STATES OF JERSEY

CHANNEL ISLANDS FINANCIAL OMBUDSMAN: ANNUAL REPORT 2020

Presented to the States on 2nd June 2021
by the Minister for Economic Development, Tourism, Sport and Culture

STATES GREFFE

Channel Islands
Financial
Ombudsman

ANNUAL REPORT 2020

Fairness of outcome and fairness of process...

TABLE OF CONTENTS
ANNUAL REPORT 2020

SUBMISSION LETTER
CHANNEL ISLANDS FINANCIAL OMBUDSMAN

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Committee for Economic Development
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Senator Lyndon Farnham
Deputy Chief Minister and
Minister for Economic Development, Tourism, Sport & Culture
Government of Jersey
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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 2020. These take the form of a shared report accompanied by combined accounts 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

David Thomas
Chairman

HEADLINES
CHANNEL ISLANDS FINANCIAL OMBUDSMAN

- Completed fifth full year of operation having received over 3,000 complaints during the period
- In 2020, 409 complaints were received, an increase of 5% over the previous year
- 47% of complaints received were outside of CIFO's statutory mandate, a decrease of 15% from the previous year contributing to a corresponding increase of in-mandate case file volume
- A notable number of enquiries and complaints related to business interruption insurance claims arising from the Covid-19 emergency
- A notable number of high-value complaints related to authorised push payment (APP) fraud
- 225 case files were opened, an increase of 19% over the previous year
- 168 case files closed, an 8% increase over the previous year
- 74% of case files were successfully resolved through informal mediation rather than a formal binding ombudsman decision, an increase of 2% over the previous year
- 57% of case files were resolved in favour of complainants, an increase of 10% over the previous year
- Average amount of compensation awarded significantly increased almost £10,000 over the previous year to £14,018 due to the nature of complaints resolved
- Successfully adapted to securely and effectively operate under work-from-home guidance due to the Covid-19 emergency
- 2020 is the first year the Guernsey and Jersey financial statements are being reported to both governments on a consolidated basis

MESSAGE FROM **THE CHAIRMAN**

David Thomas

The Channel Islands Financial Ombudsman (CIFO) is the joint operation of the independent financial ombudsman bodies established by law in Jersey and the Bailiwick of Guernsey. This is CIFO's report for the calendar year 2020. It also looks back briefly over five full years of operation since we opened for business in November 2015.

Through its Principal Ombudsman and staff, CIFO resolves complaints against financial services providers (FSPs) – informally, fairly and impartially. This helps to underpin public confidence, locally and internationally, in financial services provided from the Channel Islands. The board of directors provides oversight and protects CIFO's independence.

CIFO also publishes impartial information on issues highlighted by cases it has handled. This is intended to help prevent potential causes of future complaints, by informing public and regulatory policy and by encouraging continuous improvement in the sector.

The Covid-19 pandemic restrictions had a profound effect on CIFO's operations and stakeholder outreach. Prompt action protected ongoing operations and staff health by moving to remote working. Management and staff demonstrated great effort, flexibility and ingenuity in maintaining the service.

A key focus has been to refine CIFO's processes and equipment, to ensure continuity and security of service into the future. The board is confident that CIFO has the operational resilience to effectively perform its statutory mandate in the face of ongoing uncertainty.

A surge of enquiries from those whose finances were stressed by the emergency did not immediately turn into a surge of complaints referred to CIFO. But, as FSPs concentrated on keeping the financial system moving, some of them had difficulty in keeping on top of their complaint-handling, including responding to file-requests from CIFO.

As FSPs caught up towards the end of the year, that created a bulge in the number of case files that CIFO opened – reflected in the number of cases on hand at 31 December 2020. Management harnessed resources to increase the numbers of cases resolved, and by 31 March 2021 the number on hand was reduced by 12%.

The pandemic prevented CIFO from holding its usual public meetings in Jersey and Guernsey to discuss last year's report. The substitute online event had a record attendance. Some organisations reported that more people were able to attend online than would previously have been able to attend in person.

We will review the arrangements for discussion of this report in the light of developing circumstances. When restrictions permit, we look forward to continuing in person the constructive engagement that has developed with stakeholders in both jurisdictions.

Following a multi-stage public consultation and amending legislation, CIFO's new financial model came into force from 1 January 2020. The combined financial statements that accompany this report reflect the new approach.

I thank the other board members for their ideas, energy and commitment. They and I thank the Principal Ombudsman and all the members of the CIFO team for their resilience and continuing hard work, especially given the unusual and significant challenges of the past year.

Particular thanks and best wishes to Sophie Watkins, who left us during the year. She was with the project from the start – advising Jersey and Guernsey officials, and then the CIFO board, on the foundations of CIFO – and then became a valued member of our management team.

MESSAGE FROM **THE PRINCIPAL OMBUDSMAN & CHIEF EXECUTIVE**

Douglas Melville

2020 likely reminded some of us of things we may have taken for granted in the past, such as our own physical health and the safety of our communities from a public health perspective. Another may be the importance for our well-being of frequent interaction with family, friends and work colleagues, especially when one's daily work routine can be stressful and dependent upon group collaboration. The interconnected nature of health, both individual and collective, the economy, and the provision of services to the community has been brought into sharp focus this past year. This dynamic affected the provision of financial services and those public-facing bodies, like CIFO, engaged in resolving customer issues arising from the provision of those financial services.

Many financial consumers and microenterprises faced significant financial distress due to restrictions imposed and economic impacts arising from the Covid-19 emergency. Not surprisingly, this gave rise to some customer complaints. While the nature of complaints in 2020 was largely similar to those we expect to see in more normal times, the combination of social restrictions and economic stress clearly created heightened levels of anxiety and, in some cases, made it more logistically challenging to register a complaint with financial services providers (FSPs). In addition, the staff of FSPs transitioned to work-from-home where their access to needed information and their colleagues was impaired by transitions to new work arrangements. Understandably, this made it more difficult for those FSP staff we are in frequent contact with to perform their complaint handling roles and to effectively meet the information gathering needs of our team in the performance of ours. Such challenges persisted, for some FSPs throughout most of the past year and had significant operational implications for CIFO.

CIFO faced similar challenges as our entire team also transitioned to work-from-home in March of 2020. This was far from ideal. Dispute resolution can be a challenging and solitary endeavour at the best of times. In dealing with the intensity of customer complaints, we rely upon the close support and sometimes contrasting views and insights of our colleagues to help us remain well-grounded, analyse complex fact situations and reach evidence-based decisions based on what would be fair and reasonable in the circumstances of each individual complaint. Such collaboration and collegial challenge are important contributors to our ability to effectively perform our roles. Learning to do this via videocalls and on-line collaboration software was a new experience that took some time and effort to adjust to. Having done so, we are now a more resilient office better able to maintain our effectiveness regardless of the challenges that may emerge, and which may threaten to send us once again into a remote-work operating environment.

Perhaps counter-intuitively, the impact of the pandemic on consumers and FSPs resulted in a slight reduction in complaint volumes during the middle of the 2020 year. However, it also put pressure on our operation to maintain file closure rates despite the transitions of our office and FSPs to remote operation. In Q4 of 2020, some larger FSPs began to return to more normal operation and were able to respond to CIFO requests for their complaint files on in-mandate complaints that had come in during Q2 and Q3, as well as those that arrived in Q4. As a result, FSP files began to pour in to CIFO at an unprecedented rate. CIFO opened more case files in Q4 of 2020 than in any previous quarter since commencement of operations in late 2015. Despite such challenges, CIFO had a good year with an increase in year-over-year case file closures, but this Q4 surge pushed up the year-end closing inventory of case files to be reviewed by CIFO. Thankfully, by time of writing, we have managed to pull back all of the inventory increase from that Q4 2020 surge, and more, as we continue to make steady progress to resolve the accumulated number of complaints that had built up over several years when complaint volumes received consistently exceeded our previous complaint resolution capacity. We are now in a stronger position thanks to some recent operational initiatives that have borne fruit. One was to look beyond our office for additional capacity on an as-needed basis.

Following consultation with industry during the second half of 2019 on ways to improve efficiency in complaint handling, CIFO piloted the part-time contracting of experienced financial ombudsman practitioners from the United Kingdom to supplement the case handling capacity of the CIFO team based in the Channel Islands. The success of the pilot led to a continuation of this practice through 2020 which has yielded excellent results, helping to increase the case file closing capacity and off-set the operational impact of the Covid pandemic. As a result, CIFO was able to close 8% more case files than in 2019 despite the challenges of the past year. This positioned CIFO well as it entered 2021.

While we are hopeful for a return to a more normal operating environment, we are mindful of the potential for a surge in complaints arising from the disruptions caused to FSPs, households and microenterprises during the pandemic. The combination of employment income support schemes by governments and debt repayment deferrals by banks played an important part in supporting households through the crisis. We remain apprehensive of a potential surge in complaints sometime later in 2021 when FSPs and households take stock of the impact of the past year and look to re-establish their previous debt repayment arrangements in a still uncertain economic environment.

While the restrictions on travel and in-person meetings severely curtailed our usual outreach activities, we continued to focus in other ways on sharing the valuable lessons learned from the complaints we review. In 2020, we leveraged the efforts made in 2019 and continued to publish more decisions and case studies. Sharing the lessons learned from our complaint resolution work will, we hope, help to prevent future incidents that could give rise to complaints. Educating financial consumers, and their providers, is an important step to help avoid catastrophic losses due to such risks as unsustainable debt, unsuitable investment advice, payment fraud and fraudulent investment schemes. In 2020, we continued to share information and work remotely with other local agencies to draw public, regulator, and government attention to such areas of concern. It was gratifying that, despite the challenges of the past year, the two key parts of our important public interest mandate, complaint resolution and feedback to stakeholders from lessons learned were able to continue, albeit in some new ways.

I am mindful that 2021 started in the same way that much of 2020 was spent, working from home connecting remotely with other members of the CIFO team and our stakeholders. However, at time of writing we have returned to work in our office and our communities are returning to something approaching normal, or a new normal. I am proud of our team's demonstrated ability to persevere throughout the past year and maintain focus on our roles. The team demonstrated great resiliency and commitment and supported each other despite the inability to gather in-person each working day. We thank our chair and directors who, despite also being unable to meet in person for most of 2020, provided steadfast support for our office throughout the year and wise guidance as CIFO adapted to meet the changes brought on by forces beyond our control. I also wish to thank all of our stakeholders, contractors, advisors, partners, and suppliers for their contribution to our success during this challenging past year, especially during a time when they too had to adapt to changing circumstances.

We look forward to moving beyond this past year and perhaps being a bit more consciously appreciative of the sustaining role of our daily interaction with family, friends, colleagues and stakeholders. The international nature of our work at CIFO makes us ever mindful of the fact that, in many parts of the world, the challenges posed by this public health emergency are far from over. Our thoughts are with those who have lost loved ones and with those still facing significant challenges where they live. We are grateful for the privilege of serving this important mandate and for everyone's support of our office that enabled us to continue to operate effectively during this challenging year.

FIRST FIVE YEARS (2015-2020)
A RETROSPECTIVE

This annual report to the governments of Jersey and Guernsey covers the fifth complete year of operation of the Channel Islands Financial Ombudsman. For those of us directly involved with the implementation and maturation of this office, the five years have seemed to pass by at an unnatural speed. It seemed appropriate to mark this anniversary with a brief retrospective that shares with all stakeholders some highlights of the journey that has brought CIFO to its current state.

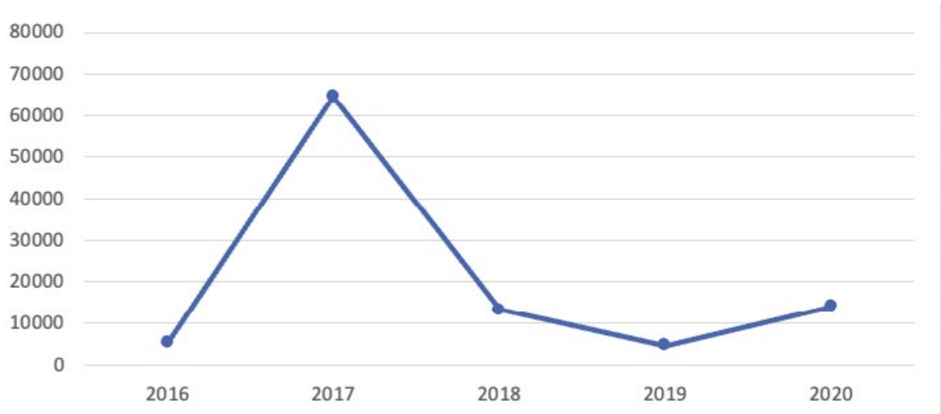
CIFO is the only financial ombudsman worldwide that covers more than one national jurisdiction. And, while most financial ombudsmen receive most cases from domestic customers, consistently well over half of the complaints referred to CIFO come from customers outside the Channel Islands. This international aspect is reflective of the markets served by the international financial centres of Jersey and the Bailiwick of Guernsey (comprising the islands of Guernsey, Alderney, and Sark). The heat map and accompanying table that follow, illustrate the geographic reach of the financial services offerings of these islands and the geographic scope of complaints handled from our office here in the Channel Islands.

The 3,000 complaints referred to our office over the five years also reflect the diversity of financial services provided here. While the ubiquitous banking services relationship, of which most consumers have at least one, is consistently the most prevalent sector of referred complaints. However, all sectors including investments, insurance, pensions, non-bank lending and credit, and new financial sector frontiers are all represented in our five-year experience. Within each financial sector, a variety of products and services are represented in our complaints history illustrating the complexity and dynamism of global financial services. The vast majority of complaints are brought to CIFO by individual retail customers. Only a very small proportion (consistently less than 7%) of complaints are from microenterprises, trusts, or small charities, all of which are included in the scope of our mandate.

If there was a surprise to be found in this complex mix, it was the degree to which multiple complaint situations arose and the different stakeholder dynamic that sometimes resulted. Some are multiple complaint scenarios from different customers arising from a particular issue seen across the financial sector as a whole. Examples included non-bank lending and credit; types of fraud; business interruption insurance claims arising from the Covid-19 emergency; customer information requests and account closures as FSPs attempt to meet regulatory expectations and manage their perceived risk. These scenarios tended to involve broader consideration of legal and regulatory expectations and general industry perception and practice. The degree to which an ombudsman's "fair and reasonable in the circumstances of each individual complaint" basis for decision contrasted with legal, regulatory, and general industry perception and practice formed the focal point for transformative interactions. While sometimes challenging, these generally lead to an evolved collective view regarding appropriate market conduct and fair and reasonable treatment of financial consumers.

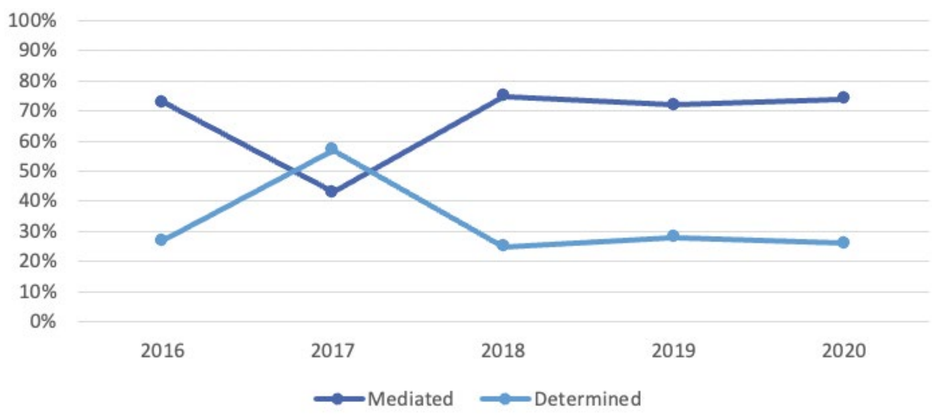
Some other multiple complaint scenarios involved large numbers of complainants against a single financial service provider, usually involving a single product or service. These situations posed a different kind of challenge from the typical alternative dispute resolution models employed by financial ombudsman schemes. The multiple nature of the complaints tended to create higher potential compensation amounts and greater concerns around the setting of precedents that would affect future such complaints or undermine the economic viability of certain products or business models. Indeed, the average compensation awarded by CIFO in 2017 surged to almost £65,000 clearly reflecting the impact of a single multiple complaint situation that resolved in 2017 where individual awards were of significant size. As the chart below indicates, in the other years where there was no such multiple complaint resolving, the average compensation each year falls within a far narrower range at a significantly lower level (an approximate range of £4,000 to £14,000).

Average Compensation Awarded (5 Year Retrospective)



The tendency for financial services providers to rely on legal representation in such circumstances injected a legalistic and rights-focused theme to our alternative dispute resolution scheme. CIFO also experienced the influence of professional indemnity (PI) insurers who pay out on claims made to them by FSPs in response to CIFO awards of compensation to that FSP's customers. These were some of the unanticipated complexities that challenged CIFO, and yet also leveraged our mandate and decisions across a large number of consumer complaints at one time. Aspects of this dynamic are visible in the five year complaints data. Such multiple complaint situations tend to be less likely to resolve through mediation as opposed to a binding ombudsman determination. Again, the 2017 results illustrate this reflecting the multiple complaint situation that resolved many complaints via ombudsman determination. That year, the usual predominance of CIFO complaint resolutions via mediation was reversed.

Complaints Mediated versus Determined (5 Year Retrospective)



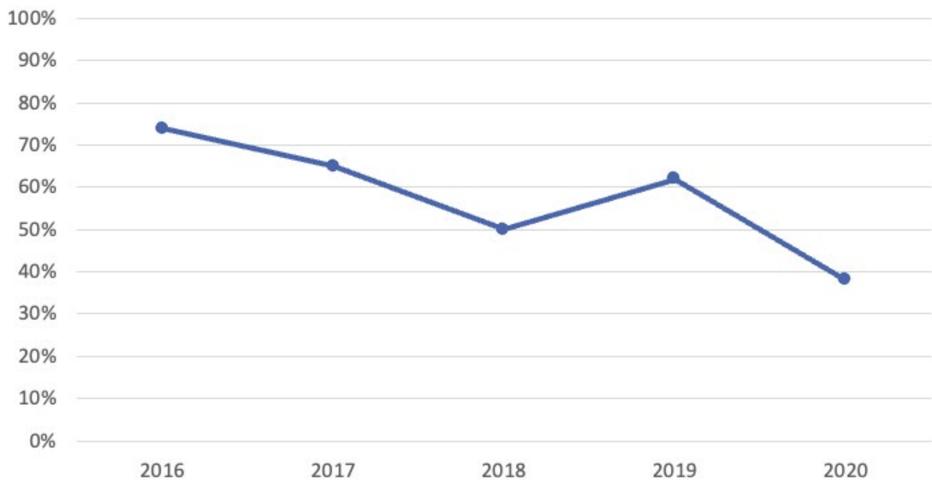
The more mundane challenges that face all financial ombudsman schemes were ever-present. The inability to predict complaint volumes and complaint complexity challenge the ability to accurately forecast capacity requirements, often leaving responses of added capacity lagging the proven demand. This was an issue for CIFO when it commenced operation in late 2015 and remains so today. The vagaries of economies, interest rates, investment markets, and global health pandemics, have all shown themselves individually, and sometimes collectively, able to greatly influence the volume of complaints arising within the financial sector. Over the 2015-2020 period, CIFO has added complaint handling capacity to meet proven need and has developed means of accessing additional capacity on an as-needed basis to provide greater operational flexibility to meet unanticipated needs that are the norm in such a contact-responsive public-facing role. We will enter our next five years in a far stronger position in terms of our team's capacity, experience and resilience.

Since commencing operation in November of 2015, the challenge has been clear to the extent that any office responsible for reviewing complaint volumes over which it has no control can ever have complete clarity. We have established and gradually matured an operation comprising people, systems, policies and procedures to tackle the workload required to review the over 3,000 complaints referred to our office since its inception. A focus on gradual continuous improvement and training and development has enabled CIFO to avoid creating a service based on any preconceived notions of what would be required in this unique environment. Staff development has been a key factor. Our belief in the transformative power of alternative dispute resolution techniques prompted CIFO to arrange for on-island mediation training for the entire team and others in the community who share this vision. More skills-specific training in information gathering, interviewing, investigation and writing skills were sourced from various providers. As with any public-facing service, staff sensitisation to the unique needs of certain groups in society is important and we have been fortunate to have been able to draw upon local and regional agencies that specialise in training to improve our ability to serve, and be sensitive to the unique needs of some complainants who call upon our service.

Building a small office from inception shares much in common with a small business start-up. The basics of a functional workspace, telephony and information technology and security may seem trite until faced with a need to cut-over on short notice to remote operation for an indefinite period. It is challenges like those faced in 2020 that force an office to quickly move to a new level of capability and operational resiliency. While a small operation, the reputational sensitivity of our mandate and the sensitive customer and FSP information we have in our files, creates a disproportionate need for robust information technology and information security. CIFO was an early local adopter of the Cyber Essentials Plus certification which demanded a degree of audited capability and policy adherence comparable with that of financial sector regulators and public agencies.

The scope of CIFO's public interest mandate (i.e., what complaints arising from certain financial services providers and certain types of complainants we have the authority to review) is a matter for governments to decide. Since our inception, CIFO has covered complaints from areas of the financial sector that are not yet regulated in the Channel Islands. These include consumer lending and credit and related services as well as certain aspects of pensions. There also remain areas of existing financial services business that CIFO does not cover as set out in table 6 on page 32 of this report. Finally, there are new emerging areas such as cryptocurrency and cryptocurrency trading platforms that are not yet regulated nor fall within CIFO's remit. These mandate scope questions combined with new emerging issues like artificial intelligence (AI) and evolving requirements under data protection regulation create the varied and dynamic field in which CIFO currently operates and which will continually evolve going forward. Despite the areas of financial services business that remain outside of CIFO's remit, it was interesting to note that the proportion of complaints that fall outside of CIFO's remit has steadily decreased over the five years. The reason for this is the decreasing relevance of CIFO's statutory time bars of 1 January 2010 in Jersey and 2 July 2013 in the Bailiwick of Guernsey. As time marches on, CIFO's six-year time limit for referred complaints becomes the more significant timing factor for referred complaints. The implications of this decrease in out-of-mandate complaints is more in-mandate complaints, directly impacting upon the workload of the office.

