ANNUAL REPORT 2022

Channel Islands Financial Ombudsman

R.101/2023

Fairness of outcome and fairness of process...

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ANNUAL REPORT 2022

SUBMISSION LETTER
CHANNEL ISLANDS FINANCIAL OMBUDSMAN

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Deputy Kirsten Morel
Deputy Chief Minister and
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28 April 2023

Dear Minister and President

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

On behalf of the directors, I am pleased to submit the report and accounts for 2022. These take the form of a shared report accompanied by shared 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

Antony Townsend

MESSAGE FROM **THE CHAIR**

Antony Townsend

In January 2022, the Governments of Jersey and Guernsey appointed me a director of the Channel Islands Financial Ombudsman (CIFO), and I have spent a thoroughly enjoyable and enlightening year in preparation for taking up the role of Chair on 31st January 2023.

What are my first impressions? I have two particularly strong ones: first, the degree of goodwill shown by all our stakeholders – consumer groups, financial services providers (FSPs), politicians on both islands, and Government agencies – there is a real sense that everyone values CIFO's role, and is committed to help it to continue to succeed. And second, the fact that this unique ombudsman structure – spanning two jurisdictions, and dealing with complaints from across the globe – has proved itself resilient over its first seven years of operation, and looks well placed to adapt to changes in jurisdiction and the economic environment as we look forward.

I record my thanks to David Thomas – the outgoing Chair – who founded CIFO, and who has been generous with his time last year in introducing me to the work; and to the other outgoing members of the Board, who collectively made CIFO what it is today. And I am delighted that I am joined by three excellent new Board members – Rob Girard from Guernsey (appointed with me in January 2022), Jennifer Carnegie from Jersey and Hayley North from Guernsey, who both joined us in January this year.

Together we will be working with our Principal Ombudsman, Douglas Melville, and his excellent team who have worked hard over the past year to eliminate the case backlog, to build upon CIFO's strong foundations. Late last year, we published a 'Future Focus' discussion document which suggested areas of focus for the new Board. We had extensive engagement with stakeholders on both islands, and I am delighted to report that there was a broad consensus on the issues upon which we should concentrate. These issues include working with FSPs and the Financial Services Commissions to improve complaint handling by providers, so reducing the need for the intervention of the ombudsman and improving customer satisfaction; assisting others to improve financial literacy in both jurisdictions, since some of our work results from consumers' limited understanding of financial issues; ensuring that our casework remains of high quality by occasional external scrutiny; and advising governments of issues where our current remit appears to be inadequate to deal with emerging financial issues facing both consumers and industry.

Ensuring that we are adequately resourced, while demonstrating value for money, is an important focus for the new Board. Our operation is a small office operating in a very competitive labour market; and we have no control over the demand for our services. In the last budget round, it was necessary to ask for a significant increase in our funding to restore our reserves and avoid a situation in which there was an unacceptable backlog of cases. Our financial situation is now stable and, subject to any external shocks caused by economic conditions, we aim to contain any budget increases to modest levels over the next year. The 'hybrid model' – a mixture of full-time staff in our Jersey office, and a pool of contracted ombudsmen with extensive UK experience which we can call upon when required – has proved to be an effective way of coping with fluctuating demand, broadening expertise, and containing costs.

We are also committed to ensuring that our levy and case fee structure is fair, and that there are no hidden cross-subsidies between sectors or between jurisdictions. The proposed expansion our remit to cover public and private occupational pension schemes in Jersey, and the growing caseload connected with Guernsey's success in attracting insurance business, mean that we will need to monitor caseloads carefully to ensure that the financial burden is shared fairly. We will work closely with both governments and with industry representatives on this issue.

Finally, one of the Board's most important roles is to safeguard each ombudsman's independence. While we are committed to working closely and constructively with all our stakeholders, the new Board will continue the old Board's practice of ensuring that each ombudsman is able to take decisions with complete independence, so ensuring that complainants and FSPs alike can have confidence that decisions are scrupulously fair.

MESSAGE FROM
THE PRINCIPAL OMBUDSMAN & CHIEF EXECUTIVE

Douglas Melville

For many people and businesses around the world, 2022 was a year of transitions, some anticipated, some not. The same was true for CIFO on several fronts.

Our Jersey-based team, supplemented by expert external resources, eliminated the accumulated backlog of complaints. Our inventory of complaints under review was successfully reduced in 2022 to levels we consider a normal work-in-progress inventory for an office of our size given current complaint volumes. This achievement has enabled the team to turn our attention to improving the timeliness of complaint resolution for all parties. Our timeliness at each stage of our process is steadily improving as the remaining older complaint files under review are worked through to resolution.

By year-end 2022, CIFO's complaint volumes were up by 20% year-on-year and look to be continuing upward as 2023 gets underway.

Unfortunately, one objective that did not progress in 2022 was the ability for CIFO to deal with bank account suspension cases. In the absence of any reasons given by banks as to why they blocked complainants' accounts, CIFO could not conclude whether or not those account blockages were reasonable. We note that banks have a number of other regulatory and legal obligations. This apparent disconnect between banks, the legislation and government was not rectified during 2022 and led to an increased number of such complaints to CIFO which remained unresolved by the end of the year. As 2023 commences, we are encouraged that a multi-stakeholder solution looks to be within reach to resolve this longstanding issue.

On behalf of the entire team at CIFO, past and present, I thank the founding board members, and our founding chair in particular, for all they have done to support the successful establishment and evolution of this office, and all who have worked here since we started in 2015. Our new Board of Directors will now take the baton and continue the governance mission of protecting our office's independence and providing oversight of our performance to ensure we effectively and efficiently perform our important public interest role on behalf of all stakeholders.

To my colleagues, including those who left us in 2022 and those who have joined us this past year, thank you for all your efforts each day to support our mission to provide fair and reasonable outcomes for financial consumers and their Channel Islands-based providers - a challenging role that our team members, whether based in Jersey or elsewhere, embrace with empathy and commitment ensuring we perform our part of the financial consumer protection framework in the Channel Islands.

YEAR IN REVIEW
2022

BUSINESS OPERATIONS

External Factors

Externally, 2022 was a year of change in many ways as the economic consensus of the 1990s and 2000s continued to fracture. The Russian invasion of Ukraine and overheated economic growth due to post-Covid reopening – reaching rates of over 7% in 2021 and 4% in 2022 - well above the long-run growth rate - led to inflation levels not seen in the United Kingdom in 40 years. Higher inflation levels were replicated in the Channel Islands as the Retail Price Index at the end of 2022 climbed to 12.7% in Jersey and 8.5% in Guernsey.

In financial services, both Guernsey and Jersey continued preparations for the Council of Europe's MONEYVAL assessments of both Islands' systems for countering money laundering and terrorist financing. These assessments are scheduled to commence in 2023.

In politics, the June 2022 Jersey general election led to a change of political leadership. CIFO continues to submit its annual report to the same government department in Jersey (Economic Development, Tourism, Sport and Culture) and to the same committee in Guernsey (Economic Development).

While these factors did not affect CIFO's day-to-day operation, others likely will. In particular, the regulation of pensions in Jersey and the proposed expansion of CIFO's mandate to include occupational pensions both made progress throughout 2022 by way of consultations with key stakeholders and draft legislation.

Since our inception in 2015, most of our complaint volumes have arisen from the banking and investment/pension sectors with Jersey traditionally being the source of the majority of complaints most years. Changes in the overall profile of complaints referred to CIFO in 2022 saw case file volumes from Guernsey surpass those from Jersey. This was due to Guernsey's success in attracting home emergency insurance providers, which has led to high and growing complaint volumes associated with providers who have recently relocated to Guernsey from the United Kingdom, bringing consumer complaints about their businesses into CIFO's mandate.

Staff and Training

During 2022 CIFO aimed to bring its core case operation back to pre-pandemic staffing levels. However, identifying potential team members with the necessary capability to produce high-quality decisions was challenging. At the time of writing, CIFO is still below its 2019 office-based staffing level. As the statistics show, the level of complaints coming through the door shows no sign of abating.

As against this, 2022 saw the welcome addition of two case handlers and one intake and assessment officer to the team. The wider training and development given to the team throughout the year consisted of sessions which aimed to bring the new recruits up to speed, together with ongoing or refresher training for existing team members. In addition, training was delivered by both external and internal experts on topics such as investment management, trusts, pensions, and insurance.

The four contract ombudsmen - collectively bringing over 100 years' experience from the UK Financial Ombudsman Service and predecessor organisations - continued to be a valuable resource to CIFO, not just in terms of issuing decisions on cases but also in conducting in-depth reviews which explored new subject matter. Some also provided coaching and mentoring to individual members of the Jersey-based team.

Service Complaints

As an organisation which considers complaints about the level of customer service offered by FSPs, it is especially disappointing when we do not meet an acceptable standard of service ourselves. 2022 saw three complaints made about CIFO. CIFO's Chair reviews such complaints on behalf of the Board of Directors to ensure appropriate transparency and oversight and to ensure that improvement is made where warranted. The challenge is to distinguish between those complaints about CIFO's level of service and those from complainants who sought to reargue CIFO's decision in relation to their complaints.

Data and Information Security

In 2022, there were no data incidents which needed to be formally reported to the Channel Islands information commissioners. All CIFO staff completed training for data protection and information security, cyber risk and data sharing. CIFO also successfully renewed it's Cyber Essentials certification.

STAKEHOLDER OUTREACH

CIFO provides input to the governments of the Channel Islands to enable them to make potential improvements for the economic wellbeing of the islands and to increase public confidence in financial services. Throughout the year, CIFO regularly provided feedback to the governments on CIFO's complaint themes, emerging issues and responded to their proposed legislation with constructive commentary.

Regulators and industry bodies from both islands continued to meet with CIFO regularly to address current issues. Later in the year, CIFO embarked on a series of consultations asking key stakeholder groups to provide their input on CIFO's longer-term planning issues. An open consultation was then issued to all stakeholders including members of the public in November when CIFO published a 'Future Focus' discussion paper. Public meetings were held in early 2023 on both islands to share issues raised in the consultation and gather additional stakeholder input.

In 2022, CIFO's newsletter publications raised awareness of important issues, provided essential CIFO updates including CIFO's complaints data, and highlighted CIFO's consultation and feedback requests.

CIFO also further updated its website with a new and improved design to make it easier for users to navigate. The previous year, CIFO had focused on updating its website content and this year the focus was to increase website usability. In addition, CIFO updated published website content including its complaint categorisation guidance to incorporate CIFO's new complaint categories.

FUNDING

Levies and Case Fees

2022 Levy schemes: CIFO issued Consultation Paper 19 on 10 January 2022. The total amount required to be raised in levies was £926,104 which was 2% lower than in 2021. The individual levies increased by 3.5% for the banking sector, from £12,095 to £12,518 and reduced by 1% for the other sectors, from £1,248 to £1,232. The individual levy amounts are dependent on the number of FSP licence holders; a variable in the calculation of the individual levy amount over which CIFO has no control.

No submissions were received in response to the consultation and the 2022 levy scheme was published on 28 February 2022 and came into effect on 1 March 2022.

At the end of the year one levy remained outstanding. The FSP is in administration. CIFO is confident there are sufficient assets to enable recovery of this outstanding levy.

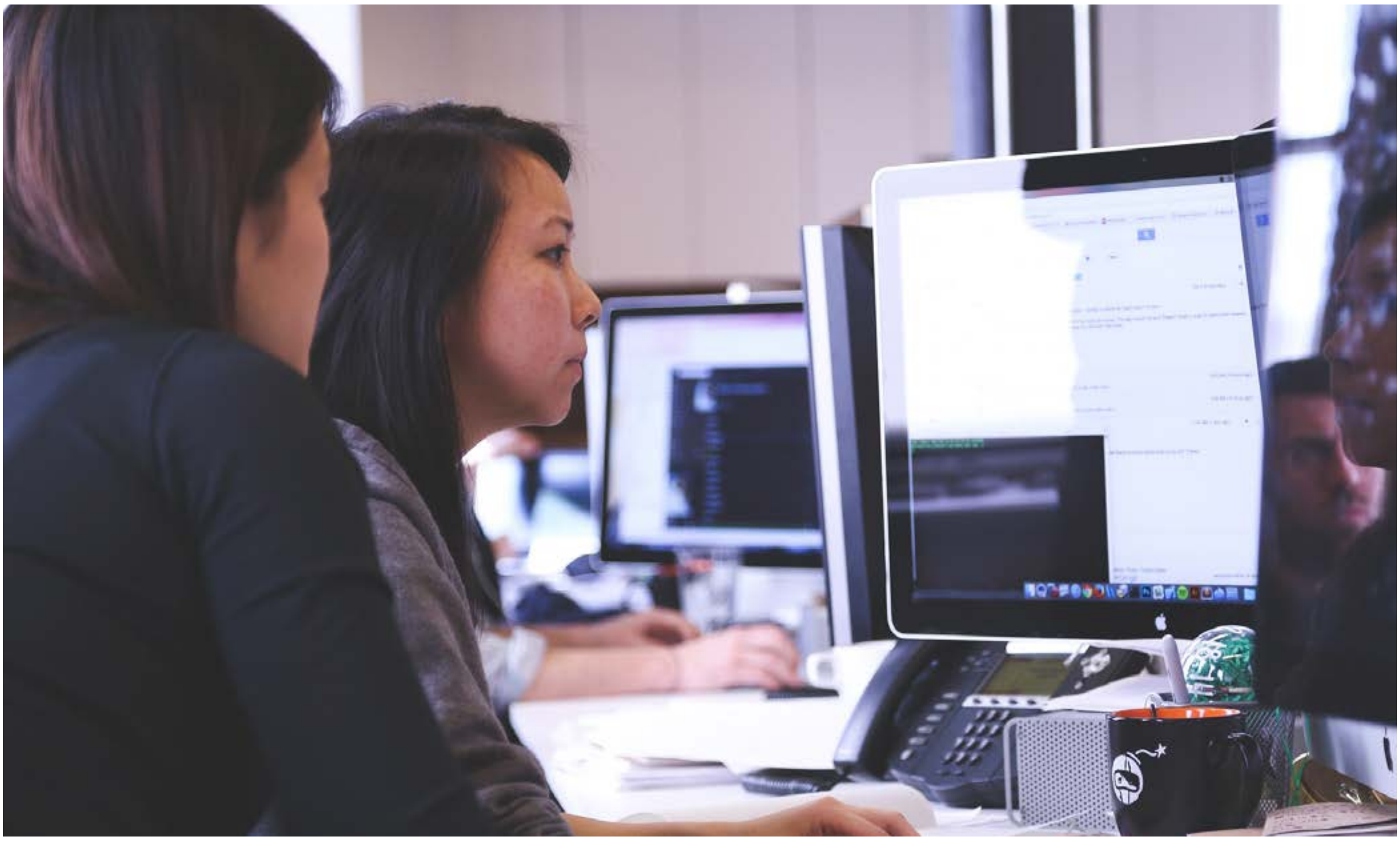
Case fees: CIFO issued Consultation Paper 20 on 14 September 2022. The proposal was to increase case fees from 1 January 2023 thereby increasing the proportion of CIFO's costs payable through case fees and reducing the proportion payable through annual levies.

Three submissions were received in response to the consultation; two from individual FSPs and one from an industry association. All three were generally supportive of a user-pays approach and therefore supported an increase in the proportion of CIFO's funding to be derived from case fees. There was a preference expressed for a gradual increase to case fees over time to enable an assessment of potential unintended consequences, such as unwelcome behaviour to suppress the referral of complaints to CIFO. There was also general support for the proposed approach to enable CIFO to use its discretion to waive fees in exceptional circumstances, such as where multiple similar complaints without merit were brought against FSPs. One respondent suggested future consultations should be combined for case fees and levies noting the inherent interdependencies between the two funding sources.

The CIFO board decided that, for cases received by CIFO from 1 January 2023, case fees would be increased as follows:

- The case fee, payable by FSPs that also pay the levy, will be £850.
- The case fee, payable by FSPs that do not pay the levy, will be £1,350.

A further consultation paper, Consultation Paper 21, was issued on 7 November 2022. The proposal was to change the billing of case fees from annual in arrears to quarterly in arrears. This was to address the liquidity risk posed by increasing the proportion of CIFO's funding that comes from case fees meant that a larger portion of CIFO's income would be deferred.



One submission was received from an industry association supporting the proposed move to quarterly invoicing. The CIFO board decided that, for cases received by CIFO from 1 January 2023, a quarterly billing cycle will be adopted with the first quarterly billing commencing in April 2023 for the cases received from 1 January 2023 to 31 March 2023.

Expense Management

The 2022 budget was approved by the Guernsey Committee for Economic Development on 24 November 2021 and by the Jersey Minister for Economic Development, Tourism, Sport and Culture on 10 December 2021. The budget was then formally adopted by the CIFO board on 13 December 2021.

Income for the year was 2% higher than budget due to a higher than forecast increase in chargeable case fees. Expenditure was 10% higher than budget due to higher staff salaries and the associated staff-related costs. Three new members of staff were recruited to fill the empty positions from 2020 and 2021. Also, during 2021, one of the existing case handlers was promoted to Manager, Complaints Resolution. This new role meant a former case handler no longer had the capacity to personally undertake case handling to the same extent. Therefore, the use of contract case handlers was increased. The contract case handlers were also engaged to provide training and mentoring for the newly promoted Manager, Complaints Resolution and case handler team members.

Income and Expenditure for 2022

	Budget	Actual	Variance	%Variance
Total Income	£ 1,012,904	£1,029,816	£16,912	2%
Total Expenditures	£1,012,904	£1,112,873	(£99,969)	10%

BUSINESS RISKS

CIFO's directors meet regularly to oversee the organisation. The directors review various categories of risk at each meeting including financial risk (whether there are sufficient resources to meet current and projected obligations), operational risk (including staff capacity and ability to progress cases in a timely manner) and stakeholder relations risk (comprising of the governments, regulators, industry, and consumer and public groups across the Channel Islands).

The four most significant risks identified by management at the end of 2022 are set out in the below tables. The tables also include the risk levels, the controls and mitigation in place, and an assessment of whether the risk level has increased or decreased over time.

Risk: Insufficient case handling resources

Description	This could undermine CIFO's ability to effectively respond to complaint volumes and maintain credibility with stakeholders.
Risk Owner	CEO
Risk Level	High
Risk Controls	Controls include regular board review of internal complaint handling statistics and financial resources.
Risk Mitigants	Availability of experienced financial ombudsman resources on contract as required. On-going staff training in essential skills and subject matter areas. Regular contact with key industry stakeholders regarding their internal complaints experience (early warning system).
Risk Trend	Stable

Risk: Insufficient financial resources due to complaint surge

Description	This could affect CIFO's ability to meet short-term obligations and create a need for additional intra-year funding that could undermine CIFO's reputation with funding stakeholders.
Risk Owner	CEO
Risk Level	High
Risk Controls	Controls include regular board oversight of financial reports, cash flow projections, and complaint handling statistics.
Risk Mitigants	Maintenance of an operating reserve as determined by the board of directors each year and replenished, as required, through CIFO's annual budget and levy setting process. £250,000 operating line of credit with CIFO's bank for use only with board of directors' prior approval. Ability to issue an intra-year supplemental levy notice (subject to consultation), if required, or accelerated invoicing of case fees.
Risk Trend	Stable

Risk: Judicial review (JR) of CIFO decision

Description	This could result in unplanned legal expenses and potentially a court judgment against CIFO. Intra-year financial impact of JR legal costs could be significant if not covered by insurance. In case of an unsuccessful defence of a JR, award of an FSP's costs against CIFO could be significant if not covered by insurance. Loss of a JR could undermine CIFO's reputation with stakeholders.
Risk Owner	CEO
Risk Level	Moderate
Risk Controls	Controls include CIFO's insurance cover for legal costs and internal decision quality control policies and procedures.
Risk Mitigants	Quality control measures in place regarding preparation of CIFO ombudsman determinations (final decisions). Director and officer liability policy in place that includes coverage for legal costs arising from a JR. Maintenance of an operating reserve as determined by the board of directors each year and replenished, as required, through CIFO's annual budget and levy setting process. £250,000 operating line of credit with CIFO's bank for use only with board of directors' prior approval.
Risk Trend	Stable

Risk: Data breach

Description	This could lead to the compromise of CIFO core systems, loss of case file data, or exposure of sensitive complainant or FSP information that could undermine CIFO's operating capability, reputation with stakeholders, and possible public sanction by data protection regulators.
Risk Owner	CEO
Risk Level	High
Risk Controls	Controls include regular staff training on cybersecurity practices.
Risk Mitigants	IT infrastructure and policies developed with outside expert input. Cloud-based file storage accessed via 2-factor authentication. Cyber Essentials Plus advanced cybersecurity certification in 2019. Ongoing external assessment on a quarterly basis. Regular staff training in cybersecurity policies, procedures, and good practice. Annual independent audits to reconfirm cybersecurity certification (last conducted in 2022). Insurance coverage in place for liability and remediation costs associated with a data breach.
Risk Trend	Stable

LOOKING AHEAD TO 2023

Complaint themes in 2023

Given the economic turmoil experienced in 2022 and continuing into 2023, it will be no surprise that complaints arising from inflation-related financial stress on households and businesses, increasing interest rates and volatile investment markets will all feature prominently in what CIFO will be called upon to resolve in 2023. In addition, fraudulent scams continue to evolve and increase in sophistication targeting consumers and businesses with ever more insidious attempts to gain access to accounts and prompt customers to unwittingly transfer their funds into fraudsters' hands.

To this challenging environment we also expect the introduction of occupational pension complaints once the proposed legislation is passed in Jersey and the sector becomes regulated by the Jersey Financial Services Commission (JFSC). This new area for CIFO will introduce new themes of complaints and new levels of complaint complexity. The Government of Jersey continued preparations throughout 2022 for the introduction of regulation for the public and private occupational pension sectors. Phase 2 of the empowering legislation will address the mandate of CIFO to handle complaints arising from occupational pensions.

Finally, the Government of Jersey and States of Guernsey are also on track to introduce regulation of lending and credit in 2023. While this does not change the extent of CIFO's mandate (CIFO already has the mandate for dealing with complaints arising from the lending and credit sector in the Channel Islands), the introduction of regulation will provide greater clarity for all market participants and will provide a strong reference point for what constitutes fair and reasonable treatment of financial consumers. Shining a light upon this area of financial services will likely prompt customers to raise issues to CIFO that may not have been previously evident. This is expected to increase lending and credit-related complaints in addition to those CIFO already receives that relate to banks.

On the positive side, as regulatory requirements are one of the things that CIFO must take note of in determining a fair and reasonable outcome to a consumer complaint, the regulation of lending and credit by the JFSC and Guernsey Financial Services Commission (GFSC) will assist CIFO by providing that previously absent benchmark for expected market conduct in Jersey and Guernsey.

CIFO's operations

A key aim for 2023 is to prevent a backlog accruing again but success in doing this is dependent on the moveable parts of the case operation remaining steady (cases coming through the door at a consistent rate, low staff turnover and timely cooperation with our reviews by FSPs and complainants). CIFO's corporate experience of the past seven years suggests this is unlikely. More likely is that we will again react to changing circumstances as best we can by using our finite resources the most cost-effective way.

In early 2023, the consultation on the legislation to extend CIFO's mandate to cover occupational pension complaints and the resulting legislative changes will be completed. Once the legislation becomes active, currently proposed for July 2023, CIFO's extended mandate will become effective. To prepare for that event, the CIFO team will be involved in extensive stakeholder discussions around how to operationalise the new mandate and to assist FSPs new to CIFO on how best to work with our office. A funding model to cover CIFO's costs for this new area of complaint handling will be established once there is greater clarity about the nature of the FSPs and employers involved and the expected volume of complaints likely to materialise. This will ensure that CIFO is funded for any additional complaint handling capacity that may be required as a result of this addition to our mandate. It will also ensure that there is no cross-subsidisation of public sector complaints handling by the private sector in both islands who fund CIFO's current mandate.

