
Feedback on Consultation Paper 24 **2025 Levy & Case Fee Schemes**

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A: Summary and overview

The Channel Islands Financial Ombudsman (CIFO) published Consultation Paper 24: 2025 Levy and Case Fee Schemes on 19 December 2024, with a closing date of 31 January 2025. Notifications of the consultation paper were sent to stakeholder representatives.

The consultation paper sought views on the proposed Financial Services Ombudsman Levy Scheme (Jersey) 2025 [the 2025 Jersey Levy Scheme], the proposed Financial Services Ombudsman Levy Scheme (Bailiwick of Guernsey) 2025 [the 2025 Guernsey Levy Scheme], the proposed Financial Services Ombudsman Fee Scheme (Jersey) 2025 [the 2025 Jersey Fee Scheme], and the proposed Financial Services Ombudsman Fee Scheme (Bailiwick of Guernsey) 2025 [the 2025 Guernsey Fee Scheme]. These include the levy amounts that will be payable by registered providers for 2025.

Registered providers are providers that, in relation to them carrying out 'relevant financial services business'¹, are required to register with the Jersey and Guernsey Financial Services Commissions ("the Commissions") or are licensed or hold a certificate or permit under the regulatory laws as specified. The levy amounts are shown in table 1 below in section C.

¹ As defined in article 9 of the Financial Services Ombudsman (Jersey) Law 2014 and section 9 of the Financial Services Ombudsman (Bailiwick of Guernsey) Law, 2014.

B: Summary of responses

One submission was received in response to the consultation.

The response was received from Islands Insurance who wished to have its response made public and was content for its identity to be revealed.

“As per your request for feedback in your consultation paper of 19/12/2024, I have included our comments from last year for reference.

Whilst your feedback response did engage with the themes of this feedback, the current consultation still seems to lack transparency as to the funds collected, their usage and that the funds raised are effectively administered – likewise there is no suggestion this isn’t the case.

Consideration of your 2023 Annual Report does provide insight to your audited accounts, which does report a 26.8% increase in revenue 2022/23 as well as increases in various expenses of c.10%. Going back to the transparency and effective budgetary management comments below, it would be appreciated if future consultations would explain the need for such funds/increases in the context of a 2023 consultation that sought a 15.5% increase in overall budget and outstripping the performance intended in the 2022 Consultation. If year on year revenue outperforms requirement, then it again becomes harder to rationalise and accept increases as they run the risk of appearing arbitrary or opportunistic.

It is difficult to offer meaningful feedback on the proposed increases in the absence of understanding what issues the increases are attended to address and so we would encourage greater transparency in line with last year’s feedback.”

CIFO response

Under CIFO's legislation in Jersey and Guernsey, it is the CIFO Board of Directors' responsibility to ensure that CIFO has the resources required to perform its statutory mandate. It is also the Board's responsibility to preserve the independence of CIFO to enable it to effectively perform its impartial function free from external influence. In undertaking these responsibilities, the Board is mindful of the need to ensure that the resources are used wisely and efficiently, given that financial services providers (and ultimately their clients) finance CIFO's work.

For 2025, the key considerations that underpinned the development of the annual budget, which is mostly composed of staff-related costs, were:

- The impact of the increase in complaints received by CIFO requiring additional resources to handle the increased inventory of cases;
- Replenishing the reserves to cover six months operating costs, this was previously 4 months, which the board felt was insufficient;
- Keeping the increase in total levies on industry at or below inflation; and,
- Continuing to increase the case fee element of our income so that the 'user pays' proportion of CIFO's funding continues to increase in line with expressed industry stakeholder aspirations.

The overall year-over-year increase in the budget was 9%. In the 2025 budget, there is a 4% increase to the employee salary line to account for annual salary increases for existing staff.

Cost savings, or nil increases, have been achieved in various expense lines for staff-related costs, and overall there is a 0% increase in these expenses.

Governance-related expenses are reduced by 5%. This is due to a reduction in travel and related costs.

Administration costs increased by 16%, mainly due to an increase in depreciation as CIFO intends to invest in capital expenditure to update its complaint management system and computer equipment.

Property expenses show a 5% increase due to the increased costs of a telephony system to enable CIFO to record and transcribe calls.

Outsourced services costs have increased by 54%, due to an additional provision for the external contract Ombudsmen used for case closures, training and mentoring and quality assurance. This is due to higher case numbers and additional efforts being made to provide quality assurance and consistency of approach across the increased number of Board-approved Ombudsmen making final decisions on complaints reviewed by CIFO.

Capital expenditure of £50,000 has been budgeted for a new complaint management system. The current system was inherited by CIFO at no initial cost and is approaching the end of its useful life. A further £9,000 has been allowed for updating computers which are over 5 years old.

Each year as part of the budget review process, CIFO’s Board considers the appropriate level of operating reserve necessary to effectively manage cash flow risk arising from various on-going operational concerns. Following its review of the current operational risks, the Board has continued with its gradual enhancement, started in the 2023 budget year, of CIFO’s operating reserve to a year-end level of 6 months of operating expenditure. The identified risks addressed by this increase in operating reserve include:

- Unexpected intra-year spikes in complaint volumes necessitating increased expenditure on contract complaint handling resources;
- Unexpected intra-year and ongoing legal costs arising from one or more judicial reviews of CIFO final decisions and the already confirmed risk of CIFO losing insurance coverage for such expense should one more such legal case arise.

While the budget for 2025 shows a total increase in expenditure of 9%, the Board has decided, after considering the risks noted above, that there is also a need to increase CIFO’s operating reserves. Therefore, a contribution of approximately £168,000 to the operating reserve has been budgeted for 2025 and is included in the total levy amount and individual levies provided above based on projected relevant licence and registration counts for banks and non-banks across Guernsey and Jersey.

C: Next steps

Industry stakeholders should note that individual levy amounts will remain sensitive to the number of payees in the banking and non-banking sectors. These figures are determined from licence data obtained from the Commissions in both Jersey and Guernsey and are therefore a variable in the calculation of individual levies over which CIFO has no control.

During the consultation period, CIFO received and reviewed data from the Financial Services Commissions on registered providers as at 8 January 2025 and reviewed certifications received from new registered providers on their liability for CIFO levies. The individual levies are dependent on the number of licences. In 2024 there were 36 banking licences certified as liable for the levy; this remains the same for 2025. The other sectors’ individual levy amount is slightly less than was originally set out in consultation paper 24, due to an increase in licence holders.

Table 1: Levy Amounts by Sector for 2025

2025 Levy Amounts	Bank Sector	Other Sectors
Levies as proposed in Consultation Paper 24	£17,158	£1,652
2025 levies	£17,158	£1,638

The 2025 Jersey Levy Scheme and 2025 Guernsey Levy Scheme will be published on 27 February 2025 and come into effect on 1 March 2025. The collection of 2025 levies will be in a staged process, commencing in March with levy notices sent to banks in both islands. Levy notices to other registered providers will be sent sometime in July.

The CIFO Board has decided that, for cases received by CIFO from 1 January 2025, the case fees will be as proposed in consultation paper 24.

Table 2: Case Fee Amounts for 2025

2025 Case Fee Amounts	Levy Payers	Non-levy Payers
Case Fees as proposed in Consultation Paper 24	£1,125	£1,800
2025 Case Fees	£1,125	£1,800

The 2025 Jersey Fee Scheme and 2025 Guernsey Fee Scheme will be published on 27 February 2025 and will be for complaints received on or after 1 January 2025. Case fees are collected quarterly in arrears. The first quarter for 2025 is 31 March 2025 and the fees will be billed one month after the quarter end.