



Financial Services  
Compensation Scheme



# **Class Statements**

2023/24

HC 153







# Financial Services Compensation Scheme Annual Report and Class Statements 2023/24

For the period 1 April 2023 to 31 March 2024

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 29 July 2024.

HC 153 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  
29 July 2024.





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# 01 Chief Financial and People Officer's statement

I am pleased once again to introduce the Class Statements this year, where we share more details to help the industry understand how we spent their levies.

During 2023/24, we raised an annual levy of £270m\* and no supplementary levy or retail pool was required.

Over the past financial year, we saw a continuation of many of the economic themes from 2022/23. This included rising interest rates to further combat inflation, and depositor protection gaining more attention after the collapse of Silicon Valley Bank UK Ltd and the acquisition of Credit Suisse.

During the year, we made sure we communicated as much as possible with industry through our publications, trade association meetings and other channels regarding our levy. This included announcing in May 2023, that with surpluses carried over from 2022/23, our levy was £270m. As the compensation we paid out across the financial year came in below forecast, surpluses in several classes were carried forward and used to offset the 2024/25 levy. This included contributions made by provider classes.

In the 2023/24 financial year more than £54m was recovered from failed financial providers. These recoveries helped to reduce the cost of compensation to the financial services industry and around £2m

of the funds secured were passed on as additional compensation to customers.

The main differences to the previous financial year were in the following two classes:

In the Investment Provision class, total compensation costs increased to £81m (from £31m in 2022/23), mostly for self-invested personal pension (SIPP) operator failures. Payments in this class mainly related to Hartley Pensions Ltd, DAC Pensions Ltd and Rowanmoor Personal Pensions Ltd.

In the Life Distribution & Investment Intermediation (LDII) class, compensation costs decreased to £180m (from £203m in 2022/23). Pensions and SIPP advice claims remained the largest cost. The lower overall compensation figure for the class was partly due to a reduction in new claims and uphold rates.

Across other classes, in the Deposits class we had two credit union failures – and there were no new failures in the General Insurance Provision, Debt Management and Funeral Plan classes.

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\* Our levy income, based on International Financial Reporting Standards (IFRS), was £473m as reported in our 2023/24 Annual Report and Accounts. The levy income is higher than the annual levy raised (£270m), as the levy raised amount takes into account cash surpluses from 2022/23, that were used to offset the 2023/24 levy.

In 2023/24, management expenses (operations costs) were £98m in comparison to £86m in 2022/23.

The final element of the levy is recoveries. As mentioned previously, we look to recover money from the estates of failed firms. In this financial year we recovered £54m (compared to £15m last year).

## Levy forecasting considerations

We are continually reviewing and refining our processes around forecasting firm failures and, in turn, the annual levy. This includes considering the number of firms declared in default, which has been 50-70 each financial year over the last three years. In turn, we forecast the likely number of claims for each of these firms declared in default, and when these claims are likely to come through to us.

Another factor we must consider is that, as well as for new firm failures, we are often paying out on failures that occurred many years earlier. As an example, during this financial year, we issued compensation to customers who had experienced losses from 447 different authorised financial services firms, including some of the 51 which were declared in default in 2023/24.

Operational planning is also a critical focus for us, as we do not hold reserves to cover unexpected costs. This helps keep the levy as low as possible for firms.

Although we have no direct control over the total size of compensation we will need to pay out each year, we are committed to keeping the industry updated regarding our levy costs. Crucially, we will also keep working with firms and other stakeholders to address the root causes of consumer harm, which of course, underpins the levy.



**Fiona Kidy**  
**Chief Financial and People Officer**  
Financial Services Compensation Scheme

## 02 Class commentaries

**Table 01: Total levies raised for each class**

Funding class	2023/24 (£m)	2022/23 (£m)
<b>FCA</b>		
Debt Management	(0.5)	–
Deposit Acceptors Contribution (only pays a levy if the retail pool is triggered)	–	–
Funeral Plans	–	–
General Insurance Distribution	–	7.0
Home Finance Intermediation	(5.0)	–
Investment Provision	0.0	71.0
Life Distribution & Investment Intermediation	117.9	293.0
<b>PRA</b>		
Deposits	4.0	14.0
General Insurance Provision	114.0	210.0
Life & Pensions Provision	–	–
<b>Base costs (across all classes)</b>	<b>39.2</b>	<b>30.0</b>
<b>Total</b>	<b>269.6</b>	<b>625.0</b>



# FCA classes

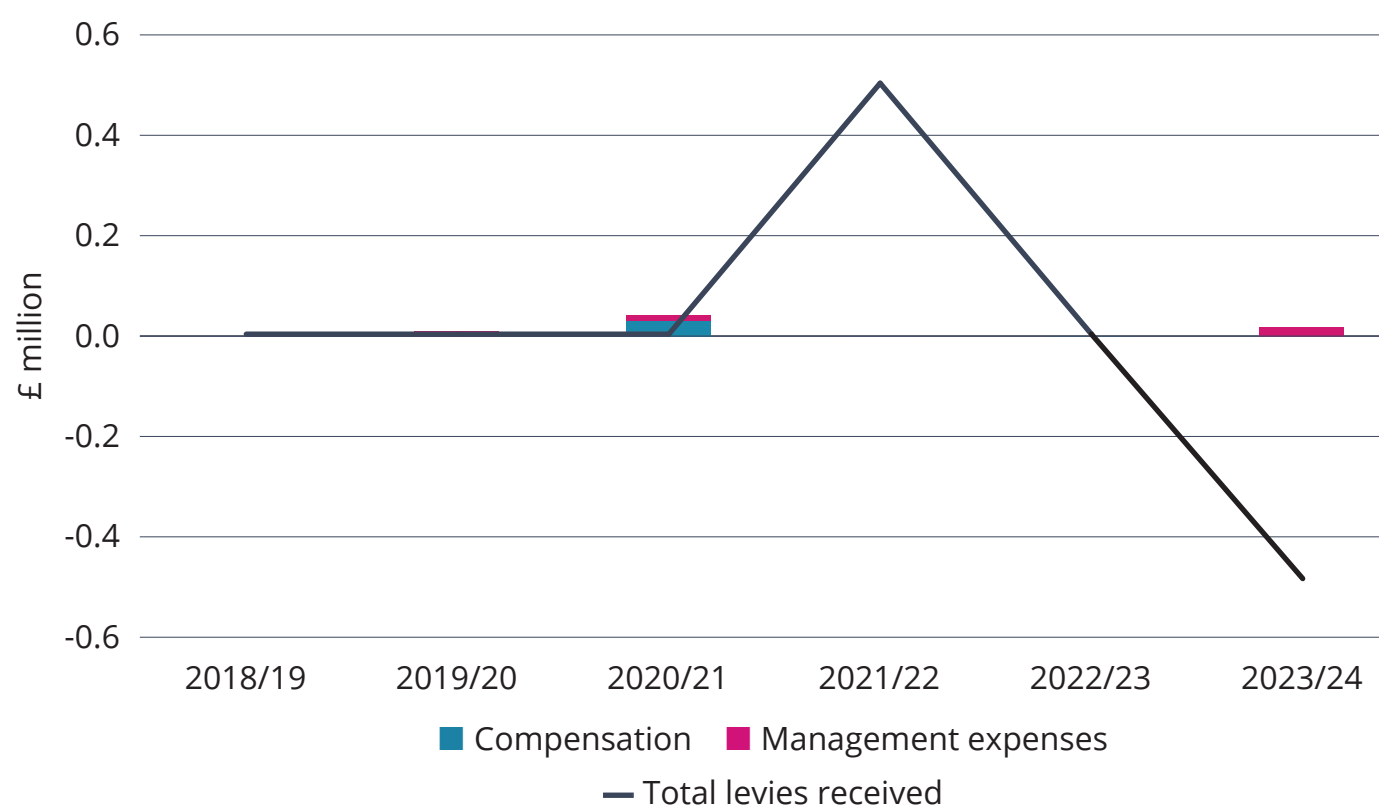
## Debt Management

As was the case in the previous three financial years, there were no new firm failures or compensation costs for this class during 2023/24.

