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**MEDIA INFORMATION**

### **FSCS pays out £0.25bn to Icesave customers**

UK customers of Icesave are starting to get their money back after the Financial Services Compensation Scheme (FSCS) began making payments this week. By the end of Friday (14 November 2008) we had initiated payments to the value of some £0.25bn to UK Icesave customers.

Since the firm was declared in default by the FSA on 8 October the FSCS has developed, tested and started to implement an accelerated online claims process, based on a modified version of Icesave's website.

Using this electronic process the FSCS began inviting Icesave customers to reclaim their money during a low volume trial that started last week. Initial indications from the testing suggest that the average time it takes a consumer to effect the BACS transfer is less than four minutes and very few have required telephone assistance during the process. So far, the overwhelming majority are opting to transfer their money to their linked account rather than waiting for fixed term accounts to mature.

The FSCS is now increasing the number of people receiving an email inviting them to log on using their existing details and follow a short process to claim their compensation.

FSCS Chief Executive Loretta Minghella says: "Five weeks ago a lot of Icesave savers were worried that they were going to be left high and dry. Now they can be confident that the electronic process is underway and people are getting their money back. We have already transmitted about £0.25bn after starting the process last weekend. FSCS is keen to make the process as smooth as possible for Icesave's customers; to this end we started by processing a low volume of claims and are ramping up. This allows us to learn from the experience of people going through the online process, to answer any questions they have and to respond to any issues.

"We are delighted to report that the initial phase, which involved offering compensation to over 10,000 Icesave customers, has gone well. The majority of those offered have already completed their part of the online process, and the first customers to be paid out received their compensation by BACS transfer yesterday. This honours our commitment to

commence payments in the second week of November, and we remain on track to offer compensation to the vast majority of Icesave customers in November.

FSCS confirmed that the Icesave emails are being phased for security and operational reasons. There is no set pattern in the ordering of emails at this time. Although customers can currently view their accounts, we ask that people wait for their second email before attempting to log on to complete the process, and thank everyone for their patience.

The FSCS is administering the full payout to UK retail customers of Icesave in a single process without them needing to apply to the Icelandic deposit guarantee scheme. Savers were very concerned about how quickly the Icelandic fund might pay them their €20,887 entitlement and how fast FSCS would be able to consider the claims above this amount up to £50,000. Those with savings over £50,000 were facing the prospect of loss for which no compensation scheme would be empowered to help them, until the Government stepped in to guarantee all savings over £50,000. The FSCS has worked closely with HM Treasury to identify a fast and secure way of administering FSCS's own payments and theirs.

UK Icesave customers who opt not to use the online payout will still be able to claim compensation using a paper-based application process although this will take longer. Application forms will start going out next week to about 16,000 Icesave customers who did not have nominated accounts linked to their Icesave account.

More than 200,000 UK consumers had savings in approximately 300,000 accounts with Icesave UK, the topped up retail deposit business of the UK branch of Landsbanki Islands hf.

FSCS is working closely with the Newcastle Building Society on the repayment arrangements. The building society provided Icesave's online banking facility and is playing a key part in the process which uses their existing infrastructure to host the FSCS process.

The FSCS has already stepped in to help more than 2.7m UK consumers following the problems at Bradford and Bingley, Heritable and Kaupthing Singer and Friedlander. It is now processing compensation applications from customers of Heritable and Kaupthing Singer and Friedlander whose accounts did not transfer to ING Direct.

#### **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). The service is free to consumers.

##### **2. Authorised firms**

The rules under which we operate tell us which types of claims are eligible for compensation, and limit how much compensation we are allowed to pay. They are set by the Financial

Services Authority (FSA). 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. 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 £50,000 and applies to each eligible 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.