fscs

Financial Services
Compensation Scheme

Annual Report and Accounts 2024/25

HC 1035

Financial Services Compensation Scheme Annual Report and Accounts 2024/25

For the period 1 April 2024 to 31 March 2025

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HC 1035 part i of ii

An accompanying Financial Services Compensation Scheme Annual Report and Class Statements (part ii) was also presented to the House of Commons on 03 July 2025.

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Overview

2024/25 at a glance

£327m
in compensation paid to customers.

32,634
customers paid across our claims, deposits and insurance services.

38,666
regulated financial services firms funding the FSCS levy.

£56.2m
in recoveries made from failed firms.

11,799
decisions on claims made for our customers.

45
financial services firms declared in default.

85%
average customer satisfaction.

7,836
new customer claims received by our claims service.

477
firms for which we paid out compensation, including those declared in default in prior years.

Chair's statement

This is my first foreword since joining the board in October 2024, following the end of Marshall Bailey's term as Chair. I would like to extend the Board's sincere thanks to both Marshall and former Deputy Chair and Senior Independent Director, Helen Parker (whose term ended in June 2024), for their steadfast leadership.

Since its launch in 2019, FSCS's strategy has aimed to effectively respond to firm failures and put customers back on track with a fast and empathetic service. Simultaneously, we have sought to further drive awareness of our protections, and work with industry and regulators, sharing our insights to help reduce future firm failures.

The hard work undertaken over the past five years has given FSCS good foundations for its current delivery model and a strong base on which to build.

By the end of the 2024/25 financial year, our processes had been strengthened with improved technology and systems, and so had our claims handling, with the embedding of new partner organisations. There is still much to do, but I am particularly encouraged by our efforts recovering money from failed institutions, which this year totalled just over £56m – equivalent to approximately 17% of total compensation costs. This can serve to reduce the levy for industry and provide top-up payments to customers. The timing and amount of recoveries received, as well as their distribution across funding classes, will vary year-to-year depending on the nature and mix of recovery actions being pursued.

We are committed to helping customers get back on track as quickly as possible. We are equally mindful of our responsibility to levy payers, who fund our work in its entirety.

As we enter our 24th year since formation, we will continue to deliver and progress:

- high levels of customer satisfaction;
- appropriate and fair expenditure of the levy in support of the financial services ecosystem;
- horizon scanning and planning for complex financial products and services which may affect FSCS;
- preparation for the outcome of the consultation on raising the deposit protection limit from £85,000 to £110,000; and
- support for the Government's growth agenda by playing our part in maintaining economic stability.

In March 2025, Martyn Beauchamp was appointed as our permanent Chief Executive following a rigorous recruitment process, and we would like to thank all those who participated for their contributions.

> I am particularly encouraged by our efforts recovering money from failed institutions, which this year totalled over £56m."
>
> **Elizabeth Passey**

Two new Non-Executive Directors also joined the Board earlier this year – Jenny Watson and Richard Harvey. I look forward to working with them and believe they will make strong contributions to FSCS.

We share a collective ambition to achieve the next steps for FSCS and will soon develop our next five-year plan. The Board, Executive Team and I are engaging with a wide range of stakeholders – including consumer and industry bodies, regulators and the Treasury. During these meetings I am hearing first-hand about both the value of what we do and what improvements can be made. In next year's Annual Report, we will share more details on our strategic plan for 2026–31.

Finally, I would like to thank all of our stakeholders for their role in enabling us to act effectively, and to deliver one part of what makes a stable financial system. I would also like to thank our employees, the Executive Team, and the Board for their service. I look forward to working together to achieve FSCS's objectives in the coming year.

Elizabeth Passey
Chair
Financial Services Compensation Scheme

Chief Executive's review

Martyn Beauchamp was appointed FSCS's permanent Chief Executive in March 2025, after joining FSCS on an interim basis in October 2023.

What are your proudest achievements from 2024/25?

