



How we can help The Financial Services Compensation Scheme

**The UK's compensation fund of last resort for customers
of financial services firms. A free service.**



This booklet is a basic introduction to the work of FSCS.

It gives an indication of the types of claims we may be able to help with and how we decide claims for compensation. It is not intended to be a comprehensive guide to our work.

The full rules governing our work form part of the FSA's handbook and can be found under Redress, Compensation.

They are available on the FSA's website at: www.fsa.gov.uk.

Introduction

The Financial Services Compensation Scheme (FSCS) is a non-profit-making independent body, created under the Financial Services and Markets Act 2000 (FSMA). FSCS is the UK's compensation fund of last resort for customers of financial services firms. We do not charge individual consumers for using our service.

We help protect consumers against financial loss when authorised firms – those regulated by the UK's financial watchdog, the Financial Services Authority (FSA), and previous financial regulators – are unable, or likely to be unable, to pay claims against them.

We can consider claims and pay compensation only when they cannot be paid by anyone else, which is why we are described as a fund of last resort.

How FSCS can help you

If an authorised firm cannot pay claims against it, we may be able to help. We say a firm is “in default” if it is unable or likely to be unable to pay claims made against it. If this applies in your situation, and you have lost money after dealings with the firm, we may be able to pay you compensation.

Where FSCS fits in

If you have a complaint or claim against an authorised firm that is still in business, you should contact that firm directly. If your complaint is not resolved, you can contact the Financial Ombudsman Service (FOS). See page 8 for details.

If you have a claim against a firm that has stopped trading, try to contact the firm (or its owners) to see if it (or they) can pay your claim. To find out how to trace a firm that has stopped trading, please contact us. If the firm is unable to pay claims itself, FSCS may be able to help.

Our contact details

Address

7th Floor, Lloyds
Chambers
1 Portsoken Street,
London E1 8BN

Telephone

020 7892 7300 or
0800 678 1100

Fax

020 7892 7301

Website

www.fscs.org.uk

Email

enquiries@fscs.org.uk

FSCS protects:

- Deposits
- Life and general insurance policies
- Investment business (on or after 28 August 1988)
- Home finance broking, e.g. mortgage advice and arranging (on or after 31 October 2004)
- Insurance broking (on or after 14 January 2005).

