

Giving consumers continuity and confidence is important Neale tells building society leaders

Consumers want their accounts to keep working when banks or building societies fail. They don't always want to wait for a cheque in the post, says Mark Neale, the Chief Executive of the Financial Services Compensation Scheme (FSCS). The scheme, which protects consumers when banks fail, pays people within seven days of a bank, building society or credit union failing.

Banks and other financial businesses can only fail safely if we can protect consumers and let them get on with their lives.

Having more ways of dealing with failing firms is important to consumer confidence, Mr Neale believes. He says the compensation scheme and its partners are trying to find other ways of compensating consumers without losing access to their accounts. For many people, not being able to use their account takes an immediate toll on their lives. "A cheque from us is no doubt reassuring to people. That's good for consumer confidence. It is, however, just piece of paper until you have a new account you can pay it into. Many people do not have a second account."

Mr Neale made the comments during a speech to a meeting of building society leaders in London. He says that new, faster account switching arrangements might provide an alternative to sending people compensation payments.

"Could we, for example, piggyback on the new switching arrangements to pay compensation into peoples' accounts? We could then ask them to choose the bank, building society or credit union to which they would like to switch their account. That would make life easier for people."

Using a theme of the scheme as a force for financial stability, Mr Neale adds, "Our evidence is clear on this: people who are aware of FSCS are more confident consumers...."

Turning to funding, Mr Neale called for building societies to suggest a workable approach that takes account of the risks a firm poses. "...I am personally sympathetic to risk-weighting FSCS levies. But we must have a transparent, objective and fair way of recognising and assessing risk. So if that is what you want, please come forward with ideas about how to do this."

It is important the industry believes that levies are broadly fair. However, Mr Neale cautions funding compensation costs is a zero sum game. It's possible to carve up the costs differently but not to reduce them. FSCS has a duty to pay eligible claims for compensation.

The financial services industry pays for the scheme through a compulsory levy. It is independent and free to consumers. Since 2001, the scheme has protected more

than 4.5m people. It has paid more than £26bn in compensation and protects deposits, insurance, investments and mortgage broking.

Notes to editors

Mr Neale made the comments to the annual lunch of the Building Societies Association. Copies of his speech notes are available on request.

The Financial Services Compensation Scheme was set up by government and is independent. It protects the customers of UK-regulated financial services firms