

Telephone: 020 7066 9346

Email: enquiries@fs-cp.org.uk

Joanna Heard
Redress Policy
Conduct Business Unit
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

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Dear Joanna

CP11/29 - Deposit protection: Raising consumer awareness**

This is the Financial Services Consumer Panel's response to CP11/29** covering proposals to increase consumer awareness of deposit protection.

Overview

The Panel strongly supports the intention to continue efforts to raise consumer awareness of the deposit protection arrangements and any limits which apply. We are therefore broadly supportive of the proposals outlined in the consultation, although do have a number of detailed comments which we have outlined in our response to the individual questions. In particular, we believe it is important that the proposed stickers, posters and leaflets provide consumers with the right information and do not mislead consumers about the level of protection available.

Although the Panel is broadly supportive of the proposals included in CP11/29, we do have a number of more substantial concerns about the current deposit protection arrangements.

The Panel continues to believe that cover should be provided per brand on a trading name basis. We think it is unreasonable and unrealistic to expect customers to realise which firms form part of an 'FSA authorised institution'. We believe per brand cover will benefit consumers by allowing them to easily understand with whom they are contracting and how much compensation cover they have.

The Panel also believes that the £85,000 protection limit should be increased for consumers with temporary high balances. We suggest the cover should be extended for temporary high balances up to £1million. This will ensure consumers with large short-term balances, perhaps because they are in the process of purchasing a house, are covered by the deposit protection arrangements.

Detailed questions

Q1: Do you believe that it is important for consumer confidence and financial stability that UK consumers should be made aware of deposit protection? If so, do you agree with the aims set out above for additional measures?

The Panel supports the intention to raise consumer awareness of the deposit protection arrangements and the aims of the additional measures set out in the consultation. However, we believe it is essential that consumer confidence in the level of deposit protection available is not misplaced. We remain concerned that the current system of providing protection by authorised institution creates complexity and consumer confusion. We have included in *Annex A* a list of FSA authorised institutions taken from the FSA's website. Assuming consumers were able to locate this webpage, we do not believe this adequately helps consumers determine whether their deposits are fully covered by the compensation arrangements.

The Panel believes it would be more logical and sensible, from a consumer perspective, for the compensation limit to be applied per brand on a trading name basis as this is how accounts are sold and the basis on which customers buy them. It would also make for clearer statements about the level of consumer protection in the event of a future bank failure. We recognise concerns that cover on a trading name basis would encourage proliferation of brands under a single authorised entity, but believe this can be overcome by requiring banking brands to be separately authorised.

In addition to providing cover on a trading name basis, the Panel continues to believe that cover should be provided for temporary high balances, where a consumer's deposits exceed the £85,000 limit for a short time. The Panel advocates extending cover for temporary high balances up to £1million to provide cover for consumers who, for example, are in the process of purchasing a house or have recently received a large inheritance.

Q2: Do you have any comments on the proposed statement to be included in FSCS posters and stickers?

The Panel is broadly supportive of the proposal to require all stickers and posters designed to raise awareness of the Financial Services Compensation Scheme (FSCS) to contain a consistent statement. However, we believe the proposed paragraph could confuse and mislead consumers' understanding of the level of protection available. It is unclear, from reading the proposed statement, whether the limit applies to monies held in one single account; all deposits held with a single bank; or to all accounts held with firms within a banking group.

As we outlined in our response to question 1, we continue to believe cover should be provided on a trading name basis. In the absence of this level of cover, we believe the statement should be customised for each deposit taker so that it clearly outlines how the limit applies across their company group. We suggest the following statements better reflect the cover provided and should help avoid consumer confusion:

For non-shared licences

'The first £85,000 saved per person in this bank is protected by the UK Financial Services Compensation Scheme. Any deposits you hold above this amount are not covered.'

For shared licences

'The first £85,000 saved per person in this bank is protected by the UK Financial Services Compensation Scheme. This limit is shared across the following brands: AAAAAA; BBBBBB; and CCCCCC. Any deposits you hold above this amount between these brands are not covered.'

The Panel appreciates that requiring stickers to be customised for each deposit taker will be more expensive than producing a standard sticker for use across all banking institutions. However, we believe the increase in cost is proportionate to the benefits of ensuring the stickers do not confuse or mislead consumers.

Q3: Is the information set out above the right information to include in the FSCS information leaflets for consumers to take away? If not, what information should (or should not) be provided?

The Panel agrees that all the information outlined in the consultation should be included in the FSCS leaflet. We also suggest information should be provided which helps consumers establish whether their deposit taker is covered by the FSCS. Given customers could hold deposits with EEA branches, where cover is provided by the EEA home state protection scheme, we believe the leaflets provide a good opportunity to help consumers establish which firms are 'members' of the FSCS and which are covered by other EEA protection schemes.

