

# FSCS Protection Guide (Consumers)

## What is the FSCS?

The Financial Services Compensation Scheme (FSCS) is the UK's statutory fund of last resort for customers of financial services firms. This means that FSCS can pay compensation to consumers if a financial services firm is unable, or likely to be unable, to pay claims against it. The FSCS is an independent body, set up under the Financial Services & Markets Act 2000 (FSMA) becoming operational on 1 December 2001 (although they may cover claims from before this date).

The FSCS deals with claims against authorised firms (those regulated by the Financial Conduct Authority or the Prudential Regulation Authority) that are unable, or likely to be unable, to pay claims against them. This will generally be because a firm has stopped trading and has insufficient assets to meet claims or is in insolvency. The FSCS describe this as a firm being in default.

## What the FSCS Protects

Where a client is eligible to claim under the FSCS, the FSCS provides cover up to specified limits depending on the type of investment being made. Below are the limits that apply for the different types of investments they protect.

- **Deposits**

The current maximum level of protection is £85,000 per person, per firm and £170,000 for joint accounts. This covers deposits made by private individuals and small businesses to any authorised firm protected by the FSCS. This level was implemented on 30 January 2017 and increased from the previous £75,000 per person, per firm and £150,000 for joint accounts. This level is reviewed once every five years as a minimum.

Bank customers who temporarily have a large sum deposited may be protected for up to £1m for 6 months from the date the funds are transferred into their account. Details of the types of deposits covered by the temporary increase in the deposit limit can be found in the "what we cover section" of the FSCS website.

- **Insurance policies**

The FSCS protects policyholders in the event of an insurer failing. Protection is at 100% where claims:

- Arise in respect of a liability subject to compulsory insurance; or
- Arise in respect of a liability subject to professional indemnity insurance; or
- Arise from the death or incapacity of the policyholder due to injury, sickness, or infirmity;

Protection is at 90% where claims arise under other types of policy with no upper limit.

Protection is at 100% for claims relating to intermediation of long term care insurance, which is pure protection contract.

No protection is available for Goods in Transit, Marine, Aviation and Credit Insurance. Contracts of reinsurance are also not protected.

- **Home Finance**

The maximum level of compensation for claims against firms declared in default on or after 1 April 2019 is £85,000 per person, per firm. This has risen from £50,000 per person, per firm.

- **Investments**

The maximum level of compensation for claims against firms declared in default on or after 1 April 2019 is £85,000 per person, per firm. This has risen from £50,000 per person, per firm.

- **Peer to Peer Lending**

Compensation may be available to eligible investors in relation to unsuitable advice they received about the merits of investing in peer to peer lending via loan based crowdfunding platforms. Depending on individual circumstances, compensation of up to £50,000 may be provided in relation to investment advice.

- **Pensions (Retirement Savings)**

The compensation limit which applies to pensions will be dependent on the way the pension has been invested:

- **Deposits:** if a client chooses to deposit their pension fund into a bank, building society or credit union, protection is up to £85,000 per person, per firm.
- **Investments:** if a client chooses to place their pension fund directly into investments (other than insurance products), protection is up to £85,000 per person, per firm.
- **Retirement income:** if a client is already drawing a set retirement income from their pension pot from a life insurance contract, such as an annuity, income is protected by the FSCS to 100% if anything were to happen to the provider.
- **Pension Life Savings:** if a client is still building up a pension pot, 100% of the pot will be protected if it is directly managed in a life insurance contract. This would include personal pensions and stakeholder pensions, but not defined benefit workplace pension schemes, these may be covered by the Payment Protection Fund instead.
- **Investment Life Policy Savings:** these are long-term life insurance policies which have a savings element, such as endowment policies or investment bonds. Any investment life policy savings held in pensions are protected up to 100% with no upper limit.
- **Death or Incapacity:** the FSCS will pay 100% of claims if it arises from death or incapacity, if anything happens to the provider.

### Further details on the FSCS

If you require further details on the FSCS you can find further details on their website [www.fscs.org.uk](http://www.fscs.org.uk) or you can contact them by telephone on 0800 678 1100.

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