

FSCS launches online service for endowment claimants

Consumers who want to make an endowment claim against a firm that is no longer trading can now get help online. The Financial Services Compensation Scheme (FSCS) has launched an online service to help people who think they may have been mis-sold an endowment policy decide whether they have a claim that FSCS may be able to help with.

FSCS is the UK's statutory fund of last resort for customers of financial services firms. This means that FSCS can pay compensation to consumers if a financial services firm is unable, or likely to be unable, to pay claims against it. The service is free to consumers. FSCS is funded by levies on authorised financial services firms. It covers deposits, insurance, mortgages and investments.

The new online questionnaire, available on the FSCS website, www.fscs.org.uk, is designed to help speed up response times for consumers. It will help people determine whether FSCS may be able to help with their endowment complaint, and will automatically generate an application form for those who may have a claim.

Loretta Minghella, FSCS chief executive says: "FSCS plays a vital role in protecting consumers and maintaining confidence in the industry. Without our help thousands of consumers would have nowhere to turn. Since we became operational on 1 December 2001, FSCS has paid consumers over £650 million in compensation.

"Over the past couple of years endowment claims have been received at unprecedented levels, way beyond our expectations. The processes we are putting in place should ensure a faster response for consumers and help us to deal with their enquiries more quickly."

The majority of new investment claims received by FSCS over the past couple of years relate to mortgage endowment claims. It is expecting to receive 22,000 new endowment claims in the financial year 2005/06, and a further 26,000 in 2006/07. This compares to just under 9,000 new endowment claims received in 2004/05.

These increases have had an impact on the overall time taken to process consumers' claims. Whilst FSCS has been building up its capacity to deal with higher claims volumes, some consumers have been waiting longer to get a decision on their claim than FSCS would like. FSCS is planning to complete 63% more endowment claims in the financial year 2006/07 (24,500), compared to this financial year 2005/06 (15,000). The overall number of investment claims in total forecast to be dealt with during 2006/07 will be an increase of over 500% compared to the number of claims dealt with in the full financial year 2004/05 (4,900).

FSCS is publishing its plan and budget for 2006/07 today (1 February 2006). The document provides details of its claims forecasts for 2006/07, funding requirements and its strategy for handling claims. The plan and budget for 2006/07 is available on its website at: www.fscs.org.uk

See Notes to Editors on the next page for more information about FSCS.

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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. Declaring a firm in default

On receiving a potential claim against a firm, FSCS will investigate that firm's solvency. The Scheme will declare a firm in default if:

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

FSCS is required to do this before it can pay compensation to eligible claimants.

Declaring a firm in default allows consumers who believe they may have lost money as a result of their dealings with that firm to apply to FSCS for compensation.

3. 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 claim 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 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.

4. Fund of last resort

As a fund of last resort, FSCS can only pay compensation for financial loss where a firm is unable to meet claims. For investment claims, compensation aims to put consumers back into the position they would have been in had they not invested.

5. Investment claims

The kinds of investment claims FSCS handles usually relate to advice – for example, if somebody has been advised to buy an investment product such as an endowment policy, but it was unsuitable for them and they have lost money as a result of the advice they received. FSCS can pay compensation for financial loss arising from, for example, bad advice, negligent investment management and fraud. FSCS can also help if an authorised investment firm stops trading and cannot return its customers' investments or money.