



# Compensation

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(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
			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 claim has not also made <i>pending application</i> arising out of the same set of facts).		
2	COMP 13.5 and COMP 13.6	R	Expired		
3	COMP 13.4.6 R and COMP 13.6.7 R	R	Expired		
4	COMP 13.5.8 R	R	Expired		
5	COMP 6.2.1 R	R	Credit unions	Indefinitely	<i>Commencement</i>
			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:		
			(1) 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		
			(2) (a) has ceased to have <i>Part IV permission</i> by virtue of article 3(4) of the Financial Services and Markets Act 2000 (Per-		

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			mission and Applications) (Credit Unions etc.) Order 2002 (SI 2002/704) (failure to comply with a direction to re-apply for <i>Part IV permission</i> ); and		
			(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 IV permission</i> .		
6	COMP 6.2.1 R G		In consequence of transitional provision 5R, compensation can be provided:		
			(a) in respect of a credit union which is unable, or likely to become unable, to satisfy <i>claims</i> for <i>protected deposits</i> accepted before 2 July 2002; and		
			(b) where a credit union has ceased to hold a <i>Part IV permission</i> (because of failure to comply with a direction to re-apply for the <i>Part IV permission</i> ), for <i>protected deposits</i> accepted on or after 2 July 2002 but before the date at which it ceased to have the <i>Part IV permission</i> .		
7	COMP 6.2.1 R G		In consequence of transitional provision 5R(1), a credit union becomes		

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			<i>arelevant person</i> in respect of <i>deposits</i> accepted before 2 July 2002.		
8	Amendments R 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 3.3.3 R, occurring after the date in (6)	Indefinitely	1 December 2003
9	COMP 13.6.8 R	R	Expired		
10	COMP 5.7.1 R, COMP 13.4.7 R and COMP 13.6.9 R	R	Rules not in effect.	31 October 2004 to 13 January 2005	31 October 2004
11	FEES 6.3.1 R, FEES 6.3.22 R, FEES 6.4.8 R, FEES 6.4.6 R, FEES 6.5.1 R and FEES 6.5.6 R	R	With regard to <i>contribution group</i> A.18 Mortgage lenders, advisers and arrangers, the <i>management expenses levy</i> and <i>compensation costs levy</i> for 2005/2006 may also take account of expenditure in the period 31 October 2004 to 31 March 2005.	31 October 2004 to 31 March 2006	31 October 2004
12	FEES 6.5.7R (4), FEES 6.3.22 R, FEES 6.4.6 R, FEES 6.4.8 R, FEES 6.5.1 R, and FEES 6.5.6 R	R	With regard to <i>contribution group</i> A.19 General insurance mediation, the <i>management expenses levy</i> and <i>compensation costs levy</i> for 2005/2006 may also take account of expenditure in the period 14 January 2005 to 31 March 2005.	14 January 2005 to 31 March 2006	31 October 2004
13	FEES 6.5.7R (4), FEES 6.5.10 R, and FEES 6.5.13R (2)	R	For the period 31 October 2004 to 31 March 2006 the tariff base will be the annual income (relating to the relevant <i>contribution group</i> ) reported in accordance with note 3 to AUTH 4 Annex 2 R or, if the <i>firm</i> prefers, that amount of its annual income which is attributable	31 October 2004 to 31 March 2006	31 October 2004

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	Material to which the transitional provision applies		Transitional Provision	Transition- al provi- sion: dates in force	Handbook Provisions coming into force
			to business conducted with <i>eligible claimants</i> but only if the <i>firm</i> notifies <i>FSCS</i> of the amount by 28 February 2005.		
14	FEES 6.5.7R (5), FEES 6.5.11 R, and FEES 6.5.13R (2)		For the period 14 January 2005 to 31 March 2006 the tariff base will be the annual income (relating to the relevant <i>contribution group</i> ) reported in accordance with note 3 to <i>AUTH 4 Annex 2 R</i> or, if the <i>firm</i> prefers, that amount of its annual income which is attributable to business conducted with <i>eligible claimants</i> but only if the <i>firm</i> notifies <i>FSCS</i> of the amount by 28 February 2005.	14 January 2005 to 31 March 2006	31 October 2004
15	COMP544R(4)(a) R and COMP544R(4)(b)		The changes to COMP 5.4.4 R (4) made in the Compensation Sourcebook (Amendment No 7) Instrument 2006 do not apply in relation to defaults declared before 6 June 2006.	Indefinitely	6 June 2006
16	COMP 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.	From 1 October 2007 indefinitely	Amended with effect from 1 October 2007

Report, and the duty to ensure consumers are informed about how they can make a claim. The rules in this chapter also require the FSCS to have in place procedures for dealing with complaints.

