

2.8 Deputy M.R. Higgins of the Minister for Economic Development regarding recent scandals involving the U.K. banking industry and their impact upon the Jersey financial services industry:

In light of the most recent scandals involving the U.K. banking industry, does the Minister believe that there are any lessons which can be learned and does he consider that he needs to take any further steps to ensure that the users of the Jersey financial services industry are fully protected against wrongdoing by individuals and firms operating in the Island?

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

The Deputy is imprecise as to which recent scandal he is referring to. [Laughter]

Male speaker:

There are a lot of them.

Senator A.J.H. Maclean:

There may well be lessons to be learned, but these will become apparent, following, for example, findings of U.K. inquiries and any subsequent actions the U.K. authorities may take in the coming weeks and months. In terms of offering locals an additional layer of protection, I am certain that, like me, the Deputy will welcome the progress currently being made towards bringing forward a financial ombudsman service to Jersey.

2.8.1 Deputy M.R. Higgins:

In particular, the 2 most recent scandals, which I am sure the Minister is well aware of, is one to do with the London Interbank Offered Rate where the Barclays Bank and other major banks have been accused of rigging the rate to their favour and the second is another mis-selling scandal. It is mis-selling in particular that I am concerned with because we already have the case of Mr. George Burrows and Standard Chartered Bank where he has made allegations and I have seen internal correspondence from the bank, which does prove that the adviser did lie to Mr. Burrows. I would like to know what his department is doing on the question of mis-selling in general and mis-selling in particular, especially when, under Jersey Law, it is a criminal offence and also a regulatory offence whether a person is fit and proper; what is your department doing in this area?

Senator A.J.H. Maclean:

First of all the Deputy raises the issue about L.I.B.O.R. (London Interbank Offered Rate). Now, clearly that is a matter, as I alluded to in my opening remarks, which is being investigated by the U.K. authorities at the moment. We will watch with interest to see what the outcome and results of that are and indeed consider whether any further changes are or may indeed be necessary as a result. With regard to mis-selling, in particular the Deputy refers to the case of Mr. Burrows, which is well known to Members who have been circulated on all the correspondence. That particular issue has been, as the Deputy is well aware, investigated in a number of different areas and I do not wish to comment on it any further as discussions and investigations are ongoing, again, as the Deputy is fully aware. With regard to the wider issue of mis-selling, yes there are, again as the Deputy is aware, certain laws and powers that are available to the authorities; those are quite appropriate in my view at this stage. If there is anything that is raised that suggests that they are not appropriate, then of course we will look at taking additional action. I think perhaps the Deputy is getting confused where there may be allegations that are not necessarily proven or cannot necessarily be taken to court because the evidence is perhaps not as robust as it may appear at face value.

2.8.2 Deputy J.A. Martin:

The Minister states that we are in a “wait and see” position on what the U.K. authorities will do and how they will act on certain things. So is the Minister saying that whatever the U.K. approves to be proper and right and as mis-sold, all Jersey residents will be entitled to as well?

Senator A.J.H. Maclean:

No, I am not. What I was talking about in that particular instance was the issue relating to L.I.B.O.R., which is not a matter that directly affects the Island insofar as L.I.B.O.R. rates are not set here. Jersey's banking system is very straightforward in terms of its lending activities and so on, so I was referring specifically to the L.I.B.O.R. issue, which is under investigation in the U.K. and we will watch and see what the result of that is, which is quite appropriate and as to whether anything is indeed relevant to Jersey.

2.8.3 Deputy R.G. Le Hérissier:

The Minister mentioned a case where the evidence might not be as robust as the complainant thinks it to be. Would he put to the Assembly the procedure that is available where there is a dispute about the evidence? How should such a person proceed if they feel they have a genuine grievance and they wish their evidence to be properly evaluated?

Senator A.J.H. Maclean:

Well, of course, there is one option available if all courses... such as, for example, if the J.F.S.C. (Jersey Financial Services Commission) have investigated an allegation. Ultimately, the complainant could indeed take a civil action if they so chose. It would be entirely up to them.

2.8.4 Deputy R.G. Le Hérissier:

Is the Minister happy with the procedure that has been followed to date? Is he happy with the fact that the complainant has had a thorough investigation into his complaints and nothing further can be done short of a civil action?

Senator A.J.H. Maclean:

All I can say is that there have been extensive investigations by a number of bodies in relation to the case that the Deputy is referring to. I am satisfied that the issue has been thoroughly examined. I am also aware, and that is why I am cautious about what I say, that discussions are still ongoing in this matter and so I do not feel it appropriate to give any greater detail. I am not in position to do so.

2.8.5 Deputy J.H. Young:

Accepting the Minister's point about the complaint of mis-selling being under investigation by the authorities, is the Minister aware of the detailed note produced by the complainant in that case of the shortcomings that he has experienced of the complaints procedures, and the difficulties in communication between the J.F.S.C. and the Jersey Financial Crimes Unit. Is he open to investigating the procedure to ensure that people do have genuine complaints, do have access to a robust and satisfactory complaints procedure?

Senator A.J.H. Maclean:

I should perhaps add that it is a case of alleged mis-selling and I think until the matter is concluded, I do not think I can add anything further. But, having said that, if the Deputy has particular concerns on the conclusion of this particular issue that he feels should be looked into, then I am more than happy and open to discuss those.

2.8.6 Senator A. Breckon:

The Minister mentioned the interbank lending rate, L.I.B.O.R., and that it does not really apply to Jersey in cases of compensation, but is he aware that many people, individuals and businesses, will have borrowed money which is based on that rate and therefore, if it is incorrect, then they might also be seeking compensation and would seek a forum in which to do so?

Senator A.J.H. Maclean:

Yes, I apologise if I misled the Senator. I did not mean that it does not apply to Jersey; clearly the rates do apply to Jersey. What I was alluding to was the fact that the L.I.B.O.R. setting mechanism is not related to Jersey, they are not set here in Jersey, but clearly we are interested in watching very closely the investigation that the U.K. authorities are undertaking in this matter.

2.8.7 Senator Ferguson:

With regard to the particular allegation of mis-selling, can the Minister be sure that the matter has been taken up by the main board of Standard Chartered, not just the local one?

[10:45]

Senator A.J.H. Maclean:

Yes, I understand that indeed the gentleman in question was invited to meet the senior management in London and indeed had his travel arrangements paid for him in order to do so and that meeting has taken place.

2.8.8 Deputy M.R. Higgins:

Does the Minister think that a person, whose internal memos within Standard Chartered have been shown to have misled a client, is a fit and proper person to be working in the Jersey financial services industry?

Senator A.J.H. Maclean:

The Deputy is making allegations that I am afraid have not been substantiated and I am afraid I am not going to comment any further on this.

Deputy M.R. Higgins:

Has the Minister read the memo?

Senator A.J.H. Maclean:

I am not going to comment any further on this particular issue at this time.