

Telephone: 020 7066 9346

Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

Dirk Haubrich  
Recovery, Resolution & Redress Policy  
Financial Services Authority

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Dear Dirk

## **CP12/16 - FSCS Funding Model Review**

This is the Financial Services Consumer Panel's response to the Financial Services Compensation Scheme (FSCS) Funding Model Review.

The Panel considers the FSCS and compensation scheme arrangements to be an essential consumer protection mechanism. It is fundamentally important for consumers to have confidence that they are adequately protected in the event that any firm they trust to look after their finances fails.

The Panel recognises the FSA has undertaken significant work to determine the most appropriate funding model for the FSCS. While there is no perfect way to allocate these costs amongst practitioners, we are pleased that the overriding priority has been to ensure the protection afforded to consumers is not undermined and the FSCS is able to raise funds to meet the cost of any claims in a timely and efficient manner. We urge the FSA to ensure this remains the central consideration when refining the proposals following feedback to this consultation.

As you may be aware, the Panel has long argued that the compensation arrangements need enhancing in a number of key areas to ensure they provide an appropriate degree of protection for consumers. We would therefore like to take the opportunity afforded by this consultation to highlight three important changes we believe should be made to the FSCS arrangements:

- Firstly, provide deposit protection cover by brand on a trading name basis rather than by 'FSA authorised institution'. We think it is unreasonable to expect customers to realise which firms form part of a wider company group. Cover per brand is more logical and sensible as this is how products are sold and the basis on which consumers buy them. This would also make for clearer statements about the level of consumer protection in the event of a future bank failure. Of course we recognise that this is currently being considered at an EU level.
- Secondly, the £85,000 deposit protection limit should be increased for consumers with temporary high balances to protect consumers who are, for example, in the process of purchasing a house.
- Finally, a consistent compensation limit should be applied across all Self-invested Personal Pensions (SIPPs). The current position, whereby the limit differs

between insured and trust-based schemes creates an anomaly which must be addressed. We urge the FSA to bring about consistency for all SIPP's and implement a compensation limit appropriate to the level of funds which a consumer could accumulate over their working life. The Panel believes it is wholly unfair for pension savers to be exposed to substantial losses, which could represent a lifetime's savings and could not be realistically recouped.

We encourage the FSA to consider the implications of introducing these changes now; as part of its work in relation to the FSCS funding model.

Yours sincerely,

Adam Phillips  
Panel Chair