



Chairman's message

By David Hall, Chairman

Welcome to the half year edition of Outlook. We know that firms are keen to understand the trends we are seeing in the volume and cost of claims coming to us, and any potential levy implications. This issue highlights some of the key activities and trends relating to claims and compensation payments during the first six months of 2009/10, as well as providing an update on our funding requirements.

The first half of the year has been busy for the FSCS as we see increasing numbers of claims coming to us in the Investment Intermediation and General Insurance Intermediation Sub-classes. At the same time, we continue to ensure that compensation is paid to all eligible retail depositors affected by last year's major bank failures, as well as consumers in other areas of our business. We've paid out over £665m of compensation in the period.

In our initial levy announcement in April of this year, we explained that we might need to raise a further estimated £28m levy on the Investments Intermediation Sub-class in respect of Pacific Continental Securities (UK) Limited, Square Mile Securities Limited and other investment broking firms. I can confirm that this additional funding will be required before the end of the financial year. In addition, Keydata Investment Services Limited (Keydata), which went into administration in June 2009, is in default, which was not anticipated at the time we made our initial levy assumptions. There have also been failures in the structured products area (see the Chief Executive's summary on page 3 for more information) and it is not yet clear how much compensation may be payable for these claims nor which Investment Sub-class they will affect. That is why we are not asking for the additional £28m now, but we will be asking for that and our additional investment compensation funding requirement later in the financial year. Then we will have a clearer understanding of the impact Keydata and the structured products failures will have on our funding requirements.

ALSO IN THIS ISSUE

Chief Executive's summary

Summary of claims for the half year

Major banking defaults

Levy update

Consumer awareness



David Hall, Chairman

As a result of increased activity in the area of Payment Protection Insurance (PPI) claims there is a real possibility that there will be a further funding requirement, most probably from levy payers in the General Insurance Intermediation (SB02) Sub-class, in the coming months. At this stage it is still too early to say what those funding needs might be, but we will keep firms updated as matters develop.

Although we appreciate that this will not be welcome news for the industry, our aim to achieve sustained professionalism and fairness in providing financial compensation in a reasonable time and, in particular, at reasonable cost to the industry, still holds true. More on the levy and other updates on our costs is provided on page 9.

Meanwhile, we do have some good news in respect of recoveries. I am pleased to report that we have received £567m in dividend payments on two of the banking failures, namely Heritable Bank plc and Kaupthing Singer & Friedlander Limited. The FSCS has a responsibility to maximise recoveries wherever cost effective to do so.

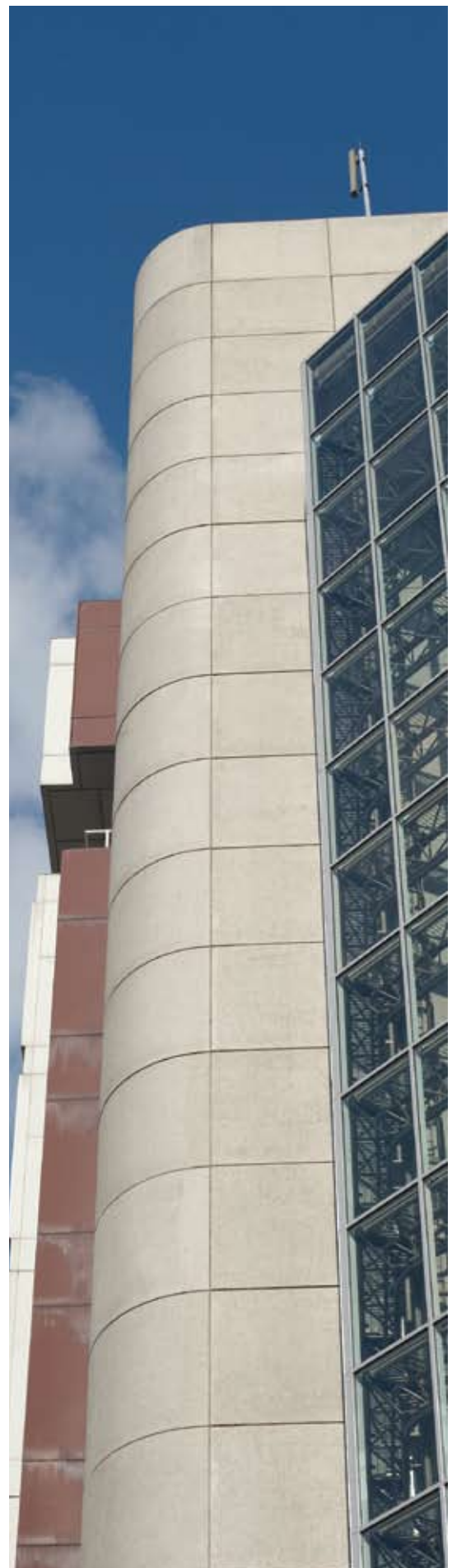
These recoveries, and any further amounts we receive, will help reduce the cost to the industry of these failures. More details about our progress on the banking defaults are contained later in this edition of Outlook.

