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MEDIA INFORMATION

FSCS pays £204m in compensation during 2009/10 and prepares for faster payout

In its *Annual Report and Accounts 2009/10*, published today (22 July), the Financial Services Compensation Scheme (FSCS) reports that it has paid more than £204m in compensation to over 21,000 claimants.

Two thirds of the compensation paid during the year was for Payment Protection Insurance (PPI) and investment claims. PPI claims have increased significantly during the year rising to more than 2,400 and the FSCS expects the numbers of claims in this area to continue to grow in 2010/11. The increase in investment claims came as a result of claims against brokers; many of these involved complex issues that the FSCS had to resolve. It paid over 15,000 claimants, the majority of claims related to Keydata Investment Services Limited.

Over the year the FSCS also completed the validations of the amounts paid to fund the transfer of the depositors of Bradford & Bingley plc, Heritable Bank Plc and Kaupthing Singer & Friedlander Limited. Recoveries of £1.06bn were made, which will be used to reduce the principal of the loans borrowed from HM Treasury for the bank failures of 2008/09. The outstanding principal on the loans is due to be repaid from 2012; a repayment schedule will be agreed, based on market conditions, closer to the time.

The FSCS will also contribute to the cost of Dunfermline Building Society at the end of the resolution process, but the Scheme has made an initial provision of £400m based on the latest information available to it.

During 2009/10, the FSCS continued to work closely with the Tripartite Authorities to strengthen its ability to compensate consumers quickly in a wide range of eventualities. This included working with the industry so that, from the beginning of 2011, the FSCS will be able to make payouts for deposit-taking failures within seven days. It will also launch a campaign in January to raise public awareness of the FSCS.

Mark Neale, FSCS Chief Executive said: “The FSCS achieved a huge amount in 2009/10. We completed a large number of claims, resolved outstanding issues from the banking failures, and made significant investment in response to the demands for faster payout and our increased responsibilities. The *Annual Report and Accounts 2009/10* gives a detailed insight into the challenges the Scheme faced as well as its achievements during 2009/10. The report demonstrates the vital service the FSCS provides to consumers and the benefits that it brings to the industry in delivering consumer protection and promoting consumer confidence.”

A summary of the Annual Report and Accounts 2009/10 is contained in our industry news letter which can be accessed through the following link:

<http://www.fscs.org.uk/industry/publications/industry-newsletters/>

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For more information about FSCS see Notes to Editors section or visit www.fscs.org.uk

Notes to Editors:

Figures released by FSCS show that in the financial year 2009/10:

Banking and building Society defaults

- The total compensation the FSCS has now paid including the payments made on behalf of HM Treasury is £23.6bn.
 - £20.3bn was paid on FSCS's behalf and the remaining £3.3bn was paid on behalf of HM Treasury.
- A provision of £400m has been made for FSCS's estimated liability for Dunfermline Building Society. The cost of this will fall to the Deposit sub-class.
- The FSCS validated its contributions to the deposit account transfers from Bradford & Bingley plc, Heritable Bank plc and Kaupthing Singer & Friedlander Limited.
 - Bradford & Bingley validation - £15.65bn
 - Heritable bank validation - £457m
 - KSF validation – £2.5bn
- During 2009/10 we received £1.06bn in recoveries from Heritable Bank Plc and Kaupthing Singer & Friedlander, which have made helpful reductions to the loans.

Other defaults

- 145 firms were declared in default.

- The FSCS paid over £204m in compensation payments.
- We received a total of 31,592 claims, an increase of 185% from 2008/09.
- We completed a total of 21,802 claims, an increase of 100% from 2008/09.
- Over 24,000 investment claims were received and more than 15,000 were completed.
- Just over 2,400 PPI claims were received in 2009/10. We expect PPI to be a growing area of our business in 2010/11.

Other facts

- In 2009/10, we handled close to 96,000 enquiries.
 - During 2009/10 we made recoveries of £14.76m, excluding recoveries from the banking failures.
1. The 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 is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA). The FSCS does not charge individual consumers for using its services.