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MEDIA INFORMATION

FSCS welcomes consultation on financial stability and depositor protection

The Financial Services Compensation Scheme today welcomed a new consultation on financial stability and depositor protection announced by Her Majesty's Treasury, the Financial Services Authority and the Bank of England (the Tripartite authorities).

FSCS assisted the Tripartite authorities with their work on the proposals, which are contained in a consultation paper published today. It said it would continue to engage with the Tripartite authorities and other interested parties over the coming months to make sure that the proposals are robust and reflect the experience of FSCS.

Loretta Minghella, FSCS Chief Executive, says the consultation marks the next stage of an important debate about financial stability, banking regulation and the underlying framework of UK compensation.

"We welcome this consultation and see it as part of a constructive debate about effective depositor protection. Whilst the current FSCS model has worked well, the proposals recognise that the current statutory framework does not enable FSCS to pay compensation speedily in the event of a larger banking failure. The consultation document proposes a package of new measures which, taken together, are designed to address the issue head on.

"We will continue to work with the Tripartite authorities and look forward to discussing the proposals with consumer and industry representatives. Our main concern is to make sure that whatever results from the consultation is robust and increases consumer confidence in financial markets. That will also be good for the industry."

The consultation runs until 23 April and is intended to feed into legislation in the spring. It comes after a Treasury Select Committee report on the run on Northern Rock. In the report, the committee said the FSCS model had coped well with the issues it has had to deal with.

FSCS has paid out more than a £1bn to consumers since it assumed its statutory role in 2001 and has helped hundreds of thousands of people who would otherwise have had nowhere else to turn.

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

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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). 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. UK's statutory Compensation scheme

As the UK's statutory compensation scheme, FSCS can only pay for financial loss where a firm is unable to meet claims.

FSCS protects:

- Deposits
- Insurance broking (for business on or after 14 January 2005)
- Investment business (on or after 28 August 1988)
- Life and general insurance policies
- Mortgage advice and arranging (for business on or after 31 October 2004)

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.