Percentage of Out-of-Mandate Complaints (5 Year Retrospective)



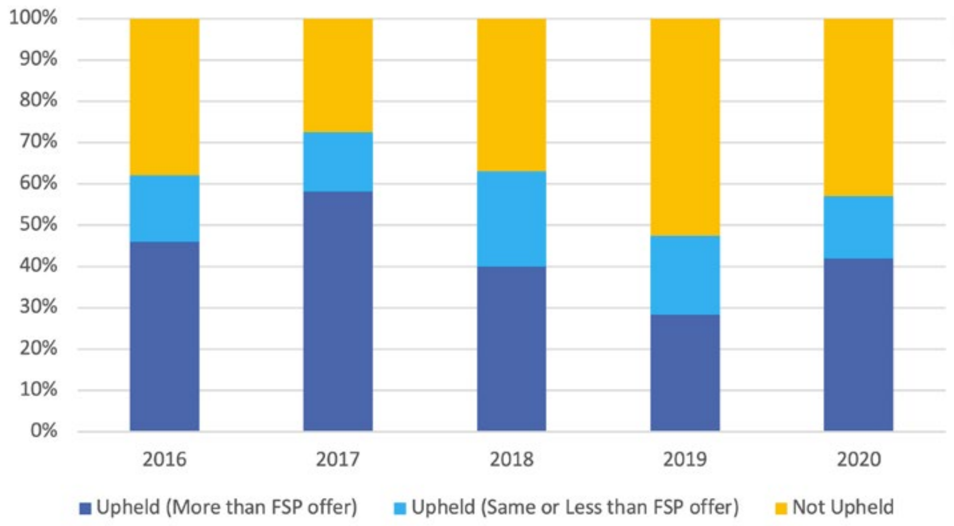
Looking back over our first five years, from our team's perspective we can share three very different memorable moments that will endure for us. The first was the complainant who contacted our office to say that she would be unable to reply to our decision within the requested 30 days because her dog had eaten the ombudsman's decision. She pre-empted any scepticism, noting the obvious parallel to the student-claimed demise of many school assignments that had met with the same fate, by providing compelling and vivid photographic evidence, making sense for CIFO to actively promote an emailed-only version of decision document distribution going forward whenever possible.

A second memorable moment came as a financial services provider, faced with one of our largest compensation awards to-date, voluntarily paid a significant amount of CIFO-recommended compensation above and beyond CIFO's £150,000 statutory award limit. The FSP had concluded after considering our decision that it was the fair and reasonable thing to do for its customer in the circumstances. Cultural change can indeed occur one decision at a time.

For our third memorable moment, we recall our 2019 successful defence of our first judicial review of a CIFO decision challenged by an FSP. The Jersey Royal Court validated the objective reasonableness of our decision, the fairness of our process, and the merits of providing a significant degree of confidentiality protection to consumers who refer their complaints to our office for resolution. Such external validation of the effective establishment of this mandate in the Channel Islands was a noted milestone in the first five years of our operation. The court-granted confidentiality protection for an ombudsman scheme complainant was reportedly a first in the British Isles.

One could ask what difference this office has made in the five years since its creation at the end of 2015. The dual nature of the value proposition can be found in the 3,000 financial consumer complaints handled, but also in the feedback CIFO has provided to all stakeholders about the themes and issues arising from our complaint resolution work which informs public policy, regulation, consumer protection and financial literacy programs. From the perspective of both financial services providers and their customers, the resolution of disputes is the core purpose that brings them to our office. CIFO is not a consumer advocate, but we are a strong advocate for effective resolution of consumer complaints. The proportion of consumer complaints upheld in each year has varied somewhat over the five years but consistently over half of the in-mandate consumer complaints we review are upheld. Yet it is also worth noting that in many of those upheld complaints, the FSP had already offered compensation that CIFO, after an independent review, validated as having been fair and reasonable.

Outcome of Closed Cases (5 Year Retrospective)



Finally, the creation of this office was also about building a new capability in the Channel Islands. We apply the principles of alternative dispute resolution to deal with financial consumer disputes with their providers. This enhances the reputation of the islands and their financial services industries. Building a team of individuals with a bespoke mix of skills and experience in the mediation and investigation of consumer issues in a financial services context is a lasting legacy that will continue to serve the Channel Islands well.

CIFO's first five years of operation have been challenging, yet gratifying, especially given the impact our work can have on so many individuals and by shining a light on more broadly needed change, where appropriate. Our first five years have also provided a fascinating window on the evolving financial sector in the Channel Islands and the global markets for our products and services. We look forward in anticipation to the next five years and will continue to improve and adapt to meet the new challenges that will inevitably arise as we perform this important public interest mandate.

HEAT MAP
ORIGIN OF CIFO COMPLAINANTS BETWEEN 2015-2020

As the financial ombudsman for the international financial centres in Jersey and the Bailiwick of Guernsey, CIFO's mandate covers customers anywhere in the world whose non-exempt financial services are provided in or from the Channel Islands. The heat map and table below demonstrate the international nature of CIFO's work and the global reach of the Channel Islands' financial sectors over the first 5 years of CIFO's existence.

● (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	913
Jersey	665
Netherlands	652
Guernsey	301
South Africa	88
United States of America	86
Spain	52
United Arab Emirates	47
France	36
Thailand	31
Switzerland	27
Germany	26
Australia	23
China	20
Canada	19
Japan	17
Cyprus	15
Greece	15
Russia	13
Ireland	12
Italy	12
Malaysia	12
Singapore	11
Kenya	10
New Zealand	9
Gibraltar	8
Saudi Arabia	8
Israel	7
Qatar	7
India	6

Jurisdiction	#
Isle of Man	6
Philippines	6
Sri Lanka	6
Sweden	6
Cayman Islands	5
Malta	5
Portugal	5
Turkey	5
Zambia	5
Zimbabwe	5
Belgium	4
Egypt	4
Poland	4
Venezuela	4
Bahamas	3
Brazil	3
Czech Republic	3
Iraq	3
Mexico	3
Nigeria	3
Pakistan	3
Chile	2
Colombia	2
Ghana	2
Hungary	2
Kazakhstan	2
Kuwait	2
Lebanon	2
Norway	2
Slovenia	2
Tenerife	2
Trinidad and Tobago	2
Andorra	1

Jurisdiction	#
Antigua and Barbuda	1
Austria	1
Bermuda	1
Costa Rica	1
Croatia	1
Cuba	1
Denmark	1
Dominica	1
Estonia	1
Grenada	1
Guatemala	1
Jamaica	1
Jordan	1
Kyrgyzstan	1
Luxembourg	1
Malawi	1
Morocco	1
Namibia	1
Paraguay	1
Romania	1
Saint Helena, Ascension and Tristan da Cunha	1
Senegal	1
St Maarten	1
Sudan	1
Eswatini	1
Taiwan	1
Timor-Leste	1
Uganda	1
Ukraine	1
Uruguay	1
Virgin Islands (British)	1
Yemen	1

YEAR IN REVIEW **2020**

OPERATIONS

Consistent with most public-facing organisations in 2020, the operational story of the year was the impact of the government-imposed restrictions and resulting economic impact arising from the Covid-19 emergency. However, despite the challenges, 2020 was a successful year for CIFO in many respects.

While complaint files opened in the middle of the year were down significantly during the height of the pandemic restrictions, the volume of complaints referred to CIFO increased 5% over 2019, with complaint volumes concentrated in Q1 and Q4 of 2020 as shown in our quarterly complaint statistics regularly published on our website. In addition, CIFO experienced a significant year-over-year increase in the proportion of complaints that fell within CIFO's remit, from 38% in 2019 to 53% in 2020. The combination of these two factors meant the workload faced by CIFO staff from new in-mandate complaints increased significantly. Unfortunately, during this same period CIFO's team suffered the loss of an experienced case handler in Q3 who moved to a senior role with the Government of Jersey. Despite all of this added challenge, compounded by the transition to operation under work-from-home guidance, CIFO had a successful year closing 8% more case files than in the previous year.

At the point when the pandemic prompted the need for restrictions on travel and office-based work, CIFO had generated three consecutive quarters of success in reducing the number of in-mandate complaints awaiting review. This reversed in Q2 of 2020 as the office went through the process of converting to remote operation, but by Q3 was back on-track and the team closed more files than were opened. In Q4, however, a high volume of new in-mandate complaints surfaced as FSP complaint files that had been held up during the operational challenges in Q2 and Q3 started to flow across to CIFO. Q4 saw the highest quarterly volume of new in-mandate complaints since CIFO commenced operations in late 2015. Thankfully, the team also managed to close a large volume of complaints in Q4 which mitigated the impact somewhat and, by the end of Q1 2021, the volume of case files awaiting review had been further reduced by 12% from the 2020 year-end level. Part of this success in increasing case file closures, despite the challenging year, was the adoption of two new approaches to case handling that were started in late 2019 and maintained throughout 2020.

Following consultation with industry stakeholders in 2019, CIFO embarked on two pilot projects to tackle the accumulated volume of complaints awaiting review. One was to identify the less-complex complaints which could be tackled using a "fast-track" approach. This pilot was deemed successful in delivering more timely decisions for those complainants and was incorporated into our standard operating model going forward with one experienced case handler dedicated to this stream of complaint resolution activity. This enabled CIFO to close more complainants' case files earlier. It also relieved pressure on the other case handlers enabling them to engage in more complex and time-consuming complaints.

The second approach was to engage experienced individuals with financial ombudsman backgrounds in the United Kingdom to bring their years of experience to bear in resolving a number of case files that had been awaiting review by our office. The combination of these initiatives made a significant difference to mitigating the challenges of the past year and enabling the swift recovery since then. We intend to continue in 2021 to engage these experts to further drive down the inventory of in-mandate complaints awaiting review in order to free up our case handling staff capacity.

We also continue to add capacity by investing in the development of our existing team's skills and experience although in-person training gave way in 2020 to on-line offerings. While perhaps less attractive than in-person training options, the relative time and cost-efficiency, as well as the broader range of training options available on-line prompted the team to sample various new options for our individual and collective development relevant to our complex roles.

STAKEHOLDER OUTREACH

During 2020, CIFO engaged in its regular stakeholder consultation on the annual levy scheme but also on the introduction of published summary complaint statistics on an FSP-named basis. Following initial discussions with certain industry stakeholders, a pilot project was agreed with several banks to help identify the best means for FSPs to review and be satisfied with the accuracy of their own complaints data prior to CIFO publication. The lessons learned from the pilot were incorporated into the consultation paper issued by CIFO in December.

CIFO also held information sessions with industry stakeholders on topics including account closure, accommodation of customers during the Covid-19 emergency, and authorised push payment fraud. These sessions permit a frank exchange of views and enable CIFO to explain the bases for its views on specific types of complaints, but also enables industry stakeholders to raise issues and ask questions relating to specific circumstances that arise in particular complaints. In addition, a special session was scheduled to enable an experienced financial ombudsman from the UK to provide feedback to Channel Islands FSP staff on his observations regarding complaint handling and identifying opportunities to increase efficiency of the overall complaint handling process including those handled by FSPs at first instance and CIFO on appeal from the FSP. Similar sessions were held with the regulators in both islands.

With travel to Guernsey restricted, CIFO reached out directly to all of our Guernsey-based stakeholders with an invitation to a virtual meeting to touch base, enable CIFO to provide an update on our operation, seek stakeholder feedback and answer any questions. A number of videoconference sessions were arranged as a result while some stakeholders expressed a preference for face-to-face engagement once the easing of restrictions permitted.

The pandemic prevented CIFO from holding its usual public meetings in Jersey and Guernsey to discuss last year's annual report. The substitute online event held by videoconference included pre-recorded presentations from CIFO board and management and a live question & answer session. The event set a CIFO record for stakeholder attendance. Some organisations reported that the virtual format enabled more of their staff to participate than would previously have been possible for our in-person events. We will review the arrangements for discussion of this report in the light of developing circumstances and take into account the reported benefits of making the event accessible for remote attendees. When restrictions permit, we look forward to continuing in-person the constructive engagement that has developed with our stakeholders in both jurisdictions.

FUNDING

2020 was the first full year under the new funding scheme that arose out of an extensive four-stage consultation process with industry stakeholders. Annual levies for equivalent FSPs are now equalised between the two bailiwicks of Jersey and Guernsey. The total levy is divided among all the registered FSPs in both bailiwicks. The case fees payable for each complaint reviewed by CIFO are unchanged and will continue to provide a "user-pays" element to CIFO's funding structure with the per case fee amount kept under review by CIFO's board. Details of the new funding scheme can be seen here.

In addition, 2020 is the first year for which CIFO will provide its annual financial report on this pan-island operation to both governments on a consolidated basis. Given CIFO operates as a single office with a single board of directors, this consolidation makes practical sense, lowers both cost and complexity, and provides greater transparency of CIFO's financial information going forward.

On a more granular level, 2020 was the first year that CIFO had to resort to legal proceedings to collect an annual levy from a financial services provider. Out of fairness to all industry stakeholders that fund CIFO through annual levies and case fees, CIFO will take action to ensure that each FSP pays its fair share as set out in the approved levy and case fee schemes. In this case, after a legal claim was entered into the Jersey Petty Debts Court in early 2021, the FSP settled the outstanding amount in full and covered CIFO's costs for the action.

On the expense management side, two areas of cost that are proving a challenge to contain are staff health care insurance and director and officer liability insurance. Conversations with insurance brokers have highlighted the ongoing problem of large and repeating year-on-year premium increases, the narrowing of provider options available in the Channel Islands market, and the limited flexibility to tailor available coverage to lower costs yet meet the key needs of the organisation. These cost issues were also highlighted by our colleagues from regulators and local arm's length bodies in recent meetings. These are two expense areas for which CIFO management will prioritise the development of cost mitigation options for board consideration in 2021.

CIFO pays constant attention to expense management. With most of the cost of CIFO's operation tied to staff-related expenses, the impact of annual inflation on such expenses, and some others, compound annually. We are pleased to note that during our first five years of operation, our levy cost per case file closed decreased in real terms, growing 8.6% over the last five years trailing inflation growth of 13.4% over the same period.

OFFICE INFRASTRUCTURE DEVELOPMENT

The major focus in 2020 was the one not anticipated at the beginning of the year. As a small office with our working data cloud-based and remote accessible, CIFO saw itself as nimble and able to handle temporary operating disruptions. As the emerging public health crisis prompted governments to issue restrictions, including work-from-home guidance, CIFO found itself forced into a long-term remote operation model which required additional investment in telephony, information technology hardware and software, and additional security to enable our team to work efficiently and securely from home. After an initial adjustment period, the team embraced the new reality of Zoom and Teams video calls and on-line work collaboration software all from their new laptops at home. Having gone through this transition, we are now well-prepared for future disruptions that may, yet again, compel our team to work remotely.

Other operational initiatives in 2020 focused on how to reduce the number of costly manual administrative tasks performed by our small team and enable the office to handle more complaints without an equivalent increase in administrative costs. CIFO explored options with a supplier and has increased automation to tackle aspects of the complaint intake process, free up our limited administrative capacity, and reduce or eliminate manual processing errors where it is practical and economic to do so.

We also continued to work with our core IT supplier to further refine our complaint management system as we continue to maintain and enhance its alignment to our evolving workflow and provide timely reporting, again to further reduce costly manual activities.

Given the sensitive nature of complainants' personal and private information provided to and held by CIFO, information security remains critical to prevent unauthorised access to information and to maintain the reputation of the office to perform its important public interest mandate. Having achieved the Cyber Essentials cybersecurity certification in 2018, and the more advanced Cyber Essentials Plus certification in 2019, CIFO renewed its advanced cybersecurity certification in 2020 following an independent audit of our systems and policies and penetration testing of our IT infrastructure.

BUSINESS RISKS

At every board of directors meeting, CIFO's board reviews the status of the organisation from the perspective of financial risk (sufficiency of resources), operational risk (current and anticipated complaint volumes), and stakeholder relations risk. Following an initial detailed review in 2016 of the various types of risk CIFO was subject to, the board of directors has periodically reviewed various risk issues identified by management and has also engaged in rotating quarterly reviews of different aspects of CIFO's operation against international best practice for financial ombudsman schemes. The risk-related areas of CIFO's operation that were reviewed during a quarterly board of directors meeting in 2020 included:

- Records management
- Asset management and protection
- Covid-19 contingency planning and work-from-home guidance
- Return-to-work planning under Covid-related guidance
- Remote operating model risk assessment
- Staff well-being and risk assessment
- Information and data production quality control
- Director and officer liability risk coverage
- Core systems status – complaint management system (CMS)
- Independent security audit - renewal of CIFO's Cyber Essentials Plus advanced cybersecurity certification

As at the close of 2020, the five greatest risks facing CIFO as identified by management, and the mitigation in place to address each of them include:

1. Insufficient case handling resources because of an unexpected surge of complaints

a. Mitigation: Availability of experienced financial ombudsman resources on contract as required.
b. Mitigation: Regular contact with key industry stakeholders regarding their internal complaints experience (early warning system).
c. Mitigation: Additional investment in clearing the accumulated volume of in-mandate complaints to free up case handling capacity.

2. Insufficient financial resources because of an unexpected surge of complaints

a. Mitigation: 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.
b. Mitigation: £250,000 operating line of credit with CIFO's bank for use only with prior board of directors' approval.

3. Judicial review of CIFO decision on an error of fact, law or procedural fairness resulting in unplanned legal expenses and/or a court judgement against CIFO

a. Mitigation: Quality control measures in place regarding preparation of CIFO ombudsman determinations.
b. Mitigation: Directors & officers liability policy that includes coverage for legal costs arising from a judicial review.
c. Mitigation: 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.

d. Mitigation: £250,000 operating line of credit with CIFO's bank for use only with board of director's prior approval.

4. Data breach

a. Mitigation: IT infrastructure and policies developed with outside expert input.
b. Mitigation: Cloud-based file storage accessed via 2-factor authentication.
c. Mitigation: Cyber Essentials Plus advanced cybersecurity certification in 2019.
d. Mitigation: Regular independent audits to reconfirm advanced cybersecurity certification (last conducted in 2020).
e. Mitigation: Insurance coverage in place for liability and remediation costs associated with a possible data breach.

5. Financial malfeasance (internal) or external fraud

a. Mitigation: Tight financial controls pursuant to board-approved policy.
b. Mitigation: Low limits for staff-only expenditures and payment approvals.
c. Mitigation: Dual authorisation required for all payments.
d. Mitigation: Minimum one board member to approve all material payments.
e. Mitigation: Payments made via secure online banking platform (no cheques).
f. Mitigation: Monthly account reconciliation (two senior management).
g. Mitigation: Annual independent audit of accounts.

EMERGING ISSUES

We are continually assessing the complaints referred to CIFO to identify policy issues arising that would be of interest to regulators and other agencies, or that could enhance the effectiveness of CIFO's mandate. Issues are escalated on a regular basis to CIFO's board of directors and, where appropriate, to the regulators and governments in Jersey and Guernsey.

Issues regarding CIFO's remit

In addition to those areas of financial services business excluded from CIFO's remit, there are other issues regarding CIFO's mandate that arose in 2020. One is the definition of who is an eligible complainant under our law able to bring a complaint to CIFO for review.

The law gives the ombudsman discretion to treat a complainant as eligible if they have a sufficiently close relationship with the FSP. In the circumstances of a particular group of cases, the ombudsman decided that individuals who were identifiable beneficiaries of a trust had a sufficiently close relationship with an FSP that provided investment services to the trust. The decision has been posted to CIFO's website and can be seen here.

But that was not the case where the services were provided not to a trust but to a holding company in which beneficiaries (or a trust) held shares – so the underlying individual investors were not covered by CIFO's remit.

The promotion of holding company use by retail investors warrants scrutiny as, in numerous cases reviewed by CIFO, there was no apparent benefit to the investor from the recommended use of the holding company structure. Given the holding company had both a cost to the investor and implications for investor protection, the suitability of the initial financial advice and recommendation to establish the holding company in the first place might be an issue.

Business interruption insurance

CIFO has recently been considering complaints against Channel Islands insurance companies about business interruption insurance (also known as business income insurance) arising from losses caused by government-imposed restrictions in response to the Covid-19 emergency. The complaints CIFO reviews are usually due to the rejection of insurance claims by the insurer. Definitions within some policies can be difficult to interpret. The exclusion clauses are sometimes worded in such a way that can create frustration, mistrust, and ultimately lead to unsettled claims. These cases can become even more complex when the business interruption policy of the complainant relies on clauses within the landlord's policy for the property where the business is located, especially if in rented premises.

During the Covid-19 emergency this type of insurance has come under further scrutiny. Some insurers have declined business interruption insurance claims saying that Covid-19-reated losses are not covered by their insurance policies. In a recent test case brought to court in the UK by the UK Financial Conduct Authority, the Supreme Court disagreed with the insurance companies and a judgment was issued. This new development will be of significant interest to business interruption insurance policyholders and will help inform CIFO's review of such cases.

CIFO issued a newsletter on this topic in 2020 and published a case study which can be seen here. In addition, CIFO issued guidance for business interruption insurance policyholders with an invitation to business and community groups across the Channel Islands to share the information with their small business constituents. This guidance suggests how small businesses should make a claim to their insurance company and what to do if their insurance company is not responding to their satisfaction. Claims rejected by Channel Islands insurers may be referred by small business policyholders to CIFO for review.

Unregulated credit providers

We note the recent progress on the long-standing plans of governments and regulators in both Guernsey and Jersey to regulate non-bank lending and credit and related services such as loan brokerage and debt collection. As we reported in each of the last three years, CIFO's observations drawn from complaints in this currently unregulated area of financial services suggest that the introduction of regulation will be a welcome addition to guide market conduct in this area of financial services. Regulation would establish clear market conduct expectations for all types of market participants and improve financial consumer protection overall. It will also provide a useful benchmark that CIFO can consider in determining fair and reasonable outcomes for complaints arising from mortgage and consumer lending, loan brokerage, debt counselling, collections, and credit information reporting activities.

APP fraud and other types

In 2020 CIFO issued decisions in several payment fraud-related complaints, specifically those involving authorised push payment fraud (APP fraud). APP fraud occurs when the criminal manipulates consumers to authorise payments from their accounts to fraudsters who typically use social engineering (the act of deceitfully obtaining personal information through technology) to trick them out of their money. Fraudsters are becoming extremely adept at this type of fraud and use many tactics such as hacking the consumer's email account or hacking business email accounts that are in touch with consumers about legitimate transactions. They then substitute fraudulent payment instructions for the legitimate ones. Some fraudsters impersonate a financial service provider or public authority to convince the consumer to make the payment from their bank account to send the funds to the fraudsters. These funds are usually sent to an account at another bank opened by the fraudsters who then remove the transferred funds and close the account making recovery impossible.

Unlike some other types of frauds, in APP cases the customer has authorised the payment on the bank's system or directly to the bank's in-branch or call centre staff. The question CIFO must resolve in each case is what the bank could reasonably be expected to have done to prevent the loss, and whether the customer's conduct was objectively reasonable in the circumstances. These are challenging cases where both the consumer and the bank are victims of highly sophisticated criminal activity. While there is an applicable model code in the UK that applies to APP fraud-related complaints, The Contingent Reimbursement Model Code for Authorised Push Payments scams (the CRM Code) – LSB, there is no such code in the Channel Islands. CIFO decisions are based on interpretations of the local regulators' expectations and general principles of fairness and reasonability in the circumstances of each complaint. The result is CIFO decisions that reflect regulatory expectations in the Channel Islands that support a generally comparable degree of consumer protection to that in the UK.

Meanwhile, during the current public health crisis, other types of fraud continue with fraudsters stepping up their efforts to steal consumers' identities and account login information and passwords as we all increase our interactions with the outside world from our homes and phones via the Internet. Using this stolen information, fraudsters will try to open bank accounts in the consumer's name or steal funds from existing accounts. These sophisticated deceptions are not only extremely effective against consumers but can also affect businesses.

Fraud is gaining momentum due to the current climate, as more and more people are working from and managing their financial affairs at home, becoming increasingly reliant on online payment facilities, often neglecting important security measures. This also leaves people who are less comfortable with online transactions and less aware of the associated risks particularly vulnerable to fraud.

To help educate and warn consumers, many FSPs have provided guidance on their websites and already have warnings appear when consumers attempt certain transactions to prompt them to verify the transaction information being entered. Consumers would be well-advised to take note of these warnings, especially when in the process if making online payments.

