



FPRA
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The Voice of Leaseholders

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FOR IMMEDIATE RELEASE: (Thursday 2nd April 2009)

WILL FLAT OWNERS' MONEY BE SAFE IF THEIR BANK GOES BUST?

The Federation of Private Residents Association (FPRA) has welcomed the announcement this week of a consultation on proposed changes to the Financial Services Compensation Scheme (FSCS) by the Financial Services Authority (FSA) to provide extra protection for holders of temporary high deposit balances in the event of the failure of a UK bank, however we have requested that the FSA include flat owners who have large sums of money deposited on their behalf to be protected if the bank in which funds are deposited ceases to trade.

We would expect to see confirmation obtained in writing from the bank or managing agent concerned and guidance should be accompanied by a greater degree of regulation to secure these vital funds deposited by flat owners who pay regular amounts of money to management companies in respect of service charges and reserve funds used for the upkeep and maintenance of their properties and it is these funds that can amount to millions of pounds and flat owners are understandably anxious to clarify if these monies are to be protected.

Federation Chairman Bob Smytherman said:

"We have received a number of calls from worried members as well as those with independent building owners or managing agents. Our

Members up to now have been receiving contradictory and confusing information from both the banks and the Financial Services Authority (FSA) ."

"Small businesses (including most blocks of flats), have the same protection as individuals up to a maximum of £50,000.

In addition, we understand that where monies are held in trust by a larger organisation (such as a building owner or managing agent) that does not qualify as a small business, protection is available provided that for each individual account held, the holder of the account writes to the bank advising them that monies are held on behalf of individuals and the bank acknowledges this."

The £50,000 limit applies to an individual so will include any other deposits that individuals may have with the same bank.

The FPRA has long campaigned for clear protection of flat owners' funds. The current situation is a reminder of the need for flat owners' money to be protected from not only defaulting banks but also from defaulting (or dishonest) agents, freeholders & others. The FPRA are lobbying Government to obtain the level of protection required.

Ends

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Notes to Editors-

- 1. The FPRA exists to advise and support leaseholders (flat owners) and residential management companies, to lobby for**

the interests of leaseholders, to be a forum for debate, and to keep members informed of legal and practical developments in leasehold matters. The FPRA was set up in 1971 as a non-political, non-profit making voluntary organisation by a group of private sector residents' associations. It became a limited company in 1986. Its directors are unpaid volunteers, and have long experience in leasehold matters.

2. The definition of a small business is any business that meets any 2 out of the following 3 criteria:-

- o Turnover not more than £6,500,000**
- o Balance sheet total of not more than £3,260,000**
- o Total employees not more than 50**

The FPRA have asked the FSA to confirm the position regarding Section 42 Accounts under the Commonhold and Leasehold Reform Act 2002 whose accounting regulations are expected to become law in 2009.

3. Financial Services Compensation Scheme: Protection for temporary high deposit balances, and Implementation of changes to the Deposit Guarantee Schemes Directive' can be found on the FSA Website. <http://www.fsa.gov.uk>

2. The FSCS insures deposits up to a limit of £50,000 per individual per bank. Through diversification of deposits across many banks, an individual may get the benefit of FSCS insurance on amounts that are a multiple of the £50,000 limit for each individual bank.

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This email was sent from or on behalf of The Federation of Private Residents

Associations Ltd.

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