

Policy Statement

PS16/14

Financial Services Compensation Scheme – Changes to the Compensation sourcebook: feedback on CP15/40 and final rules



April 2016

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In this Policy Statement we report on the main issues arising from Consultation Paper 15/40 (*Financial Services Compensation Scheme: changes to the Compensation sourcebook*) and publish the final rules.

Please send any comments or enquiries to:

Douglas Greenshields
Strategy and Competition Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Telephone: 0131 301 2153
Email: cp15_40@fca.org.uk

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Abbreviations used in this paper

CBA	Cost benefit analysis
COMP	Compensation sourcebook
CP	Consultation Paper
DB	Defined benefit
DC	Defined contribution
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000
PII	Professional indemnity insurance
PRA	Prudential Regulation Authority
PS	Policy Statement
SIPP	Self-invested personal pension
SSAS	Small self-administered scheme

1. Overview

Introduction

- 1.1** We are publishing final rules and feedback on our consultation on Financial Services Compensation Scheme: changes to the Compensation sourcebook, CP15/40.¹

Who does this affect?

- 1.2** This consultation affected:
- authorised financial services firms
 - trade bodies representing authorised financial services firms
 - bodies representing consumers, and
 - persons that have assumed responsibility for the liabilities of an authorised financial services firm, or will do so in the future

Is this of interest to consumers?

- 1.3** Our new rules will be of interest to retail consumers and consumer groups because they change the compensation arrangements available to consumers under the Financial Services Compensation Scheme (FSCS). Of particular interest will be the:
- increase in compensation in relation to some types of non-investment (general and pure protection) insurance mediation claims, and
 - changes regarding trustees of occupational pension schemes who are eligible to claim compensation

¹ November 2015.

Context

- 1.4** In November 2015, we consulted on changes to some of the rules in our Compensation sourcebook (COMP) that govern the operation of the FSCS. We proposed the following:
- an increase in the non-investment (general and pure protection) insurance mediation compensation limit from 90% to 100% for claims in relation to certain types of insurance
 - changes to the eligibility of trustees of occupational pension schemes to claim on the FSCS, and
 - changes to make express reference to how the compensation rules apply where a successor firm is in default or to assist the FSCS in handling claims
- 1.5** We proposed to make these changes ahead of the review of the FSCS funding model and compensation limits later this year. As we explained in our Consultation Paper (CP), this was because the changes have no impact on that review, will provide benefits to consumers and the FSCS and will, we anticipate, have minimal cost implications for levy payers. The new rules will support the Financial Conduct Authority's (FCA's) consumer protection objective.

Summary of feedback and our response

- 1.6** We received responses from 14 firms or representative bodies, providing around 70 comments on the nine questions we asked.
- 1.7** Our proposals received support from a large majority of the respondents, and we set out details in respect of each proposal and our responses in Chapter 2 below. The instrument does not differ significantly from the consultative draft.

Equality and diversity considerations

- 1.8** In our CP, we explained that we had assessed the likely equality and diversity impacts of the proposals and did not believe they gave rise to discrimination, nor raised any issues in relation to the public sector equality duty contained in the Equality Act 2010. We invited feedback on our view but did not receive any comments.

Next steps

- 1.9** The changes contained in the rules that form part of this Policy Statement (PS) will come into effect on 29 April 2016.

What do you need to do next?

- 1.10** Firms should read our final rules and take action to ensure they understand them and, in particular, the changes that we have made in relation to FSCS protection. Firms should also ensure that they deal with the FSCS in an open, cooperative and timely way.

2. Summary of feedback and our responses

- 2.1** In this chapter, we set out the feedback received on the questions in our CP, together with our response indicating how we are going to take the proposals forward, and any changes we have made to the proposed handbook text.

Non-investment (general and pure protection) insurance mediation limit

- 2.2** We proposed to increase FSCS protection from 90% to 100% for certain non-investment (general and pure protection) insurance mediation claims related to circumstances analogous to the failure of an insurer. These circumstances include where an action by the intermediary led to the consumer's claim not being paid. This will usually be because the intermediary has failed to pass a premium on to the insurer, has failed to pass claim payments on to the customer, or has otherwise failed to do something that means that a policy issued by an authorised insurer is not in force.
- 2.3** In cases where an authorised insurer fails, Prudential Regulation Authority (PRA) rules provide for 100% of a claim under a contract of insurance, provided by that authorised insurer, to be met by the FSCS. Our proposed changes will ensure that consumers receive the same protection from the FSCS, in analogous circumstances, whether the provider or intermediary fails. The increase from 90% to 100% would apply to the mediation of:
- pure protection contracts²
 - professional indemnity insurance (PII), and
 - general insurance claims arising from the death or incapacity of the policyholder owing to injury, sickness or infirmity
- 2.4** As set out in CP15/40, we have not increased cover for claims made in respect of misselling because such claims are not analogous to those that stem from the failure of a provider.
- 2.5** We asked:

Q1: Do you agree with our proposal to increase the compensation limit to 100% for some types of non-investment insurance mediation?

² This excludes a pure protection contract which is a 'long-term care insurance contract'. Intermediation claims in relation to such contracts are protected up to £50,000.

- 2.6** The majority of the responses to this proposal were supportive. The respondents who did not support the proposal cited the potential costs of the increased protection to levy payers, and the fact that 100% protection removes the element of the consumer's own responsibility to ensure that the broker is reputable. One respondent also said that the FSCS limits are confusing.

Our response

We believe that it is important that consumers receive consistent protection in relation to insurance claims that have not been paid, regardless of whether the failure to pay is the fault of the insurer or the intermediary. As we set out in our cost benefit analysis (CBA), we believe that the cost to firms will be minimal. We will be considering the FSCS limits more generally as part of the FSCS funding review later in 2016. We have therefore made the rule change on which we consulted.

Eligibility of occupational pension scheme trustees

Money purchase occupational pension schemes with large employers

- 2.7** We proposed to amend our rules so that trustees of occupational pension schemes sponsored by large employers will be eligible to claim on the FSCS where the benefits are money purchase benefits. This is because it is not clear that the size of the employer is relevant in the case of money purchase benefits, as, unlike in the case of a defined benefit (DB) scheme, the employer is not guaranteeing payment of the pension. The change would mean that consumers have the same protection in respect of defined contribution (DC) schemes, irrespective of the size of the sponsoring employer.
- 2.8** We asked:
- Q2: *Do you agree with our proposal that trustees of occupational pension schemes of large employers providing money purchase benefits should be eligible to claim on the FSCS?***
- 2.9** The majority of the responses to this proposal were supportive. Some respondents particularly welcome the change, as it would benefit members of multi-employer money purchase schemes, known as master trusts. Of the respondents who did not support the proposal, one objected on the basis of the costs to firms of the increased protection, and the other said that the extent to which the trustees should be liable in the event of a default had not been made clear. One respondent asked for clarification as to which FSCS funding class would meet any additional costs.
- 2.10** One respondent considered that the rule changes did not clearly cover the position of an occupational pension scheme that provided both defined benefits and money purchase benefits.

Our response

We remain of the view that the costs to firms will not be significant. Our proposals relate to the liability of authorised firms or successor firms for their acts or omissions. Our proposals do not concern the liability of trustees of occupational pension schemes which, except in rare circumstances of the trustees being authorised by the FCA, would be a matter for the courts. The funding class involved (life and pensions intermediation, investment provision, or investment intermediation) will depend on the activity which has caused the loss in any given case.

We have amended the rules to make it clear that, in the case of a scheme that provides both defined benefits and money purchase benefits, the trustees are the claimants in relation to the defined benefits and the members are claimants in relation to the money purchase benefits. Subject to this amendment, we have made the rule change on which we consulted.

Small self-administered schemes (SSAs)

2.11 We proposed to amend our rules so that the trustees of SSAs providing defined benefits are treated in the same way as the trustees of other DB occupational pension schemes in relation to eligibility to claim on the FSCS. This means that the trustees would no longer be eligible to claim where the employer is large. This is a reduction in protection but the change means that trustees of these SSAs have the same protection as trustees of other occupational pension schemes providing defined benefits that are sponsored by large employers.

2.12 We asked:

Q3: *Do you agree with our proposal that trustees of SSAs of large employers providing defined benefits should no longer be eligible to claim on the FSCS?*

2.13 The majority of the responses to our proposal were supportive. One respondent considered that the availability of FSCS protection was unclear in the case of occupational pension schemes and that the FCA should introduce a set of principles under which members of DB or DC schemes should be eligible to claim. One respondent did not understand why trustees of SSAs providing defined benefits should be excluded where the employer was large.

Our response

Our rules contain conditions for payment of compensation by the FSCS to claimants, including trustees of occupational pension schemes. We have no plans to change this approach in order to replace these conditions by principles, in the case of claims by trustees of occupational pension schemes. As we set out in the CP, the reason for excluding trustees of SSAs providing defined benefits from eligibility where the employer was large was to treat these trustees in the same way as trustees of other occupational pension schemes providing defined benefits.

