

A guide to the work of the Financial Services Compensation Scheme

Claiming compensation

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Photographs: Philip Wolmuth www.philipwolmuth.com



About the Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS) is the UK's statutory fund of last resort for customers of financial services firms.

This means FSCS can pay compensation to consumers if a firm is unable, or likely to be unable, to pay claims against it. FSCS is an independent body set up under the Financial Services and Markets Act 2000 (FSMA). We do not charge individual consumers for using our service.

FSCS covers business conducted by firms authorised by the Financial Services Authority (FSA), the independent "watchdog" set up by law to regulate financial services in the UK, and protect the rights of retail consumers. Further details about the FSA are on page 15.

The rules for FSCS are made by the FSA. We must abide by these rules. They set out which types of claim are eligible for compensation and limit how much compensation we are allowed to pay (see page 11). Compensation is only paid for financial loss.

Where FSCS fits in

If you have a complaint or claim against an authorised firm that is still trading, you should contact that firm directly. If your complaint is not resolved, you can contact the Financial Ombudsman Service (FOS). See page 15 for further details.

If you have a claim against a firm that has stopped trading you should first try to contact the firm to see if it can pay your claim. The FOS may be able to help in certain situations.

If the firm cannot pay claims against it, FSCS may be able to help. We can pay compensation if an authorised firm is unable, or likely to be unable, to pay claims against it. We describe this as being "in default".

What the Scheme covers

Deposits

FSCS provides protection for customers of authorised firms that take deposits, such as banks, building societies and credit unions.

If a firm is unable to repay its depositors, or is likely to be unable to do so, the Scheme will be triggered. This may happen, for example, if a firm is subject to an insolvency action, such as liquidation or administration. The Scheme may also be triggered when the FSA considers that an authorised firm is unable to repay its depositors, or is likely to be unable to do so.

Which deposit-takers are covered by the Scheme?

- UK banks authorised by the FSA, including their branches in the European Economic Area (EEA).
- EEA banks if they have joined the UK scheme in order to top up the cover available from their home state compensation scheme for deposits taken by their UK branches.
- Non-EEA banks for deposits taken by their UK branches.
- Building societies in the UK.
- Credit unions (but not in Northern Ireland).

Deposit-takers in the Channel Islands and Isle of Man **are not covered** by the Scheme.

What the Scheme covers



General and life insurance firms

FSCS provides protection if an authorised insurer is unable to pay claims against it, for example if it has been placed in provisional liquidation or administration.

If a firm is unable to pay claims against it, we will try to safeguard policyholders, for example by arranging for their policies to be transferred to another firm. If this is not possible, we can pay compensation.

Policyholders are eligible for protection for most contracts issued in the UK. Lloyd's policies are covered from 1 January 2004.

In some cases policyholders may be protected for contracts issued by insurers in the EEA, Gibraltar, Channel Islands or Isle of Man for risks in the UK, where the firm is authorised in the UK by the FSA. Certain policies issued before 1 December 2001 for risks elsewhere in the world may also be protected.

Insurance contracts covered include life insurance policies such as pensions, annuities and endowments; and general insurance contracts such as motor, home and employers' liability insurance. We do not cover re-insurance or marine, aviation, transport business and, from 1 December 2001, credit insurance.

General insurance policies advice and arranging

From 14 January 2005 consumers are eligible for protection if they buy general insurance policies through an authorised firm in the UK, or in some cases a firm's branch in the EEA.

The Scheme is triggered if an authorised firm goes out of business and cannot meet claims against it.

We may be able to help if, for example:

- you believe you have been mis-sold an insurance policy and have lost money;
- the firm becomes insolvent and can't return money owed to you;
- you are a victim of fraud.

Investments

FSCS provides protection if an authorised firm is unable to pay claims against it. For example:

- if you suffer losses arising from bad investment advice, negligent investment management or misrepresentation;
- when an authorised investment firm goes out of business and cannot return your investments or money owed to you.

Investments covered include stocks and shares, unit trusts, futures and options, personal pension plans and other long-term policies such as endowments.


We can pay compensation for bad advice, negligent investment management or misrepresentation only if this took place on or after 28 August 1988 (and after the firm became authorised).

Home finance (e.g. mortgage) advice and arranging

From 31 October 2004 home finance (e.g. mortgage) advice and arranging is protected by FSCS. We may be able to pay compensation if you make a claim against an authorised firm and it cannot pay your claim.

For example:

- if the firm advised you to enter into a mortgage agreement that was unsuitable for you and you have lost money as a result;
- if the firm becomes insolvent and cannot return money owed to you.



Limitations of the Scheme: the main points

Under our rules, there are limits to the protection FSCS can provide.