Three achievements are particularly prominent. Firstly, I'm proud that FSCS delivered effectively on its core duties of paying compensation and pursuing recoveries from failed firms. That's what our levy payers fund us to do. We delivered just under 12,000 decisions through our claims service, up more than 21% on last year, with quality and customer satisfaction remaining high. At the same time, we managed three credit union failures and made almost 13,000 payments to customers of failed insurers. We also recovered over £56m, bringing the total to more than £110m over the past two financial years. The majority of this amount has been used to offset future levy costs, with the remainder being distributed to customers who may have lost more than our compensation limits.

Secondly, we successfully completed our transition to a new operating model for our claims service, which will help us improve the customer experience and strengthen productivity. As part of this transition, we announced our new strategic claims partner in June 2024, achieving a full a transition of claims by December, with no impact on our customer satisfaction scores. This was a huge undertaking, involving every department in the organisation. At the same time, we've recruited and accredited new in-house teams, equipping them with improved tools and processes to efficiently deliver good customer outcomes.

> "We have recovered more than £110m over the past two financial years – the majority of this amount has been used to offset future levy costs."
>
> **Martyn Beauchamp**

And thirdly, it was encouraging to see our innovation come to life for our customers. In January, we processed our first direct electronic payments for a deposit taker failure using our new payments portal – with some customers receiving their savings back within 24 hours of the firm entering insolvency.

We've achieved these results during a year of considerable change and it's the collective effort, resourcefulness, and commitment of the whole FSCS team that I'm most proud of.

You've made speaking to our stakeholders a personal priority, including our customers. What did you learn from these conversations in 2024/25?

Hearing directly from customers has always been a priority for me, ever since I started out taking customer service calls early in my career. Since April 2024, I've met with more than 50 customers on an individual basis to learn how we can do better. Improved communication during the claims journey is an area we'll be focusing on in 2025/26 as a direct result of this customer feedback.

A key part of our mission is to support stability – an important pre-requisite for growth – in the UK financial services system. It's vital that we are recognised as a strategic partner by the industry that funds our work, and I've met with a wide range of trade bodies and firms during the year to discuss how we can work together to achieve that aim. We also promote the UK's wellbeing through our commitment to the Wider Implications Framework. Stability in the UK is inevitably impacted by the international environment of which we are all part, and so we are also building strong, mutually beneficial relationships with our international counterparts, as well as our regulatory partners, to share information and strengthen our preparedness.

What are your priorities for the year ahead?

During 2025/26, we'll be focusing on both the near and the long term. We'll continue our laser focus on delivering our statutory duties of paying compensation and making recoveries. Embedding our new claims service operating model and transforming our insurance failure management platform will be key priorities.

We'll also be defining our next five-year strategy, which will take us through until the start of the next decade. Our new strategy will ensure we remain future-fit to effectively discharge our core duties for the customers we serve. We want to make things quicker and simpler for customers, more productive for levy payers, and to be a place in which our colleagues can thrive. We made solid progress towards this in 2024/25, and I look forward to building on this momentum in the year ahead.

Martyn Beauchamp
Chief Executive
Financial Services Compensation Scheme

Our mission

FSCS's mission is to provide a trusted compensation service which helps to raise public confidence in the financial services industry.

We are the UK's compensation scheme for customers of authorised financial services providers. We can step in and pay compensation when authorised financial services firms fail and owe their customers money.

It is completely free for customers to make a claim directly with us. This means that customers can receive the total amount of compensation owed to them without having to pay extra fees or costs to a representative.

We are also a non-profit organisation, funded by the financial services industry, with regulated firms paying levies each year. If a customer makes a successful claim, we will try to recover the money if it is reasonably possible and cost-effective to do so. Our recoveries help to offset the levies financial services firms pay and can provide additional payments for customers whose claims are above our limits.

We are independent, but accountable to the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) as the UK financial services regulators and HM Treasury. We work closely with the regulators and other bodies to ensure we respond effectively when any firm fails.

More details on how we're governed can be found in the Corporate governance section.

For information on what we cover and our compensation limits, see www.fscs.org.uk/what-we-cover.

Tina Coates, Chief Communications Officer

"Our work promotes confidence and trust for consumers using financial services. Ultimately, this supports the UK's financial stability and long-term sustainable growth of the financial services industry."

