

## Temporary High Balances

### Improvements to FSCS cover

Introduced to provide protection for savers with larger balances that arise from certain specified events



### Cover for up to £1million

Up to £1million will be covered by the FSCS in addition to the standard limit of £85,000 per person, per provider

### Funds from a number of events covered

Specific types of deposit are covered by this protection - ranging from the proceeds of a house sale to an insurance pay-out

### Cover in place for 6 months

Ensuring that there is more time to find suitable homes for the money and to make long-term plans for you and your family

## Changes to the FSCS

In July 2015, the Government made a change to the Depositor Protection rules on cash to improve the protection of the Financial Services Compensation Scheme (FSCS) for Temporary High Balances (THBs).

The UK FSCS currently protects savers on deposits of up to £85,000 per person, per banking licence.

But, in addition to the usual limit, savers who have large sums of money in bank or building society accounts as a result of certain events, will see up to £1million per provider per event protected for up to six months.

### Which deposits are eligible?

Deposits that qualify as THBs include the following:

- monies deposited in preparation for the purchase of a private residential property by the depositor;
- monies that represent the proceeds of sale of a private residential property; or
- proceeds of an equity release from a private residential property.

Also covered are sums paid to the depositor in respect of the following:

- benefits payable under an insurance policy;
- compensation for personal injury (no limit to cover);
- state benefits paid in respect of a disability or incapacity;
- a claim for compensation for wrongful conviction;
- a claim for compensation for unfair dismissal;
- redundancy (compulsory or voluntary);
- marriage or civil partnership;
- divorce or dissolution of a civil partnership;
- benefits payable on retirement;
- benefits payable on death;
- a claim for compensation in respect of a person's death;
- a legacy or other distribution from the estate of a deceased person; or
- it is held in an account on behalf of the personal representative of a deceased person for the purposes of realising and administering the deceased's estate.

# Questions and Answers

**Q: When does the 6 month Temporary High Balance protection cover period start?**

**A:** The protection for THBs begins from the later of:

1. the first date on which a THB is credited to a depositor's account, or to a client's account on a person's behalf; and
2. the first date on which the THB becomes legally transferable to the depositor.

**Q: Where money is received from a life policy in the event of death, is the event death or the pay-out? Would the cover start from the date of death or the date that the pay-out is received?**

**A:** In this case it would be the date the funds are received from the pay-out, rather than the date of death.

**Q: As pay-outs from endowment policies are eligible, are maturity or surrender values covered as well as pay-outs in the event of death?**

**A:** The relevant rule stipulates that a THB comprises of sums paid to a depositor in respect of benefits payable under an insurance policy. The rule does not restrict such payments to pay-outs in the event of death.

**Q: If money is received from two life policies in the event of death that total more than £1million, would this count as one event (i.e. death) and cover only up to £1million or two events (proceeds from the policies) and therefore cover the full amount?**

**A:** THB protection is based on a per event per authorised entity basis, therefore if money received from two life policies from the same death is deposited at the same authorised firm then the depositor would only receive up to £1million. However, if money from the life policies were deposited at two separate firms and both of those firms failed, then the depositor would receive two lots of £1million cover.

**Q: How is a pension lump sum defined? Is it the 25% tax-free amount only or will someone who decides to take the whole fund as a lump sum be covered up to £1million per provider?**

**A:** The relevant rule stipulates that a THB comprises of sums paid to a depositor in respect of benefits payable under an insurance policy or sums payable on retirement. There is no distinction between a tax-free or taxable lump sum.

**Q: In the event of a winning a sum of money, for example a lottery win, gambling winnings or other cash prizes, would these and other types of winnings be covered for up to £1million per provider as part of this policy?**

**A:** FSCS will assess and verify THB claims. However, the Prudential Regulation Authority (PRA) has set out the types of deposits that benefit from THB protection and lottery wins or gambling wins do not fall under any of the categories.

**For further assistance, get in touch**

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