

FSCS announces its final levy for 2018/19 at £407m

The Financial Services Compensation Scheme (FSCS) has announced its levy for 2018/19.

FSCS will levy firms £407m this year, £71m more than it forecast in its Plan and Budget 2018/19 in January. This includes management expenses of £72.7m. The levy in 2017/18 totaled £363m.

FSCS has increased the levy on life and pensions advisers by £52m. The main reason for the increase is the rise in defined benefit pension transfer claims. This includes £10m FSCS has set aside to pay for claims against a number of independent financial advisers. One of these firms is Active Wealth which advised British Steel workers, amongst others, to transfer their defined benefit pension schemes into Self-Invested Personal Pensions. This means that the maximum levy of £75m will now be raised on life and pension advisers and the balance – currently forecast as £64 million - will fall on other industry sectors. The amount and timing of any supplementary levy will be confirmed during the year.

Likewise, FSCS has increased the levy on the Investment Provision class by £18m, which arises almost entirely from claims against SIPP Operators, and on home finance intermediaries by £5m. The investment intermediation sector will see a decrease to its indicative levy announced earlier this year of £4m, mainly because of recoveries, which offset an increase in compensation payments for claims expected against Beaufort Securities.

Mark Neale, Chief Executive of FSCS, said: “The levies announced today provide for the steady increase in claims and compensation costs related to retirement saving. Risks rise as people make increasingly complex choices about the investment of their pension pots, even where investors take the sensible step of taking independent professional advice.

“Many claims reflect bad advice to transfer pension savings from occupational schemes into Self-Invested Personal Pensions, usually with a view to invest in illiquid and risky unregulated products.

“Claims for such advice fall on life and pension advisers. However, as last year, we expect that compensation costs falling to this sector in 2018/19 will exceed the class limit and result in a call on other industry sectors in the retail pool.”

A full explanation of the 2018/19 annual levy is contained in the latest edition of [Outlook](#), the newsletter FSCS produces for the industry.

Final levies by funding class

Appendix 1:

Final levy figures (by funding class)

Class	Final Levy 2018/19 (£m)	Indicative Levy 2018/19 (£m)	Variance (£m)
Deposits (SA01)	19	16	3
General Insurance Provision (SB01)	89	88	1
General Insurance Intermediation (SB02)	16	23	(7)
Life and Pensions Provision (SC01)	0	0	0
Life and Pensions Intermediation (SC02)	75	75	0
<i>Funded by Retail Pool</i>	64	12	52
Investment Provision (SD01)	52	34	18
Investment Intermediation (SD02)	42	46	(4)
Home Finance Intermediation (SE02)	22	17	5
Debt Management (SK01)	0	0	0
Base costs	28	25	3
Total	407	336	71

Media enquiries

Suzette Browne / T: 020 7375 8633

Bhavik Depala / T: 020 7375 8631

Anthony Ozimic / T: 020 7375 8638

Rebecca O'Connor / T: 020 7375 8638

Email: publicrelations@fscs.org.uk

Notes to editors



1. The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme for customers of authorized financial services firms. This means that FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it.
2. FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on authorised financial services firms. FSCS does not charge individual consumers for using its service. For more information visit www.fscs.org.uk
3. Information on FSCS funding is available at: <https://www.fscs.org.uk/industry/funding/>