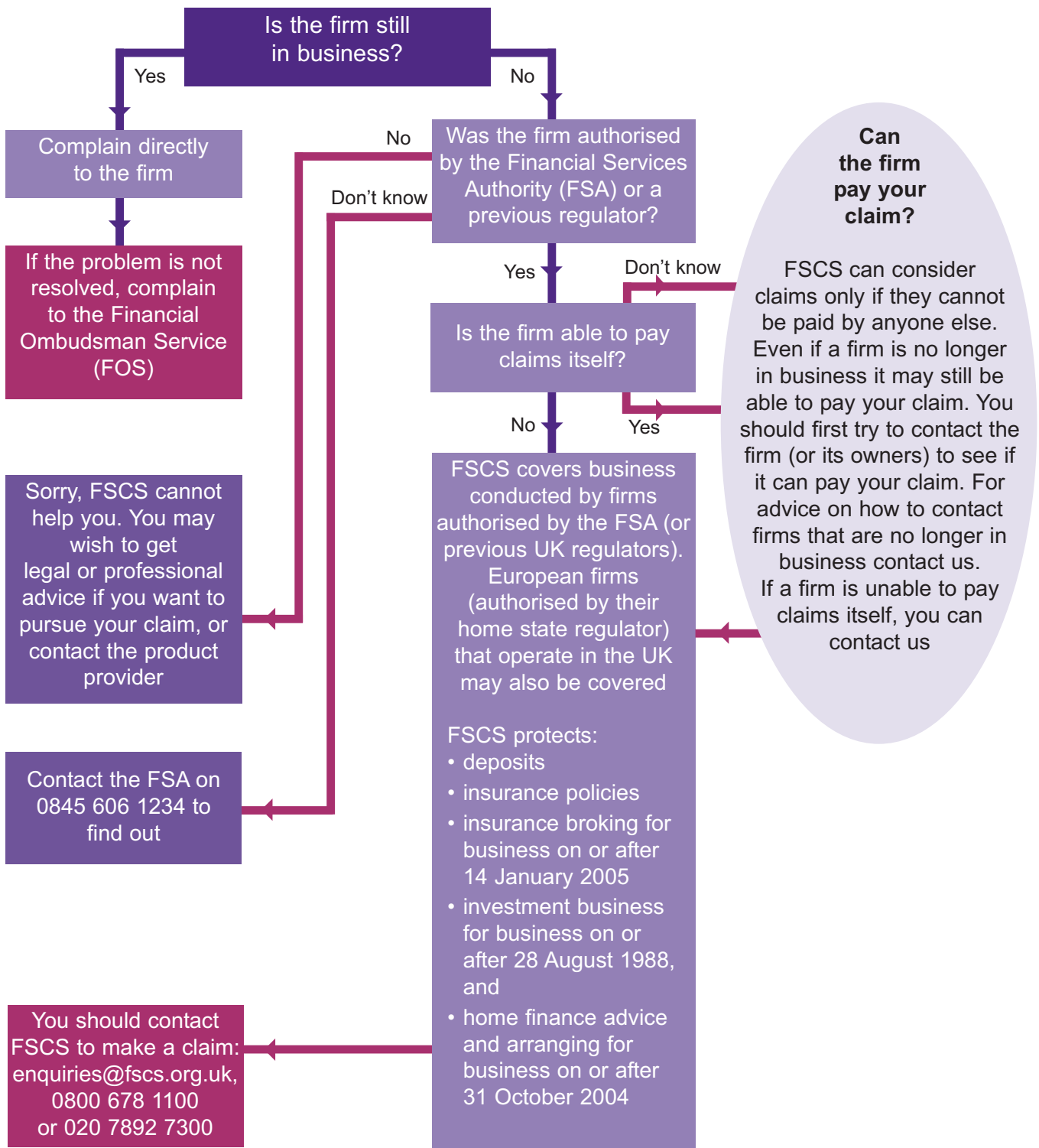
Compensation limits

Business	Important dates	Compensation limits (as at 1 January 2010)*
Deposits (e.g. in a bank, building society or credit union)	From 30 June 2009	Up to the higher of £50,000 or €50,000 (100% of £50,000 or €50,000)
Insurance policies	Claims before 1 December 2001 are protected under the Policyholders Protection Act 1975 but handled by the FSCS	90% of the claim (with no upper limit) - claims for certain compulsory insurances are covered in full
Advice about and arranging of general insurance products	For business conducted on or after 14 January 2005	90% of the claim (with no upper limit) - claims for certain compulsory insurances are covered in full
Investment business	For business conducted on or after 28 August 1988	Up to £50,000 (100% of £50,000)
Home finance advice and arranging (e.g. arranging mortgages)	For business conducted on or after 31 October 2004	Up to £50,000 (100% of £50,000)

*Different limits apply in respect of earlier defaults. E.g. up to £48,000 in compensation is payable in respect of claims against investment firms declared in default before 1 January 2010.

Can we help you?

Use this flowchart to work out whether FSCS may be able to help you with your claim



What sort of claim do you have?

We consider claims against firms such as insurers, deposit takers, home finance brokers and investment advice firms.

Investment claims

The majority of individual claims we handle relate to investment business. You can use this flowchart as a guide to our investment claims process. The case study on the opposite page provides an example of an investment claim FSCS has dealt with.