We have amended the rules on which we consulted to make it clear that, in the case of a scheme that provides both defined benefits and money purchase benefits, the trustees are the claimants in relation to the defined benefits and the members are claimants in relation to the money purchase benefits. Subject to this amendment, we have made the rule change on which we consulted.

Successor firms

- 2.14** The Financial Services and Markets Act 2000 (FSMA)³ expressly requires the FCA to make rules in relation to FSCS protection where claims are made in cases where persons (successor firms) who have assumed responsibility for liabilities arising from acts or omissions of predecessor firms are unable, or likely to be unable, to satisfy claims against them.
- 2.15** We proposed to amend our rules to make it clear that claims against a successor firm, in respect of liabilities arising from the acts or omissions of a predecessor firm, fall within the scope of the FSCS. The rules will apply to a claim on the FSCS in respect of a successor firm, whether or not that successor firm is authorised by the FCA or the PRA. The rules will require that the claim is based on acts or omissions of the predecessor firm that occurred prior to the transfer under which liabilities were assumed by the successor. The changes clarify the application of the current rules, except for the proposed extension to unauthorised successor firms. The successor rule changes apply in respect of unauthorised successor firms where the default occurs on or after the date that the rules come into force and the transfer of liabilities took place on or after 1 April 2013.
- 2.16** We asked:
- Q4:** *Do you agree with our proposal to make it clear that claims against a successor firm fall within the scope of the FSCS?*
- 2.17** The majority of the responses to our proposal were supportive. One respondent had a number of concerns because they thought that our proposal was to require a successor firm to take over the liabilities of a predecessor firm, which might have no connection with the successor firm.

Our response

Our proposal does not change our current regulatory approach which is to ensure that the interests of consumers are appropriately protected when the business of a regulated firm passes to a new firm. One of the ways we achieve this protection is by generally requiring the new firm to be jointly and severally liable with that predecessor firm for the acts and omissions of the predecessor firm in carrying out regulated activities.

Our proposal only concerns the FSCS position where a successor firm has taken on the liabilities of a predecessor firm. The proposed rule change makes it clear that, in this situation, claims against a successor firm in respect of liabilities

³ Section 213(1)(b), which came into effect from 1 April 2013.

arising from the acts or omissions of a predecessor firm fall within the scope of the FSCS.

We have amended the successor firm rules on which we consulted so that they expressly deal with the eligibility of directors and companies in the same corporate group to claim in cases where a firm transfers its liabilities to a successor firm that later transfers its liabilities to a subsequent successor firm, which might in turn later transfer its liabilities to another successor firm (and so on). Subject to certain exceptions, directors of a firm in default⁴ are not eligible to claim on the FSCS. Companies in the same corporate group as a firm are also not eligible to claim on the FSCS.

The changes we have made continue this policy position where one or more successor firms are involved. So if a director of a firm could not claim on the FSCS in respect of the acts or omissions of the firm, the director would not become eligible to claim in respect of those acts or omissions as a result of a transfer of these liabilities to a successor firm (that subsequently failed). The same approach will apply to companies in the same corporate group as the firm or as a successor firm. Subject to these amendments, we have made the rule change on which we consulted.

Flexibility for the FSCS: Recipient of compensation

2.18 Under our rules, the FSCS must pay compensation to the claimant or ‘as directed by the claimant’. We proposed to amend our rules so that the FSCS must pay compensation ‘to the claimant, or if the FSCS so decides, as directed by the claimant’. This will give the FSCS flexibility not to pay compensation to a person if the FSCS has concerns about doing so.

2.19 We asked:

Q5: *Do you agree with our proposal to give the FSCS flexibility with regard to paying compensation to a person other than the claimant?*

2.20 The majority of the responses to this proposal were supportive. Two respondents considered that because of tax considerations, compensation in relation to a self-invested personal pension (SIPP) should be paid to the trustees of the SIPP, not to the SIPP member. One respondent was opposed to a move to make payments to anyone other than an eligible claimant.

Our response

Our proposal allows the FSCS flexibility not to pay compensation to a person to whom a claimant has directed the FSCS to pay it but instead to pay it to the claimant directly. A requirement that the FSCS pay compensation to the trustees of a pension scheme, not to the claimant, is outside the scope of the proposal on which we consulted. We have therefore made the rule change on which we consulted.

⁴ A firm that is unable, or likely to be unable, to meet protected claims against it.

Shortfalls in client assets

2.21 We proposed to amend our rules so that the FSCS can pay compensation for a shortfall in client assets to an authorised firm that takes over the business of a failed firm, for the credit of each client entitled to the compensation, rather than to each individual client. The FSCS can already do this in the case of shortfalls in client money.⁵

2.22 We asked:

Q6: *Do you agree with our proposal regarding compensation for shortfalls in client assets?*

2.23 The majority of the responses to this proposal were supportive. One respondent considered that the FSCS should be given power to ensure that firms credit clients with the full amount to which they are entitled. Another respondent asked how the change to our rules would interact with HM Revenue & Customs rules on compensation payments in relation to pension schemes.

Our response

Under FSMA, the FCA, not the FSCS, has the power to take regulatory action in relation to firms. Our proposal for the FSCS to be able to make payments to a firm, for the credit of the relevant claimants, does not alter the general position that FSCS compensation is paid to the claimant (or as directed by the claimant). A change regarding the recipients of compensation payments in relation to pensions is outside the scope of the proposals on which we consulted. We have therefore made the rule on which we consulted.

Assignment by electronic means

2.24 We proposed to amend our rules to make it clear that when a claimant completes an application form for compensation from the FSCS and consents to the assignment of his/her rights electronically, this is an effective assignment of his/her rights against the firm and third parties to the FSCS.

2.25 We asked:

Q7: *Do you agree with our proposal regarding assignment by electronic means?*

2.26 The majority of the responses to this proposal were supportive. Two respondents asked for clarification of the position where there were joint claimants or where trustees of a pension scheme were the legal owner of a pension scheme asset and might be unaware of the assignment. It was suggested that electronic assignment might make it more difficult for the trustees to monitor the issue.

⁵ FSA, CP12/7 FSCS: changes to the Compensation sourcebook, March 2012; PS12/15, September 2012.

Our response

These are operational issues for the FSCS that are just as likely to arise in relation to the existing rules for the assignment of rights to the FSCS. The FSCS will consider their operational approach in the light of respondents' comments. We have adjusted the wording to reflect more closely the legislative background and to make the rule more effective. Apart from that change, we have made the rule on which we consulted.

Requiring firms to cooperate with the FSCS

2.27 We proposed to make a rule to require firms to cooperate with the FSCS. We believe that this will help ensure that firms place importance on cooperating with the FSCS in a timely way, in order to assist the FSCS in carrying out its statutory functions in assessing claims and paying compensation to consumers where this is due.

2.28 We asked:

Q8: *Do you agree with our proposal to require firms to cooperate with the FSCS?*

2.29 The majority of the responses to this proposal were supportive. One respondent considered that it was reasonable for the FSCS to anticipate cooperation from all parties involved with them, but that it was wrong to introduce a rule to enforce such an expectation. The respondent also challenged the need for the rule (given that firms were mostly already cooperating) and the estimated costs stemming from the proposal, and proposed that firms should be able to recoup their costs from either the consumer or the FSCS.

Our response

In the CP, we explained that the rule change was a general requirement for firms to cooperate with the FSCS, and not a specific requirement to provide information. However, we hope that it will encourage firms to provide information to the FSCS in a more timely manner where they are not already doing this. We consider that our CBA remains valid. We have therefore made the rule on which we consulted.

Miscellaneous changes

2.30 As we proposed in the CP, we have deleted some PRA-specific material from the FCA Handbook, as the material does not form part of the FCA's Handbook.

Other issues

- 2.31** A number of respondents raised issues relating to FSCS funding or FSCS compensation limits that were outside the scope of the CP. We will consider these points as part of our review of FSCS funding, on which we are proposing to publish a CP later this year.