Our benefit to industry

When consumers trust and have confidence in financial services, they are more willing to save and invest, confident that if a firm fails, FSCS can step in to help.

Greater savings and investment in the financial system unlock funding for businesses and fuels reinvestment. This in turn creates the conditions for businesses to thrive, and for economic growth.

How our work supports trust and confidence was illustrated in an FSCS consumer survey from November 2024. Among the respondents who were aware of FSCS*:

- 91% felt more confident taking out a product with a provider that was FSCS protected;
- 86% stated that FSCS helped increase their overall trust in the financial services industry; and
- 74% agreed that they were likely to invest more of their money if the provider was FSCS protected.

Among all survey respondents*:

- 78% agreed that FSCS contributed to financial stability;
- 65% agreed they were more likely to hold products with more than one provider (e.g., other than their main bank); and
- 64% agreed they would take advantage of a better deal (e.g., higher returns, lower fees), if the provider was FSCS protected.

Our key relationships

- HM Treasury
- Bank of England Prudential Regulation Authority
- Financial Conduct Authority
- Financial Ombudsman Service
- Money and Pensions Service
- Authorised financial services firms/ FSCS levy payers
- Trade and consumer bodies
- Customers and consumers
- International bodies

* FSCS/2CV quarterly brand tracking survey, November 2024. UK adults aged 18+, Wave 2 (2,410).

Strategic and performance report

Our strategy

In addition to our statutory objectives of paying compensation and making recoveries, our strategy sets the direction for our annual goals and improvement priorities.

Our strategy

Prepare	**Protect**
FSCS must be able to protect consumers in a crisis, or in the event of major failures, to maintain public confidence and financial stability.	FSCS is known and trusted for protection that puts people back on track through outstanding customer experience.

FSCS's organisational priorities for 2024/25 focused on our **Prepare and Protect** strategic pillars. This included rethinking our claims handling and moving to a new claims service operating model, maximising our recoveries, strengthening our processes and enhancing our preparedness for firm failures by improving our technology and systems. You can read about the progress we have made in these areas throughout this report.

A new approach to claims handling

In last year's report, we referred to 2024/25 as a "vital transition year" for FSCS. We had just celebrated the first major milestone of our shift to a new claims service operating model – the opening of our new in-house contact centre – which you can read more about in the Performance section of this report.

June 2024 saw FSCS reach another major milestone, when we announced PricewaterhouseCoopers (PwC) had been successful in its bid for our core claims contract. PwC's appointment marked the start of a significant

Sabah Carter,
Chief Data, Intelligence and Technology Officer

"There has been a significant amount of work done behind the scenes to make our enhanced claims handling model a success, and I'm very proud of what we've achieved."

Martyn Beauchamp, Chief Executive

"During the year, colleagues across FSCS have worked tirelessly to lay a strong foundation as we look ahead to our 25th year of operation."

transition as both claims and staff transferred over from our outgoing claims partners, who had worked with FSCS for over 20 years. By December 2024, the majority of this transition was complete, and the old claims contracts ended on 31 March 2025.

The new operating model for our claims service wasn't just about a change in providers for FSCS. More fundamentally, it represented a strategic decision to increase the proportion of claims processed in-house, giving FSCS more direct control over customer experience and a greater ability to build expertise across a growing variety of claims – an important foundation for increasing productivity.

Our core claims service is the largest part of our operation, and it is where some of FSCS's most complex claims for pensions and investments are handled. With any transition, the aim is for it to be seamless for everyone involved – including our customers and our people.

We have managed to maintain and, in some areas, exceed our existing performance during the transition. Decisions made through our claims service are up more than 21% on 2023/24, and we are bringing down the time it takes for customers to receive a decision from FSCS.

Defining a new strategy

2024/25 was a year of transition for FSCS, culminating in the appointment of a permanent Chief Executive, new Chair, and two new non-executive directors to our Board. As we move into 2025/26, our focus shifts to defining our strategy for the next five years, as well as maturing our new claims service operating model.