To ensure that CIFO can effectively review occupational pension-related complaints, we will be embarking on staff training and identifying outside expertise to supplement our team's current capacity on an as-needed basis. The addition of new areas of financial services to our mandate will also impact our case management system (CMS) and the statistical data that we collect and publish on complaints and FSPs. We will need to recruit some additional case handlers for this work in 2023, but the current 'war for talent' in the Channel Islands means that any talent comes at a premium.

Preliminary board discussions regarding an environment and sustainability policy for CIFO commenced in 2022 but it quickly became clear that there were broader implications that could inappropriately constrain the new Board of Directors which took over from the end of January 2023. The largest issue to consider was the environmental impact of board and management travel. This raised interesting questions of board effectiveness and pan-island stakeholder relations that warranted an in-depth discussion by the new Board. The consideration of a policy for CIFO was therefore deferred to 2023 to allow the new Board a reasonable opportunity to consider the implications before adopting a policy that could unduly constrain its own activities and objectives.

In accordance with good ombudsman practice, 2023 will see CIFO focus on developing and adopting a service charter. This will set out expectations of the office in the performance of its public-facing role. This will include enhancing the extensive statistical data CIFO currently publishes to include performance metrics with set targets and a report on CIFO's performance against those targets, particularly in the area of complaint handling timeliness. It is proposed that the preparations for this enhanced reporting will take place throughout 2023 to enable reporting on performance in 2024 against published objectives. In addition, we will be reviewing our current operational statistics based on stakeholder input in order to clarify complaints review stages and outcomes.

External factors

CIFO has long struggled with the inability to effectively resolve complaints that may involve the filing of a suspicious activity report (SAR) with Jersey law enforcement. The strong anti-tipping-off provisions embedded in Jersey law make it a serious offence for anyone to disclose the existence of, or subject matter of, a SAR to anyone not authorised by law. As CIFO does not have authorised status under the relevant law, banks and other FSPs have been unable to provide CIFO with the requested evidence to enable CIFO to perform its statutory duty of decision to fairly and reasonably resolve such cases. At the time of writing, a significant number of complaints under review by CIFO appear to be affected by this impasse.

After a number of trials of different attempts over several years to overcome this challenge, none with any lasting success, CIFO has formally escalated the matter to the Government of Jersey to find a durable solution. In 2023 this issue is expected to be resolved in a manner that enables CIFO to perform its role with integrity while also ensuring that sensitive information involving money laundering and terrorist financing is appropriately protected. With the MONEYVAL review scheduled for later in 2023, getting this longstanding matter effectively resolved takes on even greater importance and urgency for all stakeholders.

COMPLAINTS STATISTICS
2022 HEADLINES

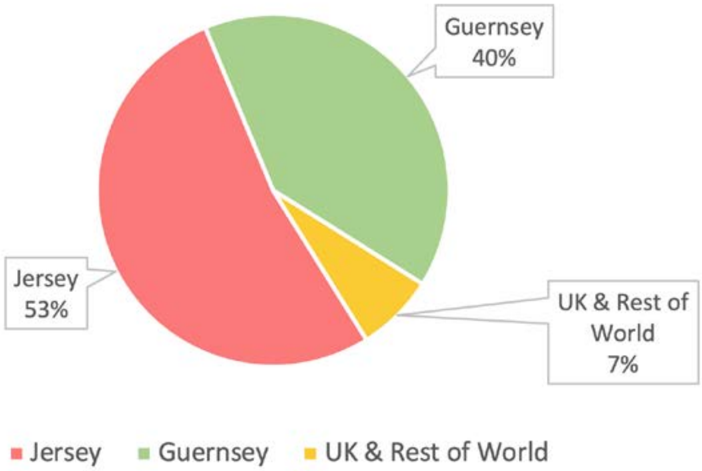
- In 2022, 500 complaints were received, up 20% from 415 the previous year.
- 35% of complaints received were outside of CIFO's statutory mandate, down from 46% the previous year.
- A continued high number of enquiries and complaints related to home emergency insurance claims (e.g., boiler repair insurance).
- 267 cases were opened, a decrease of 1% from 269 the previous year.
- 309 cases were resolved, a decrease of 14% from 360 the previous year.
- The number of complaints outstanding at the end of 2022 was 207, down from 323 a year earlier.
- 54% of cases (167) were successfully resolved through informal mediation rather than a formal binding ombudsman decision, down from 77% (277) in the previous year.
- 57% of cases were resolved in favour of complainants, up from 45% in the previous year.
- CIFO awarded a total of £551,607 compensation in 2022, with an average of £4,086 compensation per case that warranted a monetary award.

Some percentages may not add up to 100% due to rounding.

2022 COMPLAINTS STATISTICS ANALYSIS

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

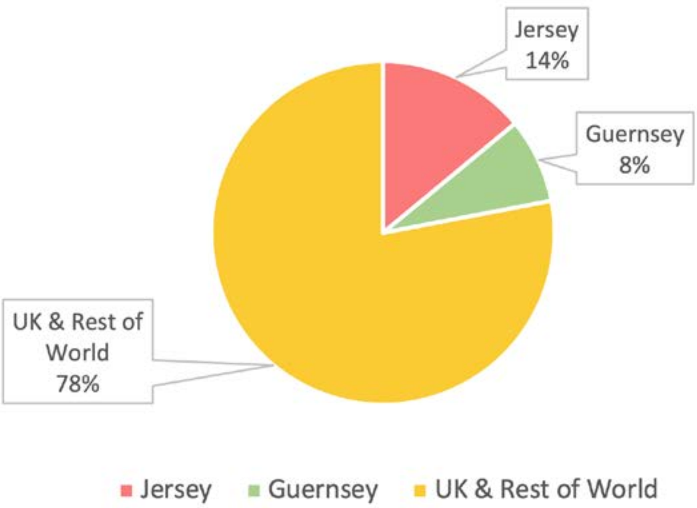
Jersey	263	53%
Guernsey	201	40%
UK & Rest of World	36	7%
Grand Total	**500**	**100%**



This section of the 2022 statistics analysis provides detailed information concerning all complaints about FSPs that have been received by CIFO whether or not they are ultimately confirmed as falling within CIFO's statutory mandate. Of the 500 complaints received by CIFO in 2022, 464 (93%) were against FSPs operating in or from the Channel Islands, 53% in Jersey and 40% in Guernsey. 36 (7%) were against FSPs that operated in or from the UK or the rest of the world. When CIFO receives a complaint against an FSP operating outside the Channel Islands, it will be referred to the most appropriate financial ombudsman service or regulator within that jurisdiction.

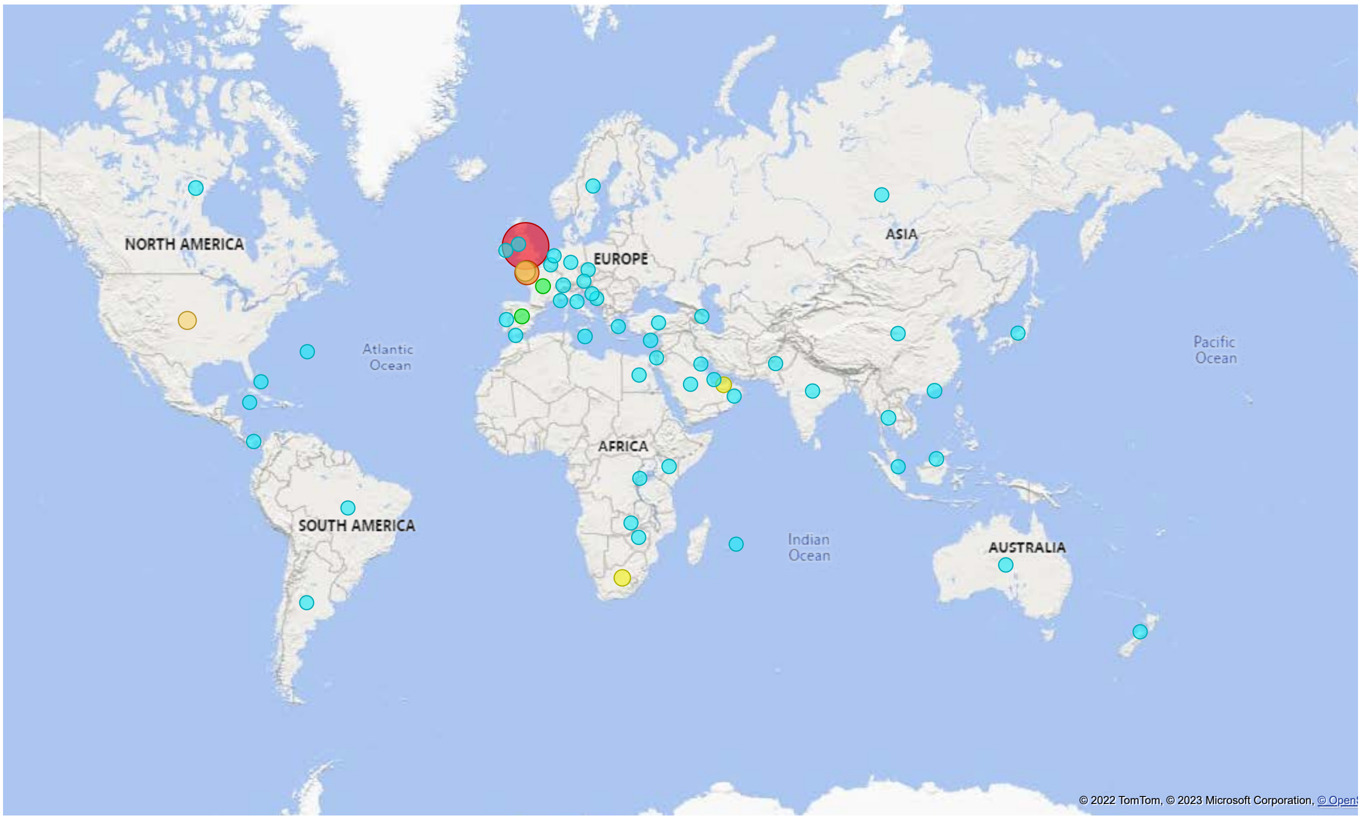
Table 2: **Complaints Received - Location of Complainants**

Jersey	70	14%
Guernsey	40	8%
UK & Rest of World	390	78%
Grand Total	**500**	**100%**



CIFO reviews complaints about financial services provided in or from the Channel Islands. The complainants can be from anywhere in the world. Of the 500 complaints received by CIFO in 2022, 110 (22%) were from complainants residing in the Channel Islands, 14% in Jersey and 8% in Guernsey. 390 (78%) were from complainants residing outside the Channel Islands; in the UK or the rest of the world.

The heat map and table below demonstrate the international nature of CIFO's complainants and highlights the global reach of the Channel Islands' financial sectors.



Legend (1.) Between 1 and 5 (2.) Between 6 and 10 (3.) Between 11 and 25 (4.) Between 26 and 50 (5.) Between 51 and 100 (6.) Over 100

Jurisdiction	#
United Kingdom	225
Jersey	70
Guernsey	40
United States of America	28
South Africa	17
United Arab Emirates	12
France	6
Spain	6
Canada	5
Hong Kong	5
Switzerland	5
Thailand	5
Malaysia	4
Malta	4
Australia	3
China	3
Cyprus	3
Kenya	3
Panama	3
Azerbaijan	2

Jurisdiction	#
Bermuda	2
Czech Republic	2
Egypt	2
India	2
Isle of Man	2
New Zealand	2
Pakistan	2
Portugal	2
Russian Federation	2
Saudi Arabia	2
Sweden	2
Zimbabwe	2
Gibraltar	2
Argentina	1
Austria	1
Bahamas	1
Belgium	1
Bosnia and Herzegovina	1
Brazil	1
Cayman Islands	1

Jurisdiction	#
Croatia	1
Germany	1
Greece	1
Ireland	1
Israel	1
Italy	1
Japan	1
Mauritius	1
Monaco	1
Netherlands	1
Oman	1
Qatar	1
Rwanda	1
Singapore	1
Tanzania, United Republic of	1
Turkey	1
Zambia	1
Kuwait	1

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

Of the 500 complaints received by CIFO in 2022, 478 (96%) were from consumers. 10 (2%) were from microenterprises, 10 (2%) 'other' complaints were from entities that did not meet CIFO's definition of a micro-enterprise, with 1 (>0%) from charities and 1 (>0%) from trustees.

	Jersey		Guernsey		UK & Rest of World		Total	
Consumer	58	83%	37	93%	383	98%	478	96%
Microenterprise	5	7%	2	5%	3	1%	10	2%
Other	6	9%	0	0%	4	1%	10	2%
Charity	1	1%	0	0%	0	0%	1	>0%
Trustee	0	0%	1	3%	0	0%	1	>0%
Grand Total	**70**	**100%**	**40**	**100%**	**390**	**100%**	**500**	**100%**

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

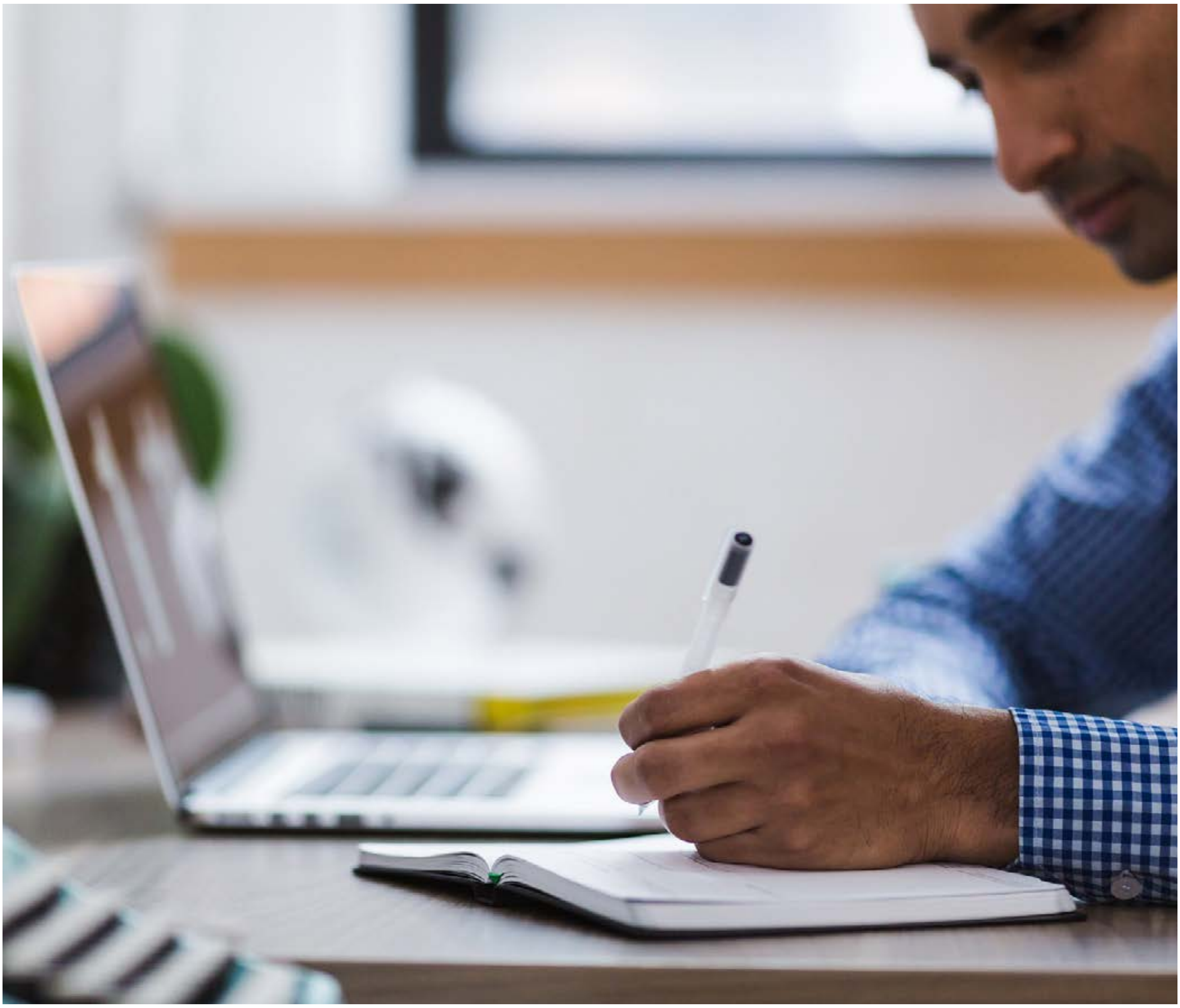


Table 4: **Complaints Received - Sector of Business Activity**

Of the 500 complaints received by CIFO in 2022, 50% related to the banking sector. The relative proportions by location varied widely with Jersey having 82% of the banking sector complaints while Guernsey had only 11%. This contrasts significantly with the second most prevalent sector, insurance - which accounted for 31% of the overall total - but accounted for 73% of the complaints in Guernsey and only 2% in Jersey. Of the other complaints, 8% related to the investment/funds sector, 5% to the pensions sector, 5% were related to business activities that were not financial services related, and 2% to the non-bank money sector.

	Jersey		Guernsey		UK & Rest of World		Total	
Banking	216	82%	22	11%	10	28%	248	50%
Insurance	4	2%	147	73%	4	11%	155	31%
Investment/Funds	24	9%	7	3%	7	19%	38	8%
Pensions	9	3%	17	8%	1	3%	27	5%
Not Financial Services Related	10	4%	4	2%	10	28%	24	5%
Non-Bank Money Services/Credit	0	0%	4	2%	4	11%	8	2%
Grand Total	**263**	**100%**	**201**	**100%**	**36**	**100%**	**500**	**100%**

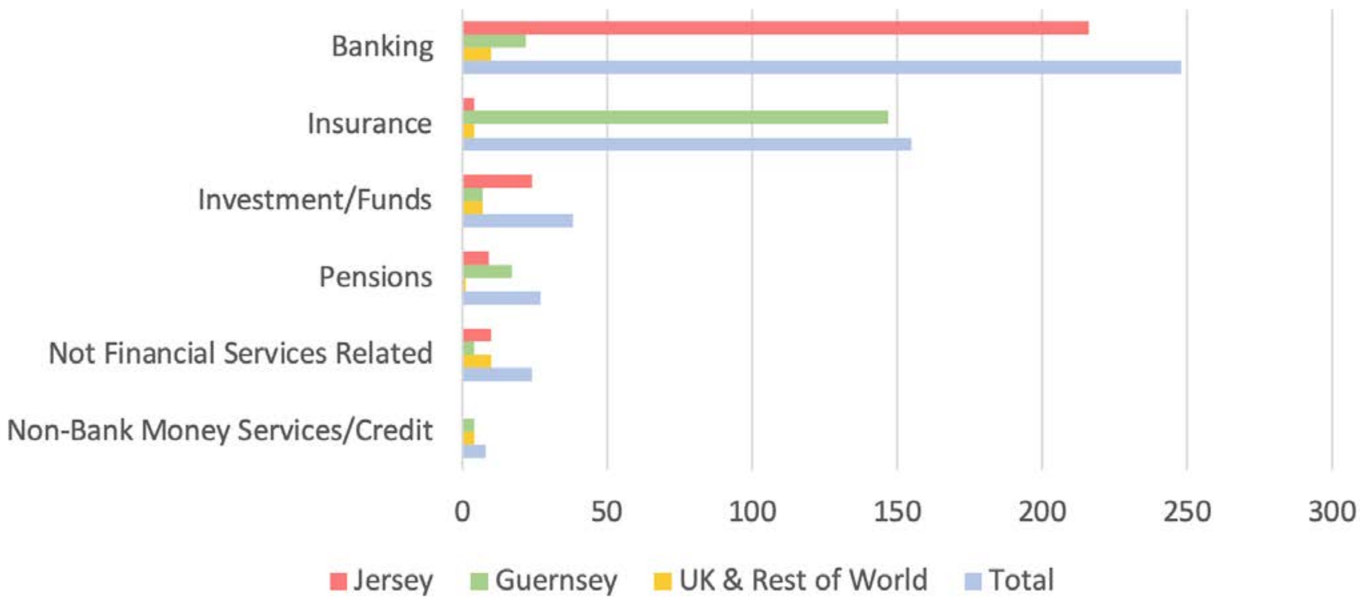


Table 5: **Complaints Received That Did Not Become Cases**

Of the 500 complaints received by CIFO in 2022, 223 complaints (45%) did not become cases reviewed by CIFO. Of those 223 complaints, 172 were rejected as falling outside of CIFO's statutory mandate, 34 were settled by the FSP prior to CIFO's engagement and 17 were withdrawn by the complainant.

	Jersey		Guernsey		UK & Rest of World		Total	
Rejected as Out of Mandate	89	70%	39	76%	44	98%	172	77%
Withdrawn by Complainant	14	11%	2	4%	1	2%	17	8%
Settled by FSP prior to CIFO engagement	24	19%	10	20%	0	0%	34	15%
Grand Total	**127**	**100%**	**51**	**100%**	**45**	**100%**	**223**	**100%**

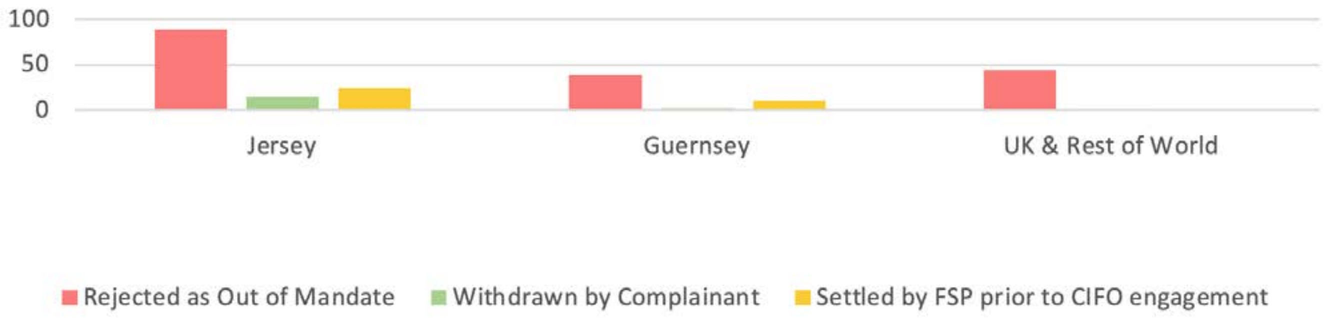


Table 6: **Why Complaints Were Rejected As Out Of Mandate**

Of the reasons that 172 complaints were rejected as falling outside CIFO's statutory mandate: 32% were premature complaints where the FSP had not yet been provided with an opportunity to resolve the complaint or where the complainant's loss had not yet crystallised to establish a fair basis for an award of compensation. 20% were rejected as they related to exempt financial services (investment fund/fiduciary), and 19% were rejected as they were about a non-Channel Islands FSP. Please note some complaints may have been out of mandate for more than one reason.

