
Channel Islands Financial Ombudsman **ANNUAL REPORT 2015**

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

Alderney



Guernsey



Herm



Sark



Jersey



Channel Islands
Financial Ombudsman (CIFO)
PO Box 114
Jersey
Channel Islands JE4 9QG

Jersey: 01534 748610
Guernsey: 01481 722218
International: +44 1534 748610
Facsimile: +44 1534 747629
www.ci-fo.org



Channel Islands
**Financial
Ombudsman**

R.65/2016



OUR MISSION

The Channel Islands Financial Ombudsman 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.

TABLE OF CONTENTS

•
Annual Report 2015

INTRODUCTION	3
Submission Letter	3
Message from the Chairman	4
Message from the Principal Ombudsman	5
ORGANISATION	6
Who We Are	6
How We Work	7
How We Determine a Complaint	9
The Process	10
ANNUAL REVIEW	11
2015 Year in Review	11
2015 Operating Statistics	13
Insight Into Our Approach	15
GOVERNANCE	19
APPENDICES	21
Appendix 1: 2015 Audited Financial Statements (Jersey)	
Appendix 2: 2015 Audited Financial Statements (Guernsey)	
CONTACT	<i>Back Cover</i>

SUBMISSION LETTER 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 Kevin Stewart
Minister for Commerce and Employment
States of Guernsey
Raymond Falla House
PO Box 459
Longue Rue
St Martin's
Guernsey
GY1 6AF

Dear Ministers

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 the Bailiwick of Jersey.

On behalf of the Directors, I am pleased to submit the report and accounts for 2015. 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 is the joint operation of statutory bodies established by law in the Bailiwick of Guernsey and Bailiwick of Jersey. Our role is to resolve financial services complaints when things go wrong and point out opportunities where things could be improved – in order to support confidence in financial services, both here and internationally. We increase access to justice by providing an informal alternative to the courts.

Before establishing a financial ombudsman, the States of Guernsey and States of Jersey consulted widely. They drew on lessons learned and effective approaches developed in more than 50 financial ombudsmen around the world. Other financial ombudsmen work within one economy and interact with one government. So the Channel Islands Financial Ombudsman is a global first, working pan-island within more than one economy and interacting with more than one government.

The two States decided that the financial ombudsman would be independent, but established by statute – with compulsory jurisdiction over financial services providers and binding authority to resolve complaints

on the basis of what is fair and reasonable in the circumstances. Complaints can be referred by residents of the Channel Islands and also customers anywhere in the world served by Channel Islands-based financial services providers.

Considerable collective effort was required to turn the vision into reality. We are grateful for the hard work and support of both States, their officials, their consultant, the financial regulators, financial industry leaders, community leaders and other stakeholders. We were pleased to be able to recruit a Principal Ombudsman with significant experience as a financial ombudsman in Canada and an international reputation.

We wish the Principal Ombudsman and his talented staff well in their work – handling the challenges of helping consumers and financial services providers to fair resolution of disputes. Our aim is to be easy to use and understand. We do not take sides; we decide what is fair, even if that is not popular. We seek to be open about our work, to be prompt and efficient, and to continue to get better at what we do.

MESSAGE FROM THE PRINCIPAL OMBUDSMAN & CHIEF EXECUTIVE

Douglas Melville



Building something new is always an exciting and interesting challenge. This is particularly true when there is such broad interest in what is being built.

The term ombudsman is not always well-known and understood. Neither a regulator nor a consumer advocate, we review financial consumer complaints with a view to resolving them on a basis that is fair and reasonable in the circumstances. Local industry and consumers will take some time to fully understand the nature of our role, and the powerful benefit it can bring to both parties to a dispute.

This new scheme owes much to the efforts of local politicians, departments and staff in both Guernsey and Jersey. Their leadership and ongoing support is critical to the success of this new component of the financial sector and consumer protection frameworks in the Channel Islands.

While the Channel Islands are geographically small, the scale and sophistication of these international financial centres, the scope and complexity of the financial services provided, and the international nature of the customer base makes this a fascinating and challenging environment for a financial ombudsman.

We have also benefited from strong and thoughtful engagement from a wide range of stakeholders in the Channel Islands. Both industry and consumer groups have openly shared their views to help make this new office effective and successful.

We are most fortunate to have the support of a Board of Directors that brings a unique combination of financial ombudsman experience, Channel Island insight, regulatory experience, and governance and oversight.

We have also benefited from the generous support of our colleagues in other financial ombudsman schemes. We are members of the worldwide International Network of Financial Services Ombudsman Schemes (INFO Network) and have been invited to attend, as observers, meetings of the FIN-NET – the European Union network of financial ombudsmen. Many have supported us during this important start-up phase in our development. In particular, I wish to thank the UK Financial Ombudsman Service and the Ombudsman for Banking Services and Investments in Canada.

To our new team, thank you for taking on the daily challenge of helping consumers and financial services providers whose disputes come to us for resolution. In addition to strong analytical and communication skills, it takes empathy, an open mind, and sometimes a tough skin.

We are very pleased with the response to our new mandate and look forward to providing an accessible and fair resolution to financial consumer complaints and, by doing so, play our part in supporting the successful financial sectors in these beautiful Channel Islands.

Channel Islands Financial Ombudsman WHO WE ARE

The Channel Islands Financial Ombudsman (CIFO) is the trusted 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 retail consumers, microenterprises, and some charities and, given the global nature of the business conducted from the international financial centres of Jersey and Guernsey, these can be located in the Channel Islands or anywhere in the world.

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 shared office in Jersey with the same Board members

and staff. The States of Jersey and 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, dispute resolution and regulatory compliance – review and investigate unresolved complaints from clients about financial services providers (FSPs) in or from the Channel Islands.



Left to right: Sophie Watkins, Ross Symes, Douglas Melville, Heather Rushton, Dominic Hind.

If we find the FSP has caused a loss to the consumer, we will work to achieve a settlement that aims to make the consumer whole. 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 circumstance. In some cases, nonfinancial actions such as correcting a credit bureau record may be appropriate. If we find the FSP has acted appropriately, we will explain to the customer why we came to that conclusion.

When we receive a complaint, our team looks at the information provided to make sure it falls within our remit. For instance, the FSP has to fall within CIFO's remit as set out by law in both Jersey and Guernsey. This covers things that happened on or after 1 Jan 2010 (if the FSP was in Jersey) or 2 Jul 2013 (if the FSP was in Guernsey/Alderney/Sark). 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. CIFO will look at complaints where the consumer is either unsatisfied with their FSP's final response, or three months have passed since the consumer first complained to their FSP and the complaint remains unresolved. The consumer must raise the complaint to our office within six years of the error that caused the loss or within two years from when the consumer knew or should have known of the problem.

