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MEDIA INFORMATION

FSCS announces first levy for bank failures of 2008

Banks, building societies and credit unions will shortly be asked to pay £406m as their initial contribution to the costs of the five bank defaults of 2008, the FSCS confirmed yesterday (28 July 2009). It is issuing a levy to deposit taking firms in respect of the interest charges on the loans it used to fund its compensation payments following the failures of five banks, together with related management expenses. This is the first FSCS levy in respect of those defaults.

During 2008/09, the FSCS was at the heart of responding to the defaults of:

- Landsbanki Islands hf (Icesave);
- Bradford and Bingley;
- Heritable;
- Kaupthing Singer and Friedlander; and
- London Scottish Bank.

FSCS costs for the defaults were funded through loans from HM Treasury on an interest only basis for the first three years. The Scheme will use any recoveries received to repay the principal. It will start repaying the outstanding principal (net of any recoveries) in 2012, according to a repayment schedule it will agree with HM Treasury in the light of prevailing market conditions at the time.

FSCS Chief Executive, Loretta Minghella, says, "Today's announcement confirms that this first levy will be £406m, which is in line with our estimate announced in March. Whilst we recognise that the levy comes at a difficult time for firms, it is also clear that the FSCS plays a central role in helping promote consumer confidence in financial services which benefits the whole industry."

The FSA and FSCS are sending invoices to firms due to pay the levy this week. The invoices are due to be paid by 1 September. A copy of a letter to deposit taking trade associations

updating the industry on the costs of the failures is on the FSA website at

http://www.fsa.gov.uk/pubs/other/bcr_fscs_levies_update.pdf.

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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). The FSCS does not charge individual consumers for using its service.