The main issues referred to CIFO in complaints of this nature are the inadequacy of security processes and procedures of the financial services provider, which are alleged to have contributed to the fraud. CIFO has published some case studies in this annual report and on our website that illustrate APP fraud and other types of payment fraud in general. These can be found on our case studies website page:

- Failure to identify a fraud involving an authorised push payment (APP) instruction
- Unauthorised payment transfer to fraudsters
- Refusal to refund loss due to fraud on a bank account
- Unauthorised pension payment to fraudsters
- Fraudulent activity went unchecked leading to reimbursement

Gambling-related complaints

Whether one views gambling as a form of legal entertainment or an addiction affecting victims in need of care and protection, those who experience problems with their gambling activities will sometimes turn to their financial service provider. Some seek assistance in limiting or restricting their gambling activity which relies upon immediate access to cash from account balances or credit. Some customers seek to blame their bank for failing to identify their gambling problem and for failing to use their technological capability to take positive steps to protect them from their own actions. In several respects this issue resembles the fraud discussions where, although the bank is not directly involved in the activity giving rise to the loss, customers are seeking to assert that the bank has an obligation to protect them. In certain circumstances this may well turn out to be fair and reasonable. If the bank is seen to have agreed to take some action for the benefit of the customer, and failed to do so, or if the bank was aware of the gambling problem and failed to take some positive steps to protect the customer when it had the ability to do so, a complaint would raise significant issues for CIFO consideration. As in many areas of human endeavour, it would be preferable to identify the risk and prevent the situation rather than await the unfortunate incident and then seek to ascribe blame. A broader conversation amongst stakeholders on this issue would be well-advised. Judging from the statements of gambling support agencies, media coverage and some banks' own websites, the conversation in the UK is already well-advanced and offers a substantial basis to inform a discussion of local stakeholders.

Channel Islands charities

One remarkable aspect of the Channel Islands is its thriving charitable sector that channels the volunteer effort, donations, and goodwill of local islanders to many good works, international assistance and community services. In some cases, charities provide social services that are vital to the local community. Charities, by their very nature can be complex financial services customers. Frequent changes in volunteer leadership roles and signing authorities for banking matters can require extra effort and create added risk for financial services providers. Despite the large number of charities in our communities, the number of complaints from charities that CIFO has reviewed is very small. However, more recently there have been concerns expressed about changes to the pricing of financial services for charities and the challenges faced by some charities to establish banking relationships or to move their banking relationship to a new provider. Normally CIFO does not engage in matters of product pricing, nor in a bank's commercial decision about whether to provide services or continue to provide services to a particular customer. Yet such a narrow view of such complaints can mask an underlying issue if charities find themselves unable to obtain the banking services they require to operate. From CIFO's perspective, all customers, including charities, are entitled to fair and reasonable consideration when seeking to establish or maintain banking services. While CIFO has no direct complaint experience to point to that validates this anecdotal issue, a number of conversations with individual charities and leaders in the charity sector suggest this is an area that warrants broader stakeholder consideration.

Compensation awards

The complexity of complaints CIFO reviews can also be reflected in the basis of determination for compensation to be paid when a complaint is found to have merit and there is compensable loss suffered by the complainant. In the interest of transparency, CIFO had previously published its approach to compensation in investment suitability complaints and for distress and inconvenience. In 2020, in response to stakeholder queries, CIFO developed a broader consolidated guide to our general approach to compensation in order to better inform all stakeholders and to help guide settlement discussions between complainants and the financial services providers that may take place without CIFO's involvement. A more recent addition to the guidance dealt with other circumstances, for example where there is a trust in place holding investment or pension assets, CIFO may direct that payment be made directly to the trust to restore the trust assets that may have been affected by the FSP's error or omission. In this way CIFO avoids or minimises any undue impact on the trust itself and any potential legal, confidentiality or taxation implications which could arise.

LOOKING AHEAD TO 2021

Environmental impact

On a hopeful note, we have witnessed the beneficial impact on the physical environment from the change in human behaviour forced upon us during the pandemic. We also note our relatively easy adoption of alternative means of working using technology. It is therefore appropriate that CIFO, given the international nature of its work, explores how we can minimise our operation's negative impact on the environment without undermining the effectiveness of our performance. The board and management will embrace this opportunity in 2021 to reimagine CIFO's performance of its public interest mandate in a broader public interest context.

Legislative review

With Brexit now behind us and Covid-related legislative activity hopefully winding down, it is hoped that government attention to the extensive list of legislative opportunities to enhance CIFO's effectiveness can be prioritised for assessment and implementation. This will involve larger areas of public policy such as the areas of financial services business subject to CIFO's remit as new regulation is put into place.

For example, government plans in Jersey and Guernsey to introduce regulation in the credit and pension areas and the planned development of secondary pension schemes for local residents will involve questions regarding CIFO's future remit in these areas. CIFO will work with both governments to ensure that legislative provisions are made to provide CIFO with a clear mandate to review complaints arising in these areas guided by clear market conduct expectations for providers.

The review of legislative options will also involve some more inward-looking operational-type opportunities for CIFO. We look forward to working with policy and legal advisors in the Jersey and Guernsey governments to continue to implement other legislative changes to help improve CIFO's ability to effectively and efficiently perform its role. After five full years of operation, CIFO has learned where opportunities lie to enhance our effectiveness through such areas as, for example, inter-agency information sharing. While CIFO operates independently, there are many opportunities for cooperation where bodies can more effectively support each other. The effective handling of complaints involving suspicious activity reports is one such area where enabling the appropriate exchange of sensitive information between CIFO, FSPs and law enforcement would enhance the current process and avoid undue confusion and delays.

Some final examples would be enhancements to the definition of eligible complainants in CIFO's law to provide greater clarity and avoid unintended consequences in situations such as complaints involving investment holding companies, trust beneficiaries and beneficiaries of investment assets held in discretionary trusts.

Anticipating surges in complaint volumes

CIFO's board and management are mindful that the volume of financial consumer complaints could increase significantly in the second half of 2021 as societies gradually emerge from the recent crisis. CIFO has been using additional resources to reduce the inventory of complaints on-hand to create more capacity to handle the anticipated surge in complaints arising from the impact of the pandemic and resulting economic conditions. Complaints are expected to increase in the areas of debt repayment and collections, insurance claims including business interruption insurance, investment and pension portfolios, and a single-issue complaint already anticipated in Q2 or Q3 of 2021 affecting several hundred individual customers. In this period of great uncertainty, investing in creating additional capacity and resiliency is seen by CIFO's board and management as a prudent strategy.

HEAT MAP

ORIGIN OF CIFO COMPLAINANTS IN 2020

As the financial ombudsman for the international financial centres in Jersey and the Bailiwick of Guernsey, CIFO's mandate covers customers anywhere in the world whose non-exempt financial services are provided in or from the Channel Islands. The heat map and table below demonstrate the international nature of CIFO's work and the global reach of the Channel Islands' financial sectors.

(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	129
Jersey	60
Guernsey	41
United States of America	41
South Africa	26
France	13
United Arab Emirates	13
Ireland	6
Spain	6
Thailand	5
Australia	4
Germany	4
Gibraltar	4
Portugal	4
Canada	3
China	3

Jurisdiction	#
Qatar	3
Singapore	3
Cyprus	2
Isle of Man	2
Israel	2
Japan	2
Sweden	2
Trinidad and Tobago	2
Zambia	2
Antigua and Barbuda	1
Austria	1
Colombia	1
Costa Rica	1
Denmark	1
Ghana	1
Greece	1
India	1
Italy	1

Jurisdiction	#
Jordan	1
Lebanon	1
Malta	1
Mexico	1
Netherlands	1
New Zealand	1
Nigeria	1
Pakistan	1
Philippines	1
Saudi Arabia	1
Sri Lanka	1
Sudan	1
Switzerland	1
Tenerife	1
Timor-Leste	1
Turkey	1
Virgin Islands (British)	1
Zimbabwe	1

COMPLAINTS STATISTICS **2020**

This presentation of CIFO's complaint statistics represents the fifth full calendar year of operation for CIFO and supplements the quarterly complaint statistics regularly published by CIFO on our website.

The volume of complaints received by CIFO in 2020 was 5% higher than in 2019 and the proportion of complaints which fell within CIFO's remit rose, up to 52% from 38% in 2019. This meant the workload faced by CIFO staff created by new in-mandate complaints increased significantly compared to the previous year.

Complaints determined to be in-mandate for CIFO to review are referred to as case files. The number of case files successfully closed by either mediation or ombudsman determination increased by 8%, up to 168 from 155 in 2019. CIFO continues to resolve the majority of complaints through informal mediation, with almost three-quarters (74%) of complaints now being resolved without the need for a formal ombudsman determination, up from 72% in 2019.

In 2020, the proportion of complaints resolved in favour of complainants increased and upheld complaints now represent the majority (57%) with the proportion of complaints upheld in favour of the financial services provider falling from 52% in 2019 to 43% in 2020.

Also of note was the significant increase in the average and median amounts of compensation awarded. As in previous years, CIFO also awarded the maximum amount permitted by our law of £150,000 on at least one occasion.

The thematic nature of complaints in 2020 was similar to what CIFO experienced in 2019 looking at the products and issues complained of. Administrative and service errors, account remediation by firms seeking to meet their regulatory "know your client" requirements, and disputes over fees charged for various products and services continue to be the predominant issues giving rise to complaints. Geographically, CIFO continues to receive complaints from all over the world and received proportionally fewer complaints from Channel Islands residents in 2020, down to 25% of total complaint volumes from 36% in 2019.

Please note that percentages may not add up to 100% due to rounding.

2020 COMPLAINTS STATISTICS SUMMARY

Stage 1

275 *Opening Complaints on Hand*

409 *Stage 1 Complaints Received*

Stage 2

Stage 2 Initial Review as at 31 December 2019

0 Awaiting customer documents/ consent

14 Complaints under initial review

Rejected as out of mandate

Appears within mandate

Stage 3

FSP Document Requests as at 31 December 2020

70 Waiting for documents from FSP

0 Pending further review against mandate

Rejected as out of mandate

Total Rejections as out of mandate

157

Withdrawn by complainant

25

Within mandate

Case Fee Payable

Stage 4 ***Open Case Files as at 31 December 2020***

58	**24**	**21**	**136**
Under 30 days	30-60 days	61-90 days	Over 90 days

Closed Case Files

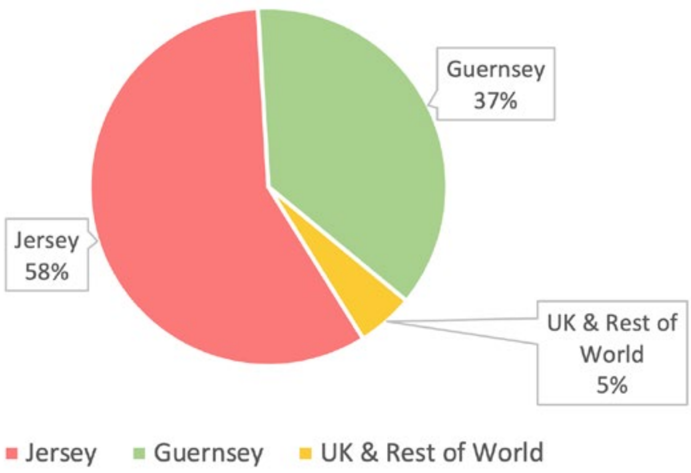
124	**44**	**12**
Mediated	Decided	Withdrawn by complaint

323 *Closing Complaints on Hand*

2020 COMPLAINTS STATISTICS ANALYSIS

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

Jersey	237	58%
Guernsey	151	37%
UK & Rest of World	21	5%
Grand Total	**409**	**100%**

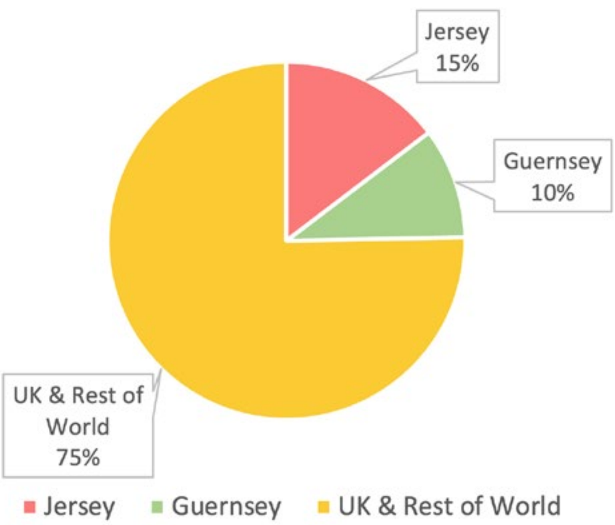


This section of the 2020 statistics analysis provides detailed information concerning all complaints about a financial services provider that have been received by CIFO whether or not they are ultimately deemed to fall within CIFO's statutory mandate.

Of the 409 complaints received by CIFO in 2020, 388 (95%) were against financial services providers operating in or from within the Channel Islands, 58% in Jersey and 37% in Guernsey. 21 (5%) operated in or from the UK or the rest of the world. When CIFO receives a complaint against a financial services provider 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	60	15%
Guernsey	41	10%
UK & Rest of World	308	75%
Grand Total	**409**	**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 409 complaints received by CIFO in 2020, 101 (25%) were from complainants residing in the Channel Islands, 15% in Jersey and 10% in Guernsey. 308 (75%) were from complainants residing outside the Channel Islands in the UK or the rest of the world.

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

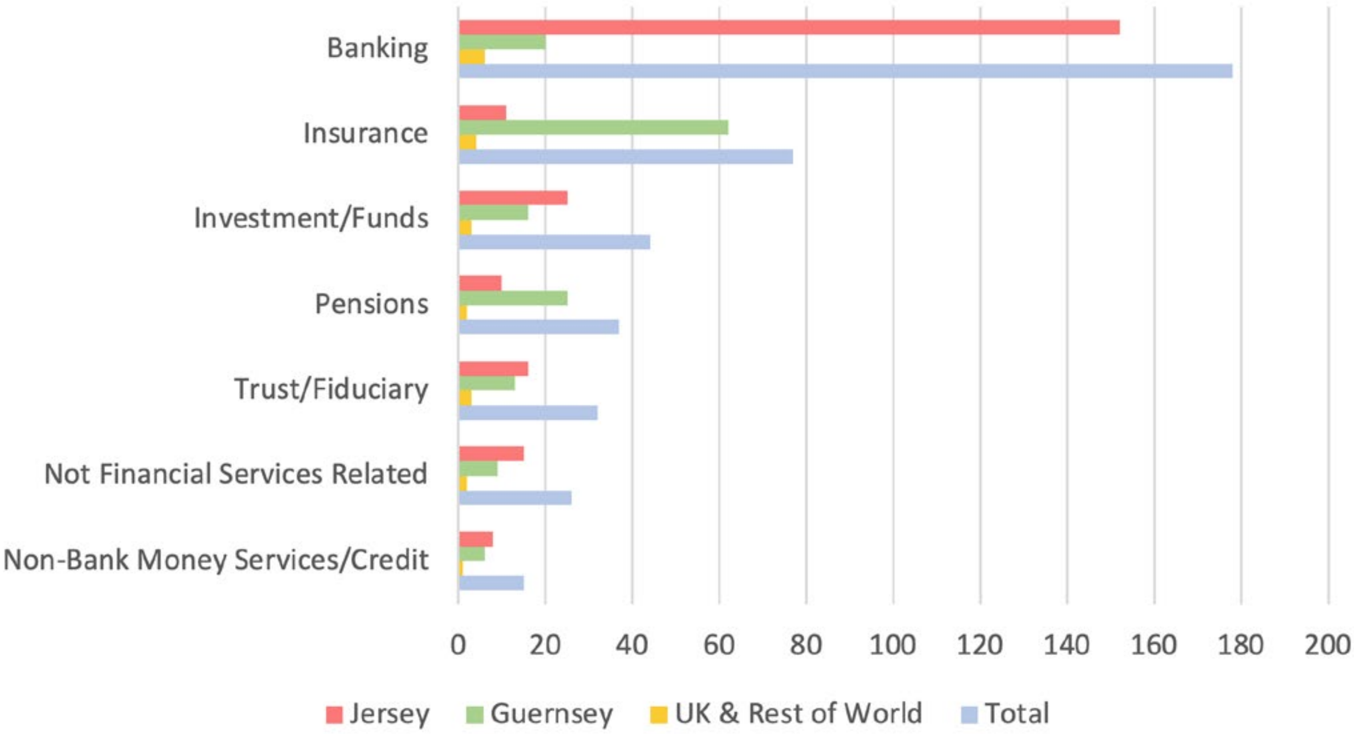
	Jersey		Guernsey		UK & Rest of World		Total	
Consumer	48	80%	36	88%	298	97%	382	93%
Microenterprise	10	17%	5	12%	4	1%	19	5%
Trustee	2	3%	0	0%	6	2%	8	2%
Charity	0	0%	0	0%	0	0%	0	0%
Other	0	0%	0	0%	0	0%	0	0%
Grand Total	**60**	**100%**	**41**	**100%**	**308**	**100%**	**409**	**100%**

Of the 409 complaints received by CIFO in 2020, 382 (93%) were from consumers. 19 (5%) were from microenterprises, with 8 (2%) from trustees and none from charities. Jersey had the majority of the complaints from microenterprises (66%) and both trustee complaints, with no complaints brought to CIFO by Guernsey-based trustees.

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

	Jersey		Guernsey		UK & Rest of World		Total	
Banking	152	64%	20	13%	6	29%	178	44%
Insurance	11	5%	62	41%	4	19%	77	19%
Investment/Funds	25	11%	16	11%	3	14%	44	11%
Pensions	10	4%	25	17%	2	10%	37	9%
Trust/Fiduciary	16	7%	13	9%	3	14%	32	8%
Not Financial Services Related	15	6%	9	6%	2	10%	26	6%
Non-Bank Money Services/Credit	8	3%	6	4%	1	5%	15	4%
Grand Total	**237**	**100%**	**151**	**100%**	**21**	**100%**	**409**	**100%**

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



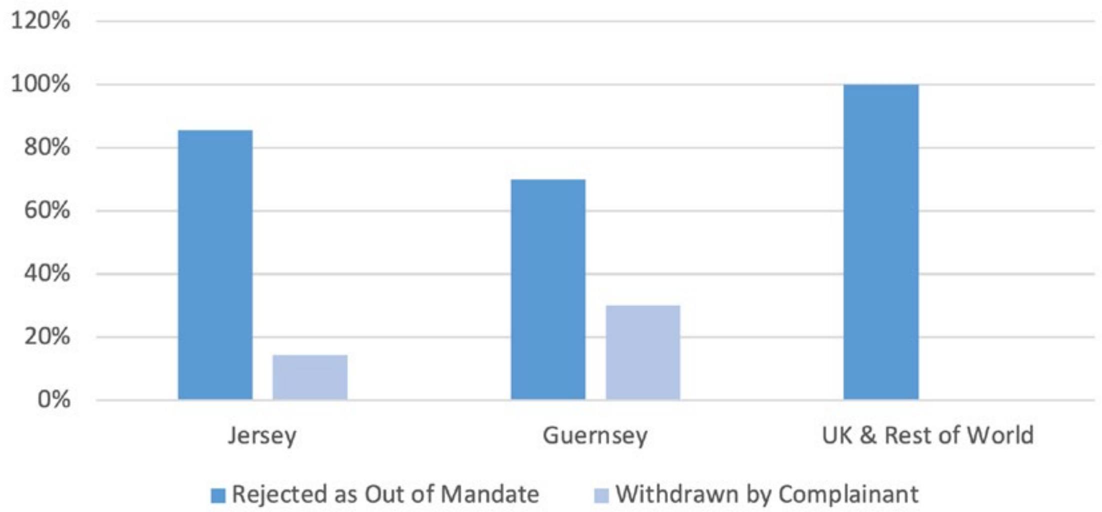
Of the 409 complaints received by CIFO in 2020, 44% related to the banking sector. The proportions by location varied widely with Jersey having 64% of the complaints about the banking sector while Guernsey had only 13%. This contrasts significantly with the second most prevalent sector, insurance, which accounted for only 19% of the overall total - but counted for 41% of the complaints in Guernsey and only 5% in Jersey.

Of the other complaints, 11% related to the investment/funds sector, 9% to the pensions sector, 8% to the trust/fiduciary sector, and 4% to the non-bank money services/credit sector. The remaining 6% of complaints received by CIFO related to business that was not related to financial services.

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

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

	Jersey		Guernsey		UK & Rest of World		Total	
Rejected as Out of Mandate	89	86%	51	70%	17	100%	157	81%
Withdrawn by Complainant	15	14%	22	30%	0	0%	37	19%
Grand Total	**104**	**100%**	**73**	**100%**	**17**	**100%**	**194**	**100%**

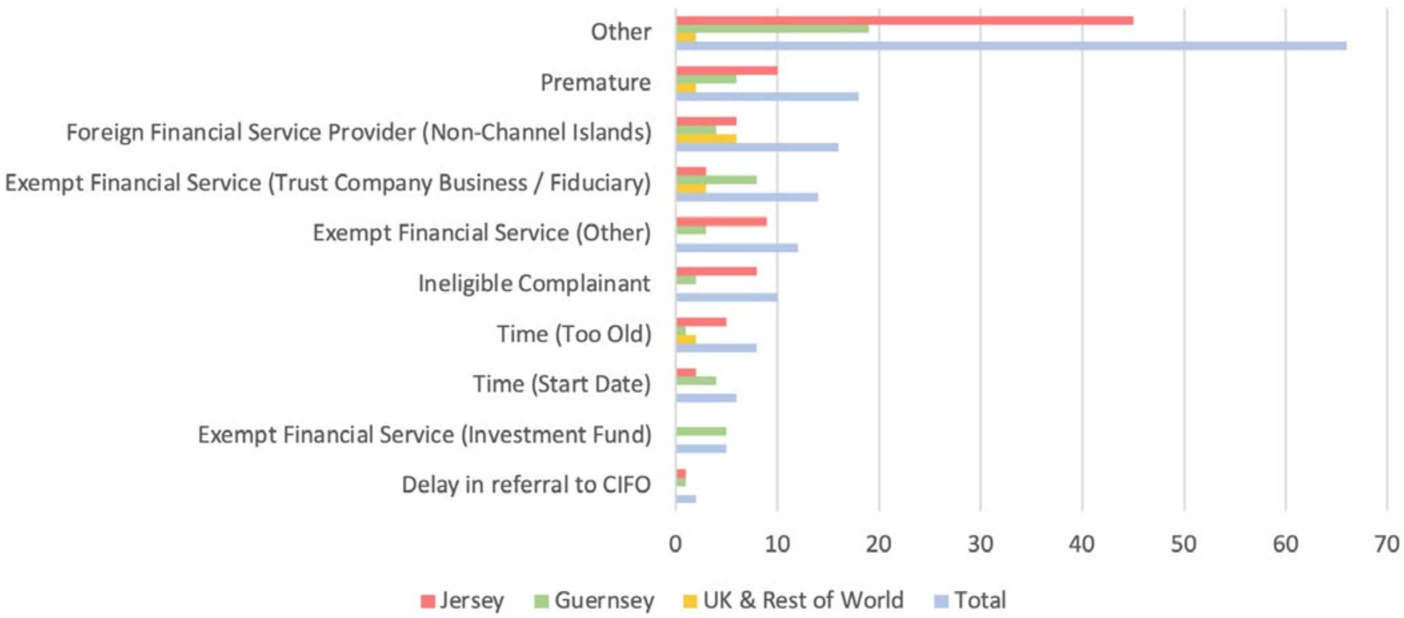


Of the 409 complaints received by CIFO in 2020, 194 complaints (38%) did not become case files. Of those 194 complaints, 157 were rejected as falling outside of CIFO's statutory mandate. 37 were withdrawn by the complainant.