Cost benefit analysis

- 2.32** We carried out a CBA of our proposals, including the proposal to extend eligibility to claim on the FSCS to trustees of money purchase occupational pension schemes with large employers. With regard to this proposal, we said that the increase in the cost of compensation, and related management expenses, would be met by firms – in particular, firms in the investment intermediation funding class at the time of a relevant FSCS levy.
- 2.33** We agree it was not clear that the funding class that meets the costs will depend on the nature of the failure. Any increase in costs compared to the current position could be met by firms in the investment intermediation funding class, the investment provision funding class, or the life and pensions intermediation funding class (if the claim related to mediation of long-term insurance contracts).
- 2.34** This does not affect our CBA, nor our view that the proposals in our CP, including this proposal, will, we anticipate, have minimal cost implications for levy payers.
- 2.35** A minority of respondents expressed concerns about some aspects of the CBA. One respondent suggested that the range of increased costs was too wide to be reliable and questioned why there was no estimation of additional costs for claims against successor firms, especially those not authorised by the FCA or the PRA. The respondent therefore considered that our expectation that there would not be an increase in costs was flawed. However, the changes to our rules in relation to successor firms clarify the application of the current rules, except for the proposed extension to unauthorised successor firms. We therefore remain of the view that the changes will not increase costs where the successor firm is authorised. We also continue to expect that, in practice, a successor firm that takes over the liabilities of a predecessor firm will be authorised by the FCA or the PRA, so we do not expect the extension of cover to unauthorised firms to result in an increase in costs. We have no evidence that suggests that our analysis was flawed.
- 2.36** One respondent suggested that some of the statistics used to support the CBA were (of necessity) arbitrary. However, the respondent noted that the FCA had accepted in the analysis that the use of 'large scheme' as a proxy for 'large employer' could only be regarded as indicative of the position. In fact, the costs are uncertain as firm failures are, to some extent, random, meaning that the information we have is not perfect. As such, the estimates are imprecise, rather than arbitrary. None of the respondents provided any alternative or additional data.
- 2.37** We do not consider that the responses to the consultation affect the CBA set out in the CP.

Annex 1

List of non-confidential respondents

AMPS

Aon Hewitt

APFA

Association of Pension Lawyers

Berkeley Burke Group

B&CE

BIBA

FCA Smaller Business Practitioner Panel

James Hay Partnership

Mercer

Pensions Advisory Service

Pensions and Lifetime Savings Association

The Personal Finance Society

The Society of Pension Professionals

Appendix 1

Made rules (legal instrument)

COMPENSATION SOURCEBOOK (AMENDMENT NO 10) INSTRUMENT 2016

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance);
 - (4) section 213 (The compensation scheme);
 - (5) section 214 (General); and
 - (6) section 215 (Rights of the scheme in insolvency).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 29 April 2016.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Compensation sourcebook (COMP) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Compensation Sourcebook (Amendment No 10) Instrument 2016.

By order of the Board
21 April 2016

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. This text is not underlined.

professional indemnity insurance contract a *contract of insurance* against the risk of the person insured incurring liability to a third party arising out of the insured's business activities.

relevant omission where the *insurance intermediary* has failed to:

- (a) pay monies to an *insurer*; or
- (b) pay monies that it has received from an *insurer*; or
- (c) take steps to cause a *contract of insurance* to be effected by an *insurer*.

successor (in *COMP*) a *person* who has assumed responsibility for liabilities arising from acts or omissions of a *relevant person*.

Amend the following definitions as shown.

claim

- (1) (in *COMP*) a valid claim made in respect of a civil liability:
 - (a) owed by a *relevant person* to the claimant; or
 - (b) owed by a *relevant person* to the claimant and responsibility for which has been assumed by a *successor*; or
 - (c) owed by a *successor* to the claimant as a result of the *successor's* assumption of responsibility for liabilities arising out of the acts or omissions of a *relevant person*.
- (2) ...

compensation the Financial Services Compensation Scheme established under section 213 of the *Act* (The compensation scheme) for compensating *persons* in

scheme cases where *authorised persons* and *appointed representatives*, or, where applicable, a *successor* or a *tied agent* of a firm, are unable, or are likely to be unable, to satisfy *claims* against them.

ICD claim

a *claim*:

- (a) against a *MiFID investment firm* (including a *credit institution* which is a *MiFID investment firm*), whether established in the *United Kingdom* or in another *EEA State* (or, where applicable, a *successor* of such a *firm*); and
- (b) in relation to:
 - (i) any *investment services and activities* other than the making of a *personal recommendation*;
 - (ii) the *ancillary service* of safekeeping and administration of *financial instruments* for the account of *clients*, including custodianship and related services such as cash/collateral management;
 - (iii) the firm's inability to repay money owed to or belonging to investors and held on their behalf or the firm's inability to return to investors any instruments belonging to them and held, administered or managed on their behalf, in each case, in connection with the *investment service* of the making of a *personal recommendation* relating to a *financial instrument* in accordance with the legal and contractual conditions applicable.

[**Note:** Article 2(2) of the *Investor Compensation Directive*]

Annex B

Amendments to the Compensation sourcebook (COMP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

COMP INTRO 1A Foreword

(This Foreword to the Compensation sourcebook does not form part of COMP.)

The *Act* requires the *FCA* to make rules establishing a scheme for compensating consumers in cases where: (i) authorised *firms* are unable, or likely to be unable, to satisfy claims against them; or (ii) persons who have assumed responsibility for liabilities arising from acts or omissions of authorised *firms* ("successors") are unable, or likely to be unable, to satisfy claims against the successors that are based on those acts or omissions. The body established to operate and administer the compensation scheme is the *Financial Services Compensation Scheme Limited (FSCS)*. By making rules that allow the *FSCS* to pay compensation to retail consumers and small businesses, and focusing protection on those who need it most, the compensation scheme rules form an important part of the toolkit the *FCA* will use to meet its statutory objectives. This module of the *FCA Handbook* contains the rules and guidance that allow the ~~*Financial Services Compensation Scheme Limited FSCS*~~ *FSCS* to pay claims for compensation when an authorised person or, where applicable, a successor, is unable or likely to be unable to meet claims against it. The rules specify who is eligible to receive compensation and in what circumstances, how much compensation can be paid to a claimant; and how the scheme will be funded. The compensation rules are of interest to consumers. The rules apply to the *FSCS*, ~~and to~~ authorised firms and successors.

...

Chapter 6 Relevant persons and successors in default

...

1.1 Application, Introduction, and Purpose

Application

- 1.1.1 G This chapter is relevant to:
- (1) the *FSCS*;
 - (2) *eligible claimants*; ~~and~~
 - (3) *firms*; and

(4) successors.

...

1.1.4 G *Firms* will be particularly interested in *FEES* 6, which deals with levies, ~~*COMP* 16 which deals with disclosure requirements for firms that accept deposits and *COMP* 17 which deals with systems and information requirements for firms that accept deposits~~ and *COMP* 1.6.1R, which requires firms to deal with the *FSCS* in an open, cooperative and timely way.

...

1.1.7 G The *FSCS* will only pay *claims* if a firm or a successor is unable or likely to be unable to meet *claims* against it because of its financial circumstances. If a firm (or, where applicable, a successor) is still trading and has sufficient financial resources to satisfy a *claim*, the firm (or, where applicable, the successor) will be expected to meet the *claim* itself. This can, for example, be an amount the *firm* agrees with the claimant, or the amount of an *Ombudsman* award from the *Financial Ombudsman Service*.

...

1.1.10A G By making *rules* that allow the *FSCS* to provide compensation at a level appropriate for the protection of retail *consumers* and *small businesses*, the *FCA* enables *consumers* to participate in the financial markets with the confidence that they will be protected, at least in part, should the *relevant person* with whom they are dealing, or a successor, be unable to satisfy *claims* against it.

...

1.3 Claimants

...

1.3.3 G Areas of particular interest to claimants (see *COMP* 1.1.3G)

This table belongs to *COMP* 1.1.3G

Q1	What do I need to do in order to receive compensation?		
A1	In order to receive compensation:		
	(1)	you must be an <i>eligible claimant</i> ;	<i>COMP</i> 4.2
	(2)	you must have a <i>protected claim</i> ;	<i>COMP</i> 5.2
	(3)	you must be claiming against a <i>relevant person</i> <u>or a successor</u> ;	<i>COMP</i> 6.2.1R

	(4)	<u>where the <i>claim</i> is against a <i>relevant person</i>, the <i>relevant person</i> must be <i>in default</i>; or where the <i>claim</i> is against a <i>successor</i>, the <i>successor</i> must be <i>in default</i>.</u>	COMP 6.3; COMP 6.3A
		In addition, if the FSCS requires you to do so, you must assign your legal rights in the claim to the FSCS.	COMP 7.2
		And you must bring your claim to the FSCS within a set time (normally within six years of the date on which your claim against the <i>relevant person</i> occurred).	COMP 8.2.3R - COMP 8.2.5R
		It is possible, in certain circumstances, for someone else to make a <i>claim</i> on your behalf.	COMP 3.2.2R
Q2		How much compensation will I be offered?	
A2		This depends on whether your <i>protected claim</i> is:	
	(1)	a claim for a <i>protected deposit</i> or a <i>protected dormant account</i>; or [deleted]	COMP 5.3
	(2)	a claim under a <i>protected contract of insurance</i>; or [deleted]	COMP 5.4
	(3)	a <i>claim</i> in connection with <i>protected investment business</i> ; or	COMP 5.5
	(4)	a <i>claim</i> in connection with <i>protected home finance mediation</i> ; or	COMP 5.6
	(5)	a <i>claim</i> in connection with <i>protected non-investment insurance mediation</i> .	COMP 5.7
		Different limits apply to different types of <i>claim</i> .	COMP 10.2.3R
Q3		How will the FSCS calculate the compensation that is offered to me?	
A3		Again, this will depend on whether your <i>protected claim</i> is:	
	(1)	a claim for a <i>protected deposit</i> or a <i>protected dormant account</i>; or [deleted]	COMP 12.2.1R, COMP 12.3.1R and COMP 12.4.1R

	(2)	a claim under a protected contract of insurance; or [deleted]	COMP 12.2.1R, COMP 12.3.2R and COMP 12.4.9R
	(3)	a claim in connection with <i>protected investment business</i> ; or	COMP 12.2.1R, COMP 12.3.5R and COMP 12.4.2R
	(4)	a claim in connection with <i>protected home finance mediation</i> ; or	COMP 12.4.17R
	(5)	a claim in connection with <i>protected non-investment insurance mediation</i> .	COMP 12.4.20R
		Certain types of protected investment business claim require the <i>FSCS</i> to use a particular method of calculation.	COMP 12.4.5R
Q4		What happens if an insurance undertaking is insolvent? [deleted]	
A4		If you have a long-term insurance contract which is not a reinsurance contract with an insolvent insurance undertaking, the <i>FSCS</i> will first try to secure continuity of insurance for you.	COMP 3.3, COMP 11.2.3R and COMP 12.4.11R
		If the <i>FSCS</i> achieves this, you will not necessarily receive any cash, but you will continue to be insured (though possibly with lower benefits than before).	COMP 3.3 and COMP 11.2.3R.
		You will receive cash compensation only if the <i>FSCS</i> cannot secure continuity of insurance cover or the cost of doing so would be unreasonable.	COMP 3.3.1R and COMP 11.2.1R
		If you have a relevant general insurance contract which is not a reinsurance contract with an insolvent insurance undertaking, the <i>FSCS</i> will pay you cash compensation if it is unable to secure continuity of insurance cover or the cost of doing so would be unreasonable.	COMP 3.2.1R and COMP 11.2.3R
		If the <i>insurance undertaking</i> is in "financial difficulties", the <i>FSCS</i> may try to arrange for another	COMP 3.3.3R and

	<i>insurance undertaking to take over the business, or provide the insurance undertaking with financial assistance to carry on business. If this occurs, you will not receive cash compensation, but your policy will continue (though possibly with lower benefits than before).</i>	COMP 11.2.3R
--	--	----------------------------

After COMP 1.5 insert the following new section. The text is not underlined.

1.6 Cooperation with the FSCS

1.6.1 R A *firm* must deal with the *FSCS* in an open, cooperative and timely way.

Amend the following as shown.

2.2 Duties of the FSCS

Administering the compensation scheme

...

2.2.2 G The *FSCS* may:

- (1) pay compensation to *eligible claimants* ~~or secure continuity of insurance for *eligible claimants*~~ when a *relevant person* (or, where applicable, a *successor*) is unable or likely to be unable to meet *claims* against it in accordance with ~~the~~ this sourcebook; and
- (2) make levies on *participant firms*, in accordance with *FEES* 6 (Financial Services Compensation Scheme Funding), to enable it to pay compensation, ~~secure continuity of insurance~~, or meet the costs of discharging its functions under this sourcebook.

...

Assistance to claimants

2.2.4 R The *FSCS* may agree to pay the reasonable costs of an *eligible claimant* bringing or continuing insolvency proceedings against a *relevant person* or, where applicable, a *successor* (whether those proceedings began before or after a determination of default), if the *FSCS* is satisfied that those proceedings would help it to discharge its functions under the requirements of this sourcebook.

...

Publication of defaults

- 2.2.7 R The *FSCS* must take appropriate steps to ensure that potential claimants are informed of how they can make a *claim* for compensation as soon as possible after a determination has been made that a *relevant person* (or, where applicable, a *successor*) is *in default*, whether by the *FSCS* or the ~~appropriate regulator~~ *FCA*.

...

3.2 The qualifying conditions for paying compensation

- 3.2.1 R The *FSCS* may pay compensation to an *eligible claimant*, subject to *COMP* 11 (Payment of compensation), if it is satisfied that:

...

- (2) the claim is in respect of a *protected claim* against a *relevant person* (or, where applicable, a *successor*) who is *in default*; and
- (3) where the *FSCS* so requires, the claimant has assigned the whole or any part of his rights against any one or more of the *relevant person*, or against any third party or, where applicable, a *successor*, to the *FSCS*, on such terms as the *FSCS* thinks fit; ~~and~~
- (4) ~~in the case of a *claim* under a *protected contract of insurance*:~~
 - (a) ~~it is not reasonably practicable or appropriate to make, or continue to make, arrangements to secure continuity of insurance under *COMP* 3.3.1R; or~~
 - (b) ~~it would not be appropriate to take, or continue to take, measures under *COMP* 3.3.3R to safeguard policyholders of an *insurance undertaking* in financial difficulties. [deleted]~~

...

4.2 Who is eligible to benefit from the protection provided by the FSCS?

...

- 4.2.2 R Persons not eligible to claim unless *COMP* 4.3 applies (see *COMP* 4.2.1R)

This table belongs to *COMP* 4.2.1R

...	
(4)	Pension and retirement funds, and anyone who is a trustee of such a fund. However, this exclusion does not apply to:

	(a)	a trustee of a <i>personal pension scheme</i> or a <i>stakeholder pension scheme</i> (which is not an <i>occupational pension scheme</i>); or
	(b)	a trustee of a <i>small self-administered scheme</i> or an <i>occupational pension scheme</i> of an employer which is not a <i>large company</i>, <i>large partnership</i> or <i>large mutual association</i> insofar as members' benefits are <i>money-purchase benefits</i> ; or
	(c)	<u>insofar as members' benefits are not <i>money-purchase benefits</i>, a trustee of an <i>occupational pension scheme</i> of an employer which is not a <i>large company</i>, <i>large partnership</i> or <i>large mutual association</i>.</u>
...		
(7)	<u>Directors of the relevant person in default or, in respect of a claim against a successor in default, directors of any successor or directors of the relevant person.</u> However, this exclusion does not apply if:	
	(a)	both of the following apply:
	(a)	(i) the <i>relevant person in default</i> is a mutual association which is not a <i>large mutual association</i> ; and <u>the directors do not receive a salary or other remuneration for services performed by them for the relevant person in default</u> ; or
		(ii) the directors do not receive a salary or other remuneration for services performed by them for the relevant person in default ; or <u>in respect of a claim against a successor in default, the relevant person or a successor, to whichever the directorship relates, is a mutual association which is not a large mutual association and the directors do not receive a salary or other remuneration for services performed by them for the relevant person or a successor, as applicable</u> ; or
	(b)	(i) the <i>relevant person in default</i> is a <i>credit union</i> ; or
		(ii) <u>in respect of a claim against a successor in default, the relevant person or a successor, to whichever the directorship relates, is a credit union.</u>
...		
(9)	<u>Bodies corporate in the same group as the relevant person in default or, in respect of a claim against a successor in default, bodies corporate in the same group as a successor or the relevant person, as applicable, unless that body corporate is:</u>	

	(a)	a trustee of a <u>stakeholder pension scheme</u> (which is not an <u>occupational pension scheme</u>) or a <u>personal pension scheme</u> (but in each case if the trustee is a <u>firm</u> it will only be an <u>eligible claimant</u> if its <u>claim</u> arises out of a <u>regulated activity</u> for which it does not have a permission); or:
	(i)	a <u>stakeholder pension scheme</u> (which is not an <u>occupational pension scheme</u>) or a <u>personal pension scheme</u> (but in each case if the trustee is a <u>firm</u> it will only be an <u>eligible claimant</u> if its <u>claim</u> arises out of a <u>regulated activity</u> for which it does not have a permission);
	(ii)	(if the <u>claim</u> is with respect to a <u>long-term insurance contract</u>) a <u>small self-administered scheme</u> or an <u>occupational pension scheme</u> ; or
	(iii)	(if the <u>claim</u> is not with respect to a <u>long-term insurance contract</u>) a <u>small self-administered scheme</u> or an <u>occupational pension scheme</u> of an employer which is not a <u>large company</u>, <u>large partnership</u> or <u>large mutual association</u>; or
	(aa)	(if the <u>claim</u> is with respect to a <u>long-term insurance contract</u>) a trustee of an <u>occupational pension scheme</u>; or
	(ab)	(if the <u>claim</u> is not with respect to a <u>long-term insurance contract</u>), a trustee of:
	(i)	an <u>occupational pension scheme</u> in relation to members' benefits which are <u>money-purchase benefits</u>; or
	(ii)	(unless (i) applies) an <u>occupational pension scheme</u> of an employer which is not a <u>large company</u>, <u>large partnership</u> or <u>large mutual association</u>; or
	(b)	carrying on the <u>regulated activity</u> of operating or winding up a stakeholder pension scheme (which is not an <u>occupational pension scheme</u>) or <u>personal pension scheme</u> .
...		
(12)		Persons who, in the opinion of the FSCS, are responsible for, or have contributed to, the <u>relevant person's</u> (or, where applicable, a <u>successor's</u>) default
...		

