



How do I apply for compensation?

A guide to making a claim with the
Financial Services Compensation Scheme

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What is this guide?

This guide is for customers of financial services firms who find themselves out of pocket because the firm can't pay them the money they're owed. This could be because the firm is no longer trading or has gone into liquidation.

What can it help me with?

The guide gives you an overview of the types of claims that we can help you with and how to apply for compensation. It also explains what happens after you've made a claim, and gives details of other organisations that offer services that you may find useful.

This is a basic guide to compensation claims, and not a comprehensive set of rules. You can find the full rules in the Financial Services Authority's handbook (under Redress) at <http://fsahandbook.info/FSA/html/handbook>

What is the Financial Services Compensation Scheme?

The Financial Services Compensation Scheme (FSCS) was set up by the Government as a non-profit statutory body, independent of the financial services industry and regulators.

We're financed by compulsory levies on firms that are authorised by the Financial Services Authority (FSA). We don't receive money from taxpayers, and don't charge customers for using our services.

We provide a last resort for customers of authorised financial services firms. This means we may be able to pay you compensation if the firm cannot pay the claims made against it. However, we can only do this when claims cannot be paid by the firm or anyone else – this is why we are described as a 'fund of last resort'.

Deciding if you can claim compensation

If you have lost money because your bank, your insurance company or any other authorised financial services firm can't pay you what you're owed, you may be entitled to compensation. Before you make a claim, you will need to make sure that the firm you're claiming against meets our requirements.



What are the requirements?

We are only able to pay claims made against a firm if we consider it to be 'in default'. This means the firm cannot pay any claims itself – for example, because it has gone into liquidation or administration. You can check whether we have declared a firm in default by using the default check service on our website at www.fscs.org.uk

The firm must also be, or have been, authorised by the Financial Services Authority (FSA). To check whether a firm is, or has been, authorised by the FSA, use the FSA's online Firm Check Service or call its consumer helpline – see page 18 for the FSA's contact details.

What can I get compensation for?

We can only pay you compensation for money that you've lost as a result of the actions of the firm that you are claiming against. We wouldn't be able to help you if something simply didn't meet your expectations.

For example, if you were advised to make an investment that wasn't suitable for you and you lost money, we could pay compensation. However, we can't compensate you if your investment simply didn't provide the return you expected.

What if the firm is still in business?

If you have a problem with a financial firm that is still in business, you should first complain directly to the firm responsible. If you remain unhappy with the outcome of your complaint, you can contact the Financial Ombudsman Service (FOS) – see page 18 for contact details.

What if the firm has stopped trading?

If you have made a claim against a firm that has stopped trading, it may still be able to pay your claim, so you will need to try contacting the firm or its owners first. To find out how to trace a firm that has stopped trading, please contact us (see page 18 for our contact details).

What if the firm says it cannot consider my claim?

If the firm says it cannot consider your claim, you should contact us and we will investigate to see if we can help you. If we find that the firm has enough money (or assets) to pay your claim, we will advise you of the steps you can take to claim against the firm. You may need to get professional advice, contact the FOS or seek other assistance from your local Citizens Advice Bureau.

What kind of financial products and services are covered by the FSCS?

- Deposits with banks, building societies and credit unions
- Home finance brokers (mortgage advice and arranging)
- Investment business
- Insurance policies and insurance broking – this includes travel insurance where the policy is sold alongside a holiday or other travel, for example by travel firms and holiday providers

The following pages explain in more detail how we can help you with a claim for compensation.

Deposits with banks, building societies and credit unions

When can you help me?

If your bank, building society or credit union can't repay you – for example if it has gone into liquidation or administration.

What does the Scheme cover?

Most banks, building societies and credit unions in the UK are covered by the Scheme. If you bank outside the UK, or with a foreign bank operating within the UK, you may be able to claim for compensation in some cases – please check with us first.

How much will I receive?

We can pay up to £85,000 per person per authorised firm.

Are there any exceptions?

Yes. Credit unions in Northern Ireland and firms in the Channel Islands or the Isle of Man are not covered. If your bank is operating in the European Economic Area (EEA), you may also not be covered by the Scheme.

Home finance brokers (mortgage advisers and arrangers)

When can you help me?

- If the firm advised you to enter into a mortgage agreement that wasn't suitable for you, and you lost money as a result.
- If the firm has gone into administration or liquidation, for example, and can't return the money owed to you.

What does the Scheme cover?

The Scheme covers all authorised firms in the UK that give advice about or arrange home finance (mortgages).

