

2023 | Annual Report





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Submission Letter

April 2024



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President
Committee for Economic Development
States of Guernsey
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Guernsey
GY1 3GX

Deputy Kirsten Morel
Minister for Sustainable Economic Development
Government of Jersey
19-21 Broad Street
St Helier
Jersey JE2 3RR

30/04/2024

Dear President and Minister

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 2023. These take the form of a shared report accompanied by shared accounts, which include a division of overall overheads in accordance with the memorandum of understanding between you.

The report and financial statements are submitted under section 1(c) of Schedule 2 of the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014 and article 1(c) of Schedule 2 of the Financial Services Ombudsman (Jersey) Law 2014.

Yours sincerely

Antony Townsend
Chair

About CIFO

The Channel Islands Financial Ombudsman (CIFO) is an independent service which resolves disputes between complainants and their Financial Service Providers (FSPs) such as banks, investment firms, financial advisors, insurance companies and others as set out elsewhere in this report.

CIFO began operating on 16 November 2015. We have one team and a single Board of Directors overseeing two financial ombudsman bodies set up by law in Jersey and Guernsey. The States of Jersey and States of Guernsey jointly appoint the Board of Directors and the Board, in turn, appoints the Principal Ombudsman and Chief Executive and any holders of the role of Ombudsman.

Our aim is to resolve complaints fairly, effectively, promptly, helping both sides understand our view of what a fair and reasonable outcome would be. If we uphold a complaint, we can award compensation to complainants and tell the FSP to put things right.

Complaints can be brought to us by individual consumers and small businesses (microenterprises) from anywhere in the world. Some Channel Islands charities can also bring their complaints to us.

How we work

The first thing we do when we receive a complaint is decide whether we are allowed to look at it under our laws. More details about how we do this are published on our website, [here](#). More information about the types of complaints we can look at is also published on our website, [here](#).

If we decide we are going to review a complaint, we let the complainant know. We then ask the FSP for its side of the story. Once we have all this information the case is given to an adjudicator or ombudsman, and they start their review.

During our reviews, the adjudicator or ombudsman will find out what has happened, propose settlements, and make decisions based on what is fair to both the consumer and the FSP. In deciding what is fair they will take into account the law, regulation, applicable professional body standards, codes of practice, codes of conduct, general industry practice, and what is fair and reasonable in the individual circumstances of the complaint.

More information about how we work - and the timeliness targets for our work - can be found in the table on page 7 and on our website [here](#).



THE CIFO TIMELINESS TARGETS

7 days → 14 days → 90 days (3 months) → 60 days (2 months)



STAGE 1
Intake &
Assessment



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



STAGE 3
Allocation
and Review



STAGE 4
Ombudsman
Decision

2023 Complaints Statistics & Observations



Complaints Statistics

The published complaints statistics summary relates to the period between 1st January 2023 and 31st December 2023. The statistical highlights during 2023 were:



179

COMPLAINTSCARRIED FORWARD
FROM 2022

562

COMPLAINTS

RECEIVED



515

COMPLAINTS

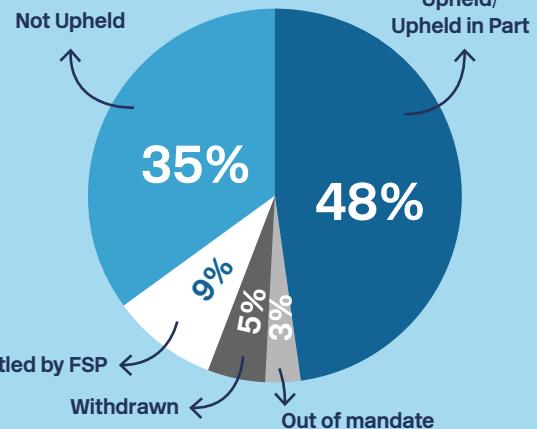
CLOSED



336

CASES OPENED
FOR REVIEW BY
CIFO

343

CASES CLOSED**SECTORS****153****BANKING**
139 Jsy / 13 Gsy / 1UK**148****INSURANCE**
144 Gsy / 1 Jsy / 3 UK**14****PENSION**
11 Gsy / 3 Jsy**20****INVESTMENT**
18 Jsy / 2 Gsy**1****NON-BANK CREDIT**
1 Gsy**TOP 3 PRODUCTS****94****HOME EMERGENCY
INSURANCE**
93 Gsy / 1 Jsy**35****HEALTH
INSURANCE**
35 Gsy / 0 Jsy**88****CURRENT
ACCOUNTS**
85 Jsy / 3 Gsy**TOP 3 ISSUES****138****POOR ADMINISTRATION
AND DELAY**
73 Gsy / 64 Jsy / 1UK**51****NON-PAYMENT
OF CLAIM**
49 Gsy / 2 UK**29****FEES/
CHARGES**
19 Gsy / 9 Jsy / 1UK**Complaints** = all complaints received by CIFO about FSPs whether or not they are ultimately confirmed as falling within CIFO's statutory mandate.**Cases** = complaints that are within CIFO's statutory mandate (with some exceptions that may be found to be out of mandate after a closer review of the complaint).A full breakdown of CIFO's 2023 complaints statistics has been published in 'CIFO's Annual Statistical Data Report for 2023' which can be located on CIFO's website, [here](#).

2023 COMPLAINTS STATISTICS & OBSERVATIONS (CONT.)

FSP Summary Complaints Statistics

The published FSP summary complaints statistics relate to the period between 1st January 2023 and 31st December 2023. During this period, CIFO received 562 complaints against 121 FSPs and resolved 348* complaints about 51 FSPs through mediation or a binding final decision. CIFO has published a list which can be found within CIFO's '[Annual Statistical Data Report for 2023](#)' which shows in-mandate complaints resolved by CIFO. All complaints withdrawn, settled by the FSP prior to CIFO's involvement, and those found to be outside of CIFO's statutory mandate are not included. All FSPs are named using the legal entity that CIFO was advised of at the time CIFO received the complaint and provided to the FSP for confirmation. The 2023 published data can also be located using CIFO's searchable webpage, located [here](#).



* Due to post-period adjustments, the comparative data table assembled in Q1 2024 may have a few minor differences from CIFO's overall 2023 statistical summary earlier in this report.

2023 COMPLAINTS STATISTICS & OBSERVATIONS (CONT.)

Sector Observations & Case Studies

CIFO uses five sectors to describe the broad areas of financial services relating to each complaint. These are: Banking, Insurance, Investments/Funds, Pensions, and Non-Bank Money Services/Credit. Each sector has been reviewed to identify new and emerging issues that CIFO has observed in the complaints referred to our office during 2023. Links to sector-specific case studies have also been published on CIFO's website and continue to show the types of complaints handled by CIFO and the approaches taken to resolve them. The case studies are based on actual CIFO cases. Some specific details may be altered to protect confidentiality.



BANKING



INSURANCE



INVESTMENTS/ FUNDS



PENSIONS



NON-BANK MONEY SERVICES CREDIT



2023 COMPLAINTS STATISTICS & OBSERVATIONS (CONT.)

Sector Observations & Case Studies



BANKING

The volume of fraud and scam complaints remained high throughout 2023 with an increasing level of sophistication. CIFO also noticed a rise in banking complaints where accounts were blocked due to suspected fraudulent activity. Bank account closures were also prevalent and arose where customers were not locally resident or where a change in the bank's risk appetite had occurred. In some cases, banks were simply not providing a reason to their customers for closing their accounts.

In some cases, CIFO continues to encounter complaints where a bank's concerns about inappropriate use of its accounts results in the blocking of specific transactions, the blocking or closure of an account, or freezing of funds held in a bank account. CIFO notes that banks are under a legal and regulatory obligation to know the source of funds being transferred and to prevent the inappropriate use of accounts as part of the global fight against money laundering and terrorist financing. The filing of and content of suspicious activity reports (SARs) made by FSPs to law enforcement agencies are strictly protected by anti-tipping-off provisions in law making it a serious offence for anyone to disclose such information. As CIFO does not currently have authorised status to receive such sensitive information, banks, and occasionally other types of FSPs,

are sometimes unable to provide CIFO with the information required to perform CIFO's statutory duty of investigation. This is an on-going priority for CIFO to resolve with the Government of Jersey and States of Guernsey.

Other complaint themes involved international transfers and the currency conversion charges that are automatically applied when making international transfers using an online banking portal. CIFO also received complaints about international transfers where the funds had gone missing in transit. Funds were delayed because of the bank's own internal procedures and their use of correspondent banks. Complaints persisted because customers had difficulty contacting their bank, especially when a suspected fraud had taken place on their bank accounts.