Our customer performance

Most people in the UK benefit from FSCS protection. We can pay compensation for a range of products and services, including the money held in current and savings accounts, insurance policies, investments and financial advice.

It's free for customers to make a claim directly with us, and we aim to make it as quick and easy as possible to do so using our online service.

We want to help people get their lives back on track as quickly as possible if they have lost money because of a failed firm. We know it can be a stressful experience, and our customer support team is on hand to help at every step of the process.

Spotlight on customer service

Our customers are at the heart of what we do, and last year we reported that we had opened a new in-house contact centre. This was the first major milestone in our transition to a new operating model for our claims service, giving us more control over our customer experience.

Our contact centre team has achieved a great deal in its first year:

- 34,709 calls answered;
- 3,856 outbound calls made;
- 19,564 emails handled;
- 3,260 webchats with customers;
- 94% of calls answered within 60 seconds; and
- 94% of webchats answered within 60 seconds.

Sarah Marin, Chief Customer Officer

"As we transitioned to a new operating model for our core claims service, we continued to deliver excellent service to our customers. This included making almost 12,000 decisions on claims, more than 20,000 payments to customers of failed deposit takers, and more than 12,500 payments to customers of failed insurers."

Deposits, insurance and our claims service

Overall performance

Total compensation

2023/24	2024/25
£423m	£327m

Number of firms declared in default

2023/24	2024/25
51	45

Number of firms we paid out compensation for

2023/24	2024/25
447	477

Denise Farthing, Head of Operations

"We recently celebrated the first birthday of our in-house contact centre and I'm really proud of how well the team has settled in over the year. Not only have we hit our monthly performance targets, we've also implemented changes that have reduced the number of calls made to FSCS in error. The team really cares about our customers, and we've had some fantastic feedback that helps us appreciate the difference we've made."

Customer service

Customer satisfaction

2023/24	2024/25
84%	85%

Number of decision reviews

2023/24	2024/25
1,205	1,283

Number of complaints

2023/24	2024/25
588	698

18 working days average response time for complaints.

85% of complaints responded to within 20 working days.

Customer stories

Sarah, Project Manager, Derby*

After receiving advice from a financial adviser, Sarah moved her pension savings into a self-invested personal pension (SIPP) run by a regulated pensions provider. The pension provider moved her money abroad and invested it into apartments in Cape Verde.

Before long, Sarah started to feel nervous. Her investments were performing poorly and she was unable to contact her SIPP provider or financial adviser. Worried and anxious, Sarah decided to meet with another adviser who recommended submitting a claim with FSCS.

Sarah's claim showed that she had received bad advice to move her money into high-risk investments that were not suitable for her. Sarah was compensated the total amount that she had lost, which was just over £45,000. After receiving her money back, Sarah has reinvested her money into a pension that is more suitable for her and has seen her retirement savings significantly increase in value.

> "The day I received the email I cried – it was pure relief that it was over! I received an email to explain my claims decision, and the money was in my bank account the same day. I couldn't believe it."

David, retired, Staffordshire*

David came to FSCS after being mis-sold a SIPP by a regulated financial adviser. David's initial claim against his financial adviser was successful, and he received £45,000. Following this, our investigations revealed that David was also eligible to make a second claim for an additional investment that he had also been mis-sold. This second claim led to a further £22,000 in compensation.

David found the application process straightforward and said the communications he received from FSCS were "fantastic". He appreciated the "human touch", receiving regular emails and phone calls from his claim handler to keep him updated.

> "FSCS couldn't have done anything better."

* Identities changed for privacy. Photos used from iStock.

Helping 32,634 customers get back on track by paying compensation. This included making payments across our claims, deposits and insurance services.

Deposits compensation

Customer compensation for deposits is made when a deposit taker such as a credit union or bank fails. Typically, these customers do not need to make a claim as we use data from the failed firm to make payments.

There were three new credit union failures during the year, which contributed to approximately £17m in compensation. In total, we made more than 20,000 payments to customers.

