across a wide range of products, particularly in the investment sector. Closure of account was the third most common issue coinciding with the high proportion of complaints relating to current account products in Table 10.

Table 12: **Resolved case files - how they were resolved**

	Jersey		Guernsey		Total	
Determined	98	59%	12	39%	110	56%
Mediated	64	39%	18	58%	82	42%
Withdrawn by Complainant	3	2%	1	3%	4	2%
Grand Total	**165**	**100%**	**31**	**100%**	**196**	**100%**



In 2017, CIFO opened 197 case files and successfully closed 196. Of the 196, 110 (56%) were resolved through Ombudsman determination. 82 (42%) were resolved through mediated settlements. 4 (2%) were withdrawn by the complainant after the complaint was opened as a case file. The data does not fully reflect the general experience of CIFO since commencement of operations in 2015 which has been that most case files resolve through mediated settlement. However, in 2017 a large number of case files related to a single insolvent FSP. Ombudsman determinations were required to establish the complainants' legal rights to compensation should any assets be recovered. Adjusting the case file data to account for this multiple case scenario, only 28% of case files would have resolved through Ombudsman determinations while 68% would have resolved through mediated settlements. These figures are more consistent with CIFO's overall experience since inception.

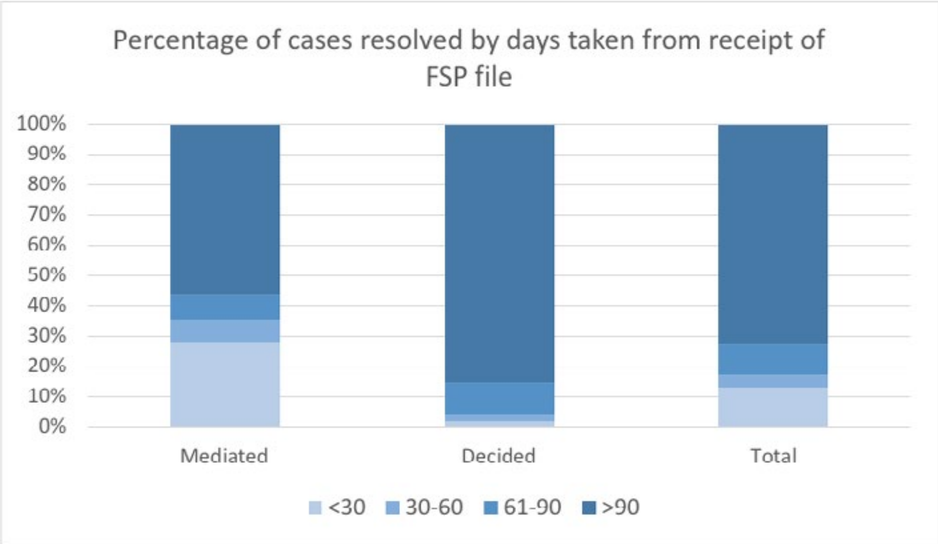
Table 13: **Resolved case files by outcome**

	Jersey		Guernsey		Total	
Case Files Resolved in Favour of Complainant for More Compensation than Previously Offered by FSP	102	62%	10	32%	112	57%
Case Files Resolved in Favour of Complainant for Same or Less Compensation than Previously Offered by FSP	22	13%	6	19%	28	14%
Case Files Resolved in Favour of FSP	38	23%	14	45%	52	27%
Case Files Withdrawn by Complainant	3	2%	1	3%	4	2%
Total	**165**	**100%**	**31**	**100%**	**196**	**100%**

Of the 197 case files opened in 2017, 112 case files (57%) were resolved in favour of the complainant for more compensation than previously offered by the FSP. This figure differed significantly by island with Jersey at 62% and Guernsey at 32%. 28 case files (14%) were resolved in favour of the complainant, but for the same or less compensation than previously offered by the FSP. 52 case files (27%) were resolved in favour of the FSP. Again, this figure differed significantly by island with Jersey at 23% and Guernsey at 45%. 4 case files (2%) were withdrawn by the complainant after the complaint was opened as a case file.

Table 14: **Percentage of cases resolved by days taken from receipt of FSP file**

Percentage of cases resolved by days taken	Mediated	Decided	Total
<30	28%	2%	13%
30-60	7%	2%	4%
61-90	9%	11%	10%
>90	56%	85%	73%
Total	**100%**	**100%**	**100%**



The time taken is measured from the date of receipt of the documentation from the financial services provider. The graph shows the mediated case files separately from the determined case files and shows the breakdown of the proportions concluded in under 30 days from receipt of the FSP's file, 30-60 days, 61-90 days, and over 90 days.

44% of case files closed through mediated settlements in 2017 were closed in less than 90 days. This was true for only 15% of Ombudsman determinations. This figure was materially affected by the single complex multiple complaint situation where a significant number of case files were closed at the same time by Ombudsman determination after a protracted investigation.

Table 15: **Amounts of compensation awarded up to statutory limit of £150,000**

Maximum	£150,000
Average	£64,564
Median	£53,127
Minimum	£50

Of the case files that were resolved in favour of the complainant and involved financial compensation, the largest award for compensation was £150,000. The average award of compensation was £64,564 with the median amount £53,127. The lowest amount awarded was £50.

INSIGHT INTO OUR APPROACH **CASE STUDIES**

The case studies presented in this report and published on CIFO's website are intended to illustrate the type of complaints handled and the approach taken to resolve them. The case studies are based on actual CIFO case files. Some specific details may be altered to protect confidentiality.

Case Study #1 **EX-PARTNER OBTAINS BANK STATEMENTS FRAUDULENTLY LEADING TO LEGAL ACTION**

Themes

- Banking
- Privacy and data protection
- Customer authentication/fraud
- Liability for customer legal costs

In 2014, the required maintenance payments between Mr F and his estranged partner were being determined, in support of which his financial position was disclosed to the courts. During this process, it was revealed that Mr F had opened a young savers account for his child with the FSP and for which his former partner was not a signatory.

Following the maintenance proceedings, the estranged partner visited a branch of the FSP and requested copies of the bank statements for the young savers account. When the FSP staff found that she was not a signatory on the account, the FSP advised her that Mr F would need to make the request.

The estranged partner then lied to the FSP staff member saying that Mr F was standing outside the branch and she left the building, returning shortly thereafter with a male companion. After the male companion gave the correct date of birth and post code to authenticate himself as Mr F, the statements for the young savers account were provided to him. It was subsequently discovered that this male companion was not Mr F.

After obtaining these account statements, the estranged partner then proceeded with a legal action against Mr F in the Petty Debts Court to obtain what she believed was her share of the funds in the account. This compelled Mr F to respond to the legal action to defend himself and the assets in the child's account, causing him to incur significant legal costs. After successfully winning the case in court, Mr F complained to the FSP regarding their security measures and the matter was subsequently referred to CIFO for review.

Conclusion

The CIFO case handler concluded that the FSP's internal procedures to authenticate the customer were not followed. If they had, the impostor would have been exposed and the disclosure avoided. The release of the statements to the estranged partner through the impostor was both a breach of Mr F's data protection rights and a failure of the FSP's security protocols. These were directly linked to Mr F's subsequent legal costs.

The CIFO case handler upheld the complaint, concluding that the FSP should refund Mr F for the legal costs to defend the action taken against him, and an additional £1,700 in compensation for the stress and inconvenience caused.

Both parties accepted the view and the case was closed. The matter was also referred to the data and privacy regulator in the jurisdiction.

Case Study #2

DEFAULT RESIDENTIAL MORTGAGE TERMS AND CONDITIONS APPLY WHEN CUSTOMER DELAYS

Themes

- Banking
- Mortgage terms and conditions
- Effect of customer delay
- Default interest rates

In late 2015, the complainants received a ‘Choice Form’ from their FSP asking them to choose a replacement product upon the maturity of their current mortgage scheduled to occur on 31 December 2015. On the form it stated clearly that if a different product was not chosen, then a standard variable rate of 6.8% would be applied to their mortgage, a significant increase to the 4.99% rate that was on their current mortgage.

Assuming their loan-to-value (“LTV”) rate was 75%, which was in fact incorrect, the complainants selected a different mortgage product from the available options and sent the form back to their FSP. However, there had been a 2-month delay between the complainants receiving the form and when they sent it back to their FSP. The form was only returned to the FSP on 1 December 2015.

Two weeks later, the FSP informed the complainants that their choice of a new mortgage product was not valid given their mistaken assumption that their LTV was 75%. The FSP attached a new form to be filled out by the complainants and warned them about the imminent mortgage expiry date of 31 December. On 31 December the complainants’ current mortgage expired and with a different product not being chosen, the rate of 6.8% was activated, leading to an incremental interest cost of £615.70.

In February, the FSP received a copy of a new valuation of the property, which cost the complainants £981.75, followed a week later by a letter confirming their choice for a new mortgage. After a new ‘Choice Form’ was sent and received by the FSP, the new lower interest rate of 4.76% was applied.

The complainants complained to CIFO seeking to recover the £615.70 incremental interest cost they incurred and the £981.75 they paid for the new property valuation.

Conclusion

When providing his initial view on the complaint, the CIFO case handler noted that the incremental interest cost could reasonably have been avoided had the complainant returned the original choice form within a reasonable time. The complainants’ delay of the mortgage renewal process led to the expiration of the mortgage product despite the FSP’s repeated attempts to contact the complainants in December. Regarding the cost incurred by the complainants for the new valuation to establish their current LTV, the CIFO case handler looked to the FSP’s disclosed policy regarding automatic property revaluation. In the UK it is standard practice for a property’s previous value to be automatically carried forward to a renewed mortgage, however in the island this is not the case. A property valuation to establish the current LTV was required by the FSP as a pre-condition for the new mortgage and this had been clearly disclosed. The case handler decided not to uphold the complaint.

The complainants and the FSP accepted the CIFO case handler’s decision and the case was closed.

Case Study #3

FRAUDULENT ACTIVITY WENT UNCHECKED LEADING TO REIMBURSEMENT

Themes
- Banking
- Payment card fraud
- Customer responsibility for care and control of card and PIN
- Internal fraud controls
- Failure to mitigate loss

Mr B claimed to be the victim of a fraud in Hong Kong when a bank card he used exclusively to make payments on a UK mortgage was stolen. Mr B did not realise the card had been stolen as it was always kept in a safe in his residence along with the PIN code provided by the bank. The card, and the safe it was stored in, were rarely checked due to their limited purpose. The unique circumstances which led to the thief gaining access to Mr B's home safe, while very interesting and illustrative of the risks of being administered with debilitating drugs in public drinking establishments, were determined by the CIFO case handler as not relevant to the question of responsibility for the losses incurred given the specific circumstances of this complaint.