Complaints regarding banks' refusals to accept, or delays in accepting, 'Know Your Customer' documentation in the form of a UK or foreign 'Lasting Powers of Attorney' (LPAs) or 'Powers of Attorney' (POAs) also persisted. Similar to 2022, these complaints were ultimately due to FSPs in the Channel Islands requiring all UK or foreign LPAs or general POAs to be registered by the relevant local authorities before they would accept them to satisfy their 'Know Your Customer' requirements.

2023 COMPLAINTS STATISTICS & OBSERVATIONS (CONT.)

Sector Observations & Case Studies



BANKING CASE STUDIES



Bank's inadequate investigation of a transfer leads to complainant's distress



Bank's delay in accepting a power of attorney over a bank account causes losses



Romance scammers trick complainant into sending money



Fraudster tricks complainant into divulging bank details resulting in a fraud



Bank's delay in transferring funds leads to complainant's loss



Complainant incurs exchange rate charges when taking bank's advice



Bank's inability to investigate missing overseas transfer leads to complainant's distress



Bank unable to help complainant who transferred funds within a genuine bitcoin trading app to a fraudster



Inadequately disclosed fraudulent activity identified by bank causes additional losses



Bank's delay in changing delegated authority over bank account causes losses and inconvenience



Complainant scammed by fraudster claiming to be from cryptocurrency investment

2023 COMPLAINTS STATISTICS & OBSERVATIONS (CONT.)

Sector Observations & Case Studies



INSURANCE

CIFO continued to see an increase in insurance complaints, predominantly due to the relocation to Guernsey of several UK insurance providers bringing complaints about their business into CIFO's remit. The most common type of insurance complaints received in 2023 involved home emergency insurance, in particular boiler repair claims. CIFO also saw an increase in home insurance complaints where customers felt that the value of claims paid by their insurers was too low. Some of these were due to the price increase of building material and labour costs.

Under most home insurance policies, customers are expected to ensure that the amount insured properly reflects the full cost of rebuilding the property in case of destruction. Any failure to reflect the full rebuild value (referred to by providers as "underinsurance") can result in a discounting of the amount covered in case of a damage claim made for the property, even if the

damage being repaired does not require a full rebuild. Some customers may not have appreciated the difference between the market value and rebuild cost for their properties while others may have deliberately underinsured their properties to obtain lower insurance premium costs. In cases reviewed by CIFO, insurance providers and brokers sought to make customers solely responsible for any underinsurance despite not having drawn sufficient attention to the issue or without having assisted customers to properly estimate the rebuild cost for their properties on their policy applications or renewals.

CIFO also continued to see health insurance complaints involving private medical insurance and the non-payment of medical claims and delays in processing the payments due to issues with insurance companies' own internal payment systems.

2023 COMPLAINTS STATISTICS & OBSERVATIONS (CONT.)

Sector Observations & Case Studies



INSURANCE CASE STUDIES



Health insurance claim rejected due to presumed pre-existing condition



Motor insurance claim settled on basis of market valuation



Complainant incurs costs when home emergency claim rejected as boiler was considered beyond economic repair



Complainant suffered inconvenience with delayed health insurance claim payment



Health insurance claim rejected due to a pre-existing condition



Building and content insurance claim rejected as an uninsurable event



Home contents insurance claim rejected due to exclusion from policy



Increase in pet insurance premiums leads complainant to question policy

2023 COMPLAINTS STATISTICS & OBSERVATIONS (CONT.)

Sector Observations & Case Studies



INVESTMENTS/FUNDS

Complaints in this sector were mostly due to processing errors or delays or suitability of investments and advice given to complainants by their FSPs about investment and fund products. CIFO also investigated several complaints related to the lack of adequate fee disclosure and the poor performance of investment products. CIFO noted that most complaints that related to poor performance were due to the customers' high expectations of market returns or customers believing they had invested in bespoke discretionary investment products.



Unsuitable investment management leads to complainants' losses



Investment re-allocation results in re-investment misunderstandings



Delay in sale of shares results in losses due to exchange rate increases

2023 COMPLAINTS STATISTICS & OBSERVATIONS (CONT.)

Sector Observations & Case Studies

PENSIONS

The majority of complaints closed in 2023 for this sector related to poor administration or delays in transferring pension plans. The issues were mostly connected to private pension plans as opposed to employee pension plans and were due to the suitability of an element of the transfer or fees associated with the transfer or termination of the pension plans.

 Misunderstanding regarding pension plan investment leads to complaint

 Investment adviser recommends inappropriate pension plan transfer which leads to complainant's losses

 Complainant fails to opt-out of pension scheme investment resulting in loss



NON-BANK MONEY SERVICES CREDIT

CIFO did not receive many complaints within this sector but the complaints that were received related to poor administration because complainants felt their terms and conditions were not adequately disclosed at the outset.

 Complainant believed loan terms were inadequately advised

 Complainant receives bad credit rating from online payment provider

Performance Report

The following performance report provides a view of CIFO's operational performance for 2023.



A message from the Principal Ombudsman



With our transition to a new Board of Directors from the initial group of founding directors completed in January of 2023, a number of activities were launched. These included stakeholder consultations on a future direction for CIFO and as set out in more detail in the message from the Chair, an external review to provide the new Board with assurance as to CIFO's performance of its mandate and to identify opportunities for improvement. Both of these provided welcome assurance and feedback to guide our team's work going forward.

Operational pressures continued upward due to increased year-over-year complaint volumes (up 12.4%), in-mandate case files to review (up 25.8%) and increased operating cost pressures due to high levels of inflation in Jersey for the second year in a row, finally easing off in Q4 of 2023.

Despite these pressures, the combined efforts of our Jersey-based team and experienced contracted resources from the UK managed to maintain case file inventory levels within the desired target range for work-in-progress ensuring no resurgence of a case backlog.

The extension of CIFO's mandate in Jersey to cover complaints involving occupational pension plans was delayed and is now not expected until later in 2024 at the earliest. In the meantime, the States of Guernsey's introduction of a secondary pension plan to ensure that all Guernsey employees have recourse to a pension plan, if not provided one by their employer, was introduced and CIFO has been given responsibility for any complaints arising from this new pension framework which went live for voluntary contributions on 1 January 2024 and for mandatory contributions by mid-year 2024. The effective adoption of these new areas of complaints handling responsibility, and a renewed funding structure that reflects the changing nature of CIFO's work across the financial sector, is expected to dominate our non-casework efforts through 2024.

To our new Board of Directors, our thanks for your new perspectives on our work and your commitment to engage with our stakeholders and our team to provide oversight and accountability for our important public interest role.

To our Jersey-based colleagues, including those who left us in 2023, and our experienced contract practitioners based in the UK, thank you once again this year for maintaining our ability to deliver fair and reasonable outcomes for financial consumers and Channel Islands-based providers.

Douglas Melville
Principal Ombudsman & Chief Executive
30 April 2024

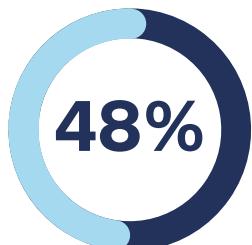
COMPLAINTS

CASES



562
COMPLAINTS
RECEIVED

12%
INCREASE
in complaint volumes
from 2022



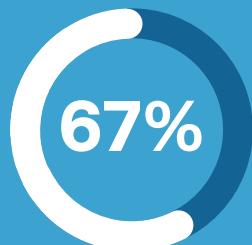
COMPLAINTS
WERE CLOSED
within the month they
were received

COMPLAINTS RECEIVED PER YEAR



343
CASES CLOSED

11%
MORE CASES
CLOSED
than in 2022



CASES WERE
RESOLVED
without needing a Final
Ombudsman Decision

CASES RESOLVED PER YEAR



PERFORMANCE REPORT (CONT.)

Performance Analysis

In 2021 and 2022 we eliminated a backlog of complaints so 2023 was a year of consolidation. Our plan going into 2023 was to prevent a backlog from developing again by ensuring we achieved a consistent, higher level of output. We achieved this while handling an increased number of complaints referred to us.



£1,377,426

CIFO AWARDED IN COMPENSATION

It is often heard that the standard of customer service offered by some businesses and bureaucracies has declined post-Covid. Our general experience of some local financial services complaint-handling is no different. Complainants frequently tell us their concerns are not being treated as complaints by FSPs. This means FSPs sacrifice customer goodwill when an early resolution would retain customer confidence and consume less FSP complaint-handling resources. In addition, many complainants telephone us only to be told they have reached the wrong number; they were looking for their FSPs' contact numbers but could only find ours instead in the information readily available from their provider.

After we receive a complaint, we let the FSPs know. We typically give FSPs 14 days to give us their side of the story. But some FSPs are routinely missing this deadline. This means our work cannot progress and it causes further delays for their customers. In 2023, 31 days was the average time that FSPs took to respond to us.