No levies were raised during the year; however, a £0.5m refund was issued to firms in this class because surpluses carried over from 2022/23 were not required.

We did not receive any claims or pay out compensation for this class during 2023/24.

### Total levies in comparison with compensation and management expenses incurred



## Funeral Plans

From 29 July 2022, the Financial Conduct Authority began regulating firms and intermediaries that provide and arrange pre-paid funeral plans. To date, there have been no firm failures or levies raised for this class.

We did not receive any claims or pay out compensation for this class during 2023/24.



## General Insurance Distribution

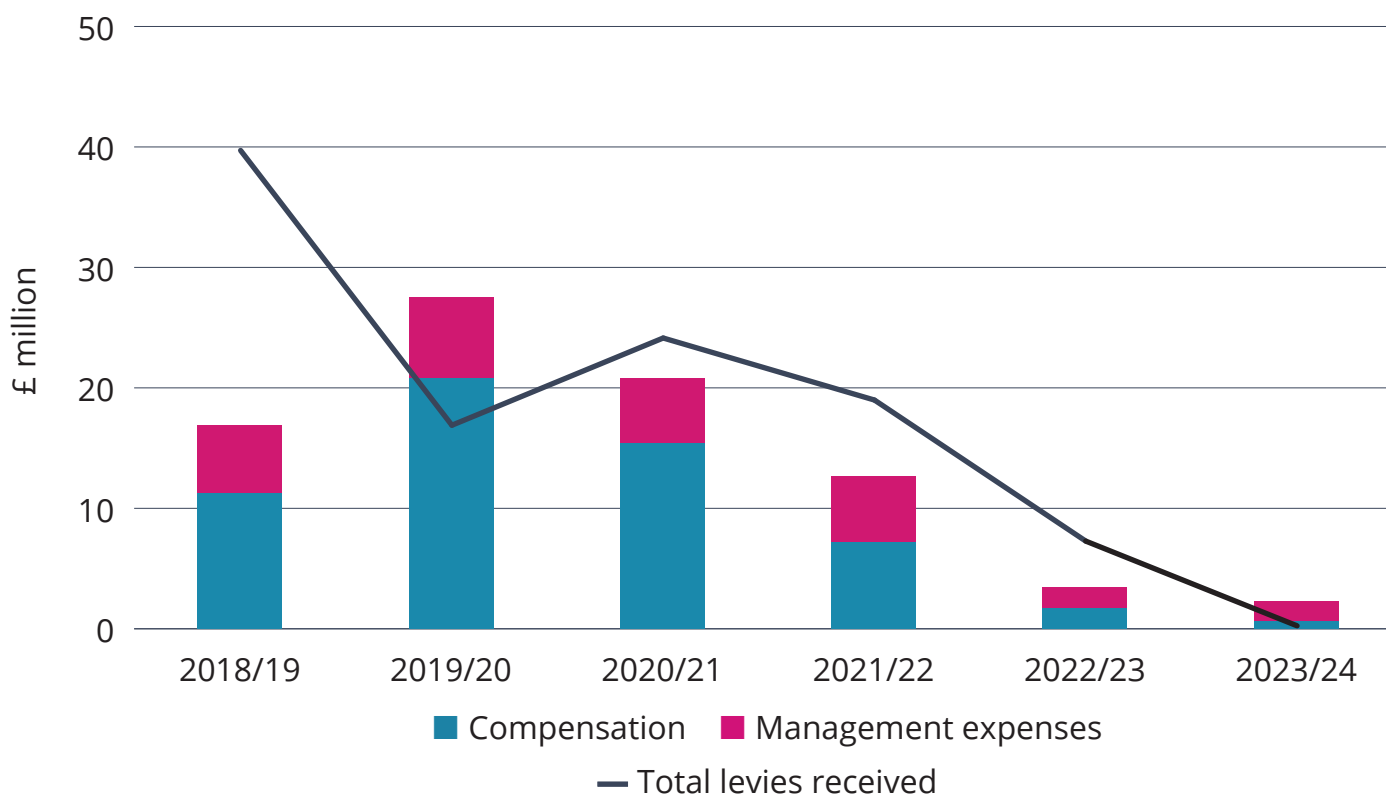
There were no new firm failures for this class during 2023/24, and the compensation paid to customers during the year was for legacy failures. More than 50% of the compensation paid to customers was for Norton Insurance Services Ltd which was declared in default in 2012 and The Mortgage Matters Partnership which was declared in default in 2019.

Total compensation costs were approximately £0.6m which is a decrease of approximately £1m compared with the previous financial year. We also received 50% fewer new claims for this class in comparison with 2022/23.

In past years, many of the claims we received were for payment protection insurance (PPI) policies. Most of these types of claims have now been resolved.

No levies were raised for the General Insurance Distribution class as surpluses, carried over from 2022/23, met the funding requirements for 2023/24.

### Total levies in comparison with compensation and management expenses incurred



General Insurance Distribution	2023/24	2022/23
New claims	314	628
Decisions upheld	276	623
Uphold rate	65%	68%
Average compensation	£2,250	£2,694

## Home Finance Intermediation

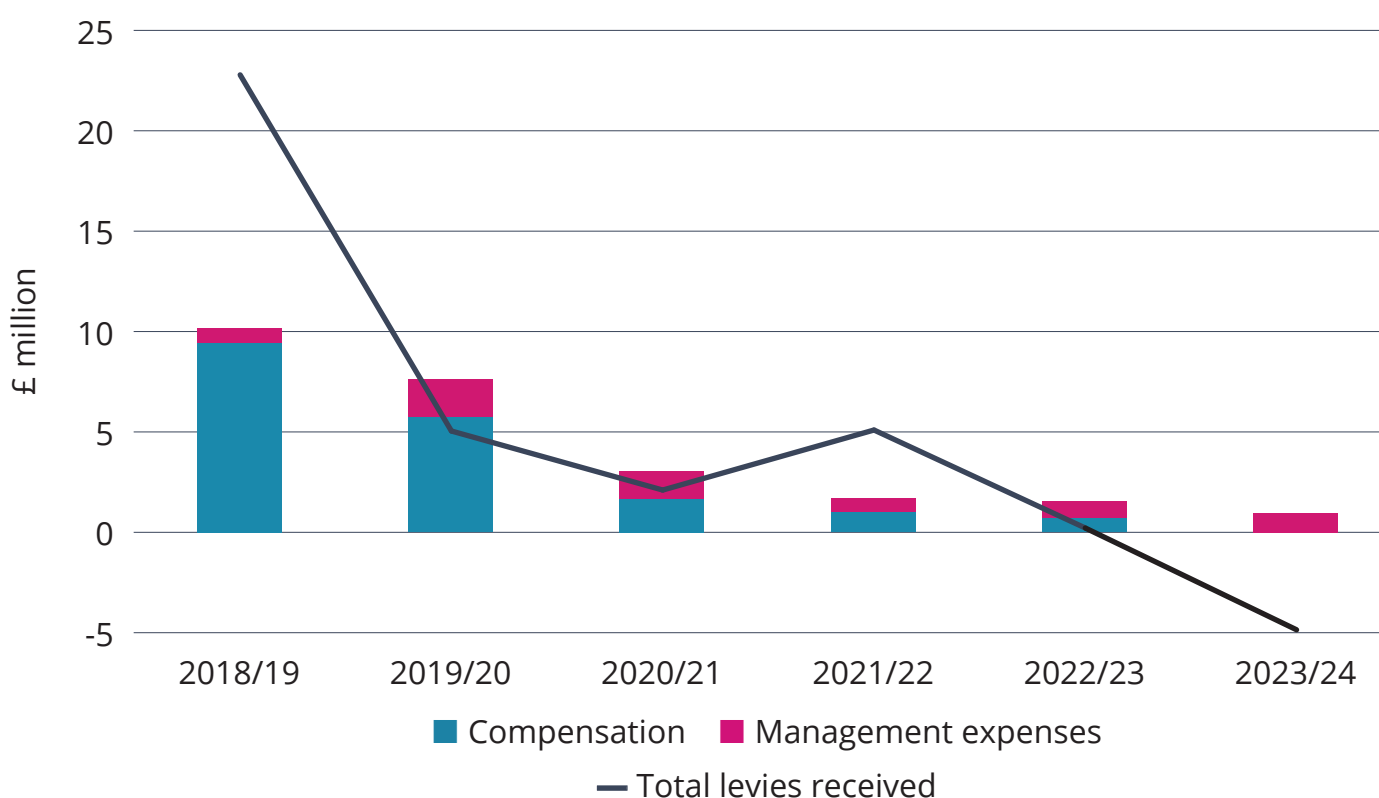
Total compensation costs for this class were approximately £0.2m in 2023/24. This included paying customers approximately £180k in compensation for claims against Principal Mortgage Services Ltd (which was declared in default in 2011) and £20k for claims against Pave Financial Management Ltd (which was declared in default in 2012).