Immediately following the theft of the card and PIN, there were a series of unusual transactions, including purchases from high-end fashion and beauty establishments, and withdrawals of cash over the course of a month, however Mr B was only made aware of the situation after a total of 73 suspicious transactions had already occurred, totalling £34,015.60.

The bank refused to release Mr B of responsibility for the losses on the basis that Mr B had breached the terms and conditions of his account by storing the PIN code with the card and not destroying the record of the PIN. Mr B complained to CIFO.

CIFO reviewed the bank's internal fraud control records and discovered that the bank was alerted by its own internal fraud control systems to various of these fraudulent transactions 22 times during the period when the transactions took place. Two of those fraud alerts were triggered on the first day the transactions commenced after the theft of the card and PIN. However, the bank took no action. When the bank did finally contact Mr B, it was due to insufficient funds in his account to cover the transactions, not the fraud alerts that had been raised repeatedly by the bank's own internal fraud control systems due to the unusual transaction activity on the account.

Conclusion

Regarding the breach of the terms and conditions of his account, Mr B did clearly breach them through having the PIN number written down in the same location as the card. This was not in dispute. However, Mr B did appear to be the victim of a genuine fraud and the bank failed to either block his card or notify him of the suspicious transactions, which did not fit the normal profile of transactions on his account. The CIFO case handler concluded that the lack of action in response to the internal fraud alerts on the first day the fraudulent transactions started was a serious failure by the bank. Had the bank acted on its own internal fraud alerts, it could have prevented most of the fraud losses.

CIFO decided to partly uphold the complaint and have the bank release Mr B from liability for all amounts lost to the fraudulent transactions after the first day when the two internal fraud alerts were generated and not acted upon.

Both parties accepted this decision and the file was closed.

Case Study #4

SIMPLE FUNDS CONVERSION FROM US DOLLARS (USD) TO UK POUNDS (GBP) BECOMES A SERVICE FAILURE PROMPTING BOTH COMPENSATION AND A WRITTEN APOLOGY

Themes

- Banking
- Foreign exchange loss
- Poor customer service
- Relationship manager inaccessible
- Written apology warranted

Mr and Mrs P reside in the Channel Islands and travelled to the UK on holiday. While they were in the UK they decided to convert some funds from USD to GBP and then move the funds to another account.

They gathered the relevant documentation needed and went into the closest branch of their bank in the UK to start the process. They were asked to return the following morning as the conversion would have to be confirmed by their relationship manager at their home branch in Jersey the next working day.

Mr and Mrs P returned to the UK bank branch the next day to discover that their relationship manager had not been in contact. After the assistant in the UK branch had tried unsuccessfully to contact their relationship manager by phone, as he was away from his desk, an 'urgent' email was sent to him to contact Mr and Mrs P. As a result, Mr and Mrs P were left waiting in the UK bank branch awaiting a call from their relationship manager.

When no return call was received from their relationship manager, Mr and Mrs P phoned their Channel Islands branch to try and resolve the issue themselves and were again informed that their relationship manager was not available. They left the UK branch with the matter unresolved.

Mr and Mrs P again phoned their Jersey branch 2 days later and the assistant they reached spoke to their relationship manager. Their relationship manager refused to speak to them until he had 'something in writing'. The Channel Islands branch had faxed and sent the documents that Mr and Mrs P had originally brought into the bank. Mr and Mrs P felt that the letter they received from the bank explaining the exchange rates offered was overly "computer-generated" and they wanted to speak with their relationship manager to agree on an exchange rate for the transaction.
After series of additional telephone calls, they were eventually able to convert the USD to GBP and arrange the transfer of funds to their other account.
This process had been a wholly unsatisfactory experience for Mr and Mrs P who then proceeded to complain to the bank about how they had been treated. The bank did not satisfy their concerns and Mr and Mrs P brought their complaint to CIFO.

Conclusion

The case handler upheld the complaint regarding the poor service received and the inconvenience caused to Mr and Mrs P. The case handler spoke to both parties and a mediated settlement was reached as follows:

1. The bank was to pay £250 to Mr and Mrs P for the inconvenience caused to them.

2. The bank was to write a personal letter to Mr and Mrs P apologising for the inability to contact their relationship manager, lack of response during the relevant time, and for the poor level of service they received.

Once we received confirmation that both had been done, the file was closed.

Case Study #5

UNCLEAR WORDING OF POLICY COVERAGE LIMITS INTERPRETED IN FAVOUR OF POLICY HOLDER

Themes
- Health and dental insurance
- Cap on benefit amount payable
- Interpretation of misleading or unclear language against insurer

The complainant, Mr Z, held a dental policy with his insurance company and had submitted a claim for dental work. Mr Z required major restorative treatment by a dentist; his treatment was ongoing at the time of the complaint.

The treatment cost a total of €20,340, for which the insurance company reimbursed Mr Z for €3,155. This led Mr Z to complain to the insurance company that their plan documents were misleading as to the amount customers would have covered.

The insurance company rejected Mr Z's complaint, stating that his claim exceeded the maximum annual benefit permitted by the policy. Mr Z complained to CIFO.

Conclusion

Upon review of the terms and conditions in the insurance policy documentation, it was found that the language used by the insurance company was potentially misleading and confusing, particularly with respect to the interaction between two provisions referring to an annual cap on benefit amount and a cap of 50% of the insured expense incurred by the policyholder. When looking at the email correspondence between the two parties, it was also evident that the advice given by staff of the insurance company was also misleading and further contributed to the misunderstanding.

As a result of the lack of explicit clarity in the documentation, compounded by the communication from the insurance company's own employees, CIFO decided to uphold the complaint and have the insurance company set aside the compensation cap and pay 50% of the cost of the restorative treatment incurred by Mr Z during that policy year, less the €3,155 that had already been paid to Mr Z.

Both parties accepted the decision and the file was closed.

Case Study #6

REJECTION OF INSURANCE CLAIM AND COVERAGE REVOKED

Themes

- Home insurance
- Loss adjustment – cause of damage
- Customer obligation to provide accurate and complete answers to questions
- Customer obligation to act in good faith

Mrs M contacted her insurance broker to file a claim for damage to the roof of her home. The damage was believed to be storm-related. This claim required a loss adjuster to assess the cause and extent of the damage.

The loss adjuster subsequently visited Mrs M's property to assess it in person, in the presence of her contractor, and later revealed than in his opinion, and in the opinion of Mrs M's contractor, the roof damage was not caused by a storm and thus the claim could not be accepted.

Mrs M then had another contractor conduct an inspection of the damage to support her insurance claim. This contractor also concluded the damage was not storm-related. It had already been reported to the insurance company that the previous contractor had agreed with the loss adjudicator in concluding the roof damage was not caused by a storm.

The insurance company thus decided to reject the insurance claim on the basis that the damage was not caused by the storm, consistent with the three expert opinions.

Mrs M complained to CIFO regarding the rejection of her claim.

A second complaint arose after Mrs M was completing an application to insure her grandson to drive her vehicle.

During the compulsory questions to be asked regarding criminal matters, Mrs M replied 'No' to all the questions regarding her grandson and any criminal convictions against him, indicating that he had no convictions. Then, after a routine background check, it was discovered that Mrs M's grandson had in fact been convicted of a drug-related crime.

When the insurance broker inquired about the discrepancy, Mrs M claimed that she believed the questions were relating only to driving offences. The auto insurance application on behalf of her grandson was rejected and her home insurance policy was revoked. She complained to CIFO.

Conclusion

Regarding the first complaint about the rejection of her insurance claim for the roof damage, CIFO did not have any evidence to call into question the opinions of the three experts, two of which Mrs M had engaged herself, and so decided to not uphold that aspect of the complaint.

The second complaint was also not upheld following CIFO's review of the Policy Statement of Facts in the application. It asks about 'any criminal offence other than driving offences', leading CIFO to conclude that the insurance company did not act unreasonably when they rejected the motor insurance application on behalf of the grandson and subsequently cancelled the home insurance.

Good faith and the provision of accurate answers to clear questions are critical to the relationship between a customer and their insurer. This case was an example of what happens when both appear to be absent.

Case Study #7

BANK HANDLING OF VULNERABLE CUSTOMER COMMENDABLE

Themes

- Banking
- Vulnerable customer
- Protection against undue influence or financial abuse
- Customer capacity to appreciate nature of the transaction

In 2015, Mr P and his brother were planning to purchase a property with financial assistance from their mother. Mr P's mother signed a letter advising the bank that she would be providing a large amount of money to enable her two sons to purchase the property. Mr P's mother was elderly and lived in a nursing home. At the time the letter was provided, there was no indication of any issues with respect to her capacity to appreciate the nature of the transaction. Lawyers for the mother, who would have had professional obligations to determine her capacity to instruct them, had indicated they were happy for the transaction to proceed.

A few days later, when it came time for the funds to be transferred to finalise the house purchase, the bank, before executing the transfer of funds referenced in the mother's letter, attempted to contact the mother by telephone to verify the transfer in accordance with its internal procedures. The bank was unable to reach the mother by phone and became concerned about her capacity to understand the nature of the transaction; a concern reportedly shared by one of the sons.

The bank staff member took the extraordinary step of visiting the mother at the nursing home to verify the transfer instructions and confirm that she was fully aware of the implications of what she had previously signed. As a result of the visit, the bank was not satisfied that Mr P's mother had the capacity to understand the process and the implications of what she had instructed the bank to do. The bank therefore refused to execute the transfer of funds from the mother's account without a guardianship in place to protect her interests.

The commitment to purchase the property was imminent and was already agreed to close on a certain day or the deposit paid would be lost. Mr P paid £5,000 to the vendor in order to extend the closing date of the purchase and used that extension period to obtain legal guardianship for his mother at a further cost of £1,900. Once the bank was presented with instructions from the son as the legally-appointed guardian, the funds transfer was executed by the bank to enable the property purchase to close. Mr P considered that the bank had not previously informed him of any additional requirements in order to transfer the funds from his mother and made a complaint to the bank asking for reimbursement of the incremental costs of £6,900 he had incurred to close the property deal (£5,000 for the extension and £1,900 for the legal guardianship). When the bank did not agree he brought his complaint to CIFO.