In 2023, CIFO had no data breaches which needed to be formally reported to the Channel Islands information commissioners, but CIFO did seek advice regarding two incidents.

CIFO also received six service complaints which CIFO's Chair reviewed on behalf of the Board of Directors to ensure appropriate oversight of CIFO's service standards, while pointing out where things could be improved where warranted.

PERFORMANCE REPORT (CONT.)

Performance Analysis

Year End Performance Framework

AIM	2023 OBJECTIVES	WHAT WE DID	OUTCOME
Make sure CIFO is fulfilling its core function.	Evaluate whether the recommendations and decisions made are broadly correct, fair and reasonable.	External Review commissioned to examine CIFO's complaints and complaint-handling.	External Review satisfied with outcomes in the cases examined. But limited quality assurance checks in place of the case handling itself.
Make sure CIFO is fulfilling its core function.	Evaluate whether the organisation is achieving sufficient throughput of its cases.	Obtained weekly data for management and team to review throughput. Reports provided to Board on closures and timeliness.	External Review confirmed core function effectively met against Ombudsman good practice.
Make sure CIFO is fulfilling its core function.	Improve CIFO's timeliness when dealing with complaints.	Prioritised resolving older cases. Provided quarterly updates to the Board on the status of the oldest cases along with statistical data on timeliness performance against CIFO's published timeframes.	Reduced the number of open cases over 12 months old. Provided outcomes within published timescales in 75% of complaints.
Publish CIFO's key performance indicators for complaint case completion.	Collate performance data, review any issues with publishing and provide this publicly.	Obtained data at key performance stages and evaluated any gaps or disclosure issues. Established stages with timeliness targets throughout CIFO's end-to-end complaint handling process and started tracking performance against those targets for the Board.	Highlights of the data have been published in this report. Further detailed data publication is under review.
Monitor proposed expansions to CIFO's mandate (occupational pensions and lending/credit legislation)	Obtain clarity about proposed mandate extensions and accompanying legislative changes. Provide government, industry, and regulator consultation feedback and obtain information about complaint volumes in these sectors.	Attended a number of government, industry and regulator meetings to provide feedback and details about how we would look at complaints. Received details about complaint volumes. Reviewed proposed legislation to ensure clarity and comprehensiveness.	Provided input to governments and regulators on the projected impact of proposed mandate changes on CIFO and the parties to complaints. Proposed legislation provides clarity.
Create a policy and declaration and publish as CIFO's Service Charter.	To identify what policy CIFO wishes to adopt and communicate these commitments.	Drafted a service charter, which CIFO's Board approved for publication.	CIFO's Service Charter was published on CIFO's website and communicated through newsletter and social media.

	AIM	2023 OBJECTIVES	WHAT WE DID	OUTCOME
PEOPLE	Make sure CIFO has sufficient staff to fulfil its core function of resolving complaints.	Recruit additional members of staff or consultants.	Two ombudsmen were appointed in 2023. Some staff left in 2023 but were replaced.	CIFO maintained its staffing level but did not increase it as anticipated.
	Make sure our staff have relevant, up-to-date industry and sector knowledge.	Increase the team's subject matter knowledge.	1. CIFO provided sessions on financial sector-specific topics including insurance and pensions. 2. CIFO management attended the Ombudsman Association Conference and the annual INFO-Network Conference. 3. Individual staff fulfilled all applicable CPD requirements.	CIFO increased its staff's financial sector knowledge and maintained awareness of current events and new developments in international best practices in financial dispute resolution.
	Make sure our staff have sufficient skills to carry out their roles effectively.	Provide specific skills training for staff.	New staff underwent induction programmes and probationary period monitoring and training. Staff also received ongoing guidance on their approach to case handling and external training sessions on listening skills and responding to angry interactions.	Increased staff understanding of the skills needed - and development of those skills - to carry out their roles effectively. Development of staff is an entrenched ongoing priority.
STAKEHOLDER RELATIONS	Improve stakeholder relations.	Obtain input from stakeholders on CIFO's future strategic direction.	'Future Focus Events' were held in January, with meetings held in Jersey and Guernsey. CIFO's Board concluded its stakeholder meetings and reviewed the feedback.	CIFO identified areas to make improvements and is looking at objectives for CIFO's future.
	Improve stakeholder outreach.	Widen CIFO's communication methods by launching a Social Media campaign.	Created a new CIFO LinkedIn page.	CIFO now has a presence on a social media platform.
	Improve industry customer service and stakeholder relations.	To provide stakeholders with CIFO's approach to complaint handling and best practices.	CIFO completed several events for industry, regulators, and consumer bodies.	Stakeholders had an increased understanding of what they can do to increase customer satisfaction and of how CIFO can assist with this. But ongoing engagement is required.
	To share information to let stakeholders know how we work.	Publish CIFO's timeliness data.	Provided timeliness reports to the Board at quarterly meetings.	Did not publish more widely due to capacity and impact on current resources.
	CIFO's external review	CIFO completed an external review to assess CIFO's performance of its mandate.	Interviews with stakeholders were specifically included in the scope of the review to ensure that stakeholder perspectives on CIFO's performance of its mandate were included.	CIFO completed an independent External Review and the recommendations are being incorporated into plans for continuous improvement.
	Make sure CIFO's impact on the environment is scale appropriate.	Implement measures to reduce CIFO's impact on the environment.	Created an environmental policy and offset CIFO's carbon emissions. Created environmental initiatives for CIFO staff.	Reduced CIFO's impact on the environment.

PERFORMANCE REPORT (CONT.)

Performance Analysis

CIFO'S 2024 Objectives

Three important objectives for 2024 include handling increased complaint volumes, effectively delivering on potential changes to CIFO's mandate and consulting on its funding structure. Specifically:



We will ensure that our operating model is optimised to provide the flexibility to handle increasing volumes of complaints arising from expansion of our mandate and the anticipated growth in complaint volumes.

CIFO will continue to ensure that complaint inventories are managed and CIFO's performance is monitored against CIFO's published timelines. We will also continue to look for areas where it could enhance our stakeholder relations.



We will prepare for the introduction of complaints about public and private occupational pensions in Jersey, and secondary pensions in Guernsey.

These objectives may be affected by external factors, for example the delays in new legislation and changes to government priorities which could cause further delays. Other external factors may cause an increase in CIFO's complaint volumes, for example: higher interest rates could increase mortgage complaints. The increase in fraud cases remains a concern. Additional risks of a recession by the end of 2024 and the potential of weak global economic growth could also cause pressures on non-financial sectors which ultimately could lead to complaint volume spikes. CIFO will monitor these issues if and as they arise.



We will consult with the financial services sector about the most equitable apportionment of costs in the light of changes in the distribution of complaints between sectors, and the introduction of complaints about occupational pensions.

PERFORMANCE REPORT (CONT.)

Performance Analysis

CIFO'S 2024 Objectives

CIFO welcomes the external review carried out in late 2023 and will start to implement the helpful recommendations made by the reviewer to improve our customer service. In particular:



We will implement a 'soft' telephone system, with the ability to record and transcribe calls. This will provide accurate records of conversations with our team, enable us to track enquiries made and will improve the effectiveness of our case handling and file management.

These additional objectives for 2024 are drawn from a number of the reviewer's recommendations. Some recommendations are already reflected in the staff training and development activities referred to elsewhere in this report. Other recommendations will be prioritised by the CIFO Board in future years as resources permit. Some involve potentially significant investment in systems development.



We will make changes to our on-line complaint form to increase accessibility and effectiveness at the complaint intake stage.



We will introduce a complainant survey, so that we can obtain feedback from complainants about how they felt about the service we provided to them.

PERFORMANCE REPORT (CONT.)

