

## **FSCS podcast #43: Top 6 things people get wrong about FSCS**

### **Martyn Beauchamp 00:00**

Welcome to Protect your money with FSCS, the podcast from the Financial Services Compensation Scheme. I'm Martyn Beauchamp, interim CEO at FSCS, and in this series the fantastic FSCS team will help you understand how we can help protect your money so you can feel confident that your money is safe. I hope you enjoy the podcast.

### **Jess Spiers 00:26**

Welcome to the podcast. I'm your host, Jess Spiers, and I'm Senior Content Manager at FSCS. FSCS, which is the Financial Services Compensation Scheme exists to protect customers of authorised financial services firms that have gone bust by paying eligible people compensation. We protect lots of financial products, but not all of them, so, this podcast is designed to help you understand our protection and why it's so important. So, whatever your level of financial knowledge, if it's quite basic, or if you're a bit of an expert, we're here to help you feel confident your money is safe.

Today we're talking about the top six things that people get wrong about FSCS, and we wanted to cover this as these are the things that we often get queries about from people, whether it's our customers or the general public, and they're also things that have been misreported about us over the years. So we're going to be clearing them up here today. Here to help me set things straight is my colleague Jordan McMeeken, who is a Planning Analyst at FSCS. Welcome, Jordan, could you briefly introduce yourself and tell us exactly what a Planning Analyst does?

### **Jordan McMeeken 01:32**

Hey, Jess, thanks for having me on the podcast. Yeah, I'm excited to be here, first time I've ever done one of these. My role at FSCS is fairly broad, but the core of it really is just to deliver short-, medium- and long-term forecasts. That's for both our internal teams and our outsource teams, and that's relating to the back-office operations and their internal contact center. The key output from these forecasts is our resource requirements. So, how many people do we need to deliver the services that we provide? And the number of decisions made by that resource as well, which helps inform our levy forecasts. We'll touch on both what "decisions made" means and briefly discuss the levy later on in the podcast.

### **Jess Spiers 02:10**

Lovely. Thanks, Jordan, we will indeed – a little teaser there of what we're going to cover. Great to have you here today, and I just want to give you a quick heads up before we get into things that

I'm going to be asking you the question we ask all our guests at the end of the episode: We're all about keeping your money safe at FSCS, but which toy got you breaking open your piggy bank as a child? Okay Jordan, which common mistake should we start with?

**Jordan McMeeken** 02:33

I think a good starting place to set the scene is that people think we're run by the government or the financial regulators. We were set up by Parliament in 2001 under the Financial Services and Markets Act 2000, but we're actually independent of government, and we do work closely with the regulators, the Financial Conduct Authority, so the FCA, and the Prudential Regulation Authority, the PRA, but we're operationally independent of both of them.

**Jess Spiers** 02:58

Yes, we know people don't always know that and how we link in with the FCA and PRA so it's definitely worth mentioning that upfront for a little bit of context. And actually, while we're on this topic, shall we explain the difference between us and the Financial Ombudsman Service, as we know that's something else people aren't always sure about?

**Jordan McMeeken** 03:15

Yeah, good shout Jess. So, FSCS and the Financial Ombudsman Service are both independent and free to use. But the main difference is that the Ombudsman deals with complaints against firms that are still trading, and we deal with claims against firms that have gone out of business. Where we help to put people back on track by paying compensation, the Ombudsman can ask firms to put things right in a variety of ways, not just by paying compensation.

**Jess Spiers** 03:38

Great, that all makes sense. So, let's move on to our second common mistake, and this is a really important one that's often misreported when people are talking about FSCS. As we've said, FSCS can step in and pay compensation when regulated financial firms fail, but a common misconception is that we fail the firms ourselves.

