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FSCS defends Capita outsourcing deal

17 January 2013 9:30 am | By [Natalie Holt](#)

The Financial Services Compensation Scheme has defended its outsourcing arrangement with Capita, insisting the company is not involved in claims relating to Arch cru.

Capita is the parent company of Capita Financial Managers, which acted as the authorised corporate director for the Arch cru funds between June 2006 and March 2009 when the funds were suspended.


The FSCS says it outsources some claims to third parties and has had an outsourcing arrangement with Capita in place since 2005. It says all claims relating to the Arch cru funds are outsourced under a separate agreement with Deloitte.

An FSCS spokeswoman says: "Capita does not handle Arch cru claims because we perceived there would be a conflict of interest between Capita and Capita FM, despite them being separate legal entities."

In November, the FSA [censured Capita FM](#) for failing in its role as ACD of Arch cru, but chose not to levy a £4m fine. Parent company Capita contributed £32m to FSA voluntary redress payment scheme.

The FSA has estimated £90m worth of Arch cru claims had been lodged with the FSCS as at last month, with the FSCS handling around 1,800 claims against 60 firms. The regulator is expecting a total of £37m in Arch cru claims to fall on the FSCS.

Facts & Figures Financial Planners managing director Simon Webster says: "It ought to be surprising that government agencies are entering into contracts where there is a potential for conflict of interest. Unfortunately this is the kind of thing government bodies do all the time."



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