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

	Jersey		Guernsey		UK & Rest of World		Total	
Other	45	51%	19	36%	2	13%	66	42%
Premature	10	11%	6	11%	2	13%	18	11%
Foreign Financial Service Provider (Non-Channel Islands)	6	7%	4	8%	6	40%	16	10%
Exempt Financial Service (Trust Company Business / Fiduciary)	3	3%	8	15%	3	20%	14	9%
Exempt Financial Service (Other)	9	10%	3	6%	0	0%	12	8%
Ineligible Complainant	8	9%	2	4%	0	0%	10	6%
Time (Too Old)	5	6%	1	2%	2	13%	8	5%
Time (Start Date)	2	2%	4	8%	0	0%	6	4%
Exempt Financial Service (Investment Fund)	0	0%	5	9%	0	0%	5	3%
Delay in Referral to CIFO	1	1%	1	2%	0	0%	2	1%
Grand Total	**89**	**100%**	**53**	**100%**	**15**	**100%**	**157**	**100%**

*Please note some complaints may have been out of mandate for more than one reason



Of the 157 complaints that were rejected as falling outside CIFO's statutory mandate, 42% were rejected for a reason other than the primary statutory reasons for rejection. This was predominantly due to one mass complaint from a single individual against a large number of firms, all of which were rejected as having no realistic prospect of success based on the facts. Of the rest, 11% 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. Timing of the complaint, whether the complaint being too old or arising from before the statutory mandate effective dates set for CIFO in each island, was the reason for rejection in 14% of complaints.

Table 7: **Case Files Opened - Location of Financial Services Provider**

Jersey	152	68%
Guernsey	73	32%
Total	**225**	**100%**

Of the 225 case files (complaints determined to be in-mandate) opened in 2020, 152 (68%) were about FSPs based in Jersey and 73 (32%) were about FSPs based in Guernsey.

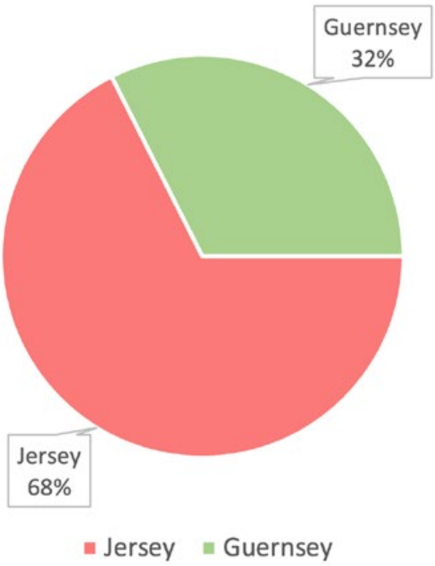


Table 8: **Case Files Opened - Location of Complainants**

Jersey	37	16%
Guernsey	31	14%
UK & Rest of World	157	70%
Total	**225**	**100%**

Of the 225 case files opened in 2020, 37 (16%) were from residents of Jersey, 31 (14%) were from residents of Guernsey, and 157 (70%) were from residents of the UK or the rest of the world.

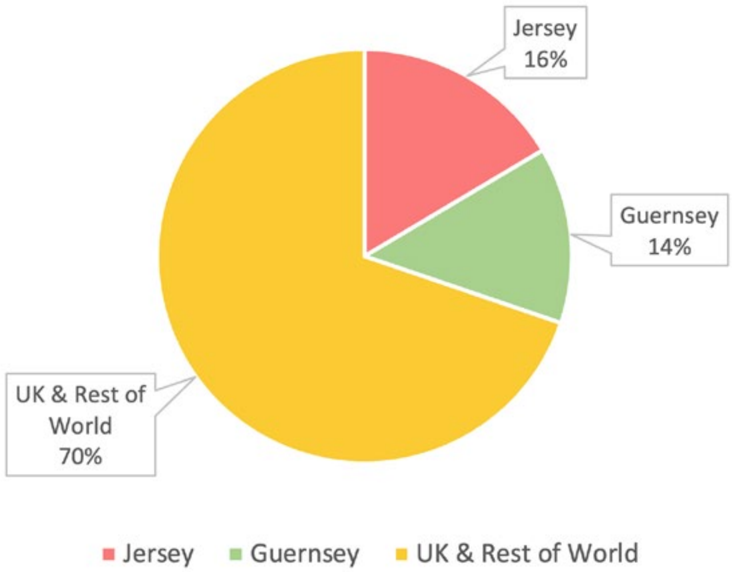
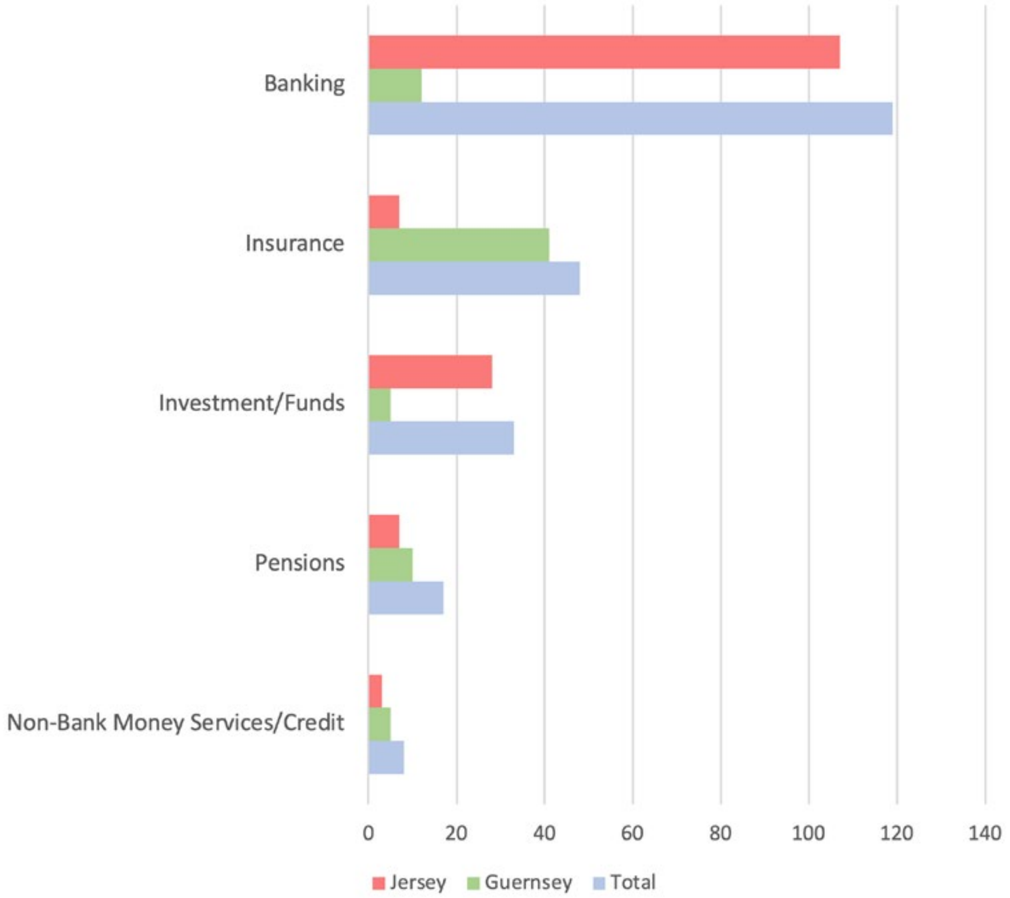


Table 9: **Case Files Opened - Sector of Business Activity**

	Jersey		Guernsey		Total	
Banking	107	70%	12	16%	119	53%
Insurance	7	5%	41	56%	48	21%
Investment/Funds	28	18%	5	7%	33	15%
Pensions	7	5%	10	14%	17	8%
Non-Bank Money Services/Credit	3	2%	5	7%	8	4%
Grand Total	**152**	**100%**	**73**	**100%**	**225**	**100%**

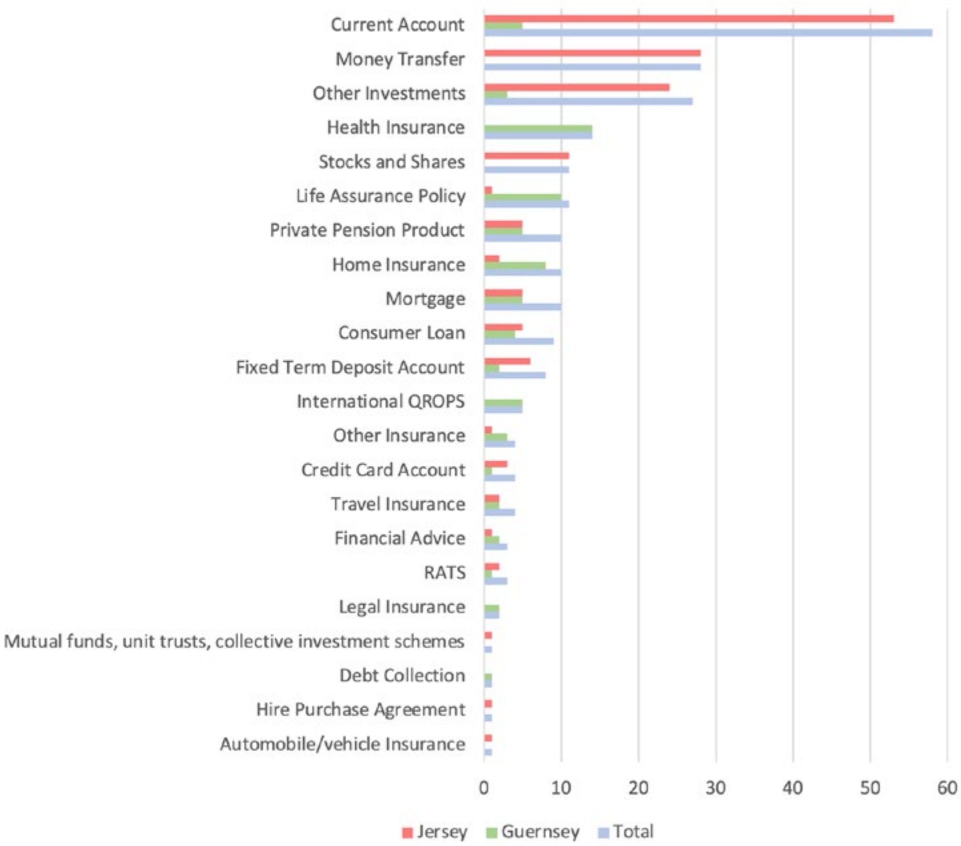


Over half of the 225 case files opened in 2020 related to the banking sector (53%). This proportion varied significantly between Jersey and Guernsey with banking comprising 70% of opened case files in Jersey but only 16% of opened case files in Guernsey. In contrast, the insurance sector accounted for 21% of all opened case files but represented over half (56%) of all opened case files in Guernsey and only 5% in Jersey. The investment/funds sector was 15% of all opened case files with a larger proportion (28) opened in Jersey and only 5 opened in Guernsey.

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

Table 10: **Case Files Opened - Product Areas**

	Jersey		Guernsey		Total	
Current Account	53	35%	5	7%	58	26%
Money Transfer	28	18%	0	0%	28	12%
Other Investments	24	16%	3	4%	27	12%
Health Insurance	0	0%	14	19%	14	6%
Stocks and Shares	11	7%	0	0%	11	5%
Life Assurance Policy	1	1%	10	14%	11	5%
Private Pension Product	5	3%	5	7%	10	4%
Home Insurance	2	1%	8	11%	10	4%
Mortgage	5	3%	5	7%	10	4%
Consumer Loan	5	3%	4	5%	9	4%
Fixed Term Deposit Account	6	4%	2	3%	8	4%
International QROPS*	0	0%	5	7%	5	2%
Other Insurance	1	1%	3	4%	4	2%
Credit Card Account	3	2%	1	1%	4	2%
Travel Insurance	2	1%	2	3%	4	2%
Financial Advice	1	1%	2	3%	3	1%
RATS	2	1%	1	1%	3	1%
Legal Insurance	0	0%	2	3%	2	1%
Mutual funds, unit trusts, collective investment schemes	1	1%	0	0%	1	0%
Debt Collection	0	0%	1	1%	1	0%
Hire Purchase Agreement	1	1%	0	0%	1	0%
Automobile/vehicle Insurance	1	1%	0	0%	1	0%
Grand Total	**152**	**100%**	**73**	**100%**	**225**	**100%**

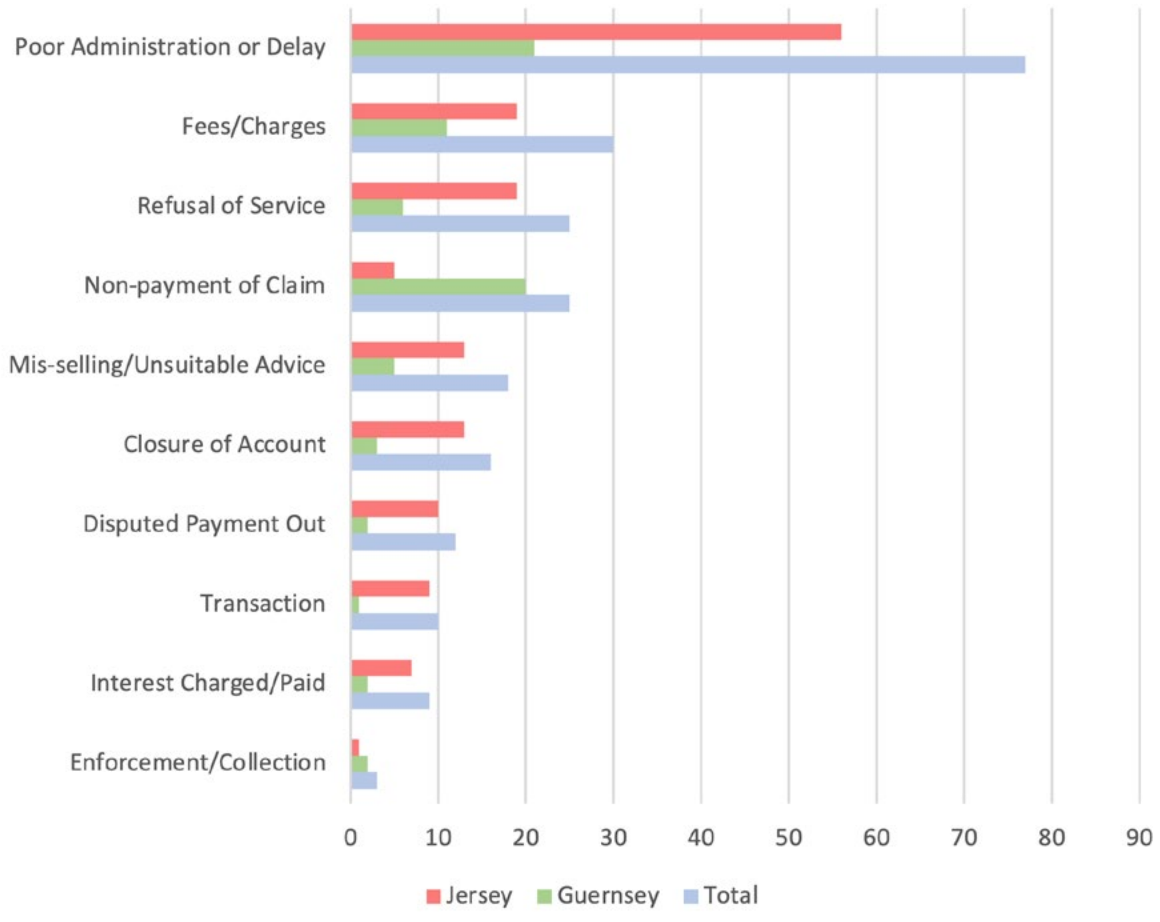


Of the 225 case files opened in 2020, 58 (26%) related to current accounts and 28 (12%) related to money transfers. Miscellaneous investments other than those already categorised made up 12% of the total case files opened and was the only other product area to make up more than 10% of total case files opened.

*QROPS refers to Qualifying Recognised Overseas Pension Scheme and RATS refers to Retirement Annuity Trust Scheme

Table 11: **Case Files Opened - Issue**

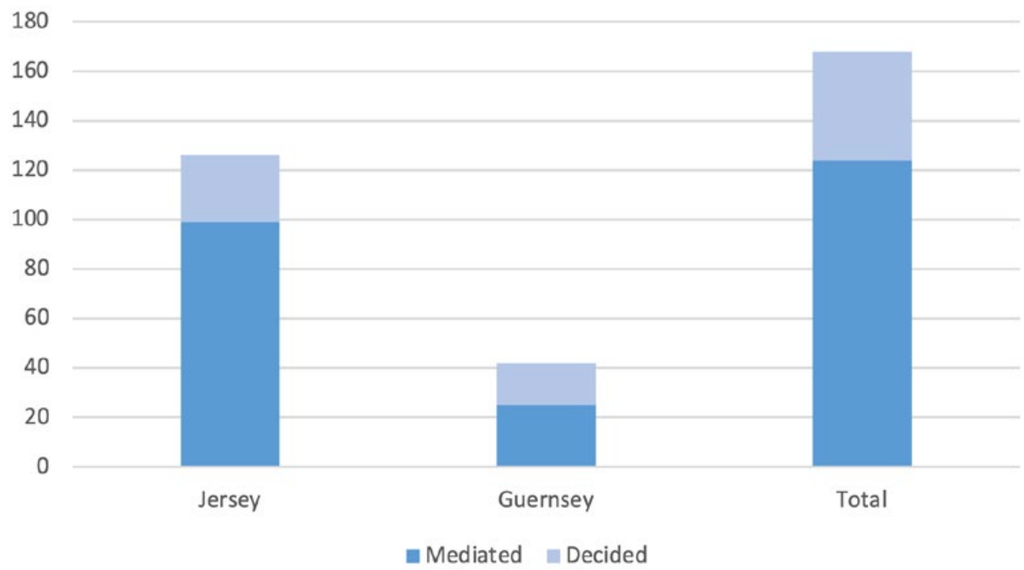
	Jersey		Guernsey		Total	
Poor Administration or Delay	56	37%	21	29%	77	34%
Fees/Charges	19	13%	11	15%	30	13%
Refusal of Service	19	13%	6	8%	25	11%
Non-payment of Claim	5	3%	20	27%	25	11%
Mis-selling/Unsuitable Advice	13	9%	5	7%	18	8%
Closure of Account	13	9%	3	4%	16	7%
Disputed Payment Out	10	7%	2	3%	12	5%
Transaction	9	6%	1	1%	10	4%
Interest Charged/Paid	7	5%	2	3%	9	4%
Enforcement/Collection	1	1%	2	3%	3	1%
Grand Total	**152**	**100%**	**73**	**100%**	**225**	**100%**



The most common issue in the 225 case files opened in 2020 was poor administration or delay with 77 (34%). Fees/charges was the second most common issue with 30 (13%) and arose across a wide range of products. Refusal of service was the third most common issue with 25 (11%).

Table 12: **Resolved Case Files - How They Were Resolved**

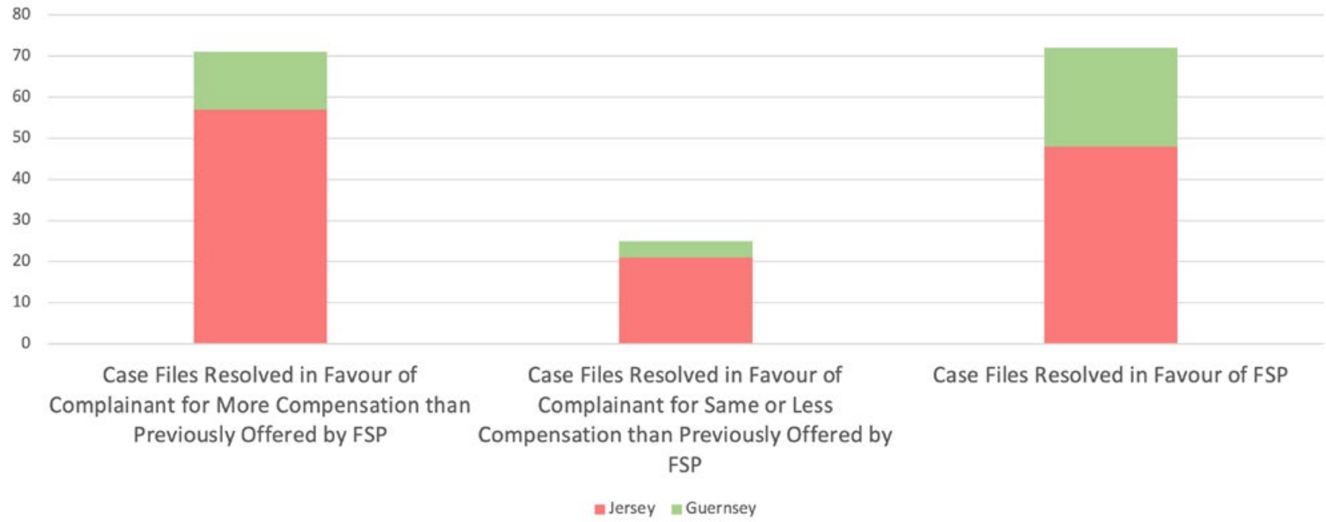
	Jersey		Guernsey		Total	
Mediated	99	79%	25	60%	124	74%
Decided	27	21%	17	40%	44	26%
Grand Total	**126**	**100%**	**42**	**100%**	**168**	**100%**



In 2020, CIFO opened 225 case files and successfully closed 168 by either mediation or ombudsman determination. Of the 168, about three quarters (74%) were resolved informally through mediated settlements. Only 44 (26%) case files proceeded to the end of CIFO's process and required an ombudsman determination to resolve.

Table 13: **Resolved Case Files by Outcome**

	Jersey		Guernsey		Total	
Case Files Resolved in Favour of Complainant for More Compensation than Previously Offered by FSP	57	45%	14	33%	71	42%
Case Files Resolved in Favour of Complainant for Same or Less Compensation than Previously Offered by FSP	21	17%	4	10%	25	15%
Case Files Resolved in Favour of FSP	48	38%	24	57%	72	43%
Total	**126**	**100%**	**42**	**100%**	**168**	**100%**



Of the 168 case files closed in 2020, 71 case files (42%) were resolved in favour of the complainant for more compensation than previously offered by the FSP. A higher proportion (45%) of Jersey case files received higher compensation than previously offered by the FSP compared with 33% in Guernsey. An additional 25 case files (15%) were resolved in favour of the complainant, but for the same or less compensation than previously offered by the FSP. 72 case files (43%) were resolved in favour of the FSP.

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

Maximum	£150,000
Average	£14,018
Median	£500
Minimum	£30

Of the case files 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 £14,018 with the median amount £500. The lowest amount awarded was £30.

