

Greater protection now available for Christmas Club customers after FSCS intervention

Christmas Prepayment Association members extend consumer protection to cover a banking failure

The Christmas Prepayment Association (CPA), the self-regulatory trade association for the Christmas savings industry, has strengthened its terms and conditions to maximise the safety of their savers' money. The move comes after the Financial Services Compensation Scheme (FSCS) proposed a number of changes to the CPA.

Christmas Clubs are not regulated by the Financial Services Authority and so do not come under the direct remit of FSCS. However FSCS can protect the Clubs' funds in some circumstances, including if the financial institution holding the money fails but the Christmas Club provider continues to operate. Following an approach by FSCS in January the CPA has amended its Code of Practice to ensure that customers' payments are placed with an FSA-authorized institution and clearly identified against the relevant individual. This means that in the event of a bank failure FSCS will be able to return the money so it can be used to fulfil their order.

The enhanced protection applies to schemes run by Country Christmas Savings Ltd, Family Christmas Savings Ltd, Park Christmas Savings Ltd, Flexesaver Ltd and Variety Christmas Club Ltd. Letters have now gone out to customers informing them of the changes. Banking deposits with the Post Office Christmas Savings Club, the sixth and final CPA member, are already covered by the Irish Deposit Guarantee Scheme.

[Mark Neale, Chief Executive of the FSCS](#), said: "Although Christmas Clubs are not covered by FSCS we saw that a number of simple steps could be taken to improve the protection available for people who save with such schemes. We approached the CPA and are delighted they have accepted our suggestions to ensure that all customer funds are kept in FSA-authorized accounts, with individual amounts clearly identified. In the event of a bank failure, the customers of CPA members can be sure their money is safe.

"Customers should be fully aware of the risks associated with every product, including Christmas Clubs, before taking one out. They can check whether FSCS protection will be available by visiting our website or asking the provider. In these tough times, consumers can have peace of mind by knowing that FSCS will be there for them if they need it."

Derek Walpole, Chairman of the Christmas Prepayment Association, commented: "Our members' Christmas Clubs provide a service that hundreds of thousands of people find useful and convenient. They allow hard-working families to put aside some of their money to save for presents so they can enjoy Christmas. We want to do everything we can to protect our customers and so are delighted to tighten our code of conduct to do this."

FSCS protects consumers if banks, building societies or credit unions go bust. Since 2001, it has helped more than 4.5 million people and paid out more than £26 billion. It covers the full range of financial services.

Notes to Editors

1. About the 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 funded by a levy on authorised financial services firms. FSCS does not charge individual consumers for using its service.

Since 31 December 2011 the compensation limit for savings and deposits has been £85,000, up from the previous limit of £50,000. Pay-outs are now made on a 'gross' basis, ring-fencing deposits in the event that a consumer also holds loans with an institution that has gone bust. FSCS aims to pay compensation within seven days and in a maximum of twenty days if a deposit taker fails. For more information visit www.fscs.org.uk

2. About the [Christmas Prepayment Association \(CPA\)](#)

The CPA is a self-regulatory trade association for the Christmas savings industry which was set up after the collapse of Farepak in October 2006. It was launched in autumn 2007 and has six members – [Country Christmas Savings Ltd](#), [Family Christmas Savings Ltd](#), [Park Christmas Savings Ltd \(all three are subsidiaries of Park Group PLC\)](#), [Flexesaver Ltd \(also owned by Park Group\)](#), [Variety Christmas Savings Club Ltd](#), and [Post Office Christmas Savings Club](#). The CPA has a [code of practice](#) which is designed to give customers the “best possible service” and improve “the security of monies paid by them to members”.

3. Changes to the terms and conditions of the CPA's members

The following changes have been made to ensure the FSCS can protect the Christmas Club customers of CPA members, excluding the Post Office, in the event of their bank failing:

- Making clear that customer payments have been placed with a bank authorised and regulated by the Financial Services Authority, which is protected by FSCS.
- In the event of that bank collapsing, that the Christmas Club provider is authorised to disclose the customer's personal details (such as their name, address and payments) to the FSCS.
- The Christmas Club provider will then receive any sum which the customer is entitled to from FSCS, which will then be applied towards the balance of their account to fulfil their order.

Post Office banking deposits are held in a joint venture with the Bank of Ireland and so are covered by the Irish Deposit Guarantee Scheme. [However its Christmas Club card is not covered by FSCS as its remit does not extend to pre-paid/e-cards.](#)