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MEDIA INFORMATION

Changes to compensation rules will benefit consumers

Consumers will benefit from the changes in the FSA Policy Statement on faster compensation payout, the Financial Services Compensation Scheme (FSCS) said today.

The FSA released the Policy Statement (PS09/11) following a consultation on depositor protection and consumer awareness earlier this year. It includes changes to help speed up the payment of compensation when a bank or building society fails by streamlining the rules governing the FSCS compensation process. These rules are set by the FSA.

Central to achieving a faster payout will be a new requirement on banks and building societies to be able to provide the FSCS with the information it needs to process claims quickly through a 'single customer view' of a depositor's accounts. The FSCS believes this is essential to achieving a faster payout.

Also among the changes contained in the Policy Statement are new disclosure requirements on banks and building societies to provide information about compensation to their customers.

FSCS Chief Executive, Loretta Minghella, said: "We welcome the FSA Policy Statement, which marks the next phase of improvements to the FSCS that will benefit consumers. Both we and the industry have much to do to implement FSA's new rules. Once we have done so, it will be much easier for the FSCS to respond quickly should a deposit taker fail. That will be good news for consumers and will help to promote consumer confidence."

The changes are contained in FSA Policy Statement PS09/11 – Banking and Compensation reform.

The FSCS plays a key role in helping to maintain the consumer confidence that benefits the industry. During the last year, the FSCS has stepped in and paid over £20bn in compensation to protect the holders of about 3.5 million bank accounts.