

Telephone: 020 7066 9346
Local fax: 020 7066 9728
Email: enquiries@fs-cp.org.uk

Siân Thomas
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

** June 2007

Our ref:CP07/5

Dear Siân

CP07/5* Financial Services Compensation Scheme – Funding Review Including feedback on DP06/1**

This is the Financial Services Consumer Panel's response to CP 07/5*** Financial Services Compensation Scheme – Funding Review.

The Panel is grateful to have had the opportunity to participate in the FSA's Industry Advisory Group before the publication of the consultation paper.

Background, objectives and constraints

The Panel believes that, together with the Financial Ombudsman, the Financial Services Compensation Scheme ('the FSCS') plays a vital part in protecting consumers by providing a fund of last resort.

As the FSA is aware, the Panel believes that it is in the interests of consumers that

- the costs of the Scheme are shared proportionately amongst firms;
- the Scheme is easily accessible to consumers;
- claims on the Scheme are dealt with swiftly and fairly; and
- the Scheme is sustainable.

The Panel is pleased that the FSA is taking positive steps to address its concerns about the current arrangements for funding the scheme - in particular the concern that due to the way in which the scheme is currently funded there is a possibility that in extremely adverse circumstances the FSCS might be unable to pay eligible claimants what they are legally entitled to under the scheme. The Panel believes that such a situation would be unacceptable and seriously damage consumer confidence in the financial services industry. In addition the Panel would not wish

the levies to have a disproportionate impact on independent financial advisors and credit unions.

The Panel believes that the proposals strike the right balance between the various conflicting interests that the FSA has to take into account when applying the principle in section 213(5) of FSMA and having regard to its statutory objectives.

We are pleased that the FSA has acknowledged the specialised and not-profit nature of credit unions by making them a special case and agree with their proposed treatment.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'J. Howard', written in a cursive style.

John Howard
Chairman