Conclusion

After reviewing the case, CIFO did not uphold the complaint for the following reasons.

CIFO concluded that the bank has an obligation to ensure that all transactions are authorised, meaning to ensure that the account holder or their guardian are fully aware of the nature and implications of transactions. It is also emerging good practice for banks to exercise due care in accepting instructions from vulnerable customers, especially in circumstances where transactions may be for the economic benefit of others, to make sure that the customer is able to appreciate the nature and implications of the transaction and is protected against potential undue influence or financial abuse.

Case Study #8

MIS-SOLD INSURANCE POLICY PROVIDED NO COVER

Themes

- Travel health insurance
- Mis-selling
- Terms and conditions
- Interpretation of misleading or unclear language against insurer

Mr B was planning a holiday to an African country to visit his daughter-in-law for 38 days. He contacted the FSP by telephone to obtain health insurance. The FSP recommended he purchase a specific insurance plan (the "policy") they offered. Mr B bought the recommended policy. Later he complained the policy was automatically renewed without his consent, causing him financial loss paying for a renewed policy he did not need as his period of travel had concluded. His complaint to the FSP was not resolved and he brought his complaint to CIFO.

CIFO confirmed that the original insurance policy was bought and activated in December 2015 and was renewed three months later in March 2016.
Mr B had originally telephoned the FSP and asked for a policy to cover him for only 38 days. When informed that he was unable to take out a policy for this specific length of time, he was told that the minimum period that a policy could be taken out for was three months. He was told 'when it comes to the three-month plan, we can only offer it on a quarterly basis'. The relevant policy documentation reviewed by the CIFO case handler indicated that the policy was in fact an annual product. The case handler concluded that inaccurate information had been provided to Mr B.

The case handler also noted a second telephone conversation between Mr B and the same advisor from the FSP. In this conversation, Mr B was informed that he could view the terms and conditions of his new policy online within 24 hours of purchasing it. When he tried to do this after paying the premium for the policy, he discovered that he could not access the online terms and conditions. This was due to the FSP suspending his access until a valid address was provided. As he had no address in the African country other than his daughter-in-law's, which he did not know, he could not meet this requirement and so could not view the details of his policy after having paid for it.

The insurance company pointed out that, in the first telephone call, Mr B was asked to 'get in contact when your trip is over, and we will cancel your plan'. He did not do this.

During the second telephone call, he was told 'the policy will automatically renew next year, and you will receive a reminder of this in advance'. Considering that the policy was activated in December, the use of the expression 'next year' was easily misinterpreted. In addition, due to Mr B not being able to read the terms and conditions of the policy online, the case handler concluded it was reasonable to assume that Mr B would rely on this reminder prior to renewal.

However, a reminder was not sent to Mr B by the FSP before the renewal date of the policy.

Conclusion

In the end, it was a previously unknown aspect of this complaint that determined the outcome. During the detailed review of the policy documentation, CIFO's case handler noted that the policy sold to Mr B was exclusively intended for expatriates. The case handler concluded that this had not been explained to Mr B. The case handler also took the view that Mr B was a US citizen living in the US and was only going to the African country on holiday. Therefore, Mr B was not an expatriate living and/or working in an African country and thus would not have been covered by the policy in any event. CIFO's case handler concluded that this constituted a mis-selling of the policy making the previous aspects of the complaint essentially irrelevant.

The case handler also concluded that Mr B was owed the full amount of the premium paid for the original policy due to it being mis-sold. In essence, CIFO concluded that Mr B had been sold an insurance policy he was not eligible for. It was noted that it was indeed fortunate Mr B's trip to the African country had been without incident, or the nature of the complaint could have been far more complex, and the financial implications for the insurer much more significant.

The case handler's decision was accepted by both parties and the case was closed.

INSIGHT INTO OUR APPROACH
CIFO APPROACH TO INVESTMENT SUITABILITY COMPLAINTS

When an investor engages with a financial adviser, it starts an important process and relationship which shares an investor's most private information and deals with their personal assets. When something goes wrong with that relationship, and usually in conjunction with investment losses on individual investments or the portfolio as a whole, complaints are sometimes raised that investment losses occurred as a result of unsuitable investment advice. The following gives an indication of the general approach that CIFO is minded to take in reviewing this type of complaint.

It bears clarification at the outset that CIFO does not exist to insulate investors from market risk they knowingly took with their investments. Investment losses are a normal part of financial markets and the risk-return trade-off. Not surprisingly, complaints rarely emerge when investments, suitable or otherwise, are generating positive investment returns. Investors are not necessarily owed compensation for investment losses merely because they complain. The review of the complaint starts with the process that determined the suitability of the investment recommendations.

The financial adviser is the individual in the relationship that has the role of identifying the relevant information to determine an investor's personal circumstances, investment objectives, investment experience, risk tolerance, and time horizon. This role is about getting to know your client (KYC) and is referred to as the KYC process. The financial adviser is also expected to know the product being recommended to the investor, so that the financial adviser can make a recommendation of an investment that matches the personal circumstances of the investor as identified in the KYC process. Finally, the execution of the investment decision needs to proceed as expected to purchase a suitable investment.

This can be described as a chain of responsibilities held by the investment adviser. The objective reality of the investor's personal circumstances should be reflected in the information gathered during the KYC process. The process is not a signed KYC form in the investor's file, but rather the information gathered from a discussion with the investor that sets out the personal characteristics of the investor noted above and forms the basis for identifying and recommending suitable investment options. The investment adviser then recommends an investment that is consistent with the KYC information. A low-risk inexperienced investor with a short time horizon is not likely to be suitably invested in a complex, medium to high risk, illiquid, and long-term investment product. Such a visible disconnect between the investor and the investment recommended would need to have been part of the discussion with the investor and would need to have been well-documented. These types of disconnects between the personal circumstances of an investor, the KYC information gathered, and the nature of the investment recommended form the basis of most complaints about investment suitability.

In order to arrive at a determination of what would be fair and resonable in the circumstances, we look at the relevant law, any codes of practice or other regulatory guidance from the Financial Services Commissions, any other relevant regulatory instruments, and relevant industry good practice at the time.

Where we determine that an unsuitable investment recommendation has been made, we seek to put the investor back in the position they would have been in had the unsuitable investment not occurred. Depending on the circumstances, this can be a simple analysis or a tremendously complicated one depending on the nature of the investment or investments and the time periods involved. We may decide that an investor should be able to return the investment or be compensated for the losses they suffered due to an unsuitable investment recommendation. If on the other hand an investment has been found to be suitable, the fact that an investor lost money does not make it a valid complaint and we would say that to the investor.

In the case of losses due to an unsuitable investment recommendation, we would consider what the investor lost as well as what would have happened had the unsuitable recommendation not been made. Sometimes this means putting the investor in the position they were in before in a different investment. Sometimes, especially in situations involving the investment of cash, it involves looking at what would have happened if the investment had been made in a suitable investment product.

GOVERNANCE, ACCOUNTABILITY AND TRANSPARENCY

When combining an important public interest mandate with a strict need for independence, it is particularly important to demonstrate accountability and transparency. CIFO has already taken several steps to ensure that we are accountable for our performance of this role and to drive our commitment to continuous improvement.

CIFO Board Review

As mentioned in the 2016 Annual Report, CIFO's board of directors embarked on a review starting in Q4 of 2017 on the state of CIFO's operation at the two-year mark from our service's inception in November of 2015. At each quarterly CIFO board meeting, part of the strategy discussion time is to conduct a review of CIFO's operation against one of the fundamental principles for effective financial ombudsman schemes set out by the International Network of Financial Services Ombudsman Schemes (INFO Network). These fundamental principles can be seen here

Making such ongoing reviews a part of CIFO's governance culture ensures that we stay focused not only on the high-level purpose of CIFO's mandate, but also on the various operational aspects which are critical to ensuring our service is effective, responsive, and continuously improving.

Adoption of, and Assessment Against, OA Service Standards Framework

The Board also considered the Service Standards Framework adopted by the Ombudsman Association (OA, formerly the British and Irish Ombudsman Association) in Q2 of 2017. CIFO, as an OA member and supporter of standards of professional conduct, assessed our operation against the new OA framework. While very pleased with the degree to which our young office already embraces the new framework's requirements, we identified three opportunities to improve our alignment to the OA framework. These areas included:

- Clarifying CIFO's commitment to providing reasonable accommodation to those complainants requiring special assistance in making use of our free service and provide guidance on how to indicate the need for such accommodation;
- Informing complainants of the opportunity to challenge our decisions; and,
- Keeping users of our service updated on the status of the complaint and how long it is likely to take to reach resolution.

The first two items have been addressed with additional guidance to complainants provided through CIFO's website. The third has proven more challenging given the volume of complaints under review and limitations on CIFO's capacity but efforts are underway to improve our capacity, drive down the waiting times for reviews, and ensure that complainants are kept better informed of the status of, and likely time to resolution for, their complaints.

Listening to Stakeholders

A survey of CIFO stakeholders was conducted in late 2016 to ensure that the issues encountered by both parties to complaints reviewed by CIFO and their views on opportunities for potential operational improvement were heard. The identified issues were analysed in early 2017 and formed the basis for the Board's conclusion that CIFO was working broadly as intended, although not resolving complaints as quickly, or in as personally accessible a manner, as could be reasonably expected. This conclusion was translated into action by CIFO staff. It provided the direction needed to prioritise numerous staff training and development activities as well as numerous operational initiatives, including the addition of more capacity, throughout 2017 that have already made a visible difference. The board intends to be vigilant to ensure that continuous improvement remains part of CIFO's operational culture.

Responding to Our Customer Satisfaction Survey

The expressed desire of complainants for more verbal contact with case handlers was noted and we conducted staff training throughout 2017 with outside ombudsman experts and mediation specialists to continually enhance the skills and confidence of our staff to meet the needs of complainants seeking an empathetic response to the sometimes complex and emotionally charged issues they bring to our office. On the other hand, financial services providers sought faster resolutions of complaints, an objective we constantly strive for without compromising the quality of our investigations and the settlements we mediate or, if required, ultimately determine. The training staff undertook as an entire team helps the office deal more quickly with the high volume of complex complaints that are referred to CIFO and we have already seen an increase in productivity as a result. While we are focused on our role in improving complaint handling, we will continue to be highly dependent upon financial services providers to assist with enabling faster resolutions by responding promptly to CIFO's requests for complaint files and our follow-up enquiries. The quality of FSP's own internal complaint handling, documentation of client interactions, and early engagement with CIFO during complaint reviews, all have a significant impact on the efficiency of the overall complaint handling process that includes both FSPs and CIFO. We will continue to work with stakeholders to ensure that both CIFO and industry engage in a constructive process of continuous improvement in this regard.