...

4.3 Exceptions: Circumstances where a person coming within COMP 4.2.2R may receive compensation

...

Protected investment business

- 4.3.9 R A *person* is eligible to claim compensation for claims made in connection with *protected investment business* if, at the date at which the *relevant person* (or, where applicable, a *successor*) is deemed to be *in default*, he:

...

...

5.2 What is a protected claim?

...

Claims in respect of successors

- 5.2.4 G Where a claim for compensation is in respect of a *claim* against a *successor*, the following rules apply to the *relevant person* for whose liabilities the *successor* has assumed responsibility (or to such *relevant person's* activities, as the case may be):

- (1) COMP 5.5.1R;
- (2) COMP 5.5.2R;
- (3) COMP 5.5.3R;
- (4) COMP 5.6.1R;
- (5) COMP 5.6.2R; and
- (6) COMP 5.7.2R.

...

5.7 Protected non-investment insurance mediation

...

- 5.7.3 G The *FSCS* will not cover a *claim* against an intermediary or a *successor* of an intermediary that meets the criteria of either *COMP 5.7.2R(2)(a)* or *COMP 5.7.2R(2)(b)* where the claimant was introduced to that intermediary by an intermediary that does not meet the criteria of either *COMP 5.7.2R(2)(a)* or *COMP 5.7.2R(2)(b)*.

...

6 Relevant persons and successors in default

6.1 Application and Purpose

...

Purpose

...

- 6.1.4 G To be eligible for compensation a claimant's claim must be against a *relevant person* (or, where applicable, a successor) in default: see COMP 3.2.1R(2).

...

After COMP 6.3 insert the following new section. The text is not underlined.

6.3A When is a successor in default?

- 6.3A.1 R (1) A *successor* is in default if:
- (a) the *FSCS* has determined it to be *in default* under COMP 6.3A.2R, COMP 6.3A.3R, or COMP 6.3A.4R, unless the claim is within (b); or
 - (b) (in relation to an *ICD claim* against a *successor* that is a *MiFID investment firm*):
 - (i) the *FCA* has determined it to be *in default* under COMP 6.3A.2R; or
 - (ii) a judicial authority has made a ruling that had the effect of suspending the ability of *eligible claimants* to bring *claims* against the *successor*, if that is earlier than (i).
- (2) If a *successor* is *in default* in relation to an *ICD claim* within (1)(b) it is to be deemed to be *in default* in relation to any other type of *protected claim*.
- 6.3A.2 R The *FSCS* (or, where COMP 6.3A.1R(1)(b)(i) applies, the *FCA*) may determine a *successor* to be *in default* when it is, in the opinion of the *FSCS* or the *FCA*:
- (1) unable to satisfy *protected claims* against it; or
 - (2) likely to be unable to satisfy *protected claims* against it.

- 6.3A.3 R The *FSCS* may determine a *successor* to be *in default* if it is satisfied that a *protected claim* exists (other than an *ICD claim* against a *successor* that is a *MiFID investment firm*), and the *successor* is the subject of one or more of the following proceedings in the *United Kingdom* (or of equivalent or similar proceedings in another jurisdiction):
- (1) the passing of a resolution for a creditors' voluntary winding up; or
 - (2) a determination by the *successor's Home State regulator* that the *successor* appears unable to meet *claims* against it and has no early prospect of being able to do so; or
 - (3) the appointment of a liquidator or administrator, or provisional liquidator or interim manager; or
 - (4) the making of an order by a court of competent jurisdiction for the winding up of a company, the dissolution of a partnership, the administration of a company or partnership, or the bankruptcy of an individual; or
 - (5) the approval of a company voluntary arrangement, a partnership voluntary arrangement, or an individual voluntary arrangement.
- 6.3A.4 R For *claims* arising in connection with *protected investment business*, *protected home finance mediation* or *protected non-investment insurance mediation*, the *FSCS* has the additional power to determine that a *successor* is *in default* if it is satisfied that a *protected claim* exists and:
- (1) the *FSCS* is satisfied that the *successor* cannot be contacted at its last place of business and that reasonable steps have been taken to establish a forwarding or current address, but without success; and
 - (2) there appears to the *FSCS* to be no evidence that the *successor* will be able to meet *claims* made against it.
- 6.3A.5 R For the purposes of sections 219(1A)(b) and (d) of the *Act* (Scheme manager's power to require information) whether a *successor* is unable or likely to be unable to satisfy claims is to be determined by reference to whether it is *in default*.

Amend the following as shown.

7 Assignment or subrogation of rights

...

7.2 How does the assignment of rights work?

- 7.2.1 R The *FSCS*:
- (1) ~~must or if the *FSCS* is subrogated automatically to the claimant's rights may make any payment of compensation to a claimant, in respect of a *protected deposit*, conditional on the claimant, in so far as able to do so, assigning the whole of his rights; and~~
 - (2) may make any payment of compensation to a claimant in respect of any ~~other~~ *protected claim* conditional on the claimant assigning the whole or any part of his rights;
- against any one or more of the *relevant person*, or against any third party, or both, or, where applicable, a *successor*, to the *FSCS* on such terms as the *FSCS* thinks fit.

...

Electronic assignment

- 7.2.3AA R Where the *FSCS* has paid compensation in respect of a *claim*, this has the effect that:
- (1) an assignment completed and signed electronically in a form prescribed by the *FSCS* will be deemed to satisfy the formalities for a valid legal assignment;
 - (2) production of a hard copy of the electronically signed assignment form is conclusive evidence (or, in Scotland, sufficient evidence) that the formalities of a legal assignment have been complied with and that a legal assignment has occurred; and
 - (3) an assignment completed electronically in the prescribed form is to be treated as having been made by writing under the hand of the assignor for the purposes of section 136 of the Law of Property Act 1925 and any other formal requirement.

...

7.3 Automatic subrogation

...

- 7.3.2 R The *FSCS's* powers in this section may be used:
- (1) separately or in any combination as an alternative and in substitution for the powers and processes elsewhere in this sourcebook; and/or
- ...
- (3) in relation to all or any part of a *protected claim* or class of *protected claim* made with respect to the *relevant person* (or, where applicable,

~~a successor); and/or .~~

- (4) ~~(where the FSCS uses its powers to administer the payment of compensation on behalf of, or to pay compensation or make a payment on account or an advance and recover from, a Non-UK Scheme or Other Funder (see COMP 15.1.14R)) in respect of all or part of any *protected deposit* which is compensatable by and/or recoverable from the Non-UK Scheme or Other Funder, and the FSCS may make different provision for those parts of a *protected deposit* (and references to paying compensation shall be treated as referring to making a payment, making a payment on account or making an advance as appropriate) (for the purposes of this section the terms "Non-UK Scheme" and "Other Funder" have the same meaning as in COMP 15.1.14R). [deleted]~~

...

Determinations by the FSCS

7.3.4 R ...

- (2) An instrument by which the FSCS makes the determination must specify the provision under which it is made, the date and time from which it takes effect and the *relevant person* (or, where applicable, a *successor*) and *protected claims*, parts of *protected claims* and/or classes of *protected claims* in respect of which it applies.

...

...

Rights and obligations against the relevant persons, successors and third parties

7.3.8 R The FSCS may determine that:

- (1) the payment of compensation by the FSCS; ~~and/or~~
- (2) ~~the following actions by the FSCS (under COMP 15.1.14R):~~
- (a) ~~administering the payment of compensation on behalf of;~~
~~and/or~~
- (b) ~~paying and/or making a payment on account of compensation~~
~~from;~~

~~a Non-UK Scheme or Other Funder; [deleted]~~

shall have all or any of the following effects:

- (3) the FSCS shall immediately and automatically be subrogated, subject to such conditions as the FSCS determines are appropriate, to all or any part (as determined by the FSCS) of the rights and claims in

the *United Kingdom* and elsewhere of the claimant against the *relevant person* (or, where applicable, a *successor*) and/or any third party (whether such rights are legal, equitable or of any other nature whatsoever and in whatever capacity the *relevant person* (or, where applicable, a *successor*) or third party is acting) in respect of or arising out of the *claim* in respect of which the payment of or on account of compensation was made;

- (4) the *FSCS* may claim and take legal or any other proceedings or steps in the *United Kingdom* or elsewhere to enforce such rights in its own name or in the name of, and on behalf of, the claimant, or in both names against the *relevant person* (or, where applicable, a *successor*) and/or any third party;
- (5) the subrogated rights and claims conferred on the *FSCS* shall be rights of recovery and claims against the *relevant person* (or, where applicable, a *successor*) and/or any third party which are equivalent (including as to amount and priority and whether or not the *relevant person* (or, where applicable, a *successor*) is insolvent) to and do not exceed the rights and claims that the claimant would have had; and/or
- (6) such rights and/or obligations (as determined by the *FSCS*) as between the *relevant person* (or, where applicable, a *successor*) and the claimant arising out of the *protected claim* in respect of which the payment was made shall be transferred to, and subsist between, another *authorised person* (or, where a *successor* is not an *authorised person*, an *authorised person*) with an appropriate *permission* and the claimant provided that the *authorised person* has consented (but the transferred rights and/or obligations shall be treated as existing between the *relevant person* (or where applicable, a *successor*) and the *FSCS* to the extent of any subrogation, transfer or assignment for the purposes of (3) to (5) and *COMP* 7.3.9R).

