

Is My Company Deposit Account Safe?

Following regular news stories on the instability of banks, the Government's decision to raise the amount of deposit that it will guarantee in the event of bank failure to £50,000 was welcomed by all. However, it has not been made clear if the guarantee under the Financial Services Compensation Scheme (FSCS) applies only to individuals or whether it includes company deposits as well.

The FSCS protects the deposits of small companies, which are those which meet two of three criteria:

- they have fewer than 50 employees;
- their turnover is not more than £6.5 million per year; and
- the balance sheet total is less than £3.26 million.

The £50,000 limit is also available for unincorporated organisations, partnerships and sole traders, but in the latter case the limit would apply in total to all (i.e. business and personal) accounts held by the customer with the same lender.

The deposits of larger companies are not covered by the scheme.

One possible area for concern is whether deposits held in different members of the same banking group are covered separately. In this case, if each of the banks is separately authorised by the Financial Services Authority, the FSCS would pay compensation up to the limit of £50,000 per person, per authorised institution. If each of the banks is not separately authorised but is covered by the parent company's authorisation, the FSCS would pay compensation up to the limit of £50,000 once, irrespective of with how many different group members a person held accounts.

Deposit takers in the Channel Islands and Isle of Man are not covered by the scheme.

Contact us for advice on all company law and directors' liability matters.