How much will I receive?

We can pay up to £50,000 per person per authorised firm.

Are there any exceptions?

Yes. If your claim relates to business that took place before 31 October 2004, we will not be able to help you.

Investment business

When can you help me?

- If you lost money because of bad or misleading advice, negligent management of your investments, misrepresentation or fraud.
- If the firm has gone out of business and can't return your investments or the money owed to you.

What does the Scheme cover?

These are examples of what the Scheme covers:

- Advice on stocks, shares and other investments
- Unit trusts
- Futures and options
- Personal pension plans
- Other long-term policies such as endowments

How much will I receive?

We can pay up to a maximum of £50,000 per person per authorised firm.

Are there any exceptions?

Yes. If your claim relates to business that took place before 28 August 1988, we are unlikely to be able to help you. This is because a UK compensation scheme for investment business didn't exist before that date.

Please note that if you want to make a claim against your solicitor who has acted as your investment adviser, you will need to seek compensation elsewhere. If your claim is against a solicitor in England or Wales, please refer to the Law Society. If your claim is against a solicitor in Scotland, you should contact the Law Society of Scotland.

However, you may be able to make claims to us against other authorised professionals, but not if the claim arose before 1 December 2001.

Insurance policies and insurance broking

When can you help me?

- If you believe you were mis-sold an insurance policy and lost money.
- If the firm is insolvent and can't pay claims made under the insurance policy or can't return insurance premiums.
- If you are a victim of fraud.

If you hold a policy with an insurance company, we may first try to transfer your policy to another company. If this isn't possible, we may be able to offer compensation.

What does the Scheme cover?

The Scheme covers both general and long-term insurance. These are examples of the types of insurance policy it covers:

- Life assurance
- Pensions
- Annuities
- Endowments
- Motor insurance
- Home insurance
- Employers' liability insurance
- Payment protection insurance
- Travel insurance
- Health insurance

Most policies issued in the UK are covered by the Scheme. However, if your policy was issued elsewhere, you may need to check with us first.

How much will I receive?

We can pay up to 90 per cent of the value of your claim (there's no maximum amount). However, with certain compulsory insurance claims, you can claim the full amount, for example third-party motor insurance.

Are there any exceptions?

Yes. For claims against general insurance brokers, we won't be able to help you if your claim relates to business that took place before 14 January 2005.

Please note that we do not cover policies on marine, aviation, transport business, credit insurance or reinsurance.

Am I covered if I did business over the internet?

Yes, as long as the claim meets our other requirements.

Can you compensate businesses as well as individuals?

We mainly help private individuals, but our Scheme also covers some small businesses. Generally, we cannot help larger businesses, although there are some exceptions to this (in particular for claims relating to certain compulsory

insurance policies, for example, employers' liability).

You can find more information about who we can help on our website at www.fscs.org.uk

Key points



Yes, you can make a claim

- If the firm is, or was, authorised by the Financial Services Authority (FSA).
- If you're applying for compensation for money that you've lost because of the firm's actions.
- If the firm can't pay you what it owes you.
- If we consider the firm to be 'in default' (for example, because it has gone into liquidation or administration).



No, you can't make a claim

- If the firm is still in business.
- If the firm has stopped trading, but may still be able to pay your claim.
- If the firm wasn't responsible for your loss – for example, because an investment didn't perform as well as you hoped.
- If your claim relates to business that took place before a certain date – this date varies depending on the type of claim (see pages 6 to 8 for more details).

Making a claim

Once you have checked that your claim may be covered under our Scheme, we may ask you to submit an application. We'll then try to deal with your claim as quickly as we can.



How do I make a claim?

If you want to make a claim and haven't been contacted by us, you can either go to the 'Can we help?' section on our website or contact our customer services team (see page 18 for our contact details).

In most cases, you'll need to fill in an application form that is specific to your claim. Sometimes, we may ask you to complete an Initial Enquiry Form first which will help us to determine whether we need to send you an application form.

Whichever form you're completing, it's important that you answer all the questions and give us as much information as you can. That way, we can better assess your claim.

Does it cost anything to make a claim?

No. We do not charge you for using our service.

Will I need legal or professional representation to make a claim?

No. You don't need legal or professional representation to make a claim. If you do ask someone to act for you, we will not be able to pay their fees.

How quickly do I need to make my claim?

You should contact us as soon as you can. Once you believe that you may be owed money by a firm that cannot pay, you should apply for compensation.