**Jordan McMeeken** 03:58

Yeah, Jess there's definitely some confusion around when FSCS steps into the process when a firm has gone out of business. To be completely clear, we don't fail firms. We come into the process after the firm has gone out of business. Before we can pay compensation to customers of a failed, authorised firm, we have to declare the firm "in default". This term, "in default", is an FSCS-specific term, which is used to describe a firm which has essentially gone bust or become insolvent, which means it can't pay claims made against it. We try not to use "in default" too often, as we know,

most people won't know what it means, but sometimes we do need to use it as it describes a very specific state a firm can be in. Also, it's worth saying that the process we follow to declare a firm in default varies depending on the type of firm.

**Jess Spiers** 04:44

Yeah, that's right. And for the purposes of keeping things brief here, we won't go into any more detail in the process of declaring a firm in default, but if you would like more information on that, listen to Episode 12 of our podcast. We also go into more detail about what happens behind the scenes before we declare firm in default in Episode 27 if you'd like a bit more background on that.

Okay, moving on to the third thing that people get wrong about us, and this is to do with how we're funded. A common misconception is that we're funded by taxpayers, but we're actually funded by the financial services industry. Could you tell us a bit more about that Jordan?

**Jordan McMeeken** 05:18

Sure, Jess. So, firms that are authorised by the FCA and the PRA pay a levy, which is sort of like a tax. This funds the cost of paying compensation and running our service. It's a really brief explanation there, but if you'd like to know more about the levy, how it funds the compensation we pay and how we aim to reduce it through our recoveries work, you can listen to Episode 30 of our podcast.

**Jess Spiers** 05:40

Okay, so a few points related to where we sit in the industry, our role and how we're funded there. Let's go on to our fourth common misconception now, and this is a really crucial one: people often think they have to pay to make a claim with us.

**Jordan McMeeken** 05:55

Yes, they do, Jess, but it's actually completely free to claim with us when you come direct, and you can do that online, on our website at [www.fscs.org.uk](http://www.fscs.org.uk). If you've got any questions about your claim at any point, our friendly customer support team is here to help. You can find our contact details on our website.

If you'd rather not make the claim yourself for any reason, using a representative like a claims management company or a solicitor is an alternative. These representatives do charge a fee though, so I wanted to mention that there is another option. You can nominate a trusted friend or relative to handle your claim for you. If you choose to do this, we will use your chosen person as

the point of contact for everything to do with your claim. So, it's them we'd call or email with updates throughout the claim process.

**Jess Spiers** 06:40

Yeah, it's really good to mention that option, as there are all sorts of reasons that people might not feel able to claim themselves. Could be that they're not confident using computers or dealing with admin and forms, or it might just be too stressful, depending on the situation they're in. So, whatever the reason, if you do want to get someone you trust to claim on your behalf, you wouldn't then have to sacrifice any compensation you're due to pay your representative's fees.

**Jordan McMeeken** 07:04

I think we're on to our penultimate mistake now, number five, and I've got a good one to cover next. Jess, if you don't mind?

**Jess Spiers** 07:10

Not at all, go for it Jordan.

**Jordan McMeeken** 07:13

Thank you. So, what we often hear is people thinking that we only protect bank accounts. Our deposit protection is definitely what we're best known for. That's protection for the money in your bank, building society or credit union. But we protect lots of other financial products too, such as pensions, insurance policies, mortgages, investments, debt management plans, funeral plans and also financial advice. Check out our website for the full list of what we cover and the eligibility criteria that needs to be met.

**Jess Spiers** 07:42

Yes, that's definitely a common misconception about FSCS. And like you say, we do protect much more than just deposits, but we don't protect all financial products, so it's definitely worth checking out our website to see what is and isn't covered. And like you said, Jordan, there are also eligibility criteria in place that anyone who claims with us has to meet for us to be able to pay compensation. Again, more details on our website. Okay Jordan, would you like to do the honors for the last thing that people often get wrong about FSCS?

**Jordan McMeeken** 08:10

Sure, and this one gets into the detail of some of the numbers we publish in our Annual Report and other publications to show how we're delivering for our customers. We're talking about what "decisions made", "claims paid" and "customers helped" mean.

