

# Chapter 1

## Introduction and Overview



# 1.1 Application, Introduction, and Purpose

## Application

- 1.1.1

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This chapter is relevant to:

  - (1) the *FSCS*;
  - (2) *eligible claimants*;
  - (3) *firms*; and
  - (4) *successors*.
- 1.1.2

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This sourcebook is principally relevant to the *FSCS*. It sets out the circumstances in which compensation may be paid, to whom compensation may be paid, and on whom the *FSCS* can impose levies to meet the costs of paying compensation (see in particular *COMP 3*, *4*, and ■ FEES 6). It also describes how the *FSCS* is to calculate compensation in particular cases (see ■ COMP 12).
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Claimants and their advisers will be particularly interested in the sections of this sourcebook which deal with eligibility for claiming compensation, the way that the *FSCS* calculates compensation, and how they can make a claim. For convenience, the relevant parts of this sourcebook are highlighted in a list of questions and answers in ■ COMP 1.3.3 G.
- 1.1.4

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*Firms* will be particularly interested in ■ FEES 6, which deals with levies, and ■ COMP 1.6.1R, which requires *firms* to deal with the *FSCS* in an open, cooperative and timely way.

## Introduction

- 1.1.5

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The *FSA* established the Financial Services Compensation Scheme Limited, a company limited by guarantee (*FSCS*). The *FSCS* exercises the functions that are conferred on the scheme manager by Part XV of the *Act*, dealing with compensation.
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The *FCA* and *PRA* are also required, under section 213 of the *Act* (The compensation scheme), to make *rules* establishing a compensation scheme. The *FCA's rules* are set out in the remaining chapters of this sourcebook, and are directed to the *FSCS*, claimants and potential claimants, and *firms*. The

PRA's rules dealing with *claims* for *deposits* and under *contracts of insurance* are set out in the *PRA Rulebook*.

### Purpose

- 1.1.7 G The *FSCS* will only pay *claims* if a *firm* or a *successor* is unable or likely to be unable to meet *claims* against it because of its financial circumstances. If a *firm* (or, where applicable, a *successor*) is still trading and has sufficient financial resources to satisfy a *claim*, the *firm* (or, where applicable, the *successor*) will be expected to meet the *claim* itself. This can, for example, be an amount the *firm* agrees with the claimant, or the amount of an *Ombudsman* award from the *Financial Ombudsman Service*.
- 1.1.8 G ■ COMP 1 consists of *guidance* which is aimed at giving an overview of how this sourcebook works. The provisions of ■ COMP 2 to ■ COMP 12A cover who is eligible, the amount of compensation and how it might be paid.
- 1.1.9 G [deleted]
- 1.1.9A G This sourcebook is one of the means by which the *FCA* will meet its *statutory objectives* of securing an appropriate degree of protection for *consumers* and protecting and enhancing the integrity of the *UK financial system*.
- 1.1.9B G [deleted]
- 1.1.10 G [deleted]
- 1.1.10A G By making *rules* that allow the *FSCS* to provide compensation at a level appropriate for the protection of retail *consumers* and *small businesses*, the *FCA* enables *consumers* to participate in the financial markets with the confidence that they will be protected, at least in part, should the *relevant person* with whom they are dealing, or a *successor*, be unable to satisfy *claims* against it.
- 1.1.10B G [deleted]