Here are the main points:

- The Scheme was set up mainly to assist private individuals, although some smaller businesses are also covered. Larger businesses are generally excluded, although there are some exceptions to this (in particular for compulsory insurance).
- We can pay compensation only if an authorised firm is unable, or likely to be unable, to meet the claims against it. We carry out an investigation to establish this.
- There are limits to the amounts of compensation we can pay (see page 11) and compensation only covers financial loss.

Important dates:

- For investment claims, if your claim relates to business conducted before 28 August 1988 we are unlikely to be able to help you.
- For home finance (e.g. mortgage) advice and arranging, we will only be able to help you if your claim relates to business conducted on or after 31 October 2004. These activities were not protected by FSCS before this date.
- For claims relating to advice or arranging of general insurance policies, we will only be able to help you if your claim relates to business conducted on or after 14 January 2005. These activities were not protected by FSCS before this date.

Slightly different rules apply if you have a claim against an insurance firm or a bank that was insolvent before FSCS became operational (1 December 2001), or a claim against an investment firm that was declared in default before FSCS became operational. The claim is covered by the rules governing the separate compensation schemes that existed before that date, although we will handle the claim. FSCS became the single compensation scheme on 1 December 2001, replacing the former schemes.

Points to remember

Is the firm still trading?

If you have a complaint or claim against a firm that is still trading, you should contact that firm directly. If your complaint is not resolved, you can contact the Financial Ombudsman Service (FOS). For contact details see page 15.

Is the firm “in default”?

Even if a firm is no longer trading it may be able to pay your claim. As the UK’s statutory fund of last resort, FSCS can only help consumers if a firm is unable to pay claims against it, or is likely to be unable to do so.

You can find out whether we have declared a firm in default by using the default check service on our website at www.fscs.org.uk, or by phoning our Customer Services Team on 020 7892 7300.

If the firm has not already been declared in default by us and you believe it is unable to pay claims against it, please contact us and we will investigate the position.

Is your claim protected by FSCS?

Unfortunately, on some occasions we will be unable to help you. To be protected by FSCS you need to be eligible under our rules, which are made by the FSA. The rules set out which types of claim are eligible for compensation and limit how much compensation we are allowed to pay.

We can pay compensation only if a firm is in default. There are limits to the amounts of compensation we can pay, and compensation is only paid for financial loss.



Claiming compensation

To accompany this booklet, FSCS produces separate information sheets which explain in detail the processes we must go through when we consider your claim. The information sheet you receive will depend on the type of claim you have.

If you need an information sheet and did not receive one with this booklet, please contact us. Our contact details are below. You should also contact us if you think you have received the wrong information sheet.

Application forms

To claim compensation from us you will usually have to fill in an application form, which we send to you. The application form gives us the information we need to consider your claim. Please answer all the questions and provide as much information as you can. If you need any help filling in this form, please contact us.

Claims against insurers

Any queries relating to policies or claims against an insolvent insurer would usually be directed in the first instance to the appointed insolvency practitioners or run-off agents, who would generally handle these types of claims. FSCS would seek to ensure that policyholders had clear instructions on how to make a claim and what to do if they need immediate assistance. In all cases FSCS will try to work with any insolvency practitioner appointed to a firm in default.

How to contact us

FSCS, 7th Floor, Lloyds Chambers,
1 Portsoken Street, London E1 8BN
Tel: 020 7892 7300
Fax: 020 7892 7301
www.fscs.org.uk
e-mail: enquiries@fscs.org.uk

Compensation payments

When we have looked at your claim we will write and tell you if you are entitled to compensation and, if so, how much we can pay. There are limits to the amounts we can pay.

To receive compensation you will first need to sign an 'assignment of rights'. This is usually done when you complete your application form, and gives us the right to try to recover from the insolvent firm (and third parties) compensation paid by the Scheme. We will also try to recover any losses you have incurred that were not covered by our scheme, and, if we do, will pass them on to you.

After a firm has been declared in default, we generally aim to pay compensation within six months of receiving a completed application form. Some claims are completed much faster, however, in other cases delays may occur because of factors outside our control.

For example, we may have difficulty getting hold of important files, we may be waiting for information from a liquidator, or we may have many claims arising from a particular default which will take time to process.

If you are facing particular hardship, we will try to deal with your claim as a priority.

Compensation limits

- Deposits* – up to the higher of £50,000 or €50,000 (100% of £50,000 or €50,000)
- Insurance** – 90% of the claim with no upper limit. Compulsory insurances are covered in full.
- Advice about and arranging of general insurance products*** – 90% of the claim with no upper limit. Compulsory insurances are covered in full.
- Investments**** – up to £50,000 (100% of £50,000).
- Home finance (e.g. mortgage) advice and arranging***** – up to £50,000 (100% of £50,000).

