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102/08

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Kaupthing Singer & Friedlander

1. Acting on the advice of the Bank and FSA, and in light of announcements made by the Icelandic authorities in recent days, the Chancellor has taken action today to protect the retail depositors in Kaupthing Singer & Friedlander, a UK-based banking subsidiary of Kaupthing Bank. He has taken this action to ensure the stability of the UK financial system. Savers' money is safe and secure.
2. Kaupthing Singer & Friedlander (KSF) is regulated by the FSA. The FSA has determined that Kaupthing Singer & Friedlander no longer meets its threshold conditions, and is likely to be unable to continue to meet its obligations to depositors. The FSA concluded that KSF is in default for the purposes of the Financial Services Compensation Scheme. The Treasury has used the Banking (Special Provisions) Act 2008 to ensure a resolution that preserves financial stability and provides protection and continuity of business for depositors.
3. KSF's Kaupthing Edge deposit business has been transferred to ING Direct, a wholly-owned subsidiary of ING Group, which operates through its branch in the UK. ING Direct is working to rapidly ensure that it is business as normal for all customers.
4. This action by the Tripartite Authorities protects savers' money and provides certainty for retail depositors. The transfer of the retail deposit books has been backed by cash from HM Treasury and the Financial Services Compensation Scheme.
5. The remainder of Kaupthing Singer & Friedlander business has been put into administration. Any retail depositors eligible to claim under the Financial Services Compensation Scheme whose business has not been transferred to ING Direct will be paid out in full through the Financial Services Compensation Scheme.
6. This is the right course of action to protect savers, ensure financial stability, and safeguard the interests of the taxpayer.

Notes to Editors

1. These notes set out in further detail the arrangements announced today by HM Treasury to safeguard deposits with Kaupthing Singer & Friedlander (KSF).
2. By orders made under the Banking (Special Provisions) Act 2008, all deposits with KSF that relate to Edge accounts have been transferred to ING Direct.

Deposits with KSF other than Edge Accounts

3. The government will ensure that all retail deposits with KSF, which do not relate to Edge accounts (non-Edge retail deposits), will be repaid to depositors who are eligible to claim under the Financial Services Compensation Scheme, including in respect of deposits in excess of the £50,000 limit under the Scheme, with the government covering deposits in excess of the FSCS limit.
4. The Financial Services Compensation Scheme working with the administrator of KSF will endeavour to contact these individuals and make payments to them as soon as possible.

5. All non-Edge retail depositors will receive payments of the gross amounts of the balances on their accounts.
6. Retail deposits for these purposes means the credit balances on Kaupthing Edge Savings Accounts and Kaupthing fixed term deposit accounts held by persons who are eligible to claim under the FSCS (such persons include most private individuals and some small businesses and charities; for further details, please see Chapter 4 of the FSA's Compensation Sourcebook or the website of the FSCS (www.fscs.org.uk)).
7. It will be a condition of payment under these arrangements that a non-Edge retail depositor must assign his claims against KSF to FSCS or to such other person as HM Treasury may require, which will account to HM Treasury for recoveries, which it makes as a result. No further sums will be paid to such non-Edge retail depositor.
8. These arrangements supplement, but do not replace, the FSCS (which covers in full the first £50,000 of financial loss in respect of retail deposits).

ING Direct

9. ING Direct N.V. is a wholly-owned subsidiary of ING Group N.V., the Dutch holding company of an international banking and insurance group, with branches in London and elsewhere. The group has over 85 million customers worldwide, and is one of the 20 largest financial institutions in the world. 10. ING Direct already has over 1 million customers in the UK using its online banking services.

FSCS

11. The FSCS has financed its payout through a loan from the Bank of England.
12. The Chancellor of the Exchequer today restates that the Government stands behind the FSCS, so that it can be relied upon to be able to play its role in meeting future claims that arise.

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