- 7.3.9 R The *FSCS* may alternatively or additionally make the actions in *COMP* 7.3.8R(1) ~~and (2)~~ conditional on the claimant assigning or transferring the whole or any part of all such rights as he may have against the *relevant person* (or, where applicable, a *successor*) and/or any third party ~~(including, for the avoidance of any doubt, any Non-UK Scheme or Other Funder)~~ on such terms as the *FSCS* determines are appropriate.

...

7.6 Recoveries: claims other than for protected deposits

...

- 7.6.5 G As an example of the circumstances which *COMP* 7.6.4R is designed to address, take two claimants, A and B.
- (1) Both A and B have a *protected investment business claim* of £60,000 against a *relevant person* (or, where applicable, a *successor*) in

default. The *FSCS* offers both claimants £50,000 compensation (the maximum amount payable for such claims under *COMP* 10.2.3R). A accepts immediately, and assigns his rights against the *relevant person* (or, where applicable, a *successor*) to the *FSCS*, but B delays accepting the *FSCS*'s offer of compensation.

- (2) In this example, the liquidator is able to recover assets from the *relevant person* (or, where applicable, a *successor*) in *default* and makes a payment of 50p in the pound to all the *relevant person's* or *successor's*, as appropriate, creditors. If the liquidator made the payment before any offer of compensation from the *FSCS* had been accepted, A and B would both receive £30,000 each from the liquidator, leaving both with a loss of £30,000 to be met by the *FSCS*. Both *claims* would be met in full.

...

...

8.2 Rejection of application for compensation

...

8.2.3 R The *FSCS* must reject an application for compensation if:

- (1) the *FSCS* considers that a civil claim in respect of the liability would have been defeated by a defence of limitation at the earlier of:
- (a) the date on which the *relevant person* (or, where applicable, a *successor*) is determined to be *in default*; and
 - (b) the date on which the claimant first indicates in writing that he may have a claim against the *relevant person* (or, where applicable, a *successor*);
- unless *COMP* 8.2.4R or *COMP* 8.2.4AR applies; or
- (2) the liability of the *relevant person* (or, where applicable, a *successor*) to the claimant has been extinguished by the operation of law, unless *COMP* 8.2.5R applies.

...

8.2.5 R For claims made in connection with *protected investment business* or *protected non-investment insurance mediation*, if a *relevant person* (or, where applicable, a *successor*), incorporated as a *company*, has been dissolved with the result that its liability to the claimant has been extinguished by operation of law, the *FSCS* must treat the claim, for the purposes of paying compensation, as if the *relevant person* or a *successor*, as appropriate, had not been dissolved.

...

9 Time limits on payment and postponing payment

...

9.2 When must compensation be paid?

...

9.2.2 R The *FSCS* may postpone paying compensation if:

...

(2) in the case of a *claim* relating to *protected investment business* which is not an *ICD claim* or a claim relating to *protected home finance mediation*, the *FSCS* considers that the claimant should first exhaust his rights against the *relevant person* (or, where applicable, a successor) or any third party, or make and pursue an application for compensation to any other *person*; or

(3) ~~in the case of a *claim* relating to a *protected contract of insurance*, the *FSCS* considers that the liability to which the *claim* relates or any part of the liability is covered by another *contract of insurance* with a solvent *insurance undertaking*, or where it appears that a *person*, other than the liquidator, may make payments or take such action to secure the continuity of cover as the *FSCS* would undertake; or~~
[deleted]

...

(5) the claimant has been charged with an offence arising out of or in relation to *money laundering*, and those proceedings have not yet been concluded; ~~or~~

(6) ~~the *claim* relates solely to a bonus provided for under a *protected contract of insurance* the value of which the *FSCS* considers to be of such uncertainty that immediate payment of compensation in respect of that bonus would not be prudent and a court has yet to attribute a value to such bonus.~~ [deleted]

9.2.3 R Notwithstanding *COMP* 9.2.2R(2), the *FSCS* may pay compensation to a claimant in respect of assets held by a *relevant person* (or, where applicable, a successor) if an insolvency practitioner has been appointed to the *relevant person* (or, where applicable, a successor), and:

...

...

10.2 Limits on compensation payable

...

- 10.2.2 G The limits apply to the aggregate amount of *claims* in respect of each category of *protected claim* that an *eligible claimant* has against the *relevant person* (or, where applicable, a *successor*). Consequently, a claimant who has, for example, a *claim* against a *relevant person* (or, where applicable, a *successor*) in connection with *protected investment business* of £40,000, and a further such *claim* of £20,000, will only receive the £50,000 limit.

10.2.3 Table Limits

This table belongs to COMP 10.2.1R

Type of claim	Level of cover	Maximum payment
<i>Protected deposit or protected dormant account</i> ⁴	100% of <i>claim</i>	£85,000 [Note: articles 7(1a) and 7(1b) of the Deposit Guarantee Directive]
<i>Protected contract of insurance when the contract is a relevant general insurance contract</i>	(1) Where the <i>claim</i> is in respect of a <i>liability subject to compulsory insurance</i> : 100% of <i>claim</i> ²	Unlimited
	(2) In all other cases: 90% of <i>claim</i>	Unlimited
<i>Protected contract of insurance when the contract is a long term insurance contract</i>	At least 90% of <i>claim</i> as determined in accordance with COMP 12	Unlimited
<i>Protected investment business</i>	100% of <i>claim</i>	£50,000
<i>Protected home finance mediation</i>	100% of <i>claim</i>	£50,000
<i>Protected non-investment insurance mediation</i>	(1) where the <i>claim</i> is in respect of a <i>liability subject to compulsory insurance</i> : 100% of <i>claim</i>	Unlimited
	(2) where the <i>claim</i> is in respect of: (a) a <i>relevant omission</i> ;	Unlimited

	<p><u>and</u></p> <p><u>(b) a professional indemnity insurance contract, or would be in respect of a professional indemnity insurance contract if the insurance contract had been effected:</u></p> <p><u>100% of claim</u></p>	
	<p><u>(3) where the claim is:</u></p> <p><u>(a) in respect of a relevant omission;</u></p> <p><u>(b) in respect of a relevant general insurance contract or would be in respect of a relevant general insurance contract if the insurance contract had been effected; and</u></p> <p><u>(c) arises from the death or incapacity of the policyholder owing to injury, sickness or infirmity:</u></p> <p><u>100% of claim</u></p>	<p><u>Unlimited</u></p>
	<p><u>(4) where the claim is in respect of:</u></p> <p><u>(a) a relevant omission; and</u></p> <p><u>(b) a pure protection contract, or would be in respect of a pure protection contract if the insurance contract had been effected:</u></p> <p><u>100% of claim</u></p>	<p><u>Unlimited</u></p>
	<p><u>(25) In all other cases:</u></p> <p><u>90% of claim</u></p>	<p><u>Unlimited</u></p>

...

- 10.2.5 G ~~COMP 12.4.1R and COMP 12.4.4R include~~ includes further limits relating to ~~Deposit Guarantee Directive claims and ICD claims~~ against certain *incoming EEA firms*. These reflect the ~~Deposit Guarantee Directive and Investor Compensation Directive/s Directive~~, under which compensation may be payable by the *incoming EEA firm's Home State* compensation scheme.

Claims in cases where there is a successor

- 10.2.5A R No claimant shall be eligible to make a claim under the *compensation scheme* in respect of both the *relevant person* and a *successor* in relation to the same loss.

...

11 Payment of compensation

...

11.2 Payment

To whom must payment be made

- 11.2.1A R If the *FSCS* determines that compensation is payable (or any recovery or other amount is payable by the *FSCS* to the claimant), it must pay it to the claimant, or if the *FSCS* so decides, as directed by the claimant, unless *COMP 11.2.2R* applies.

...

Form and method of paying compensation

- 11.2.3A R The *FSCS* may pay compensation in any form and by any method (or any combination of them) that it determines is appropriate including, without limitation:

...

- (4) by paying compensation to a *firm*, which makes a *claim* on behalf of its *clients*, if the *FSCS* is satisfied that:
- (a) the business of a *relevant person in default* has been transferred to the *firm*;
 - (b) each *client* has a *claim* against the *relevant person in default* arising out of a *shortfall in client money or safe custody assets* held by the *relevant person in default*;
 - (c) the *clients* in respect of which compensation is to be paid satisfy the conditions set out in *COMP 3.2.2R(1)*; and

- (d) the *firm* has agreed, on such terms as the *FSCS* thinks fit, to pay, or credit the accounts of, without deduction, each *client*, that part of the compensation due to him.

...

Paying full compensation in return for rights

- 11.2.9 R Where the *FSCS* considers that the conditions in *COMP* 11.2.4R are satisfied but, in relation to a class of *claim*, in order to provide fair compensation for the generality of such *claims* it would be appropriate to take the approach in (1) and (2) rather than pay an appropriate lesser sum in final settlement or make a payment on account, it may for that class of *claim*:
- (1) receive whether by assignment, transfer or operation of law the whole or any part of a claimant's rights against the *relevant person* (or, where applicable, a *successor*), or against any third party, or both on such terms as the *FSCS* thinks fit; and

...

...

12 Calculating compensation

...

12.2 Quantification: general

- 12.2.1A R The amount of compensation payable to the claimant in respect of any type of *protected claim* is the amount of his overall net *claim* against the *relevant person* (or, where applicable, a *successor*) at the *quantification date* and any reference in *COMP* to overall *claim* means "overall net *claim*" ~~or "overall gross *claim*" as appropriate.~~

...

- 12.2.3 G Where a liability of a *relevant person* (or, where applicable, a *successor*) to an *eligible claimant* could fall within more than one type of *protected claim* (see *COMP* 5.2.1R), for example a *claim* in connection with *money held* by an *MiFID investment firm* that is also a *credit institution*, the *FSCS* should seek to ensure that the claimant does not receive any further compensation payment from the *FSCS* in cases where the claimant has already received compensation from the *FSCS* in respect of that *claim*.

Overall net claim

- 12.2.4 R A claimant's overall *claim* is the sum of the *protected claims* of the same category that he has against a *relevant person* (or, where applicable, a *successor*) *in default*, less the amount of any liability which the *relevant person* or *successor*, as appropriate, may set off against any of

those *claims* (see *COMP* 10.2.2G).

...

Payments to the claimant

- 12.2.7A R The *FSCS* must take into account any payments to the claimant (including amounts recovered by the *FSCS* on behalf of the claimant) made by the *relevant person* (or, where applicable, a *successor*) or the *FSCS* or any other *person*, if that payment is connected with the *relevant person's* (or, where applicable, a *successor's*) liability to the claimant in calculating the claimant's overall *claim*.

...

12.3 Quantification date

Protected investment business

...

- 12.3.6 R For a *claim* made in connection with *protected investment business* which is an *ICD claim*, the *quantification date* is the date the *relevant person*, or, where applicable, a *successor*, is determined to be *in default*.

...

12.4 The compensation calculation

Protected investment business: general

...

- 12.4.4 R If the claimant has an *ICD claim* against an *incoming EEA firm* which is ~~an~~ a *MiFID investment firm* (including a *credit institution* which is ~~an~~ a *MiFID investment firm*) or, where applicable, a *successor* of such a *firm*, the *FSCS* must take account of the liability of the *Home State* compensation scheme in calculating the compensation payable by the *FSCS*.

...

12.6 Quantification: trustees, operators of pension schemes, persons winding up pension schemes, personal representatives, agents, and joint claims

Trustees, operators of pension schemes and persons winding up pension schemes

...

- 12.6.2A R If a claimant has a *claim*:
- (1) as the trustee of ~~a *small self-administered scheme* or an *occupational pension scheme* of an employer which is not a *large company*, *large partnership* or *large mutual association*~~ or the trustee or operator of,

or the *person* carrying on the *regulated activity* of winding up, a stakeholder pension scheme (which is not an *occupational pension scheme*) or *personal pension scheme*; and

- (2) for one or more members of a pension scheme (or, where relevant, the beneficiary of any member) whose benefits are, or include, *money-purchase benefits*;

the *FSCS* must treat the member or members (or, where relevant, the beneficiary of any member) as having the *claim*, and not the claimant (insofar as members' benefits are *money-purchase benefits*).

...

TP 1.1 Transitional Provisions Table

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook Provisions: coming into force
<u>1</u> [PRA]	COMP 5	R	<i>Protected claims</i>	Indefinitely	<i>Commencement</i>
			(1) <i>A claim for a protected deposit or under a protected contract of insurance includes a claim in respect of an article 9 default, subject to (2) [deleted]</i>		
			(2) <i>A claim must be treated as a claim in relation to a protected contract of insurance under COMP 5.4.5R if the conditions in article 9A or 710(1)(a) (d) of the compensation transitionals order are satisfied. [deleted]</i>		<i>Commencement but on 6 December 2006 for article 9A of the compensation transitionals order</i>
			(3) <i>A claim in connection</i>		

				with <i>protected investment business</i> includes a <i>claim</i> in respect of a <i>pending application</i> .		
			(4)	Where the <i>claim</i> is in respect of an <i>article 9 default</i> or a <i>pending application</i> , the <i>FSCS</i> must apply the rules of the <i>relevant former scheme</i> , as they applied to the default before commencement, unless (2) applies .		
			(5)	The rules of each <i>investment business compensation scheme</i> are amended so that references to the person managing the scheme are replaced by references to the <i>FSCS</i> .		
			(6)	The rules of the Friendly Societies Protection Scheme are amended so that: [deleted]		
			(a)	references to the person managing the scheme are replaced by references to the <i>FSCS</i>; and		
			(b)	References to functions conferred upon the Friendly Societies Protection Scheme Board are replaced by references to functions conferred upon the <i>FSCS</i>.		

			(7)	Where the default occurs after <i>commencement</i> , a <i>claim</i> for a <i>protected deposit</i> includes a <i>claim</i> that arose before <i>commencement</i> in respect of: <u>[deleted]</u>		
			(a)	a <i>deposit</i> within the meaning of the Banking Act 1987; and		
			(b)	a <i>claim</i> in respect of a <i>protected investment</i> within the meaning of section 27 of the Building Societies Act 1986.		
			(8)	Where the default occurs after <i>commencement</i> , a <i>claim</i> in connection with <i>protected investment business</i> includes a <i>claim</i> that could have been entertained under an <i>investment business compensation scheme</i> (provided that the person making the <i>claim</i> has not also made a <i>pending application</i> arising out of the same set of facts).		
2	COMP 13.5 and COMP 13.6	R	Expired			
3	COMP 13.4.6R and COMP 13.6.7R	R	Expired			
4	COMP 13.5.8R	R	Expired			
5	COMP 6.2.1R	R	Credit unions <u>[deleted]</u>	Indefinitely	<i>Commencement</i>	

[PRA]						
			<p>In relation to a <i>claim</i> or potential <i>claim</i> referred to in (1) or (2), a <i>relevant person</i> is also any credit union which:</p>			
			(1)	<p>becomes unable, or is likely to become unable, to satisfy <i>claims</i> against it which relate to <i>deposits</i> which were accepted before 2 July 2002; or</p>		
			(2)	<p>(a) has ceased to have <i>Part 4A permission</i> by virtue of article 3(4) of the Financial Services and Markets Act 2000 (Permission and Applications) (Credit Unions etc.) Order 2002 (SI 2002/704) (failure to comply with a direction to re-apply for <i>Part 4A permission</i>); and</p>		
				<p>(b) thereafter, becomes unable, or is likely to become unable, to satisfy <i>claims</i> against it which relate to <i>deposits</i> which were accepted on or after 2 July 2002 but before the date on which it ceased to have <i>Part 4A permission</i>.</p>		
6 [PRA]	COMP 6.2.1R	G	<p>In consequence of transitional provision 5R, compensation can be provided: [deleted]</p>			
			(a)	<p>in respect of a credit union which is unable,</p>		

				or likely to become unable, to satisfy claims for protected deposits accepted before 2 July 2002; and		
			(b)	where a credit union has ceased to hold a <i>Part 4A permission</i> (because of failure to comply with a direction to re-apply for the <i>Part 4A permission</i>), for protected deposits accepted on or after 2 July 2002 but before the date at which it ceased to have the <i>Part 4A permission</i> .		
7 [PRA]	COMP 6.2.1R	G		In consequence of transitional provision 5R(1), a credit union becomes a <i>relevant person</i> in respect of deposits accepted before 2 July 2002. [deleted]		
8 [PRA]	Amendments introduced by the Compensation Sourcebook (Amendment No.2) Instrument 2003.	R		Provisions and definitions arising out of (2) only apply to defaults, or circumstances giving rise to arrangements made under COMP 3.3.1 R or to measures taken under COMP or to measures taken under COMP 3.3.3R, occurring after the date in (6) [deleted]	Indefinitely	1 December 2003
9	COMP 13.6.8R	R		[Expired]		
10	COMP 5.7.1R, COMP 13.4.7R and COMP 13.6.9R	R		[deleted]		
11	FEES 6.3.1R, FEES 6.3.22R, FEES 6.4.8R, FEES 6.4.6R,	R		[deleted]		

