

FSCS Protection – What does it mean?

FSCS stands for the **Financial Services Compensation Scheme**. It is an independent body set up by the UK Government and funded by the financial services industry.

It's a "fund of last resort" for customers of authorised financial services firms and it can pay you compensation if a firm is in default and cannot meet any valid claims against it.

The FSCS might apply if you lose money because your investments have not been administered correctly, or as a result of misrepresentation or fraud, and the authorised firm concerned has gone out of business and cannot pay compensation or return your investments or any cash held on your behalf.

The FSCS will not pay compensation if your investment performs poorly as a result of market conditions.

What are the limits?

The maximum amount of compensation payable to an individual under the FSCS will depend on the type of financial product that you hold and

who the claim is against, the provider or distributor (see box below).

- If a provider is in default, the limit is £85,000 per provider for UK domiciled mutual funds (Open-ended funds (OEICs) and Unit Trusts).
- If a distributor is in default there is a limit of £85,000.
- If one of the banks used to hold client money is in default then the limit is £85,000.

If you would like to know more, [visit the FSCS website](#) or call them on 0800 678 1100.

Questions about cash

Where is cash held when it's in my account on a platform?

Any cash you hold will likely be spread across several banks for your security. These proportions will vary throughout the day. The banks it's held with will also vary depending on the platform.

Will you get interest?

Unlikely. In this low interest rate environment, many platforms aren't paying any interest on

What is the difference between a fund provider and a distributor...?

Provider

- A provider is a company that creates and manages its own investments. Also known as a 'fund provider'.
- You can usually buy investments from these providers, such as the Fidelity Special Situations Fund.

Distributor

- A distributor is a company that sells investments from a range of providers. Also known as a 'fund distributor' or an 'investment platform'.
- You can usually use a distributor to buy investments from a wide range of providers.

cash held in accounts. If this changes, platforms will notify you.

How is my cash protected?

Investment platforms are very different from banks because they must separate client money and assets from their own resources.

They can't use client money and assets for their own business activities as a bank would do. When you deposit money in a bank the bank will then lend that out to other borrowers. On a platform, your money is "ring-fenced" in the unlikely event that a platform becomes insolvent.

What if...?

If that happens, an Administrator will be appointed to deal with the wind up of the business. The Administrator is entitled to claim their costs for distributing client money and assets from the client money pool. But any shortfall in client money and assets will be covered by the FSCS up to a limit of £85,000 per client.

Questions about funds and investments

What about my investments/funds?

You know that the value of investments can fall as well as rise, but you may also be concerned about how they are held on a platform and how safe it is to hold all your investments with one company.

When you invest in funds on a platform, your investments are held by the platform but you are identified as the owner (a nominee structure). This allows the platform to administer your investments, while ensuring that you are clearly identified as their owner.

This means that in the unlikely event of a platform becoming insolvent, any money the platform owes will not be paid out of your funds.

In fact, your money cannot be accessed by any creditors.

What if a fund provider fails?

The FSCS might apply if you lose money because your investments have not been administered correctly, or as a result of misrepresentation or fraud, and the authorised firm concerned has gone out of business and cannot pay compensation or return your investments or any cash held on your behalf.

The FSCS will not pay compensation if your investment performs poorly as a result of market conditions. But if a fund provider is in default, the limit is £85,000 per provider for UK domiciled mutual funds (OEICs and Unit Trusts).

For example, if you held £85,000 in a fund managed by Manager A and £90,000 in a fund managed by Manager B and both managers were deemed to have incorrectly administered your funds, your investment with Manager A would be fully covered by the FSCS but you would only be protected up to £85,000 for your investment held with Manager B. £5,000 would not be protected by the FSCS.

If you would like to know more, [visit the FSCS website](#) or call them on 0800 678 1100.