Class Statements
2020/21

HC 206

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Financial Services Compensation Scheme

Annual Report and Class Statements

2020/21

Presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 1 July 2021

HC 206 part ii of ii

The Financial Services Compensation Scheme Annual Report and Accounts (part i) provides details on overall performance and much more. It was also presented to the House of Commons on 1 July 2021.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at FSCS.

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01 CHIEF FINANCIAL OFFICER'S STATEMENT

I am pleased to be introducing the Class Statements for the first time and to have the chance to tell the story of the levy over the past year.

We publish the Class Statements separately from our Annual Report and Accounts to help levy payers understand how we have spent their levies.

We recognise the importance of regularly communicating levy updates to the industry, our levy payers and our other stakeholders. We publish three updates each year on the latest position on the levy, with the Class Statements showing the final position for each funding class.

The cost of the levy is mainly driven by the compensation we pay to customers of failed authorised financial services firms and our costs in processing these claim decisions. This year saw a £57m increase in compensation costs in comparison to 2019/20. This was mainly due to:

- an ongoing rise in complex pension advice claims;
- more self-invested personal pension (SIPP) operator and adviser failures; and
- compensation payouts relating to London Capital & Finance plc (LCF).

Covid-19 has presented many challenges this year. The fact that we did not miss a day of service and continued to process claims within our usual timescales truly demonstrated our flexibility and dedication to helping our customers. This has also been one of our busiest years since the 2008 financial crisis: in 2020/21 92 firms failed, which resulted in £584m of compensations costs.

Forecasting the levy is never an exact science as we cannot predict which or how many firms will fail. The uncertainty caused by Covid-19 made it more difficult than usual to forecast the levy in 2020/21 and we believe this trend will continue in the coming year.

In 2020/21, the retail pool was used for a total of £44m as the Life Distribution and Investment Intermediation class went over its class funding limit. The retail pool is a separate pot that all classes contribute to if they have not reached their maximum. It is only used when one class goes over its annual levy limit. We raised a supplementary levy of £78m in January, which brought the total 2020/21 levy invoiced to firms to £700m*.

The increased number of claims has brought our administration expenses above our agreed budget but within our approved management expenses levy limit. So we had to use £3.7m of our unlevied reserve. Although our volume-driven costs have increased, we have made savings in our controllable costs to offset these where possible.

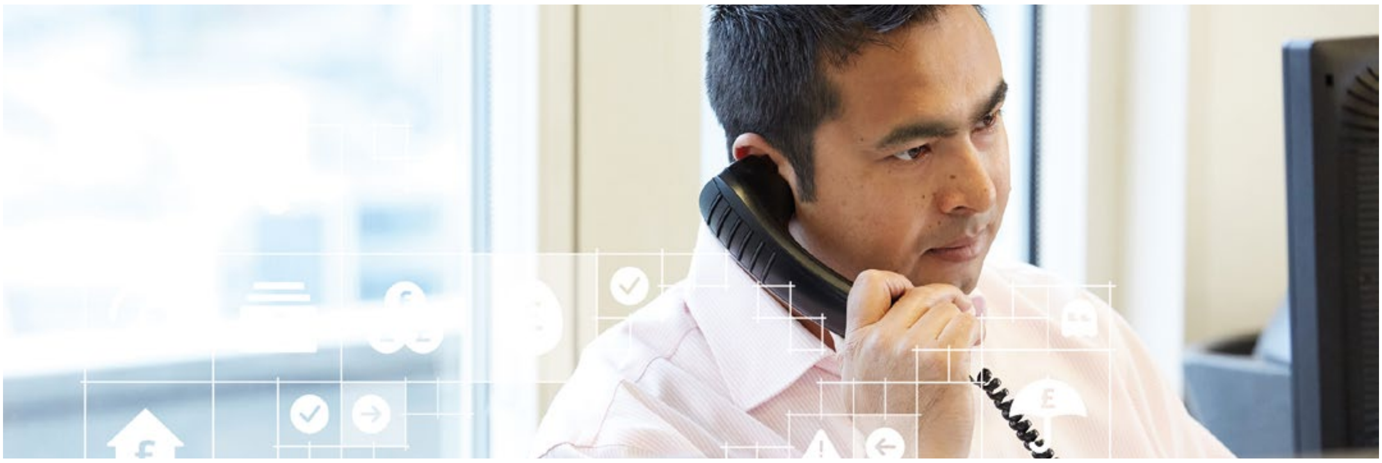
We have focused on managing the costs of processing claims to provide value for money for our levy payers. One way we have done this is by using artificial intelligence (AI) to help us process claims. This has shown great benefits in saving time and expense. We couple it with manual checks to make sure the results meet our high accuracy standards.

One of the ways we work to reduce the levy is by making recoveries from failed firms and third parties to recoup the money we pay in compensation. Making recoveries is a crucial way to offset levy costs and we have recovered more than £280m since the 2015/16 financial year.

I echo our Chief Executive in saying that the levy is unacceptably high, and that we must act to tackle the causes. It is not enough to simply rely on regulation to solve the problem. We have made progress this year, for example by sharing our data and knowledge with the regulators to tackle the consumer harm caused by scams and phoenixing. But there is much more to be done. We will continue to work with the industry to reduce compensation costs, protect consumers and to help maintain confidence in the UK financial services sector.

Fiona Kidy
Chief Financial Officer,
Financial Services Compensation Scheme

* This figure differs from the £600m total levy income shown in the Financial Review section of the Annual Report and Accounts 2020/21. The difference is due to the Annual Report and Accounts being prepared under a statutory and accruals basis under International Financial Reporting Standards (IFRS).



02 **ANNUAL LEVY – 2020/21 IN SUMMARY**

During 2020/21 we raised a total levy of £700m.

The £700m 2020/21 levy was an increase of £51m compared with the annual levy announced in May 2020. The main reason for this was a £98m increase in compensation costs than had been forecast for the Life Distribution and Investment Intermediation (LDII) class. This related to increases in:

- the number of London Capital & Finance plc (LCF) claims upheld;
- the costs of enabling asset and cash transfers to new investment providers; and
- the number of pension advice claims, and the value of the average compensation payout for these claims.

This caused a funding shortage in the LDII class, which meant we had to raise a supplementary levy of £78m. We did this by using £33m of surpluses from other classes and invoicing the remaining £45m to levy payers in February 2021. Of this, £44m was from the retail pool levy. The biggest contributor to the retail pool levy was the General Insurance Distribution class, which paid £23m. The retail pool is a separate pot that Financial Conduct Authority (FCA) classes contribute to if they have not reached their maximum levy limit. It is only used when one or more FCA class goes over its annual limit.

The other noticeable difference to the annual levy announced in May 2020 was that there was a surplus in the Investment Provision class. This was due to a change in the timing and costs relating to self-invested personal pension (SIPP) operator claims. As a result, this class was able to fund £26m of the deficit in the LDII class as provider contribution. At year end, there was a surplus of £43m in the Investment Provision class which will be taken off next year's levy.

This year, we have also seen the first failures in the Debt Management class with Pentagon (UK) Ltd and Atlantic Finance (UK) Ltd. We have paid claims to 108 Pentagon (UK) Ltd customers to date.

Following the FCA funding review, 2020/21 was the second year we raised levies in advance. This was to make sure we continued to have enough funds to meet costs until the summer 2020 levy. We raised £207m from the largest 1,000 levy payers as advance payments for their 2020/21 levy.

The levies announced in the year are shown in Table 1. Recognising the effects that Covid-19 has had on the economy, we extended the payment period for these levies for the first time. Some levy payers were allowed a 90-day payment period.

The overall cost of levies for 2020/21 increased by £151m compared to 2019/20. The main demands for compensation this year continued to come from the LDII, Investment Provision and General Insurance Provision classes. Details of the changes for each class are shown on the following pages.

