[Details of Compensation scheme for London Capital & Finance bond holders announced]

Due to the unique and exceptional nature of the situation concerning London Capital & Finance (LCF), the government will establish a scheme that provides 80% of LCF bondholders' initial investment up to a maximum of £68,000. Where bondholders have received interest payments from LCF or distributions from the administrators, Smith & Williamson, these will be deducted from the amount of compensation payable.

The scheme will be available to all LCF bondholders who have not already received compensation from the Financial Services Compensation Scheme (FSCS) and represents 80% of the compensation they could have received had they been eligible for FSCS protection, which is capped at £85,000.

Economic Secretary to the Treasury, John Glen said:

> This has been a very difficult time for LCF bondholders, many of whom are elderly and have lost their hard-earned savings.
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> It is an important point of principle that government does not step in to pay compensation in respect of failed financial services firms that fall outside the Financial Services Compensation Scheme.
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> However, the situation regarding LCF is unique and exceptional and the government has decided to establish a compensation scheme for LCF bondholders in this instance. The scheme appropriately balances the interests of both bondholders and the taxpayer and will ensure that all LCF bondholders receive a fair level of compensation in respect of the financial loss they have suffered.

The existing Financial Services Compensation Scheme is strictly limited in scope and it is only able to pay out when a relevant regulated activity has been undertaken. The FSCS has considered LCF claims in detail and has been able to protect around 2,800 bondholders, paying out over £57 million in compensation.

Around 97% of all LCF bondholders invested less than £85,000 and therefore will not reach the compensation cap under either the government scheme or the FSCS. The government expects to pay out around £120 million compensation to around 8,800 people in total and to have paid all bondholders within 6 months of securing the necessary primary legislation, which it will bring forward as soon as parliamentary time allows.

Bondholders should be vigilant to the risk of scammers posing as services to help them claim. They do not need to do anything at this stage and government will provide further details on how the scheme will operate in due course.

The government is committed to ensuring the financial services sector is well regulated and consumers are adequately protected, and the Treasury is therefore today launching a consultation on proposals to bring the issuance of mini-bonds into FCA regulation. This consultation is the culmination of a review into the regulation of mini-bonds announced in May 2019 and delivers on one of the recommendations made in Dame Elizabeth Gloster's report into the collapse of LCF.

Further information

- the London Capital & Finance Compensation scheme Written Ministerial Statement is now published.
- the Regulation of non-transferable debt securities (mini-bonds): a consultation is also available online.
- LCF was a Financial Conduct Authority (FCA) authorised firm which issued unregulated non-transferable debt securities, commonly known as 'mini-bonds', to investors and then speculatively invested the funds received in a number of underlying businesses. LCF went into administration in January 2019 and at the point of failure 11,625 bondholders had invested around £237 million.
- an independent investigation led by Dame Elizabeth Gloster, which the government published at the end of last year concluded that the FCA did not discharge its functions in respect of LCF in a manner which enabled it to effectively fulfil its statutory objectives during the relevant period.