



Deposit Takers: What You Need to Know

eLearning Course

v3 issued July 2022. Next review date July 2023.

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What is this tutorial about?

We will explore:

- > What the Financial Services Compensation Scheme (FSCS) is, and why it's important
- > The protection that FSCS provides to your customers
- > Levels of compensation and the compensation process
- > Your obligation to prominently display FSCS information



By completing this course, you will **increase your knowledge** of FSCS, and be able to **give your customers accurate information** about our protection, that will **increase consumer confidence** in financial services.



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What is FSCS and why is it important?

FSCS is there to protect your money.

It gives you **automatic protection up to £85,000** if your bank, building society or credit union goes out of business. Where there is a joint account, each named person on the account receives FSCS protection of up to £85,000 for all eligible deposits. You will normally get your money back within **seven days**.

FSCS is funded by the financial services industry, and is **free to consumers**.

FSCS also covers a wide range of other financial products and services such as investments, pensions, financial advice, insurance and insurance broking, mortgage advice and arranging. Different compensation limits apply.

In protecting consumers, FSCS promotes consumer confidence.

Since 2001, FSCS has:



protected more than
6.5 million customers



paid out more than
£26.5 billion
in compensation

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What does FSCS cover?

Cover

FSCS only covers business conducted by firms authorised by either of the following:



Financial Conduct
Authority (FCA)



Prudential Regulation
Authority (PRA)

Companies* and small local authorities qualify for cover under FSCS deposit protection. They are eligible for compensation up to a limit of £85,000.

*Not all companies are eligible. See link to PRA rulebook on [slide 7](#) for a list of ineligible depositors.

What does FSCS protect?

Protection

FSCS protects:



Deposits* in banks, building societies, credit unions (including temporary high balances)



Insurance policies/contracts and broking (advice and arranging)



Investments (only certain types)



Pensions and other long-term insurance policies



Home finance (advice and arranging)



Funeral plans - from 29 July 2022

FSCS pays compensation to customers with claims against PRA or FCA authorised firms that have gone into **default**. The Financial Ombudsman Service (FOS) deals with complaints against firms that are still in business.

*This course will focus on deposits.

Eligibility

To qualify for compensation, your customer must be eligible under the following FSCS rules:

- > Compensation can be paid only when an authorised firm is **in default**
- > Compensation is paid only for **financial loss**, and there are limits to the amounts of compensation that can be paid

For more information on eligibility, visit the PRA website at <https://www.prarulebook.co.uk/rulebook/Content/Chapter/213753/14-05-2019>

What are the compensation limits for deposits?



Deposit Accounts

FSCS will pay out a total of up to **£85,000** per person, per PRA authorised firm, i.e., 100% of the first £85,000.

It is estimated that this limit protects more than 95% of people.



Joint Accounts

For a joint account, each named person on the account receives FSCS protection of up to **£85,000** for all eligible deposits. So two named individuals on the account will receive **£170,000** in total (£85,000 each) if they do not have any other deposits with the same bank.



Shared Banking Licences

FSCS protection for banks, building societies and credit unions is up to **£85,000** per person per banking licence, or up to **£170,000** for joint accounts.

If you have money in multiple accounts with banks that are part of the same banking group (and share a banking licence) we must treat them as one bank. This means that our compensation limit applies to the total amount held across all these accounts, not to each separate account.

Note: the easiest way to check which banks share a licence is to search the FCA's Financial Services Register at <https://register.fca.org.uk/s/>.

Temporary High Balances

FSCS also protects certain types of deposits held by individuals above £85,000.

FSCS protects “temporary high balances” up to £1,000,000 for a period of six months*. These are exceptional and short-lived deposits which result from certain major life events.

The protection begins from the date the temporary high balance is credited to an individual depositor’s account, or to a client’s account on an individual’s behalf. This date may be earlier than the date the temporary high balance was credited to the account with the failed firm.

If a firm fails and consumers need to make a claim for deposits they have above £85,000, they will need to provide written evidence that their deposits qualify as a temporary high balance. FSCS will pay people up to the limit within seven days but paying the balance above the limit will take longer. Consumers can find further information on the type of written evidence FSCS require at www.fscs.org.uk.