	Jersey		Guernsey		UK & Rest of World		Total	
Premature	45	49%	15	35%	0	0%	60	32%
Exempt Financial Service	16	17%	9	21%	13	25%	38	20%
Foreign Financial Service Provider (Non-Channel Islands)	0	0%	0	0%	36	68%	36	19%
Ineligible Complainant	10	11%	9	21%	0	0%	19	10%
Other	10	11%	3	7%	2	4%	15	8%
Delay in Referral to CIFO	6	7%	5	12%	1	2%	12	6%
Time (Start Date)	4	4%	2	5%	1	2%	7	4%
Time (Too Old)	1	1%	0	0%	0	0%	1	1%
Grand Total	**92**	**100%**	**43**	**100%**	**53**	**100%**	**188**	**100%**

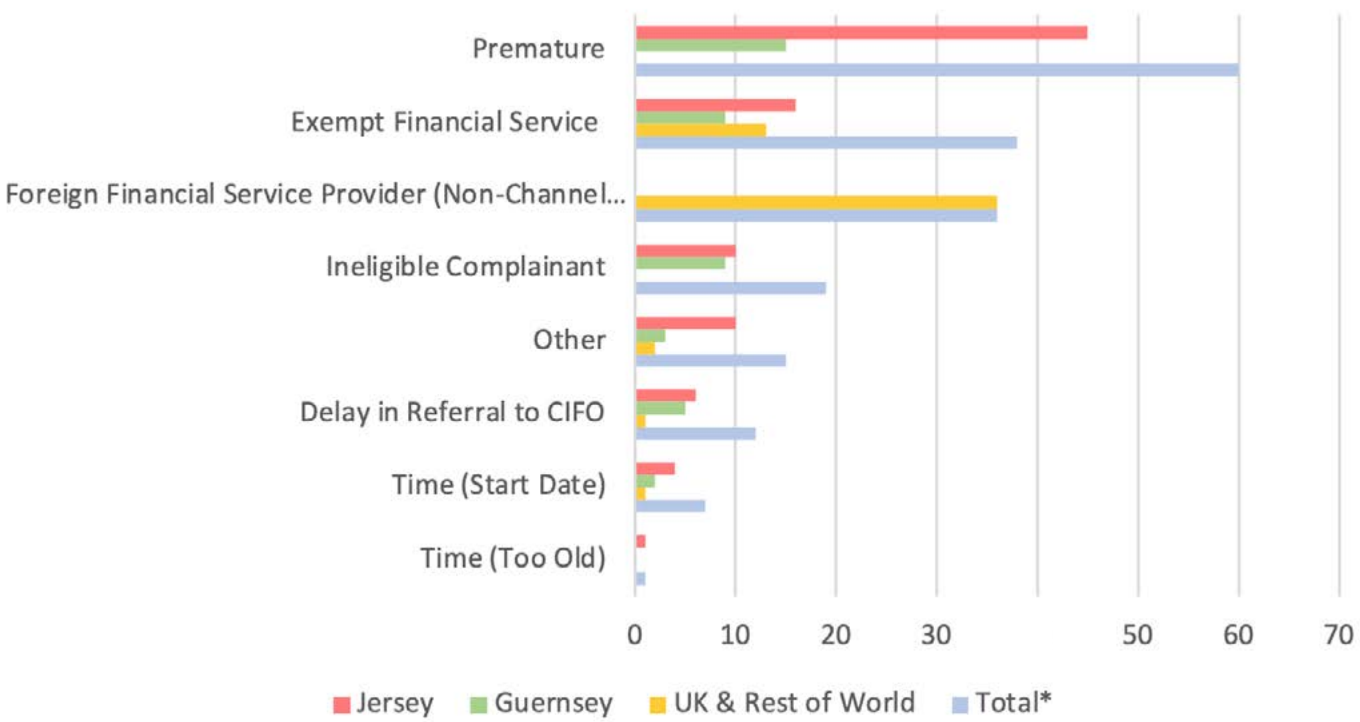


Table 7: **Cases Opened - Location of Financial Services Provider**

Of the 267 cases (complaints confirmed as falling within CIFO's statutory mandate) opened in 2022, 152 (57%) were about FSPs based in Guernsey and 115 (43%) were about FSPs based in Jersey.

Guernsey	152	57%
Jersey	115	43%
Total	**267**	**100%**

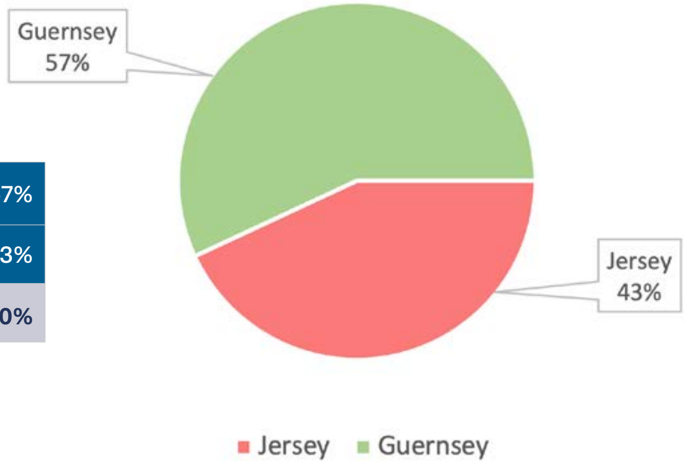
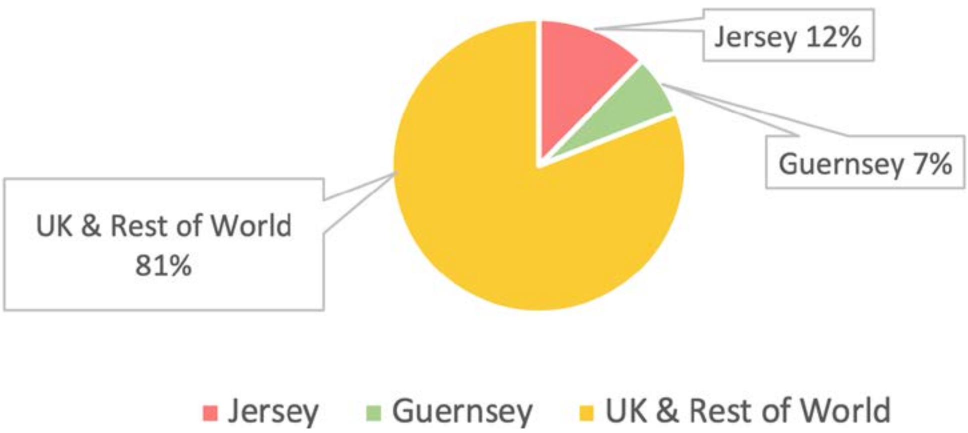


Table 8: **Cases Opened - Location of Complainants**

Of the 267 cases opened in 2022, 216 (81%) were from residents of the UK or the rest of the world, 33 (12%) were from residents of Jersey and 18 (7%) were from residents of Guernsey.

UK & Rest of World	216	81%
Jersey	33	12%
Guernsey	18	7%
Total	**267**	**100%**



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

Table 9: **Cases Opened - Sector of Business Activity**

Of the 267 cases opened in 2022, 127 (48%) were related to the insurance sector. This proportion varied significantly between Jersey and Guernsey with insurance complaints comprising 82% in Guernsey but only 2% in Jersey. In contrast, the banking sector accounted for 115 (43%) of all opened cases with the majority, 90% in Jersey and only 8% in Guernsey. The pensions sector accounted for 14 (5%) of opened cases with the majority, 7% opened in Guernsey and 3% opened in Jersey.

	Jersey		Guernsey		Total	
Insurance	2	2%	125	82%	127	48%
Banking	103	90%	12	8%	115	43%
Pensions	3	3%	11	7%	14	5%
Investment/Funds	7	6%	2	1%	9	3%
Non-Bank Money Services/Credit	0	0%	2	1%	2	1%
Grand Total	**115**	**100%**	**152**	**100%**	**267**	**100%**

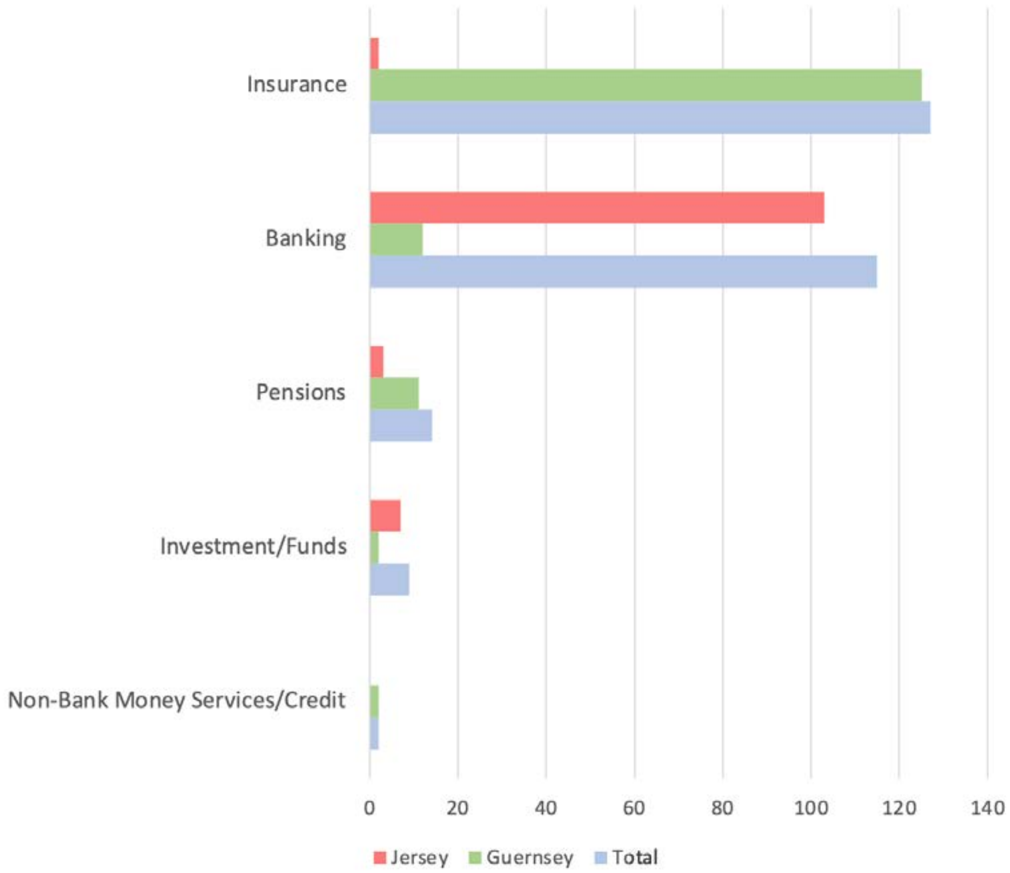


Table 10: **Cases Opened - Product Areas**

Of the 267 cases opened in 2022, the top three product areas were home emergency insurance (31%), current accounts (27%), and health insurance (9%).

	Jersey		Guernsey		Total	
Home Emergency Insurance	0	0%	82	54%	82	31%
Current Account	66	57%	5	3%	71	27%
Health Insurance	0	0%	23	15%	23	9%
Money Transfer	15	13%	0	0%	15	6%
Mortgage	6	5%	5	3%	11	4%
Private Pension Product	0	0%	11	7%	11	4%
Home Building/Contents Insurance	0	0%	7	5%	7	3%
Business Account	7	6%	0	0%	7	3%
Other Investments	6	5%	0	0%	6	2%
Other Insurance	1	1%	5	3%	6	2%
Life Assurance Policy	0	0%	5	3%	5	2%
Savings Account	3	3%	2	1%	5	2%
Whole of Life Insurance (Investment)	0	0%	3	2%	3	1%
Employer Pension Scheme	3	3%	0	0%	3	1%
Stocks and Shares	1	1%	2	1%	3	1%
Credit Card Account	2	2%	1	1%	3	1%
Fixed Term Deposit Account	2	2%	0	0%	2	1%
Mutual Funds, Unit Trusts, Collective Investment Schemes	1	1%	0	0%	1	>0%
Legal Insurance	1	1%	0	0%	1	>0%
Financial Advice	1	1%	0	0%	1	>0%
Consumer Loan	0	0%	1	1%	1	>0%
Grand Total	**115**	**100%**	**152**	**100%**	**267**	**100%**

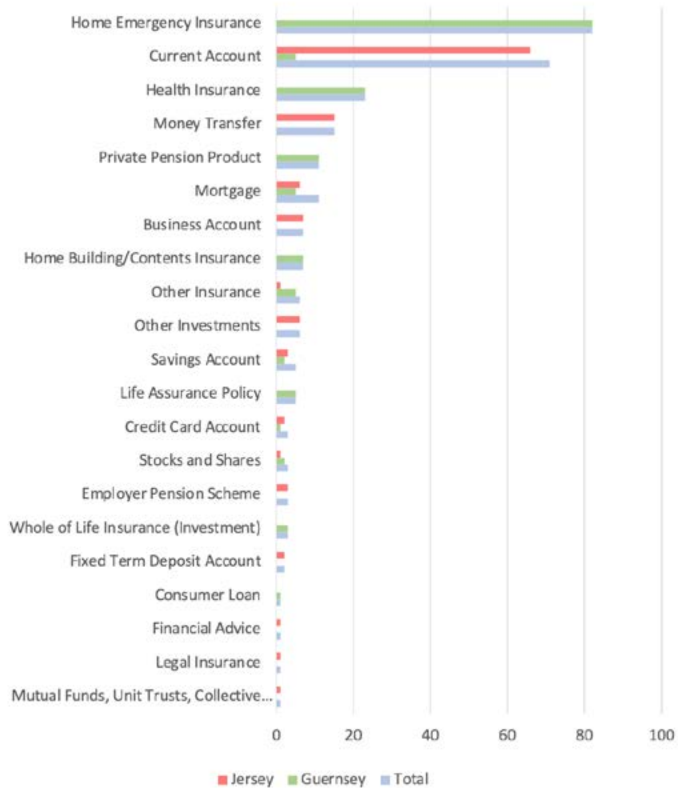


Table 11: **Cases Opened - Issue**

The most common issue in the 267 cases opened in 2022 was poor administration or delay with 101 (38%). Non-payment of insurance claim was the second most common issue with 54 (20%) and arose across insurance products. Refusal of service was the third most common issue with 27 (10%).

	Jersey		Guernsey		Total	
Poor Administration or Delay	46	40%	55	36%	101	38%
Non-payment of Claim	1	1%	53	35%	54	20%
Refusal of Service	15	13%	12	8%	27	10%
Fees/Charges	8	7%	17	11%	25	9%
Disputed Payment Out	21	18%	4	3%	25	9%
Mis-selling/Unsuitable Advice	9	8%	8	5%	17	6%
Closure of Account	7	6%	0	0%	7	3%
Fraud	5	4%	0	0%	5	4%
Transaction Error	2	2%	0	0%	2	1%
Interest Charged/Paid	0	0%	2	1%	2	1%
Enforcement/Collection	0	0%	1	1%	1	>0%
Power of Attorney	1	1%	0	0%	1	>0%
Grand Total	**114**	**100%**	**152**	**100%**	**266**	**100%**

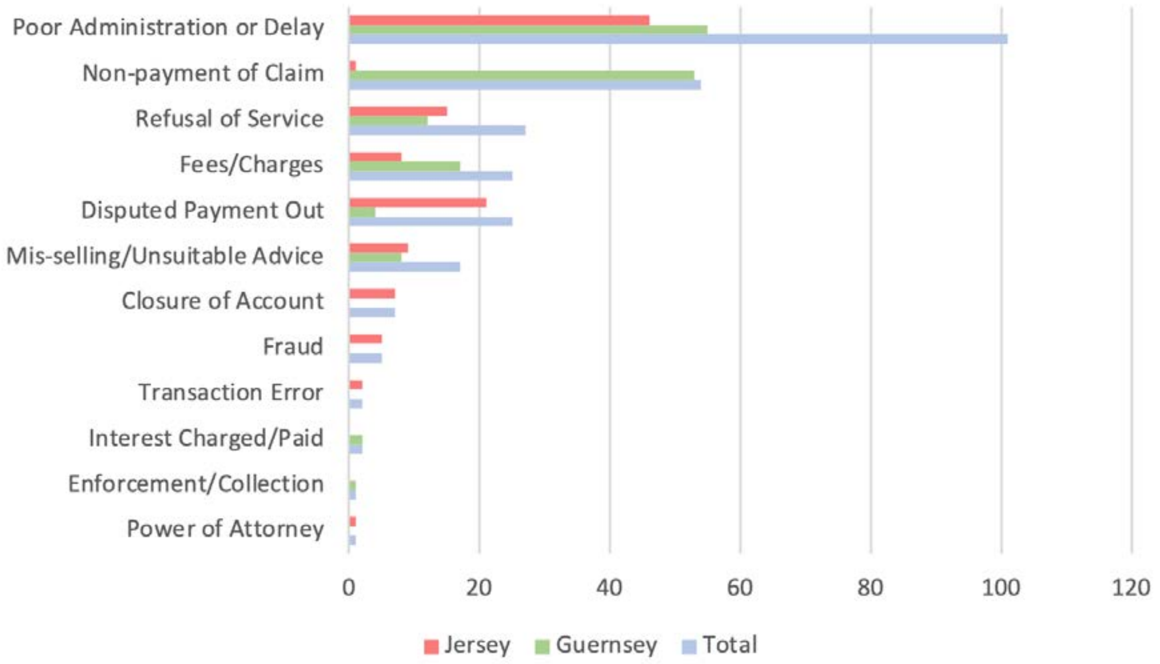


Table 12: **Resolved Cases - How They Were Resolved**

In 2022, CIFO closed 309 cases and resolved 293 through either mediation, an ombudsman's final determination, or they were settled by the FSP post-CIFO's engagement. Of the 309 cases resolved, over half (54%) were resolved informally through mediated settlements. Only 76 (25%) of cases proceeded to the end of CIFO's process and required an ombudsman's final determination to resolve. 11 (4%) were withdrawn by the complainant post-CIFO's engagement and 5 (2%) were considered out of mandate after CIFO conducted a further review of the information received.

	Jersey		Guernsey		UK		Total	
Mediated	61	41%	106	67%	0	0%	167	54%
Decided	39	26%	37	23%	0	0%	76	25%
Out of Mandate - 2nd Stage Rejection	1	1%	3	2%	1	50%	5	2%
Settled by FSP after CIFO Engagement	41	28%	9	6%	0	0%	50	16%
Withdrawn by Complainant	7	5%	3	2%	1	50%	11	4%
Grand Total	**149**	**100%**	**158**	**100%**	**2**	**100%**	**309**	**100%**

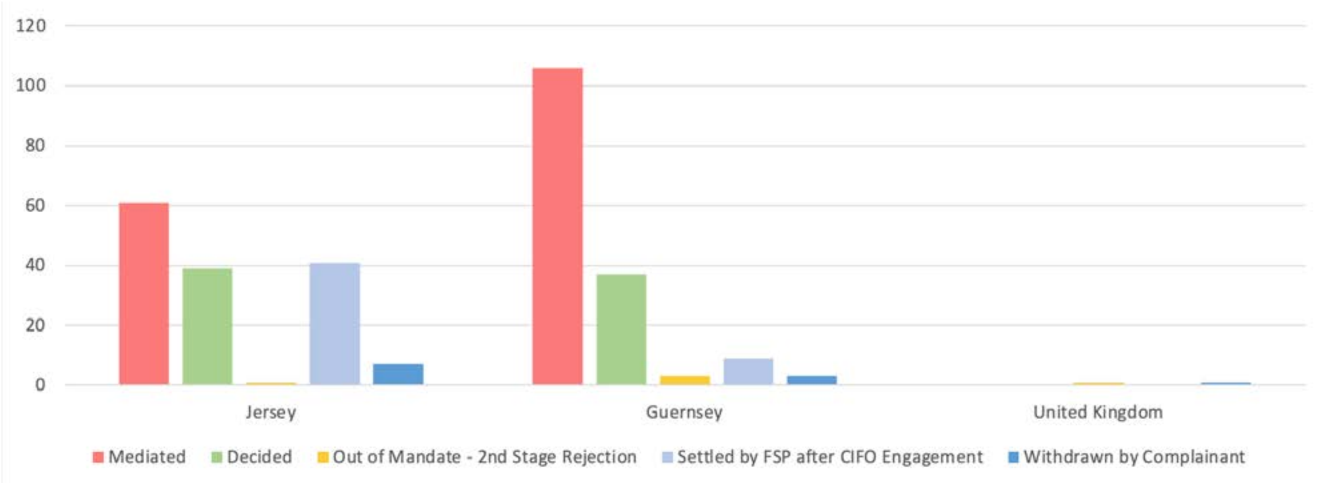


Table 13: **Resolved Cases by Outcome**

Of the 243 cases that required a CIFO resolution in 2022 (excluding complaints that were considered settled by FSP after CIFO's engagement, withdrawn by the complainant, and out of mandate-2nd stage rejection complaints), 120 cases (49%) were resolved in favour of the complainant for more compensation than previously offered by the FSP. A higher proportion (56%) of Guernsey cases received higher compensation than previously offered by the FSP compared with 40% in Jersey. An additional 20 cases (8%) were resolved in favour of the complainant, but for the same or less compensation than previously offered by the FSP. 103 cases (42%) were resolved in favour of the FSP.

	Jersey		Guernsey		Total	
Cases Resolved in Favour of Complainant for More Compensation than Previously Offered by FSP	40	40%	80	56%	120	49%
Cases Resolved in Favour of FSP	47	47%	56	39%	103	42%
Cases Resolved in Favour of Complainant for Same or Less Compensation than Previously Offered by FSP	13	13%	7	5%	20	8%
Total	**100**	**100%**	**143**	**100%**	**243**	**100%**

Table 14: **Amounts Of Compensation Awarded Up To CIFO Statutory Limit Of £150,000**

Of the cases that were resolved in favour of the complainant and involved financial compensation, the largest award for compensation was £150,000. The average award of compensation was £4,086 with the median amount £500. The lowest amount awarded was £16.

Maximum	£150,000
Average	£4,086
Median	£500
Minimum	£16

PUBLICATION OF NEW **FIRM COMPLAINTS STATISTICS**

The published summary complaints statistics relate to the period between 1st January 2022 and 31st December 2022. Note: there are numerous factors that can influence the volume and nature of complaints made against a particular FSP.

These can include:

- Some financial service sub-sectors will generate more complaints than others in relation to their number of total customers.
- Some sub-sectors have more transactions (or customer interactions) per customer than others which can result in higher complaint volumes.
- Some FSPs are larger and can have more customers which can result in more complaints even if the number of complaints as a proportion of its total customer base is lower than other comparable FSPs.
- FSPs within the same sub-sector (e.g., retail banking) can have a different mix of products and services with some types of products and services being more likely to generate complaints than others (e.g., credit card accounts, current accounts with debit cards, savings accounts). It is also important to note that a higher volume of complaints does not necessarily have a negative connotation and may simply result from an FSP's more effective signposting of its customers with unresolved complaints to its internal complaint handling and to our office.

CIFO opened 500 complaints this year about 52 FSPs and resolved 242* complaints about 49 FSPs through mediation or binding final decision. This following list shows in-mandate complaints resolved by CIFO. All complaints withdrawn, settled by the FSP prior to CIFO's involvement, those found to be outside of CIFO's statutory mandate are not included. All FSPs are named using the legal entity that CIFO was advised of at the time CIFO received the complaint and provided to the FSP for confirmation. The published data can be found using CIFO's searchable webpage, found here.

* Due to post-period adjustments, the comparative data table may have a few minor differences from CIFO's overall 2022 statistical summary earlier in this report.