Informal External Review

In late 2016 and early 2017, management commissioned an informal external review of CIFO's operation, including assessment of actual case files, by two experienced financial ombudsman practitioners. This review, similar to the findings from the customer survey, also highlighted similar opportunities for continuous improvement by our team. A masterclass was held in early 2017 to focus on some of the key opportunities identified during the external review including tone of communication, early verbal engagement with complainants, and frequent updating of complainants on the status of their complaint in CIFO's process. The observed need to identify and develop effective means to deal with vulnerable complainants led CIFO to develop relationships with Mind Jersey and Samaritans, both are organisations with significant expertise in meeting the needs of vulnerable members of the local communities we serve. We continue to expand our networks in Jersey and Guernsey to be able to source needed expertise and to enable referrals to support agencies as may be appropriate in certain circumstances.

Transparency of Governance

CIFO remains committed to the continued transparency of our operation. The expenses of the chairman and directors as well as those of the principal ombudsman are posted to CIFO's website here. Chairman and director remuneration and attendance record at board of director meetings is provided in this annual report. Minutes of board of directors meetings are posted on CIFO's website here.

We were pleased that the governments of both Jersey and Guernsey renewed their support for CIFO and their faith in its current governance by reappointing the chair and directors in January of 2018 for various staggered terms that will enable an orderly rotation to new directors in future thereby refreshing the governance of CIFO with new perspectives on both our public interest mandate and on excellence in transparency and governance.

Transparency of Operations

In addition to the provision of annual audited financial statements, CIFO now publish final ombudsman determinations on its website here. We are currently focused on the timely resolution of the complaint files currently in our office, but the publication of more ombudsman determinations on CIFO's website will be a priority project for the summer interns we plan to engage for the summer of 2018. We also plan to publish more case studies. We have included eight case studies in this annual report that illustrate well the range of banking and insurance complaints we deal with and the approach CIFO takes to achieving fair and reasonable outcomes in each unique circumstance.

CIFO is continuing its practice of publishing quarterly complaint statistics and, starting in Q1 of 2018, will show separate complaint statistics for each of Jersey and Guernsey as done for the first time in this Annual Report. Also new starting this quarter, CIFO will commence publishing ombudsman determinations on a FSP-named basis. Complainants' names are not published. A recent legislative change in Jersey will enable CIFO to publish summary complaint statistics on a FSP-named basis going forward. Once a similar legislative change is made in Guernsey, CIFO will add this new level of reporting to our demonstrated commitment to full transparency in CIFO's operations.

Attendance at Board Meetings

Regular in-person meetings of the board of directors were scheduled throughout 2017. Additional meetings by conference call were required during the year. All directors were in attendance for every one of the 4 meetings of the board of directors held in 2017.

DIRECTORS' ATTENDANCE AT 2017 BOARD MEETINGS

	No. of meetings held	No. of meetings attended	No. of meetings absent	Attendance rate
David Thomas (Chair)	4	4	0	100%
Deborah Guillou	4	4	0	100%
John Mills	4	4	0	100%
John Curran	4	4	0	100%

DIRECTOR REMUNERATION 2017

David Thomas (Chair)	£24,000
Deborah Guillou	£6,000
John Mills	£6,000
John Curran	£6,000

THE FOUR MEMBERS OF THE CIFO BOARD OF DIRECTORS ARE:

Left to right: John Mills, Deborah Guillou, David Thomas & John Curran.

David Thomas (chairman) is also a member of the Regulatory Board of the worldwide Association of Chartered Certified Accountants. He was formerly: a lawyer in private practice and a member of the Council of the Law Society (England and Wales); Banking Ombudsman (UK); principal ombudsman with the Financial Ombudsman Service (UK); and a director of the Legal Ombudsman (England and Wales). He has advised on financial consumer protection in more than 30 countries.

Deborah Guillou is a qualified accountant and chief executive of the Medical Specialist Group in Guernsey. She was formerly: head of Generali International; chief financial officer of Generali Worldwide Insurance; a senior finance manager at Investec Asset Management; finance director at Guernsey Electricity; and an accountant with Fairbairn International.

John Mills CBE was formerly a senior civil servant in the UK and in Jersey. He was lately a board member of the Jersey Financial Services Commission and vice chairman of the Port of London Authority. He is currently deputy chairman of Ports of Jersey Ltd. In 2017 he was appointed as Jersey's first Charity Commissioner. In an honorary capacity he is a member of the boards of both public sector pension funds in Jersey, the Public Employees Pension Fund and the Teachers Superannuation Fund. He chairs the former's investment committee, which oversees the management of the fund's assets of some £2.4 billion.

John Curran is chairman of Guernsey Mind (the mental health charity) and non-voting member of the States of Guernsey Transport Licensing Authority. He was formerly: the chief executive of the Channel Islands Competition & Regulatory Authorities; director general of the Office of Utility Regulation (Guernsey); and manager of the Operations Division of the Commission for Communications Regulation (Ireland).

INTERNATIONAL ENGAGEMENT

Given the international nature of the financial services sector in the Channel Islands, it is both appropriate and helpful that CIFO has formed relationships with various international bodies active in the area of financial Ombudsman practice, dispute resolution, and financial services in general.

The International Network of Financial Services Ombudsman Schemes (INFO Network)

CIFO is an active member of the INFO Network whose membership includes about 60 financial sector bodies around the world engaged in dispute resolution for financial services consumers. The INFO Network focuses on professional development and mutual support amongst member schemes. Details on the network can be seen here. CIFO's Principal Ombudsman was involved in the elected Committee providing governance for this international professional body, serving on the Committee since 2010 and, since 2013 as elected chairman. In September 2017 at the Annual General Meeting of the INFO Network, CIFO's Principal Ombudsman concluded his term of service, both on the Committee and as Chairman.

During Q1 of 2018, the INFO Network published a start-up guide for financial Ombudsman schemes co-written by CIFO's Chairman, David Thomas, and the former French Insurance Mediator, Francis Frizon.

The guide includes some material drawn from the initial creation and subsequent evolution of CIFO. It represents a significant contribution to the global practice of financial Ombudsmanry and has been very well-received by international players involved in the creation of new schemes in emerging markets. A copy of this substantial document can be viewed here.

EU Financial Dispute Resolution Network (FIN-NET)

FIN-NET is the European Union's network of financial dispute resolution schemes and helps consumers resolve cross-border complaints involving financial services. Details on the network can be viewed here. While the Channel Islands are not members of the European Union (EU), the importance of the European market for the Channel Islands' financial sector, the extensive regulatory framework being established for the provision of financial services into the EU, and the proportion of complainants referred to CIFO who are resident outside the Channel Islands, make this EU body highly relevant for CIFO. As one of two Official Observers and Affiliate Members of the EU's FIN-NET network (the other being the Swiss Banking Ombudsman). CIFO attends the semi-annual meetings of FIN-NET. CIFO is also in touch with individual FIN-NET member schemes periodically to refer complaints better resolved by those schemes and to facilitate referrals of complaints from FIN-NET member schemes that appropriately fall within CIFO's remit to resolve.

Ombudsman Association (OA)

In 2016, CIFO became a member of the Ombudsman Association (formerly the British and Irish Ombudsman Association or BIOA) which represents both public and private sector ombudsman schemes in the UK, Ireland and British Territories. Details on this association can be seen here. This professional body of ombudsman practitioners seeks to promote and support the development of ombudsman schemes and provides opportunities to engage in professional development and policy advocacy in the area of dispute resolution. Through this body, financial sector ombudsman schemes interact with other ombudsman practitioners involved in dispute resolution across a broad range of sectors where alternative dispute resolution offers a compelling value proposition to society.

UK Financial Ombudsman Service (UK FOS)

Given the deep connections of the Channel Islands with the UK and the number of UK-based financial service providers offering services in or from the Channel Islands, it is not surprising that CIFO receives a significant number of complaints involving UK residents or UK-based financial service providers. It has proven very helpful to have a close and collegial working relationship with our counterpart scheme in the UK, the Financial Ombudsman Service (UK FOS). CIFO regularly refers complainants to UK FOS when the subject matter of a complaint falls within their remit and CIFO accepts referrals from UK FOS of complaints which fall within CIFO's remit. CIFO has also benefitted in the past from training opportunities for our staff and visits by UK FOS experts, both kindly offered by our UK colleagues to support the successful establishment of our new mandate in the Channel Islands.


Resource > Your Chart
Business Chart
Business Chart
Interactive User
1,505
Space Usage (750 Mb)
18,321
Realtime Dashboard
37.91%
31.86%
Focus on Your Finances
Target

APPENDIX 1
2017 AUDITED FINANCIAL STATEMENTS

Office of the Financial Services Ombudsman (Jersey)

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - JERSEY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - JERSEY

OFSO INFORMATION

Directors	David Thomas - Chairman John Curran Deborah Guillou John Mills
Administration office	Channel Islands Financial Ombudsman No 3 The Forum Grenville Street St. Helier Jersey JE4 9QG
Independent auditors	KPMG Channel Islands Limited 37 Esplanade St. Helier Jersey JE4 8WQ
Principal Ombudsman	Douglas Melville

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - JERSEY

CONTENTS

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Chairman presents his statement for the year.

The Channel Islands Financial Ombudsman (CIFO) is the joint operation of the Office of the Financial Services Ombudsman (OFSO) established by the Financial Services Ombudsman (Jersey) Law 2014 and the equivalent body established by law in the Bailiwick of Guernsey. OFSO's financial statements reflect the fact that it is part of the joint operation.

In particular, a Memorandum of Understanding between the States of Jersey and the States of Guernsey provides that the operating expenses of the joint operation are to be divided equally between the two bodies until the end of 2018. These shared operating expenses are raised by levies, currently divided equally between the financial sector in each Bailiwick, supplemented by case fees.

In April 2017 a wide-ranging and multi-stage review of the funding model began. Stakeholder briefing sessions were held in April 2017 followed by a discussion paper issued in July 2017. A consultation options paper was issued in December 2017. A final consultation proposing a new detailed funding structure was issued at the end of Q1, 2018. In the light of responses to this the Board will adopt a new funding model. Subject to completion of any required minor legislation changes, this will take effect from January 2019.