PUBLICATION OF NEW **SUMMARY COMPLAINTS STATISTICS**

CIFO has continued to publish quarterly complaints statistics on an island-specific basis. In Q4 2019 the required legislation by the States Assembly in Jersey and States of Deliberation in Guernsey to publish summary complaints statistics on an FSP-named basis was granted. In Q4 of 2020 CIFO released a consultation regarding the 2021 publication of summary complaints statistics and requested industry feedback to this proposition. After considering the feedback to the consultation, CIFO's board of directors approved this first publication of summary complaints statistics.

The published summary complaints statistics relate to the period between 1st January 2020 and 31st December 2020.

Readers of the following summary complaints statistics should take care in drawing conclusions from the data. There are numerous factors that can influence the volume and nature of complaints made against a particular financial services provider (FSP). These can include:

- Some sub-sectors within the financial services industry 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 ratio 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.

Stakeholders interested in exploring specific complaints-related data for the period 1st January 2018 and 31st December 2020 are encouraged to use CIFO's on-line search facility which can be found here.

Summary Complaints Statistics **2020**

409 complaints became cases this year, relating to a total of 139 financial service providers. CIFO resolved, by mediation or ombudsman decision, 168 complaints that had become cases, relating to 41 financial services providers.

This information shows only in-mandate complaints that had become cases and were closed within the period shown only. All complaints withdrawn, open or deemed out of CIFO's remit are not included.

Les Ecrehous , Jersey

FIRM	FIRM JURISDICTION	SECTOR	CASES CLOSED	CASES CLOSED BY MEDIATION	CASES CLOSED 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	Pension	1	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
Barclays Bank PLC, Guernsey Branch	Guernsey	Banking	1	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
Barclays Bank PLC, Jersey Branch	Jersey	Banking	13	9 (69%)	4 (31%)	3 (23%)	3 (23%)	7 (54%)
Barclays Wealth Management Jersey Limited	Jersey	Banking	6	5 (83%)	1 (17%)	1 (17%)	1 (17%)	4 (67%)
Bourse Pension Trustees Limited	Guernsey	Pension	1	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
Cherry Godfrey Finance Limited	Guernsey	Non-Bank Money Services/Credit	2	1 (50%)	1 (50%)	0 (0%)	0 (0%)	2 (100%)
Cigna Global Insurance Company Limited	Guernsey	Insurance	2	1 (50%)	1 (50%)	1 (50%)	0 (0%)	1 (50%)
Citibank N.A., Jersey Branch	Jersey	Banking	1	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
Clegg Gifford & Co Limited	Guernsey	Insurance	2	0 (0%)	2 (100%)	1 (50%)	0 (0%)	1 (50%)
Close Finance (CI) Limited – Jersey	Jersey	Non-Bank Money Services/Credit	1	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)
Concept Group Limited	Guernsey	Pension	2	0 (0%)	2 (100%)	1 (50%)	0 (0%)	1 (50%)
Criteria Wealth Management Limited	Guernsey	Investment/ Funds	2	1 (50%)	1 (50%)	2 (100%)	0 (0%)	0 (0%)
Friends Provident International Limited	Guernsey	Investment/ Funds	1	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)
Goldmoney Wealth Limited	Jersey	Investment/ Funds	1	1 (100%)	0 (0%)	1 (100%)	0 (0%)	0 (0%)
Guernsey Home Loans Limited	Guernsey	Non-Bank Money Services/Credit	1	1 (100%)	0 (0%)	1 (100%)	0 (0%)	0 (0%)
Homebuyer Financial Services Limited	Jersey	Pension	1	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
HSBC Bank plc, Guernsey Branch	Guernsey	Banking	6	6 (100%)	0 (0%)	4 (67%)	0 (0%)	2 (33%)
HSBC Bank plc, Jersey Branch	Jersey	Banking	40	34 (85%)	6 (15%)	22 (55%)	10 (25%)	8 (20%)
Insurance Corporation of the Channel Islands	Guernsey	Insurance	2	2 (100%)	0 (0%)	0 (0%)	0 (0%)	2 (100%)
La Fraternelle Home Insurance	Guernsey	Insurance	1	0 (0%)	1 (100%)	0 (0%)	0 (0%)	1 (100%)

FIRM	FIRM JURISDICTION	SECTOR	CASES CLOSED	CASES CLOSED BY MEDIATION	CASES CLOSED 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
Lloyds Bank International Limited – Jersey Branch	Jersey	Banking	9	6 (67%)	3 (33%)	3 (33%)	1 (11%)	5 (56%)
Lloyds Bank International Limited – Guernsey Branch	Guernsey	Banking	1	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)
Lumiere Wealth Limited	Jersey	Investment/ Funds	1	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)
M.J. Touzel (Insurance Brokers) Limited	Guernsey	Insurance	1	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
National Westminster Bank Plc	Jersey	Banking	37	33 (89%)	4 (11%)	17 (46%)	7 (19%)	13 (35%)
Old Mutual International (Guernsey) Limited	Guernsey	Investment/ Funds	2	0 (0%)	2 (100%)	0 (0%)	0 (0%)	2 (100%)
Old Mutual Life Assurance Company (SA) Limited, Guernsey Branch	Guernsey	Insurance	1	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
Prospect Capital Limited	Jersey	Non-Bank Money Services/Credit	1	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
R.A. Rossborough (Guernsey) Limited	Guernsey	Insurance	2	2 (100%)	0 (0%)	0 (0%)	1 (50%)	1 (50%)
RBC cees Guernsey Limited	Guernsey	Pension	1	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)
Royal Bank of Scotland International Limited	Jersey	Banking	3	1 (33%)	2 (67%)	0 (0%)	0 (0%)	3 (100%)
Sancus (Guernsey) Limited	Guernsey	Non-Bank Money Services/Credit	1	0 (0%)	1 (100%)	0 (0%)	0 (0%)	1 (100%)
Santander International, Jersey	Jersey	Banking	4	2 (50%)	2 (50%)	3 (75%)	0 (0%)	1 (25%)
SG Hambros Bank (CI) Ltd, Guernsey Branch	Guernsey	Banking	1	0 (0%)	1 (100%)	0 (0%)	0 (0%)	1 (100%)
SG Kleinwort Hambros Bank (CI) Limited	Jersey	Investment/ Funds	1	1 (100%)	0 (0%)	1 (100%)	0 (0%)	0 (0%)
Skipton International Limited	Guernsey	Non-Bank Money Services/Credit	1	0 (0%)	1 (100%)	0 (0%)	0 (0%)	1 (100%)
Sovereign Trust (Guernsey) Limited	Guernsey	Pension	2	0 (0%)	2 (100%)	0 (0%)	0 (0%)	2 (100%)
Standard Chartered Bank, Jersey Branch	Jersey	Banking	3	3 (100%)	0 (0%)	0 (0%)	0 (0%)	3 (100%)
Trafalgar Insurance Company Limited	Guernsey	Insurance	1	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)
Utmost Worldwide Limited	Guernsey	Insurance	2	2 (100%)	0 (0%)	0 (0%)	1 (50%)	1 (50%)

ANNEXES

ANNEXES TO THE ANNUAL REPORT 2020

Channel Islands Financial Ombudsman

ANNEX 1
OUR STAFF

Our staff – with a wide variety of experience and training in financial services, law, finance, regulation and regulatory enforcement, consumer research and policy, data protection, dispute resolution and regulatory compliance – review and investigate unresolved complaints against financial services providers (FSPs) about services provided in or from the Channel Islands.

Douglas Melville
Principal Ombudsman & Chief Executive

Carol Rabet
Information Officer

Alison Finn
Manager, Finance & Administration

Heather Rushton
Administration Officer

Ross Symes
Manager, Complaints Resolution *(effective 1st May 2021)*

Dominic Hind
Case Handler & Operations Analyst

Natalie Mooney
Case Handler

Julia Dandurand
Senior Legal Assistant - Mediation

Oana Lupu
Case File Administrator

St Peter Port Lighthouse , Guernsey

ANNEX 2
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.

CIFO Board Review

CIFO 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 a review of CIFO's operation against one 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 opportunities for enhancement identified are implemented by management as resources permit. These INFO Network fundamental principles can be seen here. The OA Service Standards Framework can be seen here.

Making such ongoing reviews a part of CIFO's governance culture ensures that we stay focused not only on the high-level purpose of CIFO's mandate, but also on the various operational aspects which are critical to ensuring our service is effective, responsive, and continuously improving.

Transparency of Governance

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

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 board minutes, newsletters, and details of CIFO's funding and legislation. CIFO also publishes final ombudsman decisions and case studies on its website. Published decisions on complaints referred to CIFO on or after 1 January 2018 include the names of the FSPs involved. Complainants' names are not published.

This year we have included a total of nineteen case studies in this annual report that illustrate the range of complaints we deal with and the approach CIFO takes to achieving fair and reasonable outcomes in each unique circumstance.

CIFO is continuing its practice of publishing quarterly complaint statistics. With the publication of summary complaint statistics on an FSP-named basis we continue to demonstrate our commitment to full transparency in CIFO's operations.

THE FOUR MEMBERS OF THE CIFO BOARD OF DIRECTORS ARE:

Left to right: John Mills, Deborah Guillou, David Thomas & John Curran.

David Thomas (chairman) is also chairman of South West Mutual Ltd (UK) and a volunteer adviser for Citizens Advice (UK). Previously, he was: a lawyer in private practice and a member of the Council of the Law Society (England and Wales); Banking Ombudsman (UK) and then principal ombudsman with the Financial Ombudsman Service (UK); and held non-executive posts with the Legal Ombudsman (England and Wales) and the Scottish Public Services Ombudsman. He has advised on financial consumer protection, for the World Bank and other agencies, in more than 30 countries.

John Curran is a member of the board of the Guernsey Competition & Regulatory Authority and of the Guernsey Data Protection Authority. He is chairman of the Guernsey Employment Trust. He was formerly: the chief executive of the Channel Islands Competition & Regulatory Authorities; Director General of the Office of Utility Regulation (Guernsey); and manager of the Operations Division of the Commission for Communications Regulation (Ireland).

Deborah Guillou is a fellow of the Chartered Institute of Management Accountants and a Chartered Director with experience in wealth management, insurance, and fund management as well as utilities, healthcare and trust and company administration. Debbie is currently Chief Executive Officer of Artemis Fiduciaries in Guernsey and was formerly Chief Executive of the Medical Specialist Group. Previous roles include head of Generali International, chief financial officer of Generali Worldwide Insurance, a senior finance manager at Investec Asset Management, finance director at Guernsey Electricity and an accountant with Fairbairn International.

John Mills CBE was formerly a senior civil servant in the UK and Jersey. In recent years he has held a number of non-executive appointments in the public and statutory sectors, including as a board member of the Jersey Financial Services Commission, vice-chairman of the Port of London Authority and deputy chairman of Ports of Jersey Ltd. Since 2017 he has been Jersey's first Charity Commissioner. He is a member of the board of both public sector pension funds in Jersey and is also an independent trustee of one of Jersey's largest private sector schemes.

DIRECTORS' ATTENDANCE AT 2020 BOARD MEETINGS

ATTENDANCE AT BOARD MEETINGS

Regular in-person meetings of the board of directors were scheduled throughout 2020 but only the January meeting was held in-person due to Covid-19 related restrictions. The other meetings were held by videocall. No additional meetings by video call were required during the year. Where possible and appropriate to minimise cost and maximise director attendance, stakeholder meetings such as the annual general meeting of stakeholders and meetings with the Guernsey and Jersey governments were scheduled to coincide with regularly scheduled board of directors meetings.

	No. of meetings held	No. of meetings attended	No. of meetings absent	Attendance rate	Meeting dates
David Thomas (Chair)	4	4	0	100%	21 January 2020
Deborah Guillou	4	4	0	100%	29 April 2020
John Mills	4	4	0	100%	22 July 2020
John Curran	4	4	0	100%	20 October 2020

DIRECTOR REMUNERATION 2020

David Thomas (Chair)	£24,000
Deborah Guillou	£6,000
John Mills	£6,000
John Curran	£6,000

Grosnez Castle, Jersey

ANNEX 3
WHO WE ARE

The Channel Islands Financial Ombudsman (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 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 team of staff and the same board members overseeing the two statutory roles. The States of Jersey and States of Guernsey jointly appointed the Board of Directors and the Board appointed the Principal Ombudsman & Chief Executive. The office commenced operation on 16 November 2015.

The primary role of CIFO is to resolve complaints about financial services provided in or from the Channel Islands. It resolves complaints against financial services providers – independently, fairly, effectively, promptly, with minimum formality and so as to offer a more accessible alternative to court proceedings. This helps to underpin confidence in the finance sectors of Jersey and the Bailiwick of Guernsey, both locally and internationally.

OUR MANDATE

The scope or mandate of the Channel Islands Financial Ombudsman is set in the primary laws and supporting secondary legislation in Jersey and the Bailiwick of Guernsey. CIFO can only investigate complaints that meet certain conditions relating to the person bringing the complaint, the type of financial service complained about and the timing conditions. The table on the following page summarises the mandate according to the location from where the financial services were provided.

Please note that this is a summary and the full detail is provided in the legislation viewable on our website.

Saint Peter Port, Guernsey

<table>
<tr><th>Service provided in / from</th><th>Guernsey, Alderney and Sark</th><th>Jersey</th></tr>
<tr><td rowspan="1">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 recognized 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>


St Aubin, Jersey

ANNEX 4
HOW WE WORK

When we receive a complaint, our team looks at the information provided to make sure it falls within our remit (see our process on page 54). For instance, the FSP has to fall within CIFO's remit as set out by law in both Jersey and Guernsey. A summary of CIFO's remit is set out in the table on page 50. We also look for a final answer from the FSP to the consumer, which allows us to start our review knowing the positions of both parties.

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 into account general principles of good financial services and business practices, the law, regulatory policies and guidance, and any applicable professional body, standards, codes of practice, or codes of conduct. If we believe that the facts of the case do not warrant further review, we will let the consumer know. 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 consumer, we try to resolve the dispute through a mediated settlement between the consumer and FSP that aims to address the complaint quickly with a fair outcome to both parties.

If we are unable to mediate a settlement but we continue to believe the consumer should be compensated, we will complete our investigation and make a decision. Our decision, if accepted by the consumer, becomes binding upon the FSP.

We can require that FSPs pay compensation to the consumer of up to £150,000. We may also determine that compensation for distress or inconvenience is appropriate in the specific circumstances. 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.

Neither a court nor a regulator, CIFO does not fine or discipline FSPs or individuals working within the financial sector. While we do not handle matters that have already been through a court or an arbitration, if a client does not accept our conclusions, they are free to pursue their case through other processes including the legal system, subject to statutory limitation periods.

MEDIATION

Increasingly, CIFO seeks to resolve complaints through early mediation. Mediation is an alternative dispute resolution method where a neutral and impartial third party, the mediator, facilitates dialogue in a structured multi-stage process to help parties reach a conclusive and mutually satisfactory agreement. A mediator assists the parties in identifying and articulating their own interests, priorities, needs and wishes to each other. Originally, the role of an ombudsman was more of a quasi-judicial role. The role is increasingly becoming more of a mediative process where the ombudsman plays the role of the information-provider, mediator and arbitrator in a dispute. It is important that CIFO establishes a clear separation between the different functions and stages of dispute resolution, to ensure impartiality and fairness to all parties.

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 a CIFO ombudsman, but helpfully in most cases that does not prove necessary. All CIFO's case handlers 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 financial services provider.


Coastal Path, 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 remit?

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 ↓

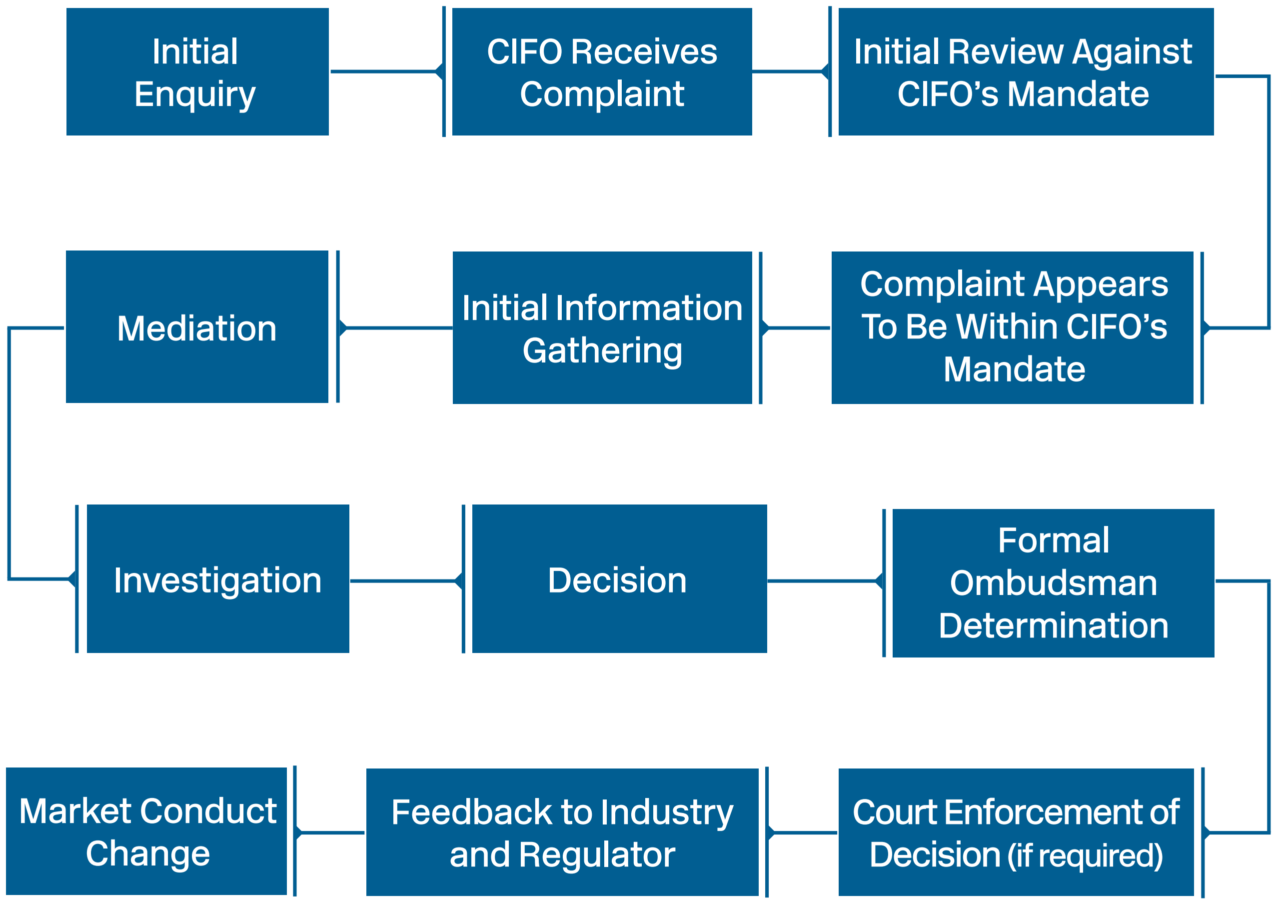
Is the complainant eligible?

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

YES ↓

CIFO will proceed with its review of the complaint

THE PROCESS
FROM ENQUIRY THROUGH TO FINAL DECISION



ANNEX 5
CASE STUDIES

The case studies presented in this report and published on CIFO's website are intended to illustrate the type of complaints handled and the approach taken to resolve them. The case studies are based on actual CIFO case files. Some specific details may be altered to protect confidentiality.

Case Study #1

BANKING

BANK'S FAILURE TO IDENTIFY A FRAUD INVOLVING AN AUTHORISED PUSH PAYMENT (APP) INSTRUCTION

Themes

- Inadequate systems and procedures;
- Authorised push payment fraud;
- Investigation mishandling;
- Inadequate communications;
- Complainant contributory action.

This complaint related to an authorised push payment fraud and the failure by a bank to identify and warn a customer about the possibility of an investment fraud.

Miss T was interested in an investment opportunity advertised in a national newspaper, which has since been identified as fraudulent. Miss T decided to invest and, in 2019, made four payments totalling £142,379. Several months later, Miss T did not receive the expected half year investment bonus and she became suspicious that she had been a victim of fraud. Miss T contacted the bank who were able to retrieve only £2,379 of her total payments.

Miss T asked the bank to reimburse the remaining £140,000 of the payments she had made but they declined to do so. She then complained to the bank, because she held them accountable for not having contacted her before she had authorised the four payments which were, for her, both large and unusual. Miss T believed that had the bank contacted her prior to these transactions being finalised, as they had done for other types of payments before, this would have prevented the fraud.

The bank, however, believed that they were under no obligation to do so because – unlike the earlier payments Miss T had referred to – they had been correctly authorised by the customer. The bank had followed their authorisation processes and procedures when Miss T had visited a branch to make the transactions, and they had provided a call-back service from their payments team to confirm the payments. The bank had also contacted Miss T several weeks after the last payment had been made to let her know that they had received adverse information from the bank to which the payments had been made who were now suspicious of the beneficiary. But Miss T confirmed that she was happy with the payments and declined to tell the bank what they had been for. The bank initially offered Miss T £500 in compensation for their fraud team's inadequate communications, subsequently increased to £1,000. Miss T declined the revised offer and brought her complaint to CIFO.

CIFO investigated and felt that the bank should have systems in place to guard against involvement in fraud, including being sufficiently aware of the indicators of fraud and bringing them to the attention of their customers before they make high value or unusual payments. However, CIFO concluded – on the balance of probabilities – that even if the bank had highlighted these transactions to Miss T as potentially fraudulent, she would still have asked the bank to continue with them believing the 'investment' to be sound. CIFO nevertheless upheld the aspect of the complaint relating to investigation mishandling and inadequate communications and endorsed the bank's offer to pay compensation of £1,000 for the inconvenience Miss T had experienced. CIFO did not consider that the bank should be held liable for the unrecovered amount of £140,000.

Case Study #2
BANKING

BANK DECLINED COMPENSATION FOR AN AUTHORISED PUSH PAYMENT (APP) TRANSFERS TO FRAUDSTERS

Themes
- Authorised push payment (APP) fraud;
- Inadequate communications;
- Bank declined to compensate.

This complaint related to an authorised push payment (APP) fraud and the bank's refusal to compensate a customer for three payments made to a fraudulent account.

In 2018 Mr C spotted an investment opportunity and decided to transfer some money from his personal bank account to an overseas investment company. Before doing so, Mr C checked the local regulator's website to confirm the status of the company to ensure it had permission to operate. Mr C was satisfied with the checks he had made and instructed the bank to transfer three large payments of £19,874.55, £19,801.77, and £10,323.68 (in total, £50,000) to the investment company's account.

Upon receiving these instructions, Mr C's bank 'blocked' the first two payments before they were transferred and requested Mr C's confirmation that they were genuine instructions. Mr C told the bank that he had made appropriate checks about the intended recipient and confirmed the payments should be made.

It subsequently came to light that the investment opportunity was a 'scam', set up by fraudsters who had been impersonating the genuine firm and running a 'clone' operation. When Mr C became aware of this, he contacted the bank who phoned the recipient bank that same day. But the recipient account had already been emptied and Mr C's bank was unable to recover any of the transferred money.

