

# Behind the news

## Is it time to bail out?



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The Irish bail-out provides a stark reminder that your savings may not be safe in the hands of European-based banks, says **James Daley**

**T**he issue of trust has been at the front of savers' minds over the past few months, as the Irish economic crisis has once again raised questions about how safe our money is when we leave it in the hands of banks both at home and abroad.

Irish banks have offered some of the most attractive savings rates in the UK over the past few years, and millions of savers have taken advantage of these. But just how safe is money in Irish banks today?

The biggest Irish savings provider in the UK is the Post Office (PO), which since 2004 has sold savings accounts provided by the Bank of Ireland (BoI). Until November 2010, the only protection that PO savers could count on was the Irish Depositors' Protection Scheme, which was reliant on the backing of the

Irish government. So if BoI had gone bust and the government wasn't able to fund its compensation scheme, PO savers may have lost some or all of their cash.

Since November, however, PO accounts have come under the protection of the UK Financial Services Compensation Scheme (FSCS) meaning that even if the BoI and Irish government were to go bust, the first £85,000 of savers' money would still be protected by the UK compensation scheme.

But for savers who still have money in banks such as Anglo Irish – or in other BoI accounts that are not covered by its new FSCS protection – the situation is still precarious. The EU's bail-out of the Irish government means that Ireland has been stabilised for the time-being. However, this is an economy that is still in intensive care. As a result, any money sitting in

Irish banks is still potentially at risk.

Our advice to people looking for good savings rates is to not be tempted by the Irish banks – or any other EU banks that are not participants in the FSCS.

Perversely, it's safer for savers to put money into an Indian bank such as **ICICI** than it is to put money into EU-based banks – as long as you stay below the FSCS limit. This is because non-EU banks are forced to set up UK authorised subsidiaries, which are part of the FSCS.

EU banks, however, can operate in the UK without being part of the UK FSCS, leaving savers to rely on the protection provided by the country where the bank is domiciled. So in the case of the Bank of Cyprus (UK), for example, the safety net is provided by the Cypriot government.

At Which?, we don't believe savers should be having to make decisions about the financial strength of individual governments when deciding where to deposit their money. That's why we advise that you only place your savings in banks that have full UK FSCS protection and to spread your money around between banks on different banking licences.