



Retail and Commercial Banks

Do you bank with a retail or a commercial bank? Does it matter? If you're not sure, you're not alone!

Retail banking can sometimes be called consumer, personal, or high street banking but they all mean the same thing. Also, the terms retail banking and commercial banking are sometimes used interchangeably, which can be confusing.

Retail banks: meet the personal banking needs of customers, they are the face of banking to the public.

Retail banking can be in the form of a physical high street branch where you can meet with banking staff face to face, or you might have a conversation over the telephone. Increasingly, customers are accessing banking services using mobile or online banking. Retail banks give customers access to financial products, such as current and savings accounts, overdrafts, personal loans, mortgage loans, credit cards and foreign currency exchange services.

Wealthier customers can still use retail banks but are often put in a separate retail banking class called premier or private banking (you can find out more about private banking in our [explainer here](#)). They receive the same type of services but will have access to additional products or investment services and will have a specific person in the bank to look after their needs. For most banks, retail banking is usually just one section of a larger banking organisation.

Commercial banks: also known as corporate or business banking, they serve companies from small local businesses to large international companies.

They support businesses by providing access to a range of banking, credit and investment products, such as treasury deposits, foreign exchange transactions, lending and financing, and card services for retailers.

Some banks offer both retail banking services and commercial banking services.

How do these banks make a profit?

Both commercial and retail banks lend money at a higher rate than they borrow it. This allows them to balance those that save more with those who borrow more, which is vital for a healthy economy.

Another way banks earn a profit is by charging for products and services, such as mortgages, overdrafts, personal and commercial loans, bank guarantees, investments, and international payments.

Every time you use a credit card, the retailer will pay a small fee to the bank providing the transfer of funds. If you want to exchange currency or send money overseas, banks can charge a fee for that too.

Commercial and corporate customers often pay a regular fee to banks for transactions that go through their accounts, such as cash payments into their account and payments out of their accounts.

Banks work hard to ensure rates and fees are reasonable and affordable for all of their customers. They provide access to a wide range of products and offer financial support that is suited to a customer's individual needs.

Why Jersey?

We're a major financial centre for both retail and commercial banking, with 21 banking groups from the UK, Europe, North America, South Africa and Asia having an operating presence in Jersey.

This includes the main UK retail banks and nearly half of the top 25 banks in the world, by 'Tier 1 Capital'. Being a Tier 1 Capital Bank means a bank has enough money stored safely to survive major financial events and keep its customers' money safe.

Between them, these banking groups serve a whole spectrum of clients both locally and from across the globe, including retail customers, small and medium enterprises, private banking, custody and depositary services, and complex international corporate and commercial banking.

So, why have these banks chosen to have a presence in Jersey?

We're independent

As we're politically and financially independent from the UK, Jersey can afford to be flexible and support specialist business areas. For example, Jersey's banking sector has provided services to support the fast-growing alternative investment funds industry, in particular the real estate, private equity, and hedge fund markets.

We're well regulated

The regulation of Jersey's banking sector has received an AA- credit rating from Standard & Poor's meaning that an independent assessor thinks that the banking sector is safe.

The island's superior regulatory environment has also been recognised by some of the world's leading bodies, including the Organisation for Economic Co-operation and Development (OECD)¹, the Group of International Finance Centre Supervisors² and International Monetary Fund (IMF)³.

¹ <https://www.jerseyfsc.org/media/1602/17-11-17-jersey-recvies-a-fully-compliant-rating-from-oecd.pdf>

² <https://www.jerseyfsc.org/media/2628/200190423-jfsc-sets-standard-for-international-finance-centres.pdf>

³ <https://www.gov.je/News/2009/Pages/JsyTopstheList.aspx>

We're experts

The banks in Jersey are supported by seven of the nine major offshore law firms, and seven of the ten largest accountancy firms have a permanent base in Jersey. They provide legal, audit, tax and advisory services.

Of course, all these companies need employees. We have more than 3,000 legal and accounting professionals supporting Jersey-based financial service providers, local and global firms and individual clients.

As a result, Jersey has an expert, highly-skilled workforce.

What about tax?

The island provides a tax-neutral environment, with no capital transfer tax, capital gains tax, value added tax, withholding taxes, or wealth taxes.

This tax-neutral environment has been created to provide tax certainty to those that bank in Jersey. More information on tax neutrality can be found on the [Jersey Finance Tax Neutrality](#) page.

The island raises money through other taxes, such as income tax and duties paid on certain goods.

Jersey continues to drive new regulation to remain among global leaders in matters of transparency and financial services regulation. In June 2019, the Government of Jersey announced that the island will be moving towards a public register of beneficial ownership which will support in tackling tax avoidance.

How does Jersey keep you and your money safe?

Jersey's regulators have established robust regulations to ensure that all financial services companies including banks are run properly and that customers are looked after and dealt with fairly.

It's thanks to these robust banking regulations that the island didn't have a single bank failure in the 2008 global financial crisis.

Additionally, the Jersey Bank Depositors Compensation Scheme (DCS) was established in 2009 to protect banking customers in the unlikely event that a bank fails.

Jersey's regulators worked with banking deposit protection experts to develop the framework for the administration of the DCS. They also employed a state-of-the-art IT system to administer and pay compensation to customers should a bank fail.

If a bank fails and is unable to repay customers the money they held in accounts with that bank, the DCS gives up to £50,000 per person, for local and international depositors as protection.

In the unlikely event of a Jersey bank failing, an interim payment of up to £5,000 will be made within seven working days to each qualifying person and full compensation will be paid within three months. The £50,000 limit applies for each person, so for example if you have a £100,000 deposit held in a joint account by two people, you would get all of your money back.

Jersey is home to the Channel Islands Financial Ombudsman service, a joint body with Guernsey who has the primary role of resolving complaints about financial services provided in/or from the Channel Islands of Jersey, Guernsey, Alderney and Sark.

Where can I find more information?

For more information on banking in Jersey visit our dedicated [banking page](#) or to find out more about Jersey's finance industry see our other [Put Simply Banking](#) explainers.