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MEDIA INFORMATION

Consumers reluctant to put money into foreign banks and unknown insurance brands

People are reluctant to put their savings into foreign banks with attractive interest rates, new research from the [Financial Services Compensation Scheme](#) (FSCS) has found. Only 29% of people would be attracted to a non-UK bank with high rates, while 54% say they would avoid them.

This contrasts with consumer behaviour in the run-up to 2007/8, when many people would “chase rates” and put money into foreign-owned banks, such as Icesave.

European banks operating branches in the UK are protected by the deposit insurance scheme in their home country up to the harmonised limit of €100,000.

The same caution is evident for insurance companies, with only 36% of people saying they are prepared to insure their home or car with a cheap provider they have not heard of before. Only 36% would be primarily swayed by cost over brand familiarity.

According to the research, conducted by GfK NOP, these attitudes have been impacted by the financial crisis, with 75% of people saying they are more cautious about their money and finances as a result of it. 51% of people think they would be compensated if a financial services firm went bust. Over two thirds of those surveyed (69%) are confident that the money they have with UK financial services providers is safe.

[Mark Neale, Chief Executive of FSCS](#), said: “The public’s caution is understandable given the events of 2008, when several banks, including Icesave, went bust. The Financial Services Compensation Scheme protected UK consumers and paid out billions of pounds in compensation. There has been a significant improvement in protection for savings and deposits since then, yet too few people know this. People need to know more about the protection they have.

“FSCS will shortly launch the next phase of its awareness programme to ensure that people have confidence in their savings. In the unlikely event of a UK-authorized bank or building society running into problems there is no need for anyone to worry. FSCS will be there to help so affected customers can get on with their lives.”

The findings come ahead of the launch of the second phase of the FSCS’s consumer awareness campaign on 14 January. Although FSCS was in the spotlight following problems at Northern Rock and the failure of five banks in 2008, including Bradford & Bingley and Icesave, research suggests there is still a lack of awareness of the protection available to consumers.

FSCS, which is free to consumers, has helped more than 4.5 million people and paid out more than £26 billion since 2001.

-ENDS-

Notes to Editors

1. About the FSCS

The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme for customers of authorised financial services firms. This means that FSCS can pay compensation 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), and funded by a levy on authorised financial services firms. FSCS does not charge individual consumers for using its service. For more information visit www.fscs.org.uk

FSCS aims to pay compensation in the majority of cases within seven days of a bank, building society or credit union failing. Any remaining claims, which are likely to be more complex, will be paid within 20 working days. This is the Europe-wide target for pay outs following the failure of all deposit takers within the EEA.

2. About phase two of the awareness campaign

The first phase of FSCS's awareness campaign ran from 1 January 2011 to 31 March 2011. The second phase will run from 14 January 2013 to 31 March 2014 and features a mixture of print (newspaper and magazine), radio and online advertising. Engagement with leading financial institutions, as who engage with their customers on a day-to-day basis, remains a key priority.

Although awareness of FSCS increased significantly at the beginning of the financial crisis, research suggests that there is still a lack of awareness of the protection available to consumers and a high degree of confusion about who provides that protection. 51% of people think they would be compensated if a financial services company – such as a bank, building society, insurance company or independent financial adviser – went out of business. 48% say they have heard of FSCS.

The campaign aims to increase awareness of FSCS and to reassure and boost consumer confidence, thereby aiding financial stability. It has the backing of leading high street banks, building societies and insurance providers. Regulations stipulate that banks, building societies and credit unions have to prominently display posters and stickers in branches, as well as information on their websites, to inform customers their savings and deposits are protected by FSCS.

3. About the research

[GfK NOP](#) interviewed 1000 adults aged 16+ by telephone between 7 and 9 December 2012. Data has been weighted to bring it in line with national profiles. GfK NOP is a Company Partner of the Market Research Society (MRS). All work was carried out in accordance with the MRS Code of Conduct and the ISO 20252 international standard for market, opinion and social research.