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MEDIA INFORMATION

FSCS to protect customers of three insurance intermediaries that have closed down

The Financial Services Compensation Scheme (FSCS) is stepping in to protect customers of three insurance intermediaries, who may have lost money after the firms went out of business.

Chapel Finance Limited, Chapel House, Lvdward Green, Swindon SL5 3LP, Fabien Risk Services Limited, 1 Lime Street, London EC3M 7HA, and D A McKenna Insurance Brokers Limited, 614-616 Bury Road, Bolton BL2 6JA, have recently been declared in default by FSCS.

“We would advise anyone who has bought insurance through these firms to check that they have insurance cover in place. If they bought insurance on or after 14 January 2005, and think they may have lost money, they can contact us. We may be able to help,” says Loretta Minghella, Chief Executive of FSCS.

FSCS is expecting most claims for compensation to relate to the return of premiums paid to the three firms, where no insurance cover was put in place.

FSCS is the UK’s statutory fund of last resort for customers of regulated financial services firms. This means FSCS can pay compensation to consumers who have claims against firms that are unable to pay them (described by FSCS as being “in default”). FSCS provides a free and impartial service to consumers.

FSCS protection was extended to customers of insurance intermediaries from 14 January 2005. For claims against general insurance intermediaries FSCS can pay compensation of 100% of the first £2,000 plus 90% of the balance. Compulsory insurance is protected in full.

FSCS has sent out application forms to known customers of the three insurance intermediaries for them to make a claim for compensation. Anyone who bought insurance through these firms since 14 January 2005, and believes they may have a claim for compensation should contact FSCS 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.

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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).

The Scheme was set up mainly to assist private individuals, although some smaller businesses are also covered. Larger businesses are generally excluded, although there are some exceptions to this (in particular for compulsory insurance).

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'. FSCS 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 it 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.

Insurance brokers first became regulated by the Financial Services Authority (FSA) to sell insurance on 14 January 2005.

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.