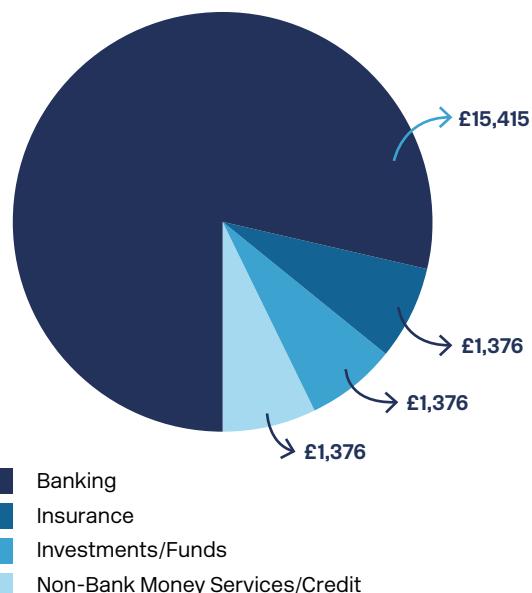
Financial Performance

Levies and Case Fees

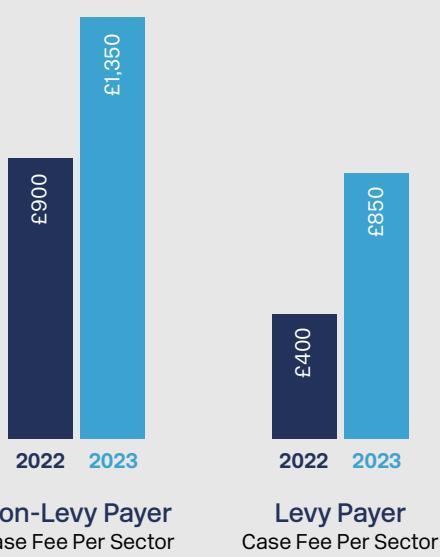
CIFO consults annually on its levy which is calculated using the annual budgeted expenditure, plus any required top-up of operating reserves, minus the anticipated case fee income. CIFO's consultations have provided CIFO with valuable feedback. From the consultation regarding the 2023 levies, CIFO received some suggestions to adopt an alternative payment structure and a more user-pays model. CIFO's Board adopted a strategy in 2023 to keep the total levies paid by industry at the level of inflation or lower and to place a proportionally greater burden on those FSPs who use CIFO's industry-funded complaint handling capacity.

The chart provides a breakdown of the levy each FSP paid during 2023. This is split between sectors and applies to both Jersey and Guernsey FSPs.

2023 ANNUAL LEVY



CASE FEE PER SECTOR



In 2022 CIFO consulted on whether to change case fees for the first time since 2018 to increase the proportion of total funding derived from users of CIFO's services.

Industry stakeholders indicated strong support for such a change. As a result, case fees for levy paying FSPs increased by 113% to £850 and case fees for non-levy-paying FSPs increased by 50% to £1,350. These changes came into force from 1 January 2023. CIFO's Board indicated its intention to continue to review the proportion of total funding obtained from case fees going forward.

The graph details the increase to case fees applicable to all sectors for both Jersey and Guernsey-based FSPs.

PERFORMANCE REPORT (CONT.)

Financial Performance

Expense Management

At the end of 2023, CIFO had a £19,000 surplus over budget. This was due to receiving £36,000 more than budgeted in case fees but was offset by a £17,000 deficit in budgeted expenditure. The main expenditure differences from CIFO's budget were due to the individual variances noted below.

Governance £18,000 over budget

This was due to an external review of CIFO's operations and governance undertaken at CIFO's Board direction.

Salaries £17,000 over budget

The 2023 salaries budget included a recovery of some specified CIFO management salary costs from three Jersey public sector pension plans that had been expected to join CIFO's remit in 2023. The unexpected delay of the mandate extension legislation beyond the end of 2023 meant that the specified salary costs had to be taken back into expenses for 2023, causing the budget overage. This is addressed in the contingent asset section at page 17 of the 2023 financial statements.

Staff Related Expenses £30,000 under budget

Healthcare, social security and pensions costs were all lower than expected. This was due to staff changes during the year with new staff benefits deferred until they had completed their probationary period.

Administration expenses £3,000 over budget

The annual report, auditor fees, meetings, and hospitality costs were all higher than budgeted due to a general increase in costs.

Outsourced Services £3,000 over budget

Human resources costs were also higher than budgeted, due to an update to CIFO's policies and procedures in relation to employee contracts, particularly terms and benefits.

Case-related expenses £6,000

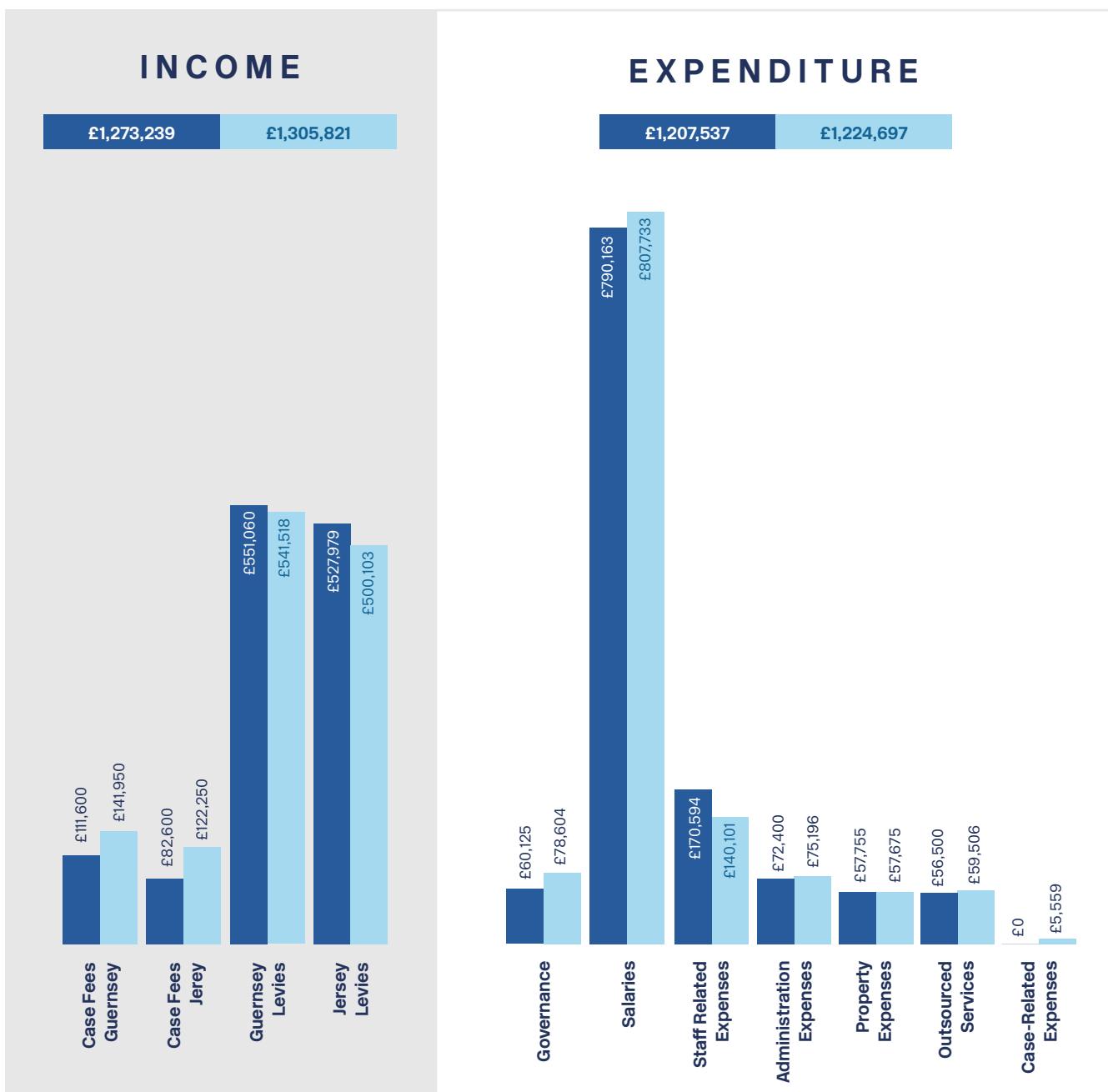
These costs are not budgeted for as they are generally unknown and only arise if CIFO requires external experienced capacity for resolving a specific case. CIFO incurred the cost of a legal opinion on a regulatory matter.

PERFORMANCE REPORT (CONT.)

Financial Performance

CIFO Financial Data

Budget
 Actual



PERFORMANCE REPORT (CONT.)

Business Risks

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

A comprehensive risk assessment methodology and dashboard provides a continual perspective for CIFO's directors on the risks affecting CIFO, rated for both inherent and residual risk, and noting risk mitigation measures that are in place. These are reviewed quarterly.

An existing risk 'Insufficient Case Handling Resources' changed its risk trend from 'stable' to 'increased' and a new risk was identified in 2023 'Financed by Stakeholders' which reflects the fact that CIFO receives no government funding and is wholly reliant upon industry funding in the form of annual levies and case fees to fund its operation. The most significant risks identified by management at the end of 2023 are set out in the table (page 30). The table also includes the risk implications, the controls and mitigation in place, and an assessment of the risk trend and whether this has increased or decreased during 2023.



PERFORMANCE REPORT (CONT.)

