



**IMMEDIATE: 24.01.08**

**MEDIA INFORMATION**

**More than £1 billion in compensation paid to consumers since FSCS set up**

Consumers have benefited from more than £1bn in compensation from the UK's compensation scheme of last resort since the Financial Services Compensation Scheme (FSCS) was set up.

The FSCS was set up in December 2001 following the Financial Services and Markets Act 2000 (FSMA). Since then FSCS has helped consumers who had nowhere else to turn when authorised financial services firms went down.

Funded by levies on firms regulated by the FSA, the compensation paid by FSCS since 2001 stands at £1.025 billion.

FSCS has made some 350,000 compensation payments across the full range of financial services. It has stepped in to help customers of firms of all shapes and sizes, from small independent financial advisers and credit unions to much larger companies like Independent Insurance.

Loretta Minghella is the Chief Executive of the FSCS. She says the organisation is working hard for consumers and the industry. "We have reached a significant milestone for consumers, the industry and FSCS. More than a billion pounds has now been paid to people who otherwise would have had nowhere else to turn for help.

"During the last six years, FSCS has worked hard to make sure that people got the compensation they were due. We have made over 250,000 payments to consumers relating to significant insurance failures. We have upheld over 54 thousand mortgage endowment claims. We have helped over 4 thousand credit union members to get their savings back. And we have helped thousand of investors who lost money from precipice bonds and splits. Our work has spanned the full breadth of financial services. The £1 billion that we have paid is money that consumers would have lost if it was not for FSCS."

For more information about FSCS see Notes to Editors section or visit [www.fscs.org.uk](http://www.fscs.org.uk)

**Press Enquiries:**

Suzette Browne	020 7892 7372	<a href="mailto:suzette.browne@fscs.org.uk">suzette.browne@fscs.org.uk</a>
Sarah McShane	020 7892 7882	<a href="mailto:sarah.mcshane@fscs.org.uk">sarah.mcshane@fscs.org.uk</a>

**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. Compensation scheme**

As the UK's statutory compensation scheme, FSCS can only pay for financial loss where a firm is unable to meet claims. For investment claims, compensation aims to put consumers back into the position they would have been in had they not invested. The compensation limit for investment claims is £48,000 per person.

**3. 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.

**4. 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. 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.