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

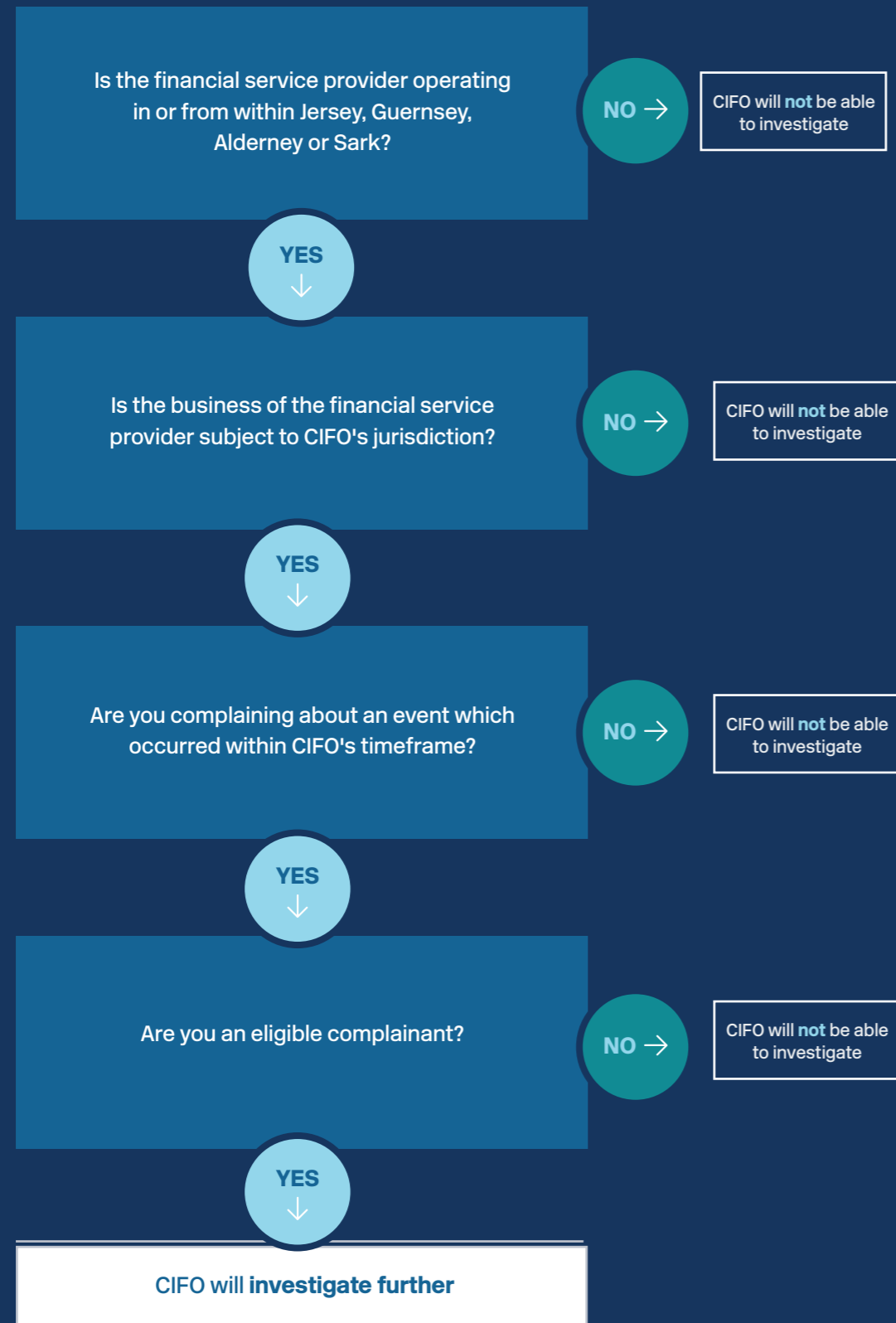
of practice, or codes of conduct. If we believe that the facts of the case do not warrant further review, we will let the consumer know quickly. We always make sure that we explain our reasons, just as we do when we are determining that compensation is appropriate.

If we determine that compensation is owed to the consumer, we try to settle 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.

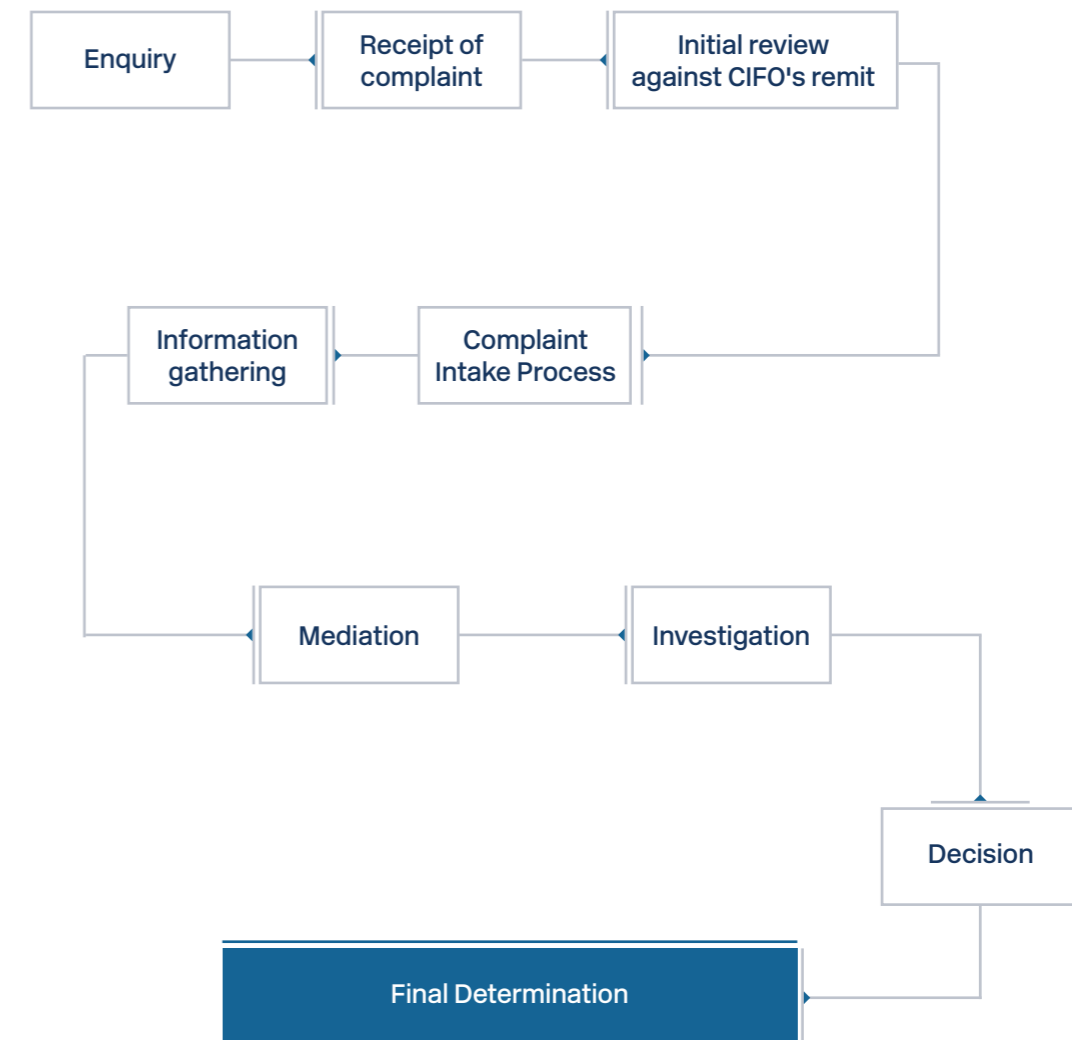
If we are unable to facilitate a settlement but we continue to believe the consumer should be compensated, we will complete our investigation and make a determination. Our decision, if accepted by the consumer, becomes binding upon the FSP.