**Jess Spiers** 08:24

Yeah, and we do try and keep it simple when we're reporting on these things, but it can still be confusing to understand what some of these terms mean. And you would also be forgiven for wondering if or how these numbers are different to each other. So, do you want to tell us a bit more about each?

**Jordan McMeeken** 08:38

Yeah, certainly, Jess. So, let's start with "decisions made". Once a claim is submitted to us, our expert claims handlers go through a rigorous assessment process to decide the outcome of every claim. We're not able to pay compensation for all claims that come to us as a claim must meet certain criteria that are set by the UK's financial regulators, the FCA and the PRA which we mentioned earlier on in the podcast.

When we uphold the claim, it means it was successful, and we pay compensation to that person. And if a claim hasn't met the conditions for compensation, it will receive a rejected decision. When we talk about the number of decisions made, it includes both successful and unsuccessful claims.

**Jess Spiers** 09:17

Okay, that makes sense. So that's "decisions made". What about "claims paid"?

**Jordan McMeeken** 09:22

So, this might sound like an obvious one, but it's worth clarifying. When we report the number of claims paid, we're talking about the total number of successful claims that have been upheld and have received a compensation payment from us.

**Jess Spiers** 09:34

Great. Pretty straightforward that one. What about "customers helped"?

**Jordan McMeeken** 09:39

So, this is different again to claims paid and decisions made. Paying someone compensation is one way we help our customers, but when we report on how many customers we've helped, we take some other numbers into account also. Some claims that come to FSCS may involve more than one customer. For example, this can happen if a financial product has been claimed for and is held in joint names. When we report the number of customers helped, this will include all customers who have received compensation from us, even if they only made one claim between them. An example of another way we help customers is by enabling them to transfer to a new

provider for their insurance policy. These numbers are also included in our “customers helped” figures.

**Jess Spiers** 10:21

Okay. Can you tell us a bit more about that Jordan?

**Jordan McMeeken** 10:24

Okay, so say you've got an insurance policy, and your insurance provider goes out of business. The broker who sold you the policy, or the insolvency practitioner who's been appointed to deal with the insolvency, try to find another insurance company to provide you with a new insurance policy to cover you. In this scenario, there's no gap in your cover - it continues uninterrupted. If a new policy can be arranged, FSCS can help by paying compensation towards the cost of that policy. The compensation goes towards paying the premium of the replacement insurance policy. So that's the payment a customer makes to an insurance company in exchange for them providing insurance cover to that customer.

**Jess Spiers** 11:03

Great, and that's a good example of something else that feeds into the number of customers we've helped. You can find out more about our protection of insurance on our website. Okay, that's it then, we've come to the end of our top six things that people get wrong about FSCS. Lots to take in today, so we have also published all of this information in the News section of our website, and that is [www.fscs.org.uk](http://www.fscs.org.uk). Okay, Jordan, I gave you a heads up at the start that I was going to be asking you our usual final question. I'd love to know, what was the toy that got you breaking open your piggy bank as a child?

**Jordan McMeeken** 11:40

Well, I believe they still exist today, but when I was in late primary school, we started to see the meteoric rise of Beyblades, and I remember any spare lunch money being used to add more of those to my collection and fight against my friends,

**Jess Spiers** 11:53

Beyblades! Jordan, I've got to be honest, I've never heard of them. What are they?

**Jordan McMeeken** 11:57

Yeah, so Beyblades are essentially small, almost like fidget spinners that you would see nowadays, but you would sort of use them with cords to fight in small, sort of plastic stadiums and battle against each other, sort of like Robot Wars, but in a much smaller fashion.

**Jess Spiers** 12:15

Isn't that great? I don't know if I'm just too old to have completely missed those, but they sound like they'd be a lot of fun.

**Jordan McMeeken** 12:21

Oh, they were great fun Jess.

**Jess Spiers** 12:23

Thanks Jordan, and thank you for being such a great guest on the podcast today. If any of you listening would like to hear more from FSCS, you can find all of our podcast episodes on our website or wherever you usually listen to your podcasts. Give us a follow, and you'll never miss a new episode. Thanks very much for listening.