The OFSO Board seeks to maintain an operating reserve sufficient to allow for unforeseeable volatility in complaint numbers and to cover operating costs until the next set of levy payments are received towards the middle of the following year. This is reflected in the cash position at the end of 2017.

Maintenance of a prudent reserve helps the OFSO Board to smooth fluctuations from year to year, by increasing or reducing reserves accordingly. For 2017 the Board again planned a reduction in reserves, by budgeting for a deficit between revenue and expenditure. The deficit of £48,196 in the accounts is broadly in line with the budget.

Expenditure increased in 2017, mainly due to increased staff costs to assist with the volume of complaints which accumulated throughout 2016. But the effect of this on the total income required through levies was reduced by careful management of the reserves during the year. As a result, the level of reserves remains within the prudent parameters set by the OFSO Board.

David Thomas
Chairman

Date 25 April 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Financial Services Ombudsman (Jersey) Law 2014 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Office of the Financial Services Ombudsman Jersey ("OFSO") at the end of the year and of the profit or loss of the OFSO for that year. In preparing these financial statements the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. In preparing these financial statements, the OFSO is required to:

- keep proper accounts and proper records in relation to the accounts;
- prepare accounts in respect of each financial year and a report on its operations during that year; and
- submit the accounts and report to the Minister for Economic Development, Tourism, Sport and Culture (the 'Minister') not later than 4 months after the end of each financial year.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the OFSO's transactions and disclose with reasonable accuracy at any time the financial position of the OFSO and enable them to ensure that the financial statements comply with the Financial Services Ombudsman (Jersey) Law 2014. They are also responsible for safeguarding the assets of the OFSO and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the website where OFSO's financial statements are published and for the preparation and dissemination of the financial statements. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal activity

The OFSO's primary function is to ensure that complaints about financial services are resolved:

(a) independently, and in a fair and reasonable manner,

(b) effectively, quickly, with minimum formality, and so as to offer an alternative to court proceedings that is more accessible for complainants, and

(c) by the most appropriate means, whether by mediation, referral to another forum, determination by an Ombudsman or in any other manner.

Results

The Statement of Comprehensive Income and Retained Earnings for the year is set out on page 6.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

Directors

The directors who served during the year were:

David Thomas - Chairman
John Curran
Deborah Guillou
John Mills

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the OFSO's auditors are unaware, and

- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the OFSO's auditors are aware of that information.

Independent Auditors

The auditors, KPMG Channel Islands Limited, will be proposed for reappointment.

This report was approved by the board on 25 April 2018 and signed on its behalf.

Director

KPMG

KPMG Channel Islands Limited
37 Esplanade
St Helier
Jersey JE4 8WQ
Channel Islands

Independent Auditor's Report to the Minister for Economic Development, Tourism, Sport and Culture of the States of Jersey (the 'Minister')

Our opinion is unmodified

We have audited the financial statements (the "Financial Statements") of the Office of the Financial Services Ombudsman - Jersey (the "Body Corporate"), which comprise the Balance Sheet as at 31 December 2017, the Statements of Comprehensive Income and Retained Earnings, and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Financial Statements:

— give a true and fair view of the financial position of the Body Corporate as at 31 December 2017, and of the Body Corporate's financial performance and the Body Corporate's cash flows for the year then ended;

— are prepared in accordance with United Kingdom accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and

— have been prepared in accordance with the Financial Services Ombudsman (Jersey) Law 2014.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Body Corporate in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

KPMG Channel Islands Limited
37 Esplanade
St Helier
Jersey JE4 8WQ
Channel Islands

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 2, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Body Corporate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Body Corporate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Minister

This report is made solely to the Minister, in accordance with Schedule 2 Article 2(4)(1)(5)(a) of the Financial Services Ombudsman (Jersey) Law 2014. Our audit work has been undertaken so that we might state to the Minister those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Minister, for our audit work, for this report, or for the opinions we have formed.

James Le Bailly
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants

26 April 2018

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	*2016* *£*
Revenue	3	**315,865**	*325,380*
Gross profit		**315,865**	*325,380*
Administrative expenses	4	**(364,339)**	*(345,042)*
Operating loss		**(48,474)**	*(19,622)*
Interest receivable and similar income		**278**	*324*
Interest payable and expenses	5	**-**	*(1,914)*
Deficit and total comprehensive loss for the year		**(48,196)**	*(21,252)*
Retained earnings at the beginning of the year		**319,317**	*340,569*
Deficit and total comprehensive loss for the year		**(48,196)**	*(21,252)*
Retained earnings at the end of the year		**271,121**	*319,317*

All amounts relate to continuing operations.

The notes on pages 9 to 18 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £		*2016 £*
Fixed assets					
Intangible assets	6		**12,283**		*7,670*
			12,283		*7,670*
Current assets					
Unbilled income	7	**37,025**		*23,600*	
Debtors	8	**12,566**		*838*	
Cash and cash equivalents	9	**247,473**		*322,272*	
		297,064		*346,710*	
Current liabilities					
Creditors	10	**(38,226)**		*(35,063)*	
Net current assets			**258,838**		*311,647*
Total assets less current liabilities			**271,121**		*319,317*
Net assets			**271,121**		*319,317*
Capital and reserves					
Accumulated surplus	12		**271,121**		*319,317*
			271,121		*319,317*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 April 2018.

Director

The notes on pages 9 to 18 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Cash flows from operating activities		
Deficit and total comprehensive loss for the year	**(48,196)**	*(21,252)*
Adjustments for:		
Amortisation of intangible assets	**2,961**	*880*
Interest payable	**-**	*1,914*
Increase in unbilled income	**(13,425)**	*(23,600)*
(Increase)/decrease in debtors	**(11,728)**	*113,050*
Increase in creditors	**3,163**	*3,785*
Net cash (used)/generated from operating activities	**(67,225)**	*74,777*
Cash flows from investing activities		
Purchase of intangible fixed assets	**(7,574)**	*(4,468)*
Net cash used in investing activities	**(7,574)**	*(4,468)*
Cash flows from financing activities		
Repayment of loans	**-**	*(200,000)*
Interest paid	**-**	*(1,014)*
Net cash used in financing activities	**-**	*(201,014)*
Net decrease in cash and cash equivalents	**(74,799)**	*(130,705)*
Cash and cash equivalents at the beginning of the year	**322,272**	*452,977*
Cash and cash equivalents at the end of year	**247,473**	*322,272*
Cash and cash equivalents at the end of year comprise:		
Cash and cash equivalents	**247,473**	*322,272*
	247,473	*322,272*

The notes on pages 9 to 18 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland as issued in September 2015 ('FRS 102').

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the OFSO's accounting policies (see note 2).

1.2 Going Concern

The OFSO continues to adopt the going concern basis in preparing its financial statements for the following reasons:

- All statutory aspects of the mandate are in place making the OFSO mandatory ;
- There is statutory ability to levy industry to cover operating costs;
- There is a strong cash position and at least six-months' operating expenses held in an operating reserve;
- Operational momentum including case files and associated case fee income tracking to plan;
- As regards the pan-Channel Islands, joint operation of OFSO Jersey and OFSO Guernsey, there is a Memorandum of Understanding in place between the Guernsey Committee for Economic Development and the Minister.

1. Accounting policies (continued)

1.3 Revenue

The intent under-pinning the design of the OFSO's funding regime is to charge on a basis that is transparent, fair and simple to administer in the first few years of OFSO's operation. A wide-ranging review of the funding model began in April 2017. The review involves several stages of stakeholder consultation with any new approach to take effect from January 2019.

The Financial Services Ombudsman (Case-fee and Levy) (Jersey) Regulations 2015, as amended by the Financial Services Ombudsman (Case-Fee and Levy) (Amendment) (Jersey) Regulations 2016, provide for OFSO to prescribe schemes for case fees and levies to be paid by certain financial services providers in respect of the expenses of OFSO.

Sources of revenue

The principal sources of revenue are:

Annual levy

The detail regarding the levies for 2017 is set out in the Financial Services Ombudsman Levy Scheme (Jersey) 2017 (the '2017 Jersey Levy Scheme').

OFSO's levies are payable by 'Registered Providers', as defined in the Financial Services Ombudsman (Case-Fee and Levy) (Jersey) Regulations 2015. Broadly these are providers that are required to register with the Jersey Financial Services Commission ("the Commission") or are licensed or hold a certificate or permit under the regulatory laws as specified. Data on registered providers is provided by the Commission to OFSO, as set out in the Financial Services Ombudsman (Jersey) Law 2014.

The 2017 levy was payable per sector of activity for which, on 3 January 2017, a provider was registered with or held a licence, permit or certificate from the Commission, unless the Registered Provider was entitled to zero-rating in accordance with the 2017 Jersey Levy Scheme. Levy notices were sent out from June to August 2017 and Registered Providers were required to pay to OFSO the levy as specified in the levy notice, unless they certified as zero-rated in accordance with the procedure specified in the levy notice.

The 2017 levies raised the funding required for the operation of OFSO in 2017. In setting the amount to be raised in levies the OFSO board was mindful of the increase in planned expenditure for 2017 and so managed the reserves and expected case fee income carefully to minimise the increase in the total levy mount required. For 2017, the total levy amount required in Jersey was £309,809. The individual levy amount calculations took into account information provided by new Registered Providers on their eligibility for zero-rating.

Case fees

Case fees are set in the Financial Services Ombudsman Fee Scheme (Jersey) 2017. Case fees are charged on a fixed basis irrespective of the outcome and the time and other costs incurred relating to the specific case. Each financial services provider must pay to OFSO a case fee for each complaint against the provider that is referred to OFSO, unless, in the opinion of an ombudsman:

- on receipt of the complaint, it is apparent that it is not eligible or should be rejected; or
- at any time, the complaint is rejected as frivolous or vexatious.

1. Accounting policies (continued)

Case fees (continued)

The amount of the case fee for each complaint received on or after 1 January 2017 is:

- nil for Community Savings Limited;
- £300 for any registered provider that is liable to pay a levy; and
- £750 for any other provider.

The amount of the case fee for each complaint received prior to 1 January 2017 is:

- nil for Community Savings Limited;
- £200 for any registered provider that is liable to pay a levy; and
- £600 for any other provider.