Mr C complained to the bank, believing that it owed him a duty of care in respect of these transactions, including making sure that the recipient account was not fraudulent before the money was transferred. Mr C was also disappointed with the way the bank had communicated with him and their inability to recover his money. Overall, Mr C considered that the bank should pay some compensation to offset his losses. The bank offered compensation of £100 only for the inadequate communications Mr C had received regarding the recovery of his money. Mr C was not satisfied with this and brought his complaint to CIFO.

CIFO investigated and found that the bank had acted reasonably and appropriately by blocking the first two payments and contacting Mr C to verify the transactions. Finally, CIFO also found that the bank had acted reasonably and appropriately by allowing the payments to proceed once Mr C had reassured them that the transfers were genuine and that he had completed adequate 'due diligence' checks on the investment company prior to requesting the transfers. CIFO also found that it would not be possible for the bank to have known whether the recipient bank account was fraudulent. CIFO did not uphold the complaint.

Case Study #3
BANKING
FAILURE TO IDENTIFY A FRAUD INVOLVING AN AUTHORISED PUSH PAYMENT (APP) INSTRUCTION

Themes
- Inadequate systems and procedures;
- Authorised push payment (APP) fraud;
- Bank reluctance to compensate.

This complaint related to an authorised push payment (APP) fraud and the reluctance of the bank to accept full responsibility for the customer's losses due to the fraud.

In January 2018 Mr A had arranged to buy his sister's house and he wrote a cheque to his solicitor for the purchase. The bank returned the cheque because it had not been correctly completed. Mr A was then advised by the bank to make an inter-bank transfer to complete the house purchase. Several weeks later Mr A visited the bank requesting a payment to be sent for £180,852 to his solicitor's account. Mr A used his iPad to show the clerk an email which contained what he believed to be the solicitor's banking details. The bank asked no questions and approved the payment. Mr A contacted the bank a few weeks later after his solicitor had told him that no payment had been received. This was when it was discovered that the transfer had been made to a fraudster who had hacked his email account, impersonated his solicitor, and instructed him to send the money to their fraudulent account.

Mr A immediately reported the matter to the police and the bank who could only recover £1,039 from the fraudulent account. Mr A complained to the bank on the basis that they knew about his intention to buy his sister's house and that he was sending a cheque for this purchase. Mr A believed that if he had been contacted about the incorrectly completed cheque instead of it being returned, the fraud would have been prevented. Mr A also complained that the bank had subsequently advised him to make an inter-bank transfer, something he was not familiar with, and they had not asked any questions or noticed that the beneficiary account was at a bank which was a very long way from where his solicitor was based. Mr A felt that that should have alerted the bank that something was wrong.

The bank stated that the original cheque was not completed correctly and that is why it had been returned unpaid. The bank also told Mr A they had no way of knowing the beneficiary account was fraudulent or that his solicitor did not have an account at that bank. The bank confirmed that once they were aware of the fraud, they immediately attempted to retrieve the payment.

CIFO noted that the bank was fully aware of the purpose of the payment and the circumstances under which the payment details were obtained. The bank objected to this stating that they were not aware of the change to the beneficiary details and that they believed they had acted correctly.

CIFO found it fair and reasonable that the bank should have recommended to Mr A that he check the payment details with his solicitor due to the high value of the transaction, the fact that the payment details had been sent by email, and due to Mr A's lack of familiarity with this payment method. CIFO also noted that the bank should have been aware of this type of fraud and should have had due care and regard for their customers, to guard them against financial crime.

CIFO therefore upheld the complaint and given CIFO's £150,000 binding award limit, recommended that the bank pay a total of £218,637.35, £179,812.67 for the unrecovered funds plus £38,824.68 of interest calculated as 8% from the date the fraudulent payment was made.

Case Study #4

BANKING

AUTHORISED PUSH PAYMENT TO A FRAUDSTER IMPERSONATING THE BANK

Themes

- Automated Push Payment (APP) fraud;
- Process and procedures;
- Fraud warning system.

This complaint related to a 'safe account' authorised push payment (APP) fraud where the complainant made two payments to an account opened by a fraudster posing as his bank.

In November 2019, Mr P was contacted by what he believed was his bank, but it later transpired was a fraudster pretending to be them. Whilst on the phone to the fraudster, Mr P authorised two transfers using his online banking facility. The transfers were for £2,204 and £20,000 and, because he was told there had been transactions on his account which he did not recognise, they were made to what Mr P was told were 'safe' accounts in his name.

Towards the end of the call Mr P became suspicious. He put the phone down and contacted his bank, who told him he had been a victim of fraud. The bank contacted the other bank to which the transfers had been made but, by then, some of the money had already been withdrawn. Only £8,629 could be recovered. The bank declined to refund the remainder to Mr P because they said their system had issued an automated warning when he was making the larger payment but, despite this, Mr P had confirmed he was content to complete the payment.

During CIFO's investigation the bank said it was certain it would have provided the warning to Mr P, but it did not have an audit trail to confirm that it had done so. They also said the warning was specific to this type of 'safe account' scam and that Mr P would have had to press a button to authorise and continue with the payment. CIFO asked for alternative evidence to indicate, on the balance of probabilities, that the warning had been given before Mr P made his payment. But CIFO was not satisfied that the limited additional information the bank provided was enough to offset Mr P's position that he had not received a warning.

CIFO therefore recommended that the bank should offer to refund Mr P a total of £17,268 which included the remaining amount lost to the fraud (£15,575), plus interest of £1,693 calculated at an annual rate of 8% from the date of the payment to the date of settlement. The bank agreed to do so.

Case Study #5
BANKING
AUTHORISED PUSH PAYMENT (APP) TRANSFER TO FRAUDSTERS

Themes
- Authorised push payment (APP) fraud;
- Inadequate customer service;
- Discretionary payment.

This complaint related to an authorised push payment (APP) fraud and the bank's refusal to refund the customer's losses in full due to the fraud.

In June 2019 Mr L made an inter-bank payment of £5,000 to a company account to buy a boat. Unbeknown to Mr L, his emails with the person selling the boat had been intercepted by a fraudster who had provided him with fraudulent bank account details for his payment. When the boat did not arrive as agreed, Mr L realised he had been defrauded and approached the bank to request a refund. The bank was not able to retrieve Mr L's payment but did make a payment of £2,500 to Mr L on a discretionary basis. The bank also offered Mr L £250 for the distress and inconvenience he had experienced because of the way it had initially dealt with his complaint. Mr L did not accept that offer and he felt the remaining lost funds of £2,500 should also be refunded.

In July 2019, the bank provided Mr L with a final response to his complaint stating that there was nothing to suggest the payment Mr L had requested was fraudulent. He had made the payment himself using online banking and the amount was neither uncharacteristically large nor unusual given his usual transactions. There was therefore no reasonable expectation for the bank to have raised any questions with Mr L about it. The bank believed it had acted in accordance with their policies and procedures but, as a gesture of goodwill, they had provided a discretionary payment of £2,500 towards Mr L's loss. The bank emphasised that this payment was not an admission of fault and told Mr L that they were not able to reimburse any further funds. Mr L disagreed with the bank's decision and brought his complaint to CIFO.

CIFO noted the expectations of banks in these circumstances, both in the Channel Islands and the UK, have evolved over time. While the Contingent Reimbursement Model Code (CRM Code) for Authorised Push Payment Scams in the UK has no equivalent in the Channel Islands, there are still general requirements set out in local regulation that establish a similar expectation for banks to protect their customers from fraud. In this case, CIFO found that the bank had acted in accordance with their policies and procedures, that their policies and procedures were objectively reasonable, and that there was no reasonable basis to suggest the bank should have been alerted to Mr L's online transaction and queried it before it was processed in accordance with his instructions. The transaction was not unusual given his normal activity.

CIFO noted the £2,500 discretionary payment made to Mr L and concluded that a further £2,500 reimbursement would not be fair or reasonable in the circumstances. CIFO also noted that the bank had already offered additional compensation of £250 for the distress and inconvenience Mr L had experienced during the complaint process. CIFO felt this to be a fair and reasonable offer. CIFO therefore did not uphold the complaint seeking additional compensation.

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Case Study #6

BANKING

BANKING INFORMATION SHARED BY CUSTOMERS WHICH RESULTED IN A FRAUD CLAIM

Themes

- Fraud claim;
- Vulnerable complainant;
- Complainant's contributory negligence.

This complaint related to a claim that bank funds were obtained through theft by an acquaintance who was attempting to gain control over the vulnerable complainant's assets.

In February 2016 Mr and Mrs T, who lived overseas, contacted their bank to request internet banking access and they received the necessary information to activate this service. Mr and Mrs T later claimed that an acquaintance of theirs who had been helping them at the time obtained the information and fraudulently accessed their account and withdrew £4,142 without their knowledge or consent.

In May 2016 a relative of Mr and Mrs T was contacted by the president of a local charity to say she thought they were being taken advantage of by their acquaintance. The relative travelled to their location and sought advice from a lawyer. The lawyer advised the relative to relocate Mr and Mrs T back to the UK and to tell the acquaintance his services were no longer required.

Shortly after Mr and Mrs T relocated, and upon receipt of their bank statement, Mr and Mrs T noticed three online payments that had been made to the acquaintance in February 2016. On their behalf, their relative (who had by then obtained power of attorney) complained to the bank, stating that the acquaintance had fraudulently accessed Mr and Mrs T's account and authorised these payments. Several months later the bank provided a final response to Mr and Mrs T's complaint, stating that the payments made to Mr and Mrs T's acquaintance had been authorised correctly using the online banking facility provided. The bank believed Mr and Mrs T must have been comfortable with sharing their online banking details with him.

In June 2017 Mr and Mrs T brought their complaint to CIFO. Before CIFO could investigate, the bank requested a premium account fee from Mr and Mrs T, prompting them to close their account. CIFO investigated and found that the bank had acted in accordance with their policies and procedures when it provided Mr and Mrs T with their online banking access details. CIFO further found that, on the balance of probabilities, Mr and Mrs T had negligently allowed their former acquaintance to gain access to their online banking details such that it would not be appropriate to require the bank to reimburse them for the payments he had made through their online banking. CIFO did not uphold the complaint.

Case Study #7
BANKING

UNAUTHORISED DIRECT DEBIT ON CUSTOMER'S ACCOUNT

Themes
- Automated Direct Debit Instruction Service;
- Bankers Automated Clearing Service (BACS);
- Requested revision of process.

This complaint related to an unauthorised direct debit used by a service company to take funds from a customer's bank account.

Mr T contacted the bank after noticing an unusual direct debit payment had been taken from his bank account. The bank fully refunded Mr T's account within three working days and attempted to contact the service company to identify the cause of the problem. Mr T made a complaint to the bank as he believed the bank had failed to safeguard his account correctly and requested compensation for the loss of sleep, worry, stress and anxiety that the situation had caused him. The bank rejected the complaint and Mr T brought his complaint to CIFO.

CIFO investigated the complaint and found that the bank had complied with its policies and procedures relating to the direct debit guarantee scheme. This scheme ensures that any direct debit taken in error is fully refunded by the bank. CIFO also noted the bank had attempted to find what the issue was with the service company that had initiated the direct debit, but without success.

CIFO did not uphold the complaint and provided Mr T with a recommendation explaining the findings. Mr T rejected CIFO's recommendation as he felt that the bank should have notified him when a new direct debit was set up. Mr T also believed that the automated direct debit instruction service system should be revised to include a customer name check and believed that, if this additional check had been in place, the bank would have been able to reject the direct debit immediately.

CIFO further investigated and found that the bank had used the UK BACS System that enables direct debits. The bank does not control the BACS system or the direct debit scheme and would have been unaware that a direct debit had been set up on Mr T's account that had been created by the service company in error. Based on the balance of probabilities, CIFO felt that the service company had incorrectly keyed-in Mr T's sort code and account number into their system and erroneously initiated a direct debit from Mr T's bank account. Unfortunately, only the service company could confirm this and CIFO was unable to review the actions of the service company as they fell outside of CIFO's statutory remit.

CIFO concluded that the bank had not set up the direct debit and therefore the bank was under no obligation to review it. The bank had also followed the appropriate procedure and attempted to locate the cause of the problem with the service company. CIFO did not uphold this complaint and provided the contact details, if Mr T wished to pursue the matter further, for the local fraud prevention and regulatory bodies.

Case Study #8
BANKING

VICTIM OF THEFT BY AN EX-EMPLOYEE

Themes
- Complainant's contributory error;
- Bank's terms and conditions.

This complaint related to the failure by a complainant to notice an ex-employee was stealing from the company account.

In October 2019 Mr E made a complaint to his bank after noticing a number of payments from his company's account had been made to what he believed to be a service provider. It transpired after further review of the payments that, although the payments named the actual service provider as the beneficiary, they had in fact been credited to the account of an ex-employee of Mr E's company. Mr E believed that a total of over £70,000 in payments, made over a period of three years, had been fraudulently made to the ex-employee's account.

The bank responded to Mr E's complaint by stating that the ex-employee had made the transactions using the online banking platform that the bank had provided to Mr E. The bank emphasised that the name of the beneficiary account was not used by the bank to identify the recipient. Only the recipient account's sort code and account number were used to route the payment. The bank stated that the terms and conditions for the on-line banking service clearly stated that it was Mr E's obligation to ensure there was limited access to the on-line service details. The bank also noted that Mr E had intentionally given on-line banking access to the ex-employee to make banking transactions on the company's behalf. The bank felt that Mr E had failed to secure the payment details in accordance with the bank's terms and conditions and was therefore not entitled to a refund. Mr E disagreed with the bank's decision and brought the complaint to CIFO.

CIFO investigated and found that the bank had not acted inappropriately or negligently and felt that the company's funds had been misappropriated by the ex-employee. Mr E had given the company account online banking facility details to the ex-employee, meaning that Mr E had given his authority for the ex-employee to access the company account. CIFO noted the bank statement references that had mis-lead Mr E to believe the payments were genuine but, also noted that the bank would have no control over these refences as these would have been input by the payee. CIFO concluded that the bank would not have any clear indication that fraudulent activity was taking place or that the transactions were not authorised. The loss had been due to the ex-employee's abuse of the company account access. CIFO did not uphold the complaint.

Case Study #9
BANKING

GAMBLER BELIEVED BANK SHOULD HAVE BLOCKED ACCOUNT GIVEN GAMBLING ADDICTION

Themes
- Gambling addiction;
- Inability to block account.

This complaint related to a bank's inability to stop a complainant from using their account for gambling.

Miss Q opened a bank account and in 2015 requested an overdraft facility of £250 and a personal loan totalling £11,000 through the online banking platform. The bank approved both loan facilities. Miss Q later requested an increase to £5,000 for her overdraft facility and an increase to £24,270 for her loan facility; again, the bank agreed to do so.

In 2017, Miss Q contacted her bank to advise them that she was suffering from poor health. The bank asked Miss Q to complete a mental health letter but they did not receive a completed form from Miss Q.

In 2019 Miss Q made a complaint to her bank as she believed they should have been aware that she had a gambling addiction and should have taken action to remove her access to her overdraft and personal loan facilities. Miss Q felt she had advised the bank of her condition in 2017 and became stressed with the lack of access to funds and the repeated communications from the bank. Miss Q requested the bank freeze the interest on her loan and write off her overdraft facility because she believed that the bank had irresponsibly lent her these funds.

The bank said that the online banking platform that had authorised the overdraft and personal loan facilities was not capable of analysing Miss Q's banking transactions to identify her gambling behaviour. In 2015, the assessment would have been based on lending criteria alone and according to Miss Q's income and expenditure information. Based on the information provided, the bank considered that she could afford the amount borrowed. The bank did not uphold the complaint and Miss Q brought her complaint to CIFO.

CIFO investigated and found that a number of gambling transactions were visible on Miss Q's account but felt it unfair to assume that the bank should have been aware from those transactions that Miss Q had a gambling addiction at the time of applying for the overdraft and loan facilities. CIFO also noted that Miss Q had not notified the bank in 2017 that she had a gambling addiction when the bank had specifically requested confirmation of her mental health issues. CIFO felt that gambling is generally considered a recreational activity that is overseen by the local Gambling Commission. Unless the bank was aware that Miss Q had this addiction prior to the authorisation of the loan and overdraft facilities, the bank should not have a duty of care to protect Miss Q from her undisclosed addiction. At the time of CIFO's investigation, the bank had provided Miss Q with a year's interest free status on her debt to help her to deal with her situation. CIFO concluded that this was a fair and reasonable accommodation under the circumstances. CIFO did not uphold the complaint.

Case Study #10

NON-BANKING MONEY SERVICE/CREDIT

LOAN APPLICATION RESULTS IN SERIOUS PRIVACY BREACH

Themes

- Data privacy breach;
- Inadequate internal controls;
- Exceptional distress and inconvenience award.

This complaint related to the completion of a personal loan application which resulted in a data breach by an employee of the loan company.

In March 2018, Miss L applied for a loan from a finance company (FC) and provided the necessary application documentation, which included bank statements. In September 2018, Miss L no longer wished to continue with the loan, and FC closed the file.

In August 2019, Miss L re-applied for the loan from FC and an employee, who was personally acquainted with Miss L, was involved in processing the loan application.

This employee accessed information from the previous loan application made in March 2018. The employee noted a bank statement showing a transaction which was referenced “Aids treatment”. Taking this information, the employee contacted Miss L’s former boyfriend to ask about his relationship with Miss L and commented on the possibility Miss L may have acquired immunodeficiency syndrome (AIDS). The FC employee also divulged this information to other third parties. It became clear that the bank statement transaction reference had been meant as a joke by the former boyfriend (at that time) of Miss L.

Miss L complained to FC and the local data protection regulator requesting a thorough investigation and compensation due to her inability to work as a result of the extreme stress this situation had caused her.

FC confirmed that as soon as Miss L notified them of the issue, they raised an investigation into the circumstances of the situation. In August 2019, FC reported the data breach to the relevant authority and suspended the offending employee, who resigned the next day. FC believed that the privacy breach and the impact it had on Miss L was not a result of their wrongdoing or a failure of process by them, but rather the rogue actions of the employee. In their final response letter to Miss L, FC confirmed that her complaint had been upheld, but offered no compensation or any explanation as to what had caused the incident.

Miss L brought the complaint to CIFO. CIFO investigated and found that FC should not have retained the bank statements from the original application in March 2018 which held the transaction reference shared by the employee. CIFO also concluded that, although this privacy breach and its implications were clearly due to the employee’s outrageous conduct, FC should have had policies and procedures in place to better ensure that information was not retained inappropriately and that such a privacy breach could not occur.

CIFO upheld this complaint and concluded that FC should pay a total of £20,354.60 in compensation to cover Miss L’s loss of earnings with 8% simple interest, medical bills with interest, and including a substantial award for an extreme level of distress and inconvenience of £10,000.

Case Study #11

NON-BANK MONEY SERVICES AND CREDIT

DEFAULT ON LOAN AS NO CLEAR LOAN CHARGES ADVISED

Themes
- Mis-selling;
- Legal costs;
- Early loan repayment charges.

This complaint related to a lender's action to collect on a loan following the failure by the complainant to continue repaying the loan that she believed had been mis-sold to her.

In May 2019 Ms Z applied to a finance company (FC) for a loan valued at £45,000 to renovate a property. Ms Z requested FC to provide confirmation that there were no early repayment charges applicable and says this was confirmed through telephone calls that may or may not have involved her loan broker.

In January 2020 Ms Z attempted to make a lump sum early repayment to FC and was advised that the entire loan interest of £15,000 that would have been payable over the five-year loan term would be added to the remaining loan value to compensate FC for the early repayment. Ms Z believed that the loan had been mis-sold as she had requested a loan that could be partially paid off early with no charges. Ms Z complained to FC and breached the loan agreement by making no further loan repayments.

In February 2020, FC offered Ms Z the option to repay the outstanding loan value of £41,453 only, without accelerated interest to the end of the loan term. Ms Z declined this offer as she did not have sufficient funds to repay the entire lump sum and could only afford to repay £20,000 at that time. FC did not accept partial payment and repeatedly contacted Ms Z to encourage her to continue to make the required loan repayments. Ms Z did not respond and FC had no option but to initiate legal action to recover the funds, incurring £9,219 in legal fees which, if FC's case were successful, would be payable by Ms Z.

By June 2020 Ms Z had raised enough funds to pay the outstanding value of the loan that had previously been offered, but as FC had now incurred legal costs her offer to repay the previously indicated settlement amount was declined. Ms Z brought her complaint to CIFO emphasising that the loan was mis-sold and that in other jurisdictions they would have provided details of the loan structure.

CIFO investigated and noted Ms Z's concerns that there was no regulation of market conduct by loan providers to provide clear guidance on the issues arising from the complaint. CIFO's decision was therefore based principally on what would be fair and reasonable in the circumstances. As the alleged telephone calls were not recorded, there was no evidence to confirm that FC had confirmed to Ms Z, either directly or through her loan broker, her ability to make early loan repayments without a charge. The loan agreement itself was silent on that issue.

CIFO believed that Ms Z should pay the outstanding loan value of £41,453 as previously offered by FC, plus the £2,349 in interest accumulated on that amount since that offer was made, along with a three-month interest penalty of £1,153 for early repayment in line with general industry practice. CIFO also felt that Ms Z should pay the legal costs incurred by the loan company as these were in accordance with usual practice and were incurred as a direct result of Ms Z's failure to continue making the required loan repayments. Ms Z rejected CIFO's proposed settlement in favour of an ombudsman determination of the complaint. CIFO did not uphold the complaint, leaving the parties to resume the process to resolve the matter through the courts. It was also suggested to Ms Z that she consider raising her concerns with her loan broker about its possible role in the alleged misunderstanding regarding her loan with FC.

Case Study #12
INVESTMENT/FUNDS
UNAUTHORISED PAYMENT TRANSFER TO FRAUDSTERS

Themes
- Fraudulent investment portfolio redemption;
- Fraud or theft;
- Inadequate security policies and procedures.

This complaint related to a fraud against Mr A's online investment portfolio account held with Company B that was accessed unlawfully and the total investment balance stolen.

In June 2019, a fraudster gained access to Mr A's personal email account and, using information contained in previous emails, managed to access Mr A's online investment account held with Company B. The fraudster then used the personal information from both these sources to steal Mr A's identity and open a new bank account in a foreign country. Once the new bank account was opened, the fraudster sent an email to Company B using Mr A's personal email account requesting the liquidation of Mr A's investment portfolio and directed the full investment balance be transferred to the new fraudulently opened foreign bank account. Company B complied and transferred the total proceeds of the investment portfolio redemption.

Mr A contacted Company B when the fraud was discovered. Company B argued that they had maintained sufficient security processes and that the responsibility for the fraud loss should lie with Mr A because his personal email and his online account had been hacked using his personal credentials.

Mr A complained to CIFO who fully reviewed Company B's security policies and procedures. CIFO found that Company B had inadequate security policies and procedures, with the only authentication check performed being a PIN code sent to Mr A's personal email account, which the fraudsters already controlled.

Email account takeover is a known and growing criminal fraud problem. Financial services providers are expected by regulators to have adequate policies and procedures in place to combat fraud. CIFO concluded that the security policies and procedures Company B employed were inadequate. CIFO therefore concluded that it would not be fair and reasonable for Mr A to suffer the losses made possible by Company B's weak internal policies and procedures. CIFO highlighted that there were several technical elements with the internet communications and the proposed funds transfer that should have raised Company B's suspicions. [The details of these elements are withheld for security reasons.]