We encourage both the FSA and FSCS, when developing the leaflets, to ensure they are clear and easy for consumers to understand. In particular, we believe the leaflets should be free of complex terminology or jargon. With consumers being provided with increasing volumes of information about financial services, this should help ensure the leaflets are accessible documents and help raise awareness of the FSCS.

Q4: How should EEA deposit takers stickers and posters be produced? Should EEA deposit takers produce their own stickers and posters or should we require firms to follow a template?

The Panel advocates requiring EEA deposit takers to produce stickers and posters in line with a standardised template. A consistent approach across the industry should help raise consumer awareness of deposit protection and is in line with the FSA's stated aim of offering 'consumers clear, accessible, accurate and consistent information'. However, as outlined in our response to question 2, we believe the stickers should be customised for each deposit taker. The Panel proposes that the following statement template should be used by EEA deposit takers:

'Your deposits are NOT protected by the UK Financial Services Compensation Scheme. Instead, the first €100,000 per person saved in this bank is protected by

the [insert home state name]. You would need to liaise with it in the event of any claim. Any deposits you hold above this amount are not covered.'

The Panel is not aware of any deposit takers that both passport into the UK and operate multi-brand protection. However, where any such firm exists, we would expect this proposed statement to be customised to reflect this.

Q5: Have we identified the most appropriate ways for firms to display the stickers and posters in branches?

The Panel agrees that the stickers and posters should be displayed prominently in branches and stores. However, given the significant size of some city bank branches, we believe it may be appropriate to display the information in both cashier windows and on branch posters. As currently worded, the consultation suggests firms will only need to display the information in either a cashier window or on a branch poster.

We also suggest that the FSA should require firms to prominently place a sticker or poster in individual consultation areas within branches. It is common practice for new deposit accounts to be opened away from a main cashier desk in a separate office or at a personal banker's desk. Given consumers are more likely to be receptive to information at the point they open an account or make a significant deposit, we believe it is essential that the stickers and posters are also displayed in these areas.

The Panel also believes it is important for the FSA to clarify that these stickers and posters are not a substitute for well trained and knowledgeable staff. It is essential that all front-line staff, in both branches and telephone support centres, are able to help consumers understand the deposit protection arrangements and answer any reasonable questions consumers may have.

Q6: Do you agree that deposit takers should also display the specified deposit protection information on their websites?

Over the past few years, the number of people banking online has grown significantly. This is a trend which is widely expected to continue, with fewer people visiting a bank branch. For this reason, the Panel strongly supports the requirement for deposit takers to display depositor protection information on their website. To avoid confusion, we believe the FSA should clearly specify that this requirement also applies to mobile banking sites which are accessed through mobile handsets or tablet computers.

In addition to requiring firms to display the information prominently on all web pages where deposit takers advertise new accounts, we suggest the FSA should require this information to be displayed on firms' main homepage and internet banking sites. This will help ensure the information reaches not only prospective new customers, but also existing customers.

The Panel also believes that firms should be required to display this information as part of an electronic account application process, where consumers are unable to proceed with their application without reading information about the deposit protection arrangements. As we have outlined in our response to question 5,

consumers are more likely to be receptive to this information at the point they open an account or make a significant deposit. To achieve the aim of raising consumer awareness of the deposit protection arrangements, it is important to ensure this information is provided at an appropriate time.

Q7: Do you have any comments on the draft rules?

The Panel do not have any specific comments beyond those outlined in our response to questions 1 to 6.

Q8: Do you agree with the proposed three-month implementation period for firms?

The Panel do not see any reason to unnecessarily delay the implementation of the proposals; especially as they do not require the industry to implement significant system changes. We therefore support a three-month implementation period.

Q9: Do you have any comments on our analysis of the costs and benefits of the proposals?

The Panel has no specific comments on the cost-benefit analysis.

Yours sincerely,

Adam Phillips
Chairman

ANNEX A – LINKED DEPOSIT PROTECTION – TAKEN FROM THE FSA’S WEBSITE (CORRECT AS AT 1 NOVEMBER 2011)

Linked deposits for the purposes of the Financial Services Compensation Scheme (FSCS)

This table lists the largest UK deposit takers, and how we have authorised them. It shows how the Financial Services Compensation Scheme (FSCS) limits would apply for most customers; it is not a complete list of deposit takers covered by the FSCS.

