

BULLETIN October 2008

Financial Services Compensation Scheme

This is the official name of the scheme that is meant to compensate members of the public who can make a successful claim against a registered firm (such as a bank), which is not able to pay.

As highlighted in the news recently, the obvious and practical application for most is to protect against losing money deposited at a bank that happens to go out of business (or something similar), but it also applies to insurance policies, investments and mortgages (to varying degrees). It is a notoriously complicated arrangement.

As an indicative general guide:

1. individuals are entitled to one lot of compensation (up to the maximum £50k) per account held with each separately registered 'firm'. Note that one banking group may have several separate 'firms' registered
2. individuals are entitled to one lot of compensation only if different accounts are held with banks within the same group, which are all registered under the one parent 'firm'
3. joint account holders are entitled to separate compensation claims
4. smaller companies, that is all companies that have two of the three following 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 are covered like individuals above
5. smaller incorporated charities fall within the same rules as for companies above. Unincorporated charities are covered if they have net assets of less than £1.4m

This will not concern the majority but for those of you who are worried, it appears that taking some simple steps should help protect any larger deposits you might have.

Follow this link if you want to find out more: <http://www.fscs.org.uk>

Please contact us should you have any questions on this subject, and we will be happy to help if we can. If we work out that there is be a situation that does need addressing, professional legal advice may be needed.

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