



**IMMEDIATE: 20.2.2006**

**MEDIA INFORMATION**

## **FSCS to protect customers of Drive Direct**

The Financial Services Compensation Scheme (FSCS) is stepping in to protect customers of Drive Direct Motor Group Plc, Claycliffe Road, Barugh Green, Barnsley, South Yorkshire, S75 1LR, who may have lost money after the firm went into administration.

FSCS is expecting most claims for compensation to relate to the return of premiums paid to Drive Direct where insurance cover was not put in place by the firm.

“Most customers appear to have taken out GAP insurance, which covers the shortfall between what a motor insurer would offer and the original purchase price of a vehicle in the event that a vehicle is written off in a car accident,” says Loretta Minghella, Chief Executive of FSCS. “We would advise anyone who has bought insurance through this firm since 14 January 2005, and thinks they may have lost money, to contact us.”

FSCS is the UK’s statutory fund of last resort for customers of regulated financial services firms. It provides a free and impartial service to consumers who have claims against regulated firms that are unable to pay them (described by FSCS as being “in default”). Intermediaries first became regulated by the Financial Services Authority (FSA) to sell insurance on 14 January 2005. Customers may be eligible for protection if they buy general insurance policies from a regulated firm after that date.

For claims against general insurance intermediaries FSCS can pay compensation of 100% of the first £2,000 plus 90% of the balance.

FSCS has written to known customers of Drive Direct, asking them to check with their insurers that they have valid insurance cover. Anyone who bought insurance through the firm and believes they may have a claim for compensation should contact the Scheme on 020 7892 7300.

**See Notes to Editors for more information about FSCS.**

For more detailed information about the Scheme’s work, consumers can visit [www.fscs.org.uk](http://www.fscs.org.uk).

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## Notes to Editors:

### 1. About FSCS

The Financial Services Compensation Scheme (FSCS) is the UK's statutory fund of last resort for customers of authorised financial services firms. This means that FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA). Our service is free to consumers.

FSCS covers:

- investments,
- deposits,
- insurance,
- mortgage advice and arranging (from 31 October 2004), and
- advice about general insurance and the arranging of policies (from 14 January 2005).

### 2. Declaring a firm in default

Before FSCS can pay compensation it must be satisfied that a firm is unable to meet claims. It describes this as being 'in default'. The Scheme will declare a firm in default if:

- it has received at least one claim; and
- it is satisfied that the firm is unable (or likely to be unable) to pay claims against it.

FSCS is required to do this before we can pay compensation to eligible claimants.

Declaring a firm in default allows consumers who believe they may have lost money as a result of their dealings with that firm to apply to us for compensation.

### 3. Authorised firms

Our rules are made by the Financial Services Authority (FSA), the independent watchdog set up by 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 eligible for compensation, 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 FSCS. Consumers can check that the firm they are dealing with is authorised by contacting the FSA's Consumer Helpline on 0845 606 1234.

### 4. Fund of last resort

As a fund of last resort, FSCS can only pay compensation for financial loss where a firm is unable to meet claims. For claims against general insurance brokers, FSCS can pay compensation of 100% of the first £2,000 plus 90% of the balance.

### 5. Insurance claims

From 14 January 2005 consumers are eligible for protection if they buy general insurance policies through an authorised firm in the UK, or in some cases a firm's branch in the EEA.

The Scheme is triggered if an authorised firm goes out of business and cannot meet claims against it. FSCS may be able to help if, for example:

- a customer has been mis-sold a policy and has lost money as a result;
- the firm becomes insolvent and can't return money owed to a customer;
- a customer is a victim of fraud.