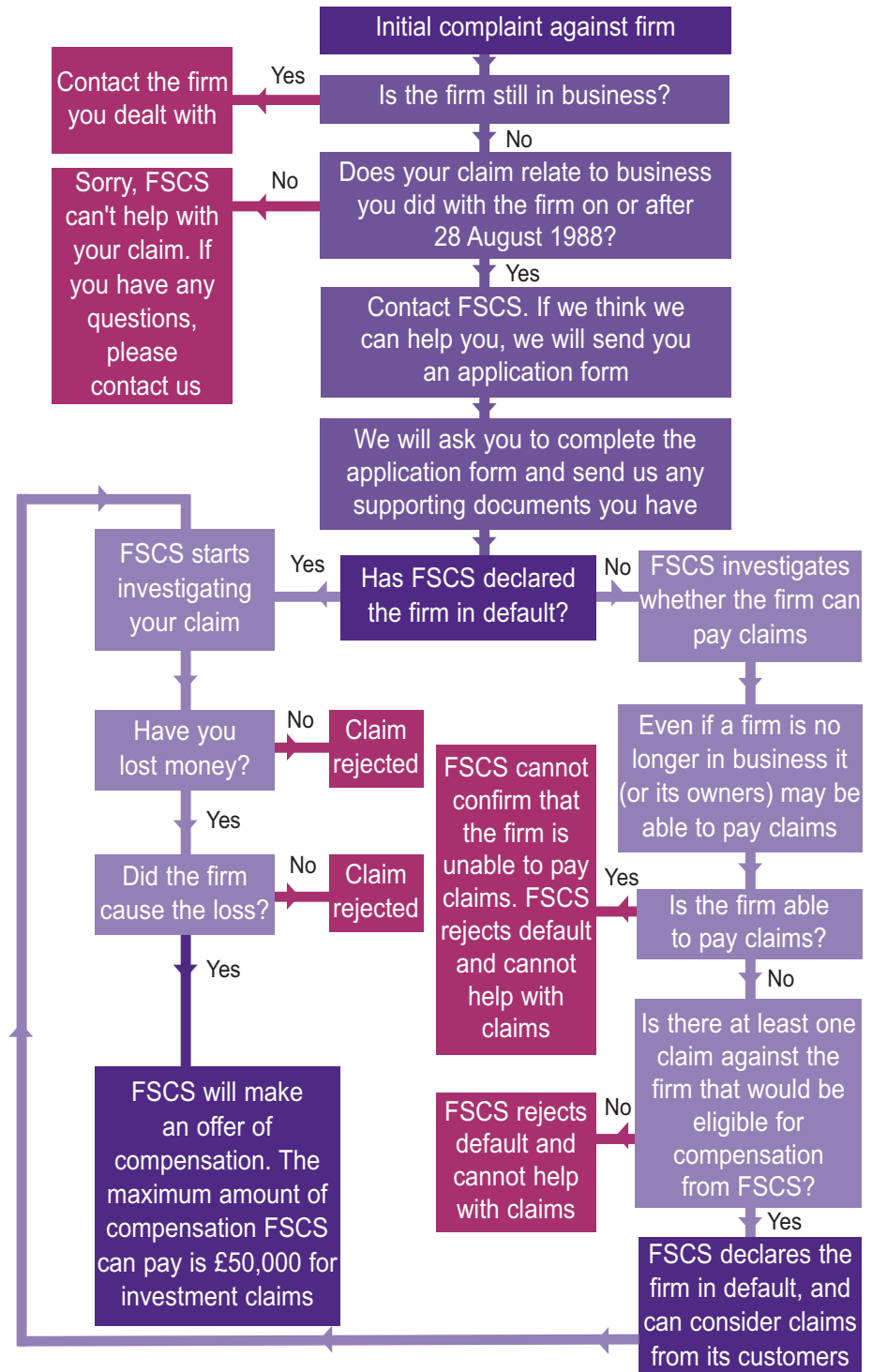
Other types of claims

Contact us for guidance on how we may be able to help with claims against:

- a general insurance firm
- a life insurance firm
- an insurance broker
- a deposit taker such as a bank, building society or credit union
- a home finance (e.g. mortgage) broker

Investment claims flowchart

This flowchart is a basic guide to our investment claims process



Investment case study

Investment claim that we paid

Mrs X had been dealing with an investment advice firm for about two years. Her main aim was to save for her retirement and to make sure her capital did not lose value. Her investment portfolio consisted of mainly low-risk investments and Mrs X described herself as a cautious investor. She did not have any experience of equity-based investments (shares, etc).

FSCS looked at the client file to see what advice the financial adviser had given Mrs X. A financial report was on file, which stated Mrs X's current circumstances and listed her objective as 'looking for a cautious degree of exposure to investment risk'. The firm recommended a high-income bond, stating it was a low-risk investment and very unlikely that there would be any loss to the original capital invested. No other evidence was found to show the adviser properly explained the risks involved. When the plan matured, Mrs X found she had lost £10,000 of her original capital investment. Mrs X felt misled by the firm in terms of the risks associated with the investment. She told us that no risk warnings were given and she believed that the plan was too risky for an unsophisticated investor like her.

FSCS upheld Mrs X's complaint on the basis that there was no evidence that she was adequately warned of the full risks of investing in the bond, or that she understood the potential for large losses attached to it. This type of investment has been classified as a higher-risk product because it could suffer a 2% capital loss for every 1% fall in the stock market if the relevant index falls by a pre-set amount (a so-called precipice bond). The bond did not suit her risk profile, circumstances or objectives at the time of advice.

How we decided what to pay Mrs X

Our calculation of her loss was based on the money Mrs X originally invested, less the money she received (any income payments plus the maturity value of the bond). In addition, a notional rate of return was added to the compensation amount. We paid Mrs X compensation of £11,500.

Not all claims are paid

To receive compensation you must have made a financial loss that has been caused by firm. Not all claims are eligible for compensation from us.

