

How safe is money in Spanish bank accounts?

Many of our clients have deposited money in Spanish bank accounts and now anxiously ask us, if their money is safe. In its issue of 14th October 2008 the newspaper Mallorca Zeitung has published a complex of frequently asked questions and gave profound answers to them.

What guarantees are there for savings in Spanish accounts?

In the case of a bank insolvency in Spain there is a deposit security fund (FDG, Fondo de garantía de Depósitos) into which Spanish banks and saving banks have paid regularly. After the decision of Spain's Government to raise the guaranteed amount, the fund FDG covers savings of up to 100.000 Euros per entity and holder.

What kind of deposits are backed by the protection fund?

Covered are saving accounts as well as deposits. Also money which has been entrusted to bank for equity funds is covered by the deposit protection fund.

What kind of deposits are not backed by the protection fund?

The protection guarantee was developed for private individuals. Therefore deposits of public administrations or representatives of the same business or business group are not protected. Neither does it comprehend money of other financial institutions. Explicitly excluded are depository receipts as they are bound to bearer and do not offer deposit protection in contrary to saving bonds, day-to-day money or fixed deposits. This is what investors of Lehmann bank have suffered since the bust.

In theory, what would happen in case of a bank failure?

If a bank went broke, the security fund would pay the aggrieved party for the loss up the guaranteed amount. If there was more damage, the rest –or at least part of it - could probably be recovered in the course of the insolvency proceedings.

What happens if there is not enough money in the fund?

This is very unlikely. Banks have regularly paid into it – in accordance to the increase of the deposited amounts. At present the fund disposes of 6,5 billion Euros. Furthermore the fund can contract debts; and as last resort the Spanish National Bank would , assured the Spanish minister of finance, Pedro Solbes, after the outbreak of the crisis.

What about foreign banks in Spain?

It depends; if it is a self relying bank that is involved (e.g. Deutsche Bank) it is secured by the Spanish protection fund. As far as the Dutch ING is concerned, the local fund which has also been increased to 100.000 Euros will step in.