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.

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



THE PROCESS FROM ENQUIRY THROUGH TO FINAL DETERMINATION



YEAR IN REVIEW 2015

2015 saw the beginning of the Channel Islands Financial Ombudsman. The Principal Ombudsman started his duties on 1 June and operations commenced on 16 November. The past year is therefore best viewed in three separate phases:

- 1 January to 1 June
- 1 June to 16 November
- 16 November to 31 December

1 JANUARY TO 1 JUNE

This period was characterised by the key preparations for the establishment of the office including the finalisation of secondary legislation such as exempt business and funding orders, the international recruitment and selection process for the Principal Ombudsman, the establishment of financial accounts, and engagement of key consulting and outsourced resources to support the initial operation.

This period involved the Board of Directors, and especially the Chairman and the Board's consultant, in extensive consultation with the States of Jersey and States of Guernsey and key stakeholders around finalising the secondary legislation.

1 JUNE TO 16 NOVEMBER

The Principal Ombudsman arrived in the Channel Islands and commenced his duties on 1 June. The initial priorities were to establish the office infrastructure and determine a date for the commencement of operation before the end of 2015. A plan to launch the new mandate and office was set for 16 November.

Initial pre-launch activities during this period involved securing office space and hiring individuals for the initial key staff roles including a Manager, Administration and Stakeholder Relations; a Case Handler; and an Administration Officer. While the initial start-up funding of the preparations for the new mandate were provided by loans from the States of Jersey and States of Guernsey, the ongoing funding of the new organisation was set in place with the implementation of levy and case fee schemes for both Jersey and Guernsey to enable the raising of levies from eligible financial services providers within the Channel Islands.

Also during this period, a series of public consultations were held on a variety of important issues including:

- Categories of eligible complainants
- Who can be an eligible complainant based on sufficiently-close relationships with financial services providers
- A model complaint-handling procedure for financial services providers
- The 2015 case fee and levy schemes
- The policy on factors to be considered in rejecting complaints
- The policy on delegation and review of rejection decisions

During this period, extensive outreach activities were conducted to introduce various stakeholders across the Channel Islands to the new mandate. Consumers with complaints were invited to pre-register their complaints with the office so that work on them could begin once the office became operational.



16 NOVEMBER TO 31 DECEMBER

With the commencement of the statutory powers of the mandate and opening of the office on 16 November, work began on the review of those complaints that had been pre-registered with the office in advance of the opening date as well as the weekly volume of new enquiries and complaints. This period largely involved training and development and the ongoing refinement of internal policies and procedures and general approaches to address the wide variety of enquiries and complaints received during the period. While the statistical information for the few weeks of operation is understandably limited, we were gratified to see that a significant number of complainants were aware of the new mandate and were able to successfully find their way to our office to refer their complaints.

LOOKING FORWARD

In 2016, we will focus on further refining our internal policies and procedures and general approaches to the range of complaints we encounter. We will also focus on establishing more of the longer-term infrastructure for the organisation such as the development of a more robust computerised case management system and greater functionality and content for the CIFO website. We will continue an active outreach program to ensure that consumers and industry stakeholders are aware of our mandate and are informed as to how to work most effectively and efficiently with our office.

In 2016 we will be releasing quarterly operating statistics. Future annual reports will include a full statistical section that provides insight into not only the volumes of enquiries and complaints being handled by the office, but also the complaint themes and how the complaints are being resolved. Following discussion with stakeholders, from the beginning of 2018 the quarterly and annual operating statistics, as well as any published ombudsman determinations, will include the names of FSPs involved and the specific Channel Island where the FSP is located. This will provide a phase-in period during which the internal complaint handling processes of financial services providers can mature.

Alderney

Guernsey
Herm
Sark

Jersey

OPERATING STATISTICS 2015

CIFO commenced operation on 16 November leaving only about six weeks before the end of the 2015 fiscal year. During this six-week period, work commenced on the pre-registered complaints as well as the new complaints brought to the office between 16 November and 31 December. By 31 December, no case files had reached the point where a published decision had been made nor where an investigation of the merits of the complaint was completed. Some of the complaints had been reviewed and were found to be outside CIFO's remit. Those complaints that were rejected as out of mandate are recorded below along with the reason they were found to be out of mandate.

Those case files that were not closed as out of mandate during this period were carried forward to 2016 and will be reported in the quarterly statistics released in 2016 and in the 2016 annual report to be published in 2017.



41
Enquiries

Complaints

32 **55**

Pre-Registered

Complaints Received

16th Nov 2015

16th Nov - 31st Dec 2015

Complaints Closed as Out of Mandate (OOM)

22

Closure Reasons

14

OOM: Date

8

OOM: Business

2

OOM: Foreign FSP

Case File Inventory Carried Forward to 2016

65

SOME INSIGHT INTO OUR APPROACH THE EXAMPLE OF INVESTMENT SUITABILITY COMPLAINTS

With the commencement of CIFO's operations so close to year-end, there were not yet case studies to be shared in this annual report. Such case studies are a valuable means of communicating the types of complaints that arise and the general approaches the office is minded to take in such circumstances. One of the possible complaint themes we expect to see in the Channel Islands is similar to that seen in most mature financial services markets with a financial ombudsman scheme, complaints about the suitability of investment advice.