FIRM	FIRM JURISDICTION	SECTOR	CASES SETTLED BY FSP (these cases are not included within this remaining data)	CASES RESOLVED BY CIFO (these exclude complaints considered as settled by FSP after CIFO's engagement, withdrawn by the complainant and out mandate - 2nd stage rejection complaints)	CASES RESOLVED BY MEDIATION	CASES RESOLVED BY DETERMINATION	OUTCOME IN FAVOUR OF COMPLAINANT (More compensation than originally offered by FSP)	OUTCOME IN FAVOUR OF COMPLAINANT (Same or less compensation than originally offered by FSP)	OUTCOME IN FAVOUR OF FSP
Advisa Financial Services Limited	Jersey	Investment/ Funds	0	1	0%	100%	0%	100%	0%
Barclays Bank plc, Guernsey Branch	Guernsey	Banking	0	1	0%	100%	0%	100%	0%
Barclays Bank plc, Jersey Branch	Jersey	Banking	0	11	55%	45%	55%	18%	27%
Barclays Wealth Management Jersey Limited	Jersey	Multiple*	0	4	75%	25%	25%	0%	75%
Bourse Trust Company Limited	Guernsey	Pension	0	1	0%	100%	0%	0%	100%
Brooks Macdonald Asset Management (International) Limited	Jersey	Multiple*	28	1	100%	0%	0%	0%	100%
Butterfield Bank (Guernsey) Limited	Guernsey	Banking	0	1	0%	100%	0%	0%	100%
BWCI Pension Trustees Limited	Guernsey	Pension	0	2	100%	0%	0%	0%	100%
Channel Insurance Brokers Limited	Guernsey	Insurance	0	1	100%	0%	0%	0%	100%
Cherry Godfrey Finance Limited	Guernsey	Non-Bank Money Services/ Credit	0	1	100%	0%	0%	0%	100%
Cigna Global Insurance Company Limited	Guernsey	Insurance	1	22	86%	14%	59%	5%	36%
Citibank N.A., Jersey Branch	Jersey	Banking	0	2	50%	50%	50%	0%	50%
City & Commercial Insurance Company (PCC) Limited	Guernsey	Insurance	0	2	100%	0%	50%	0%	50%
Close Finance (CI) Limited - Jersey	Jersey	Banking	0	1	0%	100%	100%	0%	0%
Concept Group Limited	Guernsey	Pension	1	5	60%	40%	0%	20%	80%
Dominion Pension Plan Trustees	Jersey	Pension	0	1	0%	100%	100%	0%	0%
Dukes House Insurance Limited	Guernsey	Insurance	1	1	100%	0%	100%	0%	0%
General & Medical Insurance Limited	Guernsey	Insurance	0	1	100%	0%	0%	0%	100%
Generali Worldwide Insurance Co Ltd	Guernsey	Insurance	1	0	NA	NA	NA	NA	NA
Homebuyer Financial Services Limited	Jersey	Investment/ Funds	0	1	0%	100%	100%	0%	0%
HSBC Bank Plc, Guernsey Branch	Guernsey	Banking	2	5	60%	40%	40%	20%	40%
HSBC Bank Plc, Jersey Branch	Jersey	Banking	2	40	62%	38%	30%	17%	53%

FIRM	FIRM JURISDICTION	SECTOR	CASES SETTLED BY FSP (these cases are not included within this remaining data)	CASES RESOLVED BY CIFO (these exclude complaints considered as settled by FSP after CIFO's engagement, withdrawn by the complainant and out mandate - 2nd stage rejection complaints)	CASES RESOLVED BY MEDIATION	CASES RESOLVED BY DETERMINATION	OUTCOME IN FAVOUR OF COMPLAINANT (More compensation than originally offered by FSP)	OUTCOME IN FAVOUR OF COMPLAINANT (Same or less compensation than originally offered by FSP)	OUTCOME IN FAVOUR OF FSP
Igloo Insurance PCC Limited	Guernsey	Insurance	0	1	0%	100%	0%	0%	100%
Insurance Corporation of the Channel Islands	Guernsey	Insurance	0	3	100%	0%	33%	0%	67%
Intertrust Corporate Director CS1 (Jersey) Limited	Jersey	Pension	0	1	0%	100%	0%	0%	100%
JTC Employer Solutions Limited	Jersey	Pension	1	3	100%	0%	34%	0%	66%
Lloyds Bank Corporate Markets plc, Guernsey Branch	Guernsey	Banking	0	2	50%	50%	0%	0%	100%
Lloyds Bank Corporate Markets plc, Jersey Branch	Jersey	Banking	0	1	0%	100%	0%	0%	100%
Lloyds Bank International Limited	Jersey	Banking	0	10	50%	50%	40%	20%	40%
Marsden Building Society	Guernsey	Non-Bank Money Services/ Credit	0	1	0%	100%	100%	0%	0%
Nedgroup Trust Limited	Guernsey	Pension	0	1	100%	0%	0%	0%	100%
Old Mutual Life Assurance Company (South Africa) Limited, Guernsey Branch	Guernsey	Insurance	1	0	NA	NA	NA	NA	NA
Overseas Trust and Pension Limited	Guernsey	Pension	1	1	100%	0%	0%	0%	100%
OVO Insurance Services Ltd	Guernsey	Insurance	1	64	72%	28%	73%	3%	24%
R.A. Rossborough (Insurance Brokers) Limited	Jersey	Insurance	0	2	50%	50%	50%	0%	50%
RBSI Ltd T/A NatWest	Jersey	Banking	8	13	77%	23%	54%	8%	38%
Rossborough Financial Services Limited	Jersey	Pension	0	2	100%	0%	50%	0%	50%
Ross-Gower Group Limited	Guernsey	Insurance	0	1	100%	0%	100%	0%	0%
Safe World Insurance Group International Limited	Guernsey	Insurance	0	9	100%	0%	89%	0%	11%
Santander International, Jersey	Jersey	Banking	0	1	100%	0%	0%	0%	100%
SG Hambros Bank (CI) Limited	Jersey	Investment/ Funds	0	2	50%	50%	100%	0%	0%

FIRM	FIRM JURISDICTION	SECTOR	CASES SETTLED BY FSP (these cases are not included within this remaining data)	CASES RESOLVED BY CIFO (these exclude complaints considered as settled by FSP after CIFO's engagement, withdrawn by the complainant and out mandate - 2nd stage rejection complaints)	CASES RESOLVED BY MEDIATION	CASES RESOLVED BY DETERMINATION	OUTCOME IN FAVOUR OF COMPLAINANT (More compensation than originally offered by FSP)	OUTCOME IN FAVOUR OF COMPLAINANT (Same or less compensation than originally offered by FSP)	OUTCOME IN FAVOUR OF FSP
SG Kleinwort Hambros Bank (CI) Limited	Jersey	Banking	0	1	0%	100%	0%	0%	100%
Skipton International Limited	Guernsey	Banking	0	1	100%	0%	0%	0%	100%
Sovereign Trust (Guernsey) Limited	Guernsey	Pension	0	3	67%	33%	67%	0%	33%
Standard Chartered Bank, Jersey Branch	Jersey	Multiple*	1	3	67%	33%	33%	0%	67%
The Islands' Insurance Brokers Limited	Guernsey	Insurance	0	1	100%	0%	100%	0%	0%
Trafalgar Insurance Company Limited	Guernsey	Insurance	0	1	100%	0%	0%	0%	100%
Trireme Pension Services (Guernsey) Limited	Guernsey	Pension	0	1	0%	100%	100%	0%	0%
Utmost Worldwide Limited	Guernsey	Insurance	0	8	62%	38%	13%	0%	87%

NA refers to cases settled by FSP that are not included within the remaining data.

*** FSPs with multiple sectors:**

Barclays Wealth Management Jersey Limited - CIFO sectors: Investment/Funds and Banking
Brooks Macdonald Asset Management (International) Ltd - CIFO sectors: Investment/Funds and Pension
Standard Chartered Bank, Jersey Branch - CIFO sectors: Investment/Funds and Banking

St Anne, Alderney

SECTOR OBSERVATIONS & **CASE STUDIES**

CIFO uses five sectors to describe the broad areas of financial services relating to each complaint. These are: Banking, Insurance, Investments, Pensions, and Non-bank money services/credit. Each sector has been segregated below to incorporate new and emerging issues CIFO has observed in the complaints referred to our office during 2022, along with sector-specific case studies which are intended to illustrate the types of complaints handled by CIFO and the approaches taken to resolve them. The case studies are based on actual CIFO cases. Some specific details may be altered to protect confidentiality.

BANKING **EMERGING ISSUES:**

Although fraud and scam complaints remained consistently high throughout the year, CIFO also identified other banking complaint themes. International transfers missing in transit caused delays in receipt of funds which resulted in complaints. These complaints were mostly 'not upheld' by CIFO as the issue was generally because the complainants had provided incorrect payment details.

CIFO also saw an increase in enquiries and complaints regarding consumers who were struggling with online banking platforms and making contact with their banks. CIFO observed that as banks have moved to offer alternative online banking methods, challenges for both the bank and their customers around security issues have become apparent. These complaints are usually due to issues that stem from a lack of customer understanding around securing personal devices and data when using unsecured networks. Although banks are providing guidance to their customers on new potential cyberattacks and fraudulent activity, scams and frauds continue to increase, meaning some customers may not be aware of current threats. CIFO also noted that complainants did not always fully understand how to securely use these new banking products and applications. The banks' reliance on remote channels for customer service also led to CIFO receiving a number of enquiries from customers who were having difficulties when making complex requests or simply trying to communicate with their banks.

Other complex issues CIFO observed involved refusals to accept 'Know Your Customer' documentation including UK or foreign 'Lasting Powers of Attorney' (LPAs) or 'Powers of Attorney' (POAs). Complaints arose where financial organisations based in the Channel Islands required all UK or foreign LPAs or general POAs to be registered by the relevant local authorities, which can be costly if legal counsel is required and time consuming. In addition, complaints were made after access to these bank accounts had been granted and limitations or complete removal of bank account facilities were then applied. CIFO will not generally review complaints if they concern the legitimate exercise of a FSP's commercial judgement, which includes decisions regarding the products they wish to offer their customers. However, these complaints often raised issues of procedural fairness and reasonability.

Case Study #1
BANKING

COMPLAINANT'S CONFUSION ABOUT BUSINESS BANK ACCOUNT CLOSURE RESULTS IN LOSS

Themes

- Terms and conditions
- Account closure
- Business bank account
- Process and procedures
- Advance notice of bank action

This complaint relates to the closure of a complainant's business bank account because the bank failed to address the complainant's confusion and uncertainty regarding the bank's request for information.

In 2020, Miss P's bank sent emails stating that in order to maintain the business account held with them they required up-to-date information. In January 2021, as the bank had not received a response to these emails, they issued an account closure notification by post. Believing this letter to be suspicious, Miss P contacted the bank by telephone, but they could not assist and stated that someone would call her back. Unfortunately, no-one called Miss P back and Miss P dismissed the matter.

In May 2021, Miss P received notification that her business account had been closed. This resulted in difficulties for Miss P to manage her business. Miss P had to spend considerable time contacting the bank to ensure transactions continued. The bank did allow transactions to be processed sporadically, but Miss P's business account had remained inaccessible for two days. Miss P finally restored her business banking arrangements but made a complaint to her bank for the lack of clarity, the loss in earnings and the distress she had experienced during this time. The bank offered £400 compensation for their error in not contacting Miss P to resolve the situation in January 2021, but Miss P rejected their offer and referred her complaint to CIFO.

CIFO investigated and found that the bank's terms and conditions allowed for the closure of Miss P's business account, as updated information had not been provided, and this was a regulatory requirement to maintain the account facilities. However, CIFO felt that the bank should have contacted Miss P in January 2021 to provide reassurance and re-emphasise the impact that not providing the requested information would have on the business account. CIFO also felt that the bank should have considered sending Miss P a fresh notice of termination before closing the business account. CIFO concluded that during the period when Miss P had no business account facilities and was engaged with the bank to decipher the problem, she had lost approximately £850 in business income.

Therefore, CIFO upheld the complaint and recommended the bank compensate Miss P £850 for the financial loss and £500 distress and inconvenience award to reflect the time and effort Miss P spent dealing with the matter. However, the bank did not accept CIFO's recommendation and challenged the amount awarded for loss of income. CIFO took this into consideration and reduced the loss of income value to £570, consequently recommending the bank compensate a total of £1,070.

Case Study #2
BANKING

MORTGAGE TRANSFER UNABLE TO PROGRESS DUE TO COMPLAINANT'S CHANGE IN EMPLOYMENT STATUS

Themes
- Offer letter
- Mortgage transfer
- Terms and conditions
- Lending criteria
- Change in borrower circumstances

The subject of this complaint is the complainant's change in employment status which affected her request to transfer her mortgage to another property.

Miss W decided to move house and wanted to sell her property. In order to do so, she approached her mortgage provider to 'port' her mortgage. In September 2020, the mortgage company offered to port the mortgage and raised Miss W's existing loan amount to approximately £400,000. The offer was valid until March 2021.

In March 2021, Miss W approached the mortgage company to request an extension as the sale of her property had been delayed due to the pandemic. Miss W also advised at this time that she had become self-employed. At which point the mortgage company stated they could no longer authorise the mortgage port due to the changes in Miss W's employment status. Miss W arranged an alternative mortgage with another lender and had to pay to her mortgage provider repayment charges of approximately £14,000.

Miss W made a complaint to her mortgage provider about the repayment charges requesting a full refund. She believed the mortgage company's decision not to lend on the basis they had advised was unreasonable. Miss W's mortgage provider rejected her complaint, stating that the offer letter sent to Miss W regarding the port proposal clearly stipulated the offer was based on the financial information provided by Miss W at the time and could be withdrawn if there was a material change. Miss W took her complaint to CIFO.

CIFO investigated and noted that Miss W stated she was advised at the time she approached the mortgage company about the port that a change to her employment 'didn't matter' as she was already earning a reduced salary. However, CIFO was not provided with any written evidence to suggest Miss W's employment would not matter. On the contrary, the offer letter regarding the port stipulated Miss W's salary information was used to assess affordability and the decision to increase the mortgage was based on that information. Miss W's subsequent discussions with CIFO also indicated that Miss W knew she needed to retain employment until the mortgage port had been completed. CIFO listened to the calls between Miss W and her mortgage provider. The adviser could be heard stating that Miss W's employment status may affect the conditions of the port. CIFO also noted that the original mortgage offer letter clearly stated the repayment charge that would be due if material circumstances changed. Therefore, CIFO concluded that the mortgage provider had properly applied the repayment charge and had supplied clear information regarding any material changes that could have affected the proposal. CIFO did not uphold the complaint.

Case Study #3
BANKING
SOCIAL MEDIA SCAMMERS TRICK COMPLAINANT INTO SENDING MONEY

Themes

- Authorised Push Payment (APP) Fraud
- Fraud alerts
- Process and procedures
- Contributory conduct by customer
- Vulnerability

This complaint concerns a bank's failure to identify that scammers were duping the complainant into sending them a large amount of money over an extended period of time.

In 2020 and 2021, Mr T made hundreds of payments to various individuals he met on social media. Most of the transactions were small, but a few were five-figure sums. In total, he paid more than £300,000 to the scammers. Initially, the payments were made from Mr T's personal account but later he made them from a joint account he held with his partner.

Part of the overall arrangement was that Mr T would receive back all his money and more. Unfortunately, when he travelled to meet one of the individuals in person to collect his money, no-one was there. It was at this point Mr T felt he had been a victim of fraud. He discussed the transactions with his partner and contacted his bank complaining they had failed to notice the many inconsistent payments that had been made from his accounts. He asked to be reimbursed, but the bank said Mr T had authorised the payments and they were unable to recover any of the money so they rejected his complaint. Mr T referred his complaint to CIFO.

CIFO investigated and noted that, because the majority of the payments were fairly small, they would not likely have triggered the bank's fraud alert systems. Whilst the UK code of practice relating to the reimbursement of fraudulent payments does not apply in the Channel Islands, banks are nevertheless required to have systems in place to identify potentially fraudulent transactions to protect their customers. In Mr T's case, the bank had questioned Mr T about some of the larger payments, but he had told them he knew what he was doing, and the payments were genuine. Therefore, CIFO concluded on balance that, even if the bank had done more than they did, it was unlikely Mr T would have listened or done anything different to avoid the fraud. Mr T and his partner rejected CIFO's initial recommendation, saying the joint account transactions had been inconsistent with past account activity and, because Mr T had been taking strong medication at the time, they felt he was vulnerable and that the bank should have done more to identify the fraud.

CIFO recognised that the bank had a duty to act on the instructions of either party to the joint account without 'cross-checking' with the other party. Moreover, the bank had issued regular statements to Mr T and his partner which had shown the volume of payments and the transactions, but at no point had this raised any suspicion. CIFO also reviewed the type of payments that had been made and felt that at least some of them should have alerted Mr T to their fraudulent nature – not least because he had previously been the victim of a similar fraud. CIFO further noted that Mr T had not told the bank he was taking strong medication so the bank could not be reasonably expected to see him as having been vulnerable. CIFO concluded that Mr T would have continued making payments to the scammers even if the bank had explained the fraud risks more than it did. CIFO did not uphold the complaint.

Case Study #4
BANKING
COMPLAINANT INCORRECTLY INPUTS TRANSFER AND INCURS EXCHANGE RATE FEES

Themes
- Foreign exchange rates
- Online overseas funds transfer

This complaint relates to two online overseas bank transfers that incurred exchange rate fees when the complainant neglected to change the online banking payment screen currency choice.

In November 2021, Mr U made an online bank transfer from his local bank account to a family member's overseas bank account. Mr U completed another online bank transfer again in April 2022 to the same recipient. It transpired that whilst both the sender's and recipient's accounts were sterling, the online payment process converted the payments to the recipient country's currency and on receipt the overseas bank again transferred the funds back into sterling. A loss of approximately £800 was incurred due to the exchange rate conversions.

Mr U complained to the bank explaining that the online banking payment screens were misleading, and that he had intended to make both transfers in sterling. Mr U also felt that the bank's system should have been able to identify the recipient account's currency and amend the currency selection accordingly. The bank said that they had completed the transfer in accordance with Mr U's instructions. The online banking payment screen would have automatically selected the overseas currency based on the country of the recipient's account and the bank said that Mr U should have selected the currency at this point.

However, as a gesture of goodwill, Mr U's local bank compensated Mr U for the exchange rate conversion incurred when they had transferred the funds to the overseas bank. This amounted to approximately £400. The bank declined to compensate Mr U for the remaining amount which accounted for the conversion rate applied by the recipient bank when converting the transferred funds back into sterling. Mr U again complained to the bank, requesting a full refund and referred his complaint to CIFO.

CIFO investigated and noted that although the online banking payment screens would have defaulted to the currency based on the recipient's location, the information presented on-screen provided a clear indication that Mr U was making foreign exchange payments. An exchange rate would have been stated on the initial online funds transfer screen and again on the review screen. CIFO also noted that Mr U had accepted that the online banking payment screen showed an exchange rate, but he mistakenly believed this was not relevant to his transfer. On this basis, CIFO felt that the bank had acted in accordance with his instructions. As the bank had already refunded the exchange rate fee applied by them, it would be unreasonable to ask them to pay the exchange rate applied by the recipient bank when they received and transferred the funds back to sterling. CIFO did not uphold this complaint.

Case Study #5
BANKING
INCORRECT PAYMENT INSTRUCTION LEADS TO COMPLAINANT'S LOSS

Themes
- Branch sort code
- Authorised payment instructions
- Incorrect payment instructions

This complaint related to a complainant's loss when incorrect payment details were provided to cover a utility bill. In January 2022, Mr A arranged to pay a utility bill for approximately £500. However, the bill was not paid as Mr A had used an incorrect bank branch sort code when he input the payment details into the on-line payment application. Mr A did not realise he had not made the payment until March 2022 when he received another bill from the utility company. When Mr A realised the payment he had sent in January had not been paid to the correct recipient, he requested his bank to recall the money. The bank attempted to recall the money, but the recipient bank refused to provide a refund. Mr A made a complaint to his bank as he had previously made another incorrect payment a few months earlier and the bank had been able to recall his money. The bank rejected Mr A's complaint and he referred this to CIFO.

CIFO investigated and suggested that as the payment had been sent to the wrong account, perhaps Mr A's bank could again request a retrieval of the money from the recipient bank. Mr A's bank told CIFO that the standards body for the UK retail interbank payment systems had said that no further recall request should be made so the bank did not proceed with an additional request.

CIFO noted that Mr A's bank had made the payment in accordance with Mr A's instructions and had attempted to recall the money sent to an incorrect sort code as soon as they were alerted by Mr A. Mr A's bank had also followed up on the recall request and kept Mr A informed of its actions. CIFO noted that the incorrect payment was made to a 'collection' account, meaning an account used to collect bill payments, and the recipient bank would not have known the identity of the underlying customer, even if they could legally share that information.

CIFO considered the fact that Mr A's bank had not requested another recall of the money when CIFO had asked. However, if the standards body for the UK retail interbank payment systems had advised against another recall request it was not unreasonable for Mr A's bank to follow this advice. CIFO felt that Mr A's bank had acted reasonably in its attempt to recover the money and had processed Mr A's payment in accordance with his instructions. CIFO did not uphold the complaint.

Case Study #6
BANKING

INCORRECT BANK DETAILS LEADS TO UNRETRIEVABLE FUNDS

Themes
- Confirmation of payee (COP) system
- Terms and conditions
- Incorrect payment instructions
- Recipient authorisation required to return funds

This complaint related to a complainant's loss when funds could not be recovered from a bank because the bank had been given incorrect payment information.

In August 2021, Mr B's relative died, and Mr B made arrangements to close his relative's bank account and transfer the funds of approximately £5,500 to his own bank account. Less than a week later, Mr B noticed he had not received the funds and contacted the sending bank for more information. The sending bank advised Mr B that he had incorrectly input his bank account number on the transfer instruction but assured him that the error would be fixed. Two days later, the sending bank requested an amendment to the payment instruction.

In September 2021, Mr B was advised by the sending bank that the funds had already been transferred to the incorrect account and the recipient bank would need to seek authorisation from the account holder to refund the money. In October 2021, the recipient bank advised the sending bank that they were unable to obtain the authorisation from the account holder who had received the funds and therefore were unable to refund the money. Mr B complained to the sending bank that it had taken two days for them to send an amendment request, it had taken nearly two months to provide him with any update and they had failed to advise him that it may not have been possible to retrieve the funds in the first place. Mr B also complained that neither bank had contacted the recipient to demand a return of the funds and that both banks had failed to identify the fact that the bank account number did not match the bank account name, meaning both banks had not employed the 'Confirmation of Payee' (COP) system. The sending bank stated that Mr B had quoted an incorrect account number which led to the error. However, they did write to the recipient bank again in October 2021, but the recipient bank confirmed they had already advised Mr B that no funds could be retrieved. The sending bank rejected Mr B's complaint and he referred it to CIFO.

CIFO investigated and initially felt the sending bank should have requested a recall of the funds and not made an amendment to the original payment instruction. CIFO recommended the bank compensate Mr B £100 in respect of this discrepancy. CIFO noted that the sending bank had updated Mr B within a reasonable timeframe upon receiving confirmation from the recipient bank. CIFO also noted that, whilst there was no local legal or regulatory requirement to do so, the sending bank had signed up to the COP system but had not yet implemented this process at the end of 2021. CIFO concluded that the sending bank had made reasonable efforts to attempt a recovery of the incorrect payment in accordance with their terms and conditions but felt that, by advising Mr B the issue would be rectified, they gave him false expectations. Therefore, CIFO upheld the complaint in part and recommended the sending bank compensate Mr B with £100 for the distress they had caused by giving him an unfounded assurance that the money would be recoverable.

Case Study #7
BANKING
BANK ACCOUNT CLOSURE RESULTS IN INCONVENIENCE

Themes
- Terms and conditions
- Dormant account
- Process and procedures
- Distress and inconvenience

This complaint relates to a complainant's bank account deactivation and the inconvenience and misunderstandings caused when attempting to reactivate it.