On the international front, the European Commission is due to publish proposals which could include possible legislative reform of the Deposit Guarantee Schemes Directive on such matters as limits, harmonisation of scope and eligibility, set off, and funding for deposit taking failures. If implemented, these proposals could require changes to the FSCS. More information will be available about the implications for the UK in due course.

We will continue to update the industry on our work in all these areas, and the potential impact for firms, on a regular basis.

The year to date: key trends

- > **Substantially higher claims volumes and costs for firms in the Investment Intermediation and General Insurance Intermediation Sub-classes are now likely this year**
- > **The cost of claims completed in the Investment Fund Management Sub-class has been slightly higher than expected**
- > **Lower claims volumes in respect of credit unions and the Home Finance Intermediation Sub-class than originally assumed**
- > **Lower costs for the General Insurance Provision Sub-class**
- > **Slightly lower than expected claims volumes and compensation payments in the Life & Pensions Intermediation Sub-class**
- > **Good progress in paying compensation in respect of the bank defaults**
- > **£567m received in recoveries on the bank defaults**



Chief Executive's summary

Loretta Minghella

Compared to the extraordinary events that took place last year, 2009/10 has been a quieter year so far, although it has still been a time of assiduous activity for the FSCS. Whilst the focus last year was on the banking sector, this year other areas of our business have come to the fore, in particular Payment Protection Insurance (PPI), and structured and other investment products, such as Keydata. As we have explained in the past, it is in the nature of our business that, despite the care we take when making assumptions about claims volumes, things often work out differently. This year is proving to be no exception to that rule.

Looking back at the assumptions we made in our Plan and Budget 2009/10, published earlier this year, I am pleased to report that we are seeing lower than expected claims volumes and compensation costs in several sectors – see “The year to date: Key trends” and the “Summary of claims for the half year” for more details.

However, although claims volumes in some areas are in line with, or lower than, our original assumptions, as the Chairman reports in his statement, we are now anticipating substantially higher claims volumes, and therefore costs, most probably affecting firms in the Investment class and General Insurance Intermediation Sub-class.

We have seen a number of structured products firms fail recently, namely NDF Administration Limited, Defined Returns Limited and Arc Capital and Income plc. These firms, which specialised in marketing structured products, went into administration, and were subsequently declared in default, during October. We anticipate that claims against these firms will be a significant element of our work for the remainder of this year and into next.

We are liaising with the FSA and the respective Joint Administrators to understand as much as possible about the activities of the firms. Until we have completed our analysis into the categories of claim we are likely to receive against these firms, we cannot yet confirm which Investment Sub-class the costs of compensation will fall to, or when.

During this year we have continued our work on business contingency planning to ensure that we are ready to deal with any future failures, and part of this involves our ongoing work with the Tripartite Authorities to ensure our plans in this area are as robust as possible.

Another of the key areas the FSCS has focused on in the last 6 months has been ensuring we are able to fulfil our new statutory responsibilities which were identified in the FSA's policy statement on Banking and Compensation Reform (PS09/11) published earlier this year. More about our work to raise consumer awareness and to prepare for faster payout in the event of a deposit taking failure is set out on page 10.

