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MEDIA INFORMATION

FSCS to protect credit union members

The Financial Services Compensation Scheme (FSCS) is stepping in to protect nearly 300 members of South Airdrie Credit Union Limited who may have lost money after the credit union became insolvent.

“This is good news for members of this credit union. Most people appear to have deposited less than £2,000 which means they should get back all of their money. We hope to be able to pay the majority of claims within three months of receiving completed application forms” says Loretta Minghella, Chief Executive of FSCS.

The total value of claims against this credit union is thought to be approximately £82,000. For deposits FSCS can pay compensation of 100% of the first £2,000 of a loss and 90% of the remainder, up to a maximum of £31,700.

FSCS is the UK’s statutory single compensation scheme for customers of regulated financial services firms. 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”).

FSCS declared South Airdrie Credit Union Limited in default on 5 April 2006. This means that the Scheme can now consider compensation claims from members of the credit union who have lost money. The full name and address of the credit union is below.

FSCS will send application forms to the members of the credit union to enable them to claim compensation from the Scheme. Members of the credit union who do not receive an application form from FSCS should contact the Scheme on 020 7892 7300.

South Airdrie Credit Union Limited, Community Centre, 6 Clark Street, Airdrie, Lanarkshire, ML6 6DH

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.

Consumers can check whether the credit union they are dealing with is authorised by the UK’s independent financial watchdog, the Financial Services Authority (FSA), by phoning the FSA’s Helpline: 0845 606 1234.

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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). Our 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.

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 will send to them. They must provide proof of their deposit with the failed credit union, which we will 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 firm (for example, loans, mortgage or credit card debts) are taken into account before any compensation is paid. We may also take steps to recover any amounts owed by depositors.

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.