Overall, the total compensation costs were approximately £0.5m lower than in 2022/23 due to a 52% reduction in new claims. We also saw the average compensation value per claim reduce from £24k in 2022/23 to £13k in 2023/24.

The Home Finance Providers class pays provider contributions to the Home Finance Intermediation class and contributes to the retail pool levy if required. This class was not required to pay any contributions in 2023/24.

The Home Finance classes also received a £5m refund this year, as class surpluses, carried over from 2022/23, were not required during 2023/24.

### Total levies in comparison with compensation and management expenses incurred



Home Finance Intermediation	2023/24	2022/23
New claims	139	289
Decisions upheld	15	28
Uphold rate	9%	8%
Average compensation	£13,143	£24,154

## Investment Provision

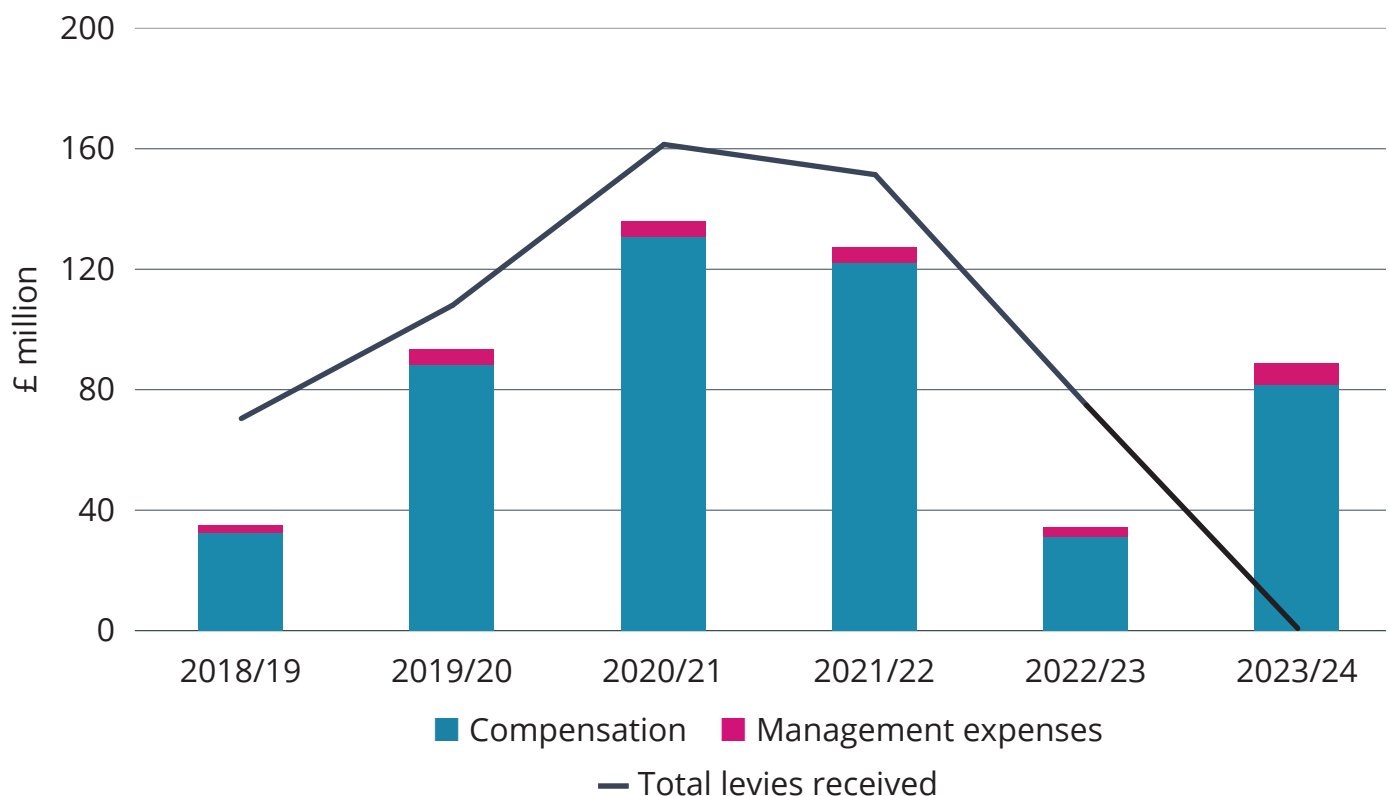
Total compensation costs for this class were £81m in 2023/24, compared with £31m in the prior financial year. Compensation for self-invested personal pension (SIPP) operator failures accounted for £31m of these costs, which is a £6m increase on 2022/23.

In 2023/24, approximately half of the compensation costs incurred were for Hartley Pensions Ltd. A lump sum of £38m was paid to the Joint Special Administrators of the SIPP operator firm which was declared in default in February 2024. During 2023/24, we also set aside approximately £10m for administration costs and compensation (to be paid in 2024/25) for the failure of Blankstone Singleton Ltd which was also declared in default in February 2024.

Further compensation costs included £15m for DAC Pensions Ltd (which was declared in default in March 2023), and £3m for Rowanmoor Personal Pensions Ltd (which was declared in default in December 2023).

No levies were raised for the Investment Provision class during the year, as surpluses carried over from 2022/23, offset any funding requirements for the class.

### Total levies in comparison with compensation and management expenses incurred



Investment Provision	2023/24	2022/23
New claims	1,451	1,656
Decisions upheld	1,156	1,197
Uphold rate	68%	68%
Average compensation	£28,871	£26,277



## Life Distribution & Investment Intermediation (LDII)

Total compensation costs for the Life Distribution & Investment Intermediation class decreased from £203m in 2022/23 to £180m in 2023/24. Compensation payments for pensions and SIPP advice claims, however, remained the largest cost for this class (£99m).