Firms may be aware that further reform was flagged by H M Treasury's paper, Reforming Financial Markets, published in July 2009, to which consultation responses were requested by 30 September. The paper discusses the governance and accountability of the FSCS in the light of its new roles and responsibilities, both under the Banking Act and in the context of the recent bank failures. Additionally, and as confirmed by the Government's recent announcements on the Financial Services Bill, the paper sign-posted an expansion of the remit of the FSCS to act on behalf of other compensation schemes. The paper also included further discussions of pre-funding of the FSCS, and confirmed the FSA's intention, in light of the financial crisis and potential changes to UK and European legislation, to start a review of the FSCS funding model. The review will focus on how levies are allocated

among different types of firms, possible pre-funding implications, and limits. The FSA intends to consult during the financial year 2010/11, although H M Treasury has confirmed that pre-funding will not be introduced before 2012.

The Government also announced recently a proposed amendment to the Banking Act 2009 to allow for interest costs to be included in the calculation of the FSCS's contribution to the costs of the Special Resolution Regime (SRR). Under the Act, the FSCS may contribute to costs of resolution, not exceeding the costs that it would otherwise have paid in an insolvency, less recoveries that would have been received from the failed bank. The amendment will mean that notional interest costs may be included in this calculation. This is included in the Financial Services Bill, to take effect from the date of the announcement – 19 November 2009 – and so will apply to the costs of resolution of Dunfermline Building Society from that date.

Meanwhile, our preparations for implementing the changes contained in the Banking Act 2009 are well underway. Further details are given elsewhere in this edition of Outlook and we will provide updates to the industry on all areas of our work across the different sectors, and what the implications for levy payers might be, when we publish our Plan and Budget for 2010/11 in quarter one of 2010.



Loretta Minghella,
Chief Executive

Summary of claims for the half year (1 April 2009 to 30 September 2009)

Set out below is a summary of the claims received and the claims completed in the first six months of the year, and the amount of compensation paid. Also given, by way of background, are the claims volumes and compensation payments assumptions published in our 2009/10 Plan and Budget. Where possible, we have identified the trends we are seeing in each sub-class, but in some areas it is too early to say whether the figures for the first six months are indicative of what we might see during the remainder of the year.

	Claims Received	Claims Completed*	Total Compensation paid (£m)
Investment Intermediation	3,330	5,319	47.9
General Insurance Intermediation	804	60	0.3
Investment Fund Management	35	95	0.8
Life & Pensions Intermediation	1,412	1,507	5.5
Home Finance Intermediation	50	54	0.03
Credit Unions	851	825	0.3
Major Bank Defaults**	N/A	19,547	581.2
TOTAL	6,482	27,407	636.03
General Insurance Provision***	N/A	N/A	29.7

* Claims completed may include some claims that were with us at the beginning of the year, including claims for fixed term deposit's.

**Figures given for bank defaults are for accounts, not claims. Some claimants may have had more than one account. The FSCS was aware of all accounts prior to 1 April 2009, so no new claims were notified during the period.

*** Insurance claims are usually handled by the appointed run-off agent and then presented to the FSCS for validation and payment.



Investment Intermediation

Type of Claim	Claims Received	Claims Completed*	Total Compensation paid (£m)
Pacific Continental Securities (UK) Limited	1,329	2,784	26.6
Square Mile Securities Limited	804	1,828	16.9
Other	1,197	707	4.4
TOTAL	3,330	5,319	47.9
<i>Original assumptions for the full year</i>	3,200	4,650	52.1

* Claims completed may include some claims that were with us at the beginning of the year.

The majority of Investment Intermediation claims received this year so far relate to Pacific Continental Securities (UK) Ltd and Square Mile Securities Limited. The receipt of new claims in respect of these two firms has now slowed and we are not expecting significantly more claims in this area. We are however seeing further firms come to us from this sector, in particular Keydata. There are a number of complicated legal issues surrounding Keydata and as a result, the FSCS had to engage external experts to assist with the ongoing analysis into the categories of claim. At the same time, we have worked closely with the Administrators, the FSA and H M Revenue and Customs (HMRC) to understand the full implications of the failure of Keydata.