### Chapter 3 The qualifying conditions for paying compensation

This chapter sets out the main qualifying conditions that must be satisfied before the FSCS can pay compensation to claimants or take steps to secure continuity of insurance. These are that a claimant is eligible to claim; the activity that gave rise to the loss is protected by the scheme; the firm against which the claim is being made is protected by the scheme; and that the claimant has assigned his rights to the scheme. Chapters 4-7 expand on the general conditions described in Chapter 3.

### Chapter 4 Eligible claimants

This chapter specifies who is eligible to receive compensation or benefit from the continuity of insurance provided by the FSCS.

**Chapter 5 What is a protected claim?** This chapter specifies the activities that are protected by the FSCS.

### Chapter 6 Relevant persons in default

This chapter specifies the circumstances when a firm is in default, that is, when a firm is to be taken as being unable or likely to be unable to meet claims against it. The FSCS can only pay compensation, take steps to secure continuity of insurance, or provide assistance to an insurer in financial difficulties if the circumstances specified in Chapter 6 are met

### Chapter 7 Assignment of rights

This chapter enables the FSCS to make an offer of compensation conditional on the claimant assigning to it their rights to claim against the failed firm. If the FSCS recovers from the firm a greater sum than it has paid to the claimant, it must pay the balance to the claimant.

### Chapter 8 Rejection of application and withdrawal of offer

This chapter allows the FCSS to reject an application for compensation or withdraw an offer of compensation in specified circumstances.

### Chapter 9 Time limits on payment and postponing payment

This chapter requires the FSCS to pay a claim for compensation within a specified time unless specified conditions apply.

### Chapter 10 Limits on the amount of compensation payable

This chapter specifies the maximum amount of compensation the FSCS can pay to a claimant, and the limits on the FSCS's duty to secure continuity of insurance for policyholders. Different limits apply depending on whether a claim is for a deposit, a claim on an insurance policy, or a claim in connection with an investment.

### Chapter 11 Payment of compensation

This chapter specifies to whom the FSCS may pay compensation. In certain circumstances compensation may be paid to a person other than the claimant.

### Chapter 12 Calculating compensation

This chapter specifies how the FSCS will calculate the amount of compensation it can pay to a claimant

### Chapter 13 Funding

Chapter 13 relating to the funding of the FSCS has now been deleted. The funding provisions for the FSCS are now contained in FEES 6 instead and allow the FSCS to make levies on authorised firms to fund the operation of the scheme, to pay compensation or secure continuity of insurance. FEES 6 specifies how FSCS can make levies, how costs are to be allocated, the maximum the FSCS can levy in any particular period of time, and how sums recovered from failed firms are to be treated.

### Chapter 14 Participation by EEA firms

This chapter sets out the way the FSCS deals with incoming EEA firms who may choose to top-up into the FSCS to supplement the compensation available from their home state scheme.

## 5.4 Protected contracts of insurance

5.4.1 **R** A *protected contract of insurance* is:

- (1) (if issued after *commencement*) a *contract of insurance* within  
■ COMP 5.4.2 R (Contracts of insurance issued after commencement)
- (2) (if issued before *commencement*) a *contract of insurance* within  
■ COMP 5.4.5 R (Contracts of insurance issued before commencement)

### Contracts of insurance issued after commencement

5.4.2 **R** A *contract of insurance* issued after *commencement* which:

- (1) relates to a protected risk or commitment as described in  
■ COMP 5.4.3 R;
- (2) is issued by the *relevant person* through an establishment in;
  - (a) the *United Kingdom*; or
  - (b) another *EEA State*; or
  - (c) the Channel Islands or the Isle of Man;
- (3) is a *long-term insurance contract* or a *relevant general insurance contract*;
- (4) is not a *reinsurance contract*; and
- (5) if it is a *contract of insurance* entered into by a *member*, was entered into on or after 1 January 2004

is a *protected contract of insurance*.

5.4.3

**R**

A risk or commitment is a protected risk or commitment for the purpose of ■ COMP 5.4.2 R(1) if:

- (1) in the case of a *contract of insurance* falling within ■ COMP 5.4.2 R(2)(a), it is situated in an *EEA State*, the Channel Islands or the Isle of Man;
- (2) in the case of a *contract of insurance* falling within ■ COMP 5.4.2 R(2)(b), it is situated in the *United Kingdom*;
- (3) in the case of a *contract of insurance* falling within ■ COMP 5.4.2 R(2)(c), it is situated in the *United Kingdom*, the Channel Islands or the Isle of Man.

