Embargoed to 27 04 2013 **MEDIA INFORMATION**

What do gift cards, book tokens and peer to peer lending have in common?

Millions of adults incorrectly believe that the Financial Services Compensation Scheme (FSCS) covers a range of popular financial products, new research has found.

Having been told that FSCS compensates consumers if a financial services firm goes out of business, 76% are aware that deposit accounts – including current accounts, savings accounts and credit unions – are protected up to £85,000.

However almost one in five (19%) think that peer-to-peer lending schemes are protected. 18% think that gift cards are covered, 16% believe the same for mobile phone top-ups and 15% think that book tokens are protected.

With over 50 million adults aged over 16 in the UK, this means that millions of people incorrectly believe they will get their money back if the companies behind a variety of products go bust.

The recent financial status for some retailers highlighted the importance of ensuring whether products are protected by FSCS. These products include gift cards for high street and online stores. The positions of certain retailers highlighted the need for greater awareness about exactly which products are covered.

Mark Neale, Chief Executive of FSCS, said: "FSCS protects customers of authorised firms which go out of business. Peer-to-peer lending schemes, gift cards, mobile phone top-ups or book tokens are not authorised products so people will not get their money back from FSCS if the companies behind them fail. Before taking out any product, people should check whether they are protected if the worst was to happen."

FSCS protects deposits in UK-regulated banks, building societies and credit unions up to £85,000 per person. FSCS, which is independent and free to consumers, has helped more than 4.5m people and paid out more than £26bn since 2001. The financial services industry funds the scheme through a compulsory levy.

The Treasury launched a consultation on 6 March on whether the peer-to-peer lending sector should come under the remit of the new Financial Conduct Authority from April 2014. This consultation is set to close on 1 May 2013 and it is not yet clear whether it will result in the sector being covered by FSCS. FSCS does not currently cover peer-to-peer lending. However, if the peer-to-peer site holds the investor's money in a client account opened with an authorised bank or building society FSCS will cover the investor up to £85,000 if the bank or building society goes bust.

Notes to Editors:

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

2. About the research

GfK NOP interviewed 1,000 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.

People were told FSCS would provide compensation if a financial services firm goes out of business. From a list of specific products, this is how many people believe each is covered:

- Deposit accounts, including savings – 76%
- Christmas Club savings schemes – 24%
- Peer-to-peer lending schemes – 19%
- Gift cards – 18%
- Mobile phone top-ups – 16%
- Book tokens – 15%

The ONS estimated in the 2011 census that there are 52,082,000 people aged over 15 in the UK[1]. In the unlikely event that two million of these people are aged 15, this means that there are over 50 million adults in the UK.

3. Treasury consultation on protection for peer-to-peer lending

In December 2012 the Treasury indicated that a consultation would shortly begin to bring the lending and borrowing activities of the peer-to-peer lending sector under the remit of the UK's new market regulator, the Financial Conduct Authority (FCA) from April 2014 (see link). The consultation – entitled 'A new approach to financial regulation: transferring consumer credit regulation to the FCA' – launched on 6 March and is set to close on 1 May 2013. The consultation document can be accessed here.

[1] See tab 1a in table one from this page of the ONS site:
http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-270247

4. **Peer-to-peer lending**
   In September 2012 the Financial Services Compensation Scheme (FSCS) met with some of the main players in the peer-to-peer lending market. FSCS does not currently cover peer-to-peer lending. However, if the peer-to-peer site holds the investor's money in a client account opened with an FCA authorised bank or building society FSCS will cover the investor up to £85,000 if the bank or building society goes bust. FSCS would require evidence of the investor's entitlement and aim to pay back the deposit within seven days.
   http://www.fscs.org.uk/news/2012/august/fscs-and-peer-to-peer-lending-sites/index.html