

Policy Statement | PS19/20

Financial Services Compensation Scheme – Temporary High Balances Coverage Extension

August 2020



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1 Overview

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) provides feedback to responses to Consultation Paper (CP) 6/20 ‘Financial Services Compensation Scheme – Temporary High Balances Coverage Extension’.¹ It also includes final policy in the form of amendments to the Depositor Protection Part of the PRA Rulebook (Appendix 1) and the updated Statement of Policy (SoP) ‘Deposit Guarantee Scheme’ (Appendix 2).

1.2 This PS is relevant to retail financial consumers who are currently, or who may become, Temporary High Balance (THB) depositors. This PS is also relevant to the Financial Services Compensation Scheme (FSCS) and to all PRA-authorized deposit takers.

Background

1.3 The PRA’s THB rules currently extend FSCS coverage from £85,000 to £1 million for a period of six months from the point of deposit for certain qualifying life events, including monies deposited in preparation for the purchase and proceeds from the sale of residential properties, benefits payable on death, and life assurance payouts.²

1.4 In CP6/20, the PRA proposed to increase the THB coverage period from six months to twelve months up until, and including, Sunday 31 January 2021. The PRA further proposed that the THB coverage period would revert back to six months on Monday 1 February 2021. The length of coverage for each THB would be determined by reference to the date on which a THB is credited to a depositor’s account (or to a client account on a person’s behalf), or the first date on which the THB becomes legally transferable to the depositor, whichever is later.

1.5 The proposals were made in order to mitigate the consumer protection issues caused by the impact of Covid-19 on residential property and investment markets, and access to banking services for some depositors.

Summary of responses

1.6 The PRA received two responses to the CP, both welcoming the proposals. One respondent requested clarification, details of which are set out in section 2. The PRA does not consider that the responses to the CP raised issues that would lead to any alteration of the proposal as consulted.

Implementation

1.7 The rule change and updated SoP will be effective on Thursday 6 August 2020. Coverage for THBs will revert to six months from Monday 1 February 2021.

1.8 The policy set out in this PS has been designed in the context of the UK’s withdrawal from the European Union (EU) and entry into the transition period, during which time the UK remains subject to European law. The PRA will keep the policy under review to assess whether any changes would be required due to changes in the UK regulatory framework at the end of the transition period, including those arising once any new arrangements with the EU take effect.

¹ July 2020: <https://www.bankofengland.co.uk/prudential-regulation/publication/2020/fscs-temporary-high-balances-coverage-extension>.

² Depositor Protection 10.2 sets out the list of categories of eligible deposits that may benefit from THB protection.

1.9 The PRA has assessed that the policy would not need to be amended under the EU (Withdrawal) Act 2018 (EUWA). Please see PS5/19 ‘The Bank of England’s amendments to financial services legislation under the European Union (Withdrawal) Act 2018’³ for further details.

2 Feedback to responses

2.1 Before making any proposed rules, the PRA is required by the Financial Services and Markets Act 2000 (FSMA)⁴ to have regard to any representations made to it, and to publish an account, in general terms, of those representations and its feedback to them.⁵

2.2 The PRA received two responses to the consultation, both welcoming the proposals. Additionally, one respondent requested confirmation from the PRA that the proposals would not require firms to update other required disclosures, including the standard FSCS leaflet which the PRA requires firms to make available to their customers, to reflect the temporary extension in FSCS coverage for THBs.

2.3 The PRA confirms that firms are not required to make any such changes to other required disclosures, including the standard FSCS leaflet which the PRA requires firms to make available to their customers, as a result of this change.

³ April 2019: <https://www.bankofengland.co.uk/paper/2019/the-boes-amendments-to-financial-services-legislation-under-the-eu-withdrawal-act-2018>.

⁴ Section 138J(5) and 138K(4).

⁵ Sections 138J(3) and 138J(4) of FSMA.

Appendices

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- 1 **PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS AND NON-AUTHORISED PERSONS: DEPOSITOR PROTECTION (TEMPORARY HIGH BALANCES) INSTRUMENT 2020**, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps1920app1>
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- 2 **Update to Statement of Policy ‘Deposit Guarantee Scheme’**: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/deposit-guarantee-scheme>