



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

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COMMITTEE AND MEMBERS' SERVICES			
26 MAR 2009			
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MEM.	C. DIV	CONTRACT	HOUSING
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Your ref: JH/LP

23 March 2009

*Dev Liam,*

Thank you for your letter of 4 February to the Prime Minister. I am responding as I have ministerial responsibility for the mutuals sector.

The Government shares your concerns about the events at PMS and sympathises with the difficult situation faced by members.

You may be aware that at present organisations such as Presbyterian Mutual (in the course of their business as an Industrial and Provident Society) are exempt from regulation by the Financial Services Authority (FSA) under the Financial Services and Markets Act (FSMA) 2000. Consequently the firm and its members do not contribute to, and are not protected by, the Financial Services Compensation Scheme (FSCS).

As you know, the Government announced at Pre-Budget Report 2008 that the Treasury would, in association with The Department of Enterprise Trade, & Investment (DETI), carry out a review of the regulatory framework applicable to credit unions and industrial & provident societies in Northern Ireland.

The review has now started and Treasury officials have been in contact with the relevant authorities in Northern Ireland. Our enquiries are at an early stage and consequently it would be premature for Government to offer further comment at this stage.

Earlier this year the Administrator appointed for PMS balloted members to seek approval for plans to run down the business in an orderly fashion. The vote closed on 30 January 2009 and the Administrator's statement of 6 February 2009 shows that members voted unanimously to accept the proposals. A further report from the Administrator is due by the end of May 2009.



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I should stress that the Government is doing whatever it takes to ensure that the financial services industry has proper supervisory mechanisms and regulatory oversight where required, as well as deposit protection schemes in place to protect consumers where appropriate.

The Government is keen to ensure a successful resolution to this matter and is grateful for all the letters and comments it has received.

*Yours sincerely,*

**IAN PEARSON MP**