	<i>FEES</i> 6.5.1R and <i>FEES</i> 6.5.6R				
12	<i>FEES</i> 6.5.7R(4), <i>FEES</i> 6.3.22R, <i>FEES</i> 6.4.6R, <i>FEES</i> 6.4.8R, <i>FEES</i> 6.5.1R, and <i>FEES</i> 6.5.6R	R	[deleted]		
13	<i>FEES</i> 6.5.7R(4), <i>FEES</i> 6.5.10R, and <i>FEES</i> 6.5.13R(2)	R	[deleted]		
14	<i>FEES</i> 6.5.7R(5), <i>FEES</i> 6.5.11R, and <i>FEES</i> 6.5.13R(2)		[deleted]		
15 [PRA]	<i>COMP</i> 5.4.4R(4)(a) and <i>COMP</i> 5.4.4R(4)(b)	R	The changes to <i>COMP</i> 5.4.4R(4) made in the Compensation Sourcebook (Amendment No 7) Instrument 2006 do not apply in relation to defaults declared before 6 June 2006. [deleted]	Indefinitely	6 June 2006
16 [PRA]	<i>COMP</i> 10.2.3 R	R	The change to the limit for <i>protected deposits</i> made by the Compensation Sourcebook (Protected Deposits Limit) Instrument 2007 does not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 1 October 2007. [deleted]	From 1 October 2007 indefinitely	Amended with effect from 1 October 2007
17 [FCA] [PRA]	Amendments introduced by the Compensation Sourcebook (Amendment No 8) Instrument	R	Provisions and definitions arising out of (2) only apply to defaults on or occurring after 7 October 2008	From 7 October 2008 indefinitely	7 October 2008

	2008				
18 [PRA]	COMP 10.2.3R	R	The change to the limit for <i>protected deposits</i> made by the Compensation Sourcebook (Deposit Guarantee Schemes Directive Amendments) Instrument 2009 does not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 30 June 2009. [deleted]	From 30 June 2009 indefinitely	30 June 2009
19 [FCA] [PRA]	Amendments to COMP 10.2.3R introduced by the Financial Services Compensation Scheme (Limits Amendment) Instrument 2009	R	Provisions and definitions arising out of (2) only apply to defaults on or occurring after 1 January 2010.	From 1 January 2010 indefinitely	1 January 2010
20 [PRA]	COMP 4.3.1R	R	The change to the eligibility requirements for claimants for <i>protected deposits</i> made by the Financial Services Compensation Scheme (Banking Compensation Reform) Instrument 2009 does not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 1 August 2009. [deleted]	From 1 August 2009 indefinitely	1 August 2009
21	COMP 17.3 and COMP 17.2.7R	R	[deleted]		
22	COMP 17.3	R	[deleted]		
23	COMP 17.3.10R and COMP 17.3.12R	R	[deleted]		
24	COMP 10.2.3R	R	The change to the limit for <i>protected deposits</i> made by the	From 31 December	31 December 2010

[PRA]			Compensation Sourcebook (Deposit Guarantee Schemes Directive Amendments) (No 2) Instrument 2010 does not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 31 December 2010. [deleted]	2010 indefinitely	
25 [FCA] [PRA]	COMP 12.2.1R and COMP 12.2.6AR and the <u>The</u> amendment of all references in <i>COMP</i> (other than in COMP 12.2.1R and the heading in respect of <i>COMP</i> 12.2.4R) to “overall net <i>claim</i> ” to “overall <i>claim</i> ”	R	The changes referred to in (2) made by the Financial Services Compensation Scheme (Banking Compensation Reform) Instrument 2009 do not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 31 December 2010.	From 31 December 2010 indefinitely	From 31 December 2010
26 [PRA]	<i>COMP</i> 12.3.1R and <i>COMP</i> 15.1.12R	R	The changes referred to in (2) made by the Financial Services Compensation Scheme (Banking Compensation Reform) Instrument 2009 do not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 31 December 2010. [deleted]	From 31 December 2010 indefinitely	From 31 December 2010
27 [FCA] [PRA]	<i>COMP</i> 4.2.2R(9)	R	The changes referred to in (2), made by the Compensation Sourcebook (Occupational Pension Scheme Trustees) Instrument 2011 do not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 1 October 2011.	From 1 October 2011 indefinitely	From 1 October 2011
28 [PRA]	<i>COMP</i> 16.3	R	A Northern Ireland credit union need not comply with <i>COMP</i> 16.3 until 30	From 31 March 2012 until 30 September	For Northern Ireland credit unions 31

			September 2013. <u>[deleted]</u>	2013	March 2012
29	COMP 17	R	[deleted]		
30	COMP 17.3 and COMP 17.2.7R	R	[deleted]		
31	COMP 17.3	R	[deleted]		
32	COMP 17.3.10R and COMP 17.3.12R	R	[deleted]		
33 [FCA] [PRA]	Amendments introduced by Annex A and Part 1 of Annex B of the Compensation Sourcebook (Amendment No 9) Instrument 2012.	R	The changes referred to in (2) do not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 1 October 2012. Notwithstanding the above: (a) to the extent that the provisions changed apply to protected deposits, all the changes in (2); and (b) the changes to COMP 12.2.10R; apply irrespective of when the default occurred.	From 1 October 2012 indefinitely	From 1 October 2012
34 [FCA]	Amendments introduced by the Compensation Sourcebook (Investments by Large Unincorporated Associations and Certain Large Partnerships) Instrument 2013	R	The changes referred to in (2) do not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 13 December 2013.	From 13 December 2013 indefinitely	From 13 December 2013
35	All the <i>rules</i> and <i>guidance</i> in COMP applicable to	R	The <i>compensation scheme</i> does not provide cover for <i>claims</i> in respect of any mortgage mediation activity relating to a	From 21 March 2016 indefinitely	Not applicable

	<i>protected home finance mediation</i>		<i>second charge regulated mortgage contract if:</i> (1) the <i>relevant person</i> was in <i>default</i> before 21 March 2016; or (2) the basis for the <i>claim</i> arose before 21 March 2016.		
35 [PRA]	Amendments introduced by the Compensation Sourcebook (Large Unincorporated Associations) Instrument 2013	R	The changes referred to in (2) do not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before 17 December 2013. [deleted]	From 17 December 2013 indefinitely	From 17 December 2013.
36 [PRA]	COMP 17.2.1R and COMP 17.2.3R	R	The rules referred to in (2) only apply on or after 18 March 2014 in relation to changes to <i>eligible claimants</i> resulting from the Compensation Sourcebook (Large unincorporated associations) Instrument 2013. [deleted]	From 17 December 2013 to 17 March 2014	16 December 2013
37	<u>COMP 10.2.3R(2), (3) and (4)</u>	R	<u>The rules referred to in (2) do not apply in relation to a <i>claim</i> against a <i>relevant person</i>, or against a <i>successor</i>, that was <i>in default</i> before 29 April 2016. Instead, COMP 10.2.3R(5) will continue to apply to such <i>claims</i>.</u>	From 29 April 2016 indefinitely	<u>29 April 2016</u>
38	<u>COMP 4.2.2R(4), COMP 4.2.2R(9) and COMP 12.6.2AR</u>	R	<u>The changes referred to in (2) do not apply to a <i>claim</i> against a <i>relevant person</i>, or against a <i>successor</i>, that was <i>in default</i> before 29 April 2016.</u>	From 29 April 2016 indefinitely	<u>29 April 2016</u>
39	<u>Amendments introduced by the Compensation</u>	R	<u>Where a <i>claim</i> is against a <i>successor</i> that is not an <i>authorised person</i>, provisions and definitions arising out of</u>	From 29 April 2016 indefinitely	<u>29 April 2016</u>

	<u>Sourcebook (Amendment No 10) Instrument 2016</u>		<u>(2) only apply if the default occurs on or after 29 April 2016 and the transfer, under which the <i>successor</i> assumed responsibility for liabilities arising from acts or omissions of the <i>relevant person</i>, occurred on or after 1 April 2013.</u>		
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Sch 2 Notification requirements

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Sch 2.2G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
COMP 2.2.7R	Default of relevant person <u>relevant person or successor</u>	Not specified - although FSCS <u>the FSCS</u> must take appropriate steps to ensure claimants are informed about how they can claim compensation	default of a relevant person <u>relevant person or successor</u>	Not specified - but as soon as practicable after determining default
...				



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25 The North Colonnade Canary Wharf
London E14 5HS
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk
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