How FSCS protects *your* money

A guide to the Financial Services Compensation Scheme

About FSCS

This leaflet tells you what **FSCS** is and how we protect your money. You should still talk to your bank, building society or credit union to discuss how our protection applies to the products and services you have.

FSCS is here to protect your money. It's the body that gives you automatic protection up to **£120,000** if your bank, building society or credit union goes out of business, and you'll normally get your money back within seven days. FSCS is funded by the financial services industry and is free to use. So, whatever your money is for, it's good to know it's protected.

We also cover a wide range of other financial products and services such as investments, pensions, financial advice, insurance broking, funeral plans, mortgage advice and arranging. Different compensation limits apply; to check, visit **www.fscs.org.uk/what-we-cover/**

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Financial firms, services and products

What sort of firms does FSCS cover?

We only cover financial services firms that have been authorised by the Financial Conduct Authority (FCA) or the Prudential Regulation Authority (PRA) to do business in the UK. That's why you should always check that the firm has an FCA or PRA authorisation number, sometimes referred to as a Firm Reference Number (FRN).

What is a financial services firm?

Examples of financial services firms include:

- Banks.
- Building societies.
- Credit unions.
- Insurance companies.
- Insurance brokers.
- Investment firms.
- Financial advisors.
- Mortgage brokers.
- Funeral plan providers and intermediaries.

There are limits to how much compensation we can pay, and these are different for different types of financial products.

What is a financial services product?

Examples of financial services products are:

- Current accounts.
- Savings accounts.
- ISAs.
- Insurance policies.
- Investments.
- Mortgages.
- Funeral plans.

Always check that the financial services firm you are dealing with is authorised

The four main ways to check that a firm is authorised:

1. Check the documents the firm gave you – they often show a Firm Reference Number (FRN) or authorisation number.
2. Check the firm's website – the FRN or authorisation number is often in the 'legal information' section.
3. Call the firm and ask for its FRN or authorisation number (which is supplied to it by the FCA or PRA).
4. Use the Financial Services Register at **www.fca.org.uk/register**, which has details of every financial services firm authorised to do business in the UK.

What does FSCS cover?

We cover seven different types of business:

1. **Deposits** such as money held in bank accounts including cash ISAs.
2. **Insurance policies** such as car and home, or life insurance and pension plans.
3. **Insurance broking** including advice about insurance policies.
4. **Investment business** including financial advice, investment products such as collective investment schemes, or investments held within a personal pension (e.g. a SIPP).
5. Arranging and advice about **home finance**, such as **mortgages.**
6. **Debt management plans.**
7. **Funeral plans** including advice to take out a funeral plan or the way a funeral plan was set up (funeral plan intermediation).

1. Deposits

FSCS protects your deposits, whether you're an individual or a company. A deposit is money in accounts such as current and savings accounts, including cash ISAs. If your bank, building society or credit union that's authorised to do business in the UK fails, we may be able to pay compensation.

COMPENSATION LIMIT
We protect up to **£120,000** per person or company, per authorised firm.

There are two important points to remember about the deposit compensation limit.

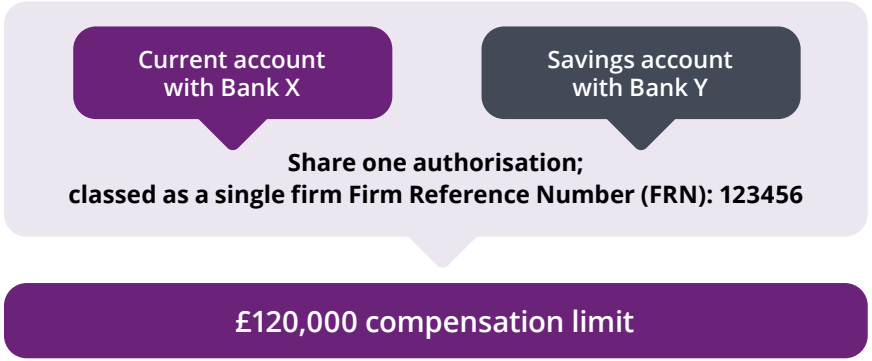
1. The limit applies to individuals and companies, not accounts. This means that for joint accounts the limit applies to each named account holder. So, for example, if you have a joint account with your spouse or partner, and no other accounts of your own with that firm, you will each receive up to £120,000 under the deposit limit. So FSCS would protect up to £240,000 of savings in a joint account.
2. The limit applies per authorised firm. This is important because sometimes a firm operates more than one brand under the same FRN or authorisation number. This means individuals with accounts held under different brands with a firm operating under one FRN or authorisation number will only be entitled to a total of £120,000, regardless of the number of accounts held.

You should therefore check:

- Whether you hold deposits with a bank or building society that shares an FRN or authorisation number with another brand of that firm.
- Whether your total deposits with all those brands are more than £120,000.

