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MEDIA INFORMATION

FSCS Annual Report demonstrates robust performance in 2008/09 despite unprecedented demands resulting from the failures of five banks

The Financial Services Compensation Scheme (FSCS) *Annual Report and Accounts 2008/09*, published today (31 July 2009), chronicles the impact of the continuing turbulence in the markets on the work of the FSCS, including the Scheme's work in relation to the recent bank failures.

In 2008/09, the FSCS protected the holders of about 3.5 million bank accounts while delivering compensation in innovative ways and managing costs effectively.

During the six months from the end of September 2008, the FSCS paid out more than £21bn in compensation. This compared to some £1bn the Scheme paid from its inception in 2001 until late September 2008.

The FSCS was required to respond to extraordinary demands in 2008/09 arising from the failure of five banks: Bradford & Bingley plc (B&B); Landsbanki Islands hf (Icesave); Heritable Bank Plc (Heritable); Kaupthing Singer & Friedlander Limited (KSF) and London Scottish Bank Plc (London Scottish). The FSCS also dealt with two of the largest investment intermediary failures in recent years, Pacific Continental Securities (UK) Limited and Square Mile Securities Limited.

Loretta Minghella says: "It was a year of great challenge, achievement, learning and development for the FSCS. Despite the turmoil in the markets, the FSCS played a significant role in protecting consumers and supporting financial stability while also demonstrating efficiency and effectiveness. We dealt successfully with a diverse and complex portfolio of compensation claims from across the industry. We showed ourselves to be robust in the face of a severe financial crisis and that is good news, not only for consumers but for the industry as well."

The report highlights that turbulent markets resulted in a threefold increase in the volume of enquiries to the FSCS from 73,000 to 234,000. As well as dealing with the dramatic increase in enquiries, the FSCS implemented new ways of paying the unprecedented number of claims. For example, it created an electronic process to pay nearly 200,000 Icesave customers in a simple process that took each consumer only a few minutes to complete.

Beyond the banking defaults, 2008/09 was a year in which claims' volumes in some areas of the FSCS's work continued to decline. While some 14,000 new claims had been anticipated during the year, 11,082 were received and 10,887 were completed, compared to 16,490 the previous year.

The FSCS ended the year achieving its core target of completing 90 per cent of new claims within six months of receiving an application for compensation. The report revealed it substantially exceeded this target in some areas, including credit union claims, where it completed on average 93 per cent of claims within eight weeks.

A full copy of the report is available on the FSCS website at:

<http://www.fscs.org.uk/Download.ashx?id=11402>

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For more information about FSCS see Notes to Editors section or visit www.fscs.org.uk

Notes to Editors:

Figures released by FSCS show that in the financial year 2008/09:

Banking defaults

- The total compensation the FSCS paid during 2008/09, including the payments made on behalf of HM Treasury and Iceland's Depositors' and Investors' Guarantee Fund came to £20.90bn.
- £2.06bn was paid in respect of coverage for Iceland's Depositors' and Investors' Guarantee Fund and £0.78bn on behalf of HM Treasury. The balance of £18.06bn was paid out on the FSCS's own account.
- The total number of accounts for which customers have been compensated relating to the bank defaults is about 3.5m.

Other defaults

- 119 firms were declared in default.
- Three credit unions were declared in default during the year compared to ten in 2007/08.
- The FSCS paid over £92m in compensation payments including almost £51m for general insurance claims.
- Total claims received were 11,082, a reduction of 33% on 2007/08.
- Total claims completed were 10,887, a reduction of 50% on 2007/08.
- Mortgage endowment claims received reduced to 3,820 claims compared to 7,410 during the previous year.
- 895 splits claims were received during 2008/09.
- 2,740 splits claims were completed in 2008/09 and on average 90 per cent were completed within nine months.
- Claims in respect of Pacific Continental Securities (UK) Limited and Square Mile Securities Limited were the biggest drivers of new investment claims at 3,770.

Other facts

- In 2008/09, the target was that 90 per cent of all telephone calls were resolved within 48 hours and 90 per cent of all written enquiries within 15 days – both targets were met.
- FSCS has paid out over £22bn in compensation to consumers since it was set up in 2001.
- A total of 234,300 enquiries were received during 2008/09, an increase of nearly 220% on last year.