

1. Q & As for Deposit firms

1.1. My money is in a joint account, how would the FSCS pay compensation if you failed?

The FSCS limit for deposits increased on 31 December 2010 to the sterling equivalent of €100,000, following European directive requirements. The FSA sterling equivalent is £85,000.

Each depositor is covered up to the FSCS limit per person per authorised firm, regardless of how many accounts they hold or whether they are a single or joint account holder. In the case of a joint account, the FSCS will assume that the money in that account is split equally between the account holders, unless evidence shows otherwise.

This means that each account holder in a joint account would be eligible for compensation up to the maximum limit.

1.2. Will the FSCS compensate for any interest earned on my account?

Yes, interest will be calculated according to the type of account you hold. For further details please refer the customer to the FSCS website, www.fscs.org.uk.

1.3. What is the position if I have multiple accounts with you? Or if I have accounts with different banks that share your authorisation?

If you hold multiple accounts with us you need to be aware the FSCS would pay compensation per person, up to the compensation limit for each individually authorised firm, not per account. The limit is currently €100,000 (£85,000).

Many deposit-taking firms operate using different trading names which are not separately authorised entities. You may find that you have deposits with different "banks" but they are actually linked and operate under one single authorisation. This would mean that you are only covered once up to the compensation limit.

If you have a question about how a bank or building society is authorised, please contact the Financial Services Authority Consumer Contact Centre on 0845 606 1234.

1.4. What happens if I owe money to you and you fail?

Compensation will be paid to consumers based on amounts held in their cash accounts regardless of the amounts owed to us (for example, loans, mortgage or credit card debts). This does not mean that consumers do not have to re-pay amounts owed to us if we were to fail. Any outstanding amounts owed to us would be collected by the liquidator.

1.5. Is a charity covered if the bank or building society it holds money with fails?

If a bank or building society authorised by the FSA is unable to pay back deposits held with it, the FSCS can pay up to the compensation limit £85,000 an eligible depositor's claim, per authorised institution. The FSCS protects private individuals and some small businesses. Whether a charity is covered will depend on how it is constituted. There is no requirement for charities to be established by way of a particular structure or form.

According to section one of the Charities Act 2006, a "charity" is simply an institution established for charitable purposes only, which is subject to the control of the High Court in the exercise of its jurisdiction with respect to charities. There are as many permutations of charitable structures as there are types of legal personality. As charities are not specifically provided for in the FSCS's eligibility rules, their eligibility will be determined by their structure and legal personality.

For example, a charity can be constituted as a limited company, or an unincorporated association. In those circumstances, the eligibility test would be the same as for a company:

A limited company would be treated as having a claim, and hence protection in its own right up to the limit, if it fell within the definition of a "small company". A company qualifies as a "small company" under the provisions of section 382 of the Companies Act 2006 if it fulfils two of the following three criteria:

- it has a turnover of not more than £6.5 million;
- it has a balance sheet total of not more than £3.26 million; and
- it has not more than 50 employees.

If the charity is an unincorporated association, it will be entitled to claim up to the limit, unless it falls into the category of a "large mutual association" (see COMP 4.2.2(13)) - the test which applies is that it must have less than £1.4 million in net assets.

Different rules apply in respect of insurance claims.