Recognition bases

Levy income

Levy income is recognised in the period to which the levy relates.

Case fee income

Case fee income is recognised when it is billable. A complaint become billable once it has completed the initial jurisdictional checks and has not been rejected as ineligible or for other reasons in accordance with the legislation. Ordinarily, OFSO will invoice any case fees annually in arrears. For Registered Providers that are subject to the annual levy, OFSO will invoice any case fees for the preceding year in conjunction with the levy for the current year. If any provider accumulates 10 or more case fees since the previous case fee invoice (or since OFSO opened for business) OFSO may issue an interim case fee invoice.

1.4 Intangible assets

Intangible assets comprise primarily of OFSO's website and brand and its bespoke complaint management system (CMS). These assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Website & Brand	-	5	years
Complaint management system	-	5	years

The board's policy is to only capitalise items over £1,000.

Intangible asset amortisation commences upon commissioning of the asset in question. Amortisation of the CMS began in 2017 when OFSO started using the system for all new complaints received.

1. Accounting policies (continued)

1.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts (if applicable) that are repayable on demand and form an integral part of the OFSO's cash management.

1.6 Financial instruments

Financial instruments are classified as basic or other financial instruments in accordance with Section 11 and 12 of FRS 102. Basic financial instruments include unbilled income, debtors, cash and cash equivalents, trade and other creditors and accrued expenses. There are no other financial instruments in these financial statements.

(i) Financial assets

Unbilled income and debtors are recognised initially at the transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial assets measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income and Retained Earnings.

Financial assets are derecognised when the contractual rights to cash flows from the asset expire or are settled.

(ii) Financial liabilities

Trade and other creditors and accrued expenses are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

(iii) Offsetting

No financial assets and liabilities have been offset at the balance sheet date.

(iv) Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

1.7 Taxation

The income of the OFSO is not subject to Income Tax under the Income Tax (Jersey) Law 1961.

1. Accounting policies (continued)

1.8 Foreign currency translation

Functional and presentation currency

The OFSO's functional and presentational currency is GBP because that is the currency of the primary economic environment in which the OFSO operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income and Retained Earnings.

1.9 Finance costs

Finance costs are charged to the Statement of Comprehensive Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.10 Pensions

The OFSO provides membership of an outsourced defined contribution plan for its employees. A defined contribution plan is a pension plan under which the OFSO pays fixed contributions into a separate entity. Once the contributions have been paid the OFSO has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income and Retained Earnings when they fall due. Amounts not paid are shown within creditors as a liability in the Balance Sheet. The assets of the plan are held separately from the OFSO in independently administered funds.

1.11 Interest receivable and similar income

Interest income is recognised in the Statement of Comprehensive Income and Retained Earnings using the effective interest method.

1.12 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income and Retained Earnings in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.13 Operating Lease

Rentals under operating leases are charged to the Statement of Comprehensive Income and Retained Earnings on a straight line basis over the term of the lease.

1.14 Expenses

Expenses are accounted for on an accrual basis. Operating expenses incurred are shared equally between the two offices, OFSO Jersey and OFSO Guernsey.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

Recoverability of unbilled income and debtors are the key areas of judgement.

In assessing unbilled income recoverability, management have considered each entity's awareness of OFSO's case fee schemes and whether the entity to be billed is still in operation.

In assessing debtor recoverability management have considered any certifications regarding zero rating, whether the entity is still in operation and whether the entity is still a Registered Provider (see Note 1.3).

3. Analysis of revenue

An analysis of revenue is presented below:

	2017	*2016*
	£	*£*
Case fees	**35,425**	*36,200*
Levies	**280,440**	*289,180*
	315,865	*325,380*

4. Administrative expenses

	2017	2016
	£	£
Directors remuneration	21,000	27,750
Staff salaries	201,492	145,038
Employer social security	10,341	7,279
Staff pension costs	18,760	13,629
Staff training	9,101	4,632
Hotels, travel and subsistence	7,689	9,098
Computer costs	23,506	12,271
Legal and professional	5,948	18,647
Auditor's remuneration	15,900	28,061
Accountancy fees	1,950	20,439
Bad debts	-	7,092
Provision for bad debts	-	12,600
Rent and rates	20,216	12,230
Insurances	12,704	10,750
Recruitment	4,328	5,319
Other	11,404	10,207
	364,339	345,042

5. Interest payable and similar charges

	2017	2016
	£	£
Loan interest payable	-	(1,914)
	-	(1,914)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

6. Intangible assets

	Website and Brand £	Complaint Management system £	Total £
Cost			
At 1 January 2017	4,402	4,468	8,870
Additions	-	7,574	7,574
At 31 December 2017	4,402	12,042	16,444
Amortisation			
At 1 January 2017	1,200	-	1,200
Amortisation for the year	880	2,081	2,961
At 31 December 2017	2,080	2,081	4,161
Net book value			
At 31 December 2017	2,322	9,961	12,283
At 31 December 2016	3,202	4,468	7,670

7. Unbilled income (Net of provision)

	2017 £	*2016 £*
Case fees (see note 1.3)	37,025	*23,600*
	37,025	*23,600*

8. Debtors (Net of provisions)

	2017 £	*2016 £*
Trade debtors	10,153	*213*
Other debtors	2,413	*625*
	12,566	*838*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. Cash and cash equivalents

	2017 £	2016 £
Cash and cash equivalents	**247,473**	*322,272*
	247,473	*322,272*

The OFSO Jersey and Office of the Financial Ombudsman Guernsey share one bank account under the account name "The Offices of the Financial Services Ombudsman - CI". The above balance reflects OFSO Jersey's share of the balance.

10. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade and other creditors	**20,526**	*8,754*
Accruals	**17,700**	*26,309*
	38,226	*35,063*

11. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets measured at amortised cost	**297,064**	*346,710*
	297,064	*346,710*
Financial liabilities		
Financial liabilities measured at amortised cost	**(38,226)**	*(35,063)*
	(38,226)	*(35,063)*

12. Accumulated Surplus

The accumulated surplus includes all current and prior period retained profits and losses.

The Financial Services Ombudsman (Jersey) Law 2014 states that OFSO may, in accordance with any guidelines set by the Minister for Treasury and Resources;
(a) accumulate a reserve of such amount as it considers necessary, and
(b) invest that reserve and any of its other funds and resources that are not immediately required for the performance of its functions.

13. Other financial commitments

OFSO Jersey entered into a serviced offices licence agreement with Vantage Innovation Limited on 20th July 2015. The commencement date of the agreement is 3rd August 2015 and it has a fixed period of 29 months from this date. OFSO Jersey entered into two further serviced offices licence agreements with Vantage Innovation Limited during 2016, one has a commencement date of 1st June 2016 and has a fixed period of 19 months from this date. The second has a commencement date of 28th November 2016 and is fixed until 31st December 2017. OFSO Jersey entered into a new serviced office licence agreement with Vantage Innovation Limited with a commencement date of 1st January 2018, fixed until 31 December 2019 (£3,654 per month). The breakdown of the commitments which have been allocated to OFSO Jersey are as follows:

	2017	*2016*
	£	*£*
Due within 1 year	**21,924**	*20,034*
Due 2 – 5 years	**21,924**	-
	43,848	*20,034*

14. Related Party Transactions

During the year board remuneration of £12,000 (2016: £17,250) was paid to David Thomas, the chairman and £9,000 (2016: £10,500) was paid to the non-executive directors. No amounts were outstanding at the year end.

The decrease in remuneration is due to the expiry of an additional allowance regarding the establishment of OFSO Jersey.

The principal ombudsman is considered to be key management personnel. Remuneration in respect of the principal ombudsman is £72,458 (2016: £70,583).

15. Post balance sheet events

For the period from 1 January 2018 to the date of signing these financial statements there were no material events that require disclosure and/or adjustments for in these financial statements.

DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	*2016* *£*
Revenue	**315,865**	*325,380*
Gross profit	**315,865**	*325,380*
Less: overheads		
Administration expenses	**(364,339)**	*(345,042)*
Operating loss	**(48,474)**	*(19,662)*
Interest receivable	**278**	*324*
Interest payable	**-**	*(1,914)*
Loss for the year	**(48,196)**	*(21,252)*

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Revenue

	2017	*2016*
	£	£
Operational levies - banking	**133,550**	*146,506*
Operational levies - other	**146,890**	*142,674*
Case fees	**35,425**	*36,200*
	315,865	*325,380*

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Administration expenses

	2017	2016
	£	£
Directors remuneration	**21,000**	*27,750*
Staff salaries	**201,492**	*145,038*
Employer social security	**10,341**	*7,279*
Staff pension costs – defined contribution schemes	**18,760**	*13,629*
Staff training	**9,101**	*4,632*
Hotels, travel and subsistence	**7,689**	*9,098*
Computer costs	**23,506**	*12,271*
Legal and professional	**5,948**	*18,647*
Auditor's remuneration	**15,900**	*28,061*
Accountancy fees	**1,950**	*20,439*
Bad debts	-	*7,092*
Provision for bad debts	-	*12,600*
Rent and rates	**20,216**	*12,230*
Insurances	**12,704**	*10,750*
Recruitment	**4,328**	*5,319*
Entertainment	-	*(84)*
Case related consultancy/costs	-	*1,088*
Printing and stationery	**1,278**	*2,073*
Postage	**412**	*347*
Telephone and fax	**542**	*552*
General office expenses	**1,119**	*3,516*
Trade subscriptions	**2,678**	*638*
Bank charges	**869**	*702*
Amortisation - website & brand	**2,961**	*880*
Exchange (gain)/loss	-	*(1)*
Administration	**1,545**	*496*
	364,339	*345,042*

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Interest receivable

	2017 £	2016 £
Other interest receivable	-	97
Bank interest received	278	227
	278	324

Interest payable

	2017 £	2016 £
Loan interest payable	-	(1,914)
	-	(1,914)


Large ORANGES
GOOD FRIENDS ARE LIKE
STARS YOU DON'T ALWAYS
SEE THEM BUT YOU KNOW
THEY'RE ALWAYS THERE
Roasted Monkey Nuts

APPENDIX 2
2017 AUDITED FINANCIAL STATEMENTS

Office of the Financial Services Ombudsman (Guernsey)

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - GUERNSEY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

OFSO INFORMATION

Directors	David Thomas - Chairman John Curran Deborah Guillou John Mills
Administration office	Channel Islands Financial Ombudsman No 3 The Forum Grenville Street St. Helier Jersey JE4 9QG
Independent auditors	KPMG Channel Islands Limited 37 Esplanade St. Helier Jersey JE4 8WQ
Principal Ombudsman	Douglas Melville

CONTENTS

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Chairman presents his statement for the year.