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 reasonable 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.





FOR EXAMPLE:

An investor loses £20,000 in an unsuitable investment. Depending on the different possibilities, the compensation warranted can change:

If the amount invested came from another investment, it may be fair and reasonable to determine how the investment would have performed in the same time period if it had been left in that original investment. If the original investment would have grown by £2,000 during the period, then it would take £22,000 to return the investor to the position they would have been in if the unsuitable recommendation had not been made.

If the amount invested was in cash, then it may be fair and reasonable to determine how the investment would have performed in the same time period if it had been invested in something suitable for the risk profile and objectives of the investor. In the absence of a specific investment on which to base the analysis, a benchmark index of a suitable risk profile offers an objective basis to determine compensation.

If the benchmark index of a suitable risk profile grew by £2,000 during the period, then again, it would take £22,000 to return the investor to the position they would have been in if the unsuitable recommendation had not been made. However, if the markets had fallen and the benchmark index of a suitable risk profile had fallen by £18,000 during the period, then we may conclude that the investor would have lost £18,000 anyway and therefore only lost £2,000 as a result of the unsuitable investment recommendation. If the benchmark index of a suitable risk profile had fallen £21,000 during the period, then we may conclude that the investor would have lost £21,000 anyway and therefore they did not incur any loss as a result of being unsuitably invested. In fact, the investor is better off by £1,000. We would not decide to compensate in this case.

Future case studies that CIFO will publish on its website and in future annual reports will likely illustrate different scenarios in this complicated area of financial complaints.



GOVERNANCE ONE STEP AHEAD

The Board of Directors is part-time and non-executive, with four members. It is independent of the States of Jersey and States of Guernsey and does not get involved in deciding cases, nor the day-to-day management of CIFO. Its key roles are to:

- Appoint the ombudsman and help safeguard his/her independence;
- Help ensure that that CIFO has adequate resources to handle its work;
- Oversee the efficiency and effectiveness of CIFO; and
- Advise on the strategic direction of CIFO.

Attendance at Board Meetings

Regular in-person meetings of the Board of Directors were scheduled throughout 2015. Additional meetings were held by conference call as required. All directors were in attendance for every one of the 18 meetings of the Board of Directors held in 2015.

DIRECTORS' ATTENDANCE AT 2015 BOARD MEETINGS

	No. of meetings held	No. of meetings attended	No. of meetings absent	Attendance rate
David Thomas (Chair)	18	18	0	100%
John Curran	18	18	0	100%
Debbie Guillou	18	18	0	100%
John Mills	18	18	0	100%

DIRECTOR REMUNERATION 2015

David Thomas (Chair)	£36,000
John Curran	£6,000
Debbie Guillou	£8,250
John Mills	£6,000

THE FOUR MEMBERS OF THE BOARD 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.

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, and undertakes several honorary roles in the Island including chairing the Investment Committee of the Public Employees Pension Scheme and sitting as a Tax Commissioner of Appeal.

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 Curran is chairman of Guernsey Mind (the mental health charity). 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).



**APPENDIX 1
2015 AUDITED
FINANCIAL
STATEMENTS**

OFSSO INFORMATION

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - JERSEY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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
Accountants	Grant Thornton Limited Kensington Chambers 46/50 Kensington Place St. Helier Jersey JE1 1ET
Principal Ombudsman	Douglas Melville

CONTENTS

	Page
Chairman's Statement	1
Directors' Report	2 - 3
Independent Auditor's Report	4 - 5
Statement of Income and Retained Earnings	6
Balance Sheet	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 18
The following pages do not form part of the audited statutory financial statements:	
Detailed Profit and Loss Account and Summaries	19 - 22

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The chairman presents his statement for the year.

Chairman's Statement

The financial statements for the Office of the Financial Services Ombudsman (Jersey) reflect the pan-island nature of the Channel Islands Financial Ombudsman (CIFO). This is the joint operation of the Offices of the Financial Services Ombudsman, established in law by the Financial Services Ombudsman (Jersey) Law 2014 and the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014.

The funding of this pan-island operation currently reflects a Memorandum of Understanding between the States of Jersey and States of Guernsey. This provides that the operating expenses of the joint operation shall be shared equally between the two Offices and the two Bailiwicks' respective financial sectors. The revenue raised by levy from the financial sectors in both Bailiwicks, supplemented by case fees, is to meet those shared operating expenses.

The accounts for the Office of the Financial Services Ombudsman (Jersey) are comparatively simple and straightforward with respect to the operating expenses. But this comparative simplicity does not reflect the underlying complexity of the pan-island operation and the annual process for raising revenue to cover the expenses.

In order to levy the hundreds of relevant financial services providers in the Channel Islands each year, we depend on receiving data on business activity and contact details for all of the relevant financial service providers from the Financial Services Commission. This process is complicated by the differences between the regulated categories for financial services providers in each Bailiwick, and by the differences between these and the scope of our jurisdiction (which is largely consistent across both Bailiwicks).

This is one of the features that increases complexity and creates an administrative load, resulting in costs which are significant for a comparatively small organisation. These costs arise irrespective of the volume of complaints referred to us each year by consumers of financial services that were provided in or from the Channel Islands.

The cash position at the end of 2015 reflects provision for three factors in particular: operating costs in 2016 until the 2016 levy payments are received, towards the middle of the year; repayment, due by the end of March 2016, of the loan provided by the States to cover startup and operating costs; and a prudent level of reserves, given the uncertainty surrounding future complaint volumes.

Name David Thomas
Chairman

Date 29 April 2016

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present their report and the financial statements for the year ended 31 December 2015.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and UK accounting standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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.

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 Income and Retained Earnings for the year is set out on page 6.

Directors

The directors who served during the year were:

David Thomas - Chairman
John Curran
Deborah Guillou
John Mills

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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.

Post balance sheet events

The States of Jersey Loan was repaid in March 2016.

Independent Auditors

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

This report was approved by the board on 29 April 2016 and signed on its behalf.

Director

John Frederick Mills

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

We have audited the financial statements of the Office of the Financial Services Ombudsman – Jersey (the "Body Corporate") for the year ended 31 December 2015 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

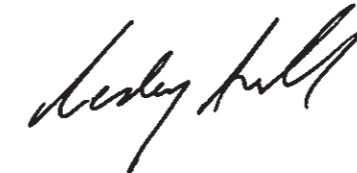
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Body Corporate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the Minister for Economic Development, Tourism, Sport and Culture of the States of Jersey (the 'Minister') – continued

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Body Corporate's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards including Financial Reporting Standard 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.