In April 2021, Mr E tried to pay cash into his bank account using an ATM but was unsuccessful. Mr E then tried to withdraw funds from the same bank account using the same ATM machine but was again unsuccessful. Mr E visited his bank and was told the issue was that his bank account had been inactive, making it 'dormant'. Mr E's funds were returned to him. Mr E was told that in order to remove the 'dormant' status and make the account fully functional he would need to provide a copy of his passport and proof of address. Mr E returned to the bank with the requested documentation and the bank manager completed a form required to reactivate the bank account. The bank manager disclosed Mr E's bank account balance as approximately £7,000 on the form.

In June 2021, Mr E checked the ATM many times, to see if he could withdraw funds. When his account was eventually reactivated it showed a balance of approximately £20. Mr E made a complaint to the bank and was advised that the figure quoted on the reactivation form was provided by Mr E to the bank manager at the time of completion. The bank offered Mr E £175 in compensation for the distress and inconvenience the reactivation process had caused. This compensation included the cost of travel Mr E incurred getting to and from the bank and telephone calls Mr E had made to the bank. Mr E did not agree and referred his complaint to CIFO.

CIFO investigated and noted that whilst the bank had provided poor service, there was no evidence to indicate Mr E ever had a balance of £7,000 in his account. Mr E advised CIFO that the bank manager had confirmed this balance and that these were payments he had received from an overseas pension plan. CIFO reviewed Mr E's bank statements which indicated that no activity had been present on the account for approximately 5 years. CIFO noted that the only document which suggested Mr E had funds valued at approximately £7,000 was the form submitted by the bank manager to reactivate the account in April 2021. CIFO requested Mr E to confirm the pension payment was credited to his account and at this point Mr E stated this was based on the fact that an acquaintance had received a pension payout. Therefore, CIFO concluded that no funds were missing and that the bank had operated in accordance with their terms and conditions regarding dormancy to deactivate a bank account that has not been used within a 12-month period. Mr E's bank was not required to provide notice before deactivating the bank account. Mr E had spent considerable time and had suffered distress and inconvenience dealing with the deactivation. CIFO upheld the complaint in part and felt the £175 compensation already offered to Mr E sufficiently reflected the level of inconvenience Mr E had suffered.

Case Study #8
BANKING
COMPLAINANT'S INABILITY TO OPERATE BANK ACCOUNT WITHOUT A MOBILE DEVICE

Themes
- Mobile authentication devices
- Process and procedures
- Reasonable accommodation
- Improved account security
- Two-factor authentication

This complaint relates to a complainant's inability to access his bank account when the bank implemented new security measures.

Mr E held a bank account with a local bank. Local legislation required the bank to introduce new two-factor authentication security processes in accordance with the Payment Services Directive. The new security process required all account holders to download an application and have a mobile phone to access online banking and authorise online transactions. Customers would need to authorise the transaction and input a security code texted to them by their bank. The bank also stopped sending customers 'Personal Identification Numbers' (PINs) by post and the only way a customer could create a new PIN was via online banking.

Mr E did not have a mobile phone and requested the bank make alternative arrangements for him to use online banking and be sent a PIN. The bank explained that it no longer had the ability to provide PINs in any other format and Mr E would need to acquire a mobile phone to obtain a PIN. The bank said Mr E could also use telephone banking and it would accept written instructions by post. Mr E complained that he had always had problems using telephone banking and said he did not want a mobile phone. The bank was unfairly restricting access to his account by requiring him to have one. The bank maintained their position and Mr E took his complaint to CIFO.

CIFO noted that the bank's regulator confirmed local customers should not receive a lesser standard of service or protection than UK customers. CIFO also noted the UK regulator had issued specific guidance when introducing two-factor authentication, requiring banks to make alternative arrangements for customers who do not have a mobile phone. Therefore, CIFO recommended the bank provide Mr E with the same alternatives it would for a UK customer. The bank explained that due to the limitations of their local services it could not offer any alternative arrangements for Mr E.

CIFO concluded that the bank had left Mr E with a choice of using a considerably less convenient method to access his account, or obtaining a mobile phone, or close the account. However, CIFO cannot require a bank to change its processes and recommended the bank compensate Mr E for the distress and inconvenience suffered. CIFO noted that the bank had told Mr E about the changes well in advance, that this was not his main bank account and that Mr E had no immediate requirement for the funds held in the account. Mr E had not been required to chase the bank for responses and he had chosen to not have a mobile phone. There was no particular vulnerability which meant a mobile phone was not suitable for him. CIFO upheld the complaint in part and recommended the bank pay Mr E £200 compensation for distress and inconvenience. CIFO also supported Mr E in providing documents to satisfy the bank's security requirements to close his account and transfer the remaining balance.

Case Study #9
BANKING

COMPLAINANT SCAMMED BY FRAUDSTER CLAIMING TO BE FROM 'AMAZON'

Themes
- Scam
- Remote account access
- Fake refund
- Bank failure to query or block unusual transaction

This complaint relates to a fraudulent call a complainant received from someone pretending to be from Amazon about a supposed error when refunding an Amazon Prime subscription.

In July 2021, Mr T received a call from a fraudster who said he was from Amazon. The fraudster said he needed to refund approximately £80 to Mr T for an unwanted Amazon Prime subscription. The fraudster then sent Mr T an email asking him to confirm the refund amount, after which Mr T received another call from the fraudster saying that 'Amazon' had refunded approximately £8,000 in error. The fraudster asked Mr T to log on to his online banking to check and he saw a large credit on his current account. Assuming this to have been the 'Amazon' refund, Mr T agreed to return the overpayment to a named individual at 'Amazon'. He made an initial payment of £5,000. Mr T then saw his computer screen go blank. Unknown to Mr T, the fraudster had taken control of his online banking.

What happened next was that the fraudster, having already made a transfer from Mr T's savings account to his current account made two further payments, one for £4,000 and another for £5,000. Mr T became suspicious when his computer screen stayed blank and he telephoned the police, who telephoned the bank. The bank blocked Mr T's account which prevented any further payments from being made.

The bank was unable to recover any of the money that had been paid to the fraudster and it refused to reimburse Mr T for any of the payments that had been made. Mr T accepted that he had authorised the first payment but he did not believe he had authorised the second and third payments, which totalled £9,000. Mr T asked the bank to refund that amount to him. The bank declined to do so. The bank considered Mr T had been negligent in disclosing his online login details which gave the fraudster access to his accounts. Mr T referred his complaint to CIFO.

CIFO investigated and, although unable to clearly establish how the fraudster had gained remote access to Mr T's computer to authorise the payments, noted that the bank had not identified the change in account activity before they had been contacted by the police. CIFO felt that when the third payment was being made the bank should reasonably have identified this as an unusual pattern of transactions and alerted Mr T to the potential fraud. CIFO concluded that had the bank done so, the third payment would not have been made.

CIFO therefore upheld the complaint in part and recommended the bank refund Mr T the final payment of £5,000, with additional interest at 8% simple from the date the payment was made to the date of settlement.

Case Study #10
BANKING
COMPLAINANT SCAMMED VIA 'WHATSAPP' MESSAGE THAT CLAIMED TO BE A FAMILY MEMBER URGENTLY IN NEED OF FUNDS

Themes
- Scam
- Contingent Reimbursement Model (CRM) Code
- New payee
- Process and procedures
- Distress and inconvenience

This complaint relates to a complainant's inability to report a fraud to the bank because their fraud team did not work during weekends.

On a Saturday in January 2022, Mrs Y received a 'WhatsApp' message claiming to be from a family member needing to make an urgent payment to cover a bill. Mrs Y made an online transfer sending approximately £2,000 to the payee detailed in the message. Mrs Y then received a second request but became suspicious that it was a scam and contacted the bank who advised that the Channel Islands fraud team were not available at the weekend and to contact them on Monday.

On the Monday, Mrs Y contacted the bank who submitted a request to recall the funds but were unable to retrieve any. Mrs Y made a complaint to the bank and requested a full refund in accordance with the 'Contingent Reimbursement Model' (CRM). The bank responded by stating that Mrs Y had made the transfer to a 'new payee' and a fraud warning notifying Mrs Y to a possible scam would have appeared on her screen. The bank also stated that the CRM code did not apply to the Channel Islands, and that they were under no obligation to reimburse Mrs Y. Mrs Y referred her complaint to CIFO.

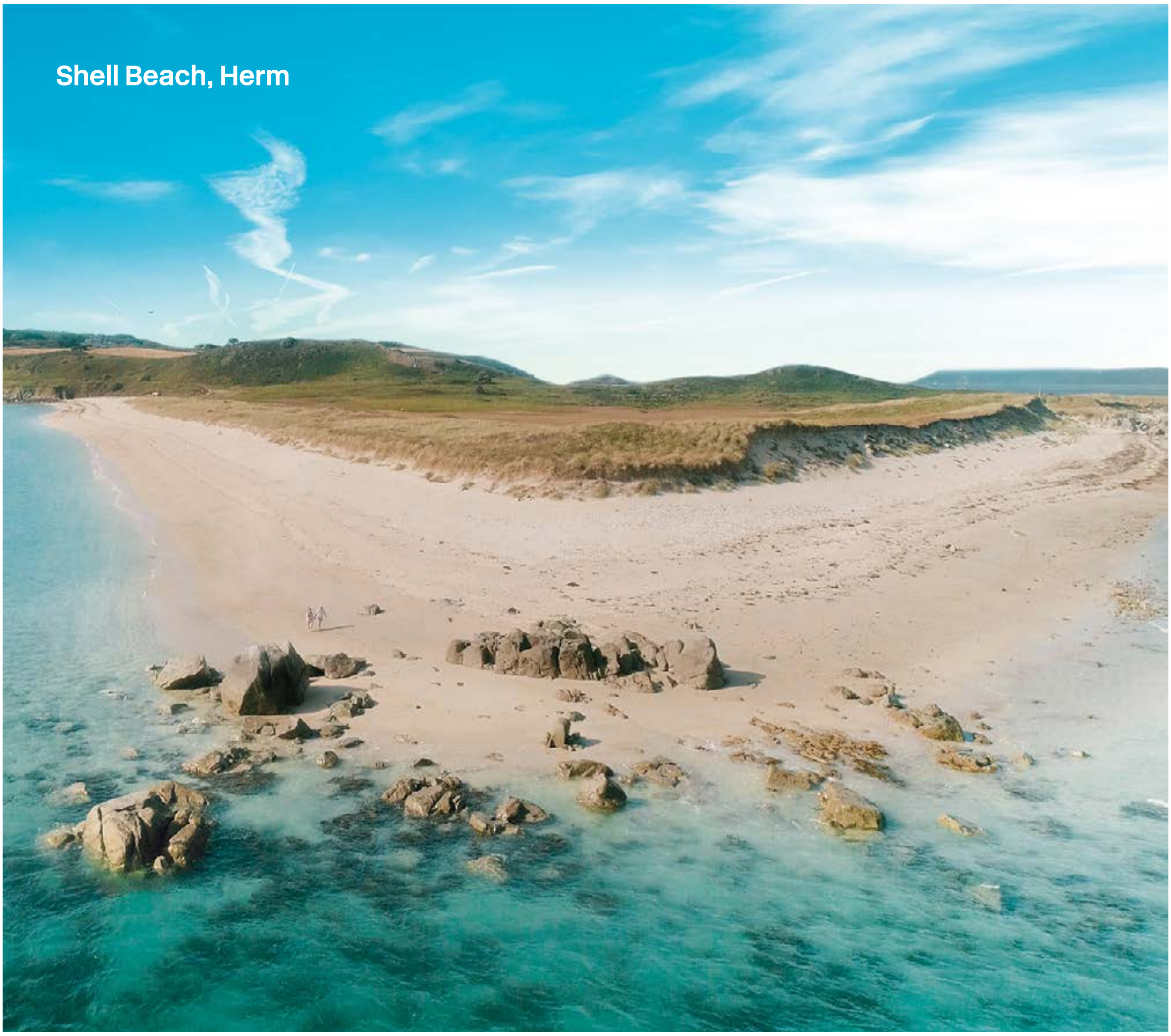
CIFO investigated and found that the fraud warning would not have raised Mrs Y's suspicions as she was making the transfer to a new payee in response to the WhatsApp message that she believed was from a family member. Mrs Y grew suspicious at the second payment request and had immediately tried to contact the bank who were unable to help until the following Monday. CIFO surmised that, had the bank attempted to recall the funds at this time they may have been successful. CIFO also noted that although the CRM code has no equivalent in the Channel Islands, there are still requirements set out in the regulator's banking code of practice that establish a similar expectation for banks to protect their customers from fraud.

CIFO's case handler upheld the complaint and recommended the bank refund Mrs Y the full amount, plus interest of 8% on the total from the date the fraudulent payment was made, and a further £150 for distress and inconvenience. The bank initially did not agree and requested that an ombudsman provide a final decision. The bank then produced evidence that, at the time Mrs Y initially called to tell them about the fraud, money had already been taken from her account. However, they did offer to refund approximately £380 that was still in the recipient's account. CIFO's ombudsman concluded that the bank should reimburse Mrs Y the £380, plus 8% interest on that sum, and a £250 distress and inconvenience award due to the stress that Mrs Y had suffered when she was aware of the fraud but had no means to contact the bank to report it.

INSURANCE **EMERGING ISSUES:**

CIFO has seen a significant increase in insurance complaints, predominantly due to the relocation to Guernsey of several UK insurance providers. The most common type of insurance complaints received in 2022 involved home emergency insurance, in particular boiler repair issues. Bicycle insurance complaints were also a new theme. Both types of insurance complaints involved disputes over how claims were handled including the amount, if any, to be paid under the claim or whether repairs will be carried out under the policy.

CIFO also continued to receive complaints about health-related insurance policies, including private medical insurance and the majority of these were also due to the non-payment of claims.


Shell Beach, Herm

Case Study #11
INSURANCE

HEALTH INSURANCE CLAIM REJECTED DUE TO NON-DISCLOSURE OF PRIOR SYMPTOMS

Themes
- Health insurance
- Claim rejection and policy cancellation
- Misrepresentation and non-disclosure of symptoms

This complaint relates to a rejected health insurance claim in circumstances where the insurer said the insured person had not told them about undiagnosed symptoms when applying for the policy.

In April 2020, Miss C took out a private health insurance policy. In July 2020, she submitted a claim to her insurer for the cost of medical investigations following a recent diagnosis with a gastric illness. Miss C's insurer rejected the claim because the medical report they had received in support of the claim led them to believe Miss C had experienced intermittent gastric symptoms in the year before she applied for the policy. The insurer said that Miss C should have told them about these symptoms in response to a specific medical question they had asked her when she applied for the policy. Had they known about her undiagnosed symptoms, the insurer said they would not have offered Miss C a policy at all. As such, the insurer would not pay the claim. They cancelled Miss C's policy and returned the premiums she had paid.

Miss C complained. She said that she had experienced common symptoms which she did not think indicated a medical problem. Miss C pointed out that she had not been diagnosed with or treated for any gastric issues before she had applied for the policy and felt she did not need to declare everyday gastric issues. Miss C's insurer rejected her complaint because they had specifically asked her about any undiagnosed symptoms. Miss C referred her complaint to CIFO.

CIFO asked Miss C about the symptoms described in her medical report. Miss C explained that she had initially sought treatment for allergies, and it was only when the specialist asked her about acid reflux that Miss C sought advice from a gastric expert. Miss C said she had not believed she had symptoms of an illness at the time she had taken out the policy.

CIFO explained to Miss C that the key considerations were whether she had taken reasonable care in answering the insurer's question about any symptoms she had experienced. Whether or not she had taken medical advice or been diagnosed with a medical condition. CIFO concluded that Miss C's wide-ranging gastric symptoms had not been normal for her, and CIFO noted that they had occurred in the months before she had taken out the policy. CIFO found that, had she taken reasonable care, Miss C would have told the insurer about her symptoms in response to their specific medical question. Had she done so, CIFO accepted on the balance of probabilities the insurer would not have offered Miss C a policy.

CIFO concluded that, by failing to disclose the prior symptoms in response to the clear question posed by the insurer when she applied for the insurance, Miss C had misrepresented her health. The insurer was therefore entitled to cancel the policy and it was reasonable they had refunded Miss C's policy premiums. CIFO did not uphold the complaint.

Case Study #12
INSURANCE

INADEQUATE HOUSEHOLD INSURANCE TRANSFER INFORMATION LEADS TO UNFAIR POLICY VOIDANCE

Themes

- Household insurance policy
- Insurance broker
- Inadequate sum insured
- Impact of index-linked sum insured
- Suitability and mis-selling

This complaint relates to a mis-sold household insurance policy when the complainant was left a property by a deceased relative.

Mrs E inherited a property from a relative in 2015 and contacted her late relative's insurance broker for future household insurance cover for the property which she intended to rent out. When arranging a new policy for Mrs E, the broker requested her full name, date of birth and marital status, but no other details. The broker completed a 'statement of fact' using information regarding the property copied from the previous policy held by Mrs E's deceased relative. This was then sent to Mrs E to check and return. This happened at each renewal.

At the renewal in 2019, the statement of fact recorded the building sum insured for the policy as £1,055,754. This was based on the sum insured previously provided by the deceased relative but was index-linked which meant it had increased each year in line with inflation.

In January 2020, Mrs E made a claim under the policy following a flood at the property. The insurer said the building sum insured was less than half the property's rebuild cost. The insurer said that they would not have provided cover had they known the true figure. Mrs E complained that the broker should have declared an accurate rebuild cost when completing the application. The broker rejected her complaint stating that Mrs E should have reviewed the policy renewal details more carefully and Mrs E referred her complaint to CIFO.

CIFO explained that it was not the broker's responsibility to determine the rebuild cost of Mrs E's property. However, the broker had not requested adequate information during the application process to provide Mrs E with a suitable policy recommendation. CIFO said that the broker should not have assumed what the insured sum was without asking Mrs E and had neglected to inform the insurer about key details regarding the property and cover required.

CIFO concluded the policy had been mis-sold and that Mrs E would have found a suitable policy had the insurance broker fulfilled its obligations when selling the policy. CIFO also noted that the index-linking of the building sum insured by the policy, in the absence of any indication to the contrary from the broker or the insurer, gave a reasonable expectation that the adjustments made in line with inflation would satisfy the requirements to ensure effective insurance coverage on policy renewal. CIFO upheld the complaint and recommended the broker compensate Mrs E the full cost of repairs, the loss of rent and a payment for distress and inconvenience she had suffered. In addition, the insurance broker was recommended to contact the insurer and request that it rescind its voidance of Mrs E's policy so that she was not in future required to declare she had a policy voided to other insurers. CIFO's recommended compensation exceeded its award limit of £150,000. The insurance broker offered £150,000 in full and final settlement of the complaint, which Mrs E accepted.

Case Study #13
INSURANCE

HOME EMERGENCY INSURANCE CLAIM REJECTED AS THE ISSUE WAS NOT COVERED

Themes
- Home emergency policy
- Second professional opinion
- Sludge not covered
- Policy terms and conditions

This complaint relates to a home emergency insurance claim and a dispute about whether the faults with the central heating system and boiler were covered under the policy terms.

In October 2021, Mr L contacted his home emergency insurer as he was experiencing a problem with his central heating system and boiler, which were covered under his home emergency insurance policy. His insurer sent an engineer to Mr L's home and replaced a boiler part, which appeared to resolve the reported issue. A few days later Mr L again contacted his insurer as his radiators were not heating up. The insurer arranged for an engineer to visit and diagnosed an unrelated fault regarding 'sludge', which is debris in the water pipes of the central heating system. The insurer told him that his central heating system needed 'flushing' and explained that sludge or damage caused by sludge were not covered under his policy.

Mr L complained as he believed he had been given different opinions from the two engineers and that the sludge issue had appeared only after the first engineer's visit. Mr L's insurer sent a third engineer to provide another opinion on the sludge issue. The third engineer also concluded that Mr L's heating system contained sludge and needed a power flush. Mr L engaged a private engineer at his own expense, to flush the system, but this did not resolve the problem. Mr L again contacted his insurer, with evidence that he had had the power flush carried out privately. In addition, he reported another problem with water overflowing from the water tank. Mr L's insurer again sent an engineer who reported that the boiler's pump had been damaged by sludge, which had then caused further faults with the central heating system and water tank. The insurer told Mr L that, as the damage was caused by sludge this was not covered under his policy. Mr L again engaged a private engineer at his own expense to make the repairs. Mr L then made a complaint to his insurer. The insurer rejected the claim as they believed they had dealt with each unrelated issue appropriately. Mr L referred his complaint to CIFO.

CIFO investigated and noted that Mr L's insurer had covered the cost to repair the initial fault. CIFO reviewed the engineers' evidence which supported a conclusion that the issue was related to sludge The policy had clearly set out that sludge or damage caused by sludge were not covered under the policy terms. As such, CIFO did not consider the insurer should reasonably be expected to pay or contribute towards Mr L's private costs for the power flush and the sludge damage to his boiler. CIFO said that Mr L's insurer had responded promptly and obtained a second opinion regarding Mr L's stated concerns. CIFO considered that the insurer had also explained the limitations of the insurance policy to Mr L. CIFO did not uphold the complaint.

Case Study #14
INSURANCE
INSURANCE-BACKED GUARANTEE CLAIM NOT PAID AFTER BUILDING WORK CAUSED DAMAGE

Themes
- Insurance-backed guarantee
- Second professional opinion

This complaint relates to an insurance-backed guarantee claim that was not fully paid when building work on a complainant's property caused damage.

In January 2017, contractors installed cavity wall insulation at Mr M's home. Mr M later noticed damp at the property and contacted a chartered surveyor to inspect it. The surveyor said the insulation had caused dampness in Mr M's home and should be removed. He estimated the cost of this and repairs required as a result of the installation to be £31,000. As the insulation installer had ceased trading, Mr M contacted the insurance-backed guarantor (insurer) to claim. They arranged for another surveyor who agreed the installation was poor and the insulation should be removed. He said the property should be repaired once it had dried out which could take three months after the insulation was removed. He estimated it would cost approximately £11,000 to remove the insulation and £3,000 for the repairs.

The insurer said that removal of the insulation would fall under the policy cover for 'defects', and the policy limit for this cover was the contract value of the original installation (approximately £700). The insurer offered to pay Mr M the policy limit for 'defects' towards the removal but said he would have to pay for the rest. The insurer advised they would cover the property damage aspect of the claim under the policy cover for 'consequential damage' which had a policy limit of £20,000 but it would assess this aspect of the claim again once the insulation was removed.

Mr M felt the property damage should be rectified straight away and requested £3,000 to make those repairs. The insurer rejected this part of the claim and stated that the issue would return if the removal was not completed prior to having the property damage repaired. The insurer offered £200 towards superficial damage but, if Mr M accepted this it would constitute the full and final settlement for any consequential property damage. Mr M complained, but the insurer reiterated their offer of approximately £700 towards the insulation removal and £200 towards the property damage. Mr M rejected their offer and took his complaint to CIFO.

CIFO investigated and explained that the insurer was required to complete a long-lasting and effective repair to the 'consequential damage' and it could not do so without first removing the insulation. CIFO recommended the insurer cover the full cost for removal of the insulation under the 'consequential damage' provision in the policy but said it was reasonable to allow the property to dry out before repairing the property damage. CIFO also recommended the insurer pay Mr M £750 for the distress and inconvenience their handling of his claim had caused.

The insurer offered to remove the insulation and repair the property damage but refused to pay Mr M the recommended compensation for distress and inconvenience. Mr M accepted this offer in full and final settlement of his complaint.

Case Study #15

INSURANCE

SEWAGE LEAKS INTO HOME DUE TO INSURANCE PROVIDER'S POOR CLAIM MANAGEMENT

Themes

- Home emergency insurance
- Terms and conditions
- Incorrect advice
- Distress and inconvenience

This complaint relates to the delays in completing a repair following an insurance claim and damage caused by the insurer's appointed contractors.

