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3 Deputy G.P. Southern of St. Helier of the Minister for External Relations regarding the impact of changes to Jersey's Anti-Money Laundering regulations on the decision by Lloyds Bank to suspend approximately 8,000 bank accounts: (OQ.171/2019)

Will the Minister set out what changes to Jersey's Anti-Money Laundering regulations over the past 3 years, if any, have led to the suspension of some 8,000 bank accounts by Lloyds Bank?

Connétable R.A. Buchanan of St. Ouen (Assistant Minister for External Relations - rapporteur)

The Minister for External Relations is away on business and we have engaged with Deputy Southern who is happy for me to respond to the question. Sorry about the confusion. There has been no fundamental change in legislation over the past 3 years to prompt this action. The banking code of practice was last updated in 2018 and the Money Laundering Order 2018 was also updated in 2018 in the form of a code of practice; neither of those changes would have prompted this. As a broad principle, regulated entities are required to periodically review their clients using a risk-based approach. This will include the validity of K.Y.C. (know your customer) documentation and client activity during the period in question. All Jersey licensed banks risk appetite and policies are also required to be reviewed and updated regularly as part of their corporate governance.

[10:00]

After an appropriate time for a response, a client's account is required by regulation to be frozen if the regulated entity has not received sufficient information from clients to fulfil their prevailing regulatory obligations.

3.3.1 Deputy G.P. Southern:

Can the Minister estimate if Lloyds has some 8,000 bank accounts that it does not know the name or cannot contact, does not know the address of the owners of these accounts, how many bank accounts across the spectrum of banking might there be in the Island whose name, I.D. (identification) and address is not known?

The Connétable of St. Ouen:

To firstly correct the Deputy, the name and the address of the client will be known but the address may not be current, which is part of the issue. I cannot give him a numeric answer but I can undertake to contact the regulator and find out the number of frozen accounts across the whole of the Jersey banking sector.

3.3.2 Deputy S.M. Ahier:

Does the Minister accept that the vast majority of bank accounts that have been suspended have no connection to illegal activities and that it is essential that these people are contacted by any means possible to ensure that no hardship is being placed on the elderly, the vulnerable, the infirm and the disabled?

The Connétable of St. Ouen:

I sympathise with the Deputy's point but I can assure you that the banks have made every effort possible to contact these customers because simply by regulation they are required to do that. But, yes, there will be some accounts that belong to people who do not know they have them anymore

but if the bank does not have current contact details then it is impossible for them to get in touch with them. But it is open for the customer to come back to the bank at any time to unfreeze the accounts.

3.3.3 Deputy M.R. Higgins:

I was going to ask another question but the Minister has not really answered the question about the vulnerable. Can he assure people that of the 8,000 accounts that is not people who perhaps have not been using their account very much, and if they lose their bank account they may have no means of paying bills and have to go to the Community Savings Bank, or something like that. Can the Minister assure people that no ordinary person is being disadvantaged by this policy of taking away their bank accounts?

The Connétable of St. Ouen:

An account that is frozen has not been taken away. It merely means that activity is suspended on it until the customer concerned produces the appropriate identity and address documentation. If it is a local person who is in hardship they simply have to approach the bank with the appropriate documentation and the account will be unfrozen immediately. I cannot see how locally that could cause hardship. I can understand somebody who lives outside the Island who might find it more difficult but then the banks are generally pretty helpful in getting their accounts unfrozen. Apart from anything else, it is a drag on staff to have frozen accounts. They are subject to higher K.Y.C. and observance. It is in the bank's interest to get rid of the frozen account anyway.

3.3.4 Deputy G.P. Southern:

The Assistant Minister mentioned regularly updating the records. Can he tell me what interval that regular updating of accounts might be?

The Connétable of St. Ouen:

In terms of the specific time periods that will vary from organisation to organisation, but banks are required to grade their customer by risk grading, so typically it will be low, medium and high. A normal time period for low risk accounts would be 5 years; medium risk accounts could be 3 years; high risk accounts, which includes a politically exposed person, would be annually.

Deputy M. Tadier:

May I raise a point of order? I am looking at Standing Order 10 and I have come to the conclusion when it comes to contents of questions that I am put here to question policy, and the rationale there of Ministers and to hold them to account for the benefit of my constituents for important issues that are important to them and with this ruling, I feel that I cannot participate any further in question time this morning because I do not believe I can carry out my job effectively in representing those constituents. So I will be retiring for the rest of question time. I apologise to the Minister for Social Security that I will not be able to put my question to her today.

The Bailiff:

That is entirely a matter of choice for you, Deputy, if that is what you wish to do.