Lesley Averell
 for and on behalf of KPMG Channel Islands Limited
 Chartered Accountants

29 April 2016

The maintenance and integrity of the Channel Islands Financial Ombudsman website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since the date the audit report was signed on 29 April 2016.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	25 July to 31 December 2014 £
Revenue	3	600,099	-
Gross profit		600,099	-
Administrative expenses	4	(218,812)	(38,161)
Operating profit/(loss)		381,287	(38,161)
Interest receivable and similar income		788	-
Interest payable and expenses		(3,345)	-
Surplus/(deficit) and total other comprehensive income/(expenses)		378,730	(38,161)
Surplus/(deficit) after tax		378,730	(38,161)
Retained earnings at the beginning of the year/period		(38,161)	-
		(38,161)	-
Surplus/(deficit) for the year/period		378,730	(38,161)
Retained earnings/(deficit) at the end of the year/period		340,569	(38,161)

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 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	5	4,082	-
		4,082	-
Current assets			
Debtors	6	113,888	-
Cash at bank and in hand	7	452,977	-
Current liabilities		566,865	-
Creditors	8	(230,378)	(38,161)
Net current assets/(liabilities)		336,487	(38,161)
Total assets less current liabilities		340,569	(38,161)
Net assets		340,569	(38,161)
Capital and reserves			
Accumulated surplus		340,569	(38,161)
		340,569	(38,161)

All amounts relate to continuing operations.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2016.

Director *John Fredendy Mills*

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	378,730	(38,161)
Adjustments for:		
Amortisation of tangible assets	320	-
Interest paid	3,345	-
Increase in debtors	(113,888)	-
(Decrease) / increase in creditors	(7,783)	38,161
Net cash generated from operating activities	<u>260,724</u>	<u>-</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(4,402)	-
Net cash from investing activities	<u>(4,402)</u>	<u>-</u>
Cash flows from financing activities		
New secured loans	200,000	-
Interest paid	(3,345)	-
Net cash used in financing activities	<u>196,655</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>452,977</u>	<u>-</u>
Cash and cash equivalents at the end of year	<u>452,977</u>	<u>-</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	452,977	-
	<u>452,977</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 finalised making the OFSO mandatory ;
- All material repayment liabilities have been satisfied (States loan);
- There is statutory ability to levy industry to cover our operating costs;
- There is a strong cash position and six-months' operating expense held in an operating reserve;
- Operational momentum including case files tracking to plan;
- There is a Memorandum of Understanding in place between OFSO and the Financial Services Commission.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)**1.3 Revenue**

The intent underpinning 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. Once sufficient data is available on complaint volumes, the funding basis will be reviewed with a view to making the contributions from financial services providers, by island and by sector, more proportionate to their share of OFSO's workload. Case fees are charged on a fixed basis irrespective of the time and other costs incurred relating to the specific case.

The Financial Services Ombudsman (Case-fee and Levy) (Jersey) Regulations 2015 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 is set out in the Financial Services Ombudsman Levy Scheme (Jersey) 2015 (the '2015 Jersey Levy Scheme').

OF SO'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 2015 levy was payable per sector of activity for which, on 8 May 2015, 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 2015 Jersey Levy Scheme. Levy notices were sent out in September 2015 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 2015 levies raised the funding required for the operation of OFSO in 2015; the one-off establishment costs incurred in 2015 and 2014; and the setting up of reserves. In setting the amount to be raised in levies the OFSO board adopted a fixed-sum provision for reserves of an amount of £175,000, which it considered prudent in view of various uncertainties. These uncertainties include the number and nature of complaints that may be expected and the implication for operating costs; the number of Registered Providers that would certify as zero-rated; and, the time it would take for levy payments to be made. The calculation of the levy amounts took into account best estimates of the numbers of Registered Providers that would certify entitlement to zero-rating.

The 2015 levies comprised:

- a start-up component for one-time establishment costs incurred before 1st January 2015, one-time establishment costs incurred in 2015 and an amount to establish a prudent level of reserves; and
- an operational component for running costs incurred before 1st January 2015 and running costs incurred in 2015.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)**Case fees**

Case fees are set in the Financial Services Ombudsman Fee Scheme (Jersey) 2015. 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 is:

- nil for Community Savings Limited;
- £200 for any Registered Provider that has paid the 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 becomes 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 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
-----------------	---	---------

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 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 cash and cash equivalents, debtors, a loan and other creditors. There are no other financial instruments in these financial statements.

(i) Financial assets

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 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

Creditors include loans payable and accrued expenses and 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)**1.8 Foreign currency translation****Functional and presentation currency**

The company's functional and presentational currency is GBP.

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 Income and Retained Earnings.

1.9 Finance costs

Finance costs are charged to the Statement of 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 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 income

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

1.12 Borrowing costs

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)**1.13 Operating Lease**

Rentals under operating leases are charged to the Statement of 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

Debtors is the key area of judgement. 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:

	2015 £	25 July 2014 - 31 December 2014 £
Case Fees	-	-
Levies	600,099	-
Other Income	-	-
	<u>600,099</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

4. ADMINISTRATIVE EXPENSES

	2015 £	25 July 2014 - 31 December 2014 £
Directors remuneration	28,125	8,625
Staff salaries	47,409	-
Staff pension costs	5,323	-
Hotels, travel and subsistence	9,254	871
Consultancy	43,025	17,000
Legal and professional	14,971	525
Auditor's remuneration	10,663	3,250
Accountancy fees	7,238	1,750
Rates	5,288	-
Insurances	9,099	-
Recruitment	5,687	5,812
Relocation costs	14,725	-
Other	18,005	328
	<u>218,812</u>	<u>38,161</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

5. Intangible assets

	Website and Brand £	Total £
Cost		
At 1 January 2015	-	-
Additions	4,402	4,402
At 31 December 2015	4,402	4,402
Amortisation		
At 1 January 2015	-	-
Amortisation for the year	320	320
At 31 December 2015	320	320
Net book value		
At 31 December 2015	4,082	4,082
At 31 December 2014	-	-

6. Debtors

	2015 £	2014 £
Trade debtors	113,100	-
Other debtors	788	-
	113,888	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

7. Cash and cash equivalents

	2015 £	2014 £
Cash at bank and in hand	452,977	-
	452,977	-

The OFSO Jersey and Office of the Financial Ombudsman Guersey 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.

8. Creditors: Amounts falling due within one year

	2015 £	2014 £
States of Jersey loan	200,000	-
Trade creditors	4,774	-
Other creditors	5,319	33,161
Accruals and deferred income	20,285	5,000
	230,378	38,161

The States of Jersey Loan bears interest at a rate of 4% per annum and was repaid on 29 March 2016.