	2023/24	2024/25
Total compensation – Deposits	£1m	£17m
Number of payments	5,545	20,350

Sarah Marin, Chief Customer Officer

"Reducing disruption to customers when their financial provider goes out of business is vital to FSCS. Supporting customers to get back on track quickly, so they can continue to access their money, helps maintain public confidence in UK financial services and contributes to wider financial stability."

Insurance compensation

Typically, insurance customers do not need to make a claim with us to receive compensation. If a transfer to another insurance provider is not possible, compensation includes refunds for unused premiums and payments for valid claims. We pay policyholders using information from the insolvency practitioner and run-off agent.

There were no new insurance firm failures in 2024/25, and the £134m in customer compensation shown in our accounts relates to insurance firm failures from previous financial years. This included making almost 13,000 indemnity payments to customers.

	2023/24	2024/25
Total compensation – Insurance	£160m	£134m
Number of payments	21,275	12,749

Claims service compensation

Our claims service handles compensation for products including investments, pensions and mortgages. These cases usually require customers to submit a claim with supporting evidence, for example negligence in regulated activities associated with financial advice or arranging investments.

During 2024/25, we paid more than £110m in compensation to customers who had received unsuitable investment, pension and self-invested personal pension (SIPP) advice. We also paid approximately £60m in compensation in relation to SIPP operator failures, and subsequent claims made by their former customers.

The remaining payments for advice claims related to mis-sold insurance policies and unsuitable mortgage advice. In total, we received almost 8,000 new claims and processed approximately 12,000 decisions.

	2023/24	2024/25
Total compensation – Claims service	£262m	£176m
Number of new claims received	8,158	7,836
Number of decisions	9,723	11,799

Faster deposit payments, reduced disruption for customers

FSCS is committed to making things better for customers and minimising the disruption caused when deposit takers go out of business. Following work with our partners at the Bank of England and Prudential Regulation Authority, as well as other stakeholders across the financial services industry, we can now offer deposit taker customers compensation payments by electronic bank transfer in certain circumstances. Through our new payments portal, customers can now request their compensation by direct bank transfer to an alternative account.

Reducing the number of claims in progress every single month, helping us get decisions to customers as quickly as possible without impacting quality.

Paying compensation against 477 different failed firms, including the 45 that we declared in default during the financial year.

Maintaining an excellent customer satisfaction score, with a rise on 2023/24 to an 85% average in 2024/25.

Closing 15 complex firm investigations, which allowed around 5,000 claims to be progressed for our customers.

Building a new claims prioritisation tool for our handlers to use. This helps us to identify priority actions across the claims we have in progress more quickly, minimising the wait time at each stage.

This new approach was successfully tested in January 2025, when FSCS supported over 18,300 customers of London Community Credit Union (LCCU) when the firm went out of business. Eligible LCCU customers were the first to use the new payments portal, with over 16% of users opting to receive their FSCS compensation by electronic bank transfer.

Cheque payment is still a method that suits many people, however, and FSCS will continue to offer this as a payment option. By also offering electronic payment transfers alongside cheque payments, we can make sure that people can continue to access their money quickly and help maintain public confidence in the UK financial system.

More information about how we protect money in banks, building societies and credit unions can be found at www.fscs.org.uk/banks-building-societies-credit-unions.

A strong year for FSCS recoveries

2024/25 marked a significant year for our recoveries efforts, with over £56m recovered from the estates of failed financial providers and relevant third parties. This brings the total recoveries we have secured, in the last two years alone, to more than £110m.

Recoveries help reduce the FSCS levy, with the majority used to offset the amount charged to firms. Customers of failed financial providers may also benefit from our recoveries, and in 2024/25 we passed on more than £3m as additional payments to customers who had lost more than our £85,000 statutory compensation limit.

Recoveries can take many years to complete, and we are increasingly seeing our recovery actions grow in complexity. This complexity can make it difficult to forecast the level of recoveries we expect to achieve each year, as the degree of success and the timescales involved can be difficult to predict. Some of our more complicated recovery work during 2024/25 included pursuing parties in foreign jurisdictions for failed investment products that had caused significant financial loss to people's pensions.