The Channel Islands Financial Ombudsman (CIFO) is the joint operation of the Office of the Financial Services Ombudsman (OFSO) established by the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 and the equivalent body established by law in Jersey. OFSO's financial statements reflect the fact that it is part of the joint operation.

In particular, a Memorandum of Understanding between the States of Guernsey and the States of Jersey provides that the operating expenses of the joint operation are to be divided equally between the two bodies until the end of 2018. These shared operating expenses are raised by levies currently divided equally between the financial sector in each Bailiwick, supplemented by case fees.

In April 2017 a wide-ranging and multi-stage review of the funding model began. Stakeholder briefing sessions were held in April 2017 followed by a discussion paper issued in July 2017. A consultation options paper was issued in December 2017. A final consultation proposing a new detailed funding structure was issued at the end of Q1, 2018. In the light of responses to this the Board will adopt a new funding model. Subject to completion of any required minor legislation changes, this will take effect from January 2019.

The OFSO Board seeks to maintain an operating reserve sufficient to allow for unforeseeable volatility in complaint numbers and to cover operating costs until the next set of levy payments are received towards the middle of the following year. This is reflected in the cash position at the end of 2017.

Maintenance of a prudent reserve helps the OFSO Board to smooth fluctuations from year to year, by increasing or reducing reserves accordingly. For 2017 the Board again planned a reduction in reserves, by budgeting for a deficit between revenue and expenditure. The deficit of £48,113 in the accounts is slightly less than budgeted.

Expenditure increased in 2017, mainly due to increased staff costs to assist with the volume of complaints which accumulated throughout 2016. But the effect of this on the total income required through levies was reduced by careful management of the reserves during the year. As a result, the level of reserves remains within the prudent parameters set by the OFSO Board.

David Thomas
Chairman

Date
25 April 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Office of the Financial Services Ombudsman Guernsey ("OFSO") at the end of the year and of the profit or loss of the OFSO for that year. In preparing these financial statements the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. In preparing these financial statements, the OFSO is required to:

- keep proper accounts and proper records in relation to the accounts;
- prepare accounts in respect of each financial year and a report on its operations during that year; and
- submit the accounts and report to the Committee for Economic Development (the 'Committee') not later than 4 months after the end of each financial year.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the OFSO's transactions and disclose with reasonable accuracy at any time the financial position of the OFSO and enable them to ensure that the financial statements comply with the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014. They are also responsible for safeguarding the assets of the OFSO and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the website where OFSO's financial statements are published and for the preparation and dissemination of the financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal activity

The OFSO's primary function is to ensure that complaints about financial services are resolved:

(a) independently, and in a fair and reasonable manner,

(b) effectively, quickly, with minimum formality, and so as to offer an alternative to court proceedings that is more accessible for complainants, and

(c) by the most appropriate means, whether by mediation, referral to another forum, determination by an Ombudsman or in any other manner.

Results

The Statement of Comprehensive Income and Retained Earnings for the year is set out on page 6.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

Directors

The directors who served during the year were:

David Thomas - Chairman
John Curran
Deborah Guillou
John Mills

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the OFSO's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the OFSO's auditors are aware of that information.

Independent Auditors

The auditors, KPMG Channel Islands Limited, will be proposed for reappointment.

This report was approved by the board on 25 April 2018 and signed on its behalf.

Director

KPMG Channel Islands Limited
Glategny Court
St Peter Port
Guernsey GY1 1WR
Channel Islands

Independent Auditor's Report to the Committee for Economic Development of the States of Guernsey (the 'Committee)

Our opinion is unmodified

We have audited the financial statements (the "Financial Statements") of the Office of the Financial Services Ombudsman - Guernsey (the "Body Corporate"), which comprise the Balance Sheet as at 31 December 2017, the Statements of Comprehensive Income and Retained Earnings, and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Financial Statements:

- give a true and fair view of the financial position of the Body Corporate as at 31 December 2017, and of the Body Corporate's financial performance and the Body Corporate's cash flows for the year then ended;
- are prepared in accordance with United Kingdom accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Body Corporate in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

KPMG Channel Islands Limited
Glategny Court
St Peter Port
Guernsey GY1 1WR
Channel Islands

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 2, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Body Corporate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Body Corporate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Committee

This report is made solely to the Committee, as a body, in accordance with Schedule 2(1)(4)(a) of the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014. Our audit work has been undertaken so that we might state to the Committee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee, as a body, for our audit work, for this report, or for the opinions we have formed.

James Le Bailly
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants

26 April 2018

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Revenue	3	**316,755**	*286,000*
Gross profit		**316,755**	*286,000*
Administrative expenses	4	**(365,146)**	*(350,271)*
Operating loss		**(48,391)**	*(64,271)*
Interest receivable and similar income		**278**	*404*
Interest payable and expenses	5	**-**	*(1,914)*
Deficit and total comprehensive loss for the year		**(48,113)**	*(65,781)*
Retained earnings at the beginning of the year		**253,610**	*319,391*
Deficit and total comprehensive loss for the year		**(48,113)**	*(65,781)*
Retained earnings at the end of the year		**205,497**	*253,610*

All amounts relate to continuing operations.

The notes on pages 9 to 18 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £		2016 £
Fixed assets					
Intangible assets	6		**12,283**		*7,670*
			12,283		*7,670*
Current assets					
Unbilled income	7	**23,025**		*11,400*	
Debtors	8	**26,792**		*1,232*	
Cash and cash equivalents	9	**181,623**		*268,371*	
		231,440		*281,003*	
Current liabilities					
Creditors	10	**(38,226)**		*(35,063)*	
Net current assets			**193,214**		*245,940*
Total assets less current liabilities			**205,497**		*253,610*
Net assets			**205,497**		*253,610*
Capital and reserves					
Accumulated surplus	12		**205,497**		*253,610*
			205,497		*253,610*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 April 2018.

Director

The notes on pages 9 to 18 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Cash flows from operating activities		
Deficit and total comprehensive loss for the year	**(48,113)**	*(65,781)*
Adjustments for:		
Amortisation of intangible assets	**2,961**	*880*
Interest payable	-	*1,914*
(Increase)/decrease in unbilled income	**(11,625)**	*107,430*
(Increase)/decrease in debtors	**(25,560)**	*42,887*
Increase/(decrease) in creditors	**3,163**	*(10,666)*
Net cash (used)/generated from operating activities	**(79,174)**	*76,664*
Cash flows from investing activities		
Purchase of intangible fixed assets	**(7,574)**	*(4,468)*
Net cash used in investing activities	**(7,574)**	*(4,468)*
Cash flows from financing activities		
Repayment of loans	-	*(225,000)*
Interest paid	-	*(1,014)*
Net cash used in financing activities	-	*(226,014)*
Net decrease in cash and cash equivalents	**(86,748)**	*(153,818)*
Cash and cash equivalents at the beginning of the year	**268,371**	*422,189*
Cash and cash equivalents at the end of year	**181,623**	*268,371*
Cash and cash equivalents at the end of year comprise:		
Cash and cash equivalents	**181,623**	*268,371*
	181,623	*268,371*

The notes on pages 9 to 18 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland as issued in September 2015 ('FRS 102').

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the OFSO's accounting policies (see note 2).

1.2 Going Concern

The OFSO continues to adopt the going concern basis in preparing its financial statements for the following reasons:

- All statutory aspects of the mandate are in place making the OFSO mandatory;
- There is statutory ability to levy industry to cover operating costs;
- There is a strong cash position and at least six-months' operating expenses held in an operating reserve;
- Operational momentum including case files and associated case fee income tracking to plan;
- As regards the pan-Channel Islands, joint operation of OFSO Jersey and OFSO Guernsey, there is a Memorandum of Understanding in place between the Committee and the Jersey Minister for Economic Development, Tourism, Sport and Culture.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.3 Revenue

The intent under-pinning the design of the OFSO's funding regime is to charge on a basis that is transparent, fair and simple to administer in the first few years of OFSO's operation. A wide-ranging review of the funding model began in April 2017. The review involves several stages of stakeholder consultation with any new approach to take effect from January 2019.

The Financial Services Ombudsman (Case-fee and Levies) (Bailiwick of Guernsey) Order 2015, as amended by the Financial Services Ombudsman (Case Fee and Levies) (Bailiwick of Guernsey) (Amendment) Order, 2016, provides for OFSO to prescribe schemes for case fees and levies to be paid by certain financial services providers in respect of the expenses of OFSO.

Sources of revenue

The principal sources of revenue are:

Annual levy

The detail regarding the levies for 2017 is set out in the Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2017 (the '2017 Guernsey Levy Scheme').

OFSO's levies are payable by 'Registered Providers', as defined in the Financial Services Ombudsman (Case Fee and Levies) (Bailiwick of Guernsey) Order, 2015. Broadly these are providers that are required to register with Guernsey Financial Services Commission ("the Commission") or are licensed under the regulatory laws as specified. Data on registered providers is provided by the Commission to OFSO, as set out in the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014.

The 2017 levy was payable per sector of activity for which, on 3 January 2017, a provider was registered with or held a licence from the Commission, unless the Registered Provider was entitled to zero-rating in accordance with the 2017 Guernsey Levy Scheme. Levy notices were sent out from June to August 2017 and Registered Providers were required to pay to OFSO the levy as specified in the levy notice, unless they certified as zero-rated in accordance with the procedure specified in the levy notice.

The 2017 levies raised the funding required for the operation of OFSO in 2017. In setting the amount to be raised in levies the OFSO board was mindful of the increase in planned expenditure for 2017 and so managed the reserves and expected case fee income carefully to minimise the increase in the total levy mount required. For 2017, the total levy amount required in Guernsey was £309,809. The individual levy amount calculations took into account information provided by new Registered Providers on their eligibility for zero-rating.

1. Accounting policies (continued)

Case fees

Case fees are set in the Financial Services Ombudsman Fee Scheme (Bailiwick of Guernsey) 2017. Case fees are charged on a fixed basis irrespective of outcome and the time and other costs incurred relating to the specific case. Each financial services provider must pay to OFSO a case fee for each complaint against the provider that is referred to OFSO, unless, in the opinion of an ombudsman:

- on receipt of the complaint, it is apparent that it is not eligible or should be rejected; or
- at any time, the complaint is rejected as frivolous or vexatious.

