

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Tel/fax: 020 7676 9346

E-mail: enquiries@fs-cp.org.uk

John Everett
Consumer Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London, E14 5HS

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Our ref:

Dear Mr Everett

CP 165 – Dissolved firms and the compensation scheme

I am writing on behalf of the Financial Services Consumer Panel (the Panel) in response to the proposals in CP 165 regarding dissolved firms and the Financial Services Compensation Scheme (FSCS).

We are pleased that the FSA is consulting on rules to allow the FSCS to make awards to customers of firms dissolved for more than two years. The Panel first raised this with the FSA in Autumn 2001 and we believe the changes will be of substantial benefit to the consumers affected, particularly those with a claim due to pensions mis-selling.

We are also pleased that the FSA is proposing to make this rule effective for claims against firms declared in default by the FSCS on or after December 1st 2001 when the Financial Services and Markets Act came into force (N2). We hope that the FSCS will identify and write to those consumers whose claims have been turned down for this reason who may now be able to pursue their claim.

The Panel regret the fact that the rule changes will not help consumers whose claims were dealt with by the Investors Compensation Scheme under the previous regime. We believe that the industry should set up a voluntary scheme to compensate these consumers who will not receive compensation where it is due to them, purely because they are victims of an unintended gap in the compensation arrangements.

We are surprised that the FSA is choosing to restrict the rule change to investment firms only. Whilst we acknowledge that in practice claims against insurance firms

and deposit takers are settled within two years, we do not see that restricting the rule change in this way reduces costs or increases benefits and we believe it may prove a further technical stumbling block to future unforeseen claims. The FSA should make this rule across all firms.

Yours sincerely,



Colin Brown
Chairman
FS Consumer Panel

cc. FS Consumer Panel
Anna Bradley

FS Consumer Panel can be contacted c/o The
Consumer Panel Secretariat at the FSA

Tel: 0207 676 9346 Fax: 0207 676 9711

Email: enquiries@fs-cp.org.uk
Website: <http://www.fs-cp.org.uk>