



Banking Act 1987

1987 CHAPTER 22

PART II

THE DEPOSIT PROTECTION SCHEME

Payments out of the Fund

58 Compensation payments to depositors

- (1) Subject to the provisions of this section, if at any time an institution becomes insolvent and at that time—
 - (a) it is an authorised institution; or
 - (b) it is a former authorised institution (not being a recognised bank or licensed institution excluded by an order under section 23(2) of the Banking Act 1979),the Board shall as soon as practicable pay out of the Fund to each depositor who has a protected deposit with that institution an amount equal to three-quarters of his protected deposit.
- (2) Subject to the provisions of this section, if at any time an administration order is made under section 8 of the Insolvency Act 1986 in relation to an institution and at that time it is such an institution as is mentioned in subsection (1) above the Board shall pay out of the Fund to each depositor who has a protected deposit with that institution an amount equal to three-quarters of his protected deposit; and that payment shall be made as soon as practicable after the deposit is or becomes due and payable under the terms on which it was made or, if later, the approval of the administrator's proposals under section 24 of that Act.
- (3) Where the Board is satisfied that a payment has been or will be made to a depositor in respect of his protected deposit under any scheme for protecting depositors or investors which is comparable to that for which provision is made by this Part of this Act or under a guarantee given by a government or other authority the Board may—
 - (a) deduct an amount equal to the whole or part of that payment from the payment that would otherwise be made to him under subsection (1) or (2) above; or

Status: This is the original version (as it was originally enacted).

- (b) in pursuance of an agreement made by the Board with the authority responsible for the scheme or by which the guarantee was given, make in full the payment required by that subsection and recoup from that authority such contribution to it as may be specified in or determined under the agreement.
- (4) Where the Board makes such a deduction as is mentioned in paragraph (a) of subsection (3) above it may agree with the authority responsible for the scheme or by which the guarantee was given to reimburse that authority to the extent of the deduction or any lesser amount.
- (5) The Board may decline to make any payment under subsection (1) or (2) above to a person who, in the opinion of the Board, has any responsibility for, or may have profited directly or indirectly from, the circumstances giving rise to the institution's financial difficulties.
- (6) There shall be deducted from any payment to be made by the Board in respect of a deposit under subsection (2) above any payment in respect of that deposit already made by the administrator; and where an institution becomes insolvent after an administration order has been in force in relation to it the payments to be made by the Board under subsections (1) and (2) above, taken together, in respect of a depositor's protected deposits with the institution shall not exceed an amount equal to three-quarters of those deposits.
- (7) The Treasury may, after consultation with the Board, by order amend subsections (1), (2) and (6) above so as to substitute for the fraction for the time being specified in those subsections such other fraction as may be specified in the order; but no such order shall be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament.
- (8) Notwithstanding that the Board may not yet have made or become liable to make a payment under subsection (1) above in relation to an institution falling within that subsection—
- (a) the Board shall at all times be entitled to receive any notice or other document required to be sent to a creditor of the institution whose debt has been proved; and
 - (b) a duly authorised representative of the Board shall be entitled—
 - (i) to attend any meeting of creditors of the institution and to make representations as to any matter for decision at that meeting;
 - (ii) to be a member of any committee established under section 301 of the Insolvency Act 1986;
 - (iii) to be a commissioner under section 30 of the Bankruptcy (Scotland) Act 1985; and
 - (iv) to be a member of a committee established for the purposes of Part IV or V of the Insolvency Act 1986 under section 101 of that Act or under section 141 or 142 of that Act or of a committee of inspection appointed for the purposes of Part XX or XXI of the Companies (Northern Ireland) Order 1986.
- (9) Where a representative of the Board exercises his right to be a member of such a committee as is mentioned in paragraph (b)(ii) or (iv) of subsection (8) above or to be a commissioner by virtue of paragraph (b)(iii) of that subsection he may not be removed except with the consent of the Board and his appointment under that subsection shall be disregarded for the purposes of any provision made by or under any enactment

which specifies a minimum or maximum number of members of such a committee or commission.

(10) Notwithstanding that the Board may not yet have made or become liable to make a payment under subsection (2) above in relation to an institution falling within that subsection—

- (a) the Board shall at all times be entitled to receive any notice or other document required to be sent to a creditor of the institution under Part II of the Insolvency Act 1986; and
- (b) a duly authorised representative of the Board shall be entitled—
 - (i) to attend any meeting of creditors of the institution summoned under Part II of that Act and to make representations as to any matter for decision at that meeting; and
 - (ii) to be a member of any committee established under section 26 of that Act.