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Depositor Protection responses  
Joanna Bibby-Scullion & Rosie Kameen  
Prudential Regulation Authority  
20 Moorgate  
London EC2R 6DA

19 December 2014

Dear Joanna and Rosie

## **CP20/14 – Depositor Protection**

This is the Financial Services Consumer Panel's response to the Prudential Regulation Authority's consultation paper setting out the PRA's approach to implementing the recast Deposit Guarantee Scheme (DGS).

The Panel considers the Financial Services Compensation Scheme to be an essential consumer protection mechanism. We support the aim to facilitate effective and prompt payment of compensation and improve depositor confidence.

### **Temporary high balances (THBs)**

The Panel has long argued that compensation arrangements should be enhanced in relation to temporary high balances, and so we welcome the PRA's proposals.

We do not agree, however, with the categories of deposits set out in the proposed rules. Whilst we understand that the criteria are set out in the recast DGS Directive, we do not believe it is right to exclude some temporary high balances, for example windfalls from lottery wins, from the enhanced protection. The Panel is concerned that people with non-qualifying THBs may not realise their full balance is not covered. If the criteria remain, then it must be made very clear to individuals how much of their balance will be covered in the event their bank defaults.

The Panel also disagrees that a limit of £1 million should be set for additional protection in relation to THBs. This limit seems completely arbitrary. Moreover, if a £1 million limit would cover approximately 99% of house sales in England and Wales and 92% in London, then it would surely cost very little to provide unlimited protection, and the message to consumers would be much clearer.

The Panel agrees that six months for the additional protection is likely to allow depositors sufficient time to split their balances between institutions. We also agree that the need to provide proof of any THB to the FSCS should not delay the payout of the first £85,000 within the faster payout deadline.

### **Disclosure**

The PRA disclosure requirements for firms in the event of planned mergers, ensures that depositors are given notice to transfer funds accordingly, but this does not help with existing brand or trading name issues which consumers may not be aware of.

The Panel still believes that it is unreasonable for consumers to realise which firms or trading names form part of a wider company group. Cover per brand would be more logical and sensible as this is how products are sold and the basis upon which consumers buy them. We are disappointed that the Government has not taken this opportunity to provide deposit protection cover on a trading name basis rather than by 'FCA authorised institution'.

The Panel welcomes the proposed revision to FSCS posters and stickers to reflect the THB coverage, but we hope financial institutions will go further than this, wherever possible speaking to depositors with high balances to ensure they are aware of the restrictions. All relevant information should also be much more visible on websites such as the Money Advice Service.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Lewis', written in a cursive style.

Sue Lewis  
Chair  
Financial Services Consumer Panel