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MEDIA INFORMATION

FSCS to protect credit union members

The Financial Services Compensation Scheme (FSCS) is stepping in to protect members of two credit unions in Skelmersdale and Lanark who may have lost money after the credit unions became insolvent.

FSCS has declared Skelmersdale Credit Union Limited, Northway, Skelmersdale, Lancashire, WN8 6LU, and Clydesdale Credit Union Limited, 35 Stuart Terrace, Rigside, Lanark, Lanarkshire, ML11 9NN in default. This means that FSCS can consider compensation claims from members of these credit unions who have lost money.

FSCS is the UK's statutory single compensation scheme for customers of financial services firms regulated by the Financial Services Authority. 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").

"This is good news for members of these credit unions," says Loretta Minghella, Chief Executive of FSCS. "They are protected by FSCS which means most of them should receive their compensation within a month of FSCS receiving a completed application form."

The total value of claims against these credit unions is approximately £150,000 for Skelmersdale Credit Union and £87,000 for Clydesdale Credit Union. For deposit claims, such as claims against credit unions, 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 per person.

FSCS has sent application forms to the members of these credit unions to enable them to claim compensation from the Scheme, but needs to receive completed forms back before it can consider any claims. Members of these credit unions who have not received an application form from FSCS should contact the Scheme on 020 7892 7300.

For more information about the FSCS's work, consumers can visit www.fscs.org.uk.

Consumers can also 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). 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'. FSCS 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 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.