Table 1: 2020/21 total levies announced

Code	Funding classes	2020/21 final levy	2020/21 supplementary levy	2020/21 total paid	2019/20 total paid
		£m	£m	£m	£m
SA01	Deposits	13	(5)[1]	8	(14)
SB01	General Insurance Provision	120	–	120	161
SC01	Life and Pension Provision	–	–	–	–
CLGID1	General Insurance Distribution	18	23	41	12
CLGID2	*General Insurance Provision*	6	7	13	4
CLII1	Life Distribution and Investment Intermediation	232	8	240	189
CLII2	*Life Insurance Provision*	33	2	35	28
CLII3	*Investment Provision*	13	26	39	39
CLII4	*Structured Deposit Provision*	6	(1)	5	4
CLIP	Investment Provision	188	(27)[2]	161	100
CLHFI1	Home Finance Intermediation	1.5	1.5	3	4
CLHFI2	*Home Finance Provision*	0.5	0.5	1	1
CLDM1	Debt Management	–	2	2	–
CLDM2	*Consumer Credit Provision*	–	–	–	–
CLDA	Deposit Acceptors' Contribution	–	8	8	–
	Base costs	24	–	24	21
	Total	**655[3]**	**45**	**700**	**549**

The levies shown are those paid by each class. Provider contributions are shown in *italics*.

1 The negative supplementary levy for SA01 and CLII4 represents a repayment to levy payers in these categories.
2 The negative supplementary levy for CLIP represents a deduction that was made from the class because of its provider contributions to the LDII class.
3 Some levy payers submitted increased fee tariff data. This means the annual levy for 2020/21 increased from £649m to £655m.

03 COMPENSATION COSTS

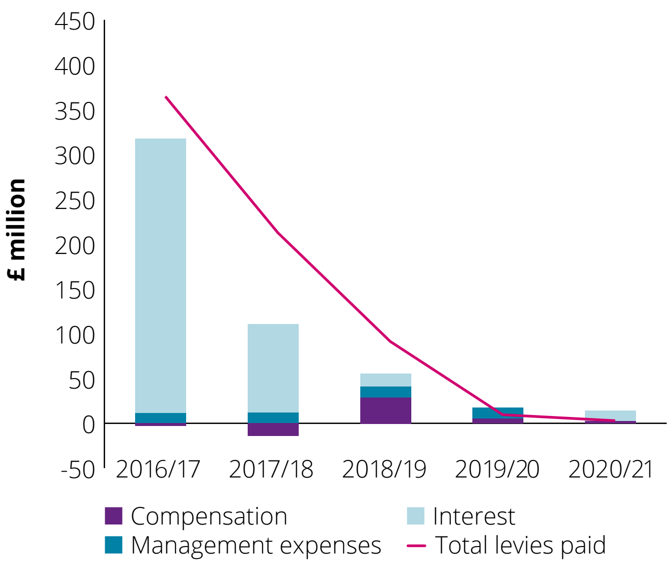
Table 2: Compensation costs for the year

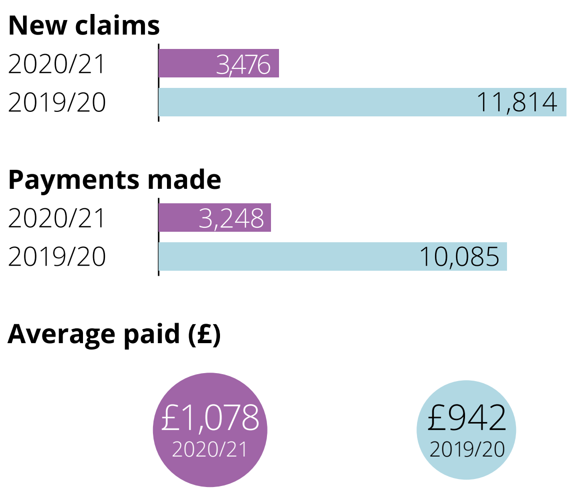
Class and code	Year ended 31 March 2021	Year ended 31 March 2020
	£m	£m
Deposits (SA01)	3	5
General Insurance Provision (SB01)	111	126
General Insurance Distribution (CLGID1)	15	21
Life Distribution and Investment Intermediation (CLII1)	323	282
Investment Provision (CLIP)	130	88
Home Finance Intermediation (CLHFI1)	2	6
Debt Management (CLDM1)	–	–
Total	**584**	**527**

Deposits (SA01)

Compensation costs of £3m are £2m lower than 2019/20. There were two credit union failures in the year:

- Pioneer Mutual Credit Union Ltd, at a cost of £3.3m; and
- Faifley Credit Union Ltd, at a cost of £0.1m.

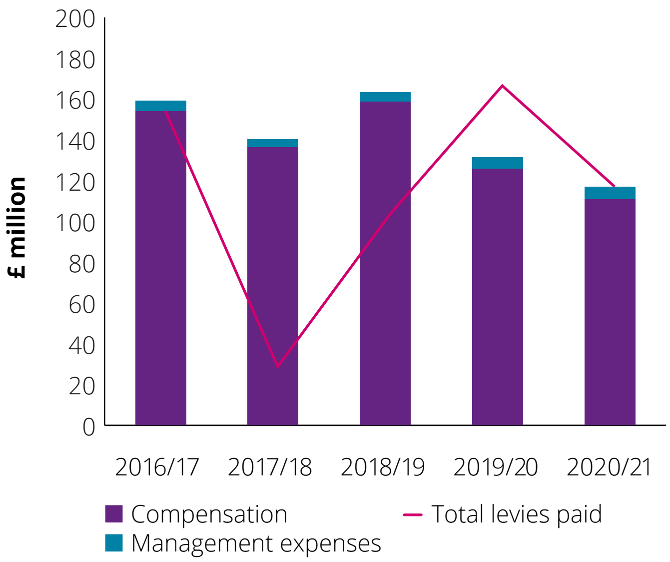


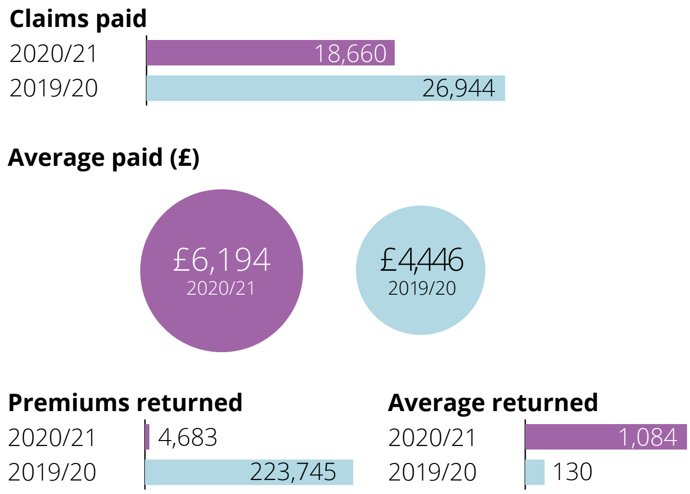


General Insurance Provision (SB01)

The cost for the year was £111m, a decrease of £15m on the previous year. The failures of East West Insurance Company Ltd and Prometheus Insurance Company Ltd (formerly Tradewise Insurance Company Ltd) contributed to a £1m increase. This was offset by similar or decreasing indemnity claims against several estates for older failures, for example Enterprise Insurance Company Plc reducing from £22m to £7m. We also continued to pay out on more recent failures, for example:

- Elite Insurance Company Ltd (£6m);
- LAMP Insurance Company Ltd (£5m);
- Quick-Sure Insurance Ltd (£1m); and
- CBL Insurance Europe DAC (£0.5m).