In some cases, the Scheme will be triggered automatically. We, or a liquidator, may contact you to ask if you would like to make a claim, or we may pay you compensation without contacting you first.

What happens after I've made a claim?

After you've submitted your claim, we'll assess it and all the evidence. Once we've made a decision, we'll write and tell you if you are entitled to compensation and, if so, how much we can pay. We'll also give you details of how we calculated the amount of compensation.

How long does it take until you've made a decision?

We'll do our best to deal with your claim as quickly as we can. How long this takes depends on the type of claim.

We'll aim to pay compensation in the majority of cases within seven days of a bank, building society or credit union failing. We'll aim to pay any remaining claims, which are likely to be more complex, within 20 working days.

We'll do our best to deal with all other claims within six months.

If you're facing particular hardship, we'll try to prioritise your claim.

How we worked out Anne Jones' compensation

Anne Jones had been a customer of an investment advice firm. Her main aim was to save for her retirement and to make sure that her money didn't lose its value. Anne was a cautious investor, so she had mainly low-risk investments and no higher-risk investments such as stocks or shares.

When Anne went to see her financial adviser, he advised her to invest money in a high-income bond. He explained that this was a low-risk investment and that it was very unlikely that the money Anne invested would lose its value. Anne agreed to the deal.

However, once the bond matured, Anne found that she had lost much of her original investment. Anne felt she had been misled by the firm's adviser about the risks of the investment, as she realised that the bond was too risky for a cautious investor like her. She contacted the FSCS and asked us to look into her claim.

As we had declared the firm in default, we were able to consider Anne's claim. We started by looking at the information about Anne held by the firm to see what advice Anne had been given, and found a financial report. The report listed Anne's circumstances at the time of the investment and stated that she was cautious about taking risk.

We decided that Anne's claim was eligible for compensation, as there was no evidence that she was adequately warned of the risks of the investment or that she understood the risk of very large losses. The bond did not suit her circumstances or objectives when she was given the advice.

To calculate Anne's compensation, we started with the amount that she originally invested. We then deducted the money that she received (such as her income payments). We added a notional rate of interest to the final amount awarded.

Making a complaint

At the FSCS, we don't want unhappy claimants. We want to know if you have concerns about the decisions we've made or the service we've provided. This gives us a chance to review claims and put things right.

What do I need to do to make a complaint?

This section explains the procedures you must follow to complain to the FSCS:

- If you're not happy about the decision reached on your claim or the amount of compensation awarded
- If you'd like to complain about the service you received from us

If you're not happy with the decision or the compensation awarded

If you're unhappy with our decision about your claim or the amount of compensation you've been awarded, you should send us a letter or an email (see page 18 for our contact details).

What happens next?

We'll confirm within two working days that we have received your letter or email. We'll review the background to your claim and the reason for our decision.

A manager will then reassess your claim. We'll aim to tell you the outcome of their review within 15 working days. If we need more time, we'll write to you and explain why.

What happens if I'm not happy with the outcome of the review?

If you're not satisfied with the outcome of the review, you should write to us again, explaining why you are still dissatisfied with the decision reached on your claim.

A senior manager will review the matter and will write to you to explain the outcome.

What if I'm still unhappy?

If you're still unhappy, your case will be referred to one of our executive directors, who is responsible for running the FSCS, to carry out a final review. If you still feel that your concerns have not been addressed satisfactorily after this final review, you'll need to seek help outside the FSCS – for example, by taking legal advice.

If you're not happy with the service you received

If you want to complain about the service you received from us or the way we handled your claim, you should send us a letter or an email explaining why you are unhappy (see page 18 for our contact details).

What happens next?

We'll confirm within two working days that we have received your letter or email. We'll then appoint a manager to investigate the matter and will write to you to tell you the outcome of our investigation within 15 working days. If we need more time, we'll write to you and explain why.

What happens if I'm not satisfied with the outcome of the investigation?

If you're not satisfied with the outcome of our investigation, you should write to us again, explaining why you are still dissatisfied with the service you received or the way we handled your case.

A senior manager will review the matter and will write to you to explain the outcome of the review.

What if I'm still unhappy?

If you are still unhappy, your case will be referred to an executive director who will carry out a further review.

If you still feel that your concerns have not been addressed satisfactorily after this final review, you can write to us again and ask us to refer your complaint to the Independent Investigator.

What will the Independent Investigator do?

The Independent Investigator will carry out an unbiased and independent review of our handling of your claim. However, the Investigator cannot overturn a decision made about your claim or award a compensation payment.

