



IMMEDIATE: 24.10.2008

MEDIA INFORMATION

FSCS starts paying compensation to Heritable Bank customers

The Financial Services Compensation Scheme (FSCS) has made the first compensation payments to members of Heritable Bank just seventeen days after the bank was declared in default by the Financial Services Authority (FSA).

Jonathan Clark Director of Claims at FSCS said: "Everyone at FSCS has been working tirelessly and we are delighted that the first payments to savers of Heritable Bank have been made. We have sent application forms for compensation to all individuals whose accounts were not transferred to ING Direct and would encourage those who believe they have lost money to return the forms as soon as possible. Our Customer Services Team is standing by to help anyone who might need help filling in the form. We are hoping to have paid all eligible claims by the end of November."

Heritable Bank was declared in default on the 8 October. The bank was a subsidiary of Landsbanki Islands hf. The Treasury used its powers to transfer the accounts of the majority of Heritable's retail depositors to ING Direct. Eligible retail depositors whose accounts have not been transferred to ING Direct will be compensated through FSCS. FSCS understands that there are less than 100 eligible retail depositor accounts that have not transferred to ING Direct.

FSCS was set up under the Financial Services and Markets Act 2000. It is the UK's statutory compensation scheme for consumers who have claims against regulated firms that are unable to pay them (described by FSCS as being "in default"). Before FSCS can pay claims for compensation it must be satisfied that the firm (in this case Heritable Bank) is unable to pay back money it owes to its customers.

For more information about the FSCS's work, consumers can visit www.fscs.org.uk.

Consumers can also check whether the financial institution they are dealing with is authorised by the UK's independent financial watchdog, the FSA, by phoning the FSA's Helpline: 0845 606 1234.

Notes to Editors:

1. About FSCS

The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme 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). The service is free to consumers.

2. Authorised firms

The rules under which we operate tell us which types of claims are eligible for compensation, and limit how much compensation we are allowed to pay. They are set by the Financial Services Authority (FSA). 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.

3. Declaring a firm in default

Before FSCS can pay compensation it must be satisfied that the firm is unable, or likely to be 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 credit union is unable (or likely to be unable) to pay claims against it.

To do this, FSCS reviews the company's financial records to determine its position. Declaring a credit union in default allows consumers who believe they may have lost money as a result of depositing money with that credit union to apply to FSCS for compensation.

To claim compensation, consumers should complete an application form which is sent to them by FSCS. They must provide proof of their deposit with the failed bank, building society or credit union, which we then verify against its books and records. If they have kept clear, accurate, records of their deposits and transactions it will help to speed up payment of compensation. Our practice is to make compensation payments by cheque, but we will consider other alternatives for claimants who do not have a bank, building society or credit union account.

Amounts owed to the failed credit union by a member (for example, loans and interest) are taken into account before any compensation is paid.

4. Limits of compensation

As the UK's statutory compensation scheme, FSCS can only pay compensation for financial loss where a firm is unable, or likely to be unable to meet claims. For deposits, the compensation limit is 100% of the first £50,000 and applies to each depositor for the total of their deposits with an organisation, regardless of how many accounts they hold or whether they are a single or joint account holder. In the case of a joint account FSCS will assume that the money in that account is split equally between account holders, unless evidence shows otherwise.