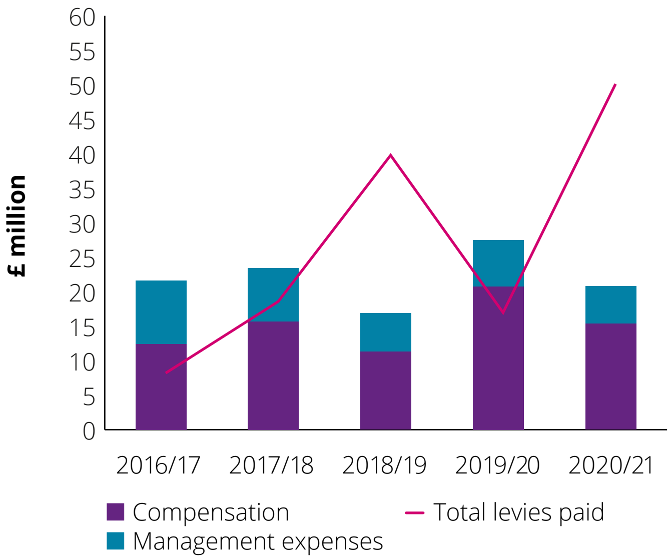


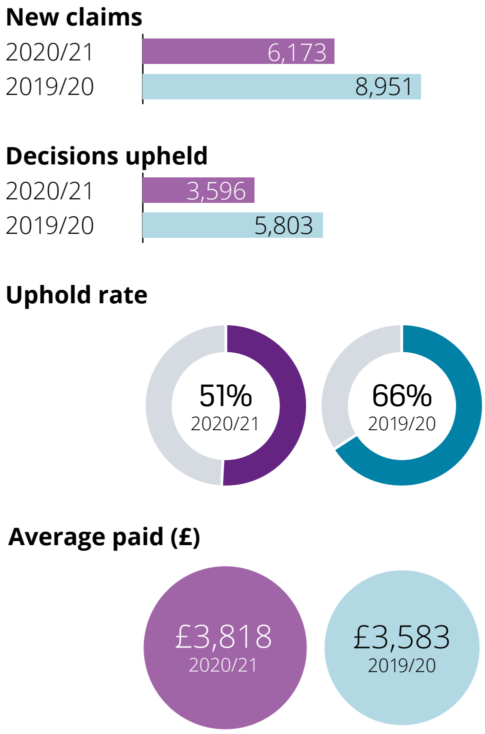


General Insurance Distribution (CLGID1)

The cost for the year was £15m, a decrease of £6m on the previous year. Over the last few years, the main cost in this class has related to payment protection insurance (PPI) claims. The increasing number of claims generated by media interest in the PPI deadline in August 2019 subsided in 2020/21, leading to lower compensation. The older failure of Welcome Financial Services Ltd also saw a reduction in compensation from £4m to £1m.

In total, 24% of the levies for this class are paid by the General Insurance Provision class.





Life Distribution and Investment Intermediation (CLII1)

Compensation costs have increased from £282m in 2019/20 to £323m in 2020/21. We paid compensation against 502 firms, indicating that the costs of the class relate to many relatively small firms.

Most of the increase relates to mis-sold mini-bonds and the failures of LCF (£55m) and B&G Finance Ltd (£17m).

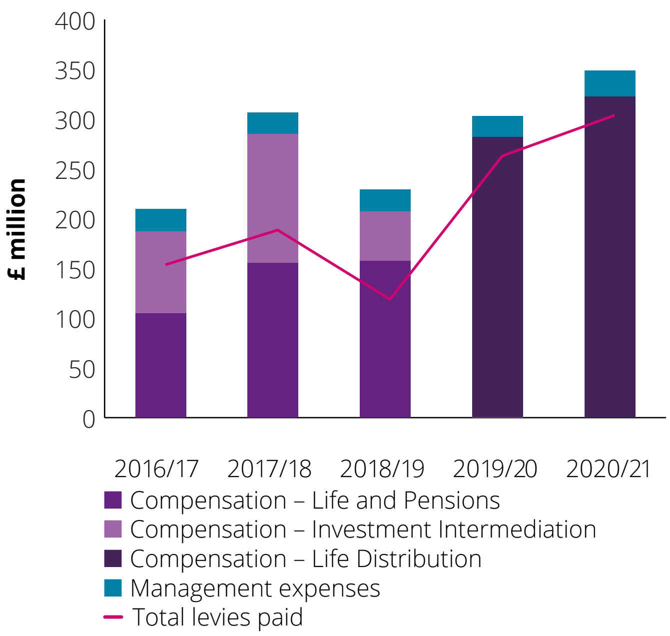
The cost of self-invested personal pensions (SIPPs) and other pension advice claims remains the largest cost of the class and has risen to £233m from £175m. This is mainly due to the increasing complexity of claims, which drives a higher average compensation cost per claim.

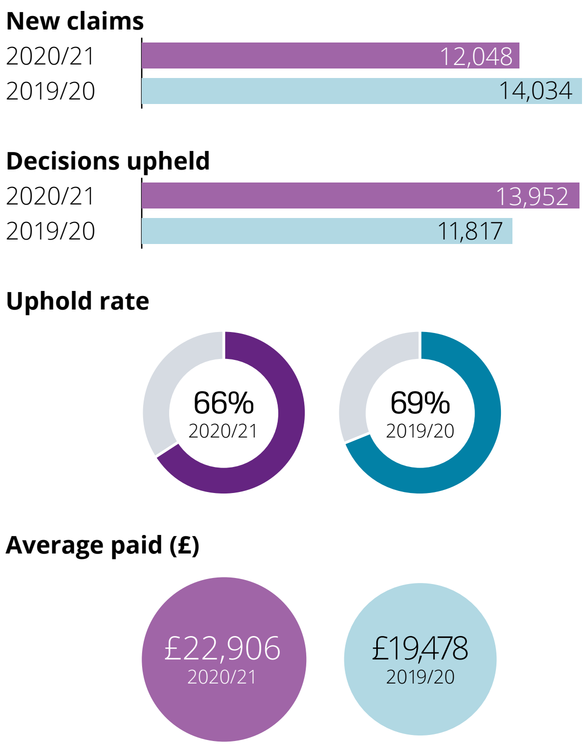
During the year we raised a supplementary levy to cover new failures and increasingly complex and expensive pension claims. As part of this we invoiced firms in this class £8m, which brought the LDII class up to its annual levy limit of £240m. As the class had reached its limit but required further funding, the retail pool was triggered.

Related provider classes paid 27% of the levies for this class as follows:

- Life Insurance Provision (10.6%);
- Investment Provision (15.2%); and
- Structured Deposits Provision (1.5%).

Provider contributions from the Investment Provision class were capped at 15.2% (£26m) this year as it had reached its annual levy limit of £200m.





