

2019.05.21

**10 Deputy K.F. Morel of the Minister for External Relations regarding the access of Islanders to quality independent financial advice: (OQ.130/2019)**

Given the risk that the increasing cost of financial services regulation is leading the Island's financial advisers to raise the minimum level of income and assets on which they are able to advise, will the Minister describe what work, if any, he is doing to ensure that all Islanders are able to access quality independent financial advice?

**Senator I.J. Gorst (The Minister for External Relations):**

I ask my Assistant Minister to answer this question.

**The Connétable of St. Ouen (Assistant Minister for External Relations - rapporteur):**

I thank the Deputy for his question. The Deputy probably realises I am fairly uniquely placed to answer this question, as before I joined this Assembly, I was a director of a firm of independent financial advisers. I have to say, I do not necessarily agree with the statement he makes. As an industry, we have been trying to address the lower end of the market - if I can use that phrase, I do not use it disrespectfully either - by looking at products. We are using automated advice, we have been reducing costs and generally trying to encourage people to start saving for their pensions and take out life insurance by keeping costs down. There are some sectors of that marketplace that may not be interested in that type of business. Also, I do not make any apologies for the standard of regulation in the industry; we have seen the introduction of the retail distribution review in the U.K., closely followed by the introduction of a review of financial advice in Jersey, which has done 2 things. It has raised standards in the industry substantially and it has also reduced costs to the end users substantially; 2 things that I think should be applauded and have been to the considerable benefit of the end user. But, Jersey's reputation as a financial centre is founded on strong regulation and I think that is something that we would wish to preserve and it is important for this industry. There are also other routes for people, who do not necessarily wish to engage with the I.F.A.s (independent financial advisers) to get advice through Citizens' Advice and the Community Bank. But, generally speaking, I cannot say I particularly agree with the Deputy's view and I would welcome any engagement with him on any particular issues he might have.

**4.10.1 Deputy K.F. Morel:**

The Deputy's view comes from speaking to financial advisers, who informed that view and who have raised concerns with me about the lack of provision for Islanders. I must ask, basically, you talk about automation and things like this, but are you tracking the availability of financial advice to Islanders, for want of a better word, average Islanders of average income and average assets? Do you, as a ministry, follow to understand how big that market is and how well-equipped it is to deal with Islanders' needs?

**The Connétable of St. Ouen:**

I thank the Deputy for his question. We do have an idea of the quantity of the market. The I.F.A. population provides services to about 14,000 clients in the Island, about 12,000 of whom are local. About 99 per cent of those clients would be classified as retail investors. What I would say is it is not really Government's purpose to get involved in the financial services industry in the way he might be suggesting. My experience is that every time they have done that, it has ended in disaster. The provision of financial advice commercially is really something that should be provided by the industry itself. However, I accept the point he is making and it is a point that I will bring up at the

next Financial Services Board meeting and I undertake to get back to him with a response from the Financial Services Board meeting, which represents the industry, with some further information on that point.

**4.10.2 Deputy G.P. Southern:**

I have heard a very competent answer from a representative, it seems, of the independent financial advisers, but I have not heard a political answer. May I remind the Member that he is now a politician and the question was what is his Government going to do to assist in this area?

**The Connétable of St. Ouen:**

I thank the Deputy for his question. I am fully aware that I am a politician and some of the answer was directed in that direction. My comment was that it is not good for Government to interfere directly in the financial services industry and force the industry in a particular direction. In the past that has happened; I remind people of the pensions industry in the U.K., which ended in a disaster, and it is not something that I, personally, would recommend.

**4.10.3 Deputy K.F. Morel:**

I am particularly concerned to hear the Assistant Minister say that he does not believe it is the role of Government to interfere in the financial services industry. One reason is because the Government interferes every time it creates a new regulation and so it does it on a daily basis. But, does the Minister agree that it is, surely, the role of Government to ensure that Islanders have the facilities that they need, in order to ensure they are equipped financially for the future, especially Islanders who operate on lower incomes and do not have the wealth that many, who do successfully use the financial services industry, have at their disposal?

**The Connétable of St. Ouen:**

I accept the Deputy's point and we will have to give it further consideration, but what I am trying to say is it is not the Government's role to force the I.F.A.s to provide that service and I think it is worth me and him having a discussion about the subject and me taking that back to my area and seeing where we can improve areas that he has concerns about.