



3 July 2015

Dear [firm contact or CEO of bank or building society]

Change to the FSCS deposit protection limit

Today the PRA published a package of measures relating to depositor protection. The rules support the wider objective of maintaining financial stability by reducing the disruption to consumers and the financial system if a bank, building society or credit union fails.

The rules include a new limit for depositor protection as required by the recast Deposit Guarantee Schemes Directive (DGSD). The Directive sets the limit at €100,000. The PRA has reviewed the existing Financial Services Compensation Scheme (FSCS) limit (£85,000) and amended it to £75,000. The DGSD requires the PRA to review the limit every five years. The limit of £75,000 is unlikely to change before then. [Policy Statement 14/15](#) 'Depositor and dormant account protection – the protection limit', sets out changes to the Depositor Protection rules as a result of the change to the limit.

To support a transition to the new limit, HM Treasury has put in place measures to maintain the level of compensation available under PRA rules at £85,000 from now until 31 December 2015. This transitional arrangement applies to depositors who were eligible for compensation before 3 July 2015 and who will continue to be eligible for compensation after 3 July 2015.

What does this mean for depositors?

Most depositors, including individuals and small companies, will continue to be protected up to £85,000 until 31 December 2015, after which the limit will change to £75,000.

For newly eligible depositors (eg large companies and small local authorities), the £75,000 limit will apply from 3 July 2015.

Some depositors may face a charge, penalty or loss of interest in withdrawing deposits to adjust to the new limit during the transitional period. The PRA has opened a consultation on a proposed rule to require firms to allow depositors to make such adjustments during the transitional period without incurring such costs. See [CP23/15](#) 'Depositor and dormant account protection – consequential amendments' for further information. The consultation closes on 24 July 2015.

What does this mean for firms?

[PS14/15](#) sets out the implications for firms; this letter highlights two of these – changes to firm disclosure requirements and communicating the changes to depositors.

Changes to existing firm disclosure requirements

New PRA disclosure rules that were due to come into force on 3 July 2015, pursuant to rules contained in [PS6/15](#) and [PS9/15](#):

1. Information sheet and exclusions list. These are now delayed until 1 January 2016, and have been amended to reflect the new limit (see Appendix 1 and 2 in PS14/15). From 1 January 2016, firms will be required to provide the information sheet and exclusions list to intending depositors from 1 January 2016 prior to entering into a deposit-taking contract. There is an additional obligation to provide the information sheet and exclusions list to all depositors as soon as practicable after 1 January 2016 and, in any event, by 1 July 2016.
2. FSCS posters and stickers for display in branches and on websites have been amended to reflect the new limit (see Appendix 1 and 2 in PS14/15). The FSCS will be providing new artwork to firms on 7 July 2015. As soon as practicable, and, in any event from 1 September 2015, firms must display the updated FSCS material in branches and/or websites to inform depositors of the new limit. Requirements are not affected for UK branches of incoming firms whose home state states the protection limit in euros.

Communicating the changes to depositors – new requirements

Firms are required to communicate the change to the deposit protection limit (using prescribed wording provided by the PRA) – see Appendix 1 of PS14/15 and section 12 of [Supervisory Statement 18/15](#). Firms must make this communication as soon as practicable and, in any event, by 1 September 2015.

Firms must also ensure that staff are aware of the new arrangements to correctly inform depositors (see [Supervisory Statement 18/15](#)). Staff should direct customers with further queries to the FSCS's website (details at the end of this letter).

Please let us know if you have any questions. The PRA policy team is available to meet with firms and trade bodies to discuss the package of measures and any implications for firms. Please notify your usual supervisory contact and/or trade body if you would like to be involved in these discussions.

[Signed by PRA supervisor]

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