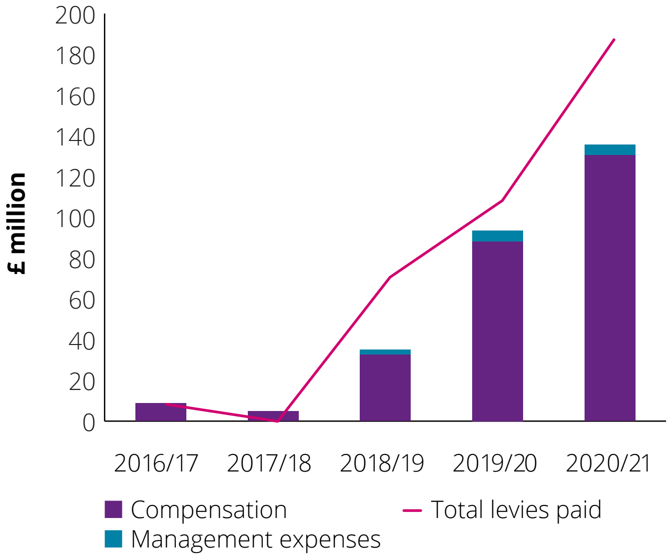
Investment Provision (CLIP)

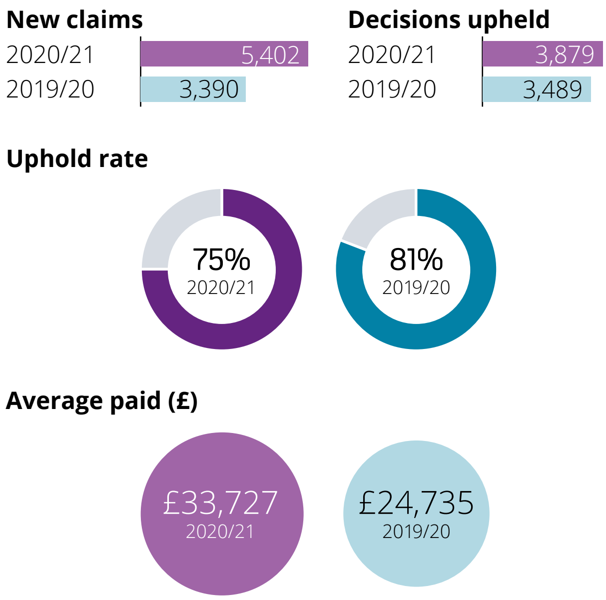
Compensation costs for this class have risen from £88m to £130m. Most of the costs in this class relate to SIPP providers. These include:

- the failures of Berkeley Burke SIPP Administration Ltd (£28m) and Guinness Mahon Trust Corporation Ltd (£22m); and
- continued compensation for GPC SIPP Ltd (formerly Guardian Pension Consultants) – a cost of £43m and an increase of £29m compared to 2019/20.

We also paid £7m in 2020/21 for non-SIPP products, compared to £3m in 2019/20.

This class also pays 15.2% of the costs of the Life Distribution and Investment Intermediation class as provider contribution. This brings the Investment Provision class up to its annual levy limit of £200m.





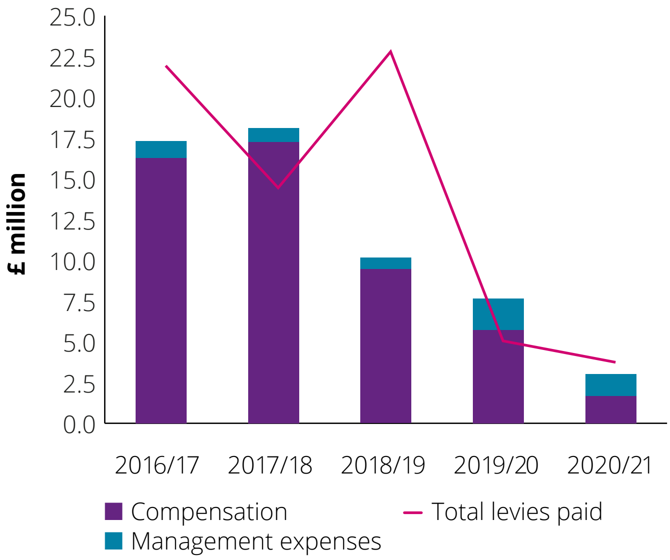
Debt Management (CLDM1)

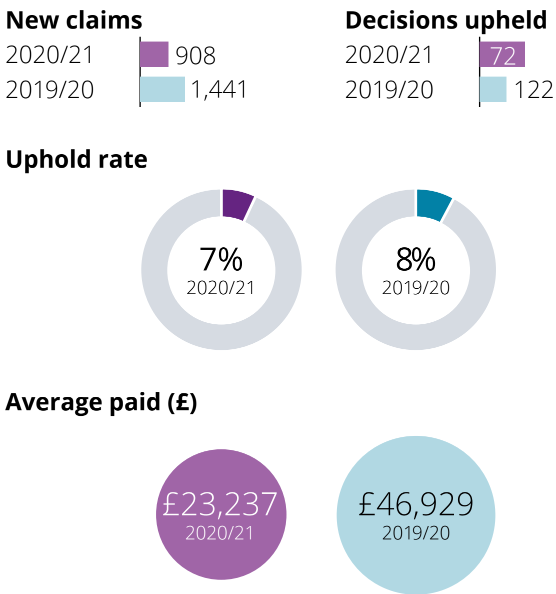
2020/21 is the first year we have paid compensation in the Debt Management class. Compensation costs included £27,000 being paid out to Pentagon (UK) Ltd.

Home Finance Intermediation (CLHFI1)

Over the last three years, failure of the mortgage broker Fuel Investments Ltd has accounted for £10m (60%) of the compensation costs for this class. As the claims against this firm have now reduced to £1m, the cost in this class has fallen from £6m to £2m.

The Home Finance Provision class pays 27% of the levies for this class.





04 **RECOVERIES**

To reduce the levy, we seek recoveries where it is reasonably possible and cost-effective to do so.

We recovered approximately £19m in the year to offset levies. We also recovered over £4m for customers whose claims exceeded our compensation limits.

We made the largest recovery in the year (£8m) from the final dividends from the insolvent estate of ARM Asset Backed Securities SA. This related to the Catalyst Investment Group Ltd failure. We credited this to the Life Distribution and Investment Intermediation class. Also in that class, we recovered over £3m of client money paid from Strand Capital Ltd.

During the year we also received the final dividend from the estate of Heritable Bank which was our only remaining case from the 2008/09 banking failures. We then agreed a small claim against Heritable Bank's (insolvent) Icelandic parent, but returns from that are likely to be small so our involvement in the financial crisis has mostly ended. At the start of the crisis, we paid out £20.9bn to support customers. We have now recovered £20bn of that and have funded the rest, including interest on the initial government loans, using levies from the deposit class.

In the General Insurance Provision class we recovered over £2m in dividends. These were mainly from older cases where we continue to pay claims relating to industrial diseases. Sadly, we expect this type of claim to continue for some time.

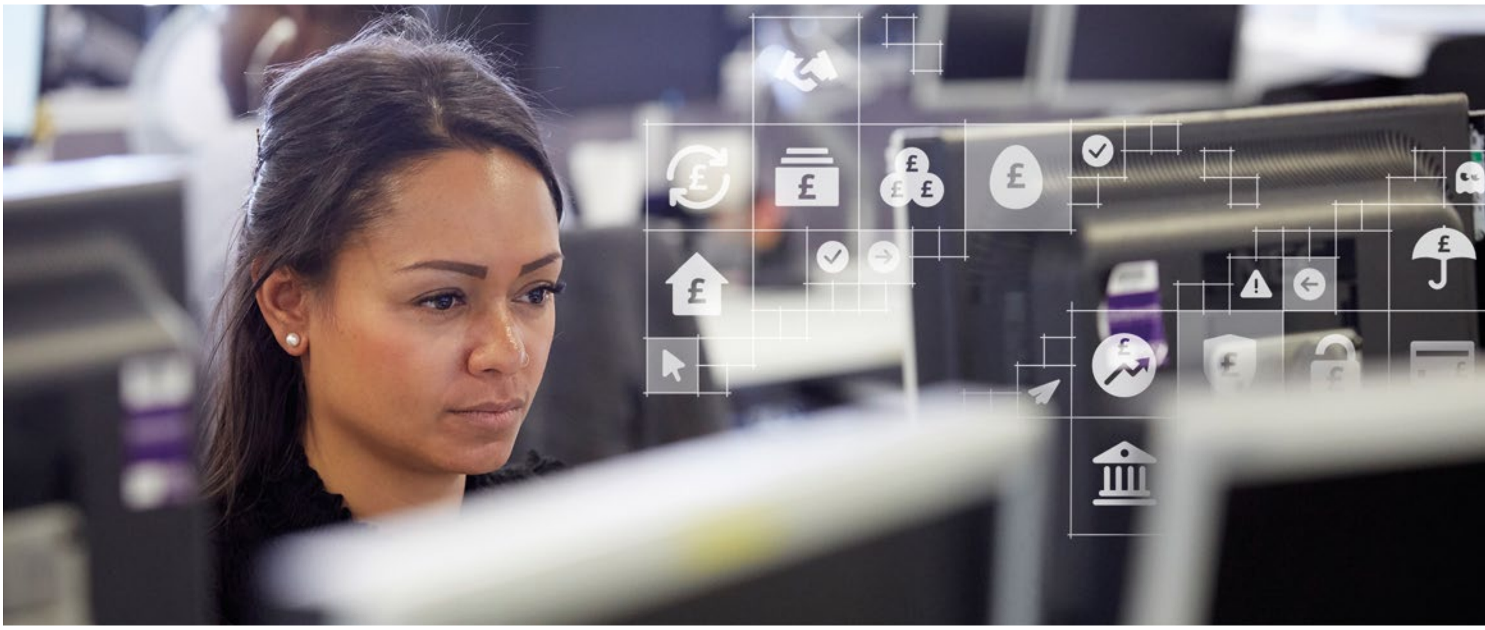
Other recoveries are spread across around 60 firms including settlements against professional indemnity insurers and dividends from insolvency processes. We pursue all claims against insurers if there is a reasonable chance of success.

