

Government ‘tamely surrenders’ power to decide level of protection for bank depositors

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The Lord Stoddart of Swindon (Independent Labour)

News Release

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The Government has “tamely given away the right to decide the level of protection for UK depositors” against bank failures says independent Labour Peer

The independent Labour Peer, Lord Stoddart of Swindon, has exposed yet another serious surrender of governmental powers to the European Union, through a written question (20.07.15) which asked why the Government had accepted an EU directive that has tied the United Kingdom’s bank deposit protection scheme to the euro-sterling value, resulting in a £10,000 reduction in the level of protection for United Kingdom depositors from next year.

Lord O’Neill of Gatley, for the Government said: ‘Deposit Guarantee Scheme Directive (DGSD) updates existing EU legislation designed to harmonise the level of deposit protection provided across the European Economic Area (EEA).

‘This is necessary to ensure that depositors are entitled to the same level of protection wherever they deposit their money, and that UK firms are not competitively disadvantaged in relation to firms in other EEA jurisdictions.’

Commenting on the response from the Government, Lord Stoddart said: "Lord O'Neill can witter on about EU harmonisation as much as he likes but the harsh reality is that UK depositors, who have previously been protected up to £85,000 will see this protection reduced to £75,000, from 2016, thanks to interference from the EU. Even more significant is the fact that the Government has tamely given away the right to decide the level of protection UK depositors should receive.

"This new arrangement means that in order for depositors to get more protection, our economy needs to stumble and the value of the pound to shrink. The same situation applies to our contributions to the EU, which go up when our GDP rises. In other words, the more successful we are the more the EU punishes us!

"Sadly, the Government has adopted a similarly mad arrangement for the payment of Overseas Aid, by anchoring it to a percentage of GDP. This means that every time our GDP increases, we have to send more of our hard earned money overseas."

"The politicians whom we elect to govern us are supposed to obtain the best deal for Britain, not trap us in a self-defeating system that can only bring us down."

The full text of Lord Stoddart's written question and the Government's response is below:

Written question – Hansard 20th July 2015

Lord O'Neill of Gatley, HM Treasury, has provided the following answer to your written parliamentary question (HL1108):

Question:

To ask Her Majesty's Government whether they will explain why they agreed to a European directive tying the United Kingdom's bank deposit protection scheme to the euro-sterling value

which has resulted in a £10,000 reduction in the level of protection for United Kingdom depositors from next year; and what action they intend to take to address this anomaly. (HL1108)

Tabled on: 06 July 2015

Answer:

Lord O'Neill of Gatley:

The Deposit Guarantee Scheme Directive (DGSD) updates existing EU legislation designed to harmonise the level of deposit protection provided across the European Economic Area (EEA).

This is necessary to ensure that depositors are entitled to the same level of protection wherever they deposit their money, and that UK firms are not competitively disadvantaged in relation to firms in other EEA jurisdictions.

As a result of the current strength of the pound in relation to the euro, it has been necessary for the Prudential Regulation Authority to review the sterling coverage limit. However, the Government has taken action to ensure that UK depositors are not exposed to a sudden reduction in the level of protection they receive.

HM Treasury has laid a statutory instrument to ensure that depositors who are currently entitled to £85,000 of protection from the Financial Services Compensation Scheme will continue to be until 31 December 2015.

This will ensure that there is sufficient time available for depositors to be made aware of the changes, and to take such steps as they feel necessary to manage their financial affairs appropriately in light of this change.

Date and time of answer: 20 Jul 2015 at 17:37.