

## **FSCS Podcast- #24 Mini-pod: What's a banking licence and how does it affect how much of my money is protected?**

**Jess Spiers** 00:01

Welcome to Protect your money with FSCS, the podcast from the Financial Services Compensation Scheme. Today, we've got a mini-pod for you, a special bite-sized episode, where we talk through a particular topic to explain it all simply. In this series, we explain how we can help to protect your money so you can feel confident your money is safe. Let's get into the conversation now.

**Jess Spiers** 00:28

Welcome everyone! I'm your host, Jess Spiers, and I'm Senior Content Manager at FSCS, the Financial Services Compensation Scheme. So today, our guest is Michelle Rajendran, Digital Product Manager at FSCS. Welcome, Michelle.

**Michelle Rajendran** 00:42

Hi, Jess. Thanks for having me.

**Jess Spiers** 00:44

Anytime. So today, we are talking all about banking licences and FSCS protection. So, why don't we start by briefly explaining how FSCS can protect the money in your bank, building society or credit union? Michelle, could you just tell us about that?

**Michelle Rajendran** 01:00

Sure. FSCS can protect up to £85,000 per person, if your bank, building society or credit union goes bust. We pay compensation automatically in these cases, so there's no need to make a claim and we usually pay eligible people within seven days.

**Jess Spiers** 01:18

Yeah, that's right. So, it's £85,000 per person, isn't it? So, £170,000 if you have a joint account with your partner, and I think it's worth mentioning that protection is per person. So, if four people hold a joint account, they would be protected up to £340,000. So, we actually had a query on social media from someone recently. This person has a personal account and a joint account with the same bank, and they were asking if they were protected for £85,000 for their personal account, plus that £170,000 joint account limit. So that would be £255,000? Or would it be just up to the £170,000 joint account limit?

**Michelle Rajendran** 02:00

Good question. In this case, they will be protected up to £170,000 in total.

**Jess Spiers** 02:06

Okay, thanks for clearing that up. So, I think it's probably worth mentioning that our deposits protection includes eligible deposits in current accounts, savings accounts, cash ISAs, that are held with a deposit taker or savings bonds. Let's now talk about

banking licences. Why do people need to be aware of them and how they can affect how much of your money is protected.

**Michelle Rajendran** 02:28

A bank or building society can have more than one brand within it and all those brands share the same banking licence. So, this means that brands that appear to be separate are actually connected, and that has an impact on how much of your money is protected.

**Jess Spiers** 02:44

Yeah, that's right. So, what exactly is a banking licence, Michelle?

**Michelle Rajendran** 02:47

A banking licence is a certification to show that a firm is authorised by the regulators to start a bank and accept customers' money. Being authorised by the Prudential Regulation Authority, which is part of the Bank of England, is legally required. New banks must also have approval of the Financial Conduct Authority.

**Jess Spiers** 02:47

Okay, and why are banking licences important for people to understand?

**Michelle Rajendran** 02:52

As we said earlier, banks within the same brand share a single licence and have the same firm reference number, or what we say, FRN. The FRN is a six-digit number that's assigned to the bank on the FCA's Financial Services Register when it's authorised. This is where the £85,000 limit is important. If you've got money in multiple accounts with banks that are part of the same group and have the same FRN, we have to treat them as one bank. This means our £85,000 compensation limit applies to the total amount you hold in all your accounts with these brands, not each account individually.

**Jess Spiers** 04:03

Have you got an example you could give us to bring this to life a little bit?

**Michelle Rajendran** 04:07

Sure. For example, if you had £50,000 in a Halifax account, £50,000 in a Birmingham Midshires account, and £50,000 in a Bank of Scotland account, (that's £150,000 in total) only £85,000 of this would be FSCS protected. That's because these banks are all part of the same banking group. They share a licence and FRN, and we have to treat them as one bank.

**Jess Spiers** 04:36

Yes, absolutely. And we know that this is something that people can easily not realise. So, how can people go about checking if their banks are part of the same banking group and share FSCS protection?

**Michelle Rajendran** 04:47

So, I know this is all confusing, but we have a great tool on our website. So, the easiest way to check is to use the FSCS Bank & Savings Protection Checker, and the URL is [fscs.org.uk/check](https://fscs.org.uk/check). You then enter the name of your bank and how much is in your account and then the result will show you how much of your money is protected. You repeat this step for any other bank accounts you hold, and we will tell you if your banks are connected and if any of your money is at risk.

**Jess Spiers** 05:20

I think it's worth mentioning as well that the PRA website is kept up to date with current lists of banking and savings brands that share FSCS protection, so that's worth a look.

**Michelle Rajendran** 05:29

You can also search the Financial Conduct Authority's financial services register to see what other names your bank might use or trade under. For example, HSBC also uses the name FD, First Direct, First Direct Bank, FD Bank, meaning they all, plus HSBC share a banking licence.

**Jess Spiers** 05:52

We talked about banks, what about building societies and credit unions?

**Michelle Rajendran** 05:57

So, with credit unions, it isn't something you typically see, although sometimes they do change their name over time, but building societies, they can operate in a similar way to banks, with one firm using many trading names, usually as a result of acquiring smaller firms.

For instance, Nationwide also has the brand names of Derbyshire Building Society, Cheshire Building Society, The Derbyshire, Derbyshire Direct, Dunfermline Direct and Dunfermline Building Society. All of these share the same authorisation. Some brands may be phased out over time or only used on older accounts, but it's still good to check.

**Jess Spiers** 06:40

Yeah, definitely. So, Michelle, what's your key takeaway on this topic?

**Michelle Rajendran** 06:44

That seemingly unconnected banks can be linked, which affects how much of your money FSCS can protect. If you hold more than £85,000 with multiple banks, building societies or credit unions, make sure you know if they're connected by using the Bank & Savings Protection Checker on our website: [fscs.org.uk](https://fscs.org.uk).

**Jess Spiers** 07:08

Thanks so much, Michelle. We hope everyone listening enjoyed this mini-pod! You can find all of our podcasts on our website and the usual places you find your other

podcasts. Please do follow us wherever you listen to your podcasts so you never miss a new episode. Thanks for listening!