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MEDIA INFORMATION

Compensation on the way for Icesave customers through accelerated FSCS process

The more than 200,000 retail depositors with savings in Icesave UK, the topped up retail deposit business of the UK branch of Landsbanki, will get back their savings through an accelerated process, the Financial Services Compensation Scheme announced today.

The Government has guaranteed 100% of all deposits held by retail depositors of Icesave and has said that people will not lose their tax status for their ISAs. FSCS expects to launch the process in ten days time. Our top priorities are to give Icesave customers some certainty and to move to a speedy payout as quickly as possible.

The move comes two weeks after Icesave was declared in default by the Financial Services Authority (FSA). The FSCS has been working closely with the FSA and HM Treasury to achieve the best approach to repaying retail depositors of Icesave. Subject to putting the final arrangements in place, FSCS expects to do this through an accelerated electronic process. This is expected to result in quicker payments and less inconvenience for retail depositors.

FSCS is putting in place a system that means retail depositors of the bank should be able to receive their savings through an electronic payment into their linked accounts. This will happen in stages. FSCS will write to retail depositors of the bank to detail how the process will work. FSCS will then contact customers again with instructions on how to complete a short electronic process to finish the transfer. The process will be phased to manage the flow of payments through the system and for security reasons.

In parallel, the authorities are also continuing to explore whether alternative solutions might provide an even better option for payout.

Loretta Minghella, Chief Executive of the FSCS, said: "We recognise that Icesave's customers have been anxious about their savings. We would like to thank them for their patience.

“We have been working hard to establish a way of compensating retail depositors of Icesave without the need for a paper-based application process. We will be contacting retail depositors to tell them how the transfer process will work and when they can access the system. The automated payment process is expected to be in place in ten days time and the first payments are scheduled to start in the second week of November. We expect to offer compensation to the vast majority of retail depositors in November.”

Icesave’s customers do not need to do anything at this stage. Their savings are safe. The correspondence they receive will tell them everything they need to know about how to access their savings, ISAs or term accounts.

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 as a result of the recent 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 were not transferred 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 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.