

Neil Dickens
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28 September 2010

Dear Mr Dickens,

Ref: Landsbanki Guernsey Depositors

I write on behalf of the Policy Council in response to your letter dated 10 August 2010. Members of the Policy Council considered the questions set out in your letter at their meeting on 27 September 2010, and set out below is the Policy Council's response to each, in turn.

It should be added that as Chief Minister, I can state categorically that the Policy Council will continue to do all it can to support the Royal Court-appointed Joint Administrators achieve as full return of deposits for savers as possible. This assistance is given notwithstanding the fact that there has been neither government nor regulatory failure in Guernsey regarding Landsbanki.

What is the situation now between Guernsey, the Ministry of Justice, and the UK Treasury?

The Ministry of Justice remains the official channel between the Government of Guernsey and all of the departments and agencies of HM Government, including HM Treasury. This does not preclude direct contact between the States of Guernsey and HM Treasury, and direct contact is made when there are matters of mutual importance. Moreover HM Treasury continues to provide support where appropriate.

Is the UK Treasury still representing Guernsey in Iceland?

The House of Commons' Justice Committee report into the relationship between the UK and the Crown Dependencies clearly sets out that by July 2009, the Government of Guernsey needed to take steps to advance its own position with Iceland because the interests of HM Treasury and Guernsey were divergent¹. However, where appropriate, HM Treasury continues to provide support and advice to the Government of Guernsey.

¹ House of Commons Justice Committee. (2010) *Crown Dependencies: Eight Report of Session 2009-10*. London: The Stationery Office Limited, pp29-32.

If so, it is pushing for priority status for the Landsbanki depositors under the Landsbanki Guarantee equal to that which it has achieved for UK onshore savers?

It is not appropriate for the Government of Guernsey to comment on the priorities or actions of another Government, and particularly as HM Treasury does not represent the Government of Guernsey in Iceland.

What actions have the Guernsey Government taken, of its own volition, since its last update on 10th August 2009 to follow up any political initiatives pursuant to the Chief Minister's visit to Iceland in August 2009 or with the UK Government on behalf of the Landsbanki Guernsey Depositors?

The Government of Guernsey continues to engage in robust and consistent dialogue with the Icelandic authorities. As recently as July 2010 the Policy Council directly communicated with the Winding-up Board (WUB) in order to promote the interests of depositors of Landsbanki Guernsey Limited who had pursued private claims with the WUB. On that occasion the Council brought to the attention of the WUB the difficulties faced by depositors, who had been given little notice to attend mediation meetings in Iceland. The WUB subsequently wrote to the Policy Council acknowledging that the notice given was insufficient and explaining that new meetings with a longer period of notice had been convened.

However it is important to reiterate the fundamental point that responsibility for recovery of depositors' monies rests with the Royal Court-appointed Joint Administrators, with whom the Policy Council remains in regular dialogue, offering support where appropriate.

The GFSC 2009 report debate in the States showed clearly that there is some dissent over the adequacy of the Promontory report and there is no doubt that there should be an independent inquiry. Does the Policy Council intend to look again at all the evidence that has been presented?

The report by the Promontory Financial Group (UK) Limited into the events surrounding the placing into Administration of Landsbanki Guernsey Limited, led by the highly-respected Michael Foot CBE, found that there was no regulatory failure and indeed that the Guernsey Financial Services Commission (GFSC) had maintained the highest international standards of banking regulation.

That being the case, the Policy Council does not believe that the expenditure of taxpayers' money on another inquiry is justified. However as I explained in the July 2010 States debate, if there is sufficient support within the States Assembly, by Requête, for such an inquiry, then one would take place. To date, however, no such motion has been received, nor has the required level of support from elected deputies been forthcoming. In short there is neither political nor public appetite in Guernsey for taxpayer-funded inquiries.

I was copied into your Deputy Chairman's letter, dated 19 August 2010, to the Director General of the GFSC. The Director General copied me into his reply, dated 26 August 2010, in which he explained that "*the Commission believes that any inquiry into its regulation of LG would confirm the findings of the Promontory Report*" and, with regard to the LGDAG's outline argument for a public inquiry, "*nothing there has caused me to recommend that the Commission should move from the position which it has previously adopted*", i.e. that no such additional inquiry is necessary.

The Policy Council fully supports the position of the GFSC in this matter. Furthermore, the Policy Council voted at its meeting on 27 September 2010, to reaffirm its resolution of 7 December 2009, that "*there are insufficient grounds to hold a public inquiry into this matter...the Promontory Group's independent and definitive inquiry, which is already in the public domain, sufficiently addresses this matter.*" The Policy Council also resolved that no public funds should be used on this matter.

Does the Chief Minister ever intend to honour his public promise to attend a Landsbanki Guernsey Depositors General Meeting? He has turned down all invitations since February 2009.

I have only ever declined to have private meetings with your group because the issue in question was your request for payment using Guernsey taxpayers' money. My position was, and remains, that such a meeting should have been open to the public. Your group did not appear to accept this condition, having stated through the media that "*LG DAG meetings are private affairs and quite rightly so*". Time and events have moved on, and in view of the significantly improved situation for depositors brought about by the work of the Joint Administrators, and as the use of public funds to assist depositors has been discounted, the Policy Council has unanimously resolved that no such public meeting will be necessary.

As I have already stated, the recovery of depositors' monies is the responsibility of the Royal Court-appointed Joint Administrators, we continue to do all we can as a Government to support their work. Should further issues emerge to which we can legitimately contribute, such as we did in July, we will continue to give what support is appropriate.

Yours sincerely



L S Trott
Chief Minister