We are expecting Keydata to generate a large number of new claims for the second part of the year. Claims are likely to fall into two categories. The first category is where the Administrators have confirmed that there is evidence to suggest that the underlying assets held in some of the funds may have been misappropriated. In addition, a number of these investments were sold to investors as ISAs, and it has now been confirmed by HMRC that they did not meet the necessary requirements to qualify as ISA investments. Whilst we must consider claims on a case by case basis, we presently anticipate that the vast majority of these customers will be eligible for compensation. The remaining investors in this category, who did not invest in ISA products, may still have grounds for a successful claim if it can be established that Keydata caused them to suffer financial loss, even though at this stage we have not been able to establish that the apparent loss of the underlying assets results in any liability on Keydata's part. This category is expected to generate around 5,000 claims. We have invited claims from these claimants and currently anticipate that the total cost could be in the range of £25m to £50m.

The second category is where the underlying funds are still in existence, but HMRC has confirmed that these funds, which were promoted as eligible for inclusion in an ISA, do not meet the requirements for qualifying as ISA

investments, and that investors in these funds are potentially liable to pay tax on these investments until the point the investments mature or are sold. The number of claims we may receive in this category is still uncertain. We are considering the best approach for dealing with this second category of claims and it is too early to provide an indication of the potential costs.

We appreciate that the increasing volume of claims in this sector will potentially put a substantial burden on the Investment Intermediation Sub-class (SD02). An update on levy issues, is contained on page 9.

General Insurance Intermediation

Type of Claim	Claims Received	Claims Completed*	Total Compensation paid (£m)
Insurance Intermediation (inc.PPI)	804	60	0.3
<i>Original assumptions for the full year</i>	800	750	1.7

* Claims completed may include some claims that were with us at the beginning of the year.

Industry trends indicate that volumes of claims in respect of Payment Protection Insurance (PPI) are growing. The FSCS expects the volume of claims it receives to follow this upward trend, and we have already received as many claims in the 6 months to 30 September as we were expecting in the whole year. The number of claims we anticipate receiving has therefore increased substantially over the year, and we are now estimating that we will pay compensation in the range of £5m to £15m for PPI claims in 2009/10. It is likely that the majority of the cost of these claims will fall within the General Insurance Intermediation Sub-class.

PPI claims involve a number of complex issues, which have required us to work closely with the FSA and the FOS as we developed our approach to both eligibility and quantification. We have recently been able to start making decisions on these claims and dealing with increasing volumes of PPI claims is likely to be a significant part of our work in the second half of the year.

Investment Fund Management

Type of Claim	Claims Received	Claims Completed*	Total Compensation paid (£m)
Splits	35	95	0.8
<i>Original assumptions for the full year</i>	50	140	0.3

* Claims completed may include some claims that were with us at the beginning of the year.

Our work on Splits claims arising from the default of BFS and Exeter Fund Managers is now substantially complete, and we do not expect to receive many more claims of this type during the remainder of the year. Although the volume of incoming splits claims has been slightly lower than expected in the first 6 months, we have been processing our outstanding claims in this area and compensation costs have been higher due to a higher uphold rate than our original assumption, which is based on past experience.

Life & Pensions Intermediation

Type of Claim	Claims Received	Claims Completed*	Total Compensation paid (£m)
Mortgage Endowments	1,312	1,413	2.3
Pension Review and FSAVC	100	94	3.2
TOTAL	1,412	1,507	5.5
<i>Original assumptions for the full year</i>	3,600	3,840	16.1

* Claims completed may include some claims that were with us at the beginning of the year.

Volumes of claims in respect of mortgage endowments and pensions review continue slowly to decline, although we are still receiving new claims. Both volumes of claims and the amount of compensation paid are slightly lower than anticipated at the half year stage and we are expecting this trend to continue.

Home Finance Intermediation

Type of Claim	Claims Received	Claims Completed*	Total Compensation paid (£m)
Home Finance	50	54	0.03
<i>Original assumptions for the full year</i>	150	150	1.1

* Claims completed may include some claims that were with us at the beginning of the year.

Although we have received some claims in respect of Home Finance Intermediation in the first six months of this year, so far they are not coming to us in the volumes we originally anticipated for 2009/10. It is however too early to say whether this trend will continue.

