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FSCS launches awareness programme today to boost consumer awareness

Campaign aims to make consumers aware of the protection the Scheme provides

The Financial Services Compensation Scheme (FSCS) is today launching a programme to raise awareness of the Scheme, the role it plays and the protection it provides. The programme aims to prompt consumers to check how FSCS protection applies to their own circumstances by talking to their providers or visiting the FSCS website. The FSCS will be running a campaign across TV, press and the internet.

Research commissioned by the FSCS found that despite record payouts during the financial crisis, there continues to be a lack of awareness among consumers of the protection available to them in the event of their financial institution going bust. In fact, the level of spontaneous awareness in 2009 fell to 9% from 20% in January 2008. Recent research suggests that spontaneous awareness of the FSCS remains low at 3% and that only 47% of people are aware of the existence of a compensation scheme. The research also shows that there appears to be a link between awareness of the FSCS and higher levels of consumer confidence.

The move follows a number of improvements and changes to the Scheme following the run on Northern Rock in 2007 and the bank failures of 2008. These include moving to a much quicker payout regime and a commitment by the authorities to boost awareness of the FSCS.

The campaign features Euan Mee, a character who represents all of us. He is busy and gets through life as best he can. Being human, he will sometimes take a short cut or park in the wrong place, but he is no rule breaker. He is no fool either and is naturally curious about all sorts of things. The character is used to bring home the message in a balanced tone that the FSCS exists, what it covers and how consumers can find out more information.

Mark Neale, Chief Executive of the FSCS, said:

“The FSCS provides a vital function by helping to build consumer confidence, which contributes to financial stability. That is good for consumers and for the industry. We are launching this campaign to make sure consumers know the FSCS and the protection it provides should an authorised financial services firm go bust. We want consumers to check how FSCS protection applies to their own individual circumstances and be reassured that their money is safe.”

Martin Lewis, MoneySavingExpert, said:

“To have truly safe savings everyone needs to understand the rules. The financial services industry doesn’t have the best reputation right now, but put your money in a fully UK regulated savings account and the first £85,000 per

person per institution is now protected with a government backed guarantee. Put cash under the mattress and even top home insurance policies only cover about a grand.

“Yet there are anomalies such as ‘what counts as one institution’ and ‘which UK savings accounts aren’t fully UK regulated’ – and every one with savings should know the answers. So it’s great to see the FSCS launching a campaign to explain this.”

The FSCS believes it is important that consumers know about the changes to compensation for savings accounts that were introduced on 31 December 2010. Protection levels increased from £50,000 to £85,000 and consumers will now be able to get their money within 20 working days in the event of a bank, building society or credit union failure.

The programme is strongly supported by the Bank of England, HM Treasury and Financial Services Authority. It also has the backing of leading insurance companies, banks, building societies and independent financial advisor networks. The programme kicks off on 6 January and runs until the end of the financial year. The costs of the campaign were funded by the industry through the FSCS levy in 2009/10.

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For further information please contact Claire Morgans or Robert Akam on 020 7400 7395. Alternatively email fscs@hanovercomms.com

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 the FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. The FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA). It does not charge individual consumers for using its services. For more information visit the updated website at www.fscs.org.uk

2. Changes to the rules

Many individuals and small businesses will receive compensation payouts faster if a deposit taker fails – the FSCS aims to pay compensation within seven days and in a maximum of twenty days as required under the European Deposit Guarantee Schemes Directive.

Further, payouts are now made on a ‘gross’ basis, ringfencing deposits in the event that a consumer also holds loans with an institution that has gone bust. More of a consumer’s money will also now be protected as the limit has increased from £50,000 to £85,000 as a result of an EU directive.

3. Why the campaign is necessary

Although awareness of the FSCS increased exponentially 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. Only 47% of adults say they know that a compensation scheme exists, with total awareness of the FSCS at 32% (only 3% spontaneous awareness). 50% of people incorrectly think the government would compensate people if an IFA, bank or building society went out of business.

The campaign aims to increase awareness of the FSCS and to reassure and boost consumer confidence, and subsequently aid financial stability. It has the backing of leading high street banks, building societies and insurance providers and it is the legal responsibility of authorised financial institutions to disclose the existence of the FSCS and the level of protection they offer.