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MEDIA INFORMATION

FSCS gears up to protect members of Streetcred Credit Union

Streetcred Credit Union closed its doors on 16 October and the Financial Services Compensation Scheme (FSCS) is stepping in to help its customers. The FSCS is talking to the credit union and arranging to review its records, with a view to helping members who are owed money. FSCS is the UK's statutory compensation fund of last resort for customers of financial services firms.

More than 3,000 people are understood to be members of the credit union based in Rochdale, including children and those in receipt of state benefits.

"The good news for Streetcred savers is that they are protected by FSCS," says Loretta Minghella, Chief Executive of FSCS. "We are working with the credit union to help its customers as quickly as possible. We will be giving priority to people who are suffering financial hardship."

Jonathan Clark, Director of Claims added: "FSCS is used to processing claims quickly and efficiently. Although every case is different, in October last year, we declared the credit union St Columba's in default and commenced paying claims in just ten days after the default was declared. All claims received against St Columba's were processed ahead of Christmas. The Scheme will aim for similar results for members of the Streetcred Credit Union."

Deposits with credit unions are protected by the Scheme up to 100% of the first £35,000. The FSA recently increased the limit, which means that Streetcred customers are likely to be the first to benefit from the increase.

FSCS will be sending application forms to Streetcred members to enable them to claim compensation from the Scheme.

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:

If a credit union fails to accept that they are in default FSCS has the legal power to obtain documents from a credit union and therefore declare them in default. It is unlikely that FSCS will need to take that sort of action in this case as Streetcred have themselves made the decision to stop trading.

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, or likely to be 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.

To do this, FSCS reviews the company's financial records to determine its position. 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 FSCS 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.

5. Limits of compensation

As the UK's statutory compensation scheme, FSCS can only pay compensation for financial loss where a firm is unable, or likely to be unable to meet claims. For deposits, the compensation limit is 100% of the first £35,000 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.