Credit Unions

Type of Claim	Claims Received	Claims Completed*	Total Compensation paid (£m)
Credit Unions	851	825	0.3
<i>Original assumptions for the full year</i>	4,250	4,250	2.4

We have declared 6 credit unions in default so far this year, and we continue to pay the majority of these claims within our target of 8 weeks. The number of claims received in the first six months of the year is lower than was originally anticipated but it is too early to say whether this trend will continue.

General Insurance Provision

Type of Claim	Claims Received	Claims Completed*	Total Compensation paid (£m)
Insurance Payments*	N/A	N/A	29.7
<i>Original assumptions for the full year</i>	N/A	N/A	73.6

* Insurance claims are usually handled by the appointed run-off agent and then presented to the FSCS for verification and payment.

Our payments to date have been lower than originally anticipated, due to a reduction in payments for Chester Street Insurance Holdings Limited, Independent Insurance Company Limited and Drake Insurance plc. We have reviewed our estimates for these firms and our present assessment is that we will not now spend the full amount raised this year. However, we expect to need this money next year, with a provisional estimated compensation spend of £60m to £70m. We will update this figure in our 2010/11 Plan and Budget which will be published in February 2010.

Major banking defaults

During 2008/09, the FSCS was instrumental in safeguarding depositors' money following the failures of five banks and one building society - Bradford & Bingley plc (B&B), Kaupthing Singer & Friedlander Limited (KSF), Heritable Bank Plc (Heritable), Landsbanki Islands hf (Icesave), London Scottish Bank Plc (London Scottish), and Dunfermline Building Society.

We continue to make good progress in paying compensation for maturing fixed term deposits on Icesave and London Scottish, and in respect of KSF claims where amounts were held in client accounts. Compensation for maturing fixed term deposits will continue to be payable until 2013.

A summary of compensation paid to date, recoveries made or anticipated, and where we are on our work to validate the amounts we paid for the bulk transfer of accounts on B&B, KSF, and Heritable is set out in the table on the following page.

Funding

The FSCS continues to have significant borrowings of some £20bn in the form of loans from H M Treasury to cover compensation costs paid and payable in respect of the major banking defaults. Latest estimates for 2009/10 make various assumptions about the levels of principal, allowing for further draw-downs, the FSCS attributable amount of payments made and recoveries / repayments received. Interest is calculated at 12 month LIBOR plus 30 basis points, adjusted monthly. Actual interest rates have been applied in the period to 30 September 2009, and an assumed rate of 1.538% (the rate payable in September) has been applied thereafter. On that basis, the current estimate for accrued interest costs in 2009/10 is £346.7m, and for 2010/11 is £302.7m. The sensitivity in applying the latest rate is that for every 0.5% change in the interest rate, the interest amount payable is affected by some £100m in a full year. The FSCS does not hedge against interest rate movements.

As explained in the FSCS 2008/09 Annual Report, further interest will be payable on the changes in the principal amount arising from the validation exercise of the initial 'deemed compensation' payments made. The figures above include the interest estimate for 2009/10 and the following year, but a further amount in respect of 2008/09, currently estimated at some £36m, is expected to become payable on 1 October 2010. Interest to 31 March 2010, and the £36m, is expected to be levied to firms in the Deposit class in June / July 2010, payable by 1 September, for settlement with H M Treasury on 1 October 2010.



Summary of position on the major banking defaults

Firm	B&B	Heritable	KSF	Icesave	London Scottish	Dunfermline Building Society
Date of default / insolvency	27th September 2008	7th October 2008	8th October 2008	8th October 2008	30th November 2008	30th March 2009
Number of customer accounts at default	c.3.6m	22,344 transferred to ING Direct. 422 not transferred	c. 157,000 transferred to ING Direct. 7,236 not transferred	298,290	11,950	c. 260,000
Amount the FSCS has contributed to cost of transfer of accounts	£14bn	£500m	£2.5bn contributed by the FSCS to cost of transfer less a repayment of £266.5m on 30 March 2009	N/A	N/A	The FSCS contribution to costs of resolution to be calculated once the level of recoveries is known
Number of accounts transferred and/or paid at 30 Sept 09	c.3.6m transferred in September 2008	340	c. 157,000 transferred in October 2008 6,578 paid	289,489	4,905	N/A
Value of accounts paid at 30 Sept 09*	N/A	£ 8.1m	£307m	£ 4.3bn	£ 109m	N/A
Number of accounts not transferred and yet to be paid**	N/A	5	670***	8,317***	6,949***	N/A
Estimated value of accounts yet to be paid**	N/A	£129k	£74m	£170m	£159m	N/A
Validation estimates at 30 Sept 09	In progress. £15.75bn within a range of £15.56bn to £15.79bn	In progress. Current estimate £457m	Awaiting data to complete validation	N/A	N/A	Validation is in progress. Estimate not yet available
Recoveries as at 30 Sept 09	B&B's management forecast repayment of the FSCS loan in due course but timing remains highly uncertain. We are working with HMT on this issue.	Received dividend of 16.3% amounting to £82m Anticipated total dividend – 70% to 80%	Received dividend of 20% amounting to £485m Anticipated total dividend – 50% to 70%	Uncertain	Anticipated total dividend – 30% to 60%	N/A