Mr G purchased home emergency insurance covering drains and waste pipes in March 2022. In April 2022, Mr G claimed for a blocked lavatory. Mr G's insurance provider appointed an engineer but declared there was a £300 limit for claims made within the first 90 days of the policy. Mr G believed correctly that this clause in his policy only related to boiler claims. The engineer attempted to remedy the blockage the next day but was unable to do so. He said there might be a damaged drain.

Mr G's insurer appointed an external drainage company to review the matter. They could not locate the fault and concluded that an external drain must have collapsed. They recommended extensive repairs costing more than the policy limit of £2,000 for drainage claims. Mr G contacted his insurer the next day as his lavatory had not been resealed correctly following their inspection and it was leaking. The contractor appointed to fix the lavatory discovered that an internal pipe had come loose. He said there was no problem with the external drainage and recommended a different repair.

Mr G regularly chased his insurer before they authorised the recommended repair. However, when flushing Mr G's drainage system, the engineers did not cap it correctly causing sewage to spill over into Mr G's house. The engineers did not have the equipment required to pump the sewage out of the property and it was left unresolved and unclean for two days. During this period Mr G regularly contacted his insurer but they delayed authorising the costs for the additional equipment the contractor needed to pump out the sewage. When the work was finally completed, additional sewage was spilled in Mr G's hallway, lavatory, and driveway which he was left to clean himself.

Mr G complained and his insurer offered to refund the policy excess and pay £200 compensation. They said that the repairs had cost more than the £300 claim limit as he had claimed within the first 90 days of the policy, but Mr G would not be charged the additional costs. Mr G reiterated that the £300 limit did not apply to his claim. He said most of the repair costs were caused by the appointed contractor's negligence. The insurer offered increased compensation of £500. Mr G rejected their offer and referred his complaint to CIFO.

CIFO investigated and found that it had taken numerous contractors several visits over three weeks to correctly diagnose and repair the problem. CIFO noted that Mr G's house was damaged, he had to constantly chase his insurer for updates and they had incorrectly advised Mr G of the policy terms and conditions on several occasions. CIFO upheld the complaint, and recommended additional compensation of £2,000 for the distress and inconvenience the insurer's poor handling of the claim caused.

PENSIONS
EMERGING ISSUES:

With pension regulation evolving in the Channel Islands, CIFO's mandate was historically restricted in what complaints could be reviewed. The complaints CIFO did see for this sector were mostly due to outbound pension transfers to other jurisdictions held up because the existing pension providers were concerned about the suitability of an element of the transfers. CIFO also observed complaints regarding fees incurred when complainants terminated or transferred their pensions, but these were generally not upheld by CIFO where the fees were clearly disclosed to the complainant. Mergers and acquisitions of pension plans were notable factors, along with the liquidation of pension investments. Both issues were reflected in poor customer service arising from the changes.

Case Study #16
PENSIONS
PENSION PLAN DISTRIBUTION INCURS FEES THAT COMPLAINANTS BELIEVED WERE NOT REASONABLE

Themes
- International pension plan
- Governing trust deed
- Rights of trust beneficiaries
- Role and responsibilities of trustee
- Disclosure of fees and charges

This complaint concerns a pension plan termination that incurred distribution costs which the complainants, in their capacity as beneficiaries, believed were avoidable.

In May 2011, a pension plan was opened by a family member of Mr V and Mr W. The pension plan was opened in the form of a trust and the pension plan provider disclosed a clear statement regarding the establishment and administration costs that were applicable. The pension plan also named the complainants, Mr V and Mr W, as equal beneficiaries.

In 2020, Mr V and Mr W's family member died, and the pension plan provider contacted them both regarding the distribution of the pension plan funds, which included the payment of fees for advisers and tax charges. The pension plan provider advised that administration costs to arrange the distribution of the pension plan funds amounted to approximately £9,000, which would be taken from the pension plan directly.

Mr V and Mr W complained to the pension plan provider as they stated that they had not been advised and did not agree to any of the fees. The pension plan provider offered to reduce the fees by approximately £2,000, which the complainants rejected, and the pension plan provider refused to make any further reductions to the costs.

Consequently, the complainants referred their complaint to CIFO stating that, as the pension provider had not communicated the charges, they had been misled by omission. The complainants also disclosed that, had they been aware of the charges, they would have made more cost-effective arrangements.

CIFO investigated and noted that, as the pension plan was set up as a trust, the pension plan provider had no contractual agreement with the complainants. In such cases, the rights of the beneficiaries are limited to what is set out in the trust deed and the pension plan rules. In this case, the trust deed did not provide the right for the beneficiaries to influence the actions of the pension plan provider in relation to what work or what advice would be required to administer the pension plan. CIFO said that the pension plan provider had acted in accordance with the trust deed and collected from the proceeds of the plan the associated charges described within that document.

Therefore, CIFO did not uphold the complaint believing that the time spent by the pension provider arranging the distribution of the pension plan funds was not unreasonable and the costs incurred were in line of the pension plan rules.

Case Study #17
PENSIONS

INVESTMENT LOSS DUE TO DELAY IN TRANSFER TO ANOTHER PENSION PLAN

Themes
- Delay
- Loss due impact of market prices

This complaint related to a complainant's loss of funds when a requested transfer from an existing pension plan to another pension plan was delayed.

In September 2021, Mr D wanted to transfer the proceeds of an existing pension plan he held to his self-administered pension trust and approached the pension provider to initiate the transfer.

In October 2021, the pension provider gave Mr D a form to complete and advised that the process would not commence until they had received confirmation that the final contributions had been credited to the pension plan, which would be due in December 2021.

In December 2021, Mr D sent the required form to the pension provider and requested an update. At this point the pension provider requested some additional information and documentation. After further discussions, Mr D provided the outstanding documentation and information, and, in January 2022, Mr D again requested an update. The pension provider confirmed they had all the documentation needed to perform the transfer and the pension plan was expected to be transferred in mid-March.

In March 2022, the funds were transferred from the existing pension to Mr D's pension trust. Mr D then made a complaint to the pension provider as he felt he had lost approximately £3,000 during the time it had taken to transfer the funds due to money market movements. Mr D's pension provider rejected his complaint on the basis that they believed there was no undue delay with the transfer, and they generally did not consider market movements when processing a transfer. Mr D referred his complaint to CIFO.

CIFO investigated and noted that Mr D's pension provider had initially stated that they would need to wait for the final contributions to be received into the pension before they could commence the transfer. CIFO noted that the delay between the pension provider obtaining this confirmation and initiating the transfer, was due to the fact they did not have the completed form from Mr D. Once this had been received, Mr D's pension provider required additional information, and when this was received, Mr D's pension provider advised an estimated timeline for completion of the transfer. CIFO did note there was a week's delay in March but concluded that this was not significant and was within the estimated period advised to Mr D by the pension provider. CIFO also noted that the transfer was completed within the timeframe set out in local regulatory guidance. CIFO did not uphold the complaint.

Case Study #18
PENSIONS
PENSION PLAN INVESTMENT SCHEME ACQUISITION RESULTS IN LOSSES DUE TO LIQUIDATION

Themes

- Plan beneficiary as investment manager
- Pension plan liquidation
- Rights of beneficiaries
- Obligations of trustee
- Fees and charges
- Statutory time limits
- CIFO's approach to calculation of losses

This complaint concerns a trustee who did not act in the complainant's best interests when they promoted the acquisition of a scheme that the complainant's pension plan was invested in and that later went into liquidation.

Mr G had a pension plan which was set up as a trust and appointed himself as the investment adviser, meaning he was responsible for the allocation of his pension funds into investment opportunities. Mr G invested a portion of his pension plan into a scheme which was administered by his trustees.

In March 2013, the scheme in which Mr G's pension plan was invested was acquired by a different entity and Mr G's trustees switched his pension plan funds into this new scheme. Subsequently this investment plan went into liquidation. In 2019, Mr G made a complaint to the trustee, claiming they had not acted in his best interests when they promoted acquisition of the scheme and that the fees charged by the scheme were excessive. Mr G's trustee explained that they did not provide investment advice and they could not be held liable for any investment losses incurred but offered to refund fees up to £4,500. Mr G rejected this offer and referred his complaint to CIFO.

CIFO investigated and noted that some aspects of the complaint related to actions that occurred prior to CIFO's statutory time limit and would therefore not be within CIFO's mandate to review. The elements of Mr G's complaint that CIFO could review was that some additional fees should have been disclosed in advance of work being completed, as set out in the agreement between Mr G and the trustee. In relation to the pension plan investments, CIFO felt that Mr G's trustee did not meet the fiduciary duty owed to Mr G as a beneficiary of the pension plan when they promoted acquisition of the scheme that his pension plan was invested in.

Therefore, CIFO upheld the complaint and recommended the trustee compensate the scheme for the last amount, plus an investment return based on Mr G's previous risk rating, between March 2013 and the date of plan encashment. CIFO calculated the loss using its published 'CIFO General Approach to Compensation for Losses'. This amounted to approximately £9,500 and was based on the previous year's statement of returns that Mr G had provided and included 8% interest from May 2019 to the date Mr G's complaint was settled. In addition, CIFO recommended the trustee refund fees amounting to £7,500 and compensate Mr G £1,500 for the distress and inconvenience this matter had caused. In total, CIFO recommended approximately £18,500 in compensation.

Case Study #19
PENSIONS

INCOMPLETE ACQUISITION DELAYS TRANSFER OF PENSION PLAN

Themes
- Pension plan
- Rights of beneficiaries
- Role and responsibilities of trustees
- Transfer delays

This complaint is about delays in transferring a pension plan when the new trustee failed to reassign the underlying investments in a timely manner.

Mr J was part of a multi-member pension plan. In March 2018, the plan – including Mr J's sub-plan - was acquired by a new trustee. After the appointment of the new trustee an audit was carried out to ensure all the assets were correctly assigned to the respective sub-plans. In June 2018, Mr J told his new trustee he wanted to transfer his pension plan to an alternative trustee. Mr J also asked about the value of his pension plan. Mr J's new trustee told him that they were in the process of a plan acquisition and could not provide any information until that was complete.

In November 2018, Mr J instructed the trustee to transfer his pension plan to the alternative trustee he had suggested. However, the trustee realised that some of Mr J's investments were still awaiting re-assignment from the previous trustee and were unable to complete the transfer. Mr J made a complaint to his trustee, saying that they had not done anything to complete the transfer in eight months. The trustee offered to reduce the transfer fee and waive their annual fee, but Mr J rejected this offer. By June 2019, the re-assignment had been completed and Mr J's sub-plan had been transferred to his preferred new trustee. Mr J made a complaint to CIFO as he felt the delays in completing the reassignment meant he could not be in the investments he wanted and he claimed he had lost investment gains for the first six months of 2019. He said he would accept £20,000 to cover these losses.

During CIFO's initial review, it noted that the alternate Trustee's pension plan structure had increased in value during this period and would have provided a substantial return to Mr J's pension plan, had it been transferred as and when requested. Therefore, CIFO upheld the complaint and recommended the new trustee reimburse Mr J for the lost investment growth which his pension plan would have accumulated during this period (approximately £37,000), a refund of the transfer and annual fees (approximately £2,500) and £500 compensation for the distress and inconvenience they had caused Mr J, totalling approximately £40,000. The trustee did not agree with CIFO's recommendation. They said that they were not aware of Mr J's investment plans and the delays were not all their fault; some were due to the new investment manager and the complexity of the acquisition.

CIFO again investigated and concluded that it was reasonable that the trustee should have completed the transfer by March 2019. Therefore, CIFO recalculated the reimbursement total for the loss of investment growth during the period between March and June 2019 and recommended the trustee offer Mr J £20,000 for the loss of investment growth, to include a refund of the transfer and annual fees and compensation for the distress and inconvenience they had caused Mr J. The recommendation was accepted by both parties.

Case Study #20
PENSIONS
TRUSTEE'S INADEQUATE ADVICE LEADS TO ADDITIONAL TAX CHARGES

Themes
- Pension plan
- Rights of beneficiaries
- Role and responsibilities of trustee
- Tax relief and tax-free plan withdrawals
- Economic loss caused by investor's loss of tax relief

This complaint relates to a complainant incurring tax charges when his trustee neglected to recommend an appropriate pension plan structure or correctly advise of possible tax implications.

Mr Y retired in 2013 and set up a pension plan in the form of a trust and discussed this with a trustee. Nearly six months later, Mr Y contacted the trustee as he had not received any further communication. The trustee set up a meeting and the recorded recommendation indicated that Mr Y wanted to set up the structure with approximately £100,000 and to later transfer other pension plans into the same structure. The trustee recommended a structure and noted that Mr Y wanted to receive full tax relief on this amount. Mr Y signed the recommendation confirming he understood the contents and transferred approximately £100,000 into the trust.

In 2018, Mr Y transferred further funds from existing pensions to the trust. Mr Y then withdrew approximately £35,000, representing 30% after investment gains of the amount in the investments, which was the maximum tax-free withdrawal amount permitted. Unfortunately, Mr Y had to pay the full taxable amount as he had neglected to apply for the tax relief with the relevant tax authorities. Mr Y made a complaint to the trustee as he believed the tax relief was automatic and stated that he was entitled to tax relief on the lump sum withdrawal, as he could have backdated a tax relief claim for up to three years in order to claim it. The trustee rejected Mr Y's complaint and he referred it to CIFO.

CIFO investigated and noted that the tax relief on Mr Y's pension contributions were paid by way of reducing the tax due on income earned from employment when that income was paid into a pension plan. As the trustee was aware that Mr Y had retired and had made a lump sum transfer into the trust, they ought to have known the structure would not allow the tax benefits Mr Y believed he would receive. CIFO also investigated whether Mr Y had obtained tax relief on unused allowances from previous years. However, the trustee held no information regarding the source of Mr Y's contributions and CIFO concluded that, on that basis, it would have been inappropriate for them to suggest the trust structure they recommended to Mr Y. CIFO also concluded that, as the trustee was aware of the need for Mr Y to apply for the tax relief, they should have informed him of this.

CIFO upheld the complaint. Because Mr Y's losses depended on what he would have done if he had been properly advised they could not be assessed accurately, but were estimated to be between £14,000 and £20,000. CIFO recommended the trustee compensate Mr Y £17,000 for the tax losses he had incurred. That was the mid-point between the amount Mr Y could have saved if he had taken the necessary steps to apply for and had received the tax relief or rebate, and the figure Mr Y could have saved if he had kept the funds where they were. Both parties accepted the recommendation.

INVESTMENT/FUNDS **EMERGING ISSUES:**

Investment suitability complaints remain a consistent theme in this sector and usually arise when there is a breakdown in the relationship between the investor and the financial adviser, usually when there is a perceived loss which the investor blamed on unsuitable investment advice. Sometimes the complaint does not have merit as the investor is fully aware of the risks associated with investing. Volatility in financial markets can account for losses. The complexity of some of the investment structures can also cause confusion. A good example of this is when an investment is set up using a trust structure where the trustee may outsource the investment advice or request the investor to obtain external investment advice. If the investment advice given results in a loss, there is often confusion around who is responsible for that loss. In addition, financial advisers should review investment suitability for the investor, checking that the investments they recommend remain suited to the investor's personal circumstances. The majority of these complaints were settled by the FSP after CIFO became involved.

In 2022, CIFO also observed complaints related to long-term investment plans and the fees or lack of flexibility associated with them. With many of these complaints, the FSP had clearly disclosed the fees, terms and conditions and these were agreed by the customers. Therefore, many of these complaints were not upheld by CIFO. In these cases, CIFO did find a potential for inherent conflicts of interest; in particular, when an investment adviser recommends a customer invest in specific investments. The conflict arises when the financial adviser has a financial incentive which could be seen to have unduly influenced the recommendation.

Case Study #21
INVESTMENT/FUNDS

DELAY INCURRED IN RECEIVING PROCEEDS WHEN COMPLAINANT'S JOINT INVESTMENT CLOSED

Themes
- Delay
- Process and procedures
- Account closure

This complaint relates to a bank's delay in paying the proceeds of a joint fund to the complainant once it had closed.

In 2006, Mr F jointly invested in a fund with two family members. By 2015, the fund's value had increased to approximately £20,000. In 2016, the fund's management was transferred to another fund manager until 2020, when the fund was closed. Upon closure, the proceeds of the fund were not immediately paid to the investors by the bank, as they stated they needed updated information regarding each investor before they could release the proceeds. Mr F made a complaint to CIFO regarding the delay in receiving his portion of the proceeds.

In February 2022 the bank advised that during CIFO's investigation the proceeds were sent by cheques which were subsequently cashed. Mr F had requested the bank to split the proceeds between each joint investor and issue payments on that basis, but the cheques were made payable to, and sent to only one investor. Mr F again complained to CIFO about the method of the payment and further administration issues relating to the fund.

CIFO again investigated, but as CIFO is limited to consider complaints within a certain timeframe, specific elements of Mr F's complaint could not be fully investigated. However, CIFO did note that, from 2016, dividend payments were no longer credited to the joint fund account. The bank stated that this was because the fund managers had requested up-to-date documentation for the joint investors but had not received it and therefore could not continue to pay the dividends. The evidence indicated, however, that those dividends had been included in the cheque payments made in February 2022.

CIFO also noted that the bank had previously advised that there were outstanding due diligence information requests and that this was the reason for the delay in making the payments to the investors upon closure of the fund. It was therefore reasonable that the bank delayed payment until those outstanding requests had been answered. CIFO also reviewed the process in which the bank split the fund proceeds and paid the investment to the lead account holder only, rather than making separate payments to each of the three account holders. CIFO found that to be appropriate and in accordance with the bank's processes and procedures. CIFO did not uphold the complaint.

Case Study #22

INVESTMENT/FUNDS

FUND PORTFOLIO CLOSED WITH INADEQUATE NOTIFICATION

Themes

- Account closure
- Adequate notice
- Liquidation
- Grant of probate
- Inadequate communication

This complaint relates to the closure of a fund portfolio belonging to a deceased relative, and the lack of communication regarding the closure to the inheritor of the fund portfolio.

In September 2020, Mrs F's family member passed away and she inherited a fund portfolio valued at approximately £300,000. Upon contacting the fund manager, she was advised that the fund portfolio account would be suspended pending receipt of supporting documentation, but the fund portfolio would still accrue distributions from the shares held within it. The fund manager sent forms to Mrs F to complete; however, Mrs F delayed the completion of these as she was going through the process to obtain probate, which continued until May 2021. Once the grant of probate was obtained Mrs F contacted the fund manager to request they change the address of the correspondence. She was asked to supply further documentation. Mrs F complied but never received confirmation of the requested change.

In August 2021, Mrs F again contacted the fund manager as she now had the necessary documents to support the transfer of the fund portfolio into her name, but Mrs F was told to complete a 'renunciation' form as the fund portfolio had closed. Mrs F made a complaint to the fund manager asking who had authorised the fund closure and was advised the closure had been affected in December 2020 upon the instruction of the fund manager. The fund manager also stated that Mrs F had been sent correspondence confirming the closure, but Mrs F said she had not received any communication.

Subsequently, this meant the funds within Mrs F's fund portfolio had laid dormant since December 2020. Mrs F proceeded with the transfer. Once the necessary changes had been made and Mrs F had received the proceeds, she made a complaint to the fund manager regarding the lack of communication of the closure and requested compensation for the period the portfolio had laid dormant and uninvested. Mrs F received a response from the fund manager, which was addressed to the wrong person, which admitted that no closure letter had ever been sent to Mrs F and rejected her request for compensation. Mrs F referred her complaint to CIFO.

CIFO investigated and found that, as the fund was liquidated, no investors into the fund would have received returns since December 2020, only proceeds from the sale. CIFO noted that although Mrs F felt that the proceeds should have been reinvested, until Mrs F had provided all the relevant documentation to transfer the fund portfolio into her name, the fund manager could not accept instructions to reinvest the proceeds. However, CIFO also noted that the fund manager could have provided better communication regarding the closure of the fund portfolio to Mrs F as she had advised them of her family member's passing and that she would be inheriting the fund portfolio. Therefore, CIFO sought to mediate the complaint and communicated these errors to the fund manager who offered Mrs F £500 compensation for the inconvenience they had caused, which CIFO felt to be appropriate and which Mrs F accepted.

Case Study #23

INVESTMENT/FUNDS

MISLEADING PENSION PLAN ENCASHMENT ADVICE LEADS TO ADDITIONAL TAX CHARGES

Themes
- Encashment
- Processes and procedures
- Tax implications

This complaint relates to tax charges that the complainant incurred on a pension plan encashment when she was incorrectly advised of possible tax implications.

In December 2018, Mrs W held a pension plan and requested an adviser to encash this on her behalf. The adviser dealt with the encashment and sent a letter to Mrs W providing a breakdown of the pension plan, to include; the current fluctuating value of the pension, the value of a tax-free sum that was part of the pension plan, the value of the gross proceeds and the fees that the arranger charged for their advice and administration.

Using this report to complete her tax return, Mrs W excluded details of the tax-free sum. However, she was contacted by the tax authorities who stated she was required to pay tax on the full amount, including the tax-free sum as she had not made an application to the tax authorities to declare this sum. The tax authority also increased her tax rate to incorporate the tax-free sum. Mrs W had relied on the information provided by the adviser and made a complaint to them, requesting a refund of the fees she had paid, approximately £250 and the additional tax she was now liable for, approximately £650. The adviser made an offer to compensate Mrs W but she refused this and referred her complaint to CIFO.

CIFO investigated and noted that Mrs W had relied on the report provided by the arranger, detailing the breakdown of her pension plan, and subsequently had completed her tax return using this information. As the information omitted the need to make an application to the tax authorities for the tax-free sum, CIFO felt that the adviser had misled Mrs W into believing she was not liable to pay tax on that sum. As a result, she lost the opportunity to claim the tax-free sum. CIFO concluded that the arranger should cover the additional tax Ms W had paid, along with a refund of the fees Mrs W had to pay for their advice and administration. CIFO upheld the complaint and recommended the arranger compensate Mrs W £900 in total. Both parties accepted the recommendation.

Case Study #24

INVESTMENT/FUNDS

UNSUITABLE INVESTMENT ADVICE RESULTS IN HIGHER INVESTMENT RETURN

Themes

- Investment adviser
- Risk profile
- Risk appetite
- Inclusion of real estate holdings in investment portfolio for investment risk and concentration risk purposes
- Vulnerable investor

This complaint relates to unsuitable investment advice provided to an investor.

Ms Y held an investment portfolio and in 2019 a family member, Mr Y obtained a lasting power of attorney (LPA) to assist with Ms Y's financial affairs. Mr Y engaged a different financial adviser to review Ms Y's investment portfolio. The new financial adviser reported a number of concerns about how Ms Y's portfolio had been managed. Mr Y made a complaint to the original investment adviser, saying that the investments had performed poorly, that Ms Y had not received a return commensurate with the risk her portfolio had been exposed to, and that unclear and excessive fees had been applied. The investment adviser rejected the complaint, saying the fees were clearly set out and agreed by Ms Y, her portfolio had achieved her stated objectives and they had not considered her as vulnerable until they received the LPA . The investment adviser offered to refund fees applied to one investment made in 2013, amounting to approximately £10,000, as they agreed this created an unacceptable level of investment risk concentration. Mr Y rejected their offer and referred the complaint to CIFO.

CIFO investigated and advised Mr Y that CIFO were unable to consider complaints regarding investment performance and felt the fees and charges were clearly and fairly set out and agreed by Ms Y. CIFO noted that the investment adviser had recommended several high-risk investments to Ms Y despite her overall portfolio being exposed to more than her documented risk appetite.