As previously reported, we continue to focus on recovering funds from illiquid assets. The illiquid asset claims are often the result of consumers receiving poor advice to put money into:

- complicated investment structures; and
- assets that can be hard to sell, for example, shared ownership of overseas properties and farming and forestry assets.

We have reviewed many of these assets and continue to submit claims in insolvency processes as a result.

We are also working with some companies that customers invested in to realise value outside of formal insolvency processes. Covid-19 has reduced the chances of achieving this, although in some cases this should only be a matter of timing. We will continue to seek as much value as we can from this area, although there may be limited amounts we can recover. In these cases we will not use our resources if we cannot achieve a return.



05 MANAGEMENT EXPENSES

During the year, there was an increase in management expenses to £81.9m. This was due to increases in London Capital & Finance plc (LCF) claims, pensions advice and payment protection insurance (PPI) claims. This in turn led to increased claims-handling costs, resources and legal fees.

We did however partially offset these increases by achieving savings and efficiencies identified in our controllable costs. We reduced our recovery costs and realised lower communications and bank-related charges throughout the year.

Overall, this meant we used £3.7m of the previous unlevied reserve during the financial year.

Table 3: 2020/21 management expenses

Cost centre	Year ended 31 March 2021	Year ended 31 March 2020
	£m	£m
Outsourcing costs	18.3	17.7
Employment costs	23.8	20.0
Other staff costs	5.8	3.1
Strategic change portfolio and IT development	4.0	6.3
Communications	3.3	3.2
Other core costs	24.8	22.2
Total (excluding pension deficit funding)	**79.9**	**72.5**
Pension deficit funding	1.9	1.9
Total	**81.9**	**74.4**

06 STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The directors of Financial Services Compensation Scheme Limited (FSCS) present their Annual Report and audited Class Statements for the year ended 31 March 2021, with comparatives, including the equivalent fund balances for the year ended 31 March 2020.

The directors of FSCS are responsible for keeping adequate accounting records that are sufficient to show and explain the class transactions. The directors must also disclose, with reasonable accuracy, the fund balances of the classes at any time. The directors of FSCS are also responsible for the preparation of these financial statements and for being satisfied that they have been properly prepared and comply with the relevant requirements as set out in Note 1 to the Class Statements. They are also responsible for safeguarding the assets of the classes and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are satisfied that FSCS is in a position to meet its obligations as they fall due. As such, FSCS is a going concern and it is appropriate that these financial statements are prepared under the going concern basis. ●

This was approved by the Board on 18 May 2021 and signed on its behalf by:

Caroline Rainbird
Chief Executive,
Financial Services Compensation Scheme
21 June 2021

07 AUDITOR'S REPORT

The Audit Report of the Comptroller and Auditor General to the Financial Conduct Authority and the Prudential Regulatory Authority on the Class Statements

Opinion on financial statements

I have audited the Class Statements of the Financial Services Compensation Scheme (FSCS) for the year ended 31 March 2021. The Class Statements comprise: the Statement of Fund Movements; Statement of Assets and Liabilities; Statement of Base Costs and Related Levies and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is Section 218 of the Financial Services and Markets Act 2000.

In my opinion, the financial statements:

- properly present the funds held to the credit of each class and the liabilities of that class; and
- have been properly prepared in accordance with Section 218 of the Financial Services and Markets Act 2000 and the requirements therein and the requirements specified in the rules made by the Financial Conduct Authority and Prudential Regulatory Authority.

Emphasis of matter – basis of accounting

We draw attention to Note 2a to the financial statements, which describes in detail the basis of accounting. The financial statements are prepared under:

- Section 218 of the Financial Services and Markets Act 2000;
- the Financial Conduct Authority (FCA) Handbook and Prudential Regulatory Authority (PRA) Handbook;
- The FCA-FSCS memorandum of understanding (sections 27 to 28);
- The PRA-FSCS memorandum of understanding (sections 34 to 35); and
- The accounting policies set out within Note 2 to the financial statements.

The financial statements are prepared to enable the FSCS to report to the FCA and the PRA on the discharge of its functions as required by Section 218 of the Financial Services and Markets Act 2000. As a result, the financial statements may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the FSCS in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

The FSCS's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the FSCS's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The Directors are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities, the Directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they have been properly prepared and comply with the relevant requirements as set out in Note 2 to the Class Statements;
- keeping adequate accounting records that are sufficient to show and explain the class transactions and disclose with reasonable accuracy at any time the fund balances of the classes; and
- safeguarding the assets of the classes and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the FSCS's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team and involving relevant internal specialists, including IT Audit, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: posting of unusual journals. and;
- obtaining an understanding of the FSCS's framework of authority as well as other legal and regulatory frameworks that the FSCS operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the FSCS. The key laws and regulations I considered in this context included the Financial Services and Markets Act 2000 and the requirements therein and the requirements specified in the rules made by the Financial Conduct Authority and Prudential Regulatory Authority.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. ●

Gareth Davies
Comptroller and Auditor General,
(Statutory Auditor)