9. Financial instruments

	2015 £	2014 £
Financial assets		
Financial assets measured at amortised cost	566,865	-
	566,865	-
Financial liabilities		
Financial liabilities measured at amortised cost	(230,378)	(38,161)
	(230,378)	(38,161)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**10. 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.

11. Other financial commitments

OFSO has 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. The breakdown of the commitments which have been allocated to OFSO Jersey are as follows:

	2015 £
Due within 1 year	8,940
Due 2-5 years	8,940
	<u>17,880</u>

12. Related Party Transactions

During the board remuneration of £18,000 was paid to David Thomas, the chairman and £10,125 was paid to the non-executive directors. No amounts were outstanding at the year end.

The principal ombudsman is considered to be key management personnel. Total remuneration in respect of the principal ombudsman is £40,834.

13. Post balance sheet events

During the year a loan of £200,000 was provided by the States of Jersey. This was repaid in full on 29 March 2016 along with interest of £1,995.

14. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
Revenue	600,099	-
Gross profit	<u>600,099</u>	<u>-</u>
	<u>600,099</u>	<u>-</u>
Less: overheads		
Administration expenses	(218,812)	(38,161)
Operating profit/(loss)	<u>381,287</u>	<u>(38,161)</u>
Interest receivable	788	-
Interest payable	(3,345)	-
Profit/(Loss) for the year	<u>378,730</u>	<u>(38,161)</u>

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Revenue

	2015 £	2014 £
Operational levies - banking	194,711	-
Operational levies - other	174,052	-
Start-up levies	231,336	-
	<u>600,099</u>	<u>-</u>

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Administration expenses

	2015 £	2014 £
Directors remuneration	28,125	8,625
Staff salaries	47,409	-
Employer social security	1,837	-
Staff pension costs - defined contribution schemes	5,323	-
Entertainment	584	-
Hotels, travel and subsistence	9,254	871
Consultancy	43,024	17,000
Printing and stationery	1,509	-
Postage	14	-
Telephone and fax	254	-
Computer costs	3,697	-
General office expenses	134	-
Trade subscriptions	117	-
Legal and professional	14,971	525
Auditor's remuneration	10,663	3,250
Accountancy fees	7,238	1,750
Bank charges	1,027	-
Bad debts	7,092	-
Difference on foreign exchange	1	-
Rates	5,288	-
Insurances	9,099	-
Amortisation - website & brand	320	-
Recruitment	5,687	5,812
Relocation costs	14,725	-
Administration	1,420	328
	<u>218,812</u>	<u>38,161</u>

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Interest receivable

	2015 £	2014 £
Other interest receivable	788	-
	<u>788</u>	<u>-</u>
	<u><u>788</u></u>	<u><u>-</u></u>

Interest payable

	2015 £	2014 £
Other loan interest payable	(3,345)	-
	<u>3,345</u>	<u>-</u>
	<u><u>3,345</u></u>	<u><u>-</u></u>



APPENDICES

APPENDIX 2 2015 AUDITED FINANCIAL STATEMENTS

•
Office of the Financial Services Ombudsman (Guernsey)

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - GUERNSEY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2015

OFSSO INFORMATION

Directors	David Thomas - Chairman John Curran Deborah Guillou John Mills
Administration office	Channel Islands Financial Ombudsman No 3 Grenville Street St. Helier Jersey JE4 9QG
Independent auditors	KPMG Channel Islands Limited 37 Esplanade St. Helier Jersey JE4 8WQ
Accountants	Grant Thornton Limited Kensington Chambers 46/50 Kensington Place St. Helier Jersey JE1 1ET
Principal Ombudsman	Douglas Melville

CONTENTS

	Page
Chairman's Statement	1
Directors' Report	2 - 3
Independent Auditor's Report	4 - 5
Statement of Income and Retained Earnings	6
Balance Sheet	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 18
The following pages do not form part of the audited statutory financial statements:	
Detailed Profit and Loss Account and Summaries	19 - 21

CHAIRMAN'S STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2015

The Chairman presents his statement for the period.

The financial statements for the Office of the Financial Services Ombudsman (Guernsey) reflect the pan-island nature of the Channel Islands Financial Ombudsman (CIFO). This is the joint operation of the Offices of the Financial Services Ombudsman, established in law by the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 and the Financial Services Ombudsman (Jersey) Law 2014.

The funding of this pan-island operation currently reflects a Memorandum of Understanding between the States of Guernsey and States of Jersey. This provides that the operating expenses of the joint operation shall be shared equally between the Bailiwick of Jersey and Bailiwick of Guernsey and their respective financial sectors. The revenue raised by levy from the financial sectors in both Bailiwicks, supplemented by case fees, is to meet those shared operating expenses.

The accounts for the Office of the Financial Services Ombudsman (Guernsey) are comparatively simple and straightforward with respect to the operating expenses. But this comparative simplicity does not reflect the underlying complexity of the pan-island operation and the annual process for raising revenue to cover the expenses.

In order to levy the hundreds of relevant financial services providers in the Channel Islands each year, we depend on receiving data on business activity and contact details for all of the relevant financial service providers from the Financial Services Commission. This process is complicated by the differences between the regulated categories for financial services providers in each Bailiwick, and by the differences between these and the scope of our jurisdiction (which is largely consistent across both Bailiwicks).

This is one of the features that increases complexity and creates an administrative load, resulting in costs which are significant for a comparatively small organisation. These costs arise irrespective of the volume of complaints referred to us each year by consumers of financial services that were provided in or from the Channel Islands.

The cash position at the end of 2015 reflects provision for three factors in particular: operating costs in 2016 until the 2016 levy payments are received, towards the middle of the year; repayment, due by the end of March 2016, of the loan provided by the States to cover startup and operating costs; and a prudent level of reserves, given the uncertainty surrounding future complaint volumes.

Name David Thomas
Chairman

Date 29 April 2016

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2015**

The directors present their report and the financial statements for the period from 30 January 2015 to 31 December 2015.

The Office of the Financial Services Ombudsman Guernsey ("OFSO") was established under the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 and commenced operations on 30 January 2015.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and UK accounting standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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 OFSO at the end of the period and of the profit or loss of the OFSO for that period. In preparing these financial statements the Directors have elected to prepare the financial statements in accordance with UK 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, 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 States Commerce and Employment Department (the 'Department') 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.

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 Income and Retained Earnings for the period is set out on page 6.

Directors

The directors who served during the period were:

David Thomas - Chairman
John Curran
Deborah Guillou
John Mills

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2015**

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.