The reduction in compensation costs in comparison with 2022/23 included:

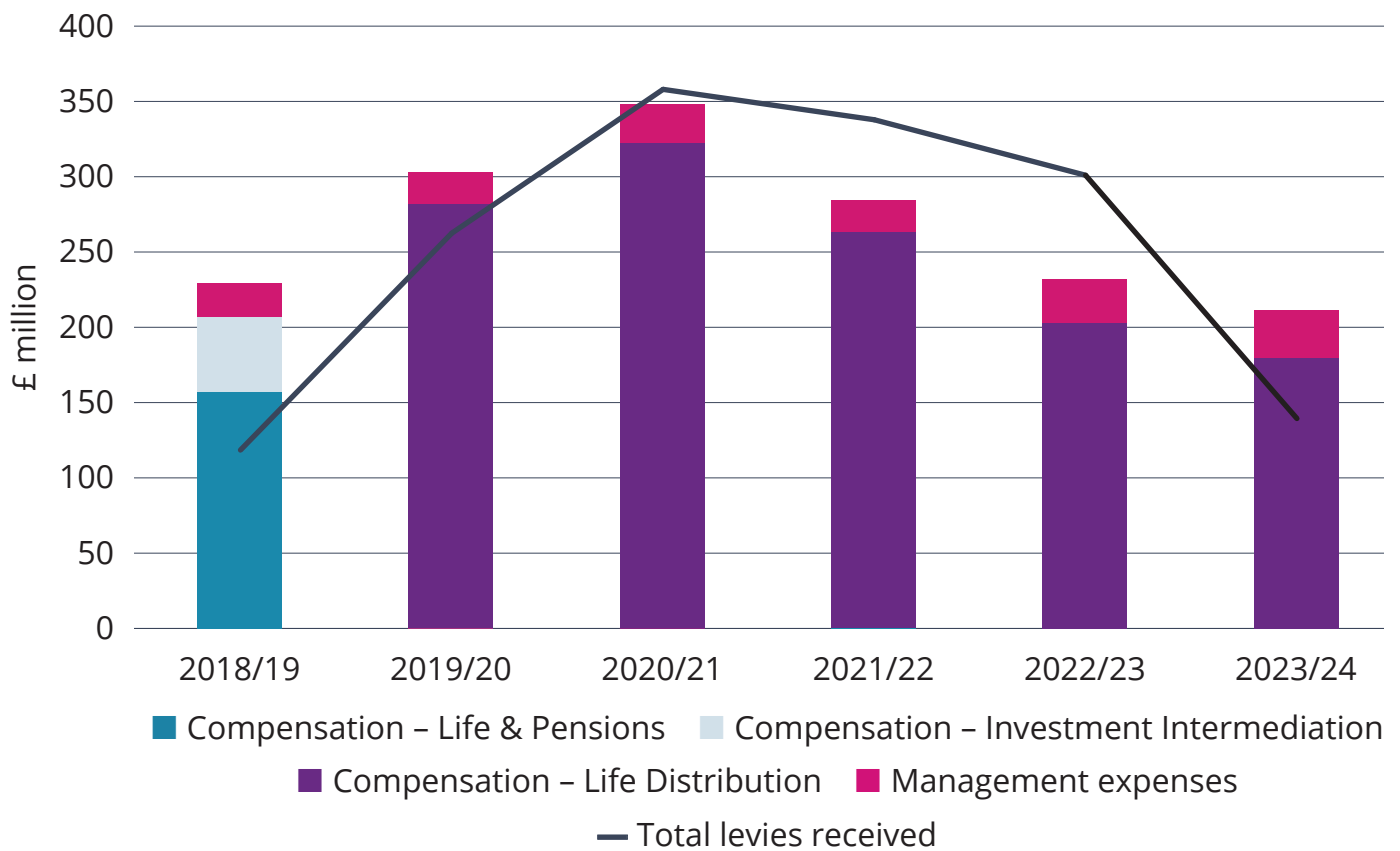
- receiving approximately 34% fewer new claims; and
- upholding fewer claims. The uphold rate decreased from 67% in 2022/23 to 60% in 2023/24. This was mainly due to a greater number of 'no loss' outcomes (where it is determined that the customer did not lose money) for pension claims.

During the year, we also paid £13m in compensation for Portal Financial Services LLP (which was declared in default in March 2023) and £10m for Wellington Court Financial Services Ltd (which failed in May 2023).

In addition, £48m in compensation costs will be set aside from 2023/24 for compensation payments and Joint Special Administrators costs in 2024/25. This is mainly in relation to WealthTek LLP which was declared in default in April 2023.

The total amount of levies raised for this class during the year was £139m. This included provider contributions from the Investment Provision, Life & Pensions Provision and Structured Deposits Provision classes.

### Total levies in comparison with compensation and management expenses incurred



Life Distribution & Investment Intermediation	2023/24	2022/23
New claims	6,170	9,372
Decisions upheld	4,405	6,646
Uphold rate	60%	67%
Average compensation	£29,308	£28,102