If a bank or building society authorised by the FSA is unable to pay back deposits held with it, the FSCS can pay 100% of the first £85,000 of an eligible depositor's claim, per authorised institution. FSCS protects private individuals and some small businesses. For further information relating to FSCS and its eligibility criteria, please visit www.fscs.org.uk. In the table below, authorised institutions are listed in the second column.

If your bank or building society is not on the list and you would like information about how it is authorised, please speak to your bank which should be able to advise you.

If a person holds accounts with two or more firms covered by a single authorisation – for example two or more firms in the fourth column covered by the same Firm Reference Number (FRN) – then the FSCS will only pay up to the maximum limit of £85,000 in total, regardless of how many different institutions a person holds accounts with and/or the number of accounts that they hold.

In the case of customers with joint accounts, FSCS will assume that the money in that account is split equally unless there is evidence to suggest otherwise. This means that each account-holder in a joint account would be eligible for compensation up to the maximum limit of £85,000.

Regardless of the brand, a firm must disclose who ultimately holds deposits on your behalf. This information can be found in the firms' product information and regular correspondence.

Important information:

- The information in this table is correct as at 1 November 2011.
- This table lists only the deposit-taking parts of groups and is not a complete group structure.
- Deposit takers authorised in other EEA countries are not included here unless they are separately authorised by the FSA.
- This is not a complete list of deposit takers covered by the FSCS.

Group	FSA authorised institution	FRN	Brands covered by this authorisation
Allied Irish Banks plc	AIB Group (UK) plc	122088	AIB (GB)

Allied Irish Banks plc	AIB Group (UK) plc	122088	AIB Group (UK) plc
Allied Irish Banks plc	AIB Group (UK) plc	122088	AIB (GB) Savings Direct
Allied Irish Banks plc	AIB Group (UK) plc	122088	First Trust Bank
Alpha Bank London Ltd	Alpha Bank London Ltd	135327	Alpha Bank London Ltd
Bank of Ireland (UK)	Bank of Ireland (UK) plc	512956	Bank of Ireland (UK) plc
Bank of Ireland (UK)	Bank of Ireland (UK) plc	512956	Post Office savings products provided by BoI (UK) plc
Barclays plc	Barclays Bank Trust Company Limited	119184	Barclays Bank Trust Company
Barclays plc	Barclays Bank Trust Company Limited	119184	Barclays Personal Investment Management
Barclays plc	Barclays Bank plc	122702	Barclays Bank plc
Barclays plc	Barclays Bank plc	122702	Barclays International Private Bank
Barclays plc	Barclays Bank plc	122702	Barclays Premier
Barclays plc	Barclays Bank plc	122702	Standard Life Bank plc

Citi	Citibank International plc	122342	Citibank International
Citi	Citibank NA	124704	Citibank
Citi	Egg Banking plc	205621	Egg
Co-operative Bank plc	The Co-operative Bank plc	121885	Britannia
Co-operative Bank plc	The Co-operative Bank plc	121885	Co-operative Bank plc
Co-operative Bank plc	The Co-operative Bank plc	121885	smile
Co-operative Bank plc	Unity Trust Bank plc	204570	Unity Trust Bank plc
Coventry Building Society	Coventry Building Society	150892	Coventry Building Society
Coventry Building Society	Coventry Building Society	150892	Stroud & Swindon
FBN (UK) Ltd	FBN (UK) Ltd	216772	FBN (UK) Ltd
			FirstSave
HSBC	HFC Bank Ltd	204483	HFC Bank Ltd
HSBC	HSBC Bank plc	114216	HSBC
HSBC	HSBC Bank plc	114216	First Direct

HSBC	HSBC Private Bank (UK) Ltd	124781	HSBC Private Bank UK Ltd
HSBC	HSBC Trust Company (UK) Limited	119297	HSBC Trust Company
HSBC	Marks & Spencer Financial Services plc	151427	Marks & Spencer Financial Services plc
Investec Bank plc	Investec Bank plc	172330	Investec Bank Ltd
Investec Bank plc	Investec Bank plc	172330	Investec Structured Products
Leeds Building Society	Leeds Building Society	164992	Leeds Building Society
Lloyds Banking Group plc	AMC Bank Ltd	204591	AMC Bank Ltd
Lloyds Banking Group plc	Bank of Scotland plc	169628	AA Savings
Lloyds Banking Group plc	Bank of Scotland plc	169628	Bank of Scotland
Lloyds Banking Group plc	Bank of Scotland plc	169628	Bank of Scotland Private Banking
Lloyds Banking Group plc	Bank of Scotland plc	169628	Birmingham Midshires
Lloyds Banking Group plc	Bank of Scotland plc	169628	Capital Bank
Lloyds Banking Group plc	Bank of Scotland plc	169628	Halifax
Lloyds Banking Group plc	Bank of Scotland plc	169628	Intelligent Finance