* Includes amounts paid on behalf of HM Treasury and, in the case of Icesave, Iceland's Depositors' and Investors' Guarantee Fund.

** Includes some accounts where an application form has yet to be received by the FSCS.

*** Includes fixed term deposits that are paid at maturity.

Levy update

In our 2009/10 initial levy announcement in April 2009, we explained that for levy-payers within the Investment Intermediation Sub-class (SD02) a further levy, then estimated at £28m, would be levied later in 2009, if necessary. This arose as the outcomes of two larger defaults, Pacific Continental Securities (UK) Limited and Square Mile Securities Limited were insufficiently certain to support a higher levy at that time. Our latest estimates suggest that this amount will now be a necessary funding requirement.

In addition, Keydata Investment Services Limited is in default, and as outlined above, we anticipate that compensation payments in respect of this firm will be spread across 2009/10 and 2010/11. There is therefore a strong likelihood that we will need to raise a further levy to fund these claims before the end of the financial year. Our current estimate is that these claims could cost in the region of £25m to £50m. However, as explained on page five, this is a complex default, and we have not yet processed claims of any volume. These figures are therefore very much our initial estimates and are likely to be subject to change.

As required in accordance with FEES 6.5.2R of the FSA Handbook, the FSCS has considered carefully to which funding class the compensation costs arising from, or expected to arise from, claims for compensation in respect of Keydata should properly be allocated. FEES 6.5.2R states that any compensation costs levy must be allocated to the Sub-classes in proportion to the amount of compensation costs arising from, or expected to arise from, claims in respect of the different activities represented by those Sub-classes up to the levy limit of each relevant Sub-class. It is the FSCS's view that, in relation to the products that are likely to give rise to valid claims for compensation, Keydata acted as agent for its customers in purchasing the relevant underlying bond. A customer's interest in the bond was held by Keydata (through its nominee company) as nominee of the retail customer. Keydata was offering a specific investment as described in the relevant brochures that were issued to customers, and had no discretion to choose which bond it should purchase once it received funds from an applicant. This is an activity which, in our view, would fall within the D2 Investment Intermediation Sub-class as defined in FEES 6, Annex 3, of the FSA Handbook.

As explained elsewhere, a number of firms that marketed structured products backed by Lehman Brothers went into default in October. It is likely that we will start paying claims against these firms before the end of the financial year, 31 March 2010, and therefore we may need to ask for additional funds in this respect as well. At the current time it is not clear how much we will need, or which of the Investment Sub-classes will be affected.

Further claims activity for PPI claims, which was not anticipated in our initial assumptions, means that there is a real possibility of a further funding requirement, most probably from levy payers in the General Insurance Intermediation (SB02) Sub-class, before the end of this financial year. The number of claims we anticipate receiving has increased substantially over the year, and we are now estimating that we may pay in the region of £5m to £15m for PPI claims in 2009/10, which is a significant increase on our original estimates. It is still too early to provide firm assumptions to support these funding needs, but firms will be kept up-to-date as matters develop.

Given the uncertainty that still surrounds a number of our estimates, we will not be asking for these funds immediately, but our current assessment is that we will need to ask firms for additional funds in February or March 2010.

