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MEDIA INFORMATION

FSCS protection for savers at Heritable and Kaupthing Singer & Friedlander

The Financial Services Compensation Scheme (FSCS) is helping to safeguard retail deposits held by approximately 180,000 retail customers of Heritable and Kaupthing Singer & Friedlander.

The move comes after the Financial Services Authority announced yesterday (8th October) that the firms had gone into default.

The Treasury used its powers to transfer the majority of Heritable's retail deposit book and the Edge deposit book of Kaupthing to ING Direct. The remainder of the business of these banks has gone into administration. The eligible retail depositors whose accounts have not been transferred to ING Direct will be paid out through the FSCS.

For eligible retail depositors, the FSCS will repay up to £50,000 per person; the Treasury will cover the balances of more than £50,000, so eligible retail depositors who hold more than £50,000 are fully protected.

FSCS worked closely with the tripartite authorities - HM Treasury, the Bank of England and the Financial Services Authority - on the initiative to protect savings in the banks.

Heritable is a subsidiary of Landsbanki Islands hf. Kaupthing Singer & Friedlander is a banking subsidiary of Kaupthing Bank. Both banks were declared in default by the FSA. The declarations of default triggered the protection of FSCS.

FSCS Chief Executive Loretta Minghella said: "FSCS has stepped in along with the Government, the Bank of England and the Financial Services Authority to help protect savers at the banks.

"We have worked closely with the authorities on this response. Our contribution means that people who had their accounts transferred will get immediate access to their accounts and their savings are protected. The money we are contributing reflects the estimated gross compensation costs we would have had to pay out if we had paid compensation in the usual way. "

In the case of Kaupthing Singer & Friedlander, not all retail depositors had internet accounts and these non-internet retail accounts have not been transferred to ING Direct. FSCS understands that the accounts of about 3,000 eligible retail depositors did not transfer to ING Direct. It will contact these depositors directly in the next week with the help of the administrators and send them an application form to claim compensation.

For Heritable, FSCS understands that less than 100 eligible retail depositor accounts have not been transferred to ING Direct. FSCS is confirming the number and will be sending these account holders an application form to claim compensation early next week.

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Notes to Editors:

1. About FSCS

The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme 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

Before FSCS can pay compensation it must be satisfied that a firm is unable to meet claims. It describes this as being 'in default'. The Scheme will declare a firm in default if:

- it has received at least one 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 we 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 us 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.