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MEDIA INFORMATION

First compensation payments made to members of St Columba's credit union

The Financial Services Compensation Scheme (FSCS) has made its first payments of compensation to members of St Columba's (Bradford) Save and Credit Union Limited (St Columba's) who lost money after the credit union closed its doors. To date nearly 350 claims valued at approximately £350,000 have been paid.

FSCS fast-tracked its approach to make sure consumers who were facing immediate financial hardship because of loss of access to their savings could be compensated quickly, which included a default declaration being made within 11 days of the credit union closing for business.

"FSCS performs a vital role in protecting consumers and maintaining confidence in the financial services sector. Where consumers are facing financial hardship we pull out all the stops to prioritise their claims. We are working very hard to ensure that all claims are paid as quickly as possible. The first payment was made within a few weeks of the credit union closing its doors," says Loretta Minghella, FSCS Chief Executive.

A further 200 claims are nearing completion and should be paid within the next couple of weeks. Any members of the credit union who have not yet received an application form from FSCS and believe they are owed money should contact the Scheme on 020 7892 7300.

FSCS was set up under the Financial Services and Markets Act 2000. It provides a fund of last resort for consumers who have claims against regulated firms that are unable to pay them (described by FSCS as being "in default"). Before FSCS can pay claims for compensation it must be satisfied that the firm (in this case St Columba's credit union) is unable to pay back money it owes to its customers.

There is a limit to the compensation FSCS can pay. For claims against credit unions the limit is £31,700 – being 100% of the first £2,000 and 90% of the remainder of the money lost, up to a maximum of £31,700.

More information

For more detailed information about the Scheme's work, consumers can visit www.fscs.org.uk or telephone FSCS on 020 7892 7300.

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Notes to Editors:

1. About FSCS

The Financial Services Compensation Scheme (FSCS) is the UK's statutory fund of last resort 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). The service is free to consumers.

2. Authorised firms

Our rules are made by the Financial Services Authority (FSA), the independent watchdog set up by government under FSMA to regulate financial services in the UK and protect the rights of consumers. The rules tell us which types of claims are eligible for compensation, and limit how much compensation we are allowed to pay. Firms need permission from the FSA to carry out a regulated activity, which covers activities such as accepting deposits, insurance business and investment business.

Dealing with an authorised firm gives consumers access to the Financial Ombudsman Service (FOS) and FSCS. Consumers can check that the firm they are dealing with is authorised by contacting the FSA's Consumer Helpline on 0845 606 1234.

3. Declaring a credit union in default

Before FSCS can pay compensation it must be satisfied that a credit union is unable to meet claims. It describes this as being 'in default'. The Scheme will declare a credit union default if:

- it has received at least one claim; and
- it is satisfied that the credit union is unable (or likely to be unable) to pay claims against it.

Declaring a credit union in default allows consumers who believe they may have lost money as a result of depositing money with that credit union to apply to us for compensation. In the case of St Columba's credit union we sent out applications before we officially declared the credit union in default, and streamlined the process to help members get compensation as quickly as possible.

4. What is a credit union?

A credit union is a financial co-operative which is owned and controlled by its members.

To claim compensation, members should complete an application form which we send to them. They must provide proof of their deposit with the failed credit union, which we then verify against its books and records. If they have kept clear, accurate, records of their deposits and transactions it will help to speed up payment of compensation. If possible we will issue a cheque for compensation, but we will consider other alternatives for claimants who do not have a bank or building society account.

Amounts owed to the failed credit union by a member (for example, loans and interest) are taken into account before any compensation is paid. We may also take steps to recover sums due from members where those sums exceed a member's savings.

5. Limits of compensation

As a fund of last resort, FSCS can only pay compensation for financial loss where a firm is unable to meet claims. For deposits, the compensation limit is £31,700 and applies to each depositor for the total of their deposits with an organisation, regardless of how many accounts they hold or whether they are a single or joint account holder. In the case of a joint account FSCS will assume that the money in that account is split equally between account holders, unless evidence shows otherwise.

This means that each account holder in a joint account would be eligible for compensation up to the maximum limit.