The Independent Investigator will prepare a report for our Board of Directors. The Board will then write to you with its response to the report, explaining what action will be taken.

Please note that we'll only commission the Independent Investigator if your complaint cannot be resolved to your satisfaction using our regular complaints process.

The complaint process

Level 1

Write to us to explain why you are unhappy with the decision or the service you received from us.

A manager will review the decision or investigate your complaint and let you know the outcome.

If you are not satisfied with the outcome, go to level 2.

Level 2

Contact the manager who wrote to you and explain why you're not satisfied with the review of our decision or the outcome of the investigation.

A senior manager will review the matter and let you know the outcome.

If you are not satisfied with the outcome, go to level 3.



Level 3

Contact the senior manager who wrote to you and explain why you are still unhappy.

An executive director will review the matter and let you know the outcome.

For complaints about the decision or compensation awarded

If you are not satisfied with the final outcome or compensation awarded, you will need to seek help outside the FSCS, for example by appointing an external adviser (such as a lawyer).

For complaints about the service you received

If you are not satisfied with the service you received, contact the executive director who wrote to you and ask for the matter to be referred to the Independent Investigator.

The Independent Investigator will review our handling of the case and report to the Board of Directors. The Board will let you know what action will be taken.

Finding out more

Financial Services Compensation Scheme

7th floor
Lloyds Chambers
1 Portsoken Street
London E1 8BN

T: 0800 678 1100
or 020 7741 4100

E: enquiries@fscs.org.uk

www.fscs.org.uk

Our partner organisations

Financial Services Authority (FSA)

is the independent body set up by law to regulate financial services firms in the UK and to protect consumers' rights. By law, all financial services firms should be authorised by the FSA.

T: 0845 606 1234

www.fsa.gov.uk

Consumer Financial Education Body (CFEB)

is responsible for helping consumers understand financial matters and manage their finances better. It offers impartial advice online, in print and over the phone.

T: 0300 500 5000

www.moneymadeclear.org.uk

Financial Ombudsman Service (FOS)

is a free and independent service, set up by law, to settle complaints between consumers and financial firms. If the ombudsman service upholds a consumer's complaint, they will order the firm to put things right.

T: 0800 0 234 567 (from a landline) or 0300 123 9 123 (from a mobile)

E: complaint.info@financial-ombudsman.org.uk

www.financial-ombudsman.org.uk

Other professional bodies

Association of Chartered Certified Accountants (ACCA)

ACCA Connect
2 Central Quay
89 Hydepark Street
Glasgow G3 8BW

T: 0141 582 2000
E: info@accaglobal.com
www.accaglobal.com

Institute of Actuaries

Staple Inn Hall
High Holborn
London WC1V 7QJ

T: 020 7632 2100
E: institute@actuaries.org.uk
www.actuaries.org.uk

Institute of Chartered Accountants

England and Wales

Professional Conduct
Directorate
Silbury Court
412–416 Silbury Boulevard
Milton Keynes MK9 2AF

T: 01908 546 235
E: psocomp@icaew.co.uk
www.icaew.com or
www1.icaew.co.uk

Scotland

Chartered Accountants House
21 Haymarket Yards
Edinburgh EH12 5BH

T: 0131 347 0100
E: enquiries@icas.org.uk
www.icas.org.uk

Northern Ireland

The Linenhall
32–38 Linenhall Street
Belfast BT2 8BG

T: 028 9043 5840
www.charteredaccountants.ie

Ireland

Chartered Accountants House
47–49 Pearse Street
Dublin 2

T: 353 1 637 7200
www.charteredaccountants.ie

The Law Society

has its own compensation arrangements for its members' investment businesses

England and Wales

The Law Society's Hall
113 Chancery Lane
London WC2A 1PL

T: 020 7242 1222
E: info.services@lawsociety.org.uk
www.lawsociety.org.uk

Scotland

26 Drumsheugh Gardens
Edinburgh EH3 7YR

T: 0131 226 7411
E: lawscot@lawscot.org.uk
www.lawscot.org.uk

Northern Ireland

Law Society House
96 Victoria Street
Belfast BT1 3GN

T: 028 9023 1614
E: info@lawsoc-ni.org
www.lawsoc-ni.org

If you need this booklet in an alternative format, please contact our Customer Services Team.

T: 0800 678 1100 or 020 7741 4100

E: enquiries@fscs.org.uk

www.fscs.org.uk