Alongside recovering the cost of compensation, we look to reduce the impact of future claims on the FSCS levy and firms. During 2024/25, we worked with the insolvency practitioners of failed insurer East West Insurance Company Ltd to reduce the impact of future compensation costs associated with correcting defective cladding and other property repair works. This work helped to ensure that funding was provided by the relevant responsible property developers, and not passed on to FSCS levy payers.

More information about our policy on recoveries, including the rules that govern how we operate, can be found at www.fscs.org.uk/recoveries.

James Darbyshire, Chief Counsel

"Ensuring a fair levy for the financial services industry is a top priority for us. Our ongoing efforts to recover the costs of compensation are a vital part of this."

Annual report of the Independent Investigator

April 2024 to March 2025

This is my sixth year serving as Independent Investigator for the review mechanism provided by FSCS to complainants who remain dissatisfied with the actions of the organisation, generally in respect of a claim for compensation, and have exhausted all internal review options. I do not comment on the organisation's decision(s) in respect of specific claims or appeals.

During the year, four cases were referred to me, all of which I accepted. All of these referrals related to claims arising from pensions advice and transfers from occupational pension schemes and, often, defined benefit schemes.

Although the number of complaints that I consider is quite small, themes do emerge which identify areas for management attention. Without exception, these referrals raised the length of time it had taken FSCS to arrive at a definitive outcome on a claim or appeal. I fully upheld two referrals, and partially upheld the other two. In addition to the excessive time taken to arrive at final decisions, I also identified weaknesses in aspects of the management of work in progress and, specifically, the monitoring of aged claims.

One specific theme, raised in the referrals, concerned the perception of inconsistent decision making. My investigations found no direct evidence of this but did recommend that the controls supporting the governance, and recording of decisions changed on appeal be strengthened.

This year's referrals highlighted a need to strengthen the controls around the prioritisation of vulnerable customers.

I also highlighted areas in which communication could be improved and claimant expectations better managed.

I prepare a detailed report for each referral which is issued to both the complainant and two designated FSCS executives. I monitor the implementation of my recommendations through regular meetings with members of FSCS's Executive Team and other senior operational managers. This year I have also been regularly briefed on a number of strategic change initiatives, including the transition to a new outsource partner.

I met with the Board towards the end of the financial year. Our discussions looked at the operation of the Independent Investigator scheme as well as the themes and lessons arising from recent referrals.

Caroline Trewhitt
Independent Investigator

Financial review

Our financial strategy helps us to deliver an effective compensation service while strengthening public confidence in the UK's financial services sector. By fostering trust, we also support a broader goal of contributing to the UK's overall financial growth and stability.

Business planning and budgets

We operate an annual business planning cycle, producing levy forecasts each spring and autumn that we share with the financial services industry and wider public. We do this through industry engagement and communications, including our Outlook publication, which is published bi-annually. This is to help firms plan for our annual levy and to provide transparency regarding our forecasting.

Each year, we also communicate our proposed management expenses by publishing our Budget Update report, typically each January. At the same time, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) carry out a public consultation on our management expenses. Following this consultation, the FCA and PRA approve our annual budget.

For more information on our publications, see www.fscs.org.uk/publications.

Fiona Kidy,
Chief Financial and People Officer

"While we're committed to helping people get back on track as quickly as possible, we are equally mindful of our responsibility to levy payers – ensuring our work is cost-effective and accountable."

Annual reporting

We publish our Annual Report and Accounts and a separate Class Statements report once a year. The Class Statements report focuses on summarising our income (funds from levy payers) and annual running costs, including compensation costs, by funding class.

Both documents are available on our website at www.fscs.org.uk/annual-report.

Our accounts are added into the Whole of Government Accounts, which is a consolidated set of financial statements for the UK public sector. We provide HM Treasury with appropriate reassurance on the systems, controls and processes that underpin our accounts within relevant levels of materiality (relevant financial thresholds).

Summary of our financial performance

- 38,666 regulated financial services firms provided funding for our service through the FSCS levy.
- £349m total levy income, and no retail pool or supplementary levy required from firms.
- £327m in total customer compensation.