5.4.4

**R**

For the purpose of ■ COMP 5.4.3 R and ■ COMP 5.4.5 R(1)(b), the situation of a risk or commitment is determined as follows:

- (1) for a *contract of insurance* relating to a building or a building and its contents (in so far as the contents are covered by the same *contract of insurance*), the risk or commitment is situated where the building is situated;
- (2) for a *contract of insurance* relating to vehicles of any type, the risk or commitment is situated where the vehicle is registered;
- (3) for a *contract of insurance* lasting four months or less covering travel or holiday risks (whatever the class concerned), the risk or commitment is situated where the policyholder took out the *contract of insurance*; and
- (4) in cases not covered by (1) to (3):
  - (a) where the policyholder who first took out the *contract of insurance* is an individual, the risk or commitment is situated where he has his *habitual residence* at the date when the *contract of insurance* commenced;
  - (b) where the policyholder who first took out the *contract of insurance* is not an individual, the risk or commitment is situated where the establishment to which the risk or commitment relates is situated at the date when the *contract of insurance* commenced.

#### Contracts of insurance issued before commencement

5.4.5

**R**

- (1) If after *commencement*, a *relevant person* is subject to one or more of the proceedings listed in ■ COMP 6.3.3 R or is declared *in default*, then a *contract of insurance* issued by that *relevant person* before *commencement* which is within ■ COMP 5.4.5 R(2) is a *protected contract of insurance*, provided that the *relevant*



## 10.2 Limits on compensation payable

**10.2.1** **R** The limits on the maximum compensation sums payable by the FSCS for *protected claims* are set out in **COMP 10.2.3 R**.

**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*. Consequently, a claimant who has, for example, a *claim* against a *relevant person* in connection with *protected investment business* of £30,000, and a further such *claim* of £20,000, will not receive 100% compensation for both *claims*; instead he will receive £48,000 (100% of the first £30,000 and 90% of the next £20,000). Similarly, if a claimant receives more than one payment in respect of a *claim* or *claims* on one or more *protected contract of insurance*, the claimant will only receive 100% of the first £2,000 of the total paid, and not 100% of the first £2,000 of each payment.

**10.2.3** **R** **Table Table Limits**

This table belongs to COMP 10.2.1R

Type of claim	Level of cover	Maximum payment
<i>Protected deposit</i>	100% of <i>claim</i>	£35,000
<i>Protected contract of insurance</i> when the contract is a <i>relevant general insurance contract</i>	(1) Where the claim is in respect of a liability subject to compulsory insurance: 100% of claim.	Unlimited
	(2) Where the claim arises under the Third Party (Rights against Insurers) Act 1930, is in respect of a liability within COMP 5.4.5R(1)(b), and is in connection with an Article 9 default: 90% of the claim.	Unlimited
	(3) In all other cases:  100% × first £2,000  90% of remainder of the claim.	Unlimited

Type of claim	Level of cover	Maximum payment
<i>Protected contract of insurance when the contract is a long-term insurance contract</i>	100% × first £2,000 At least 90% of the remaining value of the policy as determined in accordance with COMP12.	Unlimited
<i>Protected investment business</i>	100% × first £30,000 90% × next £20,000	£48,000
<i>Protected home finance mediation</i>	100% × first £30,000 90% × next £20,000	£48,000
<i>Protected non-investment insurance mediation</i>	(1) where the <i>claim</i> is in respect of a liability subject to compulsory insurance: 100% of <i>claim</i> (2) In all other cases: 100% x first £2000 90% of the remainder of the claim	Unlimited Unlimited

10.2.4 **G** COMP12 sets out the *rules* the FSCS will follow when calculating the amount of compensation payable.

10.2.5 **G** ■ COMP 12.4.1 R and ■ COMP 12.4.4 R include further limits relating to *DGD claims* and *ICD claims* against certain *incoming EEA firms*. These reflect the *DGD* and *ICD*, under which compensation may be payable by the *incoming EEA firm's Home State* compensation scheme.

**Continuity of insurance cover**

10.2.6 **R** [deleted]

10.2.7 **R** [deleted]

**Claims against more than one member in respect of a single protected contract of insurance to be treated as a single claim**

10.2.8 **R** In applying the financial limits in ■ COMP 10.2, and in calculating the amount of a *claim* in respect of a *protected contract of insurance* arising from the default of one or more *members*, a *policyholder* is to be treated as having a single *claim* for the aggregate of all such amounts as may be payable on the *claim* in respect of the *protected contract of insurance*.

**Claims arising under COMP 3.2.4 R**

10.2.9 **R** If a *firm* has a claim under ■ COMP 3.2.4 R, the FSCS must treat the share of the *shortfall* of each *customer* as if it were a *protected claim* for the

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