

*IMMEDIATE RELEASE: Monday 16<sup>th</sup> September 2002*

## **FSCS will protect Thameswood members**

The Financial Services Compensation Scheme (FSCS) has stepped in to protect the deposits of members of Thameswood Credit Union, the first credit union to be declared in default by the Scheme since credit unions became regulated on 2 July 2002.

"Whilst collapses of financial services firms are fortunately rare, this default illustrates the importance of the presence of a safety net in helping to maintain consumer confidence in the sector," says FSCS Chief Executive Suzanne McCarthy. "The majority of depositors with Thameswood Credit Union have deposits of less than £2,000. Their deposits are therefore protected in full by the Scheme."

FSCS covers insurance, deposits and investments and can pay compensation when a regulated firm is unable, or likely to be unable, to pay claims against it. This is usually when a firm is insolvent, or has stopped trading.

To be able to pay compensation FSCS needs to be satisfied that the credit union cannot return its members' money, which the Scheme describes as being 'in default'. FSCS was informed by the Financial Services Authority (FSA) that Thameswood Credit Union was potentially insolvent, and therefore unable to return its members' deposits. After investigations into the credit union's solvency by the Scheme, Thameswood Credit Union has now been declared in default by FSCS.

FSCS will send application forms to Thameswood members to enable them to claim compensation from the Scheme, which they should fill in and return as quickly as possible. This form provides FSCS with details of a member's deposits.

Under the rules of the Scheme, eligible depositors will receive 100% of the first £2,000 and 90% of the next £33,000. The maximum amount of compensation payable for claims against deposit-taking firms is £31,700. Different levels of compensation apply to claims against investment and insurance firms.

### **More information**

For more detailed information about the Scheme's work, consumers can visit [www.fscs.org.uk](http://www.fscs.org.uk) or telephone the FSCS Helpline on 020 7892 7300. The Scheme publishes a short consumer guide *How we can help* and a more detailed guide to claiming compensation *How we handle your claim for compensation: deposits and investments*. Copies can be downloaded from its website [www.fscs.org.uk](http://www.fscs.org.uk) or can be requested from its Helpline.

FSCS can only pay compensation according to its rules. These are contained in the FSA's Handbook and are available from its website: [www.fsa.gov.uk/handbook](http://www.fsa.gov.uk/handbook) under Redress, Compensation. FSCS is independent from the FSA, although accountable to it.

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## **FSCS DEFAULT DECLARATION**

**The following credit union has been declared in default by FSCS:**

**Thameswood Credit Union**, Thamesmead Leisure Centre, Thamesmead Drive, London, SE28 8RE

## **NOTES FOR EDITORS**

### **Common bond and membership of Thameswood**

There are 883 members of Thameswood Credit Union. The common bond for Thameswood members is having a residence in Thamesmead or Abbey Wood.

- **For further information about credit unions** please contact Abbie Shelton at the Association of British Credit Unions Ltd (ABCUL) on 0161 832 3694.

### **Funding of FSCS**

FSCS is funded by levies on participant authorised firms. For levying purposes, FSCS is split into three sub-schemes: accepting deposits, insurance and investments. The sub-schemes comprise one or more contribution groups. Authorised firms are allocated to a contribution group (or groups) by virtue of their regulated permissions.

Only companies within a specific contribution group (or groups) can be levied in respect of compensation payments for that group.

The Scheme anticipates that existing funds in the Accepting Deposits Sub-Scheme will be sufficient to cover compensation payments in respect of this default and therefore a levy on firms within relevant contribution groups will not be necessary. FSCS anticipates that the total compensation payable to protected depositors of Thameswood will be less than £70,000.