National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP
24 June 2021

08 **CLASS STATEMENTS**

STATEMENT OF FUND MOVEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Funding sub-class code	Total		Compensation costs net of recoveries relating to the 2008/09 banking failures		Deposits SA01		General Insurance Provision SB01		General Insurance Distribution CLGID1		Life and Pensions Provision SC01		Life Distribution & Investment Intermediation CLII1	
	2020/21 £'000	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**
Compensation and interest	(583,703)	(527,422)	–	–	(2,682)	(5,148)	(110,804)	(125,667)	(15,364)	(20,756)	–	–	(322,659)	(282,025)
Exchange gain/ (loss)	(225)	71	–	–	(30)	12	(54)	–	(8)	5	–	–	–	–
Recoveries received	18,884	49,802	4,937	24,937	476	3,491	2,782	3,329	–	124	–	–	10,645	17,762
	(565,044)	**(477,549)**	**4,937**	**24,937**	**(2,236)**	**(1,645)**	**(108,076)**	**(122,338)**	**(15,372)**	**(20,627)**	**–**	**–**	**(312,014)**	**(264,264)**
Attributable management costs:														
Specific costs	(55,893)	(53,096)	–	–	(11,690)	(12,308)	(6,102)	(5,875)	(5,435)	(6,740)	(206)	(22)	(25,781)	(20,996)
	(55,893)	**(53,096)**	**–**	**–**	**(11,690)**	**(12,308)**	**(6,102)**	**(5,875)**	**(5,435)**	**(6,740)**	**(206)**	**(22)**	**(25,781)**	**(20,996)**
Interest received:														
Gross before tax	–	60	–	–	11	38	10	(94)	(6)	29	–	2	(46)	(248)
Tax at 20%	–	(11)	–	–	–	(7)	–	18	–	(5)	–	–	–	47
	–	**49**	**–**	**–**	**11**	**31**	**10**	**(76)**	**(6)**	**23**	**–**	**2**	**(46)**	**(201)**
Levies received	669,311	631,504	–	–	(1,091)	7,720	119,275	166,657	49,882	16,744	–	–	302,001	261,230
Cross-subsidy transfer	–	–	(4,937)	(24,937)	4,937	24,937	–	–	(25,902)	(489)	–	–	54,741	944
Funds brought forward	160,594	59,689	–	–	16,507	(2,226)	17,725	(20,643)	(7,963)	3,126	163	183	(50,811)	(27,525)
Funds carried forward	**208,968**	**160,594**	**–**	**–**	**6,438**	**16,507**	**22,832**	**17,725**	**(4,796)**	**(7,963)**	**(43)**	**163**	**(31,910)**	**(50,811)**

Investment Provision CLIP		Home Finance Intermediation CLHFI1		Debt Management CLDM1		Home Finance Providers-FCA retail pool SRI1		Insurers General-FCA retail pool SRH1		Insurers Life-FCA retail pool SRG1		Deposit Acceptors-FCA retail pool SRF1		Payment on Account Levies POAL	
2020/21 £'000	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**		
(130,502)	(88,105)	(1,664)	(5,720)	(28)	–	–	–	–	–	–	–	–	–	–	–		
(110)	37	(23)	15	–	–	–	–	–	–	–	–	–	–	–	–		
44	5	–	156	–	–	–	–	–	–	–	–	–	–	–	–		
(130,568)	**(88,063)**	**(1,687)**	**(5,549)**	**(28)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		
(5,322)	(5,252)	(1,363)	(1,912)	6	9	–	–	–	–	–	–	–	–	–	–		
(5,322)	**(5,252)**	**(1,363)**	**(1,912)**	**6**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		
26	226	5	108	–	–	–	–	–	–	–	–	–	–	–	–		
–	(43)	–	(20)	–	–	–	–	–	–	–	–	–	–	–	–		
26	**183**	**5**	**87**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		
186,776	107,427	3,643	4,954	925	26	–	2	3	267	334	170	–	(10)	7,563	66,316		
(25,942)	–	(1,635)	–	(925)	(26)	–	(2)	(3)	(267)	(334)	(170)	–	10	–	–		
28,998	14,703	6,412	8,832	9	–	–	–	–	–	–	–	–	–	149,554	83,238		
53,968	**28,998**	**5,375**	**6,412**	**(13)**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**157,117**	**149,554**		

STATEMENT OF ASSETS AND LIABILITIES AT 31 MARCH 2021

Funding sub-class code	Total		Compensation costs net of recoveries relating to the 2008/09 banking failures		Deposits SA01		General Insurance Provision SB01		General Insurance Distribution CLGID1		Life and Pensions Provision SC01		Life Distribution & Investment Intermediation CLII1	
	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
Current assets:														
Net amounts due from FSCS	235,127	202,089	–	–	–	–	20,538	19,343	–	–	–	163	–	–
Taxation	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Term deposits and cash at bank	42,329	44,295	–	–	35,383	36,033	2,294	–	425	3,657	–	–	1,883	2,152
	277,456	**246,384**	**–**	**–**	**35,383**	**36,033**	**22,832**	**19,343**	**425**	**3,657**	**–**	**163**	**1,883**	**2,152**
Current liabilities:														
Net amounts due to FSCS	(68,488)	(83,016)	–	–	(28,945)	(18,392)	–	–	(5,221)	(11,614)	(43)	–	(33,793)	(53,010)
Taxation	–	(11)	–	–	–	(7)	–	18	–	(5)	–	–	–	47
Bank overdrafts	–	(2,762)	–	–	–	(1,127)	–	(1,636)	–	–	–	–	–	–
	(68,488)	**(85,790)**	**–**	**–**	**(28,945)**	**(19,526)**	**–**	**(1,618)**	**(5,221)**	**(11,620)**	**(43)**	**–**	**(33,793)**	**(52,963)**
Long-term liabilities:														
Net amounts due to FSCS	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total net assets/ (liabilities)	**208,968**	**160,594**	**–**	**–**	**6,438**	**16,507**	**22,832**	**17,725**	**(4,796)**	**(7,963)**	**(43)**	**163**	**(31,910)**	**(50,811)**

Investment Provision CLIP		Home Finance Intermediation CLHFI1		Debt Management CLDM1		Home Finance Providers-FCA retail pool SRI1		Insurers General-FCA retail pool SRH1		Insurers Life-FCA retail pool SRG1		Deposit Acceptors-FCA retail pool SRF1		Payment on Account Levies POAL	
2020/21 £'000	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**
52,575	28,021	4,897	4,999	–	9	–	–	–	–	–	–	–	–	157,117	149,554
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1,393	1,020	478	1,434	473	–	–	–	–	–	–	–	–	–	–	–
53,968	**29,041**	**5,375**	**6,433**	**473**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**157,117**	**149,554**
–	–	–	–	(486)	–	–	–	–	–	–	–	–	–	–	–
–	(43)	–	(20)	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
–	**(43)**	**–**	**(20)**	**(486)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
53,968	**28,998**	**5,375**	**6,412**	**(13)**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**157,117**	**149,554**

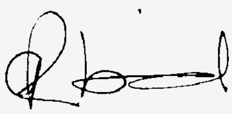
STATEMENT OF BASE COSTS AND RELATED LEVIES AT 31 MARCH 2021

Base Cost Fund Account	FCA fee block																	
	Total		Minimum fee A000		FCA Prudential fee AP00		Deposit takers A001		Home Finance Providers A002		General Insurance A003		Life Insurance A004		Society of Lloyd's A006		Fund managers A007	
	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
Levies received	**12,290**	**9,990**	486	553	383	438	1,783	1,855	416	445	807	621	1,071	819	10	8	1,032	1,206
Base costs allocated	**(12,989)**	**(10,670)**	(511)	(448)	(418)	(360)	(1,883)	(1,562)	(442)	(375)	(683)	(557)	(1,147)	(934)	(10)	(8)	(1,178)	(969)
Balance at 1 April	**2,839**	**3,518**	116	11	98	20	372	78	90	20	159	95	256	371	1	1	309	72
Funds carried forward	**2,140**	**2,838**	**91**	**116**	**63**	**98**	**272**	**372**	**64**	**90**	**283**	**159**	**180**	**256**	**1**	**1**	**163**	**309**

Base Cost Fund Account	PRA fee block													
	Total		Minimum fee PA00		Deposit takers PA01		General Insurance PA03		Life Insurance PA04		Society of Lloyd's PA06		Firms dealing as principal PA10	
	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
Levies received	**12,063**	**10,801**	39	17	7,716	6,909	1,625	1,388	2,093	1,993	90	80	500	414
Base costs allocated	**(12,988)**	**(10,670)**	(25)	(22)	(8,322)	(6,839)	(1,745)	(1,433)	(2,263)	(1,860)	(99)	(80)	(534)	(436)
Balance at 1 April	**2,604**	**2,472**	6	11	1,639	1,569	385	430	455	321	19	19	100	122
Funds carried forward	**1,679**	**2,603**	**20**	**6**	**1,033**	**1,639**	**265**	**385**	**285**	**455**	**10**	**19**	**66**	**100**