Business Risks

RISK	RISK IMPLICATIONS	CONTROLS	MITIGANTS	RISK TREND
Insufficient case handling resources or poor-quality case handling	This could undermine CIFO's ability to effectively respond to complaint volumes and maintain credibility with stakeholders.	Regular reporting to Board on inbound complaints, timeliness, productivity, output, and financial resources.	Availability of experienced financial ombudsman resources on contract as required. Ongoing staff training in essential skills and subject matter areas. Regular contact with key industry stakeholders regarding their internal complaints experience (early warning system).	Increased
Insufficient financial resources due to complaint surge	This could affect CIFO's ability to meet short-term obligations and create a need for additional intra year funding that could undermine CIFO's reputation with funding stakeholders.	Regular Board oversight of financial reports, cash flow projections, and complaint handling statistics.	Maintenance of an operating reserve as determined by the Board of Directors each year and replenished, as required, through CIFO's annual budget and levy setting process. £250,000 operating line of credit with CIFO's bank for use only with the Board of Directors' prior approval. Ability to issue an intra-year supplemental levy notice (subject to consultation), if required, or accelerated invoicing of case fees.	Stable
Judicial review (JR) of CIFO decision	This could result in unplanned legal expenses and potentially a court judgment against CIFO. The intra-year financial impact of JR legal costs could be significant if not covered by insurance. In case of an unsuccessful defence of a JR, award of an FSP's costs against CIFO could be significant if not covered by insurance. Loss of a JR could also undermine CIFO's reputation with stakeholders.	Controls include CIFO's insurance cover for legal costs and internal decision quality control policies and procedures.	Quality control measures in place regarding preparation of CIFO ombudsman determinations (final decisions). Director and officer liability policy in place that includes coverage for legal costs arising from a JR. Maintenance of an operating reserve as determined by the Board of Directors each year and replenished, as required, through CIFO's annual budget and levy setting process. £250,000 operating line of credit with CIFO's bank for use only with Board of Directors' prior approval.	Stable
Financed by Stakeholders	CIFO is funded by the firms that we report on.	Maintain a high level of stakeholder outreach to identify any issues.	Transparent communication with all stakeholders, and publish CIFO's objectives, data, and time-frames at regular intervals.	Stable
Data breach	This could lead to the compromise of CIFO core systems, loss of case file data, or exposure of sensitive complainant or FSP information that could undermine CIFO's operating capability, reputation with stakeholders, and possible public sanction by data protection regulators.	Controls include regular staff training on cybersecurity practices.	IT infrastructure and policies developed with outside expert input. Cloud-based file storage accessed via 2-factor authentication. Cyber Essentials Plus advanced cybersecurity certification in 2019. Ongoing external assessment on a quarterly basis. Regular staff training in cybersecurity policies, procedures, and good practice. Annual independent audits to reconfirm cybersecurity certification (last conducted in 2023). Insurance coverage in place for liability and remediation costs associated with a data breach.	Stable

PERFORMANCE REPORT (CONT.)

Sustainability & Environmental Reporting

Since the governments adopted their strategies to address climate change, CIFO has focused its attention on its operational environmental impact. CIFO committed to considering the impacts of its actions and how they affect the environment both directly through its operations, and indirectly through the purchase of products and services, travel, and through its choice of partnerships. CIFO's environmentally sustainable practices are listed below:

- ✓ Monitor and manage its environmental performance and work towards targets set to reduce adverse impacts.
- ✓ Comply with relevant governments' environmental policies, practices, regulations and legislation, and industry-specific legislation.
- ✓ Reduce the consumption of natural resources in daily operations including water, paper, and energy and maximise the recycling of resources by encouraging staff to use more green methods.
- ✓ Commit to the prevention of pollution to the environment and continual improvement to minimise the environmental impact of our operation.
- ✓ Minimise pollution by taking steps to limit carbon emissions resulting from vehicles and air travel. Where travel is required, CIFO will offset the carbon emissions by investing in Channel Islands-based environmentally sustainable initiatives.
- ✓ Where possible, encourage our suppliers to meet high standards of environmental performance. CIFO will opt for more environmentally sustainable products and partnerships, by reviewing suppliers' environmental plans/policies before committing to expenditure.
- ✓ Communicate this plan to all employees, contractors, suppliers, and other stakeholders, as well as making this plan available to the public.
- ✓ Report on CIFO's environmental performance in both internal and external communications, where relevant.
- ✓ Review this policy annually and measure targets and performance as part of that review.

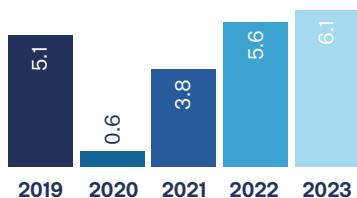
PERFORMANCE REPORT (CONT.)

Sustainability & Environmental Reporting

CIFO is fortunate to have a landlord (Polygon Group) that is dedicated to progressively reviewing, implementing, and improving their performance against environmental, social and governance impacts. As part of lessening their environmental impact they continue to work on initiatives to reduce energy consumption, for example by installing solar arrays to viable properties, or offering tenants green transport alternatives. In addition, the Polygon Group remains carbon neutral by balancing its CO2 emissions using certified 'Plan Vivo' initiatives. Plan Vivo helps create jobs and reduce poverty by supporting environmental projects used to create carbon credits.

CIFO's most significant environmental impact is related to in-person Board meetings, along with CIFO representatives attending overseas events. The nature of CIFO's operating model means CIFO's staff operate from a small office based in Jersey but with some of its Board members resident in Guernsey and the UK. This results in the need for travel between the islands. The table below provides an estimate of carbon emitted from this travel to and between the islands over the last five years. The decrease from 2019 to 2020 is due to the increase in virtual meetings as opposed to physical meetings during the COVID pandemic.

CARBON FOOTPRINT FOR FLIGHTS IN TONNES



This is based on the www.carbonfootprint.com (carbon footprint calculator), which provides an estimate only.

To help offset CIFO's carbon footprint, CIFO's Board has allocated annual funding to donate to local Channel Islands environmental initiatives and projects. In 2023 CIFO supported the following:

In the Bailiwick of Guernsey:

- Guernsey Trees for Life
- Grow Limited
- La Societe Guernesiaise Nature Section
- The Soil Farm
- Alderney Wildlife Trust – Living Seas
- The Clean Earth Trust
- The Pollinator Project
- Guernsey Bailiwick Bat Survey

In Jersey:

- Jersey Trees for Life
- Beresford Street Kitchen
- Société Jersiaise Nigel Quérée Environment Award
- Grow Jersey
- Jersey Marine Conservation
- Acorn Enterprises
- Jersey Pollinator Project – Parish of St Helier Pollinator Patches
- Jersey Bat Group

A photograph of a professional meeting. A man in a dark suit and blue tie stands at the front of a room, holding a small white device and gesturing with his hands. He is positioned in front of a whiteboard. Several people are seated at a large wooden conference table in the foreground, facing him. One woman on the right is writing in a notebook. The room has a modern design with large, abstract blue and white circular wall art. A large, circular, recessed ceiling light fixture is visible above the man.

Accountability Report

The purpose of this report is to demonstrate how CIFO has implemented principles of good governance.

ACCOUNTABILITY REPORT (CONT.)

A message from the Chair

This annual report covers the year since my appointment as Chair of the CIFO Board in January 2023. It has been a fascinating year.

As I grow more familiar with the unique and important role that CIFO plays and the environment in which it operates, I am struck by the complexity of issues that our small office encounters. Each of the Channel Islands' jurisdictions has its own character and strategic approach to the provision of financial services, both for its own population and for the global customer base which they serve.

To help the new CIFO Board quickly become familiar with the environment and the needs and aspirations of all stakeholders for CIFO's dispute resolution services, and to ensure that we could respond to emerging challenges, at the end of 2022 we embarked on an extensive consultation on CIFO's future direction. This has provided us with rich material for our Board's strategic discussions, and for our organisational priorities for 2024 and beyond.

CIFO enters its 9th year of operation later in 2024. To give the Board assurance that the office is performing its important public interest role in accordance with its legislation and good ombudsman practice, we engaged an independent external reviewer to conduct an in-depth assessment of the organisation, including extensive stakeholder interviews and a detailed review of randomly selected case files.

The Board was pleased to receive assurance that CIFO was performing its statutory function with integrity and in accordance with good ombudsman practice. The reviewer also identified a number of opportunities for CIFO to continue to improve, which the Board has been discussing with management and will be worked into priorities as resources permit. We have firm foundations, but there is always room to do better.

I am pleased to report that the organisation has weathered the increase in complaint volumes and cost pressures due to inflation well. The team has remained on top of an increased complaint workload, preventing a return to the backlogs of its initial years when resources chased an ever-increasing load on the organisation. We have restored reserves, and during 2024 will discuss with our stakeholders how best to apportion costs as CIFO's remit and workload continues to evolve – most notably with the proposed introduction of certain occupational pension complaints from both islands, and changes in the mix of complaints between the various financial services sectors. The Board remains focused on ensuring that CIFO has the resources it needs to discharge its statutory duties, while minimising the burden on financial services providers by controlling our costs.

