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MEDIA INFORMATION

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Exeter Fund Managers Ltd declared in default by FSCS

Exeter Fund Managers Ltd (EFML) was yesterday (1 May 2007) declared in default by the Financial Services Compensation Scheme (FSCS). The declaration paves the way for consumers to make a claim against the company in respect of EFML funds which invested in split capital investment trusts (splits).

Declaring the company in default comes at the end of a rigorous process designed to determine if it is unable or likely to be unable to pay compensation claims against it. FSCS has been working closely with the administrators as part of its detailed investigations.

Determining what liabilities EFML may have incurred to investors who invested in its funds at various points in time is complicated. Declaring the company in default follows extensive investigations by FSCS into potential bases of claims. FSCS has taken expert advice and has discussed its approach with relevant trade organisations.

FSCS expects to deal with claims against EFML mainly, though not exclusively, relating to three funds:

- Exeter Zero Preference Fund Unit Trust (ZPU);
- Exeter OEIC Zero Portfolio (ZPA); and
- Exeter High Income Unit Trust (EXHIT).

FSCS Director of Claims, Ron Devlin, said: "FSCS is a fund of last resort for customers of financial services firms that are unable or likely to be unable to pay claims against them. Declaring Exeter Fund Managers Ltd in default means that we are now ready to consider applications from investors who may have claims relating to the funds.

"We are aiming to deal with these claims quickly and hope to complete the bulk of them in 2007/08. Some straightforward claims may be completed in a matter of weeks while the more complicated ones will take longer. People who think they may have a valid claim against EFML for splits can find more information on our web site at www.fscs.org.uk or by ringing us on 020 7892 7300."

Contact: Mark Oakes, Head of Communications on 0207 892 7370 or mark.oakes@fscs.org.uk

Notes to editors

- FSCS was set up under the Financial Services and Markets Act 2000 (FSMA) and protects deposits, insurance, investments and mortgage business.
- The limit to the amount FSCS can pay for claims against investment firms authorised by the Financial Services Authority is £48,000 (100% of the first £30,000 and 90% of the next £20,000).
- FSCS is required by its Rules to use legal (civil) liability as the key test for deciding claims.
- FSCS expects claims to arise mainly from any mis-description of the risk profile of the funds in EFML marketing materials or scheme particulars on which investors relied when deciding to invest in the funds.
- FSCS concluded from its investigation that from 1 April 2001 the documents issued by EFML did not properly describe the risk level of the three funds. ZPU and ZPA should no longer have been described as low risk and EXHIT should not have been described as medium risk from that date. If an investor bought the investment after 1 April 2001 and relied on EFML's documents issued after that date in making their investment, then he or she may have a valid claim. Investors who continued to hold an investment after 1 April 2001 and can show that they relied on misleading documentation issued after that date when making their decision to retain the investment may also have a claim.
- FSCS wrote to 4,500 investors who expressed an interest in making a claim against the company after a mailout from the administrators. It will now send a questionnaire to another 30,000 investors it believes may have invested in the three EFML funds to find out if they might have a claim. A copy of the questionnaire and a supporting note for investors is in the consumer section on our web site at www.fscs.org.uk
- FSCS will declare a firm in default if it has received at least one eligible claim against it, and the customer has made a financial loss and it is satisfied that the firm is unable, or likely to be unable, to pay claims against it. We will investigate the firm's financial position to establish this.
- It is not yet possible to predict what the likely volume or compensation costs of the claims might be or the impact on the FSCS levy. An additional levy for the costs of splits during 2007/08 is likely.