

10. Statement by the Minister for Economic Development regarding the Depositor Compensation Scheme

10.1 Senator A.J.H. Maclean (The Minister for Economic Development):

As Members will recall, following the approval by the States of the relevant regulations in November 2009, the Depositor Compensation Scheme came into force immediately providing protection up to £50,000 for individual depositors with Jersey banks. As it is around 5 months since the States adopted the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 I wish to update Members on the progress that my department has made in implementing the Depositor Compensation Scheme to this date. In order to oversee the implementation of the D.C.S. (Depositor Compensation Scheme) my department has established the D.C.S. Steering Group, comprising Chief Officers from the States and representatives from relevant public bodies, such as the Jersey Financial Services Commission and the Viscounts Department. As was reported to the Steering Group at its first meeting in February 2010, progress has been made on several fronts. In particular, the department has advertised for members of the Jersey Bank Depositors Compensation Board and interviews for members are taking place on 28th April of this year.

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The Privileges and Procedures Committee has decided to take forward an amendment to the Banking Business (Depositors Compensation) (Jersey) Regulations to apply the revised procedures under P.205/2009 to appointments to the board. Given the current timings, my department anticipates that the founding board will be appointed under the existing appointments procedure in June or July before the States summer recess. Appointments will therefore fall to be made by the States following a debate on the nomination of candidates by myself, as the Minister for Economic Development. Following the undertaking given to the Economic Affairs Scrutiny Panel during the course of the D.C.S. debate last November in order to cost the potential extension to protection under the D.C.S. to deposits held by small and medium-sized enterprises, S.M.E.s (small to medium-sized enterprises) my department has undertaken a business deposit survey under the guidance of the States Statistics Unit. The survey was sent to 1,000 businesses on the Island in January. In order to address the initially low response rate the deadline for responses was extended several times. My department enlisted the assistance of Jersey Finance and the Jersey Chamber of Commerce in raising the profile of the survey. Sufficient responses were eventually received and the necessary statistical analysis is currently being undertaken. I hope to be able to consider the findings of this analysis and report back to the States in May. In order to ensure that the required loan arrangements are in place to allow the States to provide liquidity to the D.C.S. immediately in the unlikely event of a bank failure the department has instructed a local law firm to draft a necessary loan agreement. Separate legal advice is being prepared for the Treasury and Resources Department on this particular draft agreement. Having investigated options for promoting public awareness of the D.C.S. my department has decided to expand the current content of the web pages on the States website. This will provide a one-stop shop of up to date and readily available information. In addition, the Jersey Financial Services Commission is currently undertaking a consultation on amending the banking code to provide for banks to disclose relevant information about the D.C.S. to their customers. It is intended that any changes to the banking code, in this respect, would take effect on 1st July 2010. Given the progress to date, I am confident that the implementation of the D.C.S. is progressing satisfactorily and I will keep Members posted of future developments. Thank you.

The Bailiff:

Does any Member wish to ask questions? Deputy Higgins.

10.1.1 Deputy M.R. Higgins of St. Helier:

Would the Minister agree that the questionnaire that was sent out has not had a good response, primarily because of the nature of the questions, which members of the small business community believe to have been somewhat intrusive. For example, we have an email from David Wall from the Small Business Group that: “The information being requested was highly sensitive and in many cases the businesses I spoke to were not prepared to divulge confidential financial information to an unknown email addressee, which they had no guarantee was not going to be copied to all and sundry.” That is number one. Secondly, there is the question why it received a poor response. The answer was: “With regard to a better response, I think the questions were being directed to the wrong people. It was obvious to those who I spoke that the banks, who are at the very heart of the problem, could easily provide the information required in a very confidential way. It either was not prepared to disclose the data or was never asked. Every small business has a bank account. Banks will no doubt categorise these as business accounts for marketing or any other purpose. They in turn can very accurately provide the information that is required. The approach taken to collecting this data from small businesses totally ignored the sensitivity of the data being requested and, in my view, got the level of response it deserved.” Would the Minister care to comment on those statements and about the validity of the exercise carried out to date?

Senator A.J.H. Maclean:

Yes, I would. The banks, during the course of the Depositor Compensation Scheme debate last November, when the issue about S.M.E.s was raised, had been spoken to. We did seek the opportunity of getting the data from them, but unfortunately it is not available in the correct format to give the necessary level of information required. That, we were told, was not feasible. Yes, I agree with the Deputy in one respect and that is the fact that the information requested was highly sensitive, or is highly sensitive, it is confidential information, as Members would appreciate, but clearly such information is required to be able to properly assess whether or not small and medium-sized enterprises should indeed be included in a depositor compensation scheme. We had several attempts in order to get the necessary information and I am pleased to say that we have now got it. In terms of the organisation that collected the information, the Statistics Unit, they have done so in a perfectly correct and professional manner and I am satisfied now that we have not only the correct data, but indeed any of the concerns initially felt about the sensitivity of the information were properly and rightly addressed.

10.1.2 The Connétable of St. Ouen:

The Minister in his statement said sufficient responses were eventually received. Of the 1,000 sent out, how many were received?

Senator A.J.H. Maclean:

From a statistical perspective it is necessary to get a minimum number to be statistically acceptable. The number that were received was in excess of 250, which was acceptable for the purposes of the exercise.

10.1.3 Deputy J.M. Maçon of St. Saviour:

In the statement the Minister talked about a one-stop shop to provide up to date and readily available information. Can the Minister inform us about the status of a simple bit of paperwork, like the template of how to apply? The Depositor Compensation Scheme requires the proper paperwork in order for it to work and the department wanted to bring this in last July. So basic bureaucratic processes should have already been done.

Senator A.J.H. Maclean:

I would hope that the necessary information is available on the States website, which is the primary source of information relating to the progress and information relating to the Depositor Compensation Scheme. But certainly, information would be available in that particular source.

Indeed, as I mentioned in my statement, the banks themselves are looking at changing their requirements so that they can ensure that their clients are properly informed about what is available from a depositor compensation scheme requirement perspective.

10.1.4 Deputy M.R. Higgins:

Could the Minister then give us an indication, now that he has had these responses, when he expects to be coming back to the States with proposals for compensation arrangements for small businesses?

Senator A.J.H. Maclean:

Yes. As I said, I believe, in my statement the information that is now currently being analysed, I would certainly hope that we will have enough information to be able to come forward by the end of May with a preliminary view on whether indeed, or how, the small and medium-sized enterprises can be included, if indeed that is deemed to be appropriate.

The Bailiff:

Very well. No other questions? Then brings that matter to an end. So we move on then to Public Business. Before we do, Members will know from their Order Paper that there are certain extra items which Members wish to have debated. Would it be useful to consider at this stage which ones Members are going to take so that Members can then know what is to come? If Members agree, I would suggest we take them in 2 bites. There appear to be 3 fairly minor matters: projects 37, 41 and 43, where the 2 days notice has been given. Are Members content to add those 3 items to the list? Anyone dissent? Very well. So those matters are taken.