

FSCS declares Pacific Continental Securities (UK) Limited in default

Former clients of Pacific Continental Securities (UK) Limited (Pacific Continental Securities) may be in line for up to £48,000 in compensation after the Financial Services Compensation Scheme (FSCS) declared the firm in default.

FSCS believes that up to 4,500 people may be eligible for compensation relating to the investment company that ceased trading in June 2007. The firm was put into liquidation in March 2008. After investigating its financial position and examining company records, the FSCS declared the firm in default, as it is unable or likely to be unable to pay compensatable claims against it.

The FSCS is expecting two main categories of claims from investors:

- Mis-selling of US 'Regulation-S' shares and AIM shares: many claims relate to allegations that shares sold by Pacific Continental Securities were not suited to the investor's risk profile or investment objectives.
- Claims for the return of property: for cash or shares which have not been returned.

FSCS has already received 375 claims against Pacific Continental Securities and says it could receive some 4,000 more from people who have indicated to the liquidators that they wanted to make a claim. The Scheme expects to deal with the vast majority of claims within six months of receiving an application form. Some of the anticipated claims, however, may be complex and will require more work and time to assess and complete. FSCS will keep claimants informed of developments.

The final costs will depend on the volume of claims, their value and the percentage of claims upheld. Current estimates put likely costs of the default in a range between £40m and £70m. However, final costs could fall outside this range. The costs are expected to fall to the Investment Intermediation (D2) sub-class. FSCS currently expects to announce an interim 2008/09 levy for the sub-class before 31 March 2009 and payable in April, of up to £40m to cover potential costs in the current year and to fund estimated compensation costs until the next annual levy is collected in early 2009/10. By March, the FSCS says, it will be in a better position to assess further the cost of claims based on actual claims experience, and make a firm decision about the interim levy and about what further levies may be required to fund the default.

Chief Executive Loretta Minghella says: “Today’s announcement is good news for those who invested money through Pacific Continental Securities and believe they are owed compensation. They may qualify for up to £48,000 in compensation if they were mis-sold shares or have other types of valid claims against the firm.

“We have already received 375 claims from consumers and we expect to make the first payments to people who lost money as a result of their dealings with Pacific Continental Securities by the end of January.

“We are also sending application forms to everyone who notified the liquidators that they wished to make a claim against the firm. Forms will start to go out to these 4,000 people over the coming week. They should complete the application form and provide the supporting evidence we need to assess their claim. We will do everything we can to settle claims within six months.

“We realise that today’s announcement is not good news for the investment firms who will have to pay our levies to meet the cost of this default. By phasing the levies until the full costs are clearer, we are seeking to manage the impact on firms at a difficult time, whilst an interim levy will ensure that we are able to pay valid claims as they are decided.”

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Notes to editors:

FSCS is an independent body set up under the Financial Services and Markets Act 2000 and protects deposits, insurance, investments and mortgage business. It can only pay compensation for financial loss and its service is free to consumers.

The current limit for investment claims is £48,000 (100% of the first £30,000 and 90% of the next £20,000), per claimant, per firm.

Details of the investment firm are below. Consumers who believe they may have a claim should contact FSCS on 020 7892 7300, or by email at enquiries@fscs.org.uk. Further information about FSCS’s work is available from its website at www.fscs.org.uk.

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