

The Financial Services Compensation Scheme - Pooled Client Accounts

This note is not intended to act as legal advice or as financial advice. The law in this area is uncertain and untested, and this note should be read in that light.

The 2008 banking crisis raised a number of questions from members about the level of compensation available to individual clients from the Financial Services Compensation Scheme if a bank holding pooled client accounts were to fail.

From 31 December 2010 the £85,000 compensation limit applies to each individual client, although this limit may be altered if clients hold separate accounts with the same institution. A single compensation limit may also apply to a number of bank 'brands' within the same group. Any recovery of the amounts above the compensation limit will depend on what can be recovered through insolvency.

It would be prudent for members to consider taking the following steps:

- Advising clients who have money in a pooled account, or who intend depositing money into a pooled account, as to which bank holds the account.
- Advising or reminding the bank that the account is a pooled account, and either providing the bank with a list of the underlying clients, or offering to do so.
- Ensuring that individual clients' money can be easily identified.
- Updating terms of business to limit any liability.

Members should make a reasonable assessment of the circumstances surrounding their banking arrangements and take any appropriate action. Factors to consider could include:

- Any statements from the bank reassuring customers of its stability.
- Any government guarantees for depositors in UK banks, or for particular banks

Further information about the compensation scheme is available from <http://www.fscs.org.uk/>