Financial summary for the six months to 30 September 2009

	Actual	Budget
	£m	£m
Management expenses		
SDD*	5.85	9.10
SDD* Loan Interest	180.71	316.58
Other	14.68	19.71
	<u>201.24</u>	<u>345.39</u>
Compensation costs		
SDD*	581.18	N/A
Other	84.53	105.02
	<u>665.71</u>	<u>105.02</u>
Recoveries received		
SDD*	566.72	N/A
Other	9.44	3.68
	<u>576.16</u>	<u>3.68</u>

* SDD – Specified Deposit Defaults (Bradford & Bingley plc, Kaupthing Singer & Friedlander Limited, Heritable Bank Plc, Landsbanki Islands hf (Icesave), London Scottish Bank Plc and Dunfermline Building Society)

- SDD management expenses are now lower than budgeted due to lower outsourcing and professional costs.
- SDD loan interest is lower than budgeted as the budget assumed an interest rate of 3.43% whereas the actual rate was lower (currently 1.538%).

Management expenses – forecast for the full year

	2009/10 Forecast	2009/10 Budget
	£m	£m
SDD Management Expenses	7.47	13.27
SDD Loan Interest	346.66	632.10
Other Management Expenses	39.77	34.19
	<u>393.90</u>	<u>679.56</u>

We currently anticipate an increase in “other” management expenses, from a budgeted figure of £34m to a figure of £40m, primarily due to an increase in anticipated outsourcing costs. This is as a result of higher than anticipated claims, particularly in respect of PPI, investment intermediaries and structured product claims, which will generate higher outsourcing costs than originally budgeted.

Faster payout for deposit taking firms

The FSCS must ensure that it will be able to meet its statutory responsibilities following the FSA's policy statement on Banking and Compensation Reform (PS09/11). These reforms come into effect on 31 December 2010 and will require that the FSCS:

- is able to pay-out compensation claims in no more than 20 working days, but with a working target for most deposits of seven days, in the event of the failure of a deposit taking firm.
- undertakes a validation exercise for a sample of "Single Customer View" (SCV) files provided by deposit takers by 31 January 2011. This exercise is projected to take six months and must be completed by 31 July 2011, with the FSCS reporting the result of the assessment of each sample SCV to the FSA during this period.

The reforms also require that by 1 January 2011 deposit taking firms are able to provide an SCV file of all eligible claimants to the FSA and the FSCS to facilitate faster payout in the event of their failure.

The FSCS has established a programme of work to prepare for the changes needed to deliver these requirements. Separate but inter-dependent projects focus on:

- re-engineering our current deposit compensation procedures and physical payout solutions to facilitate faster payout for a failed deposit taker from 1 January 2011;
- external engagement with deposit takers on the provision of an SCV. Development of these SCVs will take significant effort for the industry, and the FSCS is working with industry bodies and deposit takers to help ensure common understanding of the requirements;
- development of an SCV verification system that will be used to undertake a validation exercise of the sample SCV files provided by deposit takers by 31 January 2011. We are in the process of procuring the services of external providers to assist with the development of this solution.

We have a dedicated section on our website (www.fscs.org.uk) where we will provide updates on our progress, as well as answer commonly asked questions about this work.

Consumer awareness

The FSA's policy statement on Banking and Compensation Reform also identified the need to build consumer awareness of the FSCS. We have therefore commenced work on a consumer awareness programme which will be undertaken in two phases:

- Phase 1: General awareness building of the FSCS to tell consumers about the existence of the scheme and to provide reassurance.
- Phase 2: Provision of more specific information to educate consumers about the detail of the protection that the FSCS provides.

We recognise that engaging with the industry and other key stakeholders is vital to increasing awareness of the FSCS, and to this end have established an Advisory Panel to provide a consultative forum for the project, and to help act as a touchstone of opinion and influence in the shaping of the strategy going forward. The Advisory Panel consists of representatives from the industry, the FSA and consumer representatives from the FSA Consumer Panel and Which?

We will be seeking to work closely with the industry, initially through the trade bodies, and with other stakeholders throughout 2010, and we will provide updates on the work we are doing in this area as it progresses.

Policy statement PS09/11 also introduced requirements, from 1 January 2010, for all firms regulated by the FSA that accept deposits to inform their customers that their deposits are covered by the FSCS. We are currently working with the relevant trade bodies to see how we can assist their members in meeting these requirements.