*There is no limit to the compensation payable for deposits relating to personal injury or disability or incapacity claims.

How will a customer receive compensation and how long does it take?

How will a customer receive compensation?

In the unlikely event that an authorised firm ceases trading, FSCS has a claims process in place.

1. FSCS gets the Single Customer View (SCV) file and Exclusions View file from the bank, building society or credit union that has failed, which lists all its customers and their balances.
2. FSCS then sends eligible customers their compensation automatically up to the limit without them having to apply (in most cases).
3. For Beneficiary type accounts where deposits are held on trust or by a third party, FSCS will need to request further information from the account owner before making payments.

How long does it take for customers to receive their compensation if a bank, building society or credit union fails?

- > For deposits, FSCS aims to pay compensation within seven days of a bank, building society or credit union failing. More complex cases will take longer.

FSCS **does not charge** customers.

We will be more than happy to **answer any questions** customers may have and will do all we can to help them with their claim.

What is your obligation to display FSCS information?

Your bank, building society or credit union is expected to display prominently FSCS information according to disclosure requirements from the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

You are also required by the regulators to tell your customers formally about FSCS twice a year.

FSCS has now updated these materials and developed the 'FSCS protected' badge, which:

- > Now features on all FSCS disclosure materials and FSCS advertising
- > Is recommended to be featured on the materials and advertising of banks, building societies and credit unions for FSCS protected products

This will provide customers with the reassurance and confidence that no matter what happens, their eligible deposits will be protected.

You can find FSCS information and industry resources on our website at <https://www.fscs.org.uk/industry-resources/fscs-badge-agreement/>

Where should you display FSCS information?

Protected

▶ Mouse over the branch to discover more.



Note: We know that every branch is different. This information is intended to help you understand where you are expected to prominently display FSCS information, no matter what the layout or appearance of your bank, building society or credit union.

What are the key messages about FSCS to take away?

- > FSCS is independent, funded by the financial services industry and is free to consumers
- > FSCS automatically protects your money up to £85,000 (£170,000 for a joint account)
- > In most cases, FSCS will pay back your money within seven days

Additional resources

Deposit protection Q&As - banks & building societies

<https://www.fscs.org.uk/industry-resources/deposit-protection-banks/>

Deposit protection Q&As - credit unions

<https://www.fscs.org.uk/industry-resources/deposit-protection-credit-unions/>

Assessment

Now try these questions on *Deposit Takers: What You Need to Know* to evaluate how well you have mastered the objectives of this course.

There are four questions in this assessment.

You need to answer three questions correctly to pass (75%).

If you are not successful, you may want to revisit some of the topics in the course before re-taking the test.

Click the Forward arrow to continue.



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Question 1

▶ Select the option you think is correct.

Question: FSCS is funded by the:

- Option 1 Financial Conduct Authority (FCA)
 - Option 2 Prudential Regulation Authority (PRA)
 - Option 3 Financial services industry
 - Option 4 Financial Ombudsman Service (FOS)
-

Question 2

▶ Select the option you think is correct.

Question: Up to how much compensation will FSCS automatically pay out for a deposit per person, per PRA authorised bank, building society or credit union?

Option 1 £50,000

Option 2 £85,000

Option 3 £170,000

Option 4 There is no limit

Question 3

▶ Select the option you think is correct.

Question: In the unlikely event that a UK authorised bank, building society or credit union ceases trading, how long will it take FSCS to compensate most of your customers?

Option 1 Three days

Option 2 One month

Option 3 One year

Option 4 Seven days

Question 4

▶ Select the option you think is correct.

Question: If your customer makes a claim with FSCS, what is the charge to your customer?

Option 1 0%

Option 2 3%

Option 3 8.5%

Option 4 10%



You have completed the *Deposit Takers: What You Need to Know* eLearning course.

If you scored 75% or over, well done!

- > To keep a copy of your answers, save a copy of this PDF to your computer. *Note that closing the PDF without saving will clear all your answers.*