Lloyds Banking Group plc	Bank of Scotland plc	169628	Saga
Lloyds Banking Group plc	Bank of Scotland plc	169628	St James's Place Bank
Lloyds Banking Group plc	Lloyds TSB Bank plc	119278	Cheltenham & Gloucester Savings
Lloyds Banking Group plc	Lloyds TSB Bank plc	119278	Lloyds TSB Group plc
Lloyds Banking Group plc	Lloyds TSB Private Banking Ltd	122626	Lloyds TSB Private Banking Ltd
Lloyds Banking Group plc	Lloyds TSB Scotland plc	191240	Lloyds TSB Scotland plc
Lloyds Banking Group plc	Scottish Widows Bank plc	201601	Scottish Widows Bank plc
J Sainsbury plc / Lloyds Banking Group plc (Sainsbury's Bank plc is a joint venture between these companies)	Sainsbury's Bank plc	184514	Sainsbury's Bank plc
J Sainsbury plc / Lloyds Banking Group plc (Sainsbury's Bank plc is a joint venture between these companies)	Sainsbury's Bank plc	184514	Sainsbury's Finance
National Australia Group Ltd	Clydesdale Bank plc	121873	Clydesdale Bank plc
National Australia Group Ltd	Clydesdale Bank plc	121873	Yorkshire Bank
Nationwide Building Society	Nationwide Building Society	106078	Cheshire Building Society <i>(note: the FSCS does not apply to Cheshire's)</i>

			<i>Isle of Man branch)</i>
Nationwide Building Society	Nationwide Building Society	106078	Derbyshire Building Society
Nationwide Building Society	Nationwide Building Society	106078	Dunfermline Building Society
Nationwide Building Society	Nationwide Building Society	106078	Nationwide Building Society
Northern Rock plc	Northern Rock plc	503963	Northern Rock plc
Royal Bank of Scotland plc	Adam & Company plc	114724	Adam & Company plc
Royal Bank of Scotland plc	Coutts and Company	122287	Coutts and Co
Royal Bank of Scotland plc	National Westminster Bank plc	121878	National Westminster Bank plc
Royal Bank of Scotland plc	The Royal Bank of Scotland plc	121882	Child & Co
Royal Bank of Scotland plc	The Royal Bank of Scotland plc	121882	Direct Line (<i>savings only</i>)
Royal Bank of Scotland plc	The Royal Bank of Scotland plc	121882	Drummonds
Royal Bank of Scotland plc	The Royal Bank of Scotland plc	121882	Holt's
Royal Bank of Scotland plc	The Royal Bank of	121882	Lombard

	Scotland plc		
Royal Bank of Scotland plc	The Royal Bank of Scotland plc	121882	The One Account
Royal Bank of Scotland plc	The Royal Bank of Scotland plc	121882	The Royal Bank of Scotland plc
Royal Bank of Scotland plc	Ulster Bank Ltd	122315	Ulster Bank Ltd
Santander UK plc	Cater Allen Ltd	178737	Cater Allen Ltd
Santander UK plc	Santander UK plc	106054	Alliance & Leicester Commercial Bank
Santander UK plc	Santander UK plc	106054	Alliance & Leicester plc
Santander UK plc	Santander UK plc	106054	Cahoot
Santander UK plc	Santander UK plc	106054	Santander
Santander UK plc	Santander UK plc	106054	Santander Corporate Banking
Skipton Building Society	Skipton Building Society	153706	Chesham Building Society
Skipton Building Society	Skipton Building Society	153706	Scarborough Building Society
Skipton Building Society	Skipton Building Society	153706	Skipton Building Society
Standard Chartered Bank	Standard Chartered Bank	114276	Standard Chartered Bank

Tesco Personal Finance Group Ltd (228246)	Tesco Personal Finance plc	186022	Tesco Personal Finance plc
Tesco Personal Finance Group Ltd (228246)	Tesco Personal Finance plc	186022	Tesco Bank
Tesco Personal Finance Group Ltd (228246)	Tesco Personal Finance plc	186022	Tesco Banking & Insurance
Yorkshire Building Society	Yorkshire Building Society	106085	Barnsley Building Society
Yorkshire Building Society	Yorkshire Building Society	106085	Chelsea Building Society
Yorkshire Building Society	Yorkshire Building Society	106085	Egg Banking
Yorkshire Building Society	Yorkshire Building Society	106085	Norwich & Peterborough Building Society
Yorkshire Building Society	Yorkshire Building Society	106085	Yorkshire Building Society