

Consumer Confidence and Compensation Arrangements:

A higher compensation limit would greatly improve my confidence in the banking system. The higher the limit the greater the confidence. I've always felt that it was wrong to expect individuals to deposit savings with a bank or building society without giving a guarantee that the total deposit would be returned if the institution failed. I wasn't comfortable with the compensation arrangement which was in place before the Northern Rock problem, but deposited my savings in various institutions, including Northern Rock, because that was all that was on offer. It was, and still is my practice to keep most deposits below the upper compensation limit and to spread my savings in fixed term, fixed rate bonds in a various banks and building societies. I'm pleased that I am now guaranteed to get back 100% of my deposit, up £35,000, if a bank or building society fails, but I think that the compensation limit should be much higher, say £100,000 per customer per institution. If there was a higher compensation limit I would increase deposits in some institutions and close my accounts in others so that my savings were spread over fewer banks and building societies, and be easier to manage.

The one exception to my usual practice is that I have a Mini Cash ISA, TESSA ISA and Fixed Rate Bond with one of the biggest building societies and their total is worth much more than £35,000. I've been with this Society for more than 30 years and quite happy in my dealings with them but I'm tempted to move some of these savings elsewhere, particularly after the Northern Rock problem. My strong preference would be to see the compensation limit greatly increased so that I could leave my savings where they are, and also be absolutely confident that I will not lose out if the building society did fail.