CIFO upheld the complaint and concluded that, as a result of the weak security policies and procedures, Company B failed to take adequate steps to prevent the fraud against Mr A's investment account. As a result, CIFO concluded that Mr A should receive a full refund of the loss due to fraud. Company B agreed to refund Mr A's losses and calculated the combined value of assets stolen to be USD 137,166. Company B replaced the original investments that had been fraudulently redeemed. CIFO also recommended that Company B pay Mr A compensation for distress and inconvenience in the amount of $250.

Case Study #13
INVESTMENT/FUNDS

INADEQUATE BANK CHECKS LED TO FRAUDSTERS ACCESSING CUSTOMER ACCOUNTS

Themes
- Internal fraud controls;
- Inadequate policies and procedures;
- Reimbursement of legal expenses.

This complaint related to a bank's inability to prevent a fraudster accessing and removing all the funds from a complainant's husband's bank account.

In 2015 Mrs X's husband passed away, after which Mrs X contacted the bank and provided them with her late husband's death certificate. The bank placed a "deceased marker" onto Mr X's accounts which meant any attempted transaction would be referred to the bank's bereavement team for approval.

In 2016, the bank's bereavement team wrote to a person who they believed was Mrs X, using the residential address on file. This was not in accordance with their usual process and this communication was intercepted by a fraudster.

In 2017, the bank's bereavement team received a letter purportedly from Mrs X asking for her contact information to be amended on the account. The bank's bereavement team failed to verify these details and subsequently provided the fraudster with Mrs X's late husband's banking documentation, personal information, investment details, and advice as to how to remit funds and how to obtain probate.

The fraudster then appointed a solicitor to act as power of attorney in respect of Mr X's estate. This solicitor, using the documentation supplied by the fraudster, requested the bank to transfer all the funds to an overseas account. This included funds from Mr X's account valued at approximately £250,000 and funds from a local investment portfolio which had a combined value of £100,000.

The real Mrs X contacted the bank regarding the unrecognised transfers from the account and a complaint was raised. This was the first time the bank was made aware of the fraud. The bank's fraud team investigated and made an offer to the real Mrs X to refund the value of the account and the value of the investment portfolio. Mrs X rejected this, believing the valuation of the local investment portfolio to be incorrect and raised a complaint with the bank providing them with a valuation report that quoted a much higher valuation. The bank sent a final offer to restore the account funds to what they were prior to the fraud and a further £2,500 for distress and inconvenience. Mrs X rejected this offer and took her complaint to CIFO requesting not only a refund and compensation but also reimbursement of her legal costs incurred in her dispute with the bank.

CIFO reviewed the valuation that Mrs X relied upon for her claim and found this was based on an out-of-date investment report. The bank had sent an up-to-date report to Mrs X in 2019. CIFO also noted that the bank acknowledged the fraud was due to its own mistakes. With the help of CIFO the bank re-assessed its previous offer. The bank provided a new offer of approximately £390,000. This included the account funds, provision of an 8% interest rate to compensate for deprivation of the transferred account funds during the ensuing period, the local investment portfolio value, the opportunity cost (loss of investment return) incurred in the investment account during the time taken to deal with the complaint, and a £2,500 payment for distress and inconvenience. Having upheld the complaint, CIFO reviewed the bank's new compensation offer and concluded that the revised total compensation was fair and reasonable under the circumstances.

With respect to the complainant's claim for reimbursement of legal costs, CIFO's general approach is not to compensate complainants for legal expenses unless there was a reasonable basis for engaging legal counsel to pursue the complaint. CIFO's service is free and informal and does not require legal representation. CIFO therefore suggested that Mrs X pursue her claim for reimbursement of legal costs through other means, including the courts, though the bank agreed to negotiate with the complainant to reach an agreement on this one remaining aspect of the complaint.

Case Study #14

INVESTMENT/FUNDS

ONLINE INVESTMENT ACCOUNT BLOCKED PENDING DUE DILIGENCE REQUIREMENTS

Themes

- Inadequate policies and procedures;
- Confusion between bank group entities;
- Out of mandate.

This complaint related to the bank making repeated requests to provide updated customer information and applying restrictions to an online investment account pending receipt of the information.

Mrs F has a number of accounts with a bank group that has entities in the UK and the Channel Islands. Mrs F holds an online investment account with the UK entity and other accounts with the Channel Islands entity.

The investment account held with the UK entity had been blocked in 2018 because the bank required Mrs F to complete a form to confirm how her investments in the United States should be treated for tax purposes. The bank made a number of requests for information which Mrs F attempted to comply with but each time the bank said there were issues either with the information being incomplete, the wrong form being completed, or Mrs F not supplying the right supporting evidence. Towards the end of 2018 the issue was resolved, and the UK entity of the bank confirmed it had all the documentation it required from Mrs F and that the restriction had been lifted. The bank also paid her some compensation for the poor way it had handled things.

In February 2020 Mrs F received another letter from the bank which explained she would need to complete and return the same form for her investment account. Mrs F got in touch with the UK entity of the bank group. She reminded them that they had previously confirmed the bank had everything it required. As a result, she did not think she should need to provide anything else.

The UK entity of the bank group advised Mrs F that the letter had been sent by the Channel Islands entity so the UK bank could not assist her. She was directed to take her complaint to the Channel Islands entity. The UK bank said it had sent copies of her documents that has previously been accepted as being sufficient to meet their requirements. The Channel Islands entity insisted that Mrs F would need to complete the form and provide the supporting documentation again. In the meantime, the online investment account was blocked because the bank had not received the required forms.

Mrs F could not understand why the bank insisted she had not provided adequate information and resubmitted the required forms a number of times over the course of several months. She was repeatedly told that additional information was required despite being previously assured that the only thing missing was the completed form.

Mrs F made a complaint to the bank as she believed that she had now lost several investment opportunities due to the inability to trade during the time the account had been blocked. Mrs F believed that her total losses for the time that the account had been restricted could amount to as much as £50,000 and made a complaint to the bank for the repeated blocks of her online investment account, the way the bank had responded to her complaint, and the repeated delays she had experienced.

In March 2020, the bank provided a final response to Mrs F's complaint advising that the forms had been outstanding since 2014 when it first requested them. The bank said she had not correctly completed the required forms and that Mrs F had been sent repeated reminders to provide all the necessary details. The bank advised it had written to Mrs F again in 2018 after she had complained and advised it was still awaiting the correctly completed forms. The bank also advised that further clarification was sent to Mrs F in January 2020 explaining what information was required and she was warned that without this her account would be blocked. Unhappy with the bank's response Mrs F brought her complaint to CIFO.

CIFO investigated and noted that the UK entity of the bank had previously accepted Mrs F's documentation which she had provided with the assistance of a

Continues on the next page

Case Study #14 (CONT.)

INVESTMENT/FUNDS

ONLINE INVESTMENT ACCOUNT BLOCKED PENDING DUE DILIGENCE REQUIREMENTS

branch of the Channel Islands entity. CIFO queried why this due diligence was not shared between the bank's branches at this time or why no further chasers had been sent to Mrs F if the bank felt the documentation had not been sufficiently completed since 2014.

The bank initially explained that Mrs F had not provided the requested forms for several years, so its actions were reasonable. However, when asked to provided evidence to support its position, the bank explained that the only account that had access restricted was the UK product. It concluded therefore that Mrs F's complaint was out of CIFO's mandate and that it should never have been addressed by the Channel Islands entity. The bank also confirmed that there were no longer any restrictions on the account.

CIFO agreed that it could not consider the complaint regarding the activity being complained about so far as it related to the UK entity. Although the complaint, as brought, was now clearly out of mandate for CIFO to review, the case handler explained to the Channel Islands entity of the bank group that it had significantly contributed to the issues Mrs F had experienced and that it would be appropriate for the Channel Island's entity of the bank to offer compensation for its own errors. The bank agreed to offer Mrs F £250 in compensation, arranged for the UK entity of the bank to contact her as a matter of urgency to resolve the outstanding issues, and confirmed the correct ombudsman scheme to address the complaint to if she remained unhappy with the UK entity's handling of her complaint.

Case Study #15
INSURANCE
MIS-SOLD INSURANCE PLAN AS COMPANY HAD NO LICENCE OR PERMIT TO SELL

Themes
- Mis-sold policy;
- No permit or licence to sell insurance;
- Reluctance to accept liability.

This complaint related to a mis-sold insurance plan as neither the insurance broker nor the underlying insurance company were licensed or permitted to sell the product to the complainant who was resident overseas.

In 2013 Mr E, who lived overseas, was approached by a local insurance broker who sold him an insurance plan that appeared to be a flexible and cost-effective retirement savings vehicle. Mr E subsequently made payments into the plan of $80,000.

Mr E later complained to the underlying insurance company that he had concerns regarding the advice given by the insurance broker as he believed the insurance plan fees were excessive and that the insurance plan, he was sold was mis-represented by the broker. Mr E also found that the insurance broker was not licensed to sell this insurance product in the jurisdiction where Mr E lived.

The insurance company responded to Mr E stating that the insurance broker was an independent financial adviser, selected by Mr E to provide financial advice to him. They also confirmed that this independent financial adviser was not and had never been an agent of the insurance company and therefore the insurance company could not be held responsible for any advice provided by Mr E's independent financial adviser. The insurance company also stated that Mr E's financial adviser was acting as agent on behalf of the "plan holder" regarding the sale of the insurance plan and was not an insurance broker. The insurance company confirmed that Mr E's policy plan contract and acceptance was received by them in good faith and on an unsolicited basis. However, the insurance company did offer to exchange the insurance plan for another similar insurance product and suggested that Mr E sue the financial adviser. Mr E did not accept this offer and brought his complaint to CIFO.

CIFO investigated and found that the insurance broker (or financial adviser according to the insurance company), did not hold the required regulatory permission to sell the insurance product to Mr E in his country of residence. CIFO also noted that the underlying insurance company was also not permitted to sell insurance products in Mr E's country of residence.

CIFO therefore upheld the complaint in favour of the complainant as this was an illegal sale contrary to the laws of the country in which the policy was sold. CIFO recommended that the full policy plan value equivalent to £59,622, should be returned to Mr E without any surrender fee.

Case Study #16
INSURANCE
TERMINATED HEALTH INSURANCE POLICY AND CLAIM REJECTION DUE TO PRE-EXISTING MEDICAL CONDITION

Themes
- Termination of health insurance policy;
- Unclear health insurance policy underwriting guidelines;
- Pre-existing medical condition.

This complaint related to the rejection of a health insurance claim and the cancellation of the insurance policy after a complainant was diagnosed with prostate cancer.

In December 2018 Mr T switched his existing insurance policy which he had held for six years to another insurance provider (HS). The new insurance provider (HS) requested a medical questionnaire and Mr T declared a surgical procedure, a transurethral resection of the prostate, that had been performed some ten years prior. HS did not request any further information and initiated coverage under the policy.

In August 2019 Mr T was diagnosed with prostate cancer and made a claim to HS. The claim was rejected as HS believed that Mr T had a pre-existing condition of high prostate specific antigens (PSA levels) for several years. Mr T provided his PSA level reports and confirmations from the doctor that the levels were not a reason for concern and were normal for his age.

HS advised Mr T that their underwriting guidelines stated that any PSA levels above 4 would require further review before a policy would be approved. As Mr T 's PSA levels were above 4 the policy was subsequently cancelled, and the claim for medical costs incurred for his prostate cancer was rejected. Mr T was refunded his premium payments made to-date. Mr T objected to this as he was not aware that HS used guidelines that were not consistent with international medical standards and he had never been advised that his PSA levels could influence his coverage under the policy. Mr T also complained about the way HS had handled his complaint and requested that his policy be re-instated as he was now unable to arrange cover with an alternative insurance provider given his cancer diagnosis.

In September 2019, HS provided a final response to Mr T 's complaint by re-affirming the cancelation of the policy and claim rejection in accordance with their underwriting guidelines. Mr T brought his complaint to CIFO and requested the cover of his medical fees and the re-instatement of his health insurance policy with HS.

CIFO investigated and found that HS had requested additional information with regards to the PSA levels after Mr T submitted his medical questionnaire but had simply asked if these were within normal range. The term “normal” was not defined and Mr T confirmed that his PSA levels were within normal range. CIFO also noted that neither the medical questionnaire nor the policy made any mention of PSA levels. CIFO recommended HS reimburse Mr T 's medical costs valued at €16,516, €48 in costs he had incurred to provide evidence for the investigation, and €1,121 in interest (calculated at 8%) from the date the invoices were settled with Mr T 's credit card. CIFO also felt that compensation of €1,675 for distress and inconvenience should be awarded to Mr T . CIFO upheld the complaint in favour of the complainant and determined that the insurance company pay Mr T a total of €19,362.

Case Study #17
INSURANCE

NO EVIDENCE THAT VEHICLE INSURANCE PREMIUMS WERE AFFECTED BY AN OLD CLAIM

Themes

- Inadequate policies and procedures;
- Data retention policy;
- Vehicle insurance and brokerage.

This complaint related to vehicle insurance premiums that the complainant believed were affected by an old insurance claim and an allegation that documentation relating to that old claim had been inappropriately destroyed rather than retained to satisfy her query.

Ms C, using an insurance broker, had obtained a vehicle insurance policy sometime between 2000 and 2009. She later switched the insurance policy through her broker to an alternative provider from 2011 until 2018 when the policy was cancelled.

In July 2019 Ms C asked her insurance broker to provide a full historical list of claims made on her vehicle insurance policies. Upon receipt of this list Ms C believed a successful claim was missing from the list. According to Ms C, it was made against her policy in 2002 and the insurance company had destroyed documents relating to this incident which resulted in Ms C having to pay higher premiums. The insurance broker said that it only held documents for up to six years. It contacted the two underlying insurance companies to obtain further details, but the insurers also no longer held claims records from that time.

Ms C felt that the broker should have retained this data for longer, especially because she had switched her insurance provider in 2011 and had made a complaint requesting repayment for the excessive premiums that she felt she had paid because of the 2002 claim.

The insurance broker told Ms C it was not required to hold records for longer than six years and did not feel that a refund of her insurance premiums was an appropriate resolution to her complaint.

CIFO investigated and noted that according to the local data protection regulations, firms were only required to retain records for a period of six years. CIFO found that as both underlying insurance companies had provided services longer than the required six-year data retention period, it was unreasonable to expect them to have kept documents relating to the 2002 claim incident. CIFO also found that several local insurance brokers offered vehicle insurance policies based on the previous five years driving record and therefore noted that Ms C's premiums may not have been affected by the 2002 incident. CIFO did not see any evidence to indicate that records were being withheld from Ms C. CIFO referred Ms C to the local data protection authority and advised her to contact them if she had concerns regarding the broker or the insurance companies' data retention obligations. CIFO did not uphold the complaint.

Case Study #18
INSURANCE

INSURANCE CLAIM REJECTED AS NO POLICY IN PLACE BECAUSE THE INSURANCE COMPANY FAILED TO ADVISE THE CUSTOMER OF RENEWAL

Themes

- Inadequate policies and procedures;
- Customer’s contributory conduct;
- Lack of policy renewal notice.

This complaint related to the failure of an insurance company to advise a customer that their policy was due for renewal.

In June 2020 Mrs C submitted a claim for £4,201 to her insurance company following damage to her vehicle. The insurance company advised Mrs C that she no longer had cover as this had lapsed when Mrs C had not renewed her policy in June 2019. Mrs C contacted the broker that had originally placed the policy to query why it had not been renewed. The broker advised Mrs C that the insurance policy renewal had been sent to her in June 2019 and that no response had been received from her. The broker also pointed out that no premium had been paid towards the policy so Mrs C should have been aware that the policy had not been renewed.

Mrs C made a formal complaint to the broker as she said she had not received the renewal letter. She said that the renewal letter should have been sent by recorded delivery and that the broker should have used an alternative method of contact to advise her that the renewal was due. Mrs C said that it was the broker’s fault she had not been insured so it should cover the cost of her claim. Mrs C also complained that the broker had not accepted a verbal complaint and did not provide their complaints procedure until Mrs C had already submitted her complaint.

The broker reviewed their files and provided Mrs C with evidence to show that a letter inviting her to renew her policy was sent. They also advised that they had recently changed their process to call customers prior to policies lapsing but that this process was not yet in place at the time Mrs C’s renewal invitation letter was sent out. In July 2020, the insurance company provided a final response to reject the complaint and Mrs C brought her complaint to CIFO.

CIFO investigated and noted that the broker’s systems did indicate that a renewal notice letter had been issued. CIFO also noted that there is no requirement for a business to send all correspondence via recorded delivery. CIFO found that on the balance of probabilities the insurance company most likely sent the renewal invitation letter to Mrs C. CIFO concluded that it would be unreasonable to hold the broker responsible for Mrs C not being insured, especially as the policy had lapsed almost a year before her accident. CIFO did not uphold the complaint.

Case Study #19
PENSION
PENSION PROVIDER REFUSES PENSION TRANSFER REQUEST

Themes
- Pension plan transfer;
- Trustee responsibility.

This complaint related to the failure of a pension plan provider to transfer the pension plan to another provider at the request of the financial advisor on behalf of the plan beneficiary.

In June 2019 Mr K's independent financial advisor contacted Mr K's pension plan provider to obtain the relevant transfer-out paperwork as the advisor said Mr K was considering a transfer to another pension plan provider based in the UK. The pension plan provider contacted Mr K directly to ensure that the request from his advisor was genuine and authorised. Mr K confirmed that it was and the pension plan provider sent out the relevant paperwork to initiate the plan transfer.

In October 2019 Mr K's pension plan provider received all the necessary documentation to effect the transfer-out of the plan. However, in November 2019 the pension plan provider, as trustees of the pension plan, advised that the proposed transfer was not in Mr K's best interest and that it could not complete the transfer as requested. Mr K made a complaint and Mr K's pension plan provider which issued a final response letter confirming that they believed the advice given from Mr K's advisor was conflicted, that the new pension plan provider lacked transparency around its fees and charges, and that the new plan had a significant lock-in period.

Mr K responded to his pension plan provider stating that he believed the new plan's terms were reasonable, that the investment proposition was robust, and that he was willing to sign a disclaimer absolving his pension plan provider of any liability in connection with the transfer. Mr K again requested the transfer, but his pension plan provider again refused. Mr K brought his complaint to CIFO.

CIFO investigated and found that the local law states a trustee acting as pension plan provider has a fiduciary duty to consider the best interests of the beneficiary pension plan holder and a failure to do so could leave the pension plan provider liable from both a legal and regulatory perspective. CIFO acknowledged the pension plan provider's concerns about the transfer request. The pension plan provider offered to reconsider the transfer if additional reassurances to their concerns could be given and also offered to consider transfers to other UK-based pension plan providers.

Mr K provided additional information from the proposed new pension plan provider which confirmed the lock-in period would be removed and clarified the fees and charges. CIFO also noted that the position taken by the current pension plan provider could also be seen as conflicted as they collected annual trustee fees from the plan and a transfer-out would cause them to lose business. After receiving the assurances which addressed the current pension plan provider's concerns, CIFO upheld the complaint and the plan transfer proceeded as requested by Mr K.

ANNEX 6

INSIGHT INTO OUR APPROACH

UNDERSTANDING 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 in the circumstances.

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. That can mean awarding money – for example, compensation for financial loss due to unsuitable investment advice or a transaction error, paying an insurance claim, 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 on a credit file, reinstating a no-claims discount, 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.

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's 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, most FSPs decide to pay the full amount.

AWARDS FOR TROUBLE, UPSET, 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:

- 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.

EXAMPLES OF AWARDS FOR DISTRESS AND INCONVENIENCE

In considering compensation for distress and inconvenience, CIFO has taken note of, and will generally seek to be consistent with the approach taken and compensation ranges used by the Financial Ombudsman Service in the United Kingdom (UK FOS). The ranges of compensation are as follows:

- Moderate (less than £500)
- Substantial (£500 to £2,000)
- Severe (£2,000 to £5,000)
- Extreme (£5,000 or more)

ANNEX 6 (CONT.)
INSIGHT INTO OUR APPROACH
UNDERSTANDING CIFO'S GENERAL APPROACH TO COMPENSATION

Awards for moderate distress and inconvenience will generally be associated with errors which cause any one or more of:

- A short delay
- Brief upset
- Mild concern
- Minor inconvenience

In considering whether awards for distress and inconvenience in individual complaints should be for an amount falling within the higher ranges noted above, CIFO will generally take into account such aggravating factors as:

- Whether the error was a single incident or a recurring sequence of similar or different incidences;
- The degree of frustration or unnecessary delay caused to the customer;
- The degree of unnecessary and/or ongoing stress and disruption caused to the customer's life and wellbeing;
- The degree of embarrassment caused to the customer;
- The degree of reputational damage and time spent mitigating;
- The degree of disappointment caused to the customer;
- The degree of distress and anxiety caused to the customer;
- The length of time the disruption is caused to the customer;
- The reduced living standard caused to the customer;
- The lost opportunity for a significantly different lifestyle caused to the customer;
- The degree of pain and suffering caused to the customer;
- The degree of vulnerability of the customer;
- The long-term and/or far-reaching consequences caused to the customer; and/or,
- The irreversible changes to the personal or professional life of the customer.

CIFO will also take into account the customer's conduct in determining the amount of any award for distress and inconvenience. CIFO will generally take into account such factors as:

- Whether the customer could have taken reasonable steps to mitigate the effect of the FSP's error; and/or,
- Whether the conduct of the customer contributed to the incident that gave rise to the distress and inconvenience.

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, firms, factual backgrounds and outcomes) means it would be unreasonable to bind future decisions to the individual circumstances of previous ones.

INTEREST AWARDS

CIFO might tell an FSP to pay interest on top of (or as part of) any payment we recommend. Interest on an award is usually calculated from the date the customer should have had the money until the date it was actually paid. This additional compensation accounts for the fact that the FSP arguably could have, and should have, made the funds available to the customer throughout the period since the incident occurred to when the compensation is paid.

We can award interest in three ways:

- **As part of the award itself.** For example, we might tell the FSP to refund interest it charged the customer on their mortgage if they were incorrectly paying a higher amount.
- **On top of a financial award.** For example, if the customer was 'deprived' of money – meaning they did not have it available to use – we can tell the FSP to pay interest on top of the money award.
- **After the financial award has been calculated.** For example, if there is an unreasonable delay in settling a complaint following an ombudsman decision. We can decide that 8% simple interest should start to accrue until the award is paid.

ANNEX 6 (CONT.)

INSIGHT INTO OUR APPROACH

UNDERSTANDING CIFO'S GENERAL APPROACH TO COMPENSATION

In most cases, we think a rate of 8% simple interest per year is appropriate to reflect the cost of being deprived of money in the past. We would not normally use the current rates paid on deposit accounts as a benchmark. This is because the rates of interest customers have to pay in order to access funds to replace the funds lost are usually much higher. This rate takes also into account that:

- The rate is gross before tax is deducted;
- It often applies to losses at times when different base rates applied; and,
- Current interest rates charged on overdrafts and loans may not have reduced in line with the base rate.

In some cases, we can use a different rate if we think it is fair to do so. For example, if we think the money a customer was deprived of might have been used to pay a credit card bill, we might use the higher interest rate they were charged on the outstanding credit card balance instead.

We note that most customers will have to pay a basic rate of income tax.