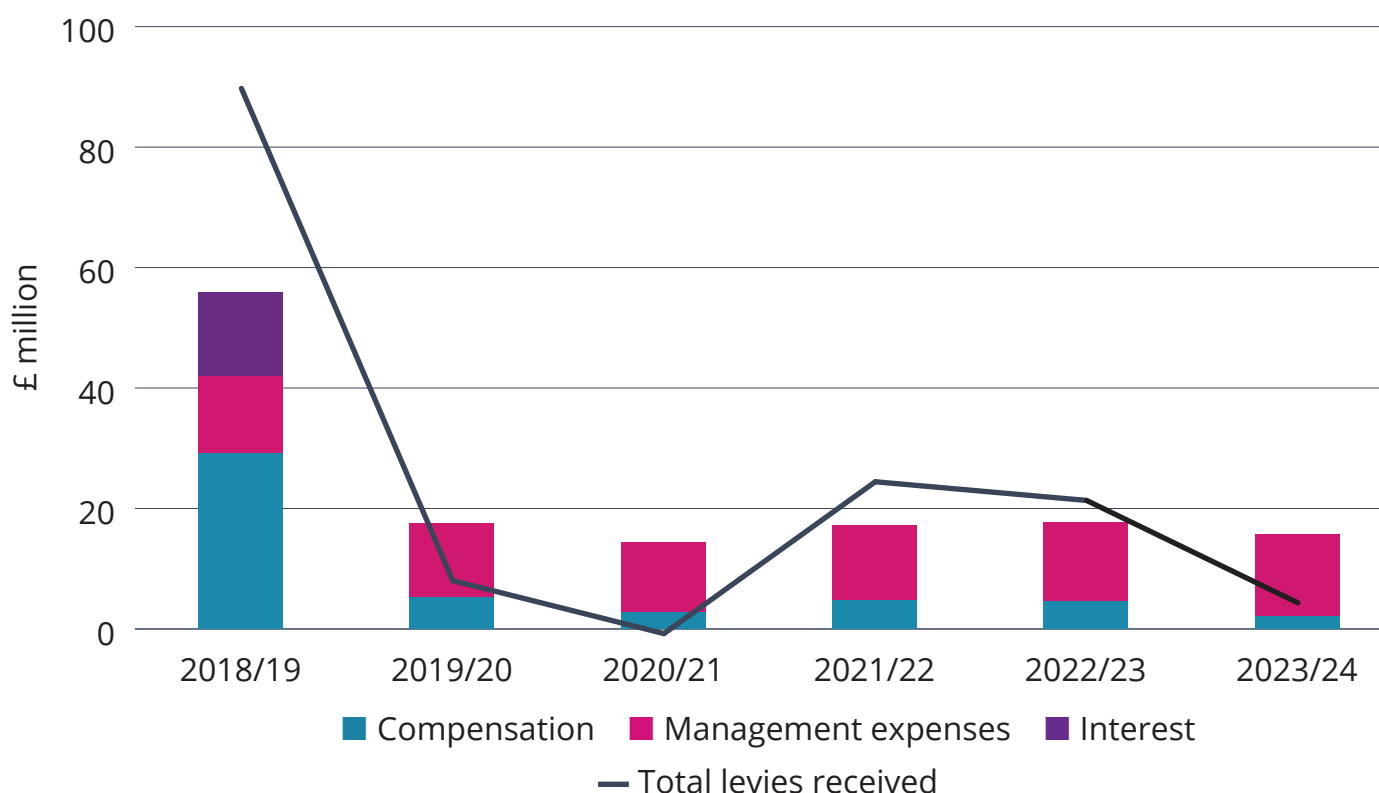
## PRA Classes

### Deposits

During 2023/24, there were two credit union failures which resulted in approximately £1.5m in compensation costs. These costs were for Hastings & Rother Credit Union Ltd which was declared in default in August 2023 and 6 Towns Credit Union Ltd which was declared in default in September 2023.

The total levies raised during the year for this class were £4m.

#### Total levies in comparison with compensation and management expenses incurred



Deposits	2023/24	2022/23
New claims	11,223	9,122
Payments made	5,545	6,355
Average compensation	£225	£708

## General Insurance Provision

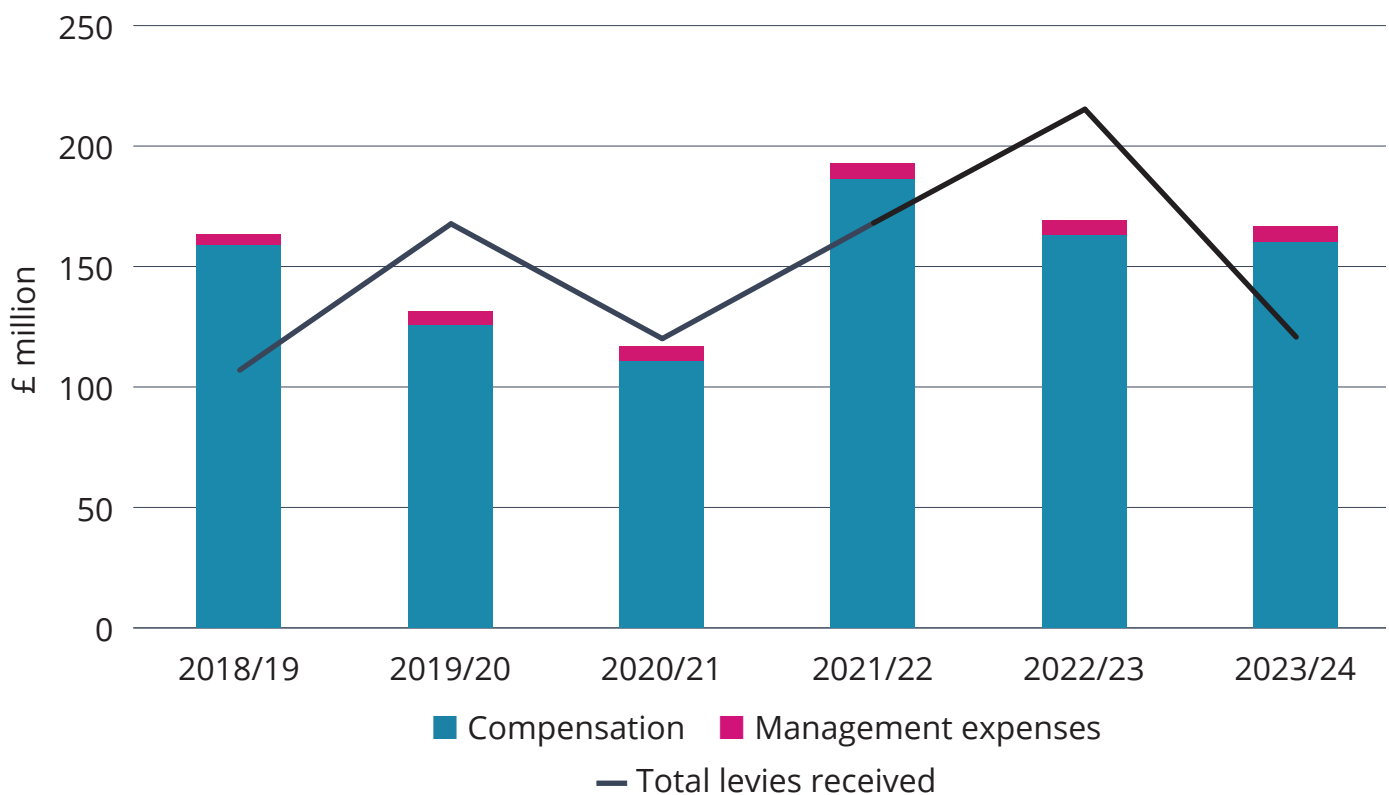
The total compensation costs for this class in 2023/24 were £160m, which was similar to 2022/23 (£163m).

There were no new firm failures during the year, therefore the compensation costs related to legacy firm failures including:

- Chester Street Holdings Ltd (declared in default in 2001): £35m in compensation;
- Green Realisations 123 Ltd (formerly known as MCE Insurance Company Ltd, declared in default in 2021): £33m in compensation;
- Gefion Insurance A/S (declared in default in 2021): £32m in compensation;
- Prometheus Insurance Company Ltd (declared in default in 2021): £29m in compensation;
- BAI Ltd (declared in default in 1998): £13m in compensation; and
- East West Insurance Company Ltd (declared in default in 2020): £4m in compensation.

The total amount of levies raised within this class totalled £114m in 2023/24.

### Total levies in comparison with compensation and management expenses incurred



General Insurance Provision	2023/24	2022/23
Claims paid	20,669	38,136
Average compensation	£7,683	£4,837
Premiums returned	602	38,980
Average premium returned	£286	£161

## Life & Pensions Provision

As was the case for 2022/23, there were no firm failures or compensation costs for this class during 2023/24. During the year, the class paid £15m as provider contributions to the LDII class.

We did not receive any claims or pay out compensation for this class during 2023/24.





## 03 Management expenses

In 2023/24, there was a 14% increase in our management expenses (operations costs) in comparison to 2022/23.

The main reasons for this increase include:

- contractor costs for additional claims-handling resource required for processing a continued rise in complex claims, including for pensions advice;
- employment costs as part of a strategic transition to reduce outsourcing and increase in-house claims-handling expertise;
- expanding our in-house resource to support critical change projects, including service and technology programme improvements;
- an increase in other core costs due to a rise in legal costs for new claims, including General Insurance funding class claims that required substantial legal advice; and
- investigating firms and establishing whether claimants were entitled to FSCS compensation.

The above increases were partially offset by interest income earned on cash balances during the financial year, and reduced communications costs associated with strategic reprioritisation.

**Table 02: Management expenses and comparison with the previous financial year**

Costs	Year ended 31 March 2024	Year ended 31 March 2023
	£m	£m
Outsourcing	11.4	11.6
Employment	29.9	26.5
Other staff-related costs, i.e., contractor costs	14.5	10.3
Strategic changes and IT development	6.9	4.7
Communications, i.e., marketing, public relations and stakeholder engagement	2.9	3.7
Other core costs, i.e., facilities, IT, legal and professional fees	34.0	28.3
<b>Total management expenses (excluding pension deficit funding and interest income)</b>	<b>99.7</b>	<b>85.0</b>
Pension deficit funding	0.7	1.3
Interest income	(2.3)	0
<b>Total management expenses</b>	<b>98.1</b>	<b>86.3</b>

## 04 Statement of the directors' responsibilities

The FSCS directors present their Annual Report and audited Class Statements for the year ended 31 March 2024, with comparatives, including the equivalent fund balances for the year ended 31 March 2023.