On behalf of the Board of CIFO, I wish to thank the entire team based in the Channel Islands and the UK-based contract Ombudsmen who bring their experience to supplement CIFO's capacity as required.

I also thank my Board colleagues for entering into their new roles with such enthusiasm, and for engaging in collegial discussion and constructive challenge of management in the best spirit of good governance. I look to CIFO's future with confidence.



Antony Townsend
Chair, CIFO Board of Directors
30 April 2024

ACCOUNTABILITY REPORT (CONT.)

Governance Report

Role and Effectiveness of CIFO'S Board

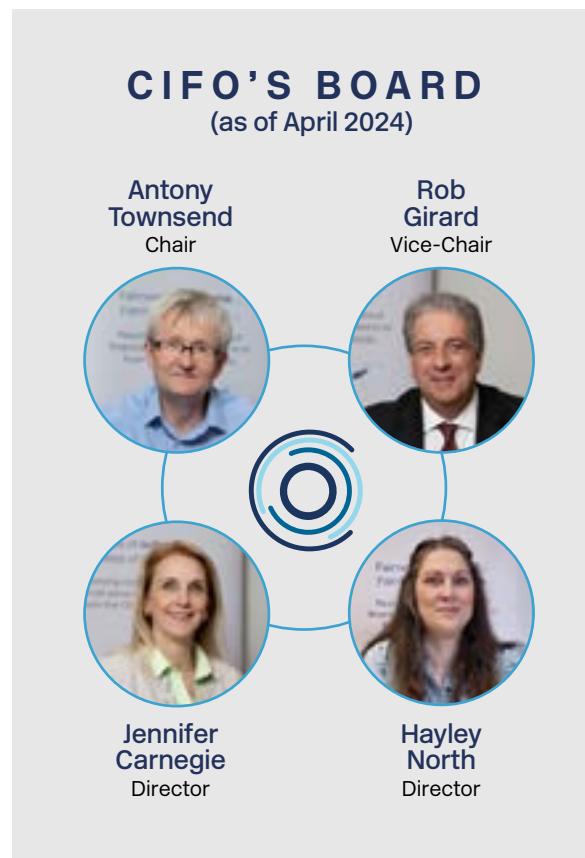
CIFO's Board is accountable for the effective oversight of the operations of CIFO but it remains mindful that the CIFO team operates independently from the Board and other stakeholders.

CIFO's Board uses a comprehensive risk assessment methodology to review CIFO's effectiveness and CIFO's management team feed data into a dashboard which provides CIFO's Board with a continual perspective on the risks affecting CIFO, rated for both inherent and residual risk, and noting risk mitigation measures that are in place. These are reviewed quarterly by CIFO's Board. At each quarterly meeting CIFO's Board conducts an in-depth review of CIFO's operations against one or more of the fundamental principles for effective financial ombudsman schemes set out by the [International Network of Financial Services Ombudsman Schemes](#) and the [Service Standards Framework of the Ombudsman Association](#). In the past, CIFO has been found by the Board to be generally consistent with the fundamental principles and standards and those opportunities for enhancement identified are implemented by management as resources permit.

In 2023 CIFO's Board engaged an outside expert to conduct an independent review of CIFO's operations to provide the Board and all stakeholders with assurance that CIFO's office is performing effectively, efficiently and in accordance with good financial ombudsman practice. CIFO's Board has taken the results of this review into consideration and developed a prioritised strategy for CIFO. This will prompt CIFO to continually improve its performance for its important public interest mandate.

CIFO's Board

CIFO remains committed to the continued transparency of its operations. The expenses of the Chair and Directors as well as those of the Principal Ombudsman are posted on CIFO's website, [here](#). Chair and Director remuneration and attendance records at the Board of Directors' meetings are provided in this annual report. Minutes of the Board of Directors' meetings are posted on CIFO's website, [here](#).



ACCOUNTABILITY REPORT (CONT.)

Governance Report



Antony Townsend

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



Rob Girard

Fellow of the Chartered Institute of Bankers and served over 45 years with NatWest Group. He was a member of the RBS International Executive Committee for over 12 years, Country Head for the Group in Guernsey, and Director of the Institutional and Corporate Banking business in Guernsey during that period. He was also a Director of the NatWest Group Global Captive Insurance Company for over 12 years. He is Chairman of the Guernsey Banking Deposit Compensation Scheme and a Commissioner of the Guernsey Language Commission which is engaged in the revitalisation of Guernsey's native language, Guernésiais. He also served as a member of the Juvenile Panel of Guernsey's Royal Court for 6 years. He has recently been appointed as a Commissioner of the Guernsey Financial Services Commission.



Jennifer Carnegie

Is the co-founder and Chief Operating Officer of the strategic leadership consultancy firm Amicus Limited and is Chair of Jersey Business. She was formerly the President of the Jersey Chamber of Commerce and was a Jersey Appointments Commissioner. Jennifer previously held the role of Chief People Officer for Digicel, an international telecommunications firm, and was a global Learning and Development Director for Mars Incorporated, the multinational fast-moving consumer goods company.



Hayley North

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

ACCOUNTABILITY REPORT (CONT.)

Governance Report

CIFO BOARD ATTENDANCE & REMUNERATION

Board Member	Position	Board Attendance	Attendance Rate	Total 2023 Pay	Bonuses and other incentives	Start Date	End Date
David Thomas	Chair	1/1	100%	£2,000	NIL	15-Aug-14	31-Jan-23
Debbie Guillou	Director	1/1	100%	£625	NIL	31-Jan-15	31-Jan-23
John Mills	Director	1/1	100%	£625	NIL	31-Jan-15	31-Jan-23
Antony Townsend	Chair	4/4	100%	£22,625	NIL	31-Jan-22	31-Jan-26
Rob Girard	Vice-Chair	4/4	100%	£7,500	NIL	31-Jan-22	31-Jan-25
Jennifer Carnegie	Director	3/3	100%	£6,875	NIL	31-Jan-23	31-Jan-27
Hayley North	Director	3/3	100%	£6,875	NIL	31-Jan-23	31-Jan-28

CIFO BOARD REGISTER OF INTERESTS

Board Member	Paid Employments/Consultancy	Company	Other Public Appointments	Unpaid appointments in charitable/other body
Antony Townsend	Chair , Determinations Panel of the UK Pensions Regulator Chair , Entrust (Landfill Communities Fund regulator in England and Northern Ireland) Chair , Strategic Advisory Board, Bar Tribunals and Adjudication Service UK Independent Investigator , Independent Complaints And Grievance Service, House of Commons UK	Director , Environmental Trust Scheme Regulatory Body		
Jennifer Carnegie	Chair , Jersey Business Non-Executive Director , Condor Ferries Co-opted Director , Channel Islands Cooperative Society (term ended 27 February 2024)	Director , Amicus Limited Director , Ivory Limited		
Rob Girard	Chair , Guernsey Banking Deposit Compensation Scheme Commissioner , Guernsey Financial Services Commission	Director , JamesCo 750 Limited	Fellow , Chartered Institute Of Bankers	Commissioner , Guernsey Language Commission
Hayley North		Director , Rose & North Ltd		Member , Investment Association's Sectors Committee

ACCOUNTABILITY REPORT (CONT.)

Staff Report

Our colleagues join us with experience gained in a variety of areas, including financial services, law, accountancy, law enforcement, and regulation. CIFO is committed to an inclusive workplace where those who work with us share our values and are committed to resolving disputes fairly and impartially.

All new permanent appointments are made following an open recruitment process. Our management team consists of the Principal Ombudsman and Chief Executive, an Ombudsman and Manager of Complaints Resolution, and a Manager of Finance and Administration.

At the end of 2023, there were nine permanent team members. CIFO appointed one additional Adjudicator, two additional Ombudsmen and two additional Case Officers to replace one Adjudicator, one Administration Officer and two Intake and Assessment Officers that departed during 2023.

All members of the complaints resolution team undergo initial and ongoing training tailored to their specific needs and requirements. In the past year the team members have, variously, been on week-long induction programmes, ongoing probationary period training and subject matter training in insurance, trusts, and pensions. In addition to this, all adjudicators have completed one-to-one training programmes with experienced contract ombudsmen. The CIFO team were also given training by the Samaritans to develop listening skills and think about how we respond to individuals who are going through difficult circumstances.