The investment adviser disputed the high-risk concentration and said Ms Y's real estate assets had been taken into account when determining her investment portfolio's risk concentration. However, CIFO found that Ms Y's real estate assets had not always been considered as part of her investment portfolio and that the financial adviser had never explained to her that it would be. CIFO concluded that Ms Y's real estate assets should have been excluded from the risk assessment of her investment portfolio, making some of the investment recommendations unsuitable for Ms Y. CIFO recommended that the financial adviser compare the performance of the over-concentration in higher risk products to a suitable benchmark for Ms Y's recorded attitude to risk. This calculation showed that Ms Y had made higher returns from the unsuitable investment recommendations than she would if her portfolio had been invested in line with her objectives. Although CIFO upheld the complaint it did not award any compensation because Ms Y had suffered no loss.

Mr Y argued that this was unfair as the investment adviser had been allowed to get away with making unsuitable recommendations. CIFO confirmed that it had provided feedback to the investment adviser about its recommendations. CIFO's remit is not to fine or punish businesses as a regulator might, but to put the complainant back in the position they were in prior to the complaint. In this instance Ms Y received better investment returns than she would have otherwise obtained. Therefore, no compensation was warranted.

NON-BANKING MONEY SERVICE/CREDIT **EMERGING ISSUES:**

With regulation of this sector currently under development in both islands, market conduct expectations will become clearer. CIFO did not receive many non-bank money service or credit complaints during 2022. The few complaints that CIFO did receive revolved around debt collection but predominantly fell outside CIFO's mandate as the complainants were not eligible complainants. CIFO also received complaints about mortgages in 2022. The issues were mostly concerning poor administration or fees. The complaints regarding fees were generally not upheld by CIFO as the terms and conditions of the lending were clearly set out and agreed by the customer.

Liberation Square, Jersey

Case Study #25

NON-BANK MONEY SERVICE/CREDIT

MISSING DETAILS PROVIDED DURING A RE-MORTGAGE LEADS TO ADDITIONAL LEGAL FEES

Themes

- Re-mortgage
- Misleading communication
- Boundary and exchange agreements
- Distress and inconvenience

This complaint relates to a mortgage provider's requirement that their appointed advocate draft a boundary and exchange agreement, which the complainants believed was missing details that led them to employ their own advocate at their own expense.

In September 2020, Mr and Mrs S applied for a re-mortgage with a mortgage provider for a new extension to their property. The mortgage provider issued an offer letter with a condition that their appointed advocate obtained all necessary consents and approvals from users and owners of the boundaries to the complainants' property.

In October 2020, the mortgage provider's advocate sent an email to Mr and Mrs S providing information regarding the consents, stating that not all owners and users of the boundary land would need to provide their consent. It later transpired that consent from all owners and users of the boundary land was required. Therefore, Mr and Mrs S made a complaint to their mortgage provider, claiming that the mortgage provider's advocate had supplied misleading information and requested a refund of the additional legal costs they had incurred obtaining the necessary consents, estimated to be £1,000. The mortgage provider rejected their complaint and Mr and Mrs S referred their complaint to CIFO.

CIFO investigated and noted that the additional costs would always have been incurred as consents from all the owners and users were required. CIFO upheld the complaint and concluded that the email sent to Mr and Mrs S from their mortgage provider's advocate had the potential to mislead and recommended that the mortgage provider compensate Mr and Mrs S with £200 for the distress and inconvenience caused by the lack of clarity. Both parties accepted the recommendation.

ANNEXES
TO THE ANNUAL REPORT 2022

Channel Islands Financial Ombudsman

Les Amarreurs, Guernsey

ANNEX 1
WHO WE ARE

CIFO is the independent dispute resolution service for unresolved complaints involving financial services provided in or from the Channel Islands of Jersey, Guernsey, Alderney, and Sark. Complaints can be brought by any individual consumers and small businesses (microenterprises) from anywhere in the world, plus certain Channel Islands charities. CIFO is a joint operation of two statutory ombudsman roles, established in law by the Financial Services Ombudsman (Jersey) Law 2014 and the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014, jointly operating under the name Channel Islands Financial Ombudsman.

CIFO operates from a single office in Jersey with one set of staff and the same board members overseeing the two statutory roles. The States of Jersey and States of Guernsey jointly appoints the members and chair of the Board of Directors, and the Board appoints the Principal Ombudsman and Chief Executive. The office commenced operation on 16 November 2015.

CIFO resolves complaints against FSPs independently, fairly, effectively, promptly, with minimum formality and offers a more accessible alternative to court proceedings. This helps to underpin confidence in the finance sectors and reputations of Jersey and Guernsey, both locally and internationally.

ANNEX 2
OUR STAFF

CIFO is committed to an inclusive and diverse workplace where we invest in our people. Appointment to the role of Principal Ombudsman & Chief Executive and all new permanent staff appointments are made following an open recruitment process. Our staff bring to the team a wide variety of experience and training in financial services, law, finance, law enforcement, consumer research and policy, data protection, dispute resolution and regulatory compliance. The team reviews and investigates unresolved complaints about the provision of financial services in or from the Channel Islands.

Douglas Melville
Principal Ombudsman & Chief Executive

Mike Ingram
Ombudsman

Amanda Maycock
Ombudsman

David Millington
Ombudsman

Clare Mortimer
Ombudsman

Ross Symes
Ombudsman and Manager, Complaints Resolution

Chris Bick
Case Handler

Charlotte Currie
Case Handler

Lindsey Power
Case Handler

Michael Wakeham
Intake and Assessment Officer

Alison Finn
Manager, Finance & Administration

Carol Rabet
Information Officer

ANNEX 3

GOVERNANCE, ACCOUNTABILITY AND TRANSPARENCY

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

NEW CIFO CHAIR AND DIRECTORS

Two CIFO directors and CIFO's chair approached the end of their terms of office in 2022 and stepped down at the end of January 2023 in accordance with governance good practice limiting directors to maximum collective terms of service not to exceed nine years. An open competition, overseen by the Jersey Appointments Commission (JAC), was held to identify director candidates for recommendation to the Jersey Minister for Economic Development, Tourism, Sport & Culture and the Guernsey Committee for Economic Development for appointment. Upon conclusion of the search process, which attracted a large number of excellent candidates from the Channel Islands, the United Kingdom and Western Europe, two new directors were recommended to both governments and duly appointed effective 30 January 2022. Guernsey-based Robert Girard and UK-based Antony Townsend. Two new directors were also appointed in late 2022, Jersey-based Jennifer Carnegie and Guernsey-based Hayley North who began their terms on 31 January 2023. The appointment of a new board chair was unanimously agreed, and Antony Townsend replaced David Thomas as CIFO's board chair on 31 January 2023.

CIFO ROLLING BOARD REVIEW OF CIFO OPERATIONS

The board regularly conducts a rolling review of various aspects of CIFO's operations. At each quarterly CIFO board meeting, part of the strategy discussion time is devoted to conducting an in-depth review of CIFO's operation against one or more of the fundamental principles for effective financial ombudsman schemes set out by the International Network of Financial Services Ombudsman Schemes (INFO Network) and the Service Standards Framework of the Ombudsman Association (OA). In the past, CIFO has been found by the board to be generally consistent with the fundamental principles and standards and those few opportunities for enhancement that were identified will be implemented by management as resources permit. The INFO Network fundamental principles can be seen here. The OA Service Standards Framework can be seen here. In late 2022, CIFO also trialled a new 'Board Portal' to facilitate easier and more secure remote access for directors to briefing materials for CIFO board meetings. The portal has been implemented and is in regular use going forward.

Following a series of stakeholder consultations in both Jersey and Guernsey that canvassed stakeholder views on a wide range of issues, 2023 commenced with a stakeholder consultation of CIFO's 'Future Focus', including a consultation briefing that set out many of the issues arising from the 2022 stakeholder discussions. This culminated in open stakeholder meetings in Jersey and Guernsey in late January 2023 where CIFO's outgoing and incoming board chairs presented the issues and engaged with stakeholder questions and comments. CIFO's board will be taking all of this input into consideration and develop a prioritised strategy for CIFO. This will guide our efforts to evolve and enhance our office to enable CIFO to continually improve its performance of its important public interest mandate.

The Board is mindful that the CIFO team operates independently of the Board, while the Board is accountable for effective oversight. It is therefore planned for 2023 that the Board will engage an outside expert to conduct an independent review of CIFO's operations to provide the Board and all stakeholders with assurance that the office is performing effectively, efficiently and in accordance with good financial ombudsman practice.

ANNEX 3
GOVERNANCE, ACCOUNTABILITY AND TRANSPARENCY (Cont.)

TRANSPARENCY OF GOVERNANCE

CIFO remains committed to the continued transparency of our operation. The expenses of the chair and directors as well as those of the Principal Ombudsman are posted on CIFO's website. Chair and director remuneration and attendance records at board of directors' meetings are provided in this annual report. Minutes of board of directors' meetings are posted on CIFO's website.

BOARD RISK MANAGEMENT

A comprehensive risk assessment methodology and dashboard provide a continual perspective for directors on the risks affecting CIFO, rated for both inherent and residual risk, and noting risk mitigation measures in place. These are reviewed quarterly on an on-going basis. CIFO's identified key risks are highlighted within the 'Year in Review 2022' section of this Annual Report.

TRANSPARENCY OF OPERATIONS

In addition to the provision of this Annual Report and audited financial statements, CIFO publishes a range of information on its website including quarterly statistics, board minutes, newsletters, and details of CIFO's consultations, funding and legislation. CIFO also publishes final ombudsman decisions, case studies, FSP complaint statistics on its website. Published decisions on complaints referred to CIFO on or after 1 January 2018 will include the names of the FSPs involved. Complainants' names are not published.

Noirmont, Jersey

THE FOUR MEMBERS OF THE CIFO BOARD OF DIRECTORS ARE:

Antony Townsend (Chair) currently serves as Chair of the Determinations Panel of the UK Pension Regulator (TPR), and Chair of Entrust (the regulator of the Landfill Communities Fund in England and Northern Ireland). He brings deep experience in complaints handling and regulation. He previously served as the UK's Financial Regulators Complaints Commissioner, a Director of the Ombudsman Association, Chair of the UK and Ireland Regulatory Board of the Royal Institute of Chartered Surveyors, and Chair of the Regulation Board of the Association of Chartered Certified Accountants, and Deputy Chair of the UK Professional Standards Authority for Health and Social Care. Antony is also a former Chief Executive of the Solicitors Regulation Authority and General Dental Council in the UK. In the first part of his career, he was a policy civil servant in the UK Home Office working primarily on criminal justice issues.

Jennifer Carnegie is the co-founder and Chief Operating Officer of the strategic leadership consultancy firm Amicus Limited and is Chair of Jersey Business. Jennifer holds a number of other board positions including non-executive Director of the Channel Islands Cooperative Society, Director of Condor Ferries, and Director on the main board for the Jersey Evening Post and the Bailiwick Express. She is also the former President of the Jersey Chamber of Commerce and was a Jersey Appointments Commissioner. Jennifer previously acted as the Chief People Officer for a major telecommunications firm and as Global Director for Learning and Development for a multinational manufacturer.

Rob Girard is a Fellow of the Chartered Institute of Bankers and has extensive banking experience with previous roles which include Country Head and Director of Institutional Banking for RBS International/NatWest in Guernsey and Board Director of the NatWest Group Global Captive Insurer. He acted as a committee member for the Association of Guernsey Banks for over 10 years. Rob is also a former member of the Juvenile Panel of Guernsey's Royal Court.

Hayley North is the Managing Director of Rose & North Ltd which she founded in 2012. Hayley has over 25 years' experience in financial services and is a member of the advisory group to the Investment Associations Sectors Committee. She is a Fellow of the Personal Finance Society, a Chartered Financial Planner and regularly presents at conferences as well as frequently contributing to the Daily Telegraph's Money Makeover segments. Hayley has also been nominated for and won a number of financial awards, mostly in the professional adviser and financial advice spaces.

DIRECTORS' 2022 BOARD MEETINGS

ATTENDANCE AT BOARD MEETINGS

Regular meetings of the board of directors were scheduled throughout 2022. All meetings were in person with the exception of the January meeting which took place via video conference.

Meeting dates: 26 January 2022, 21 April 2022, 27 July 2022, 1 November 2022

	No. of meetings held	No. of meetings attended	No. of meetings absent	Attendance rate
David Thomas	4	4	0	100%
John Mills	4	4	0	100%
Rob Girard	4	4	0	100%
Deborah Guillou	4	4	0	100%
Antony Townsend	4	4	0	100%
John Curran	4	1	0	100%

DIRECTOR REMUNERATION

Following discussion with both governments and a benchmarking exercise against other comparable bodies, the first increase in CIFO director compensation since CIFO's inception in 2015 was approved resulting in a 25% increase.

	Total Pay	Bonuses and other incentives
David Thomas (Chair)	£24,000	NIL
Deborah Guillou	£7,500	NIL
John Mills	£7,500	NIL
Rob Girard	£6,875	NIL
Antony Townsend	£6,875	NIL
John Curran	£625	NIL

ANNEX 4
HOW WE WORK

When we receive a complaint, CIFO's team looks at the information provided to make sure it falls within our mandate. See our 'Summary of how we determine if a complaint is within CIFO's mandate' on the next page. For instance, the FSP has to fall within CIFO's mandate as set out by law in both Jersey and Guernsey.

Guernsey Cows, Guernsey

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

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

NO → CIFO will **not** be able review the complaint

YES ↓

Are the financial services provided within CIFO's mandate?

NO → CIFO will **not** be able review the complaint

YES ↓

Are the timing conditions satisfied?

NO → CIFO will **not** be able review the complaint

YES ↓

Is the complainant eligible?

NO → CIFO will **not** be able review the complaint

YES ↓

CIFO will proceed with its review of the complaint

A 'summary of CIFO's mandate' is set out on the next page. We do not handle matters that have already been through a court or an arbitration. We look for a final answer from the FSP to the consumer responding to their complaint, which allows us to start our review knowing the positions of both parties.

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

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

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

During an investigation, we gather information from both parties and review the facts of the case. We make decisions based on what is fair to both the consumer and the FSP, taking note of the law, regulatory policies and guidance, any applicable professional body standards, codes of practice, codes of conduct, and taking into account general principles of good financial services and business practices. If we believe that the facts of the case do not warrant further review, we will let the consumer know.

Where appropriate, CIFO seeks to resolve complaints early. The ombudsman is often more of a mediation where the ombudsman plays the role of the guide, mediator, and arbitrator to both parties in a dispute. As an independent third party with relevant sector knowledge, CIFO can help the parties 'see sense' and come to a mutually agreed and fair solution. Mediation is not always an appropriate solution for complaints, as there may be significant and material disputes of fact, or the parties may be too deeply entrenched in their own views. Where necessary, both parties to the complaint have a right to a binding decision from an ombudsman, but in most cases that does not prove necessary. Some team members have advanced training in mediation skills and endeavour to resolve complaints through this alternative approach which tends to be faster and better at preserving the existing relationship between the customer and their FSP.

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 complainant, and we are unable to facilitate a settlement, but we continue to believe the complainant should be compensated, we will complete our investigation and make a decision. Our decision, if accepted by the complainant, becomes binding upon the FSP. Guidance as to 'CIFO's Process Stages & Timelines' is detailed on the next page.

THE CIFO PROCESS
STAGES & TIMELINES

STAGE 1
Intake & Assessment

Intake is where a complaint is brought to CIFO with a completed complaint form, logged into CIFO's complaint management system (CMS), and acknowledged back to the complainant. We strive to complete this stage within 4 days.

Assessment is where the complaint is evaluated against CIFO's mandate which is set by law. We determine whether CIFO can review the complaint or whether it should be rejected under our law. We inform both parties by email (or by post if required) with our decision. If we are proceeding with a review, we request the file information from the FSP. We strive to complete this stage within 7 days.

STAGE 2
Financial Service Provider's (FSP's) Response

This is where the FSP's response to the complaint and their complaint file is prepared, sent, and received by CIFO pursuant to our request issued at the end of stage 1. At this stage, a complaint becomes a CIFO case file for our review. We expect the FSP to respond with their file within 14 days.

STAGE 3
Allocation and Review

Allocation is where a case file is ready for assignment to a member of our team for review. Given the volume of case files being handled by our office, there can be a delay at this stage until a case handler has capacity to take on a new case file. We strive to complete this stage and assign new case files within 30 days.

Review is where the assigned CIFO team member reviews the case file and reaches a conclusion through either a successful mediated settlement based on their assessment of the complaint or a recommendation to the complainant and their FSP. In some cases where one or both parties disagree with the recommendation, we will proceed to an Ombudsman Decision. We strive to complete this stage and issue the case handler's recommendation within 60 days.

STAGE 4
Ombudsman Decision

This is where an Ombudsman reviews the case file and decides what, if anything, the FSP should do to resolve the complaint. In some cases, a provisional decision will be made giving both parties an opportunity to review the Ombudsman's conclusions and providing an opportunity for additional input from both parties. A final decision on the complaint, if accepted by the complainant, becomes binding on the FSP. We strive to complete this stage and conclude our work on each case file within 60 days.

Neither a court nor a regulator, CIFO does not fine or discipline FSPs or individuals working within the financial sector. However, we can require that FSPs pay compensation to the consumer of up to £150,000 to cover economic loss, distress, or inconvenience. In some instances, non-financial actions such as correcting a credit reporting agency record may be appropriate. CIFO's approach to compensation has been published on our website and can be seen here. If a complainant does not accept our conclusions, they are free to pursue their case through other processes including the legal system, subject to statutory limitation periods.

CIFO'S GENERAL APPROACH TO COMPENSATION

If a customer has been affected by an error, there may be different types of compensation to consider. This information is to help stakeholders understand the general approach taken by CIFO in determining fair and reasonable compensation for complaints relating to losses. When a complaint referred to CIFO is found to have merit, our objective is to restore the customer to the position they would have been in if things had not gone wrong. For example, with investment complaints that can mean awarding compensation for financial loss due to unsuitable advice or refunding a fee that was charged incorrectly. But we may also direct FSPs to do something that does not involve money such as correcting information or issuing a written apology. In some cases, we will award compensation for non-financial loss – for example, for the distress and inconvenience an issue has caused a customer. It is important to note that an ombudsman's decision does not set a precedent. This is because each case is decided in accordance with what is fair and reasonable in those specific case circumstances. While it is acknowledged that similar products and services are seen across different cases, the number of variables present (such as different complainants, factual backgrounds and outcomes) means it would be unreasonable to bind future decisions to the individual circumstances of previous ones.

TYPES OF COMPENSATION WE CAN AWARD

The Financial Services Ombudsman (Jersey) Law 2014 and the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 both empower CIFO to make decisions requiring an FSP to pay compensation or directing an FSP to do something. These can include:

- Money awards
- Awards for distress and inconvenience
- Interest awards
- Costs awards
- Directions

MONEY AWARDS

When a customer has lost out financially, we usually tell the FSP to compensate them for the loss it caused. This can be any amount of money up to our award limit of £150,000 set by law. Where it is clear how much a customer lost, we will specify the amount of money the FSP needs to pay. Where it is not clear we will usually set out the basis on which the FSP should compensate a customer, rather than a specific amount. For example, if a customer was unaware that their mortgage payment had been calculated incorrectly, we might ask the FSP to calculate how much they would have owed if the error had not occurred. In cases where we think a customer is due more than our statutory award limit of £150,000, we will recommend the additional amount we think the FSP should pay. While CIFO can only make a binding award of compensation up to £150,000, the recommended compensation above £150,000 reflects the total amount of compensation that we believe would be fair and reasonable in the circumstances. Once they understand the basis of CIFO's conclusion, some FSPs decide to pay the full amount recommended.

AWARDS FOR, DISTRESS OR INCONVENIENCE

A mistake can affect a customer practically or emotionally, as well as financially. So CIFO can also award fair compensation for any of the following, subject to the overall £150,000 compensation limit:

- Distress
- Inconvenience
- Pain and suffering
- Damage to reputation

We might award these if we feel a customer faced obstacles or difficulties that could have been avoided if the FSP had handled things differently. CIFO has published a general approach to compensation for losses which provides further detail, this is located on our website here.

Little Sark, Sark

ANNEX 5
INTERNATIONAL ENGAGEMENT

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

THE INTERNATIONAL NETWORK OF FINANCIAL SERVICES OMBUDSMAN SCHEMES (INFO NETWORK)

CIFO continues to be an active member of the INFO Network whose membership includes about 60 financial sector bodies around the world engaged in dispute resolution for financial services consumers. The INFO Network focuses on professional development and mutual support amongst member schemes. At CIFO's suggestion and with the kind support of the UK Financial Ombudsman Service, a summit for interested ombudsman schemes was held in London in September 2022 to look at issues and opportunities for case handling systems and adoption of advanced technology for complaints resolution.

Details on the INFO Network can be seen here.

EU FINANCIAL DISPUTE RESOLUTION NETWORK (FIN-NET)

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

OMBUDSMAN ASSOCIATION (OA)

CIFO is an active member of the OA (formerly the British and Irish Ombudsman Association or BIOA) which represents both public and private sector ombudsman schemes in the United Kingdom, Ireland, and Britain's Crown Dependencies and Overseas Territories. Details on this association can be seen here. This professional body of ombudsman practitioners seeks to promote and support the development of ombudsman schemes and provides opportunities to engage in professional development and policy advocacy in the area of dispute resolution. Through this body, financial sector ombudsman schemes interact with other ombudsman practitioners involved in dispute resolution across a broad range of sectors where alternative dispute resolution offers a compelling value proposition to society. CIFO's Principal Ombudsman & Chief Executive stepped down from the OA Board of Directors in September 2022 after serving two terms.

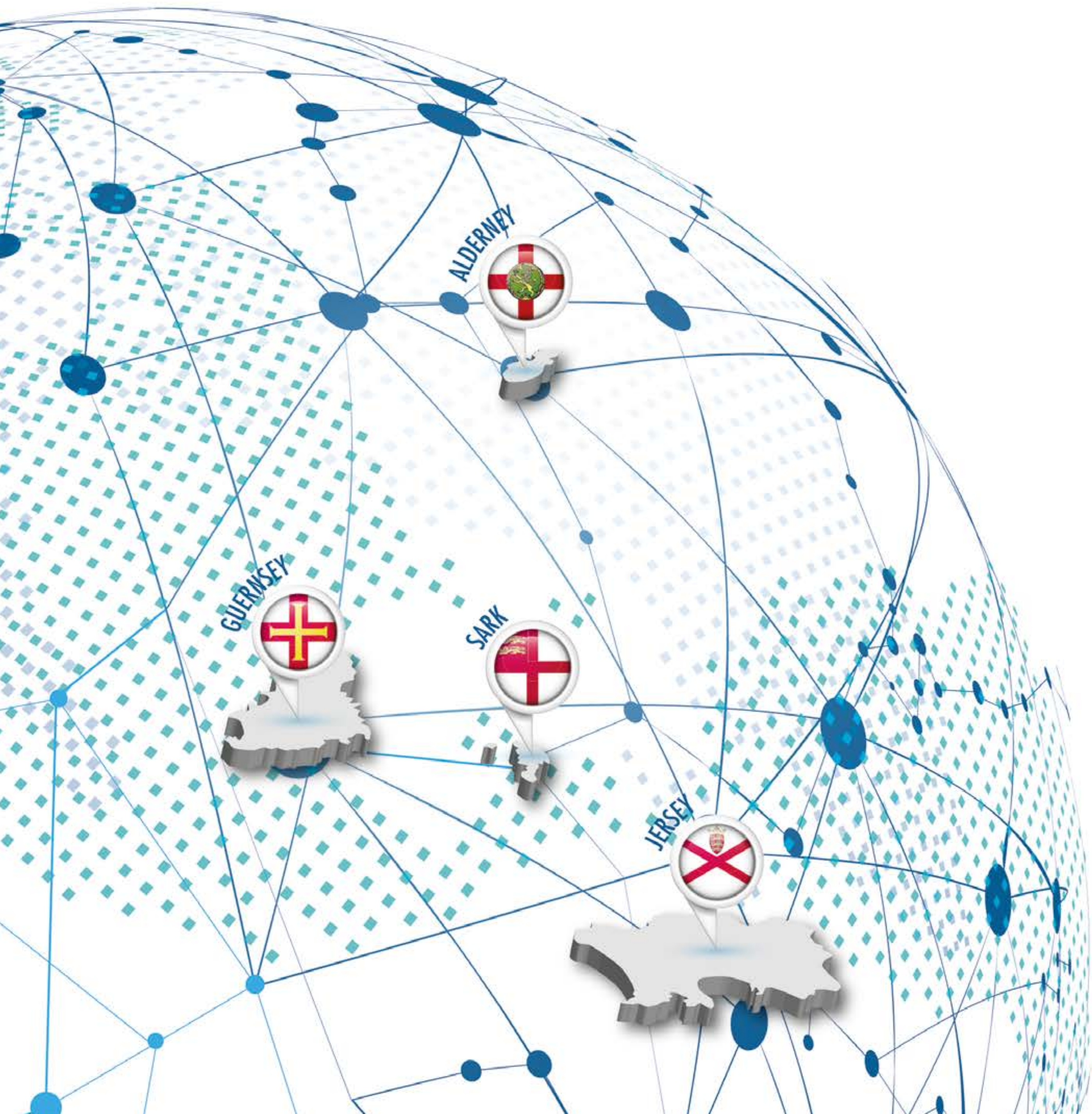
UK FINANCIAL OMBUDSMAN SERVICE (UK FOS)

Given the close relationship between the Channel Islands and the UK, and the fact that many FSPs in the Channel Islands are branches or subsidiaries of UK-based providers, it is not unexpected that UK changes to financial sector regulations and financial dispute resolution are followed closely by CIFO. In 2022, the UK FOS discussed the proposed new ways they are working with the regulator in regard to the new Consumer Duty, which requires firms to act to deliver good outcomes for retail customers. CIFO is also in regular contact with UK FOS to refer complaints appropriately resolved by them and to accept referrals of complaints from UK FOS that fall within CIFO's remit to resolve.