The directors of FSCS are responsible for:

- keeping adequate accounting records that are sufficient to show and explain class transactions;
- disclosing, with reasonable accuracy, the fund balances of the classes at any time;
- preparing financial statements, and being satisfied that they have been properly prepared and comply with the relevant requirements as set out in Note 1 to the Class Statements; and
- safeguarding the assets of the classes and taking reasonable steps for preventing and detecting fraud and other irregularities.

The directors are satisfied that FSCS is able to meet its obligations. As such, FSCS is a going concern and it is appropriate that these financial statements are prepared under the going concern basis.

The above statement was approved by the FSCS Board on 18 June 2024 and signed on its behalf by:



**Martyn Beauchamp**  
**Interim Chief Executive**  
Financial Services Compensation Scheme

19 July 2024

## 05 Auditor's report

### The Report of the Comptroller and Auditor General to the Financial Services Compensation Scheme and Houses of Parliament

#### Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

The purpose of my report is to set out the findings of the agreed upon procedures, detailed below, on the Annual Report and Class Statements, for Financial Services Compensation Scheme and other users of the Annual Report and Class Statements to consider and draw conclusions upon. The report is primarily intended for Financial Services Compensation Scheme and HM Treasury but we do not impose any restrictions on its distribution and use.

#### Responsibilities of the Engaging Party

The Financial Services Compensation Scheme has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Financial Services Compensation Scheme is responsible for the preparation of the Annual Report and Classes Statements in accordance with Section 218 of the Financial Services and Markets Act (FSMA) 2000 and with directions made by HM Treasury on which the agreed-upon procedures are performed.

#### Practitioner's Responsibilities

My responsibility is to examine and report to Financial Services Compensation Scheme on the Annual Report and Class Statements in accordance with the Letter of Engagement.

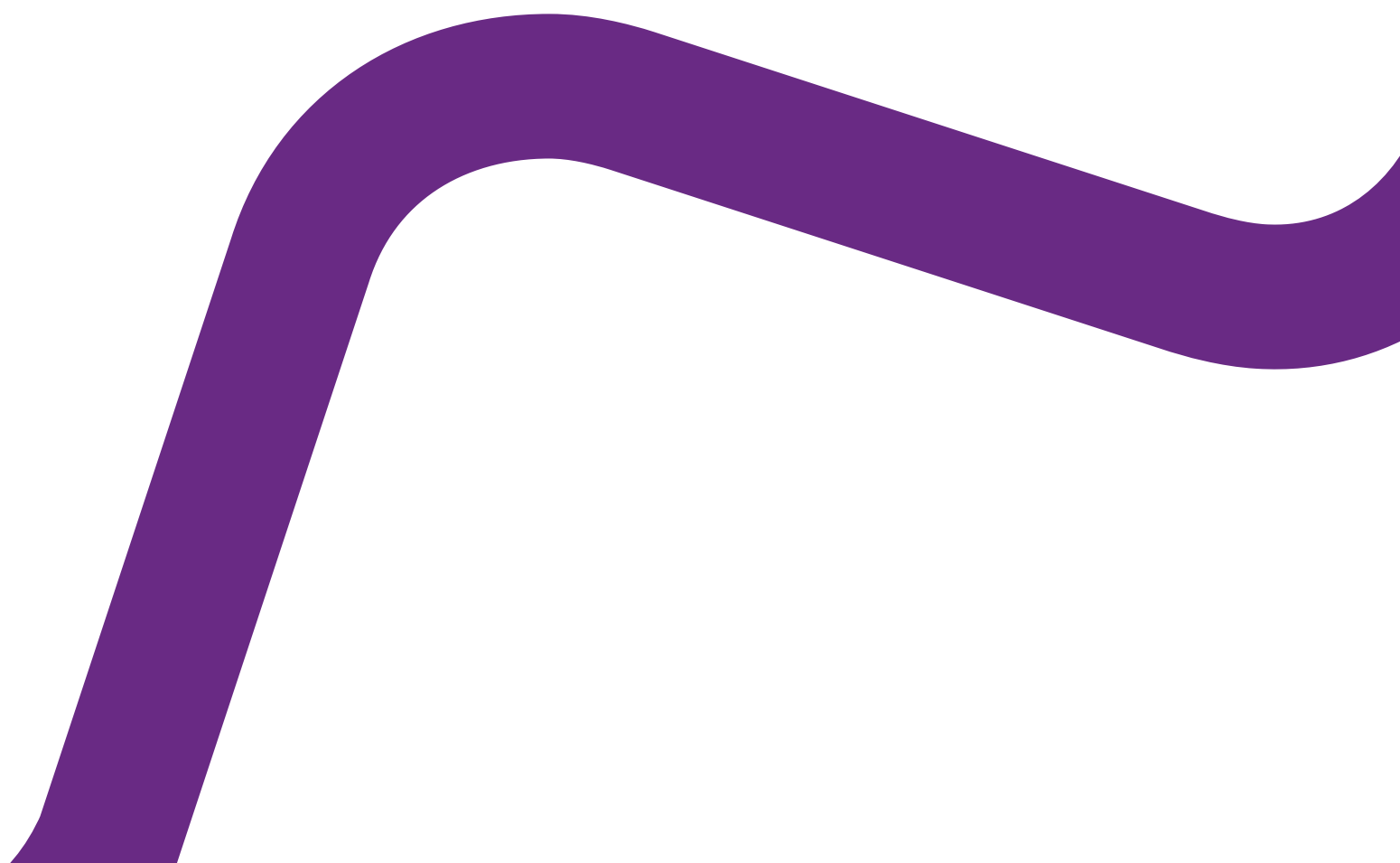
I have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed upon procedures engagement involves my performing the procedures that have been agreed with the Financial Services Compensation Scheme, and reporting the findings, which are the factual results of the agreed-upon procedures performed. I make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, I do not express an opinion or an assurance conclusion. Had I performed additional procedures, other matters might have come to our attention that would have been reported.

## Professional Ethics and Quality Management

My staff and I comply with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* published by the International Ethics Standards Board for Accountants ('the IESBA Code'). I am independent of the Financial Services Compensation Scheme in accordance with the ethical requirements that are relevant to my engagements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

My staff and I apply International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance and Related Services Engagements*, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.





## Procedures and Findings

My staff and I have performed the procedures described below, which were agreed with Financial Services Compensation Scheme in the letter of engagement dated 28 March 2024, on the Annual Report and Class Statements.

Procedures	Findings and exceptions found
Reviewing the accounting policies and disclosures in the Class Statements to confirm their compliance with Section 218 of the Financial Services and Markets Act 2000 and the FCA and PRA rulebooks.	<p>We reviewed the Class Statements disclosures and found that they complied with Section 218 of the Act.</p> <p>We identified one error in the input data to the model which allocates specific costs to levy-paying classes. This has resulted in a misclassification of specific costs between levy-paying classes with a maximum error of £380k overstatement in the Investment Provision class specific costs and a corresponding £380k understatement in the carried-forward fund balance for that class.</p>
Agreeing new classes or changes in class structure to third party evidence from the Financial Conduct Authority and/or Prudential Regulation Authority.	We have not identified any new classes or changes in class structure.
Reviewing the disclosures to ensure any new classes or changes in class structure are reflected.	No new classes or changes in class structure were identified which required disclosure.
Performing overall analytical procedures to assess whether the financial information presented in the Class Statement is consistent with our understanding of the scheme.	We performed overall analytical procedures on the Class Statements. The financial information is consistent with our understanding of the scheme.
Reading the other information and considering whether it is consistent with the financial information presented in the Class Statements, the FSCS' financial statements and our knowledge of the scheme gained through conducting our statutory audit.	We read the other information, which includes the Annual Report, and found it is consistent with the financial information presented in the Class Statements, the FSCS' financial statements and our knowledge of the scheme gained through statutory audit.