The amount of the case fee for each complaint received on or after 1 January 2017 is:

- £300 for any registered provider that is liable to pay a levy; and
- £750 for any other provider.

The amount of the case fee for each complaint received prior to 1 January 2017 is:

- £200 for any registered provider that is liable to pay a levy; and
- £600 for any other provider.

Recognition bases

Levy income

Levy income is recognised in the period to which the levy relates.

Case fee income

Case fee income is recognised when it is billable. A complaint become billable once it has completed the initial jurisdictional checks and has not been rejected as ineligible or for other reasons in accordance with the legislation.

Ordinarily, OFSO will invoice any case fees annually in arrears. For Registered Providers that are subject to the annual levy, OFSO will invoice any case fees for the preceding year in conjunction with the levy for the current year.

If any provider accumulates 10 or more case fees since the previous case fee invoice (or since OFSO opened for business) OFSO may issue an interim case fee invoice.

1. Accounting policies (continued)

1.4 Intangible assets

Intangible assets comprise primarily of OFSO's website and brand and its bespoke complaint management system (CMS). These assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Website & Brand	-	5	years
Complaint management system	-	5	years

The board's policy is to only capitalise items over £1,000.

Intangible asset amortisation commences upon commissioning of the asset in question. Amortisation of the CMS began in 2017 when OFSO started using the system for all new complaints received.

1.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts (if applicable) that are repayable on demand and form an integral part of the OFSO's cash management.

1.6 Financial instruments

Financial instruments are classified as basic or other financial instruments in accordance with Section 11 and 12 of FRS 102. Basic financial instruments include unbilled income, debtors, cash and cash equivalents, trade and other creditors and accrued expenses. There are no other financial instruments in these financial statements.

(i) Financial assets

Unbilled income and debtors are recognised initially at the transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial assets measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income and Retained Earnings.

Financial assets are derecognised when the contractual rights to cash flows from the asset expire or are settled.

1. Accounting policies (continued)

(ii) Financial liabilities

Trade and other creditors and accrued expenses are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

(iii) Offsetting

No financial assets and liabilities have been offset at the balance sheet date.

(iv) Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

1.7 Foreign currency translation

Functional and presentation currency

The OFSO's functional and presentational currency is GBP because that is the currency of the primary economic environment in which the OFSO operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income and Retained Earnings.

1.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1. Accounting policies (continued)

1.9 Pensions

The OFSO provides membership of an outsourced defined contribution plan for its employees. A defined contribution plan is a pension plan under which the OFSO pays fixed contributions into a separate entity. Once the contributions have been paid the OFSO has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income and Retained Earnings when they fall due. Amounts not paid are shown within creditors as a liability in the Balance Sheet. The assets of the plan are held separately from the OFSO in independently administered funds.

1.10 Interest receivable and similar income

Interest income is recognised in the Statement of Comprehensive Income and Retained Earnings using the effective interest method.

1.11 Borrowings costs

All borrowing costs are recognised in the Statement of Comprehensive Income and Retained Earnings in the period in which they are incurred.

1.12 Taxation

The income of the OFSO is not subject to Income Tax under the Income Tax (Guernsey) Law 1975.

1.13 Unbilled income

Income is recognised in the year it relates to. Any income relating to the current year but unbilled at the year-end is recognised as unbilled income.

1.14 Operating Lease

Rentals under operating leases are charged to the Statement of Comprehensive Income and Retained Earnings on a straight line basis over the term of the lease.

1.15 Expenses

Expenses are accounted for on an accrual basis. Operating expenses incurred are shared equally between the two offices, OFSO Jersey and OFSO Guernsey.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

Recoverability of unbilled income and debtors are the key areas of judgement.

In assessing unbilled income recoverability, management have considered each entity's awareness of OFSO's case fee schemes and whether the entity to be billed is still in operation.

In assessing debtor recoverability, management have considered certifications regarding zero-rating, whether the entity is still in operation and whether the entity is still a Registered Provider (see Note 1.3).

3. Analysis of revenue

An analysis of revenue is presented below:

	2017 £	2016 £
Case fees	19,825	12,600
Levies	296,930	273,400
	316,755	286,000

4. Administrative expenses

	2017 £	2016 £
Directors remuneration	21,000	27,750
Staff salaries	201,492	145,038
Employer social security	10,341	7,279
Staff pension costs	18,760	13,629
Staff training	9,101	4,632
Hotels, travel and subsistence	7,689	9,098
Computer costs	23,506	12,271
Legal and professional	5,948	18,647
Auditor's remuneration	15,900	28,061
Accountancy fees	1,950	20,439
Bad debts	807	23,721
Provision for bad debts	-	1,200
Rent and rates	20,216	12,230
Insurances	12,704	10,750
Recruitment	4,328	5,319
Other	11,404	10,207
	365,146	350,271

5. Interest payable and similar charges

	2017 £	2016 £
Loan interest payable	-	1,914
	-	1,914

6. Intangible assets

	Website and Brand	Complaint Manage-ment system	Total
	£	£	£
Cost			
At 1 January 2017	4,402	4,468	8,870
Additions	-	7,574	7,574
At 31 December 2017	4,402	12,042	16,444
Amortisation			
At 1 January 2017	1,200	-	1,200
Amortisation for the year	880	2,081	2,961
At 31 December 2017	2,080	2,081	4,161
Net book value			
At 31 December 2017	2,322	9,961	12,283
At 31 December 2016	3,202	4,468	7,670

7. Unbilled income (Net of provision)

	2017	*2016*
	£	*£*
Case fees (see note 1.3)	23,025	*11,400*
	23,025	*11,400*

8. Debtors (Net of provisions)

	2017	*2016*
	£	*£*
Trade debtors	24,379	*607*
Other debtors	2,413	*625*
	26,792	*1,232*

9. Cash and cash equivalents

	2017 £	2016 £
Cash and cash equivalents	181,623	268,371
	181,623	268,371

The OFSO Guernsey and Office of the Financial Ombudsman Jersey share one bank account under the account name "The Offices of the Financial Services Ombudsman - CI". The above balance reflects OFSO Guernsey's share of the balance.

10. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade and other creditors	20,526	8,754
Accruals	17,700	26,309
	38,226	35,063

11. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets measured at amortised cost	231,440	281,003
	231,440	281,003
Financial liabilities		
Financial liabilities measured at amortised cost	(38,226)	(35,063)
	(38,226)	(35,063)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12. Accumulated Surplus

The accumulated surplus includes all current and prior period retained profits and losses.

The establishing law states that OFSO may, in accordance with any guidelines set by the States, Treasury and Resources Department-
(a) accumulate a reserve of such amount as it considers necessary, and
(b) invest that reserve and any of its other funds and resources that are not immediately required for the performance of its functions.

13. Other financial commitments

OFSO Jersey entered into a serviced offices licence agreement with Vantage Innovation Limited on 20th July 2015. The commencement date of the agreement is 3rd August 2015 and it has a fixed period of 29 months from this date. OFSO Jersey entered into two further serviced offices licence agreements with Vantage Innovation Limited during 2016, one has a commencement date of 1st June 2016 and has a fixed period of 19 months from this date. The second has a commencement date of 28th November 2016 and is fixed until 31st December 2017. OFSO Jersey entered into a new serviced office licence agreement with Vantage Innovation Limited with a commencement date of 1st January 2018, fixed until 31 December 2019 (£3,654 per month). The breakdown of the commitments which have been allocated to OFSO Guernsey are as follows:

	2017 **£**	*2016* *£*
Due within 1 year	**21,924**	*20,034*
Due 2 – 5 years	**21,924**	-
	43,848	*20,034*

14. Related Party Transactions

During the year board remuneration of £12,000 (2016: £17,250) was paid to David Thomas, the chairman and £9,000 (2016: £10,500) was paid to the non-executive directors. No amounts were outstanding at the year end.

The decrease in remuneration is due to the expiry of an additional allowance regarding the establishment of OFSO Guernsey.

The principal ombudsman is considered to be key management personnel. Remuneration in respect of the principal ombudsman is £72,458 (2016: £70,583).

15. Post balance sheet events

For the period from 1 January 2018 to the date of signing these financial statements there were no material events that require disclosure and/or adjustments for in these financial statements.

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - GUERNSEY

DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	*2016 £*
Revenue	**316,755**	*286,000*
Gross profit	**316,755**	*286,000*
Less: overheads		
Administration expenses	**(365,146)**	*(350,271)*
Operating loss	**(48,391)**	*(64,271)*
Interest receivable	**278**	*404*
Interest payable	**-**	*(1,914)*
Loss for the year	**(48,113)**	*(65,781)*

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Revenue

	2017	*2016*
	£	*£*
Operational levies - banking	**146,828**	*146,502*
Operational levies - other	**150,102**	*126,898*
Case fees	**19,825**	*12,600*
	316,755	*286,000*

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Administration expenses

	2017 £	2016 £
Directors remuneration	21,000	27,750
Staff salaries	201,492	145,038
Employer social security	10,341	7,279
Staff pension costs – defined contribution schemes	18,760	13,629
Staff training	9,101	4,632
Hotels, travel and subsistence	7,689	9,098
Computer costs	23,506	12,271
Legal and professional	5,948	18,647
Auditor's remuneration	15,900	28,061
Accountancy fees	1,950	20,439
Rent and rates	20,216	12,230
Insurances	12,704	10,750
Recruitment	4,328	5,319
Entertainment	-	(84)
Case related consultancy/costs	-	1,088
Printing and stationery	1,278	2,073
Postage	412	347
Telephone and fax	542	552
General office expenses	1,119	3,516
Trade subscriptions	2,678	638
Bank charges	869	702
Difference on foreign exchange	-	(1)
Bad debts	807	23,721
Provision for bad debts	-	1,200
Amortisation - website & brand	2,961	880
Administration	1,545	496
	365,146	350,271

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Interest receivable

	2017	*2016*
	£	*£*
Other interest receivable	**-**	*177*
Bank interest receivable	**278**	*227*
	278	*404*

Interest payable

	2017	*2016*
	£	*£*
Loan interest payable	**-**	*(1,914)*
	-	*(1,914)*


PROPERTY CONSULTANTS
NEXT
20th MAY

Fairness of **outcome**...
Fairness of **process**...

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