FCA fee block																			
Operators/ trustees Collective Investment Schemes A009		Firms dealing as principal A010		Advising/ arranging (not holding client money) A013		Corporate Finance Advisers A014		Home Finance mediation A018		General Insurance mediation A019		Firms holding client money or assets, or both A021		Consumer Credit (Limited Permission) CC01		Consumer Credit (Full Permission) CC02		Investment exchanges, trading facilities etc. B002	
2020/ 21 £'000	**2019/ 20 £'000**	**2020/ 21 £'000**	**2019/ 20 £'000**	**2020/ 21 £'000**	**2019/ 20 £'000**	**2020/ 21 £'000**	**2019/ 20 £'000**	**2020/ 21 £'000**	**2019/ 20 £'000**	**2020/ 21 £'000**	**2019/ 20 £'000**	**2020/ 21 £'000**	**2019/ 20 £'000**	**2020/ 21 £'000**	**2019/ 20 £'000**	**2020/ 21 £'000**	**2019/ 20 £'000**	**2020/ 21 £'000**	**2019/ 20 £'000**
261	286	1,301	1,252	1,865	2,006	330	363	407	450	647	739	349	361	186	16	951	(1,430)	5	1
(296)	(251)	(1,364)	(1,124)	(1,938)	(1,662)	(354)	(304)	(435)	(368)	(717)	(607)	(363)	(308)	(201)	(134)	(1,049)	(699)	–	–
76	41	270	142	419	75	74	14	91	10	163	31	70	17	35	153	236	2,365	4	3
41	76	207	270	346	419	50	74	63	91	93	163	56	70	20	35	138	236	9	4

The Class Statements on pages 22 to 27 were approved by the Board of Financial Services Compensation Scheme Limited, as designated Scheme Manager of the classes, on 18 May 2021 and signed on its behalf on 21 June 2021 by:



Caroline Rainbird
Chief Executive,
Financial Services Compensation Scheme

NOTES TO THE CLASS STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2021

The powers of the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) (previously the Financial Services Authority (FSA) under the Financial Services and Markets Act 2000 (FSMA) became effective as at midnight on 30 November 2001.

Under the relevant rules set out in the FCA Handbook and PRA Rulebook, for funding purposes, and effective from 1 April 2019, FSCS is split into classes, comprising: Deposits; General Insurance Provision; General Insurance Distribution; Life and Pensions Provision; Life Distribution and Investment Intermediation; Investment Provision; Home Finance Intermediation; and Debt Management.

The accounts must show:

(1) the funds held to the credit of each class; and

(2) the liabilities of that class.

1 Requirement to publish Class Statements

Section 218 of the FSMA requires us to prepare a statement of the value of each of the funds established by Financial Services Compensation Scheme Limited (the Scheme Manager). These statements, referred to as the Class Statements, are prepared by the Scheme Manager in accordance with the FCA Handbook and the PRA Rulebook.

Class Statements are not the statutory financial statements of the Scheme Manager and have not been prepared under the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union. The statutory financial statements are subject to a separate audit engagement and opinion. Financial information other than that prepared on the basis of IFRS does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

Our 2020/21 Annual Report and Accounts shows the company's statutory financial statements prepared under IFRS as adopted by the EU and in accordance with the Companies Act 2006. This is a separate publication, which can be found on our website at www.fscs.org.uk/news/fscs-news/annual-report/. The 2020/21 Annual Report and Accounts will be delivered to the Registrar of Companies within the statutory time frame and the auditor's report thereon was unqualified.

The Class Statements exclude certain estimates and judgements and are aligned with the calculation of levies. The presentation of the Class Statements enables each class of levy payer to understand the financial position of their class at the end of the financial year. The recognition criteria for levies and recoveries in the Class Statements are different from those in the Scheme Manager's statutory financial statements. The basis of recognition is described in Note 2 on page 29.

2 Accounting policies

The accounting policies adopted in preparing the Class Statements are consistent with those in the accounting policies adopted in the statutory financial statements, except for levies and recoveries as described below.

Levies

The Scheme Manager raises levies on authorised financial services firms which are recognised in the Class Statements on receipt. Similarly, remission or rebates of levies are recognised in the Class Statements on payment.

Recoveries

Recoveries are only recognised in the Class Statements when dividends are notified by insolvency practitioners or agreed recoveries are notified by other third parties. In the absence of notification, recoveries are recognised on receipt.

Reconciliations between amounts in the statutory financial statements and the Class Statements for levies and recoveries can be found in the appendices.

a) Basis of accounting

The Class Statements have been prepared under the historical cost convention and on the basis that Financial Services Compensation Scheme Limited, as the designated Scheme Manager, will exercise its responsibilities under the FSMA and the FCA and the PRA rules to recover management expenses and compensation costs on behalf of the classes. The Class Statements have been prepared under:

- Section 218 of the FSMA;
- the FCA Handbook and PRA Rulebook;
- the FCA-FSCS memorandum of understanding (sections 27 to 28);
- the PRA-FSCS memorandum of understanding (sections 34 to 35); and
- the accounting policies set out here.

The financial statements have been prepared on a going concern basis.

Due to rounding, numbers presented throughout this document and the appendices may not add up precisely to the totals provided.

b) Compensation costs

Compensation costs are only recognised when the eligibility and quantum of the claim are known, or for reinstatement cases when fully valued. In most cases, this is when the claim has been assessed and a decision has been made, as before that point the eligibility and quantum of the claim cannot be known.

In the case of deposit defaults, Special Administration Regime defaults and return of premium cases, these do not generally require an application form or decision to be made by FSCS; therefore, the expenditure is recognised when the firm is declared in default. In addition, compensation costs payable under various Orders (referred to as deemed compensation) are recognised when the firm is declared in default.

c) Recoveries

Recoveries are credited to funds when notification is received either in respect of dividends from insolvency practitioners, or notified and agreed in respect of other recoveries. Where no notification is received, recoveries are credited on receipt. This differs from the accounting policy for recoveries adopted in the statutory financial statements where recoveries are also recognised if it is probable that future economic benefits from a recovery will flow to the Scheme Manager and the value can be measured reliably (based on the best information available to the directors).

d) Management expenses

Management expenses comprise base costs, being the management expenses not attributable to any particular class, and specific costs, which are the remaining costs that cover the handling, payment of compensation and any other costs which can be directly attributable to a particular class. The specific costs are allocated by FSCS to each class and in accordance with the levy principles contained within the relevant rules of the FCA Handbook and the PRA Rulebook. The base costs are not allocated to classes but are shown against the FCA and PRA fee blocks by which they are levied.

e) Interest receivable

Interest received on cash deposits is credited to the classes in proportion to their relative fund balance.

f) Levies

The classes are funded by levies on firms authorised by the FCA and/or the PRA. The FCA raises levy invoices, on behalf of FSCS, which are credited to the classes on a receipts basis. Levies refunded are accounted for on payment. Where requests for the remission or rebate of a levy have been made, this is only recognised in the classes when payment is made. Under the current funding arrangements, the amount that can be raised by levy in the year will vary, depending on the funding class. Only FCA classes will receive support from other classes, and so for PRA classes the amount that FSCS can levy in any year is the individual class limit. For FCA classes, it is the amount of the relevant FCA retail pool. Levies received during the year from a receiving FCA class are shown as levies received in the class accounts of the receiving FCA class, together with a corresponding transfer out to the relevant FCA class.
Any provision or contingent liability recognised in FSCS for levy rebates is only recognised in the Class Statements when payment is made. Product provider and retail pool contributions are shown as levies received in the receiving Insurance and Investment Intermediation class.

