



Guernsey  
Banking  
Deposit  
Compensation  
Scheme

# Information Leaflet

**March 2020**



# Introduction

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Some definitions of key terms are given below. Where these terms appear in the leaflet they are shown in **bold type**.

	<b>Definitions</b>
<b>Scheme</b>	The Guernsey Banking Deposit Compensation Scheme
<b>Commission</b>	The Guernsey Financial Services Commission
<b>States</b>	The States of Guernsey, being the body which is responsible for the government of the Island of Guernsey
<b>Board</b>	The Board of the <b>Scheme</b> , which is appointed by the Committee for Economic Development but is independent of both the <b>Commission</b> and the <b>States</b>
<b>Licensed Banks</b>	Banks licensed by the <b>Commission</b> under the Banking Supervision (Bailiwick of Guernsey) Law, 1994
<b>Ordinance</b>	The Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008, as amended from time to time
<b>Qualifying Claimant</b>	See summary under 'Key Elements of the Scheme'
<b>Guernsey</b>	All islands in the Bailiwick of Guernsey

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

*This is only a brief summary of the **Scheme** and you should take note of the details mentioned below. If you have any questions, or need further information, please use the contact details provided.*

## Key Elements of the Scheme

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- The **Scheme** is intended to provide some protection for people, wherever they live, who deposit money with Guernsey **Licensed Banks**. It is aimed mainly at protecting retail depositors.
- It is operated by an independent statutory **Board**.
- If a **Licensed Bank** fails, it will be declared in default by the **Commission**.
- The **Scheme** provides a maximum compensation of up to £50,000 for each **Qualifying Claimant** (as below) who held deposits with the failed bank. This compensation may be reduced as explained below.
- The Scheme aims to pay compensation within three months of a **Licensed Bank's** failure.
- The total amount of compensation is capped at £100 million in any five year period. If claims exceed this cap, compensation will be reduced pro rata. The cap also means that compensation in respect of any one bank cannot exceed £100 million.
- The **Scheme** is paid for by the **Licensed Banks** through annual charges and special charges in the event of a failure.

## Frequently Asked Questions

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*Will I be a **Qualifying Claimant**?*

You will be a **Qualifying Claimant** in respect of a **Licensed Bank** in default if you have a deposit with that bank and you are:

- A personal client<sup>1</sup>;
- The trustee of a Guernsey Retirement Annuity Trust;
- A parent holding an account for a child;
- The executor or administrator of a deceased person's estate; or
- A Guernsey-registered charity

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<sup>1</sup> The **Ordinance** strictly states that the deposit must be made by a "natural person for his own benefit".

*Which banks are participants in the Scheme?*

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

*What about banking 'brands'?*

Brands of banks, such as the 'NatWest International' brand operated by Royal Bank of Scotland International Limited, 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 International and a deposit in Royal Bank of Scotland International Limited 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 don't live in Guernsey; am I covered by the Scheme?*

Yes. As long as you have an account with a **Licensed Bank** you will be covered by the **Scheme**, wherever you live.

*I live in Guernsey but have an account with a bank 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 have three accounts with my bank, are all of them covered?*

Yes. 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 of £50,000. Compensation may be reduced if the £100 million cap is exceeded – see below.

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

Half the deposit will be treated as a separate account in your name, to be combined with any other deposits you may have for the purposes of the £50,000 limit. The same applies to your partner and their half of the deposit.

*Are trustee accounts covered?*

Usually not. The only trustee accounts that are covered are charitable trusts, if they are Guernsey registered charities, and Guernsey Retirement Annuity Trusts (or, at the discretion of the **Board**, similar schemes such as SIPPS).

*Are company accounts covered?*

No. A company is not a **Qualifying Claimant**.

*Are sole traders or partnerships covered?*

Yes, unless your business is incorporated, formed as a limited partnership, or formed as a limited liability partnership. Partners in non-limited partnerships holding accounts for their own benefit would be treated as joint account holders.

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

If the bank has taken formal security over your deposit (for example by a security interest agreement or other form of legal charge) your compensation may be reduced.

*Do I get compensation if my account is in a foreign currency?*

Yes. The balance will be converted into sterling at the mid-market rate on the date of the default for the purposes of calculating compensation.

*How would I make a claim?*

The **Board** will provide full information at the time via the Scheme's website.

*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, but no claim can be considered without a properly completed claim form.

*How is the **Scheme** funded? Is it guaranteed by the **States**?*

The **Scheme** is paid for by the **Licensed Banks**, who pay an annual levy to cover administrative costs and will be called upon to pay further levies in the event of a bank default. It is not guaranteed by the **States**.

*What happens if claims in total exceed £100 million?*

The amount of compensation payable in respect of any one bank cannot exceed £100 million, so any compensation paid might be less than your full claim. You should ask your bank whether you might be affected. There is also a limit of £100 million for compensation payable in any five year period. If either of these limits were reached, compensation to **Qualifying Claimants** would be reduced so that the total applicable compensation did not exceed £100 million in the five year period<sup>2</sup>.

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

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

*Who are the Board members?*

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

## Further reading

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

- Relevant Policy Letters about the **Scheme**, including the original Policy Letter presented to the **States** in November 2008.
- A copy of the **Ordinance**, which established the **Scheme**, including amendments.
- A list of **Licensed Banks** that are participants in the **Scheme**.

*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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<sup>2</sup> Special rules apply if two or more banks fail within a short period.



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