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MEDIA INFORMATION

FSCS is ready to start paying claims for some structured products

Help is on the way for people who bought Lehman-backed structured products from three UK firms that have been declared in default by the FSA. The FSCS can now start paying eligible claims that it receives against NDF Administration Limited (NDF), Defined Returns Limited (DRL) and Arc Capital and Income plc (Arc) relating to the structured products they sold.

The FSCS has identified two broad categories of products for the three firms described as: Capital Secure products and Capital At Risk products.

The FSCS's investigations indicate that Capital Secure products may have been mis-sold by NDF, DRL and Arc. The investments categorised as Capital Secure products include:

- NDF - Capital Secure Fixed Growth Plan March 2008
- NDF - Capital Secure Fixed Growth Plan April 2008
- NDF - Capital Secure Fixed Growth Plan June 2008
- DRL - Enhanced Returns Plan Issue 1
- DRL - Enhanced Returns Plan Issue 2
- DRL - Enhanced Returns Plan Issue 3
- DRL - Enhanced Returns Plan Issue 4
- DRL - Enhanced Emerging Markets Plan Issue 1
- DRL - Enhanced Returns Plan Issue 5
- Arc - Bull & Bear Enhanced Investment Plan 3

The FSCS will be sending application forms to around 1,700 investors with Capital Secure products by the end of December. The Scheme aims to pay the majority of eligible claims within six months of receiving an application form and supporting information.

The FSCS is continuing to investigate the position of investors who hold Capital At Risk products. It is not yet in a position to confirm whether these products are likely to give rise to valid claims for compensation, so the FSCS will not be sending out application forms to this category of investor at this time. The FSCS will update investors as soon as it has completed its investigations.

The investments defined as Capital At Risk products include:

- NDF - Fixed Income or Growth Plan February 2008
- NDF - Fixed Income Plan June 2008
- DRL - Kick Out Performance Plan Issue 1
- Arc - Fixed Income Plan 6
- Arc - Stepped Kick Out Plan 5

Loretta Minghella, FSCS Chief Executive says: “We have been working closely with the FSA and the administrators of all three firms to establish where we may be able to help. We are pleased to say that we are now able to send application forms to investors with Capital Secure products and will start making payments to eligible claimants as soon as the application forms are returned to us. Meanwhile, we are doing everything we can to complete our investigations into the Capital At Risk products as quickly as possible.”

Further information on NDF and DRL is available from the administrators’ website at <http://ndfa.creditorhelpline.co.uk/> or through their dedicated customer helpline on 0844 770 2203. Further information on Arc is available from the administrators’ website at <http://www.cbw.co.uk/arc.html> or through their dedicated customer helpline on 0844 880 6511.

More information about the FSCS is available on its website at www.fscs.org.uk.

Notes to editors

The firms, NDF Administration Limited (NDF) and Defined Returns Limited (DRL), went into administration on 14 October 2009. The firm, Arc Capital and Income plc (Arc), went into administration on 26 October 2009. The Financial Services Authority (FSA) determined NDF, DRL and Arc to be “in default” on the same date that the respective firms went into administration.

The administrations of NDF and DRL are being conducted by Grant Thornton UK LLP, while Carter Backer Winter LLP are the administrators for Arc.

1. About the FSCS

The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme for customers of authorised financial services firms. This means that the FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. The FSCS can pay up to £48,000 compensation (100% of the first £30,000 and 90% of the next £20,000) per person per firm in default. The FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and does not charge individual consumers for using its service.

2. Authorised firms

Our rules are made by the FSA, the independent watchdog set up by the government under FSMA to regulate financial services in the UK and protect the rights of consumers. The rules tell us which types of claim are protected, the eligibility criteria for claimants, and limit how much compensation we are allowed to pay. Firms need permission from the FSA to carry out a regulated activity, which covers activities such as accepting deposits, insurance business and investment business. Dealing with an authorised firm gives consumers access to the Financial Ombudsman Service (FOS) and the FSCS. Consumers can check that the firm they are dealing with is authorised by contacting the FSA’s Consumer Helpline on 0300 500 5000 or by checking the online register at: <http://www.fsa.gov.uk/Pages/register/>