



BEYOND WEALTH
FINANCIAL MANAGEMENT

What is the FSCS?



Introduction

The Financial Services Compensation Scheme (FSCS) is a UK protection scheme that helps to protect your money if a financial firm fails or goes out of business. It exists to provide a safety net for consumers who have money held with authorised financial services firms.

There are separate protection figures depending on what product you hold. The different protection figures can be explored in detail in the [what we cover section](#) on the FSCS website. The key figures to highlight are:

- Up to £120,000 per person, per banking license, for deposit accounts.
- Up to £85,000 per person, per firm, for investments.
- Up to 100% of your claim if your pension provider fails. Up to £85,000 if your SIPP operator fails and up to £85,000 for bad pension advice.

There is a separate protection figure for what is referred to as a 'temporary high balance' for cash deposits. This is £1.4 million and is protected for up to six months for specific life events such as home sales, inheritances or compensation payments. More information on temporary high balances can be found via the [temporary high balances section](#) on the FSCS website.

What does the FSCS do?

The FSCS can compensate you if:

- A regulated financial firm fails and is unable to return your money.
- A bank, building society or credit union becomes insolvent.
- An investment firm or financial adviser goes out of business and you suffer a financial loss because of their failure.

It is important to note that the FSCS **does not** protect you against investment losses caused by market movements. Investments can go up and down in value and you accept this risk when you begin investing.

Why Is the FSCS Important?

For people who are investing, saving or using financial advice for the first time, the FSCS provides reassurance that:

- Your money is not completely unprotected if a firm collapses.
- There is a formal system in place to compensate eligible customers.
- Financial services firms operating in the UK must meet regulatory standards that support this protection.

Practical examples

Example 1

You have £50,000 in a savings account with a UK bank. The bank collapses and cannot return your money. As the amount is below the protection limit, the FSCS would refund your £50,000 in full.

Example 2

You have £200,000 in one bank account with a single authorised bank. If that bank fails you are be protected up to £120,000. The remaining amount above the limit would not be returned. This is why spreading large amounts across different authorised firms can reduce risk.

Example 3

You receive advice to transfer pensions into a new investment strategy. Later:

- The adviser firm closes down.
- It is discovered the advice was inappropriate and caused you financial loss.
- The firm cannot pay compensation.

The FSCS would assess your claim and if eligible, compensation would be paid up to £85,000.



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