

One minute guide - Credit Unions - New Disclosure Requirements about the Financial Services Compensation Scheme (“FSCS”)

Specified Wording Requirement

From 1st January 2010, Credit Unions (like all other deposit takers) must notify their members that they are covered by the FSCS. That notification will need to be provided using the specific wording prescribed by the FSA and stated in the section entitled “What should the notification state?” below.

Why has it been introduced?

Research conducted by the FSA has shown that many customers of deposit takers are either unaware of the existence of a compensation scheme or those that do know about it know very little about the protection that it offers. We want to enhance the current level of awareness and understanding of the FSCS.

The financial turbulence seen since late 2007 highlighted the possibility and likelihood of a run on a deposit taker.¹ Our aim is to ensure that awareness continues during normal financial times as well as at times of stress. This notification requirement is designed to provide reassurance and avoid panic.

What method of communication should we use?

Credit Unions will be required to provide the notification to their depositors through the most appropriate means:

- For Credit Unions that issue paper statements to members, we consider the inclusion of the information on the account statement to be the most appropriate method.
- For those who provide internet based accounts, the most appropriate method would be a pop-up box or email.
- For those who provide passbook accounts or other accounts that do not receive regular statements, the notification can be in the form of a separate leaflet sent to the customer with other annual mailings.

How regularly must this notification be sent?

The notification must be sent out every six months.

For passbook account holders, or other members that do not receive regular statements, Credit Unions are permitted to send out the notification annually.

What should the notification state?

The notification below should be provided in its entirety without amendment.

Important information about compensation arrangements

We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a credit union is unable to meet its financial obligations. Most depositors – including most individuals and small businesses – are covered by the scheme.

In respect of deposits, an eligible depositor is entitled to claim up to £50,000. For joint accounts each account holder is treated as having a claim in respect of their share so, for a joint account held by two eligible depositors, the maximum amount that could be claimed would be £50,000 each (making a total of £100,000). The £50,000 limit relates to the combined amount in all the eligible depositor's accounts with the credit union, including their share of any joint account, and not to each separate account.

For further information about the scheme (including the amounts covered and eligibility to claim) please ask at your local branch, refer to the [FSCS website](#) or call 0800 678 1100.

Trading Name Disclosure Requirement

Where Credit Unions operate under more than one trading name, they must disclose this in communications with the depositor and also more generally (on their websites, etc.)

Why has it been introduced?

We are aware that a very small number of Credit Unions operate under more than one trading name. Research conducted by the FSA has shown that customers were confused or simply uninformed about the corporate structure of a deposit taker. As compensation is paid out per eligible depositor, per authorised deposit taker, we believe it is important that there is more transparency from Credit Unions (and other deposit takers) about their trading names and structure.

Where can I find further information?

For further information on the new disclosure requirements please see

http://www.fsa.gov.uk/pubs/policy/ps09_11.pdf

Note: ¹ A situation in which numerous customers try to withdraw their deposits simultaneously and the deposit taker's liquid reserves are not sufficient to cover the withdrawals.