Procedures	Findings and exceptions found
<p>Confirming that the financial information presented in the Class Statements:</p> <ul style="list-style-type: none"> <li>• Has been accurately extracted from accounting records subject to NAO's statutory audit of Financial Services Compensation Scheme's Annual Report and Accounts</li> <li>• Has been prepared in accordance with the accounting policies selected by management and disclosed in the notes to the Class Statements.</li> </ul>	<p>The financial information presented in the Class Statements has been accurately extracted from accounting records subject to NAO's statutory audit of Financial Services Compensation Scheme's Annual Report and Accounts and has been prepared in accordance with the accounting policies selected by management and disclosed in the notes to the Class Statements.</p>
<p>Considering whether there are any material errors or limitations arising from our statutory audit which cast doubt on the accuracy of the financial information presented in the Class Statements.</p>	<p>There are no material errors or limitations arising from our statutory audit which cast doubt on the accuracy of the financial information presented in the Class Statements.</p>

**Gareth Davies**  
**Comptroller and Auditor General**  
National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
26 July 2024

## 06 Class Statements

### Fund movements for the year ended 31 March 2024

Funding class		Funds brought forward		Compensation and interest		Exchange gain/ (loss)		Recoveries received		
		2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	
Deposits	SA01	22,419	16,387	(1,403)	(4,496)	(14)	9	806	2,424	
General Insurance Provision	SB01	57,210	1,160	(160,026)	(162,921)	(7)	13	32,635	9,960	
General Insurance Distribution	CLGID1	5,487	1,728	(629)	(1,670)	(2)	2	2,426	(6)	
Life & Pensions Provision	SC01	(460)	(264)	-	-	-	-	-	-	
Life Distribution & Investment Intermediation	CLII1	95,910	26,794	(179,536)	(202,733)	(30)	42	16,547	(448)	
Investment Provision	CLIP	118,876	77,033	(81,443)	(30,988)	(16)	44	(19)	(26)	
Home Finance Intermediation	CLHFI1	7,409	8,656	(197)	(676)	(2)	4	-	(8)	
Debt Management	CLDM1	496	486	-	1	-	-	-	-	
Funeral Plans	CLFPC	-	-	-	-	-	-	-	-	
Home Finance Providers – FCA retail pool	SRI1	(0)	(0)	-	-	-	-	-	-	
Insurers General – FCA retail pool	SRH1	(0)	(0)	-	-	-	-	-	-	
Insurers Life – FCA retail pool	SRG1	(0)	(0)	-	-	-	-	-	-	
Deposit Acceptors – FCA retail pool	SRF1	(0)	(0)	-	-	-	-	-	-	
Payment on Account levies	POAL	202,271	148,139	-	-	-	-	-	-	
<b>Total</b>		<b>509,618</b>	<b>280,119</b>	<b>(423,234)</b>	<b>(403,483)</b>	<b>(71)</b>	<b>114</b>	<b>52,395</b>	<b>11,896</b>	

	Specific costs		Interest received		Tax		Levies received		Cross-subsidy transfer		Funds carried forward	
	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000
	(13,719)	(13,156)	1,335	525	(334)	(103)	4,020	20,829	-	-	13,110	22,419
	(6,650)	(6,226)	4,618	885	(1,154)	(155)	119,943	214,494	-	-	46,569	57,210
	(1,615)	(1,769)	362	99	(90)	(19)	243	7,173	(151)	(51)	6,031	5,487
	(76)	(190)	(25)	(8)	6	2	-	-	-	-	(555)	(460)
	(31,741)	(29,009)	6,401	1,979	(1,600)	(325)	117,011	299,374	21,153	236	44,115	95,910
	(7,623)	(3,318)	5,168	2,429	(1,292)	(520)	72	74,222	(21,000)	-	12,723	118,876
	(964)	(863)	303	216	(76)	(43)	(4,945)	136	(1)	(13)	1,527	7,409
	(18)	-	15	12	(4)	(3)	(486)	-	(1)	-	2	496
	(144)	-	(3)	-	1	-	-	-	-	-	(146)	-
	-	-	-	-	-	-	-	-	-	-	(0)	(0)
	-	-	-	-	-	-	-	-	-	-	(0)	(0)
	-	-	-	-	-	-	-	(14)	-	14	(0)	(0)
	-	-	-	-	-	-	-	186	-	(186)	(0)	(0)
	-	-	-	-	-	-	(123,889)	54,132	-	-	78,382	202,271
	(62,550)	(54,531)	18,174	6,137	(4,543)	(1,166)	111,969	670,532	-	-	201,758	509,618

## 07 Notes to the Class Statements

for the year ended 31 March 2024

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 & Pensions Provision; Life Distribution & Investment Intermediation; Investment Provision; Home Finance Intermediation; Debt Management; and Funeral Plans (from 29 July 2022).

### 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). 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 2023/24 Annual Report and Accounts shows the company's statutory financial statements prepared under UK adopted International Accounting Standards 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](http://www.fscs.org.uk/news/fscs-news/annual-report).

The 2023/24 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.



## 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.

#### **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 48 to 49); and
- the accounting policies set out here.

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

#### **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, return of insurance premium cases and funeral plan cover, 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 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. These are shown in the table of fund balances on pages 26 to 27.

The base costs are not allocated to classes, but are shown against the FCA and PRA fee blocks by which they are levied. Refer to [section 8](#) for the base costs and related levies for each fee block.

### **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. For PRA classes the maximum amount that can be levied is the individual class limit. FCA classes can receive support from other classes up to the amount of the retail pool. Retail pool contributions are shown as cross-subsidy transfers. Product provider contributions are shown as levies received in the receiving Insurance and Investment Intermediation class. Any provision or contingent liability recognised in FSCS for levy rebates is only recognised in the Class Statements when payment is made.

Under revised funding rules that took effect on 1 April 2018, the FCA instructed the largest c.1,000 levy payers to make payments on account for FSCS's 2024/25 levy. These firms were invoiced in February, with a due date of 1 April 2024. As at 31 March 2024, invoices totalling £102,097,000 (2023: £242,432,000) were issued, of which £74,376,000 (2023: £201,685,000) was collected, leaving amounts due from levy payers of £27,720,000 (2023: £40,746,000).

The amounts levied are held to the credit of those individual firms rather than to any particular funding class and are shown below. These funds will be applied to reduce the payments of these firms when the 2024/25 annual levies are invoiced in July 2024, which are allocated against funding classes.

For Payments on Account, the 'Levies received' column in the main Class Statements table (page 8) reflects the net effect of:

- i) these levy collections, and
- ii) allocations of payments on account against cases in specific classes represented in the other table rows.

### **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 expensed to the funds of each class.

### **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 tables of fund balances.

### **i) Taxation**

Interest income is recognised gross of tax. The related tax on interest income is charged to the funds of each class.

