

More misleading information given to the states Assembly

21 December 2010

Dear Deputy

The Financial Services Authority (FSA) have now confirmed that the new deposit compensation limit for the United Kingdom will increase from £50,000 to £85,000 per person, per authorised firm, from 31 December 2010.

This is the Sterling equivalent of the 100,000 Euros deposit compensation limit which comes into force in all European Economic Area (EEA) member states at the end of the year.

Further changes coming into effect on 31 December 2010 are:

- Fast payout rules, with a target of a seven day payout for the majority of claimants and the remainder within the required 20 days.
- Gross payout, which protects customers by ring fencing their deposits if they have savings and loans with the same firm. Currently, any outstanding loan or debt would be deducted from any compensation.
- This new pan European requirement replaces the existing UK arrangement which has been in place since 2009, and which allowed for separate compensation cover for customers with deposits in two merging building societies.

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2010/181.shtml>

Why oh why has the Chief Minister, Lyndon Trott, Carla McNulty Bauer, the Minister of Commerce & Employment and top civil servant Jarrod Cowley - Grimmond got this all so wrong?

Lyndon Trott

STATES OF GUERNSEY SITTING WEDNESDAY 29TH SEPTEMBER 2010 10:50

QUESTIONS TO THE CHIEF MINISTER ON LANDSBANKI GUERNSEY AND THE DEPOSITORS COMPENSATION SCHEME.

THIS TRANSCRIPT COVERS QUESTION 2 ONLY ON THE GUERNSEY DEPOSITORS COMPENSATION SCHEME :

An extract of the Chief Minister's response to Deputy deLisle.

Bailiff: Deputy De Lisle, question two.

Deputy DeLisle: My second question sir, in view of the proposed EC recommendation to increase the depositor guaranteed scheme to 100,000 Euros for EC countries, what steps are being taken in Guernsey to provide a level playing field for bank depositors, in the Bailiwick to prevent the likely flow of retail money away from the island?

Bailiff: Chief Minister to answer Question two.

Deputy TROTT: Thank you sir, with regard to this second question I should make it clear that the commerce and Employment department is responsible for the depositor Compensation Scheme and therefore it is not a matter for the Policy Council. That said the question does merit a full response and there are three important points that should be considered.

The first point is to emphasise is that the European Commission has issued a draft directive on this issue, that draft directive has not yet been approved by the European Parliament or the European Council, so is not yet law inside the EU. It may be that the draft directive is amended as part of the EU's legislative process, but until it is finalised experience of Brussels shows us that there is no certainty that the level of protection will be set at 100,000 Euros. Should the draft directive be approved it will then need to be transposed into domestic law in all EU member States, that process is likely to take some years, with the process usually taking between three and seven years depending on the nature of the particular proposal.

Lyndon Trott – Radio Guernsey phone in. 24th October 2010

Now the Depositors Compensation Scheme there has been some confusion I think about the changes that are taking place in Europe to raise the figure to 100,000 euros and I gave some very comprehensive answers to Deputy de Lisle in the States which talked about the EU process which means to all intent and purpose there is a **10 year transitional period** in place before these measures have to, in line with EU law and in any event Guernsey will now ensure that it maintains a Depositor Compensation Scheme that is in line with international best practice, and that is something I will continue to support.

Jarrold Cowley - Grimmond, director of financial sector development at Commerce and Employment

'The Commerce and Employment Department has no plans to bring the Guernsey Depositor Compensation Scheme into line with the level of protection in the European Union,' he said.

'In any event, the proposals of the European Commission must first be approved by the European Parliament and the European Council and are subject to a public consultation period.

'As a result, it will be some time before there will be any change to deposit guarantee schemes in Europe.'

He predicted that it could take anywhere **between two and five years** before the schemes in Europe see changes, although EU officials are talking about progress and changes happening by the end of 2013.

Read more: <http://www.thisisguernsey.com/2010/07/27/island-will-not-adopt-euro-payout-draft-law/#ixzz18jZa3wNR>

Carla Mc Nulty Bauer

In a statement to BBC Guernsey in November 2010.

Guernsey's States members have approved changes to the island's Deposit Compensation Scheme.

The main change removed the requirement for the scheme to be pre-funded up to £20m.

The commerce and employment minister said the changes would not affect the level of security local depositors had on the island.

Deputy Carla McNulty Bauer said the previous arrangement had put the island at a "competitive disadvantage".

The move brings Guernsey into line with the likes of Jersey and the Isle of Man.

Guernsey's Deposit Compensation Scheme was introduced in November 2008 and guarantees compensation of up to £50,000 per depositor and is payable within three months of a bank failing.

Conclusions

The States of Guernsey and the general public have been terribly misled as to when the well publicised increase in Depositor Guarantee Scheme to the equivalent of 100,000 euros (£85,000) would be implemented in all EC countries.

Why is it that the Islands top politicians and a civil servant have been unable to research the information available and come to same conclusions of the Landsbanki Guernsey DAG, that the £85,000 limit would be implemented from the end of this year?

Why is it that Guernsey bank depositors are now at a “competitive disadvantage” with all EC countries?

Why would any Bailiwick depositor now wish to bank here when they can open an account in the UK and have a guarantee of £85,000, paid out within seven days, against a Bailiwick scheme that may or may not pay you up to £50,000 after 3 months of the bank going bust?

Why is it that the GSFC, Guernsey Finance and the Guernsey Association of Bankers are not reporting this increase and implementation date on their websites?

Why did the Minister for Commerce and Employment, Carla McNulty Bauer fail to fully implement the States resolution of November 2008 regarding the Depositor Compensation Scheme and in not doing so, totally disregarded a democratic decision of the States?

Full marks to Deputy DeLisle for taking this to the States in November, not only on our behalf but on behalf of all Bailiwick bank depositors, as we now have clear evidence of the appalling mess the States now find themselves in with this Guernsey Depositor Compensation Scheme.

Yours Faithfully

Gary Blanchford
Deputy Chairman LGDAG,
For & on behalf of the Group.