APPENDIX

2022 AUDITED FINANCIAL STATEMENTS

Channel Islands Financial Ombudsman



Mont Orgueil Castle, Jersey

CHANNEL ISLANDS FINANCIAL OMBUDSMAN
Audited financial statements
for the year ended
31 December 2022

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

INFORMATION

The financial statements of the Channel Islands Financial Ombudsman are the combined financial statements of the Office of Financial Services Ombudsman Guernsey and the Office of the Financial Services Ombudsman Jersey, referred to in the body of the financial statements as the OFSOs.

Directors	David Thomas - Chairman (until 30/01/23)	Term ended 30 January 2023
	Deborah Guillou	Term ended 30 January 2023
	John Mills	Term ended 30 January 2023
	John Curran	Term ended 30 January 2022
	Antony Townsend - Chair (from 31/01/23)	Term commenced 31 January 2022
	Robert Girard	Term commenced 31 January 2022
	Jennifer Carnegie	Term commenced 31 January 2023
	Hayley North	Term commenced 31 January 2023

Administration Office
Channel Islands Financial Ombudsman
No 3 The Forum
Grenville Street
St Helier
Jersey
JE2 4UF

Independent auditors
RSM Channel Islands (Audit) Limited
PO Box 179
40 Esplanade
St Helier
Jersey
JE4 9RJ

Principal Ombudsman Douglas Melville

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

CONTENTS

CHAIR'S STATEMENT
for the year ended 31 December 2022

The Chair presents his statement on the 2022 accounts.

The Channel Islands Financial Ombudsman ("CIFO") is the joint operation of the Offices of the Financial Services Ombudsman (the "OFSOs") established by the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 and the Financial Services Ombudsman (Jersey) Law 2014. The joint operation is provided for in a Memorandum of Understanding between the States of Guernsey and the States of Jersey and in the relevant legislation in each Bailiwick.

These financial statements are prepared on a combined basis to reflect the joint operation. Expenses are covered by amounts raised from relevant financial services providers through annual levies, charged on the same basis in each Bailiwick, plus case fees.

Income for 2022 increased due to an increase in billable case fees. An increase in expenditure arose from increases in staffing and staff-related costs to assist with clearing the backlog of cases. There was an operating deficit at the end of 2022.

The accumulated surplus at the end of 2022 represents the operating reserve. This is intended to cover the operating costs payable between the end of the year and receipt of case fees and levy payments during the following year, as well as the unforeseeable volatility inherent in a demand-led case-working organisation. Increasing or reducing reserves can help the Board to smooth fluctuations in the levy from year to year.

20th April 2023

The directors present their report and the financial statements for the year ended 31 December 2022.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 and the Financial Services Ombudsman (Jersey) Law 2014 require the directors to prepare financial statements for each financial year. Under those laws they have elected to prepare the financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and applicable law.

Under the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 and the Financial Services Ombudsman (Jersey) Law, 2014 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Offices of the Financial Services Ombudsman ("OFSOs") and the profit or loss of the OFSOs for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess OFSOs' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the OFSOs or to cease operations, or have no realistic alternative but to do so; and
- submit the financial statements and report to the Guernsey Committee for Economic Development (the "Committee") and the Jersey 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 OFSOs transactions and disclose with reasonable accuracy at any time the financial position of the OFSOs and enable them to ensure that the financial statements comply with the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 and the Financial Services Ombudsman (Jersey) Law 2014. They are responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the OFSOs and to prevent and detect fraud and other irregularities.

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

PRINCIPAL ACTIVITY

The OFSOs primary function is to ensure that complaints about financial services are resolved:

- independently, and in a fair and reasonable manner;
- effectively, quickly, with minimum formality, and so as to offer an alternative to court proceedings that is more accessible for complainants; and
- 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 7.

DIRECTORS

The directors who held office during the year were:

David Thomas - Chairman
John Curran
Deborah Guillou
John Mills
Antony Townsend
Robert Girard

On 30 January 2022 John Curran's term as director ended. On 31 January 2022, Robert Girard was appointed in his place and Antony Townsend was also appointed as a director. On 30 January 2023, the terms for David Thomas, Deborah Guillou and John Mills ended. Antony Townsend was appointed as Chair and Jennifer Carnegie and Hayley North were appointed as Directors on 31 January 2023.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

- so far as that director is aware, there is no relevant audit information of which the OFSOs auditor is 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 OFSOs auditor is aware of that information.

INDEPENDENT AUDITOR

RSM Channel Islands (Audit) Limited was appointed as auditor on 29 June 2020.

This report was approved by the board on 20 April 2023 and signed on its behalf.

Director

INDEPENDENT AUDITOR'S REPORT TO THE MINISTER FOR ECONOMIC DEVELOPMENT, TOURISM, SPORT AND CULTURE OF THE STATES OF JERSEY (THE "MINISTER") AND THE COMMITTEE FOR ECONOMIC DEVELOPMENT OF THE STATES OF GUERNSEY (THE "COMMITTEE")

Opinion

We have audited the financial statements of the Channel Islands Financial Ombudsman (the "Body Corporate") which comprise the statement of financial position as at 31 December 2022, and the statement of income and retained earnings and statement of cash flows for the year then ended, and notes 1 to 13 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Body Corporate as at 31 December 2022 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the Financial Services Ombudsman (Jersey) Law 2014 and Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this report. We are independent of the Body Corporate in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey and Guernsey, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Body Corporate's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information, which comprises the Chairman's Statement and the Report of the Directors. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusions thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the terms of our engagement require us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MINISTER FOR ECONOMIC DEVELOPMENT, TOURISM, SPORT AND CULTURE OF THE STATES OF JERSEY (THE "MINISTER") AND THE COMMITTEE FOR ECONOMIC DEVELOPMENT OF THE STATES OF GUERNSEY (THE "COMMITTEE") (continued)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with United Kingdom Accounting Standards and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Body Corporate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend to cease operations of the Body Corporate or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Body Corporate's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Body Corporate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Body Corporate to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is explained below.

The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MINISTER FOR ECONOMIC DEVELOPMENT, TOURISM, SPORT AND CULTURE OF THE STATES OF JERSEY (THE "MINISTER") AND THE COMMITTEE FOR ECONOMIC DEVELOPMENT OF THE STATES OF GUERNSEY (THE "COMMITTEE") (continued)

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the Body Corporate's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

We obtained an understanding of the legal and regulatory frameworks that the Body Corporate operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. These included compliance with Financial Services Ombudsman (Jersey) Law 2014 and Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014.

Our testing included, but was not limited to:

- enquiries of management regarding known or suspect instances of non-compliance with laws and regulations;
- enquiries of management regarding known or suspect instances of irregularities, including fraud;
- undertaking analytical procedures to identify unusual or unexpected relationships;
- review of minutes of Board meetings throughout the year;
- testing the appropriateness of journal entries and other adjustments; and
- agreement of the financial statements disclosures to underlying supporting documentation.

Owing to the inherent limitations of an audit there is an unavoidable risk that some material misstatement of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK). However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with the directors who should not rely on the audit to discharge those functions.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

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

Philip Crosby
For & on behalf of
RSM Channel Islands (Audit) Limited
Chartered Accountants
Jersey, C.I.

20 April 2023

STATEMENT OF INCOME AND RETAINED EARNINGS
for the year ended 31 December 2022

	Notes	2022 GBP	2021 GBP
Revenue	3	1,029,816	1,013,036
Gross surplus		1,029,816	1,013,036
Administrative expenses	4	(1,112,873)	(1,032,663)
Operating deficit		(83,057)	(19,627)
Interest receivable		581	35
Deficit for year		(82,476)	(19,592)
Retained earnings brought forward		477,323	496,915
Retained earnings carried forward		394,847	477,323

All the items dealt with in arriving at the above results relate to continuing operations.

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

	Notes	2022 GBP	2022 GBP	2021 GBP	2021 GBP
Fixed assets					
Intangible assets	5		23,051		27,068
Tangible assets	5		686		1,294
			23,737		28,362
Current assets					
Unbilled case fees	6	124,800		115,200	
Debtors and prepayments	7	19,896		14,794	
Cash and cash equivalents	8	275,205		373,430	
		419,901		503,424	
Creditors: Amounts falling due within one year					
Creditors and accruals	9	48,791		54,463	
Net current assets			371,110		448,961
Net assets			394,847		477,323
Capital and reserves					
Accumulated surplus	11		394,847		477,323
			394,847		477,323

The financial statements were approved and authorised for issue by the board and were signed on its behalf on April 2023.

Director

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Notes	2022 GBP	2021 GBP
Cash flows from operating activities			
Deficit for year		(82,476)	(19,592)
Adjustments for:			
Interest receivable		(581)	(35)
Depreciation / amortisation	5	9,875	12,715
Increase in unbilled case fees		(9,600)	(16,100)
(Increase) / decrease in debtors and prepayments		(5,102)	2,748
(Decrease) / increase in creditors and accruals		(5,672)	3,823
Net cash used in operating activities		(93,556)	(16,441)
Cash flows from investing activities			
Purchase of intangible assets	5	(5,250)	(13,502)
Interest received		581	35
Net cash used in investing activities		(4,669)	(13,467)
Net decrease in cash and cash equivalents		(98,225)	(29,908)
Cash and cash equivalents at the beginning of the year		373,430	403,338
Cash and cash equivalents at the end of of the year		275,205	373,430
Cash and cash equivalents at the end of the year comprise:			
Cash and cash equivalents	8	275,205	373,430

Net debt reconciliation

Cash and cash equivalents	**As at 1 Jan 2022 GBP**	**Cash flows GBP**	**As at 31 Dec 2022 GBP**
Cash	373,430	(98,225)	275,205
Overdrafts	-	-	-
Cash equivalents	-	-	-
	373,430	(98,225)	275,205

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

1 Accounting policies

A summary of the principal accounting policies, all of which have been consistently applied throughout the period, and the preceding year, is set out below.

1.1 Basis of preparation of financial statements

The financial statements of the Channel Islands Financial Ombudsman are the combined financial statements of the Office of Financial Services Ombudsman Guernsey and the Office of the Financial Services Ombudsman Jersey, referred to in the body of the financial statements as the OFSOs.

The financial statements have been prepared on the historical cost basis and in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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 OFSOs' accounting policies (see note 2).

1.2 Going concern

The OFSOs continue to adopt the going concern basis in preparing their financial statements for the following reasons:

- All statutory aspects of the mandate are in place making the OFSOs mandatory;
- There is statutory ability to levy industry to cover operating costs;
- There is a strong cash position and prudent operating reserves;
- Case files and associated case fee income is in line with expectations; and
- As regards the pan-Channel Islands joint operation of the OFSOs, there is a Memorandum of Understanding in place between the Guernsey Committee for Economic Development and the Jersey Minister for Economic Development, Tourism, Sport and Culture.

1.3 Revenue

The intent under-pinning the design of the OFSOs funding regime is to charge on a basis that is transparent, fair and simple to administer.

The Financial Services Ombudsman (Case-fee and Levies) (Bailiwick of Guernsey) Order 2015, as amended by the Financial Services Ombudsman (Case-fee and Levies) (Bailiwick of Guernsey) (Amendment) Order 2018 and the Financial Services Ombudsman (Case-fee and Levy) (Jersey) Regulations 2015, as amended by the Financial Services Ombudsman (Case-fee, Levy and Budget-Amendments) (Jersey) Regulations 2018, provided for the OFSOs to prescribe schemes for case fees and levies to be paid by certain financial services providers in respect of the expenses of the OFSOs.

1 Accounting policies - continued

1.3 Revenue - continued

Sources of revenue

The principal sources of revenue are annual levies and case fees.

Annual levy

The detail regarding the levies for 2022 is set out in the Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2022 (the '2022 Guernsey Levy Scheme') and the Financial Services Ombudsman Levy Scheme (Jersey) 2022 (the '2022 Jersey Levy Scheme'). The detail regarding the levies for 2021 is set out in the Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2021 (the '2021 Guernsey Levy Scheme') and the Financial Services Ombudsman Levy Scheme (Jersey) 2021 (the '2021 Jersey Levy Scheme').

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

The 2022 levy was payable per sector of activity, for which, on 8 January 2022, a provider was registered with or held a licence, permit or certificate from the Commissions, unless the Registered Provider was entitled to zero-rating in accordance with the 2022 Guernsey Levy Scheme or 2022 Jersey Levy Scheme. Levy notices were sent out from March to July 2022 and Registered Providers were required to pay to the OFSOs the levy as specified in the levy notice, unless they have certified as zero-rated in accordance with the procedure specified in the levy notice.

The levies raised the funding required for the operation of the OFSOs in 2022. In setting the amount to be raised in levies the OFSOs' board was mindful of the need to minimise year-on-year variability of levy amounts and manage the reserves and expected case fee income to minimise the increases in the total levy amount. The total levy amount required was £926,104, a reduction of 2% of the total levy required for 2021.

Levy income is recognised in the period to which the levy relates. No adjustment is made in respect of any changes to providers' licences after 8 January 2022, with any changes in providers' licences coming into effect from the 2023 year of assessment.

Actual 2022 levy amounts per sector:

	GBP
Banking	450,648
Insurance and/or general insurance mediation business	151,536
Investment business and/or fund functionary	194,656
Money service business	55,440
Registered credit provider	59,136

1 Accounting policies - continued

1.3 Revenue - continued

Case fees

Case fees are set in the Financial Services Ombudsman Fee Scheme (Bailiwick of Guernsey) 2018 and the Financial Services Ombudsman Fee Scheme (Jersey) 2018. Case fees are charged on a fixed basis irrespective of the outcome and the time and other costs incurred relating to the specific case. Each financial services provider ("FSP") must pay to the OFSO a case fee for each complaint against the provider that is referred to the OFSO, unless, in the opinion of an ombudsman:

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

The amount of the case fee for each complaint received on or after 1 April 2018 is:

- £nil for Community Savings Limited;
- £400 for any registered provider that is liable to pay a levy; and
- £900 for any other provider.

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, the OFSO will invoice any case fees annually in arrears. For Registered Providers that are subject to the annual levy, the 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 cases since the previous case fee invoice the OFSO may issue an interim case fee invoice.

1 Accounting policies - continued

1.4 Intangible and tangible assets

Intangible assets are predominantly the OFSOs website and brand and its bespoke complaint management system ("CMS"). These assets are initially recognised at cost. After recognition, 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 5 years.

The estimated useful lives for intangible assets are as follows:

Website and brand	5 years
Complaint management system	5 years

Intangible asset amortisation commences upon commissioning of the asset in question.

Tangible assets comprise computer equipment. These assets are initially recognised at their purchase price, including any incidental costs of acquisition. Depreciation is calculated to write down the net book value on a straight-line basis over the expected useful economic life of the asset.

The estimated useful life for tangible assets is 4 years.

The board's policy is only to capitalise costs over £1,000 in total per item.

1.5 Cash and cash equivalents

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

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

1 Accounting policies - continued

1.6 Financial instruments

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

(i) Financial assets

Unbilled case fees and debtors are recognised initially at the transaction price adjusted for 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 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 and accruals 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 liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

(iii) Offsetting

Financial assets and liabilities (and related income and expenses) are only offset and the net amounts presented in the Statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

No financial assets and liabilities have been offset at the year end 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 Accounting policies - continued

1.6 Financial instruments - continued

(v) Impairment of assets

At each reporting date, assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of income and retained earnings.

1.7 Taxation

The income of the OFSOs is not subject to income tax under the Income Tax (Guernsey) Law 1975 or the Income Tax (Jersey) Law 1961.

1.8 Foreign currency translation

Functional and presentation currency

The OFSOs functional and presentational currency is pound sterling because that is the currency of the primary economic environment in which the OFSOs operate.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date 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 Accounting policies - continued

1.10 Pensions

The OFSOs provide membership to an outsourced defined contribution plan for its employees. A defined contribution plan is a pension plan under which the OFSOs pay fixed contributions into a separate entity. Once the contributions and administration fees have been paid, the OFSOs have 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 Statement of financial position. The assets of the plan are held separately from the OFSOs in independently administered funds.

1.11 Interest receivable and similar income

Interest receivable 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.

1.13 Rents

Rentals under licence agreements are charged to the Statement of income and retained earnings on a straight-line basis over the term of the agreement.

1.14 Expenses

Expenses are accounted for on an accruals basis.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

Recoverability of unbilled case fees and debtors are the key areas of judgement.

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

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

3 Analysis of revenue

An analysis of revenue is provided below:

	2022 GBP	2021 GBP
Case fees		
Guernsey OFSO	67,200	47,700
Jersey OFSO	51,200	60,900
Levies		
Guernsey OFSO	465,564	459,590
Jersey OFSO	445,852	444,846
	1,029,816	1,013,036

Contingent asset

A portion of the time costs (salaries) of the Principal Ombudsman and Case Manager will be charged against eligible pension providers when the new Jersey occupational pension legislation comes into effect, currently proposed for Summer 2023. The time spent is being recorded and monitored and it is more likely than not that an inflow of benefits will occur once the legislation is in place. The amount recorded for 2022 is £13,676, which has been expensed in the year as required by FRS102 Section 21.

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

4 Administrative expenses

	2022 GBP	2021 GBP
Directors' remuneration	53,375	43,125
Strategic consultant	4,500	-
Governance costs	14,616	-
Staff salaries	585,831	516,163
Contract case handlers	145,718	176,422
Employer social security	31,026	25,853
Staff pension costs	47,840	47,763
Staff training	13,938	10,470
Hotels, travel, subsistence	5,281	1,549
IT costs	45,694	43,085
HR costs	9,024	2,400
Case-related costs	2,682	9,244
Auditor's remuneration	20,561	20,587
Bad debts	-	1,248
Reversal of bad debt	-	(1,256)
Rent and rates	55,755	55,755
Insurances	42,720	42,377
Recruitment and licence fees	823	6,208
Stationery	186	164
Postage	407	415
Telephone	1,413	1,615
General office expenses	6,953	3,155
Trade subscriptions and CPD	6,170	5,908
Bank charges	1,221	744
Line of credit charge	2,500	2,500
Administration costs	4,758	4,428
Depreciation / amortisation expense	9,875	12,715
Loss on forex	6	26
	1,112,873	1,032,663

5 Intangible and tangible assets

	Tangible Computer equipment GBP	Intangible Website and Brand GBP	Intangible Complaint Management system GBP	 Total GBP
Cost				
At 1 January 2022	2,644	20,580	55,360	78,584
Additions in year	-	5,250	-	5,250
At 31 December 2022	2,644	25,830	55,360	83,834
Depreciation / amortisation				
At 1 January 2022	1,350	14,147	34,725	50,222
Charge for year	608	2,355	6,912	9,875
At 31 December 2022	1,958	16,502	41,637	60,097
Net book value				
At 31 December 2022	686	9,328	13,723	23,737
At 31 December 2021	1,294	6,433	20,635	28,362

6 Unbilled case fees

	2022 GBP	2021 GBP
Case fees (see note 1.3)	124,800	115,200

7 Debtors and prepayments

	2022 GBP	2021 GBP
Trade debtors	1,232	1,248
Bad debt provision	-	(1,248)
Prepayments	18,664	14,794
	19,896	14,794

During the year, the directors provided against the amounts disclosed below:

	2022 GBP	2021 GBP
Balance at the start of year	1,248	1,256
Reversals (cash received)	-	(1,256)
Additions	-	1,248
Bad debt written off	(1,248)	-
Balance at end of year	-	1,248

During the year it was determined that the 2021 debt was unrecoverable. The 2020 debt was recovered on 25 February 2021.

8 Cash and cash equivalents

	2022 GBP	2021 GBP
Cash at bank	275,205	373,430

The OFSOs share one current account and one deposit account under the account name "The Offices of the Financial Services Ombudsman - CI". The current account has an unutilised overdraft facility of £250,000 (2021: £250,000).

The current account has a corporate card facility of £20,000 (2021: £20,000).

9 Creditors and accruals

	2022 GBP	2021 GBP
Accruals	25,686	35,347
Trade and other creditors	23,105	19,116
	48,791	54,463

No accrual was made for unused annual leave in 2021 as the directors did not consider it material. There is no unused annual leave as at 31 December 2022.

10 Financial instruments

	2022 GBP	2021 GBP
Financial assets		
Financial assets measured at amortised cost	419,901	503,424
Financial liabilities		
Financial liabilities measured at amortised cost	(48,791)	(54,463)

11 Accumulated surplus

The accumulated surplus includes all current and prior period retained surpluses and deficits.

The Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 and the Financial Services Ombudsman (Jersey) Law 2014 states that the 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.

12 Other financial commitments

On 14 December 2021 the OFSOs entered into an licenced office agreement with Polygon Serviced Offices Limited (previously Vantage Innovation Limited) for an annual rental of £55,755, fixed until 31 December 2023. The agreement has been classified as an operating lease. The future commitments are as follows:

	2022 GBP	2021 GBP
Due within one year	55,755	55,755
Due 1 - 5 years	-	55,755
	55,755	111,510

13 Related party transactions

During the year, board remuneration of £24,000 (2021: £24,000) was paid to David Thomas, the chairman, and £29,375 (2021: £19,125) was paid to the non-executive directors. No amounts were outstanding at the year end (2021: £nil).

The principal ombudsman is considered to be key management personnel. Remuneration in respect of the principal ombudsman comprises a salary of £194,063 (2021: £186,875), pension contributions of £23,288 (2021: £22,425) and insurance costs of £12,000 (2021: £12,000) No amounts were outstanding at the year end (2021: £nil).

During the year a benchmarking exercise was undertaken, using two independent organisations, to ensure staff salaries and benefits were inline with market rates. The board are satisfied that CIFO salaries and benefits are fair and that pay equity is being met.

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