



# HM TREASURY

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request-10387-  
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Ref: 9/332

14 May 2009

Dear Mr Davison

**Freedom of Information Act 2000:  
Kaupthing, Singer and Friedlander (Isle of Man) (KSF IoM)**

Thank you for your enquiries of 14 April 2009, received on 15 April, under the Freedom of Information Act 2000 (The "Act").

You asked:

what steps the UK Government have taken, or are planning to take to ensure that the Isle of Man authorities vouchsafe the savings and deposits in the banks in their jurisdiction;

and

for confirmation that assistance by way of release of funds frozen with KSF UK (which you understood to be within UK Treasury powers) or a loan to the Isle of Man, has, or will be offered.

2. Before answering your request I would like to make clear that your assertions on the freezing of funds and provision of a loan is incorrect. The administration process of KSF UK is a matter for the administrators. The reason the funds to which you refer cannot be repaid is not because they are frozen funds, but because KSF UK has been placed into administration and, as part of that process, a moratorium on enforcement action by creditors is in place. Creditors of KSF UK, including KSF IOM, will be treated in accordance with the administration procedures and will be paid out via the administration in the normal way.

We would also like to clarify that in giving evidence to the Treasury Select Committee on 3 February 2009, the Chief Minister of Isle of Man stated that he did not think the UK Government is responsible for the financial affairs of the Isle of Man and that he was satisfied that the Isle of Man has the resources to make the payments required under its compensation scheme.

3. The Freedom of Information Act allows requests for recorded information from a public authority, subject to certain rules. I can confirm that the Treasury does not hold any information falling within the description of your request.



4. It may be helpful for you if I set out some background information. Kaupthing Singer & Friedlander (Isle of Man) (KSF IoM) is not a subsidiary of KSF in the UK, but of an Icelandic company in the Kaupthing group. It was the responsibility of the Isle of Man's regulator to assess how the failure of the parent company in Iceland or the failure of any other company in the group would impact on the Isle of Man subsidiary and take the appropriate action. Ultimately this was a failure that started in Iceland and responsibility for banks in Iceland rests with the Icelandic authorities.

5. The action which should be taken in relation to KSF IoM in the future is also a matter for the Isle of Man Authorities. However, we are aware that on 9 October the Isle of Man Court made a Provisional Liquidation Order in relation to KSF IoM. On 19 February the Isle of Man Court ordered an adjournment of the hearing of the winding up petition until 9 April 2009 to allow the IoM Treasury to prepare a Scheme of Arrangement. On 19 May 2009, KSF IoM depositors will decide between the Scheme of Arrangement and liquidation and activation of the Depositors' Compensation Scheme (DCS). Further information is available on the Isle of Man's website: [http://www.gov.im/cso/faq\\_gfs.xml](http://www.gov.im/cso/faq_gfs.xml).

6. Arrangements for depositors in banks in the Isle of Man are also a matter for the Government of the Isle of Man. Deposits with KSF IoM will be subject to the Isle of Man Deposit Compensation Scheme (DCS). Further information about the DCS, and eligibility for the scheme, is available on the Isle of Man Government's website at: [http://www.gov.im/fsc/investor/dep\\_comp.xml](http://www.gov.im/fsc/investor/dep_comp.xml).

7. Notwithstanding the above, and as we have indicated before, it is the case that the UK Government, continues to work closely with the Icelandic authorities to ensure fair treatment for depositors and creditors of the failed Icelandic banks, including KSF IoM.

8. If you have any queries about this letter, please contact me. It will be helpful to us if you remember to quote the reference number above in any future communications.

**Information Rights Unit**  
**On behalf of HM Treasury**

If you are not happy with this reply, you may request a review by writing to HM Treasury, Information Rights Unit, 2/S2, 1 Horse Guards Road, London SW1A 2HQ. Email FOI.responses @hm-treasury.gov.uk  
Any review request must be made within 2 months of the date of this letter.  
It would assist our review if you set out which aspects of the reply concern you and why you are dissatisfied.  
If you are not content with the outcome your complaint, you may apply directly to the Information Commissioner for a decision. Generally, the ICO cannot make a decision unless you have exhausted the complaints procedure provided by the Treasury. The Information Commissioner can be contacted at: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF.