

FSCS protection of funeral plans

Industry toolkit

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2 FSCS protection of funeral plans

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3 FSCS protection of funeral plans

Introduction

From 29 July 2022, the funeral plans market will be regulated by the Financial Conduct Authority (FCA).

Any funeral plan providers that are FCA authorised from this date will also become protected by the Financial Services Compensation Scheme (FSCS).

So what does this mean for funeral plan providers and intermediaries – and what exactly is FSCS?

In this toolkit we will explore:

- > What FSCS is and why it's important
- > How we are funded, and what this means for you as a funeral plan provider and any intermediaries
- > How FSCS protects individuals who have a funeral plan
- > Available FSCS resources that you can share with your customers.

By familiarising yourself with this toolkit, you will increase your knowledge of FSCS, and be able to give your customers accurate information about our protection, which in turn will contribute to consumer confidence in financial services.

4 FSCS protection of funeral plans

What is FSCS and why is it important?

The Financial Services Compensation Scheme exists to protect customers of financial services firms that have failed.

If an authorised firm goes out of business and can't pay claims against it (or is likely to be unable to), we can step in to **pay compensation to customers that incur financial losses.**

FSCS is operationally independent from but accountable to the Financial Conduct Authority (FCA).

FSCS is funded by a levy paid by the financial services industry and is **free to consumers.**

In protecting consumers, FSCS promotes consumer confidence in financial services.

Since our launch in 2001, FSCS has:



protected more than **6.5 million** customers



paid out more than **£26.5 billion** in compensation

5 FSCS protection of funeral plans

What does FSCS cover?

Cover

FSCS only covers business conducted by firms authorised by either of the industry regulators:



Financial Conduct
Authority (FCA)



Prudential Regulation
Authority (PRA)

Funeral plan providers are regulated by the Financial Conduct Authority, which means some of their activities are eligible for FSCS protection.

What does FSCS protect?

Protection

FSCS protects:



Deposits in banks, building societies, credit unions (including temporary high balances)



Insurance policies/contracts and broking (advice and arranging)



Investments (only certain types)



Pensions and other long-term insurance policies



Home finance (advice and arranging)



Funeral plans* - from 29 July 2022

FSCS pays compensation to customers with claims against PRA or FCA authorised firms that have gone into **default** – this means FSCS has determined they are unable or likely unable to pay claims against them.

The Financial Ombudsman Service (FOS) deals with complaints against firms that are still in business.

*This toolkit focuses on funeral plans.

How we are funded

We're able to pay our customers compensation because we are fully funded by the financial services industry.

Each year, firms authorised by the FCA and PRA pay a levy. This annual levy funds the cost of running our service, and the cost of compensation paid to customers that are eligible under our rules.

The levy amount varies depending on the type of financial services class that each firm belongs to. Funeral plan providers will be in a bespoke funding class.

What this means for funeral plan providers

As per the FCA's rules, providers that become a participant firm part way through a financial year **will not be liable to pay a levy in that same year.**

When the regulation of funeral plans sector commences on 29 July 2022, **funeral plan providers will not be required to meet any compensation or specific costs** – including contribution to the retail pool – that arise during the 2022/23 financial year.

We will provide an update on funeral plan providers levy fees for the 2023/24 financial year in due course. The FCA indicated in the consultation process that the funding class limit for funeral plan firms will likely be £5 million for 2023/24.

Eligibility and compensation limits

Claim eligibility

To qualify for compensation, a customer must be eligible under the following FSCS rules:

- > Compensation can be paid only when an authorised firm is in default,
- > Compensation is paid only for financial loss, and there are limits to the amounts of compensation that can be paid.

For more information on eligibility, visit:

<https://www.fscs.org.uk/making-a-claim/claims-process/eligibility-rules/>

Compensation limits

The compensation we pay is for actual losses incurred by a customer. There are limits to how much compensation we can pay, and it is different for different financial products.

For all types of funeral plan claims, customers are protected up to £85,000 per eligible person, per firm. We note that in today's market, funeral plan values sit at around £10,000.

For a full list of our compensation limits, visit:

<https://www.fscs.org.uk/what-we-cover/>

How FSCS protects funeral plans

If a funeral plan holder has a funeral plan and their provider goes out of business on or after 29 July 2022, FSCS may be able to protect them.

This includes funeral plans bought before the FCA regulation date.

To be eligible for protection, the funeral plan provider that has failed must be regulated by the FCA. Customers can check their provider is regulated on the [Financial Services Register](#).

Our protection

If a funeral plan provider goes out of business, it should have arrangements in place to ensure that a new regulated provider can carry out customers' funeral plan contracts, or provide compensation.

If firms have not put these arrangements in place, FSCS will protect plan holders of failed funeral plan providers.

We will work with the failed firm, the FCA and insolvency practitioner (IP) to ensure that we have all of the information we need. **In most circumstances, customers won't need to make a claim.** Visit the [FCA Handbook](#) for more information.

Visit the next slide to find out how we protect funeral plan holders.

Extended transition period: 29 July – 31 October 2022

The FCA has worked with HM Treasury to agree a longer transition period – in limited circumstances – for certain funeral plan providers to make appropriate arrangements for the next steps of their business.

Please note: customers of providers entering the extended transition period will not be protected by FSCS. This is because FSCS can only protect customers of funeral plan providers that are FCA regulated.

Replacement funeral plan

Where possible, FSCS will seek to arrange a replacement funeral plan with a new regulated provider.

This means the plan holder would receive a new funeral plan contract with a different provider. **The new funeral plan will be on the same terms as their original plan** (unless this is not possible in which case the new plan will be on materially the same terms).

We will write to plan holders to ask them if they want to receive a new funeral plan with a different funeral plan provider or compensation. **If they choose a replacement plan FSCS will secure a new plan on their behalf.**

If the plan holder doesn't want us to arrange a replacement funeral plan, **they can choose to receive compensation from FSCS instead.**

Customers can search for failed firms on our website, where they will find guidance on next steps:
<https://www.fscs.org.uk/making-a-claim/failed-firms/>

Compensation

If a plan holder wishes to receive compensation, **FSCS will calculate the amount they are due** by reference to what it would cost to buy the same plan on today's market.

If FSCS isn't able to arrange a replacement funeral plan, **we will pay the customer compensation on the same basis.**

Other types of claim

From 29 July 2022, customers may also be able to claim compensation for certain activities carried out by a funeral plan provider or their intermediaries. Examples include **advice to take out a funeral plan, or the way a funeral plan was set up.**

The activity must have occurred on or after 29 July 2022.

Customers can check if they are eligible to claim for this type of activity via the **FSCS Claims Portal**.

If a funeral plan holder passes away and their funeral plan provider fails

If a plan holder were to pass away after their funeral plan provider fails, but before:

1. FSCS has yet to secure a new funeral plan contract with a new provider or pay compensation, and
2. the IP of the provider is not able to secure the provision of a funeral,

then FSCS may be able to help with the provision of a funeral.

A customer's nominated representative or next of kin will need to contact the named funeral director in the original funeral plan, who will advise them on next steps. This will be the named firm of undertakers under the terms of the funeral plan, or in the absence of this information, the firm of undertakers the nominated representative has selected.

Once the nominated representative has contacted the funeral director, they will need to notify us of their situation. They can contact us by phone, post or live chat – our customer service team is on hand to help.

Industry resources

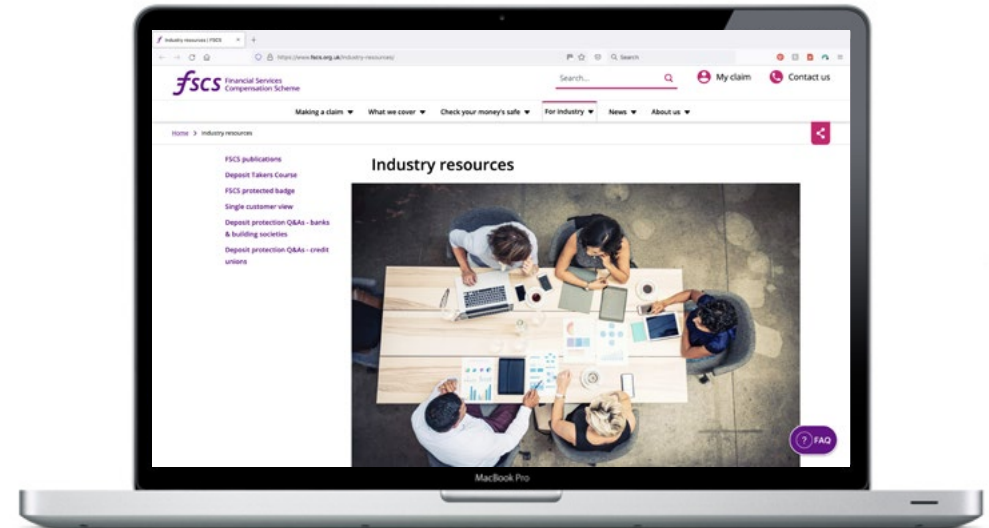
Funeral plans industry webpage

We now have a dedicated funeral plans industry webpage on the FSCS website: <https://www.fscs.org.uk/industry-resources/funeral-plans>

This page has a number of industry resources, including:

- > Funeral plans industry toolkit
- > FSCS customer leaflet
- > Industry webinar video

You can register for email updates, each time the industry webpage is updated, at the bottom of the webpage.



Sharing FSCS information with customers

Protected

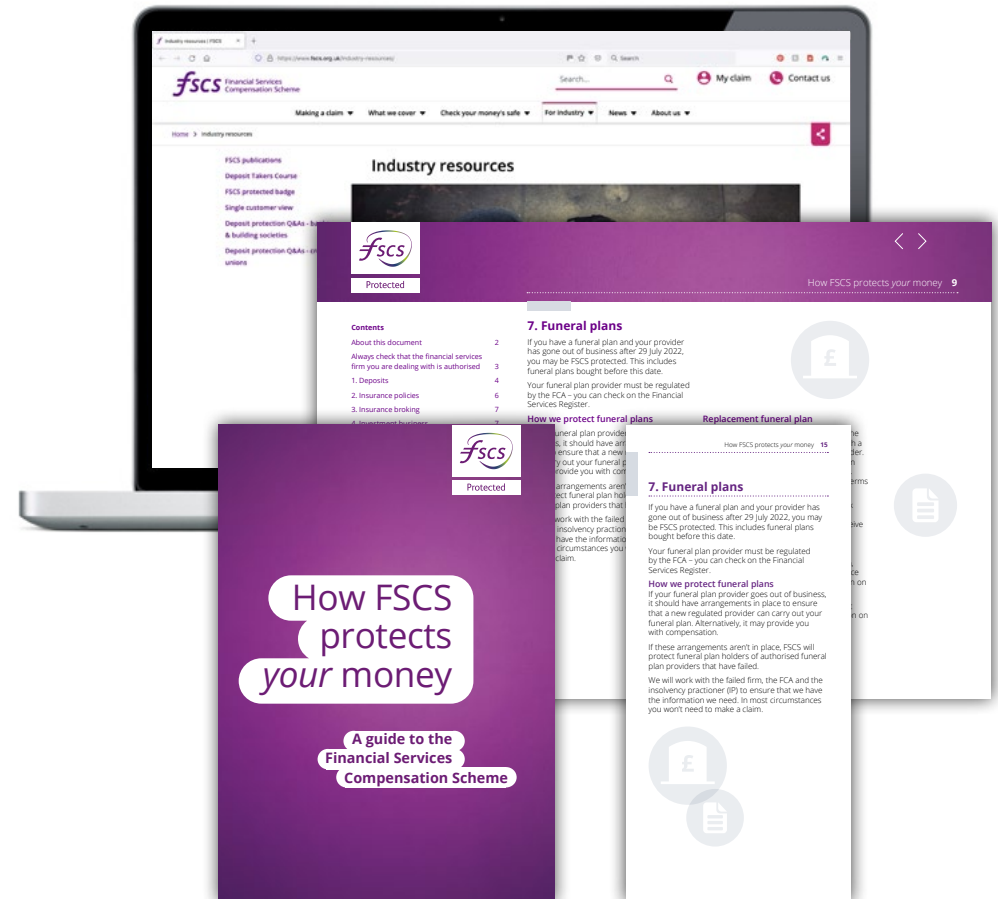
Consumer webpage

Our **funeral plans consumer webpage** explains our protection of funeral plans to consumers. You can signpost to this page from your own website where appropriate: <https://www.fscs.org.uk/what-we-cover/funeral-plans/>

Consumer leaflet – how FSCS protects your money

Our FSCS customer leaflet explains what we do and how our protection works for all of the products that we cover, including funeral plans. Two versions of this leaflet are available for you to download on our **funeral plans industry webpage**:

- > **Online leaflet** – available to download and host on your website
- > **Printable leaflet** – available to print and make available in your branch



What are the key messages about FSCS to take away?



- > FSCS is operationally **independent** from but accountable to the regulator, **funded by the financial services industry** and is **free for consumers to use**.



- > FSCS protects funeral plan customers up to **£85,000 per eligible person, per firm**.



- > If a funeral plan provider fails and can't pay claims against it, FSCS can protect customers by **replacing their cover** with a new FCA-authorized provider or by **paying compensation** equivalent to the cost of buying a replacement plan on today's market.



- > If a plan holder were to pass away after their funeral plan provider fails, **but before FSCS has secured a new funeral plan contract with a new provider or paid compensation**, and the IP of the provider is not able to secure the provision of a funeral, FSCS may be able to help with the provision of a funeral.

Industry queries

Do you work in the funeral plans sector and have a question about the scope of our protection of funeral plans that isn't covered in this toolkit?

Email us your question and we'll get back to you as soon as possible:

FCSFuneralPlans@fscs.org.uk

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