

Financial Services Compensation Scheme

Important
information enclosed

Introduction

The following information summarises the main provisions of the Financial Services Compensation Scheme (FSCS), which are relevant to shares and deposits in a building society. Building societies, and other participants in the Scheme, are under a legal obligation to provide information about the Scheme to any actual or intending investor who requests it. This leaflet also summarises the position for other investments, insurance and mortgages although more information can be sought from the FSCS.

All UK building societies are participants in the FSCS established under Part XV of the Financial Services and Markets Act 2000. The Scheme is administered by the Financial Services Compensation Scheme Limited, a body established by the Financial Services Authority (FSA). The Scheme is governed by FSA Rules.

The FSCS is the UK's statutory fund of last resort for customers of financial services firms. The FSCS covers business conducted by firms authorised by the FSA, the independent watchdog set up by government to regulate financial services in the UK and protect the rights of retail consumers.

Activation of the Scheme

Before the Scheme can be activated, the FSA or a court must make a determination about a building society participant in the Scheme. This would usually happen if it was determined that a participant was unable to repay investments, which were due and payable. An example of where this might happen is if there had been a winding-up order in insolvency proceedings.

Amount of Protection

Savings:

Under the Scheme, payments are limited to a maximum of £50,000, which is 100% of the first £50,000 of an investor's total shares and/or deposits in a building society. The payment is calculated by reference to all the investor's protected shares with, and deposits in, the society. Therefore, for example, if a claimant had two separate accounts with the society, one containing £2,000 and the other £1,500, he or she would receive £3,500. If the claimant had two separate accounts, one containing £40,000 and the other £22,000, he or she would receive £50,000.

Investments:

£50,000 per person. The FSCS provides protection if an authorised firm is unable to pay claims against it. For example: for loss arising from bad investment advice, poor investment management or misrepresentation; when an authorised investment firm goes out of business and cannot return investments or money.

Investments covered include: stocks and shares; unit trusts; futures and options; personal pension plans and long-term policies such as endowments.

Claims relating to business before 29 August 1988 are unlikely to be successful. This is the date when these activities were first protected by an investor compensation scheme in the UK.

Mortgage advice and arranging:

£50,000 per person. For claims against authorised mortgage firms that are unable to pay claims against them. The FSCS will only be able to help if the claim relates to business conducted on or after 30 October 2004.

Insurance policies

90% of the claim with no upper limit.

For insurance activities, the FSCS will only be able to help if the claim relates to business conducted on or after 14 January 2005.

Mergers

In the event of a merger between two building societies, there is a separate and additional limit for a claimant with respect to claims for protected deposits held under the name of the merged building society. The limit is currently £50,000 and all other aspects of the FSCS, as detailed below, apply. The separate and additional cover rule will apply until 30th December 2010. In order for the claimant to be protected under this measure, they would need to have had a deposit with each of the relevant building societies before the merger took effect.

Protected Currencies

Most shares or deposits with a building society are held in pounds sterling, but all other currencies are also covered.

Interest on an Account

Interest earned on accounts at the time the shares or deposits become due and payable is covered by the Scheme (within the limit of the maximum payment). If a winding-up order against a society has been made by the Court, interest will immediately stop being paid on the society's accounts.

Shares and Deposits which are protected

All building society shares and deposits are protected by the Scheme except:

- (i) a bond issued by a building society which is part of its capital (for example subordinated debt);
- (ii) a secured deposit;
- (iii) a deferred share issued by a building society (usually permanent interest bearing shares);
- (iv) a non-nominative deposit (that is, a deposit made without disclosing the depositor's identity)

Non-Eligible Claimants

As a customer of Skipton Building Society you are covered by the Financial Services Compensation Scheme up to the applicable limits, unless you are:

- A large company
- A large partnership
- A large mutual association
- A local, provincial or municipal authority
- A credit institution
- An overseas financial services institution
- An operator or trustee of a collective investment scheme
- A pension and retirement fund or a trustee of such a fund
- A supranational institution
- A government, or central administrative authority
- A firm within the Skipton Group
- Persons holding 5% or more of the capital of Skipton Building Society or of any firm in the group
- The auditors of Skipton Building Society and its group
- A person considered responsible for the default of the society, which triggers the FSCS
- A person whose claim arises from transactions relating to conviction they have received for money laundering

Joint Accounts

In the case of a joint account each joint owner is treated as having a claim for his or her share, and unless there is evidence about their respective shares, they will each be regarded as entitled to an equal share.

Partnerships

If two or more persons have a joint beneficial claim, the claim is to be treated as a claim of the partnership if they are carrying on business together in partnership. Otherwise the joint account rules (above) apply.

Trustees

If a claimant's claim also includes a claim as a trustee, his or her claim as trustee will be treated as being separate from the claim in his or her own right. If the same person claims as a trustee for different trusts, these will be treated as the claims of different claimants. If a group of people claim as trustees their claim will be treated as that of a single person. If the claimant has a claim as a bare trustee for one or more beneficiaries, the beneficiary or beneficiaries will be treated as having the claim.

There are further rules relating to bare trustees.

Personal Representatives

Where a person numbers, among his or her claims, as a personal representative of someone who has died, the claimant will be treated in the respect of the claim as if he or she were standing in the shoes of that other person.

Agents

If a claimant has a claim as an agent for one or more principals, the principal or principals will be treated as having the claim.

Making a Claim under the scheme

The Rules of the Scheme require a claim to be brought to the FSCS within a set time (normally within six years of the date on which the claim occurred). In practice, a building society would give to the FSCS a list of the names and addresses of the investors who may be able to claim under the Scheme. The FSCS would then send a claim form to each investor for completion. Full details of how to complete the form would be provided at the time.

Each claim would need to be verified before payment could be made. This could involve further questions being asked of those who have claimed and the FSCS asking the liquidator or administrator to confirm the amount of the investment on which the claim is based and to confirm that the claim does not relate to shares or deposits of a type that are not covered by the Scheme. Again, detailed procedures would normally be notified at the time.

Claims would be paid as soon as practicable (subject to the checking procedure) once the share or deposit became due and payable. In liquidation, that share or deposit would become due and payable on the date that the final winding-up order is made - in all other cases it would continue to its original maturity date. Payments would be made, normally by cheque in the currency of the account in which the share or deposit was held.

Further details of exclusions from FSCS cover can be found on the Financial Services Authority website detailed below.

Further information

The Rules covering the Scheme are very detailed and this leaflet does not deal with every aspect of the Scheme's operation. Information about the operation of the Scheme is available on the FSCS website at www.fscs.org.uk. If you have any queries about the Scheme they may be addressed to –

Financial Services Compensation Scheme (FSCS),
7th Floor, Lloyds Chambers, 1 Portsoken Street,
London E1 8BN

Tel: 0207 892 7300 Fax: 020 7892 7301

website: www.fscs.org.uk

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North Yorkshire BD23 1DN
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skipton.co.uk

Skipton Building Society is a member of the Building Societies Association.
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*To help maintain service and quality, some telephone calls may be recorded and monitored.