Post balance sheet events


After the 2015 levy notices were issued, subsequent discussions with stakeholders identified that an amended process should be used for entities licensed to carry on the restricted activities of advising, managing or dealing in connection with a category 2 controlled investment under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 ('category 2 licensees'). As a result, the levy notices issued to category 2 licensees were withdrawn. Subsequently, a project was undertaken to identify which providers were liable to pay the levies and which were zero-rated or eligible to be zero-rated. Due to the additional time required to undertake this project the levy notices for the investment sector were not reissued until March 2016.

The States of Guernsey loan was repaid in March 2016.

Independent Auditors

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

This report was approved by the board on 29 April 2016 and signed on its behalf.


Director

Independent auditor's report to the States Commerce and Employment Department of Guernsey (the 'Department')

We have audited the financial statements of the Office of the Financial Services Ombudsman – Guernsey (the "Body Corporate") for the period 30 January 2015 to 31 December 2015 which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Department in accordance with Schedule 1(5)(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 Department 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 Department for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

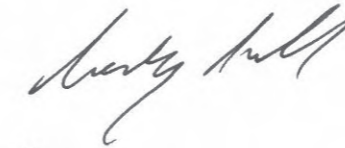
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Body Corporate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the States Commerce and Employment Department of Guernsey (the 'Department') – continued

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Body Corporate's affairs as at 31 December 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Accounting Standards including Financial Reporting Standard 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.



Lesley Averell
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants

29 April 2016

The maintenance and integrity of the Channel Islands Financial Ombudsman website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since the date the audit report was signed on 29 April 2016.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - GUERNSEY

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 DECEMBER 2015

		30 Jan 2015
	Note	31 Dec 2015 £
Revenue	3	597,388
Gross profit		597,388
Administrative expenses	4	(274,866)
Operating profit		322,522
Interest receivable and similar income		214
Interest payable and expenses	5	(3,345)
Surplus and total other comprehensive income		319,391
Surplus after tax		319,391
Surplus for the period		319,391
Retained earnings at the end of the period		319,391

All amounts relate to continuing operations

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

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - GUERNSEY

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £
Non-current assets		
Intangible assets	6	4,082
Current assets		
Debtors	7	162,949
Cash and cash equivalents	8	422,189
Current liabilities		585,138
Creditors	9	(269,829)
Net current assets		315,309
Total assets less current liabilities		319,391
Net assets		319,391
Capital and reserves		
Accumulated surplus		319,391
		319,391

The notes on page 9 to 19 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2016.

John Frederick Mills
Director

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

	2015 £
Cash flows from operating activities	
Surplus for the financial period	319,391
Adjustments for:	
Amortisation of intangible assets	320
Increase in debtors	(162,949)
Increase in creditors	44,829
Net cash generated from operating activities	201,591
Cash flows from investing activities	
Purchase of intangible fixed assets	(4,402)
Net cash from investing activities	(4,402)
Cash flows from financing activities	
Loan drawdowns	225,000
Net cash used in financing activities	225,000
Net increase in cash and cash equivalents	422,189
Cash and cash equivalents at the end of period	422,189
Cash and cash equivalents at the end of period comprise:	
Cash at bank and in hand	422,189
	422,189

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

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').

No Comparatives have been presented as this is the first period of operations of OFSO.

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 finalised making the OFSO mandatory ;
- All material repayment liabilities have been satisfied (States loan);
- There is statutory ability to levy industry to cover our operating costs;
- There is a strong cash position and six-months' operating expense held in an operating reserve;
- Operational momentum including case files tracking to plan;
- There is a Memorandum of Understanding in place between OFSO and the Financial Services Commission.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

1.3 Revenue

The intent underpinning 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. Once sufficient data is available on complaint volumes, the funding basis will be reviewed with a view to making the contributions from financial services providers, by island and by sector, more proportionate to their share of OFSO's workload. Case fees are charged on a fixed basis irrespective of the time and other costs incurred relating to the specific case.

The Financial Services Ombudsman (Case Fee and Levies) (Bailiwick of Guernsey) Order 2015 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 is set out in the Financial Services Ombudsman Levy and Establishment Levy Scheme (Bailiwick of Guernsey) 2015 (the '2015 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 the 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 2015 levy was payable per sector of activity for which, on 21 May 2015 for Guernsey, a provider was registered with or holds a licence from the Commission, unless the Registered Provider was entitled to zero-rating in accordance with the 2015 Guernsey Levy Scheme. Levy notices were sent out in September 2015 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 2015 levies raised the funding required for the operation of OFSO in 2015; the one-off establishment costs incurred in 2015 and 2014; and the setting up of reserves. In setting the amount to be raised in levies the OFSO board adopted a fixed-sum provision for reserves of an amount of £175,000, which it considered prudent in view of various uncertainties. These uncertainties include the number and nature of complaints that may be expected and the implication for operating costs; the number of Registered Providers that would certify as zero-rated; and, the time it would take for levy payments to be made. The calculation of the levy amounts took into account best estimates of the numbers of Registered Providers that would certify entitlement to zero-rating.

The 2015 levies comprised:

- An establishment levy for establishment costs incurred before 30 January 2015
- A start-up levy for one-time establishment costs incurred from 31 January 2015 to 31 December 2015 plus the establishment of reserves
- An operational levy for running costs from 31 January 2015.

For the investment sector in Guernsey, levy notices were sent to fund service providers of Class A funds and certain entities licensed to carry on the restricted activities of advising, managing or

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

dealing in connection with a category 2 controlled investment under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 ('the category 2 licensees'). While the Financial Services Ombudsman Levy and Establishment Levy Scheme (Bailiwick of Guernsey) 2015 gave an automatic zero-rating to Category 2 investment activities of General Partners, the data held by the Commission does not allow for identification of all such licensees. Some filtering of the category 2 licensees had been carried out based on the data held by the Commission and in respect of the identification of the category 2 licensees as general partners, where it was possible. Subsequent discussions with industry stakeholders, the Commission and the Commerce and Employment Department identified that, due to certain limitations in the data held and in accordance with the wishes of certain industry stakeholders, an amended process should be used to first clearly identify all category 2 licensees into those that are liable to pay the levy and those that could not generate an eligible complaint and therefore should be zero-rated. As a result of the discussion, in October 2015, the levy notices sent to category 2 licensees were withdrawn.

The Financial Services Ombudsman Levy and Establishment Levy Scheme (Bailiwick of Guernsey) 2015 was amended in December 2015 to enable the further identification process. Using more targeted data on licensees provided by the Commission, category 2 licensees, or their managing administrators, were invited in January and February 2016 to complete a certification process to identify either as liable for CIFO levies or certify eligibility for zero-rating. Levy notices were then sent in March 2016 only to those identified as liable to pay the levy.

