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MEDIA INFORMATION

FSCS starts paying compensation to Streetcred members after just nine days

The Financial Services Compensation Scheme (FSCS) has made the first compensation payments to members of Streetcred Credit Union nine days after it closed its doors on 16 October.

FSCS has an excellent track record of dealing with credit union claims very quickly. It fast-tracked its approach to make sure consumers who were facing immediate financial hardship could be compensated quickly.

Loretta Minghella, FSCS Chief Executive commented: "FSCS has pulled out all the stops and has now started paying compensation to members of Streetcred. We have sent application forms for compensation to just over 3,000 members of the credit union and would encourage those who believe they have lost money to return the forms as soon as possible. Our Customer Services Team is standing by to help anyone who might need help filling in the form."

"FSCS faced a challenge similar to this last year, when the Bradford credit union St Columba's went out of business. Then we exceeded all expectations with the speed at which we managed to start paying claims and this time we have done it even more quickly. We are aiming to complete paying Streetcred members by Christmas."

Any members of the credit union who have not yet received an application form from FSCS and believe they are owed money should contact the Scheme on 020 7892 7300.

FSCS was set up under the Financial Services and Markets Act 2000. It is the UK's statutory compensation scheme for consumers who have claims against regulated firms that are unable to pay them (described by FSCS as being "in default"). Before FSCS can pay claims for compensation it must be satisfied that the firm (in this case Streetcred credit union) is unable to pay back money it owes to its customers.

There is a limit to the compensation FSCS can pay. Deposits with credit unions are protected by the Scheme up to 100% of the first £35,000.

The FSA recently increased the limit, which means that Streetcred customers are likely to be the first to benefit from the increase. For more information about the FSCS's work, consumers can visit www.fscs.org.uk.

Consumers can also check whether the credit union they are dealing with is authorised by the UK's independent financial watchdog, the Financial Services Authority (FSA), by phoning the FSA's Helpline: 0845 606 1234.

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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 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. Declaring a credit union in default

Before FSCS can pay compensation it must be satisfied that a credit union is unable, or likely to be unable to meet claims. It describes this as being 'in default'. FSCS will declare a credit union default if:

- it has received at least one claim; and
- it is satisfied that the credit union is unable (or likely to be unable) to pay claims against it.

To do this, FSCS reviews the company's financial records to determine its position. Declaring a credit union in default allows consumers who believe they may have lost money as a result of depositing money with that credit union to apply to FSCS for compensation.

FSCS generally pays 94% of all credit union claims within four weeks of receiving an application form once the credit union has been declared in default.

To claim compensation, members should complete an application form which we send to them. They must provide proof of their deposit with the failed credit union, which we then verify against its books and records. If they have kept clear, accurate, records of their deposits and transactions it will help to speed up payment of compensation. Our practice is to make compensation payments by cheque, but we will consider other alternatives for claimants who do not have a bank or building society account.

Amounts owed to the failed credit union by a member (for example, loans and interest) are taken into account before any compensation is paid.

4. **What is a credit union?**

A credit union is a financial co-operative which is owned and controlled by its members.

5. **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 £35,000 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.