Example

If you have a current account with "Bank X" and savings with "Bank Y" and they share one FRN or authorisation number, they are classed as a single firm for the purposes of compensation. This means your limit for compensation is £120,000 in total, shared across "Bank X" and "Bank Y".



How to find out if your bank or building society is part of a larger banking group

Your bank or building society should provide this information to you at least annually on your printed statement or electronically.

There are four other ways to check:

1. Ask your bank or building society whether it trades under different brands with a single FRN or authorisation number.
2. Visit **www.fscs.org.uk/check** to check whether the bank or building society brands you have money with share a banking authorisation and whether all your savings are protected.
3. Use the Financial Services Register at **www.fca.org.uk/register** to look up your banks' and building societies' FRN or authorisation numbers. If any numbers are the same, they share a banking authorisation so one limit applies.
4. Visit **https://www.fscs.org.uk/making-a-claim/customer-info/banking-licences** to check the lists of the banking brands and building society brands that share FSCS protection.

Deposits which qualify for additional protection

FSCS also protects certain types of deposits above **£120,000** held by individuals. We typically protect certain "temporary high balances" - exceptional and short-lived deposits which result from certain major life events – up to £1.4 million, but in some cases, our protection is unlimited.

Deposits which qualify as a temporary high balance are:

- Money deposited in preparation for buying a property, the proceeds of sale of a property or proceeds from releasing equity in a property. This applies only to your main residence and excludes buy-to-let properties or holiday homes. General savings for a property do not qualify.
- Money paid in relation to a marriage or civil partnership or a divorce or dissolution of a civil partnership.
- A redundancy payout (whether voluntary or compulsory).
- Compensation paid for unfair dismissal.
- Benefits paid under an insurance policy.
- Compensation for a wrongful conviction.
- Benefits paid on retirement.
- Benefits payable on death.
- Compensation in respect of a person's death.
- A legacy from the estate of a deceased person or money held on behalf of a deceased person for the purpose of administering their estate.

Deposits which qualify for unlimited protection for up to six months

- Benefits paid in respect of a disability or incapacity.
- Compensation paid for personal injury.

If a firm fails and you need to make a claim for deposits you have above £120,000, you will need to provide written evidence that your deposits qualify as a temporary high balance. You can find further information on the type of written evidence we require at **www.fscs.org.uk**.

2. Insurance policies

FSCS can pay compensation if your insurance provider fails and cannot pay valid claims under your policy or return your premiums.

The types of policies we cover include car, home, pet, travel and payment protection insurance (PPI). We also cover long-term insurance products such as life insurance or pensions – while pensions and annuities are often thought of as investment products, in reality they can be long-term insurance contracts. *We don't cover goods in transit, marine, aviation or credit insurance, or contracts of reinsurance for insurance firms or brokers/financial advisers.*

COMPENSATION LIMIT

Our main aim is to get continuity of cover for policyholders with insurance contracts. This means, for example, we may try to transfer your insurance policy to a new insurance provider. If this is not possible, we will try to return your premium.

The level of compensation we can pay will depend on the type of policy you have:

Car insurance, Employers' Liability insurance and Professional Indemnity insurance: the entire claim relating to the third party element of your insurance, and 90% of any remaining elements of the claim.

Death or incapacity of the policyholder due to injury, sickness or infirmity: the entire claim.

Home, pet, travel and payment protection insurance (PPI) and other general insurances: 90% of your claim.

Pension savings or retirement income (i.e. via an annuity): if it is provided under a life insurance contract we will pay the entire claim.

Endowment policies or investment bonds: these are long term life insurance policies, with a savings element, and we will pay the entire claim.

3. Insurance broking

COMPENSATION LIMIT

We can pay compensation of **90%** of your claim with no upper limit. We protect **100%** of any compulsory element of insurance, such as third party car insurance.

FSCS can pay compensation if:

- You were mis-sold an insurance policy and lost money and that firm failed, or;
- You were a victim of fraud, and the broker who sold you the policy has gone out of business and cannot return your premiums or money owed to you.

The types of policies we cover include car, home, pet, travel, payment protection insurance (PPI) and other general insurances.

4. Investment business

FSCS can pay compensation if the firm concerned has failed and cannot return your investments or money owed, and you lose money because of:

- Bad or misleading investment or pension advice, such as advice to transfer your pension into a self-invested personal pension (SIPP);
- Negligent management of investments;
- Misrepresentation; or
- Fraud.

We don't pay compensation if your investment does not perform as well as you hoped.

COMPENSATION LIMIT

We protect up to **£85,000** per person per authorised firm.

5. Mortgage (home finance) advice or broking

FSCS may be able to help if you've received bad mortgage advice that caused you to lose money or if you were mis-sold a mortgage endowment.

If the firm goes out of business and cannot pay back the money it owes you, we can pay compensation.

