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MEDIA INFORMATION

FSCS is ready to handle claims from customers of BFS Investments Plc

BFS Investments Plc (BFS) has been declared in default by the Financial Services Compensation Scheme (FSCS). The declaration means that customers who have lost money can now make a claim against the firm in respect of BFS split capital investment trusts. FSCS has declared BFS in default because it is satisfied that the firm is unable, or likely to be unable, to pay compensation claims against it.

Declaring the company in default follows extensive enquiries by FSCS into the BFS funds and potential bases of claims. Determining what liabilities BFS may have incurred to investors who invested in its funds at various points in time is complicated. FSCS has taken expert advice and has discussed its approach with relevant trade organisations.

FSCS expects to deal with claims against BFS in relation to:

- the individual trusts it managed;
- its role as an execution-only portfolio manager, where the marketing materials it used to promote its investment trusts may have wrongly described the risks associated with those investment trusts; and
- its role as a discretionary portfolio manager, where it could have misled its customers by holding investments within its portfolios that were unsuitable for their risk levels.

FSCS Chief Executive, Loretta Minghella said: “Declaring BFS Investments Plc in default means that we are now ready to consider claims from investors who may have lost money as a result of investing in certain BFS split capital investment trusts.

“We are aiming to deal with these claims as quickly as possible. Some straightforward claims may be completed in a matter of weeks while the more complicated ones are likely to take longer. We plan to complete the bulk of them within the next nine months. People who think they may have a valid claim against BFS can find more information on our web site at www.fscs.org.uk or by ringing us on 020 7892 7300.”

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Notes to editors

- FSCS was set up under the Financial Services and Markets Act 2000 (FSMA) and protects deposits, insurance, investments and mortgage business.
- The limit to the amount FSCS can pay for claims against investment firms authorised by the Financial Services Authority is £48,000 (100% of the first £30,000 and 90% of the next £20,000).
- FSCS is required by its Rules to use legal (civil) liability as the key test for deciding claims.
- FSCS sent initial questionnaires to approximately 4,200 BFS investors in August 2007. It will now send an initial questionnaire to all other investors whose names have been passed to it by the liquidator to find out if those investors might have a claim against BFS. A copy of the questionnaire and a supporting note for investors is in the Consumer/Latest news section on our web site at www.fscs.org.uk
- FSCS will declare a firm in default if it has received at least one eligible claim against it and it is satisfied that the firm is unable, or likely to be unable, to pay claims against it. We will investigate the firm's financial position to establish this.
- FSCS does not anticipate that it will need to raise a separate levy for the costs of BFS claims during 2007/08. The allocation of costs and compensation payments relating to claims against BFS Investments Plc will depend on the actual nature of the claims received. BFS held permissions for contribution groups A7 and A12. However, we will only be able to determine the actual allocation and amount of costs once the nature, number and value of claims is known. As at 31 March 2008, under the arrangements of the FSA's Funding Review firms within the relevant contribution groups will receive a credit note representing their share of funds within that contribution group (or, if the contribution group fund balance is in debit, a debit note), to be settled with their 2008/09 levy liability in the Summer of 2008. Meanwhile, pending more specific allocation of claims to particular contribution groups, it is anticipated that the Investment Sub-scheme holds sufficient funds until 31 March 2008 to cover the likely payments made to that date, or if not, has borrowing powers which it can invoke.
- The Financial Services Authority (FSA) has declared BFS Investments Plc in default for all Investors Compensation Directive (ICD) claims.