

Guernsey wonders why everyone's picking on them

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The Guernsey Post has published another response to the [Maundy Thursday letters](#). They [have said](#):

WRITING here yesterday, we highlighted the rather arbitrary 'standards' demanded of the low tax jurisdictions by prime minister Gordon Brown - but it has taken publication of his letter to the Crown Dependencies to show just how much the goalposts have shifted.

Never mind gaining OECD 'white list' status, that is not good enough for the PM. The islands, he said, have to put clear water between themselves and those jurisdictions which only just meet international standards.

What he has not said is why. Or what happens if the dependencies do not.

While it is possible, as Jersey's chief minister has done, to read the letter as 'fairly non-committal', it is also possible to see it as nakedly hostile and threatening.

Although there are clear standards to follow - and the islands do - Mr Brown now wants us to meet unspecified targets with unspecified penalties for failing to hit an invisible goal.

What makes this playground bully 'watch it, or else' approach worse is Mr Brown's further threat that 'it is vital to the interests of the Crown Dependencies' that they meet any new international standards on tax avoidance.

By switching emphasis from illegal evasion to perfectly legal avoidance, Mr Brown seeks further to make these islands' position untenable by introducing another unquantifiable 'acceptability' test.

And it then rumbles on about seeking support for its case from the right wing Adam Smith Institute before finishing:

What Guernsey needs to do now is to convince No. 10 that it needs us. How? By quantifying the huge flows of money from here to the City of London and the tax that is generated in the UK as a result.

Making a compelling case is the finance industry's biggest challenge.

And I have to say I agree. But with good reason. I know that case cannot be made. Which makes me very comfortable that this is the ground on which they have chosen to argue.

The reality is that the money in Guernsey would always flow to the City if that is where the best rates of return are to be enjoyed. Why wouldn't it? If better rates were to be found elsewhere that is where these funds would go instead. So it is nonsensical to argue that the City gets this money because of something Guernsey does. The fact is Guernsey has got this money because of something the City has done — and to which a blind eye has been turned to date because the City generated enough to allow that to happen.

But it no longer does so. Now the City is a sink into which taxpayer's money is pouring — and in turn it is being lost to Guernsey. That is why Gordon Brown intends to turn the tap off. Ordinary people in the UK do not pay tax to subsidise wealth that evades its responsibility if not its obligations in Guernsey and elsewhere.

Nothing finance can write can overcome that fact. But I look forward to their efforts to do so and will read them with interest.