Like many small organisations, it is more cost-effective for CIFO to bring in experienced capacity when needed rather than make permanent additional hires. CIFO retains the services of five contract ombudsmen on a consultancy basis. The reactive nature of our work means that there will be periods when the volume of complaints referred to CIFO varies. Because of our relatively small size, it is not always the most effective use of our training time and financial resources to recruit permanent staff when there is an increase of complaints, so the contract ombudsmen act as a means of easy access to flexible case handling capacity. Organisations such as the UK Financial Ombudsman Service retain associate ombudsmen in a similar way.

In addition to handling cases, with more than 100 years' collective experience the contract ombudsmen provide valuable capacity for CIFO to draw upon for input into complex case reviews or emerging issues for the organisation. They also provide training and mentoring for their Jersey-based colleagues and input into ongoing project work by management. More widely, services outsourced by CIFO include IT support, legal advice, human resources, and website development.

2023 Audited Financial Statements

CHANNEL ISLANDS

CONTACT

Channel Islands Financial Ombudsman
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Jersey
Channel Islands JE4 9QG

Jersey: 01534 748610

Guernsey: 01481 722218

International: +44 1534 748610

www.ci-fo.org enquiries@ci-fo.org

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CHANNEL ISLANDS FINANCIAL OMBUDSMAN
Audited financial statements
for the year ended
31 December 2023

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

INFORMATION

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

Directors	David Thomas - Chairman (until 30 January 2023)	Term ended 30 January 2023
	Deborah Guillou	Term ended 30 January 2023
	John Mills	Term ended 30 January 2023
	Antony Townsend - Chair (from 31 January 2023)	
	Robert Girard	
	Jennifer Carnegie	Term commenced 31 January 2023
	Hayley North	Term commenced 31 January 2023
Administration Office	Channel Islands Financial Ombudsman	
	No 3 The Forum	
	Grenville Street	
	St Helier	
	Jersey	
	JE2 4UF	
Independent auditors	RSM Channel Islands (Audit) Limited	
	PO Box 179	
	13/14 Esplanade	
	St Helier	
	Jersey	
	JE4 9RJ	
Principal Ombudsman	Douglas Melville	

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

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**CHANNEL ISLANDS FINANCIAL OMBUDSMAN
CHAIR'S STATEMENT
for the year ended 31 December 2023**

1

The Chair presents his statement on the 2023 accounts.

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

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

Income for 2023 increased due to an increase in billable case fees. While there was an increase in expenditure due to inflation, there was an operating surplus at the end of the 2023.

The accumulated surplus at the end of 2023 represents the operating reserve. This is intended to cover the operating costs payable between the end of the year and receipt of case fees and levy payments during the following year, as well as the unforeseeable volatility inherent in a demand-led case-working organisation, and to guard against the risk of irrecoverable legal expenses. Increasing or reducing reserves can help the Board to smooth fluctuations in the levy from year to year.

**Antony Townsend
Chair**

16 April 2024

The directors present their report and the financial statements for the year ended 31 December 2023.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess OFSOs' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the OFSOs or to cease operations, or have no realistic alternative but to do so; and
- submit the financial statements and report to the Guernsey Committee for Economic Development (the "Committee") and the Jersey Minister for Economic Development, Tourism, Sport and Culture (the "Minister") not later than 4 months after the end of each financial year.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the OFSOs' transactions and disclose with reasonable accuracy at any time the financial position of the OFSOs and enable them to ensure that the financial statements comply with the Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 and the Financial Services Ombudsman (Jersey) Law 2014. They are responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the OFSOs and to prevent and detect fraud and other irregularities.

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

PRINCIPAL ACTIVITY

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

- independently, and in a fair and reasonable manner;
- effectively, quickly, with minimum formality, and so as to offer an alternative to court proceedings that is more accessible for complainants; and
- by the most appropriate means, whether by mediation, referral to another forum, determination by an Ombudsman or in any other manner.

RESULTS

The Statement of Income and Retained Earnings for the year is set out on page 7.

DIRECTORS

The directors who held office during the year were:

David Thomas - Chairman
Deborah Guillou
John Mills
Antony Townsend - Chair
Robert Girard
Jennifer Carnegie
Hayley North

On 30 January 2023, the terms for David Thomas, Deborah Guillou and John Mills ended. Antony Townsend was appointed as Chair and Jennifer Carnegie and Hayley North were appointed as Directors on 31 January 2023.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

INDEPENDENT AUDITOR

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

This report was approved by the board on 16 April 2024 and signed on its behalf.

Director

INDEPENDENT AUDITOR'S REPORT TO THE MINISTER FOR SUSTAINABLE ECONOMIC DEVELOPMENT 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 2023, 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 2023 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the Financial Services Ombudsman (Jersey) Law 2014 and Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Body Corporate's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Body Corporate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Body Corporate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

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

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

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

Our testing included, but was not limited to:

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

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

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

Use of our report

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

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

19 April 2024

STATEMENT OF INCOME AND RETAINED EARNINGS
 for the year ended 31 December 2023

	Notes	2023 GBP	2022 GBP
Revenue	3	<u>1,305,821</u>	<u>1,029,816</u>
Gross surplus		1,305,821	1,029,816
Administrative expenses	4	(1,224,697)	(1,112,873)
Operating surplus / (deficit)		<u>81,124</u>	<u>(83,057)</u>
Interest receivable		<u>3,915</u>	<u>581</u>
Surplus / (deficit) for year		<u>85,039</u>	<u>(82,476)</u>
Retained earnings brought forward		<u>394,847</u>	<u>477,323</u>
Retained earnings carried forward		<u>479,886</u>	<u>394,847</u>

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

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023	2022
		GBP	GBP
Fixed assets			
Intangible assets	5	14,393	23,051
Tangible assets	5	2,983	686
		17,376	23,737
Current assets			
Unbilled case fees	6	75,600	124,800
Debtors and prepayments	7	22,114	19,896
Cash and cash equivalents	8	414,747	275,205
		512,461	419,901
Creditors: Amounts falling due within one year			
Creditors and accruals	9	49,951	48,791
Net current assets		462,510	371,110
Net assets		479,886	394,847
Capital and reserves			
Accumulated surplus	11	479,886	394,847
		479,886	394,847

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 April 2024.

Director

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

	Notes	2023 GBP	2022 GBP
Cash flows from operating activities			
Surplus / (deficit) for year		85,039	(82,476)
Adjustments for:			
Interest receivable		(3,915)	(581)
Depreciation / amortisation	5	9,556	9,875
Decrease / (increase) in unbilled case fees		49,200	(9,600)
Increase in debtors and prepayments		(2,218)	(5,102)
Decrease in creditors and accruals		1,160	(5,672)
Net cash used in operating activities		<u>138,822</u>	<u>(93,556)</u>
Cash flows from investing activities			
Purchase of intangible assets	5		(5,250)
Purchase of tangible assets	5	(3,195)	
Interest received		3,915	581
Net cash used in investing activities		<u>720</u>	<u>(4,669)</u>
Net decrease in cash and cash equivalents		139,542	(98,225)
Cash and cash equivalents at the beginning of the year		275,205	373,430
Cash and cash equivalents at the end of the year		<u>414,747</u>	<u>275,205</u>
Cash and cash equivalents at the end of the year comprise:			
Cash and cash equivalents	8	<u>414,747</u>	<u>275,205</u>
Net debt reconciliation			
	As at 1 Jan 2023 GBP	Cash flows GBP	As at 31 Dec 2023 GBP
Cash and cash equivalents			
Cash	275,205	139,542	414,747
Overdrafts			
Cash equivalents	<u>275,205</u>	<u>139,542</u>	<u>414,747</u>

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

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

10

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 are in line with expectations; and
- As regards the pan-Channel Islands joint operation of the OFSOs, there is a Memorandum of Understanding in place between the Guernsey Committee for Economic Development and the Jersey Minister for Economic Development, Tourism, Sport and Culture.

1.3 Revenue

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

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

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

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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 2023 is set out in the Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2023 (the '2023 Guernsey Levy Scheme') and the Financial Services Ombudsman Levy Scheme (Jersey) 2023 (the '2023 Jersey Levy Scheme'). The detail regarding the levies for 2022 is set out in the Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2022 (the '2022 Guernsey Levy Scheme') and the Financial Services Ombudsman Levy Scheme (Jersey) 2022 (the '2022 Jersey Levy Scheme').

The 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 2023 levy was payable per sector of activity, for which, on 8 January 2023, 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 2023 Guernsey Levy Scheme or 2023 Jersey Levy Scheme. Levy notices were sent out from March to July 2023 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 2023. In setting the amount to be raised in levies the OFSOs' board was mindful of the need to manage the reserves. The total levy amount required was £1,079,039 an increase of 16.5% of the total levy required for 2022.