Whilst we cover the advice, we do not cover the lending or administration costs on the mortgage itself.

COMPENSATION LIMIT

We protect up to **£85,000** per person per authorised firm

6. Debt management

If you hold money with a debt management company that failed after 1 April 2018, FSCS may be able to pay you compensation.

But your debt management claim must meet all of the following criteria:

- The firm must have failed on or after 1 April 2018.
- The firm must be authorised by the Financial Conduct Authority (FCA) and hold client money.
- The firm must have received or held the money through a UK branch in connection with the regulated activities of debt counselling or debt adjusting.
- The client money reconciliation process must show a shortfall in the amount of client money the firm held for you.
- The firm (or its principals) must be unable to meet claims for compensation.

Money that a firm holds under a debt management plan may be covered, but FSCS does not protect money that a debtor pays under an individual voluntary arrangement arranged by insolvency partners (which are not regulated by the FCA) or debt advice.

COMPENSATION LIMIT

We protect up to **£85,000** per person per firm.

7. Funeral plans

If you have a funeral plan and your provider went out of business on or after 29 July 2022, you may be FSCS protected. This includes funeral plans bought before this date.

Your funeral plan provider must be regulated by the FCA – you can check on the Financial Services Register: **www.fca.org.uk/firms/financial-services-register**

How we protect funeral plans

If your funeral plan provider goes out of business, it should have arrangements in place to ensure that a new regulated provider can carry out your funeral plan. Alternatively, it may provide you with compensation.

If these arrangements aren't in place, FSCS will protect funeral plan holders of authorised funeral plan providers that have failed.

We will work with the failed firm, the FCA and the insolvency practitioner (IP) to ensure that we have the information we need. In most circumstances you won't need to make a claim.

Replacement funeral plan

Where possible, we will seek to give you the option of entering into a new contract with a replacement regulated funeral plan provider. It would be a like-for-like replacement plan with the same terms as your original plan. Where that's not possible, it would have terms as similar as possible to the original.

Before we complete this process, we'll ask you if you want to receive replacement cover. If you don't, you can choose to receive compensation for your plan instead.

Compensation

If you would rather receive compensation, FSCS will calculate the amount by reference to what it would cost to buy the same plan on today's market.

If we aren't able to arrange a replacement funeral plan, we will pay you compensation on the same basis.

Other types of funeral plan claim

From 29 July 2022, you may also be able to claim compensation for certain activities carried out by a funeral plan provider or their intermediaries (e.g. funeral directors and will writers). Examples include advice to take out a funeral plan, or the way a funeral plan was set up.

The activity must have occurred on or after 29 July 2022. You can check if you can claim for these types of activities on our website: **www.fscs.org.uk**.

If a funeral plan holder passes away and their funeral plan provider fails

If a plan holder were to pass away after their funeral plan provider fails, but before:

1. FSCS has yet to secure a new funeral plan contract with a new provider or pay compensation: or
2. The IP of the provider is not able to secure the provision of a funeral.

FSCS may be able to help with the provision of a funeral.

If you are a customer's nominated representative or next of kin and this has happened, please contact the named funeral director in the original funeral plan, who will advise you on next steps. This will be the named firm of undertakers under the terms of the funeral plan, or, in the absence of this information, the firm of undertakers you have selected.

Once you have contacted the funeral director, please notify us of your situation. You can contact us by phone, email, post or live chat – our customer service team is on hand to help.

COMPENSATION LIMIT

We protect up to **£85,000** per eligible person, per firm.
The compensation we pay is for actual losses incurred by a customer.

Who can claim FSCS compensation?

In general, individuals and small companies can claim compensation from us.

In the case of deposits, large companies are also able to claim compensation, although some exclusions may apply.

For general insurance, all policyholders are eligible to claim on the compulsory element of the protected insurance.

Otherwise, small companies must have an annual turnover of less than £1m to be eligible to claim compensation.

How long would it take to get my money back?

In most cases, for deposits, FSCS aims to pay compensation within seven days of a bank, building society or credit union failing.

More complex cases will take longer.

For other products, you can visit our website to find out more about making a claim.

What does FSCS not cover?

We do not cover some financial products. Here are some examples:

- Cryptoassets.
- Peer-to-peer lending.
- Money held on pre-paid credit cards.
- Christmas or other savings clubs.
- 'Boiler room' scam investments – 'products' sold by unauthorised firms, often abroad, that defraud customers of their money.
- Losses arising purely from investment performance.
- Some electronic payment services or currency bureaux.
- Goods in transit, marine, aviation or credit insurance, or contracts of reinsurance for insurance firms or brokers/financial advisers.
- Reinsurance.
- Mortgage lending or administration.

Find out more...

This leaflet explains how FSCS protects your money.

For specific information about how this applies to your individual circumstances you should speak to your financial services provider(s) or advisor.

If you would like more information about FSCS, including how to make a claim, please get in touch.

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