

Information Leaflet - April 2009

Definitions

Board	The Board of the Scheme
Commission	The Guernsey Financial Services Commission
Licensed Banks	Banks licensed by the Commission under the Banking Supervision (Bailiwick of Guernsey) Law, 1994
Ordinance	The Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008
qualifying deposit	See summary under ‘Key Elements of the Scheme’
Scheme	The Guernsey Banking Deposit Compensation Scheme

This leaflet is intended to give members of the public a short introduction to the Scheme. It is not intended as a substitute for the actual wording of the Ordinance.

Words shown defined above generally shown below in bold type.

Key Elements of the Scheme

- It came into force on 26 November 2008.
- It covers all **qualifying deposits*** (mainly those from personal retail depositors, wherever they live).
- In the event of failure of a **Licensed Bank** after the effective date, it provides compensation of up to £50,000 per **qualifying deposit** in respect of that bank.
- It will pay compensation within three months of a bank’s failure.
- It is operated by an independent statutory **Board** which is separate from both the **Commission** and the States of Guernsey.
- The maximum total amount of compensation is capped at £100 million in any 5 year period. If the limit is exceeded, compensation will be reduced pro rata.
- It will be paid for by the **Licensed Banks** through annual charges and special charges in the event of a bank failure.

*The Ordinance strictly defines a deposit by a “natural person for his own benefit” as a ‘**qualifying deposit**’; some other deposits described in this leaflet are also **qualifying deposits**.

This is only a brief summary of the Scheme and you should take note of the details mentioned overleaf. For further information use the contact details provided.

Frequently Asked Questions

Which banks are participants in the Scheme?

The **Scheme** covers all **Licensed Banks**.

What about banking 'brands'?

Brands of banks, such as the 'NatWest' brand operated by Royal Bank of Scotland International, are not **Licensed Banks** in their own right, but participate instead through the banking licence of their operating bank. Both the operating bank and its brand are therefore classed as a single **Licensed Bank** for the purposes of the **Scheme**. A person with a deposit in Natwest and a deposit in RBSI would thus only be entitled to a maximum total of £50,000 in compensation. You need to check the list of **Licensed Banks** carefully to confirm the status of your bank. Alternatively, you should speak to your bank about its status.

I live in Guernsey but have an account with a bank operated in the Isle of Man – am I covered?

No. The **Scheme** only covers banks licensed by the **Commission**. If you bank with a bank that is not licensed by the **Commission** then your deposit will not be covered by the **Scheme**. You should check whether you are protected by another scheme, such as that applying to the Isle of Man.

I live in Alderney, am I covered by the Scheme?

As long as the **qualifying deposit** is with a **Licensed Bank** it will be covered by the **Scheme** wherever you live.

I have three accounts with my bank, are all of them covered?

The **Scheme** provides compensation up to a maximum of £50,000 per person per **Licensed Bank**. If a person has more than one account with a bank then deposits in all of those accounts will be covered, but only up to a total maximum of £50,000.

I have a joint account with my partner, how is that covered by the Scheme?

The **Scheme** maximum is per person per **Licensed Bank**, therefore the holders of a joint account will each be entitled to up to £50,000 in compensation.

I have an account that I operate for my child, is that covered?

Yes. An account held by a parent for the benefit of his/her child is a **qualifying deposit**.

What about other trustee accounts?

Generally other trust accounts are not covered, but a deposit from the trustee of a Guernsey Retirement Annuity Trust is a **qualifying deposit** as is a deposit from an administrator or executor in respect of an estate under administration.

I am a small business person who has a personal account and a company account; is my company account covered by the Scheme?

No. A company account is not a **qualifying deposit**, nor are accounts held by charities, partnerships, companies, other businesses or trusts (except as set out above).

What happens if I have a loan which is secured against my deposit?

If the bank has a contractual right of set-off your compensation might be reduced.

What happens if the administrator or liquidator subsequently recovers funds from the failed bank?

The **Scheme** has a prior claim on any monies which are paid back, up to the amount of compensation paid.

Is the States of Guernsey guaranteeing the Scheme?

No. The **Scheme** is paid for by the **Licensed Banks**. The States of Guernsey has agreed in principle to assist by guaranteeing an insurance policy of £20 million in favour of the **Scheme** to provide liquidity for the **Scheme**.

How long would I have to wait to receive any compensation?

The **Scheme** aims to pay out within three months of a bank's failure.

What happens if claims in total exceed £100 million in a five year period?

The amount of compensation paid to depositors would be reduced so that the maximum total compensation in the period did not exceed £100 million.

Who are the Board members?

The names of the current **Board** members are shown on the **Scheme** website.

Further reading

The following documents and other information are available on the **Scheme** website which is shown below.

A copy of the Policy Letter about the **Scheme**, which was presented to the States of Guernsey in November 2008.

A copy of the **Ordinance** which established the **Scheme**.

A list of **Licensed Banks** which are participants in the **Scheme**.

The Board of the Guernsey Banking Deposit Compensation Scheme has provided this leaflet as a public service. While it has made every effort to ensure that the text of the leaflet and any documents which can be accessed from the website are accurate, this leaflet does not constitute a legally binding statement of the law in the context of the Scheme.

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