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MEDIA INFORMATION

FSCS protection on the way for customers of Keydata Investment Services Limited

The Financial Services Compensation Scheme (FSCS) today confirmed that Keydata Investment Services Limited (in administration) (Keydata) is in default, which means the FSCS can start considering claims against the firm.

Keydata was placed into Administration on 8 June 2009, and since then the FSCS has been working closely with the firm's Administrators (PricewaterhouseCoopers), the Financial Services Authority (FSA) and HM Revenue and Customs (HMRC), to understand the implications of the failure of the firm for its customers.

A number of complicated legal issues surrounding Keydata have prolonged this process.

Loretta Minghella, Chief Executive of the FSCS, commented: "We have been working hard to establish which categories of claim we are likely to be able to consider, and the correct approach to assessing those claims. This has been a complex process. I am pleased to say that we are now in a position to start sending application forms to a large number of customers of Keydata who have suffered immediate financial loss. Once these forms are returned to us we will assess the claims as quickly as we can, ensuring that those entitled to compensation get the payments they are due."

The FSCS has been focusing its work on two broad categories of potential claims:

Category One: Secure Income Bond issues 1, 2 and 3

The Administrators have confirmed that there is evidence to suggest that the underlying assets held in these funds have been liquidated and may have been misappropriated. In addition, a number of these investments were sold as ISAs, and HMRC has now confirmed that they did not meet the necessary requirements for qualifying as ISA investments.

There are approximately 5,000 Keydata customers who invested in these Category One products. Many of these products were bought by investors on the basis that they were ISA qualifying investments, but it has turned out that this was never the case. 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 Category One investors, who did not invest in ISA products, are now also able to bring a claim for compensation to the FSCS. These investors may still have grounds for a successful claim against Keydata if it can be established that the firm caused them to suffer a financial loss, even though we have not at this stage been able to establish that the apparent loss of the underlying assets results in any liability on Keydata's part. These claims will be considered by the FSCS on a case by case basis in light of an investor's dealings with Keydata.

Before the end of November, the FSCS will be sending application forms to all Keydata customers who invested in these Category One products to enable them to make a claim for compensation.

Category Two: ISA investments in products including the Secure Income Bond issue 4, the Secure Income Plan issues 1 to 12 and 14, the Defined Income Plan issues 1 to 8 and the Income Plan issues 1 to 12 and 14.

HMRC has confirmed that these Category Two products, which were promoted as eligible for inclusion in an ISA, do not meet the requirements for ISA investments. This only affects ISA products which had a term of five years or less. There are approximately 16,000 investors in these affected funds.

For the period before Keydata went into administration (8 June 2009), investors will not have to pay any tax because HMRC will pursue recovery of the tax from Keydata itself.

For the period following administration, the FSCS anticipates that the majority of investors in Category Two will be eligible for compensation in respect of any tax losses incurred as a result of the fact that these investments were not ISA-qualifying. Moreover, the FSCS and HMRC are developing a process whereby the FSCS would pay compensation on behalf of eligible investors to HMRC each year, avoiding the requirement for investors to pay the tax to HMRC upfront and later claim it from the FSCS. The FSCS expects to write to affected investors with details of the claims process by the end of December.

HMRC are also announcing today that no investors will lose their ISA wrapper as a result of investing in a non-qualifying Keydata ISA product. Investors who currently have non-qualifying products will be able to regain their ISA tax exemptions once their investment matures or is redeemed. Investors who have lost capital can regain their ISA tax exemptions by replacing capital with a new ISA manager.

Further details about HMRC's announcement are available at: <http://www.hmrc.gov.uk/isa/>

The firm details are:

Keydata Investment Services Limited (in administration), Fountain House, 2 Queens Walk, Reading RG1 7QF

Notes to editors

More information about the FSCS is available on its website at www.fscs.org.uk.

A comprehensive list of affected Keydata products is available on the Administrators' website www.pwc.co.uk/KIS

1. About the FSCS

The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme for customers of authorised financial services firms. This means that the FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. The FSCS can pay up to £48,000 compensation per investment claim (100% of the first £30,000 and 90% of the next £20,000). The FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and does not charge individual consumers for using its service.

2. Authorised firms

Our rules are made by the FSA, the independent watchdog set up by the government under FSMA to regulate financial services in the UK and protect the rights of consumers. The rules tell us which types of claim are protected, the eligibility criteria for claimants, and limit how much compensation we are allowed to pay. Firms need permission from the FSA to carry out a regulated activity, which covers activities such as accepting deposits, insurance business and investment business.

Dealing with an authorised firm gives consumers access to the Financial Ombudsman Service (FOS) and the FSCS. Consumers can check that the firm they are dealing with is authorised by contacting the FSA's Consumer Helpline on 0845 606 1234.