COSTS AWARDS

Occasionally, we might tell an FSP to reimburse some or all of the costs a customer reasonably incurred. Costs awards are not common, but we need to think about what is fair in each individual case. As CIFO is a free service operating in a non-legalistic manner, we do not normally reimburse for legal advice or other professional expenses if, in our view, they were not reasonably required in the circumstances.

Costs awards can also include interest.

DIRECTIONS

We might decide that an FSP needs to put things right in a way that does not involve paying money. For example, amending an error in a customer's credit file or issuing a letter of apology.

HOW COMPENSATION IS PAID

In most cases, FSPs should pay the compensation amount that we award directly to their customer.

But this is not always appropriate. For example, if the customer owes a debt to an FSP, we might say it is reasonable to offset any compensation against the debt owed. CIFO would only do this where we think the complaint would be fairly addressed by doing so.

In some other circumstances, for example where there is a trust in place holding investment or pension assets, we may direct that payment be made directly to the trust to restore the trust assets that may have been affected by the FSP's error or omission. In this way we avoid or minimise any undue impact on the trust itself and any potential legal, confidentiality or taxation implications which could arise.

CALCULATING COMPENSATION - GENERAL

Sometimes we will recommend that an FSP follow a formula to work out the right amount of money to pay to the customer.

This might be because the calculations involve information that CIFO does not have but is on the FSP's own systems or is available from a third party, such as an actuary.

As an example, where we think an FSP gave their customer unsuitable investment advice, we might tell the FSP to compare the value of the actual investment with a suitable investment or benchmark portfolio of suitable investments that was available at the time.

We might also ask an FSP to re-work an account – for example if the customer has been charged an incorrect interest rate and they incurred additional charges or costs as a result. Where we tell the FSP the basis on which to pay compensation, we will always explain the principle behind the calculation to customers so that they can understand what was involved.

ANNEX 6 (CONT.)
INSIGHT INTO OUR APPROACH
UNDERSTANDING CIFO'S GENERAL APPROACH TO COMPENSATION

CALCULATING COMPENSATION - INVESTMENT - RELATED COMPLAINTS

Investment-related complaints require a more specific approach to determining compensation where we think an FSP gave their customer unsuitable investment advice, we might tell the FSP to compare the value of the actual investment with a suitable investment or benchmark portfolio of suitable investments that was available at the time.

Where it is not clear what product a complainant may otherwise have invested into, CIFO uses the ARC Private Client Indices (PCI) as an appropriate comparative benchmark. The PCI is produced by Asset Risk Consultants Limited (ARC) using performance data gathered from 68 contributing portfolio managers, many of which are based in the Channel Islands. This affords it a particular relevance to investment complaints brought to CIFO as opposed to a benchmark or index predominantly focused on UK-based firms or investments.

The PCI has four benchmarks which measure the average performance of portfolios of varying levels of risk. The benchmarks are listed below from lowest to highest risk:

- Cautious
- Balanced
- Steady Growth
- Equity Risk

CIFO is aware that some investment firms use more than four risk profiles when assigning a risk rating to a customer. Where a complainant appears to straddle the border between two PCI risk profiles, CIFO will generally use the average performance of the two benchmarks to calculate compensation.

To calculate compensation for a single unsuitable investment which is no longer worth anything, CIFO will run the benchmark from the original date of investment up until the point the unsuitable investment was either sold, became illiquid, or the date of CIFO's final decision. If the PCI indicates that a suitably invested portfolio would have increased in value during the corresponding period, this percentage growth will be added to the complainant's original invested amount in order to calculate total compensation payable.

It is important to note that the value of any investment, even those which are suitable, can go up or down. If the PCI indicates that an alternative investment would have lost value in the invested period, CIFO is likely only to award the amount that the investment would have been worth had it been invested suitably. As a result of actual market performance, this may result in the complainant receiving less than they originally invested.

In some circumstances, CIFO will need to undertake more complex calculations to come to a fair and reasonable settlement. The following factors may affect the amount of compensation or type of resolution determined by the CIFO in an investment complaint:

- The unsuitable investment had, or still has, some realisable value;
- The unsuitable investment has not caused a loss and/or has actually increased in value;
- The complainant has received income from the unsuitable investment;
- The unsuitable investment has not yet matured, and its value cannot be easily determined before a certain future date;
- The unsuitable investment has value but cannot currently be sold, for example an investment into a fund which has been suspended.

CIFO will take all of these factors into account to ensure that the complainant is placed in the position they would have been but for the error made by the FSP.

ANNEX 6 (CONT.)
INSIGHT INTO OUR APPROACH
UNDERSTANDING CIFO'S GENERAL APPROACH TO COMPENSATION

Examples of Loss Calculation – Investment-related Complaints

Where an unsuitable investment has failed entirely and has no value, CIFO will compensate the invested amount plus the return which could otherwise have been generated with reference to the PCI which accords with the complainant's risk profile:

Invested Amount	Current Investment Value	ARC Benchmark to Date	ARC Benchmark Investment Return (+)	Total Compensation
£10,000	**£0**	**+10%**	**+£1,000**	**£11,000**

If the PCI suggests that the investment would have lost value, even if suitably invested, CIFO will only compensate the value of the investment as it would have stood according to the PCI:

Invested Amount	Current Investment Value	ARC Benchmark to Date	ARC Benchmark Investment Return (+)	Total Compensation
£10,000	**£0**	**-10%**	**-£1,000**	**£9,000**

If the investment has already been sold, CIFO will remove the proceeds received from the sale from the final compensation amount to avoid overcompensating the complainant:

Invested Amount	ARC Benchmark to Date	ARC Benchmark Investment Return (+)	Investment Sale Proceeds Already Received (-)	Total Compensation
£10,000	**10%**	**+£1,000**	**-£2,000**	**£9,000**

Similarly, if the complainant has received income from the investment during the time invested, this will also be removed from the final compensation amount:

Invested Amount	ARC Benchmark to Date	ARC Benchmark Investment Return (+)	Investment Sale Proceeds Already Received (-)	Investment Income Already Received (-)	Total Compensation
£10,000	**10%**	**+£1,000**	**-£2,000**	**-£1,000**	**£8,000**

UNDERSTANDING CIFO'S GENERAL APPROACH TO COMPENSATION

In the event an unsuitable investment has increased in value and overperformed the PCI which accords to the complainant's risk profile, CIFO will generally decide not to award any compensation to the complainant:

Invested Amount	Current Investment Value	ARC Benchmark to Date	Actual Performance to Date	Current Investment Value compared to ARC Benchmark Value (+/-)	Loss on Investment Amount compared to ARC Benchmark Value	Total Compensation
£10,000	**£12,000**	**+10%**	**+20%**	**+£1,000**	**Nil**	**Nil**

In the event an unsuitable investment has been suspended, or has not yet matured, CIFO will generally take one of the following approaches depending on the wishes of the complainant:

- Request that the complainant immediately sell the investment, thereby crystalising the loss and allowing CIFO to proceed with calculating compensation up to the point of sale; or,
- Order the FSP to take back the unsuitable investment, along with the right to any future proceeds in the event the investment matures or is no longer suspended and compensate the complainant for the total value of the investment and any PCI return up until the date of transfer to the FSP.

Scenario 1

Invested Amount	Current Investment Sale Value	Loss on Invested Amount	ARC Benchmark on Invested Amount to Date of Sale	ARC Benchmark Investment Return (+)	Total Compensation
£10,000	**£3,000**	**£7,000**	**10%**	**£1,000**	**£8,000**

Scenario 2

Invested Amount	Current Investment Value	Loss on Invested Amount	Amount FSP to Pay as Consideration for Transfer of Investment	ARC Benchmark on Invested Amount to Date of Transfer	ARC Benchmark Investment Return (+)	Total Compensation
£10,000	**?**	**?**	**£10,000**	**10%**	**£1,000**	**£11,000**

ANNEX 7
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 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. Details on the 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 Official Observers and Affiliate 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 better resolved by those schemes and to accept referrals of complaints from FIN-NET member schemes that fall within CIFO's remit to resolve.

Ombudsman Association (OA)

CIFO is an active member of the Ombudsman Association (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. CIFO's Principal Ombudsman serves on the OA board of directors. 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.

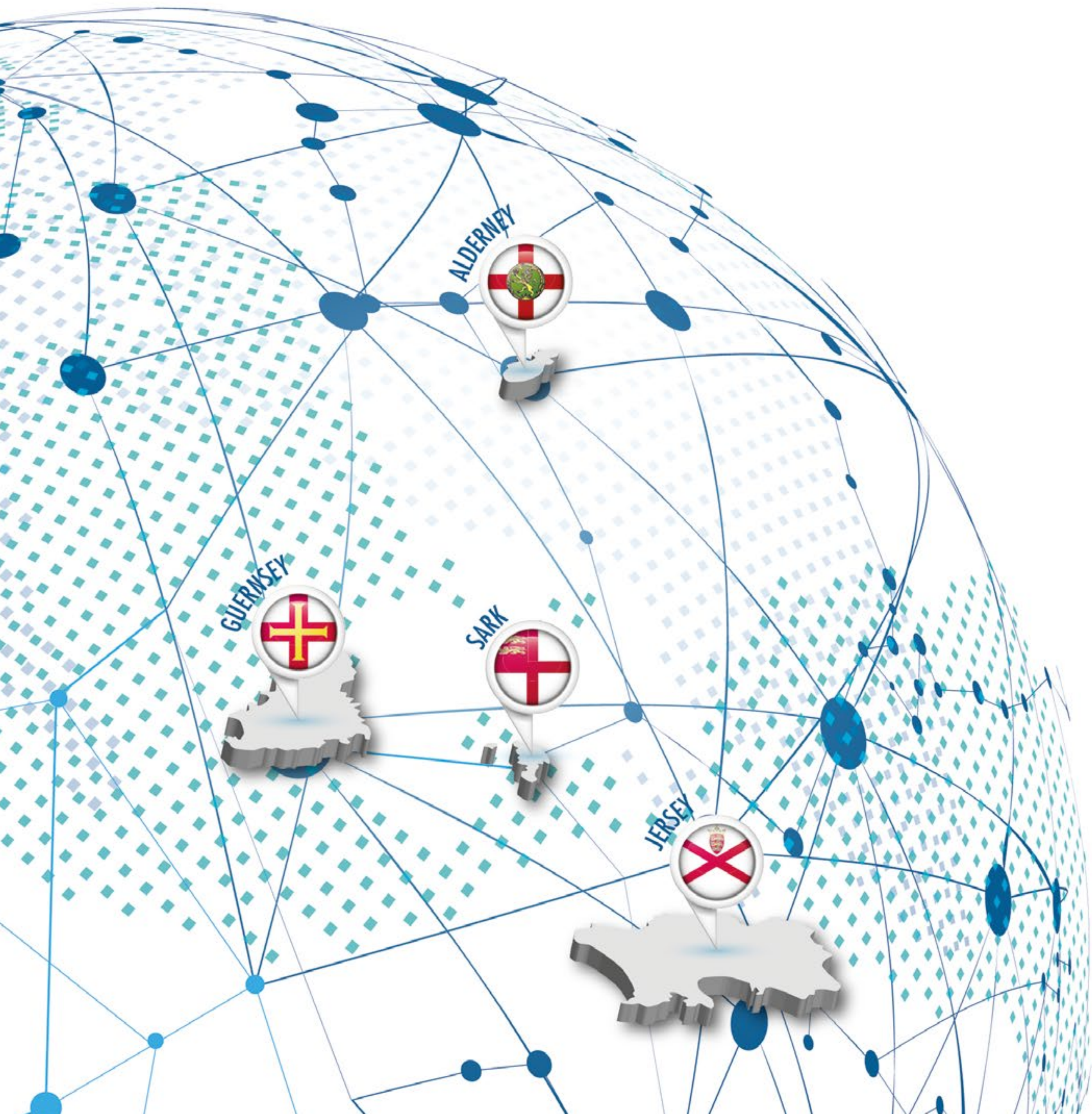
UK Financial Ombudsman Service (UK FOS)

Given the close relationship between the Channel Islands and the UK and the fact that many financial services providers 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.

Recent developments in the UK which were notable given CIFO's complaints experience included regulatory developments involving authorised push payment (APP) fraud and the UK Supreme Court decisions on business interruption insurance claims arising from business losses attributable to the Covid-19 pandemic.

APPENDIX
2020 AUDITED FINANCIAL STATEMENTS

Channel Islands Financial Ombudsman



Sark Harbour, Sark

CHANNEL ISLANDS FINANCIAL OMBUDSMAN
Audited financial statements
for the year ended
31 December 2020

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 John Curran Deborah Guillou John Mills
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

The Chairman presents his statement for the year.

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. These financial statements reflect the joint operation.

The joint operation is provided for in the Memorandum of Understanding between the States of Guernsey and the States of Jersey and in the relevant legislation in each Bailiwick. 2020 is the first year in which the financial statements have been prepared for the Channel Islands Financial Ombudsman, prior to this separate financial accounts were prepared for each OFSO, with operating expenses divided equally between the two bodies. These expenses are covered by annual levies, charged equally by the financial sector in each Bailiwick and supplemented by case fees.

The Board's adoption of a new structure for the annual levies came into effect from 1 January 2020, with the same annual levy charged to financial service providers active in similar areas of financial services irrespective of the Bailiwick in which they operate. Previously the actual levy for similar providers differed in each Bailiwick due to the different number of providers. In order to facilitate this, the accounts of the OFSOs are combined from 1 January 2020. This was put in place by an amended Memorandum of Understanding and amendments to the legislation by the Financial Services Ombudsman (Bailiwick of Guernsey) (Amendment) (No.2) Ordinance 2019 and the Financial Services Ombudsman (Case Fee and Levies) (Bailiwick of Guernsey) (Amendment) Order, 2019 and the Financial Services Ombudsman (Case-Fee, Levy and Budget - Amendments No.2) (Jersey) Regulations 2019.

The increase in expenditure during 2020 arises mainly from an increase in staff (consistent with the growing workload), additional IT costs to enable remote operation during the pandemic and increased case-related costs to assist with clearing the backlog of cases. As case-related costs are unforeseeable, they are not normally included in the annual budget and are met from reserves. Because of the case-related costs, the operating surplus during 2020 is lower than budgeted.

The accumulated surplus at the end of 2020 reflects the operating reserve. This is intended to cover the operating costs payable between the end of the year and levy receipts during the following year. It is also intended to cover 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.

David Thomas
Chairman
28 April 2021

The directors present their report and the financial statements for the year ended 31 December 2020.

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 requires the directors to prepare financial statements for each financial year. Under that law 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 OFSO's 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 6.

DIRECTORS

The directors who held office during the year were:

David Thomas - Chairman
John Curran
Deborah Guillou
John Mills

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 27 April 2021 and signed on its behalf.

Original signed 28 April 2021

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 2020, 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 2020 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 requires 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.

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.

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.

We identify and assess the risks of material misstatement of the financial statements as a whole, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is in our professional judgement sufficient and appropriate to provide a basis for our opinion.

We consider the Body Corporate's susceptibility to fraud and other irregularities, taking account of the business and control environment established and maintained by the directors, and the nature of transactions, assets and liabilities recorded in

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

Auditor's responsibilities for the audit of the financial statements (continued)

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.

Other matter

The financial statements of the Office of the Financial Services Ombudsman – Jersey and Office of the Financial Services Ombudsman - Guernsey for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified audit opinion on those financial statements on 27 April 2020.

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.

Date: Original signed 29 April 2021

STATEMENT OF INCOME AND RETAINED EARNINGS
for the year ended 31 December 2020

	Notes	2020 GBP	2019 GBP
Revenue	3	1,051,474	944,011
Gross surplus		1,051,474	944,011
Administrative expenses	4	(982,488)	(911,698)
Operating surplus		68,986	32,313
Interest receivable		523	1,326
Surplus for year		69,509	33,639
Retained earnings brought forward		427,406	393,767
Retained earnings carried forward		496,915	427,406

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

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Notes	2020		2019	
		GBP	GBP	GBP	GBP
Fixed assets					
Intangible assets	5		25,620		32,470
Tangible assets	5		1,955		902
			27,575		33,372
Current assets					
Unbilled case fees	6	99,100		73,300	
Debtors and prepayments	7	17,542		5,784	
Cash and cash equivalents	8	403,338		378,616	
		519,980		457,700	
Creditors: Amounts falling due within one year					
Creditors and accruals	9	50,640		63,666	
Net current assets			469,340		394,034
Net assets			496,915		427,406
Capital and reserves					
Accumulated surplus	11		496,915		427,406
			496,915		427,406

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 April 2021

Original signed 28 April 2021

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Notes	2020 GBP	2019 GBP
Cash flows from operating activities			
Profit for year		69,509	33,639
Adjustments for:			
Interest receivable		(523)	(1,326)
Depreciation / amortisation	5	11,559	10,074
(Increase) / decrease in unbilled income		(25,800)	15,800
(Increase) / decrease in debtors and prepayments		(11,758)	1,370
(Decrease) / increase in creditors and accruals		(13,026)	2,795
Net cash generated from operating activities		29,961	62,352
Cash flows from investing activities			
Purchase of intangible assets	5	(4,390)	(16,558)
Purchase of tangible assets	5	(1,372)	-
Interest received		523	1,326
Net cash used in investing activities		(5,239)	(15,232)
Net increase in cash and cash equivalents		24,722	47,120
Cash and cash equivalents at the beginning of the year		378,616	331,496
Cash and cash equivalents at the end of of the year		403,338	378,616
Cash and cash equivalents at the end of the year comprise:			
Cash and cash equivalents	8	403,338	378,616

Net debt reconciliation

Cash and cash equivalents	As at 1 Jan 2020 GBP	Cash flows GBP	As at 31 Dec 2020 GBP
Cash	378,616	24,722	403,338
Overdrafts	-	-	-
Cash equivalents	-	-	-
	378,616	24,722	403,338

The accompanying notes on pages 10 to 20 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. A wide-ranging review of the funding approach was carried out from April 2017 to June 2018 and involved several stages of stakeholder consultation.

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 2020 is set out in the Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2020 (the '2020 Guernsey Levy Scheme') and the Financial Services Ombudsman Levy Scheme (Jersey) 2020 (the '2020 Jersey Levy Scheme'). The detail regarding the levies for 2019 is set out in the Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2019 (the '2019 Guernsey Levy Scheme) and the Financial Services Ombudsman Levy Scheme (Jersey) 2019 (the '2019 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 2020 levy was payable per sector of activity, for which, on 8 January 2020, 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 2020 Guernsey Levy Scheme or 2020 Jersey Levy Scheme. Levy notices were sent out from March to September 2020 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 2020. 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. To enable the replenishment of the reserves for 2020 the total levy amount required was £972,368, an increase of 11.5%.

Levy income is recognised in the period to which the levy relates. No adjustment is made in respect

Actual 2020 levy amounts per sector:

	GBP
Banking	474,894
Insurance and/or general insurance mediation business	153,232
Investment business and/or fund functionary	209,752
Money service business	60,288
Registered credit provider	54,008

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 (or since the OFSO opened for business) the OFSO may issue an interim case fee invoice.

1 Accounting policies - continued

1.4 Intangible and tangible assets

Intangible assets comprise primarily of 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 income, debtors, cash and cash equivalents, creditors and accruals. There are no other financial instruments in these financial statements.

(i) Financial assets

Unbilled income 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 profit or loss.

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 GBP 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 income 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:

	2020 GBP	2019 GBP
Case fees		
Guernsey OFSO	34,400	22,000
Jersey OFSO	64,900	48,300
Levies		
Guernsey OFSO	467,292	443,942
Jersey OFSO	484,882	429,758
Interest on overdue levies		
Guernsey OFSO	-	4
Jersey OFSO	-	7
	1,051,474	944,011

4 Administrative expenses

	2020 GBP	2019 GBP
Directors' remuneration	42,000	42,000
Staff salaries	579,351	520,552
Employer social security	29,258	27,366
Staff pension costs	50,791	46,730
Staff training	4,514	11,374
Hotels, travel, subsistence	3,208	13,196
Computer costs	56,009	39,474
HR costs	9,297	-
Legal and professional fees	-	1,226
Case-related costs	64,200	38,296
Auditor's remuneration	18,029	32,770
Accountancy fees	-	11,092
Bad debts	2,512	1,118
Rent and rates	55,755	50,794
Insurances	33,774	34,740
Recruitment and licence fees	4,191	9,078
Printing and stationery	555	2,232
Postage	1,078	1,280
Telephone	1,106	2,190
General office expenses	2,657	5,184
Trade subscriptions and CPD	5,581	4,730
Bank charges	811	1,164
Line of credit charge	2,500	2,500
Administration costs	3,750	2,522
Depreciation / amortisation expense	11,559	10,074
Loss on forex	2	16
	982,488	911,698

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 2020	1,272	16,694	41,354	59,320
Additions in year	1,372	2,363	2,027	5,762
At 31 December 2020	2,644	19,057	43,381	65,082
Depreciation / amortisation				
At 1 January 2020	370	9,372	16,206	25,948
Charge for year	319	2,699	8,541	11,559
At 31 December 2020	689	12,071	24,747	37,507
Net book value				
At 31 December 2020	1,955	6,986	18,634	27,575
At 31 December 2019	902	7,322	25,148	33,372

6 Unbilled case fees

	2020 GBP	2019 GBP
Case fees (see note 1.3)	99,100	73,300

7 Debtors and prepayments

	2020 GBP	2019 GBP
Other debtors	2,747	-
Trade debtors	2,612	6
Prepayments	12,183	5,778
	17,542	5,784

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

	2020 GBP	2019 GBP
Balance at the start of year	-	-
Reversals (cash received)	-	-
Additions	1,256	-
Balance at end of year	1,256	-

The debt was recovered on 25 February 2021.

8 Cash and cash equivalents

	2020 GBP	2019 GBP
Cash at bank	403,338	378,616

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 (2019: £250,000).

The current account has a purchasing card facility of £15,000 (2019: £15,000).

9 Creditors and accruals: Amounts falling due within one year

	2020 GBP	2019 GBP
Accruals	22,130	31,500
Trade and other creditors	28,510	32,166
	50,640	63,666

No accrual has been made for unused annual leave as the directors do not consider it material.

10 Financial instruments

	2020 GBP	2019 GBP
Financial assets		
Financial assets measured at amortised cost	519,980	457,700
Financial liabilities		
Financial liabilities measured at amortised cost	(50,640)	(63,666)

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

During 2017, the OFSOs entered into a new serviced office licence agreement with Vantage Innovation Limited with a commencement date of 1 January 2018, fixed until 31 December 2019 (£3,654 per month). On 24 May 2019 a new agreement was entered into, due to OFSOs moving to a larger office, with a commencement date of 1 June 2019, fixed until 31 December 2021 (£4,646 per month). The agreement has been classified as an operating lease. The future commitments are as follows:

	2020 GBP	2019 GBP
Due within one year	55,752	55,752
Due 1 - 5 years	-	51,106
	55,752	106,858

13 Related party transactions

During the year, board remuneration of £24,000 (2019: £24,000) was paid to David Thomas, the chairman, and £18,000 (2019: £18,000) was paid in aggregate to the three non-executive directors. No amounts were outstanding at the year end (2019: £nil).

The principal ombudsman is considered to be key management personnel. Remuneration in respect of the principal ombudsman is £174,125 (2019: £155,208). (Outstanding: £nil). Insurance costs recoverable at year end £2,747 (2019: £nil).

St Aubin Harbour, Jersey

Fairness of **outcome**...
Fairness of **process**...

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