Under revised funding rules that took effect on 1 April 2018, the FCA instructed the largest 1,000 levy payers to make payments on account for FSCS's 2021/22 levy. These firms were invoiced in February with a due date of 1 April 2021. As at 31 March 2021, invoices totalling £252,676,000 (2020: £207,253,000) were issued, of which £156,553,000 (2020: £149,500,000) was collected, leaving amounts due from levy payers of £96,123,000 (2020: £57,754,000). The amounts levied are held to the credit of those individual firms rather than to any particular funding class and are shown separately in the statement of fund movements. These funds will be applied to reduce the payments of these firms when the 2021/22 annual levies are invoiced in July 2021, which are allocated against funding classes.

g) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the start of the month in which the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are revalued at the rate of exchange ruling at year-end. All exchange gains and losses are taken to the statement of fund movements.

h) Cash flow
No statement of cash flow is prepared because, in the opinion of the directors, this would not provide any useful information in addition to that already provided in the statement of fund movements and the statement of assets and liabilities.

i) Taxation
Interest income is recognised gross of tax. The related tax on interest income is charged to the statement of fund movements.

j) Accounting judgements and key estimation uncertainties
The Class Statements are drawn up in accordance with the accounting policies above. There are uncertainties that could impact on the amounts recognised in the Class Statements.

The key area of estimation uncertainty in the Class Statements is:

- The value and expected timing of provisions for compensation costs. These are based either on estimates provided by or ongoing discussions with the administrators as to how much FSCS would be liable to pay or contribute. In arriving at these estimates, some of the administrators would have made significant judgements, such as the timing of the return of remaining client assets on some estates and the associated costs, which are still subject to change. These changes can have a significant impact on the overall cost, so the provision could be different to the final outcome.

3 Management expenses
Management expenses charged by FSCS to the classes include payments made in the year for FSCS's defined benefit pension scheme. Administrative expenses of FSCS's statutory financial statements, however, reflect International Accounting Standard (IAS) 19 adjustments, with a charge for the current service cost in the year. This treatment ensures current funding of payments as and when they are made.

As stated above in Note 2(d), management expenses are allocated to classes and FCA and PRA fee blocks under the FCA and the PRA rules.

APPENDICES TO THE CLASS STATEMENTS

RECONCILIATION BETWEEN CLASS STATEMENTS AND THE STATUTORY FINANCIAL STATEMENTS

Appendix A: Reconciliation of levy income to the statutory financial statements

In FSCS's statutory financial statements, levies are recognised on an accruals basis, taking into account the costs which have been incurred and any recoveries made. In the Class Statements, levies are recognised on a receipts basis. The table below reconciles the total of all constituent parts of levy income for the year reported in the statement of comprehensive income in the statutory financial statements with total levies received from levy payers as shown in the Class Statements.

	Year ended 31 March 2021	Year ended 31 March 2020
Funding class	£'000	£'000
Deposits (excluding 2008/09 banking failures)	(1,091)	7,720
General Insurance Provision	119,275	166,657
General Insurance Distribution	49,882	16,744
Life Distribution and Investment Intermediation	302,001	261,230
Investment Provision	186,776	107,427
Home Finance Intermediation	3,643	4,954
Debt Management	925	26
Home Finance Providers – FCA retail pool	–	2
Insurers General – FCA retail pool	3	267
Insurers Life-FCA retail pool	334	170
Deposit Acceptors – FCA retail pool	–	(10)
Payments on Account	7,563	66,316
	669,311	**631,503**
FCA fee block	12,290	9,990
PRA fee block	12,063	10,801
Total levies received in the Class Statements	**693,664**	**652,295**
Less:		
Exchange (gains)/loss, interest received and tax	(225)	119
Movement in class funds during the year (see below)	(46,750)	(100,358)
Add:		
Movements in recoveries receivable	(45,099)	25,556
IAS 19 net pension obligation	(2,075)	(1,233)
Total levy income recognised in statutory financial statements	**599,515**	**576,379**

Movement in class funds

The table below provides an analysis of the net change in funds associated with each funding class and fee blocks in the years ended 31 March 2020 and 31 March 2021.

Funding class	Fund balance as at 31 March 2019 £'000	Fund movements during the year £'000	Fund balance as at 31 March 2020 £'000	Fund movements during the year £'000	Fund balance as at 31 March 2021 £'000
Deposits (excluding 2008/09 banking failures)	(2,226)	18,733	16,507	(10,069)	6,438
General Insurance Provision	(20,643)	38,368	17,725	5,107	22,832
General Insurance Distribution	3,126	(11,089)	(7,963)	3,167	(4,796)
Life and Pensions Provision	183	(20)	163	(206)	(43)
Life Distribution and Investment Intermediation	(27,525)	(23,286)	(50,811)	18,901	(31,910)
Investment Provision	14,703	14,294	28,998	24,970	53,968
Home Finance Intermediation	8,832	(2,420)	6,412	(1,037)	5,375
Debt Management	–	9	9	(22)	(13)
Payments on Account	83,238	66,316	149,554	7,563	157,117
	59,689	**100,906**	**160,594**	**48,375**	**208,968**
Base costs – FCA fee block*	3,799	(961)	2,838	(698)	2,140
Base costs – PRA fee block*	2,753	(150)	2,603	(924)	1,679
	66,241	**99,796**	**166,036**	**46,753**	**212,787**

* FSCS implemented IFRS 16 – 'Leases' with effect from 1 April 2019, using a modified retrospective approach. The cumulative effect of adopting IFRS 16 was a £562,000 adjustment to the fund balances due to levy payers in respect of base costs as at 1 April 2019 with no restatement of the comparative information. At the date of implementation, the right-of-use (ROU) assets were £2,527,000 and the lease liability was £2,956,000 for the future lease payments in the statement of financial position. All other leases are of low value and will continue to be expensed as payments are made.

APPENDICES TO THE CLASS STATEMENTS

RECONCILIATION BETWEEN CLASS STATEMENTS AND THE STATUTORY FINANCIAL STATEMENTS

Appendix B: Reconciliation of recoveries income to the statutory financial statements

In FSCS's statutory financial statements, recognition of recoveries income includes recoveries where no notification is received or agreed, when it is probable that future economic benefits will flow to FSCS and their value can be measured reliably (based on the best information available to the directors). Recoveries in the Class Statements are recognised when cash or notification is received and agreed in respect of dividends from insolvency practitioners.

The table below reconciles the recoveries in the statement of comprehensive income in the statutory financial statements with recoveries income in the Class Statements.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Recoveries received recognised in the Class Statements	18,884	49,802
Movements in recoveries receivable	45,099	(25,556)
Recoveries income recognised in statutory financial statements	**63,983**	**24,246**

The movements in recoveries receivable represent the changes in the estimated amount of recoveries FSCS expects to receive in the future after taking into consideration the cash distributions received from the estates of firms declared in default and any other relevant information we receive from the administrators of those estates. A detailed breakdown of this can be found on the next page.

The timing and value of recoveries receivable are estimated based on the best information available to the directors up to the date of signing these accounts, including Insolvency Practitioners' statements of estimated outcome and other reports published as part of insolvency processes; however, the timing and final outcome are uncertain.

The movements in net recoveries receivable in the statement of financial position of the statutory financial statements of the Scheme Manager are analysed below.

	Receivable at 31 March 2019 £'000	Movements in recoveries receivable £'000	Receivable at 31 March 2020 £'000	Movements in recoveries receivable £'000	Receivable at 31 March 2021 £'000
Current recoveries receivable:					
2008/09 banking failures	9,935	(5,586)	4,349	(4,349)	–
Other defaults	2,488	5,826	8,314	5,813	14,127
Non-current recoveries receivable:					
2008/09 banking failures	18,789	(18,789)	–	–	–
Other defaults	8,812	(7,008)	1,804	43,635	45,439
	40,024	**(25,556)**	**14,467**	**45,099**	**59,566**

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