

The Financial Services Compensation Scheme (FSCS)

This scheme is available to:

- Private Individuals;
- Some small business;
- Some charities;
- and all policyholders of compulsory insurance policies.

Qualifying small businesses

As an indicative guide only, for the purposes of deposit and investment claims, smaller companies are protected. A smaller company must meet two of the following criteria (as set out in section 247 of the Companies Act 1985 or section 382 of the Companies Act 2006 as applicable):

- Turnover: not more than £6.5 million
- Balance sheet total: not more than £3.26 million
- Total number of employees: not more than 50

For claims made under an insurance contract, small businesses are protected. A small business under the COMP rules is one that has an annual turnover of less than £1m.

Qualifying charities

If a charity is incorporated the same criteria apply as for small businesses.

If a charity is not incorporated but regarded as a mutual organisation and has less than £1.4m of assets on the balance sheet it is protected. If it has more than £1.4m of assets it is not protected.

Levels of compensation

The same levels of compensation apply whether the claimant is a private individual, small business, or a small company.

The maximum levels of compensation are:

- Deposits: £50,000 per person (for claims against firms declared in default from 7 October 2008).
100% of the first £50,000.
- Investments: £48,000 per person.
100% of the first £30,000 and 90% of the next £20,000.

- Mortgage advice and arranging: £48,000 per person (for business conducted on or after 31 October 2004).
100% of the first £30,000 and 90% of the next £20,000.
- Long-term insurance (e.g. pensions and life assurance): unlimited.
100% of the first £2,000 plus 90% of the remainder of the claim.
- General insurance: unlimited.
Compulsory insurance (e.g. third party motor): 100% of the claim. Non-compulsory insurance (e.g. home and general): 100% of the first £2,000 plus 90% of the remainder of the claim.

It is important to remember that the new limit for deposits apply to each depositor for the total of deposits they hold 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 the account is split equally between account holders, unless evidence shows otherwise. A joint account benefits from protection up to £100,000.

In addition, depositors may still receive a share of their savings above £50,000 back following any distribution of assets as part of the insolvency process for a failed bank. This would be a matter for the insolvency practitioner to determine and any recovery would, by necessity, vary according to the circumstances of the specific failure.

Further information can be obtained from - <http://www.fscs.org.uk/>