### **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.



## 08 Base costs and related levies

### at 31 March 2024

		Balance at 1 April		Levies received		Base costs allocated		Funds carried forward	
		2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000
<b>FCA fee block</b>									
Minimum fee	A000	83	19	741	813	(785)	(749)	39	83
FCA Prudential fee	AP00	48	17	670	615	(697)	(584)	21	48
Deposit takers	A001	(95)	79	2,810	2,068	(2,655)	(2,242)	60	(95)
Home Finance Providers	A002	(20)	17	685	511	(652)	(548)	13	(20)
General Insurance	A003	(14)	57	999	711	(946)	(782)	39	(14)
Life Insurance	A004	(43)	46	1,686	1,252	(1,609)	(1,341)	34	(43)
Society of Lloyd's	A006	(1)	0	14	10	(12)	(11)	1	(1)
Fund managers	A007	17	47	1,659	1,339	(1,628)	(1,369)	48	17
Operators/trustees Collective Investment Schemes	A009	(14)	14	464	336	(433)	(364)	17	(14)
Firms dealing as principal	A010	(35)	70	1,817	1,448	(1,888)	(1,553)	(106)	(35)
Advising/arranging (not holding client money)	A013	(8)	95	3,106	2,288	(2,867)	(2,391)	231	(8)
Corporate Finance Advisers	A014	74	32	414	480	(518)	(438)	(30)	74
Home Finance mediation	A018	(15)	14	657	497	(637)	(526)	5	(15)
General Insurance mediation	A019	(4)	30	1,111	834	(1,052)	(868)	55	(4)
Firms holding client money or assets, or both	A021	(22)	13	557	406	(536)	(441)	(1)	(22)
Principal firms – appointed representatives	A022	(10)	–	224	186	(206)	(196)	8	(10)
Funeral plan intermediaries and providers	A023	–	–	33	–	(52)	–	(19)	–
Consumer Credit (Limited Permission)	CC01	(7)	(24)	295	259	(288)	(242)	–	(7)
Consumer Credit (Full Permission)	CC02	8	(67)	1,523	1,325	(1,488)	(1,250)	43	8
Investment exchanges, trading facilities, etc.	B002	13	11	2	2	–	–	15	13
<b>Total</b>		<b>(45)</b>	<b>470</b>	<b>19,467</b>	<b>15,380</b>	<b>(18,949)</b>	<b>(15,895)</b>	<b>473</b>	<b>(45)</b>

		Balance at 1 April		Levies received		Base costs allocated		Funds carried forward	
		2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000
<b>PRA fee block</b>									
Minimum fee	PA00	(2)	(7)	40	41	(37)	(36)	1	(2)
Deposit takers	PA01	(270)	260	12,502	9,487	(11,949)	(10,017)	283	(270)
General Insurance	PA03	11	90	2,785	2,208	(2,730)	(2,287)	66	11
Life Insurance	PA04	(75)	73	3,480	2,635	(3,315)	(2,783)	90	(75)
Society of Lloyd's	PA06	(4)	5	149	109	(142)	(118)	3	(4)
Firms dealing as principal	PA10	(18)	17	810	620	(776)	(655)	16	(18)
<b>Total</b>		<b>(358)</b>	<b>438</b>	<b>19,766</b>	<b>15,100</b>	<b>(18,949)</b>	<b>(15,896)</b>	<b>459</b>	<b>(358)</b>

The Class Statements were approved by the Board of Financial Services Compensation Scheme Limited, as designated Scheme Manager of the classes, on 18 June 2024 and signed on its behalf on 19 July 2024 by:



**Martyn Beauchamp**  
**Interim Chief Executive**  
 Financial Services Compensation Scheme

## 09 Firm defaults

From 1 April 2023 to 31 March 2024, FSCS declared the following 51 firms in default:

Name of authorised firm	Date declared in default
<b>Deposit-taking firms</b>	
6 Towns Credit Union Ltd	05/09/2023
Hastings & Rother Credit Union Ltd	08/08/2023
<b>Other firms</b>	
Pension Advice Specialists Ltd trading as Ashworth Wealth	26/03/2024
Abbey Lane Financial Associates Ltd	25/03/2024
Aqua Financial Services Ltd formerly Aqua IFA Ltd	25/03/2024
Strategic Investment Solutions Ltd formerly Cobco (291) Ltd trading as Denton Mortgages & Loans	25/03/2024
Fresh Financial Solutions LLP	25/03/2024
A.P. Financial Services UK Ltd trading as Pella Associates, GW Financial Planning Services	08/03/2024
Hartley Pensions Ltd	21/02/2024
Frodsham Financial Planning Ltd formerly Tom Carroll Associates Financial Planning Ltd	13/02/2024
Sterling Green Ltd trading as Sterling Green Loans, beyondcomparison	09/02/2024
Abana Unipessoal Lda formerly Abana Lda	08/02/2024
Dial4aloan Ltd	06/02/2024
Smith Holdings Ltd trading as Life Time Independent	23/01/2024
Niche Independent Financial Advisers Ltd	17/01/2024
D & G Financial Services Ltd trading as D&G Insurance Services, AWC Insurance Services	09/01/2024
The Chambers Partnership Ltd	20/12/2023
Rowanmoor Personal Pensions Ltd trading as Rowanmoor	15/12/2023
Houghton Edwards LLP	15/12/2023
IFS Aegis Ltd formerly Authorised Financial Advisors Ltd	14/12/2023
Bluesky Wealth Management Ltd trading as Pensions Matter	12/12/2023
Quadros Financial Solutions Ltd	01/12/2023
F M L Insurance Services Ltd trading as Entertainment Insurance Services	15/11/2023
D.C. Financial Ltd formerly SystemCover Ltd	09/11/2023

<b>Name of authorised firm</b>	<b>Date declared in default</b>
Retirement Direct Ltd formerly Read Independent Financial Advisers Ltd	20/10/2023
Marvell Enterprises Ltd	13/10/2023
Blankstone Sington Ltd trading as BS CFDs	13/10/2023
Cavendish Incorporated Ltd	12/10/2023
Core Cover Ltd formerly Study Safe Ltd trading as Lifecover.com, Secured-Loan.online	10/10/2023
David Craig	25/09/2023
Mike Norris Financial Services Ltd	22/09/2023
Focus Oxford LLP trading as Focus Independent Financial Advisers and Independent Insurance Consultants	14/09/2023
Leslie & Swallow LLP trading as Aston Collie	14/09/2023
Crosbie Carr Morris Ltd	14/09/2023
MLM Wealth Management Ltd trading as MLM Financial Services	02/09/2023
Chryson Ltd trading as IQ Money, Chryson Wealth Management, Sharewatch UK	23/08/2023
Consero Capital LLP trading as Green-ifisa.com, Renewable-bonds.com	23/08/2023
The Financial Planning Practice Ltd	11/08/2023
Arrow Financial Services UK Ltd trading as Arrow Asset Management	09/08/2023
Temple Park Financial Services	28/07/2023
Cheshire Trafford U.K. Ltd formerly Cheshire Trafford (Yorkshire) & Co. Ltd	21/07/2023
Maymont Wealth Ltd formerly GWM Investment Management Ltd trading as Discover Wealth	21/07/2023
Prism Independent Financial Advisers Ltd	11/07/2023
Wealthmasters Financial Management Ltd trading as Gryphon Capital, Invictus Wealth, Sydney Charles UK	11/07/2023
MacFarlaine & Brooks IFA Ltd	28/06/2023
Thomas Financial Ltd	08/06/2023
Pacific IFA Ltd	26/05/2023
Wellington Court Financial Services Ltd	23/05/2023
Old Park Capital Ltd	23/05/2023
SQ Wealth Ltd formerly Quays Wealth Management Ltd	06/04/2023
WealthTek LLP	06/04/2023

There were no insurance firms declared in default in 2023/24.









## Contact us



### Contact us

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