



Investors unaware of FSCS changes as countdown begins

16 December 2015

Three quarters of people (74 per cent) are unaware that the protection provided for savings by the Financial Services Compensation Scheme (FSCS) will fall by £10,000 to £75,000 on 1 January 2016, according to research from peer-to-peer lender RateSetter.

The FSCS, launched in 2001, guarantees the safety of savings kept in banks and building societies up to a limit of €100,000, to match the guarantee offered in the EU, and the UK limit is falling following the decline in the value of the euro relative to the pound. RateSetter's research shows that the public awareness of the level of protection provided by the FSCS is declining and many people overestimate its ability to protect them.

Only a quarter of people (27 per cent) correctly identified the current level of FSCS protection – a slight decrease from the 30 per cent who were able to correctly identify it four months ago. Three in ten (29 per cent) believe that the rules around the FSCS are confusing.

One in eight people (13 per cent) mistakenly believe that the FSCS protects their money against the pressures of inflation and one in ten (9 per cent) thought the FSCS currently provides protection for more than £85,000.

“In just a few days, the FSCS limit will be fall to £75,000, the first reduction in its history”, commented Rhydian Lewis, CEO at RateSetter. “Anyone fortunate enough to have more than that amount with any one provider will need to ensure that their money is properly allocated.”

“Savers can increase their protection by splitting their money between different banks and building societies. However, some investors with more than £75,000 in savings have told us that the reduction could prompt them to look elsewhere for a better rate – we've certainly seen increasing levels of investment on our platform since the change was announced.”

The FSCS limit reduction was announced in July 2015, and since then the number of people investing on RateSetter's platform has increased by 26 per cent.

Sean Hodgson, a retired investor from Yorkshire, commented: “FSCS protection is important to me, but I'm investing for income and need to earn a healthy return. The reduced FSCS cover is a definite consideration in the way I allocate my investments – I certainly don't want the risk of losing a large percentage of my investment so I'll be careful not to exceed the new limit in any single provider.”

“As part of my investment plan I have been moving money out of equities and into income generation products before the new limit comes in. Dissatisfied with the low rate of return on standard saving products and many cash ISAs, I will be increasing my current investments in my

RateSetter account. This doesn't benefit from FSCS protection but it will earn me a better return for a carefully-researched level of risk."

Just one in eight people (13 per cent) believe that low rates of interest on savings is a fair price to pay for the FSCS.

Money invested through RateSetter is not covered by the FSCS, but is protected by our £16.5m Provision Fund which has ensured that no individual lender has ever lost a penny. This means that capital is at risk, but with that risk comes a substantially better return.

Lewis continued: "If people are to make the right savings and investment decisions, it's imperative that they know the facts. At the moment, awareness of what the FSCS covers and in particular, the fall in the level of protection, is alarmingly low – although it's risen slightly compared to four months ago, there is a clear need for us, as a financial industry, to do more to address this."

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Contacts:

John Battersby
john.battersby@ratesetter.com
020 3735 7343

Luke O'Mahony
luke.omahony@ratesetter.com
020 3735 7344

Notes to Editors:

Methodology:

December research: Populus surveyed 2,090 UK adults online between 16-17 December 2015. Data were weighted to be demographically representative of all UK adults. Populus is a member of the British Polling Council and abides by its rules.

August 2015 research: Populus surveyed 2,076 UK adults online between 7-9 August 2015. Data were weighted to be demographically representative of all UK adults. Populus is a member of the British Polling Council and abides by its rules.

RateSetter is one of the UK's largest peer-to-peer lenders, and has lent more than £500m in 2015 to date. The platform offers a ground-breaking proposition that allows retail, institutional and corporate lenders to lend via an online platform at interest rates that they set. RateSetter pioneered the "Provision Fund" model that has since become a common feature of the industry. Its Fund is the largest (£16.6 million) and has ensured that no individual lender has ever lost a penny since RateSetter launched in 2010, a unique feat amongst the major P2P platforms. In 2014, RateSetter became the first P2P lender to launch with a retail license in Australia. In November 2014 RateSetter was named the *FT's Best Peer-to-Peer Lender*. In March 2015 Rhydian Lewis was named *FinTech Leader of the Year*. RateSetter is authorised and regulated by the Financial Conduct Authority.