* Applicable from 30 June 2009. In the event of default, the Euro amount will be calculated by reference to the currency exchange rate on the day of default. For claims against firms in default: (i) before 1 October 2007 - up to £31,700 (100% of £2,000 and 90% of £33,000); (ii) between 1 October 2007 and 6 October 2008 - up to £35,000 (100% of £35,000); (iii) between 7 October 2008 and 29 June 2009 - up to £50,000 (100% of £50,000)

** For claims against firms in default up to 31 December 2009 - 100% of the first £2,000, plus 90% of the balance

*** For claims against firms in default up to 31 December 2009 - 100% of the first £2,000, plus 90% of the balance

**** For claims against firms in default up to 31 December 2009 - up to £48,000 (100% of £30,000 and 90% of £20,000)

***** For claims against firms in default up to 31 December 2009 - up to £48,000 (100% of £30,000 and 90% of £20,000)

Complaints

What can I do if I am unhappy with the Scheme's decision on my claim?

In some instances we cannot pay compensation, or we may not be able to compensate you fully for your losses. If this happens, we will always write to explain why. If you are not satisfied with our explanation, you can ask for your claim to be reviewed by a manager and ultimately an Executive Director. A copy of our review procedure is available on request.

What can I do if I am unhappy with the way the Scheme handled my claim?

You can contact us. We have a formal complaints procedure with a number of stages. These include a review of the case by a manager, an Executive Director and, finally, an independent investigator if necessary.

You can download What to do if you're not happy, a leaflet outlining our procedures, from our website. For a printed copy telephone our Customer Services Team on 020 7892 7300 or e-mail: enquiries@fscs.org.uk.

What can I do if I am unhappy with the amount of compensation FSCS is offering me?

There are limits to the amount of compensation we can pay, and compensation is only paid for financial loss. To be eligible for compensation you must have lost money because of your dealings with the firm. For example, for investment advice claims we need to establish that the investment was unsuitable for you and that you have suffered an actual financial loss as a result. The compensation we pay would try to take account of the position you would have been in had you not invested. FSCS cannot pay compensation just because an investment has not met your expectations.

Further information

If you need further information about the way we have calculated the amount of compensation we can pay you, please contact us.

Frequently asked questions

Q. How do you decide whether you can help me?

A. Our rules are made by the Financial Services Authority (FSA) and set out which claims are eligible for protection. If you are not eligible for compensation under our rules, we will write and explain why.

Q. How quickly should I make my claim?

A. Once you discover there is a problem, contact us as soon as you can. If you are aware that we have declared a firm in default, you should claim compensation from us as soon as possible. In some instances you may be contacted by a liquidator, or us, to ask if you wish to make a claim.

Q. How long will it take to process my claim?

A. After a declaration of default, FSCS aims to process all claims within six months. However, this depends very much on the type of claim. For example, most credit union claims can be completed within four weeks. For other types of claim it may take longer, depending on how complex it is and on some factors that may be outside of our control, such as waiting for information from third parties.

Q. What does "default" mean?

A. As a fund of last resort, FSCS can only help consumers if a firm is unable, or likely to be unable, to pay claims against it. We describe this as being "in default". We will conduct an investigation to establish the financial position of a firm.

Q. The firm I dealt with is no longer trading but FSCS says it cannot help me. Why?

A. FSCS is only able to help consumers if a firm cannot meet its own claims. We have no discretion to help consumers if a firm (or its principals) has enough assets or means to pay claims made against it, even if the firm has stopped trading.





Frequently asked questions

Q. Will I need legal or professional advice to make a claim?

A. You do not need to claim through a solicitor, accountant or anyone else. Bringing a claim direct to the Scheme will not cost you anything. If you do decide to instruct someone to act for you, we will not usually be able to pay their fees.

Q. Are there any legal time limits on making a claim?

A. Our rules set no time limit for making a claim for compensation to the Scheme, but your claim might be subject to legal time limits. If there are any legal time limits that prevent us from helping you, we will write and explain why. There are also some dates that may affect your ability to make a claim to us (see page 8).

Q. How will I know if a firm is a 'member' of FSCS?

A. FSCS covers business conducted by firms authorised by the FSA. You can find out whether a firm is authorised by using the FSA's Firm and Person Check Service on its website, www.fsa.gov.uk/consumer, or by contacting its Consumer Helpline on 0845 606 1234.

