

Statement in accordance with Rule 28.4(3) of the Depositor Protection rules

The FSCS has made a determination under Chapter 28 of the Depositor Protection rules in respect of SPA Credit Union Limited. The relevant determination instrument is available to view on the FSCS website.

The determination exercises FSCS's power under Rule 28.2 of the Depositor Protection rules so that when FSCS pays compensation to a depositor it will 'automatically subrogate' to all the rights of the depositor against the credit union and any third parties. Automatic subrogation is a way in which legal rights can pass from one party (e.g. a depositor) to another (e.g. FSCS) without either party having to actively do anything – the transfer happens 'automatically' by law.

The transfer of rights to the FSCS will happen only if a depositor decides to cash their compensation cheque. Depositors are free to reject the offer of compensation from FSCS and to return the cheque to us, in which case they will retain all of their rights in respect of their eligible deposit.

If a claimant does cash their compensation cheque, all of their rights in respect of their eligible deposit will transfer to FSCS. This is the case even if the amount of compensation is less than the amount of the depositor's aggregated deposits with the credit union. So if the depositor had aggregated deposits of £100,000 and accepts the compensation, all £100,000 worth of rights will transfer from the depositor to the FSCS, even though the depositor can only receive a maximum of £75,000 in compensation.

The effect of the rights transferring to the FSCS is that the depositor will not be able to make any legal claim in respect of those rights, either against the credit union or any other person or business. For example, the depositor will not be able to receive recoveries made by the liquidator in the insolvency of the credit union. Those recoveries will instead be paid to FSCS.

FSCS will keep any recoveries it receives in relation to a depositor's rights up to the amount of compensation it has paid to the depositor. Any recoveries FSCS receives in excess of that amount, it will pay over to the depositor, subject to allowance for costs.

FSCS cannot give you legal advice as to you whether you should accept our offer of compensation or not – if you are unsure, you should seek independent legal advice at your own expense. However, if you have any questions about the automatic subrogation or the operation of Rule 28.2, please contact us on 0800 678 1100 or 020 7741 4100