Frequently asked questions

FSA Consumer Helpline:

0845 606 1234

FSA consumer website:

www.moneymadeclear.fsa.gov.uk

[fsa.gov.uk](http://www.fsa.gov.uk)

FSCS Consumer Helpline:

0800 678 1100 or

020 7892 7300

FSCS website:

www.fscs.org.uk

Email:

enquiries@fscs.org.uk

FOS Consumer Helpline:

0845 080 1800

FOS website:

www.financial-ombudsman.org.uk

Email:

complaint.info@financial-ombudsman.org.uk

1. What does the Financial Services Authority (FSA) do?

The FSA is the independent watchdog set up by law to regulate financial services in the UK, and to protect consumers' rights. By law, most financial services firms must be authorised by the FSA. You can find out more on the FSA website.

2. How can I find out if a firm is a 'member' of FSCS?

If the firm is authorised by the FSA, you will have access to the Financial Ombudsman Service (FOS) and to FSCS. The FOS deals with complaints from consumers against firms that are still in business and it can require firms to pay compensation if it upholds a complaint from their customer.

You can find out whether a firm is regulated by using the FSA's Firm Check Service on its consumer website. You can also telephone the FSA's Consumer Helpline on 0845 606 1234. They will be able to tell you if the firm is still authorised to trade, and how to contact it.

3 What is the difference between FSCS, the FOS and the FSA?

FSCS considers claims from consumers against firms that are no longer trading if the firm (or its owners) is unable to pay claims itself.

The FOS considers complaints about firms that are still trading if the consumer and the firm cannot reach agreement.

The FSA is the UK's regulator for the financial services sector.

There is a booklet explaining the different roles of the FSA, FOS and FSCS called 'What we do and how we can help you'. You can download this from the consumer publications section of our website, or contact us and we will send you a copy.

4. Do I have to pay anything for you to consider my claim?

No. FSCS is a non-profit, independent organisation set up by law. We do not charge for using our service.

5. How do I make a claim?

If you wish to claim compensation, you should phone or email our Customer Services Team. Our full contact details are on page 3. You will usually have to fill in an application form, which we will send you. The form gives us the information we need to consider your claim.

6. How do you decide whether you can help me?

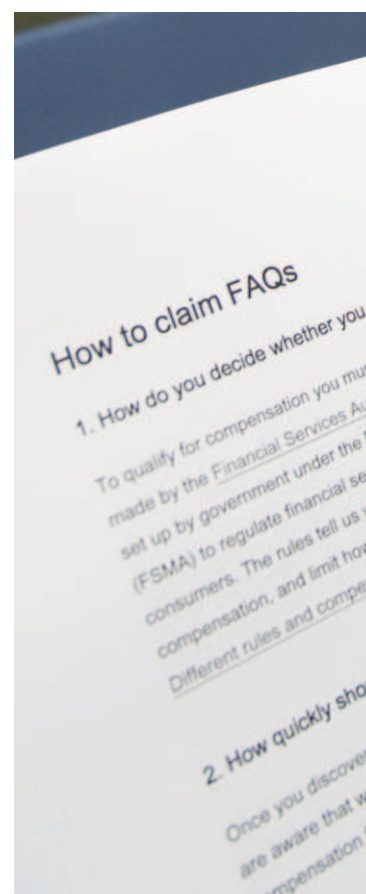
To qualify for compensation you must be eligible under rules made for us by the FSA. The rules tell us which types of claim qualify for compensation, and limit how much compensation we are allowed to pay. Different rules and limits apply to different types of claim. The rules for FSCS form part of the FSA's handbook which is available on the FSA's website at www.fsa.gov.uk. The limits are explained on page 4 of this booklet.

7. What does compensation from FSCS cover?

FSCS can pay compensation only for financial loss and our rules limit how much compensation we are allowed to pay.

8. What if I am unhappy with the amount of compensation FSCS is offering to me?

There are limits to the amounts of compensation we can pay, and compensation covers only financial loss. To be eligible for compensation you must have lost money because of your dealings with the firm. For example, for investment advice claims we need to establish that the investment was unsuitable for you and that you have suffered financial loss as a result. The compensation we pay would try to take account of the position you would have been in if you had not invested.





FSCS cannot pay compensation just because an investment has not met, or is not likely to meet, your expectations (for example, because you have a projected “shortfall” when your investment matures).

9. The firm I dealt with is no longer trading, but FSCS says it cannot help me. Why?

FSCS is only able to help consumers if a firm cannot meet its own claims. We have no discretion to help consumers if a firm (or its principals) has enough assets or means to pay claims made against it, even if the firm has stopped trading.

10. What if the firm says it can't help me?

If the firm or its owners will not consider your claim, you could take legal advice or contact your local Citizens Advice bureau for help. If you believe the firm cannot pay your claim, you can contact us.

Financial Services Compensation Scheme (FSCS)

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