Q. Will I be covered if I did business through the internet?

A. Yes, provided the firm is authorised by the FSA and the claim is eligible under our rules.

Q. Can you compensate firms as well as individuals?

A. The Scheme was set up mainly to help individuals, although some smaller businesses are also covered. Larger businesses are generally excluded, although there are some exceptions to this. Our rules set out which claims are eligible for protection and form part of the FSA Handbook of rules and guidance. Further details about the FSA are on page 15.

The regulator and the ombudsman

The regulator

The Financial Services Authority is the independent "watchdog" set up by law to regulate financial services in the UK, and protect the rights of retail consumers.

The FSA produces a range of user-friendly factsheets and booklets which are available from its website and helpline (see contact details).

By law, most financial services firms must be authorised by the FSA. The FSA ensures that all authorised firms are run in a prudent and financially sound way and regulates the way many (but not all) of them do business with consumers. If you use an authorised firm, you will have access to the Financial Ombudsman Service (FOS) and FSCS if something goes wrong.

You can find out whether a firm is authorised by using the FSA's Firm and Person Check Service on its website or by phoning its Consumer Helpline.

The FSA's website includes a list of known unauthorised firms that are targeting UK investors. The website also contains lots of general advice and information for consumers about buying financial services.

Further information

A booklet giving further information about the work of the FSA, FOS and FSCS, and how the three organisations work together, is available from FSCS on request. You can also download it from our website at www.fscs.org.uk.

FSA contact details

Consumer Helpline:
0845 606 1234
Minicom/textphone:
08457 300 104
Website:
www.fsa.gov.uk/consumer

The ombudsman

The Financial Ombudsman Service (FOS) provides consumers with a free, independent service for resolving disputes with financial firms.

If a firm is still trading, you should complain directly to it. If you are not happy with how it deals with your claim, and you have exhausted its complaints procedures, you should contact FOS.

FOS contact details

Consumer Helpline:
0845 080 1800
Website:
www.financial-ombudsman.org.uk
E-mail:
complaint.info@financial-ombudsman.org.uk

Other professional bodies

Recognised professional bodies

The Law Society has its own compensation arrangements for its members' investment business. Please contact:

The Law Society (England & Wales)

The Law Society's Hall
113 Chancery Lane
London
WC2A 1PL
Tel: 020 7242 1222
www.lawsociety.org.uk
E-mail:
info.services@lawsociety.org.uk

The Law Society of Scotland

26 Drumsheugh Gardens
Edinburgh
EH3 7YR
Tel: 0131 226 7411
www.lawscot.org.uk
E-mail: lawscot@lawscot.org.uk

FSCS covers investment business claims against solicitors in Northern Ireland who are declared in default after 1 December 2001. If your claim is for business conducted before this date please contact:

The Law Society of Northern Ireland

Law Society House
98 Victoria Street,
Belfast
BT1 3JZ
Tel: 028 90 231614
www.lawsoc-ni.org
E-mail: info@lawsoc-ni.org

Other professional bodies

FSCS covers claims against accountants and actuaries who are declared in default after 1 December 2001, and for business conducted after this date. If your claim is for business conducted before this date, please contact the appropriate organisation below:

Institute of Chartered Accountants in England and Wales (ICAEW)

Professional Conduct
Directorate
Silbury Court,
412 - 416 Silbury Boulevard,
Milton Keynes MK9 2AF
Tel: 01908 546235
www.icaew.co.uk
E-mail:
psocomp@icaew.co.uk

Institute of Chartered Accountants of Scotland

CA House
21 Haymarket Yards
Edinburgh EH12 5BH
Tel: 0131 347 0100
www.icas.org.uk
E-mail: enquiries@icas.org.uk

Institute of Chartered Accountants of Ireland

CA House
83 Pembroke Road
Dublin 4
Tel: 00 353 1 637 7200
www.icaei.ie
E-mail: ca@icaei.ie

Institute of Chartered Accountants of Ireland

11 Donegall Square South
Belfast BT1 5JE
Tel: 028 90 321600
www.icaei.ie
E-mail: ca@icaei.ie

Association of Chartered Certified Accountants (ACCA)

ACCA Connect
2 Central Quay
89 Hydepark Street
Glasgow G3 8BW
Tel: 0141 582 2000
www.accaglobal.com
E-mail: info@accaglobal.com

Institute of Actuaries

Staple Inn Hall
High Holborn
London WC1V 7QJ
Tel: 020 7632 2100
www.actuaries.org.uk
E-mail:
institute@actuaries.org.uk

For your notes

Financial Services Compensation Scheme
7th Floor, Lloyds Chambers
1 Portsoken Street, London E1 8BN
Tel: 020 7892 7300 Fax: 020 7892 7301
www.fscs.org.uk e-mail: enquiries@fscs.org.uk

