

The Financial Services Compensation Scheme



The Financial Services Compensation Scheme (FSCS) is a non-profit making independent body and is the UK's compensation fund of last resort for customers of Financial Services firms. FSCS services are free to consumers and are designed to protect them against financial loss when firms authorised by the Financial Services Authority (FSA) are unable, or likely to be unable, to pay claims against them.

Compensation may be payable when:

- an authorised firm goes out of business and cannot return your investments or money;
- losses arise from bad investment advice, or poor investment management.

COMPENSATION LIMITS

Deposits

FSCS provides protection for customers of deposit-taking firms (for example banks, building societies and credit unions). The maximum level of compensation an individual can receive is currently £50,000 (100% of the first £50,000). For claims against firms in default prior to 7th October 2008 different limits apply.

The compensation limit applies to each depositor and covers the total of all their deposits held with that firm. Furthermore, each individual in a joint account is eligible to receive compensation up to the maximum limit in respect of their share of the deposits (the FSCS will assume the split is 50/50 unless evidence shows otherwise); however, the total compensation is still £50,000 per person not per account. It should be noted that where a loan or mortgage is held with the same firm any outstanding balance may be offset.

Investments

For investment business (for example ISA's and Unit Trust/OEICs) arranged on or after 28th August 1988 the maximum level of compensation you can receive from the Scheme for a claim against an investment firm is £48,000 (100% of the first £30,000 and 90% of the next £20,000) per person.

Insurance Policies

Policyholders are protected if they are insured by authorised insurance firms under contracts of insurance issued in the UK, or in some cases in the EEA, Channel Islands or Isle of Man. The Scheme covers compulsory, general and life insurance. This would include investment policies such as Endowments and Single Premium Investment Bonds.

The maximum level of compensation you can receive from the Scheme for a claim against an insurance firm depends on the type of insurance policy, as described below. The FSCS may arrange to transfer your policy to another insurer, provide a new policy or, if these actions are not possible, provide compensation.

- Compulsory insurance, such as third party motor insurance, is covered in full.*
- Non-compulsory insurance (such as home insurance): the first £2,000 of a claim or policy is protected in full. Above this threshold, 90% of the rest of the claim or value of unused premiums will be met.*
- Long-term insurance (such as pension plans and life assurance): the first £2,000 of a claim is protected in full. Above this amount, the Scheme covers payment to 90% of the value of a policy in liquidation.**

* For business conducted on or after 14th January 2005

** Insurance claims against firms that became insolvent or were declared in default prior to 1 December 2001 are protected under the Policyholders Protection Act 1975 but handled by FSCS.

Home Finance and Arranging

For finance business (for example a mortgage) completed on or after 31st October 2004 the maximum level of compensation you can receive is £48,000 (100% of £30,000 and 90% of the next £20,000) per person.

Clairville York Limited Version1.1 160709

No responsibility can be accepted for the accuracy of the information in this facts sheet and no action should be taken in reliance on it without advice. Please remember that past performance is not necessarily a guide to future returns.

The value of units and the income from them may fall, as well as rise. Investors may not get back the amount originally invested

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