Case fees

Case fees are set in the Financial Services Ombudsman Fee Scheme (Bailiwick of Guernsey) 2015. 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 is:

- £200 for any Registered Provider that has paid the 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**1. Accounting policies (continued)****1.4 Intangible assets**

Intangible 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
-----------------	---	---	-------

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

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 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 cash and cash equivalents, debtors, a loan and other creditors. There are no other financial instruments in these financial statements.

(i) Financial assets

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 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

Creditors include loans payable and accrued expenses and 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**1. Accounting policies (continued)****(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 company's functional and presentational currency is GBP.

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 Income and Retained Earnings.

1.8 Finance costs

Finance costs are charged to the Statement of 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.

1.9 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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**1. Accounting policies (continued)****1.10 Interest income**

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

1.11 Borrowing costs

All borrowing costs are recognised in the Statement of 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 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

Debtors is the key area of judgement. 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:

	30 Jan 2015 - 31 Dec 2015 £
Case Fees	-
Levies	516,351
Establishment levies	81,037
Vexatious complainant fees	-
Other income	-
	<u>597,388</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**4. Administration Expenses**

	30 Jan 2015 - 31 Dec 2015 £
Directors remuneration	28,125
Staff salaries	47,408
Staff pension costs	5,323
Hotels, travel and subsistence	9,254
Consultancy	43,024
Legal and professional	14,971
Auditor's remuneration	10,663
Accountancy fees	7,238
Rates	5,288
Insurances	9,099
Recruitment	5,687
Relocation costs	14,725
Pre-incorporation expenses	59,493
Other	14,568
	<u>274,866</u>

5. Interest payable and similar charges

	2015 £
Bank interest payable	3,345
	<u>3,345</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

6. Intangible assets

	Website & Brand £	Total £
Cost		
At 30 January 2015	-	-
Additions	4,402	4,402
At 31 December 2015	4,402	4,402
Amortisation		
At 30 January 2015	-	-
Amortisation for the period	320	320
At 31 December 2015	320	320
Net book value		
At 31 December 2015	4,082	4,082
7. Debtors		2015 £
Trade debtors		44,119
Unbilled income		118,830
		162,949

The levy income from the category 2 licensees is shown as unbilled income in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

8. Cash and cash equivalents

	2015 £
Cash at bank and in hand	422,189
	422,189

The Office of the Financial Services Ombudsman Jersey and OFSO Guernsey 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

9. Creditors

	2015 £
States of Guernsey Loan	225,000
Trade creditors	4,774
Other creditors	18,270
Accruals and deferred income	21,785
	269,829

The loan incurs interest daily on the amount of the loan that has been drawn down. Interest is at the States of Guernsey's 'Variable States Treasury Rate' and an amount of £1,500 has been accrued in this respect. The loan is unsecured and was repaid on 31 March 2016.

10. Financial instruments

	2015 £
Financial assets	
Financial assets measured at amortised cost	585,138
	585,138
Financial liabilities	
Financial liabilities measured at amortised cost	(269,829)
	(269,829)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

11. Accumulated Surplus

The accumulated surplus includes all 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 other of its funds and resources that are not immediately required for the performance of its functions.

12. Other financial commitments

OFSO Jersey has 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. The breakdown of the commitments which have been allocated to OFSO Guernsey are as follows:

	2015 £
Due within 1 year	8,940
Due 2-5 years	8,940
	17,880
	17,880

13. Related party transactions

During the year board remuneration of £18,000 was paid to David Thomas, the chairman and £10,125 was paid to the non-executive directors. No amounts were outstanding at the year end.

The principal ombudsman is considered to be key management personnel. Total remuneration in respect of the principal ombudsman is £40,834.

14. Post balance sheet events

After the 2015 levy notices were issued, subsequent discussions with stakeholders identified that an amended process should be used for entities licensed to carry on the restricted activities of advising, managing or dealing in connection with a category 2 controlled investment under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 ('category 2 licensees'). Subsequently, a project was undertaken to identify which providers were liable to pay the levies and which were zero-rated or eligible to be zero-rated. Due to the additional time required to undertake this project the levy notices for the investment sector were not reissued until March 2016. These amounts have been included within debtors as unbilled income.

During the year a loan of £225,000 was provided by the States of Guernsey. The loan capital was repaid in full on 31 March 2016. The interest will be repaid as soon as the actual amount has been advised.

**DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2015**

	2015 £
Revenue	597,388
	597,388
	597,388
Less: overheads	
Administration expenses	(274,866)
Surplus	322,522
Interest receivable	214
Interest payable	(3,345)
Surplus for the period	319,391

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - GUERNSEY

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

Revenue

	2015 £
Establishment Levies	81,037
Operational levies - banking	158,137
Operational levies - other	128,740
Start-up levies	229,474
	<u>597,388</u>

Administration expenses

	2015 £
Directors remuneration	28,125
Staff salaries	47,408
Employer social security	1,837
Staff pension costs - defined contribution schemes	5,323
Entertainment	584
Hotels, travel and subsistence	9,254
Consultancy	43,024
Printing and stationery	1,509
Postage	14
Telephone and fax	254
Computer costs	3,697
General office expenses	134
Trade subscriptions	117
Legal and professional	14,971
Auditor's remuneration	10,663
Accountancy fees	7,238
Bank charges	1,027
Bad debts	3,654
Difference on foreign exchange	1
Rates	5,288
Insurances	9,099
Amortisation - website & brand	320
Recruitment	5,687
Relocation costs	14,725
Administration	1,420
Pre-incorporation expenses	59,493
	<u>274,866</u>

OFFICE OF THE FINANCIAL SERVICES OMBUDSMAN - GUERNSEY


SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

Interest receivable

	2015 £
Other interest receivable	214
	<u>214</u>

Interest payable

	2015 £
Bank loan interest payable	3,345
	<u>3,345</u>



Fairness of outcome
and fairness of process...

CONTACT

Channel Islands Financial
Ombudsman (CIFO)
PO Box 114
Jersey
Channel Islands
JE4 9QG

Jersey: 01534 748610
Guernsey: 01481 722218
International: +44 1534 748610
Facsimile: +44 1534 747629
www.ci-fo.org

AUDITORS

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

Jersey: 01534 888891
www.kpmg.com/channelislands

OUTSOURCE SUPPLIER (BOOKKEEPING AND INDUSTRY LEVIES)

Grant Thornton Limited
Kensington Chambers
46/50 Kensington Place
St Helier
Jersey
Channel Islands
JE1 1ET

Jersey: 01534 885885
www.gt-ci.com