Levy income is recognised in the period to which the levy relates. No adjustment is made in respect of any changes to providers' licences after 8 January 2023, with any changes in providers' licences coming into effect from the 2024 year of assessment.

Actual 2023 levy amounts per sector:

	GBP
Banking	539,525
Insurance and/or general insurance mediation business	172,000
Investment business and/or fund functionary	210,384
Money service business	56,416
Registered credit provider	63,296

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

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1 Accounting policies - continued

1.3 Revenue - continued

Case fees

Case fees are set in the Financial Services Ombudsman Fee Scheme (Bailiwick of Guernsey) 2023 and the Financial Services Ombudsman Fee Scheme (Jersey) 2023. 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:

The amount of the case fee for each complaint received on or after 1 January 2023 is:

- £nil for Community Savings Limited;
- £850 for any registered provider that is liable to pay a levy; and
- £1,350 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 quarterly in arrears. If any provider accumulates 10 or more cases since the previous case fee invoice the OFSO may issue an interim case fee invoice.

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

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1 Accounting policies - continued

1.4 Intangible and tangible assets

Intangible assets are predominantly the OFSOs' website and brand and its bespoke complaint management system ("CMS"). These assets are initially recognised at cost. After recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed 5 years.

The estimated useful lives for intangible assets are as follows:

Website and brand	5 years
Complaint management system	5 years

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

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

The estimated useful life for tangible assets is 4 years.

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

1.5 Cash and cash equivalents

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

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

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

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1 Accounting policies - continued

1.6 Financial instruments

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

(i) Financial assets

Unbilled case fees and debtors are recognised initially at the transaction price adjusted for attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial assets measured at amortised cost are assessed at the end of each reporting period for impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

Financial assets are derecognised when the contractual rights to cash flows from the asset expire or are settled.

(ii) Financial liabilities

Creditors and accruals are recognised initially at the transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

(iii) Offsetting

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

No financial assets and liabilities have been offset at the year end date.

(iv) Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

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1 Accounting policies - continued

1.6 Financial instruments - continued

(v) Impairment of assets

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

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

1.7 Taxation

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

1.8 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings.

1.9 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

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1 Accounting policies - continued

1.10 Pensions

The OFSOs provide membership to an outsourced defined contribution plan for its employees. A defined contribution plan is a pension plan under which the OFSOs pay fixed contributions into a separate entity. Once the contributions and administration fees have been paid, the OFSOs have no further payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown within creditors as a liability in the Statement of financial position. The assets of the plan are held separately from the OFSOs' in independently administered funds.

1.11 Interest receivable and similar income

Interest receivable is recognised in the Statement of income and retained earnings using the effective interest method.

1.12 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the year in which they are incurred.

1.13 Rents

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

1.14 Expenses

Expenses are accounted for on an accruals basis.

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

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

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

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

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

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3 Analysis of revenue

An analysis of revenue is provided below:

	2023 GBP	2022 GBP
Case fees		
Guernsey OFSO	141,950	67,200
Jersey OFSO	122,250	51,200
Levies		
Guernsey OFSO	541,518	465,564
Jersey OFSO	500,103	445,852
	<hr/> 1,305,821	<hr/> 1,029,816

Contingent asset

A portion of the time costs (salaries) of the Principal Ombudsman and Case Manager will be charged against eligible pension providers when the new Jersey occupational pension legislation comes in to effect, currently proposed for Summer 2024. The time spent during the year was recorded and monitored and it is more likely than not that an inflow of benefits will occur once the legislation is in place. The amount recorded for the year was £16,535 (2022 £13,676), which has been expensed in the year as required by FRS102 Section 21.

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

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4 Administrative expenses

	2023 GBP	2022 GBP
Directors' remuneration	47,125	53,375
Strategic consultant	1,500	4,500
Governance costs	29,979	14,616
Staff salaries	698,063	585,831
Contract case handlers	109,670	145,718
Employer social security	33,622	31,026
Staff pension costs	56,918	47,840
Staff training & ESG initiatives	14,829	13,938
Hotels, travel, subsistence	5,601	5,281
IT costs	50,084	45,694
HR costs	9,516	9,024
Case-related costs	5,559	2,682
Auditor's remuneration	25,391	20,561
Bad debts	1,232	-
Reversal of bad debt	(1,028)	-
Rent and rates	55,755	55,755
Insurances	45,129	42,720
Recruitment and licence fees	692	823
Stationery	178	186
Postage	417	407
Telephone	1,420	1,413
General office expenses	7,164	6,953
Trade subscriptions and CPD	6,360	6,170
Bank charges	1,191	1,221
Line of credit charge	2,500	2,500
Administration costs	6,248	4,758
Depreciation / amortisation expense	9,556	9,875
Loss on forex	26	6
	<hr/> 1,224,697	<hr/> 1,112,873

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

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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 2023	2,644	25,830	55,360	83,834
Additions in year	3,195	-	-	3,195
At 31 December 2023	<u>5,839</u>	<u>25,830</u>	<u>55,360</u>	<u>87,029</u>
Depreciation / amortisation				
At 1 January 2023	1,958	16,502	41,637	60,097
Charge for year	898	2,765	5,893	9,556
At 31 December 2023	<u>2,856</u>	<u>19,267</u>	<u>47,530</u>	<u>69,653</u>
Net book value				
At 31 December 2023	<u>2,983</u>	<u>6,563</u>	<u>7,830</u>	<u>17,376</u>
At 31 December 2022	<u>686</u>	<u>9,328</u>	<u>13,723</u>	<u>23,737</u>

6 Unbilled case fees

	2023 GBP	2022 GBP
Case fees (see note 1.3)	<u>75,600</u>	<u>124,800</u>

7 Debtors and prepayments

	2023 GBP	2022 GBP
Trade debtors	3,832	1,232
Bad debt provision	(1,232)	-
Prepayments	19,514	18,664
	<u>22,114</u>	<u>19,896</u>

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

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7 Debtors and prepayments - continued

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

	2023 GBP	2022 GBP
Balance at the start of year		1,248
Additions	1,232	-
Bad debt written off		(1,248)
Balance at end of year	1,232	-

The debt is in relation to the 2022 levy (2022: in relation to the 2021 levy).

8 Cash and cash equivalents

	2023 GBP	2022 GBP
Cash at bank	414,747	275,205

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 (2022: £250,000).

The current account has a corporate card facility of £20,000 (2022: £20,000).

9 Creditors and accruals

	2023 GBP	2022 GBP
Accruals	24,255	25,686
Trade and other creditors	25,696	23,105
	49,951	48,791

There is no unused annual leave as at 31 December 2023 (2022 £nil).

10 Financial instruments

	2023 GBP	2022 GBP
Financial assets		
Financial assets measured at amortised cost	512,461	419,901
Financial liabilities		
Financial liabilities measured at amortised cost	(49,951)	(48,791)

CHANNEL ISLANDS FINANCIAL OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

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11 Accumulated surplus

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

The Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 and the Financial Services Ombudsman (Jersey) Law 2014 states that the OFSO may, in accordance with any guidelines set by the Minister for Treasury and Resources:

- (a) accumulate a reserve of such amount as it considers necessary, and
- (b) invest that reserve and any of its other funds and resources that are not immediately required for the performance of its functions.

12 Other financial commitments

On 14 December 2021 the OFSOs entered into a licensed office agreement with Polygon Serviced Offices Limited (previously Vantage Innovation Limited) for an annual rental of £55,755, fixed until 31 December 2023. A new agreement was entered into on 4 December 2023 for an annual rental of £61,331 fixed until 31 December 2025. The agreement has been classified as an operating lease. The future commitments are as follows:

	2023 GBP	2022 GBP
Due within one year	61,331	55,755
Due 1 - 5 years	61,331	-
	<hr/> 122,662	<hr/> 55,755

13 Related party transactions

During the year, board remuneration of £2,000 (2022: £24,000) was paid to David Thomas, the chairman until 30 January 2023, £22,625 (2022: £7,500) was paid to Antony Townsend, the chair from 31 January 2023 and £23,125 (2022: £29,375) was paid to the non-executive directors. No amounts were outstanding at the year end (2022: £nil).

The principal ombudsman is considered to be key management personnel. Remuneration in respect of the principal ombudsman comprises a salary of £213,479 (2022: £194,063), pension contributions of £25,617 (2022: £23,288) and insurance costs of £12,000 (2022: £12,000). At the year end the principal ombudsman owed CIFO £6,030 in respect of part of their 2024 annual leave entitlement being taken in 2023 (2022: £nil).

During 2022 CIFO engaged with similar organisations, to ensure staff salaries and benefits were inline with market rates. This exercise will be undertaken again in 2024. The board are satisfied that CIFO salaries and benefits are fair and that pay equity is being met.

