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Compensation Scheme to Cover Savers' Claims Up to £50,000

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Compensation scheme to cover savers' claims up to £50,000



FSA/PN/114/2008
03 October 2008

The Financial Services Authority (FSA) has today increased the compensation limit for bank deposits from £35,000 up to a total of £50,000 for each customer's claim. This increase applies from Tuesday 7 October 2008.

Customers with joint accounts will be eligible to claim up to £100,000.

Hector Sants, FSA's chief executive officer, said:

"There has been extensive debate about the compensation levels. In the interests of providing clarity over the minimum level for the long term we have now decided to implement the move to a £50,000 limit from Tuesday.

"This change ties in with the introduction of the Government's Banking Bill in Parliament which is due next week, and is also appropriate given the consolidation that has taken place in the banking sector.

"In addition, the Chancellor has made clear that the Authorities will do whatever is necessary to maintain financial stability and protect depositors."

The Government will shortly be introducing legislation to further enhance consumer confidence in the banking sector.

The FSA is also to consult on further reforms, including considering whether the compensation limit should be higher still; the speed with which the FSCS can pay compensation; and the rules surrounding whether deposits are covered on a legal entity, a 'brand' or an 'account' basis.

This will provide effective long-term compensation arrangements in which consumers can have confidence.

The changes to the compensation limit are detailed in the [Financial Services Compensation Scheme: Review of limits consultation paper](#) which is published today. The paper also sets out proposals to improve the overall scheme and to ensure consistency in respect of compensation limits for investment, insurance and home finance.

Notes for editors

1. The previous compensation limit was £35,000 set on 1 October 2007.
2. The FSA is also implementing changes relating to how money recovered from a failed bank could be allocated to those with deposits of more than the new protected limit of £50,000.
3. The [Rules](#) relating to the changes in the depositor compensation limit and the new arrangements relating to recoveries for depositors with more than £50,000 deposited - known as the rateable method - are

published today. FSA publication [Feedback on tripartite consultation document: operation of the Financial Services Compensation Scheme \(FSCS\) for deposit protection](#) provides more information about the rateable method.

4. The amendments to the FSA Compensation Sourcebook have been made without following the normal consultation and cost benefit analysis procedures in line with Financial Services and Markets Act section 155 (7) which allows the FSA to waive these procedures if it "considers that the delay involved in complying with them would be prejudicial to the interests of consumers".
5. The [FSCS](#) is funded by the financial services industry. The FSA as regulator is responsible for setting the compensation and eligibility limits that apply to the FSCS. The current limit for deposits has been in force since 1 October 2007.
6. The FSA regulates the financial services industry and has four objectives under FSMA: maintaining market confidence; promoting public understanding of the financial system; securing the appropriate degree of protection for consumers; and fighting financial crime.
7. The FSA aims to promote efficient, orderly and fair markets, help retail consumers achieve a fair deal and improve its business capability and effectiveness.

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