Compensation in 2024/25 was mainly driven by claims related to:

- unsuitable self-invested personal pensions (SIPPs), investment advice and defined benefit pension transfers (Life Distribution & Investment Intermediation (LDII) class);
- insurance firms that had failed in previous years (General Insurance Provision class); and
- SIPP operator firm failures (Investment Provision class).

In the **LDII class**, customer compensation totalled £110m, which is £70m lower than in the previous financial year. This decrease was mainly due to:

- receiving 33% fewer new LDII claims; and
- the majority of compensation payments for wealth management firm WealthTek LLP (declared in default April 2023) being accounted for in 2023/24.

For the **General Insurance Provision class**, total compensation came to £134m, which is £26m lower than in 2023/24. Much of this reduction is due to lower compensation costs, in comparison with the previous financial year, for MCE Insurance Company Ltd, Gefion Insurance A/S and Prometheus Insurance Company Ltd. The majority of customer compensation relating to these firm failures was paid out during 2023/24 and earlier.

It is also important to note that there were no new insurance firm failures in 2024/25. Total compensation paid for this class during 2024/25 was for firm failures which had occurred in previous financial years.

During 2024/25, customer compensation in the **Investment Provision** class totalled £65m, with over 90% of compensation relating to SIPP operator failures, including Section 27 claims. In comparison to 2023/24, we received a greater number of new claims; however, total customer compensation decreased by £16m. This was due to a reduction in compensation required for Special Administration Regime failures.

For more information, including a breakdown of the levy and compensation paid by the separate funding classes during 2024/25, please see the Class Statements report.

Recoveries

Where possible and cost-effective, we pursue recoveries against failed financial services firms, or other third parties, with a legal responsibility for customers' losses.

The money that we recover helps to offset the levies that financial services firms pay. Customers of failed financial providers may also benefit from our recoveries as we can provide additional payments to those with claims that are above our £85,000 statutory compensation limit.

In 2024/25, we recovered a total of £56.2m, the majority of which was used to offset our levies. The total included more than £3m being passed on to customers whose claims were above our compensation limit.

Under International Financial Reporting Standards (IFRS), our recoveries for 2024/25 totalled £76m. This is different from the above figure (£56.2m), as under IFRS rules some of this amount (£76m) includes recoveries FSCS expects to receive in future years.

Administration expenses

Our administration expenses increased from the previous financial year to £104.4m. In 2023/24, this figure was £100.1m.

This increase was mainly due to a one-off pension settlement loss (£3.8m) to Pension Insurance Corporation plc. This arose from the buy-in transaction of FSCS's own pension scheme in 2024/25. Please see Note 22 in the financial statements.

During 2024/25, our administration expenses also funded the successful completion of our strategic transition to reduce our outsourcing costs and increase our in-house claims-handling expertise. This included the ongoing development of our in-house contact centre.

Also ongoing during the year was a programme of enhancements for our claims-handling systems and processes. This included optimising our electronic payments portal, and our insurance claims and compensation payments systems. These essential improvements will ensure strong safeguards for our customers' data.

The increase in our expenses was balanced by a short-term reprioritisation of our strategic investment and other costs during the year.

Balance sheet

Our assets mostly consist of cash and amounts we are expecting to recover, which we treat in line with our accounting policy for recoveries.

In 2024/25, our liabilities mainly included levies we collected but had not yet accounted for as income. Our liabilities also included customer compensation that we estimated we would have to pay at year end.

During 2024/25, surpluses owed to certain funding classes were significantly reduced by lowering our levies on firms, and using funds brought forward from the previous financial year. The remaining surpluses have been carried forward to offset the 2025/26 levy for firms.

Our people

In 2024/25, we continued to focus on strengthening our foundations to make sure our people and organisation can thrive.

Fiona Kidy,
Chief Financial and People Officer

"This past year brought significant changes at FSCS, and none of it would have been possible without the dedication and hard work of our people."

This included starting to build a stronger 'purpose-performance' culture. It also included providing continuous learning opportunities, to ensure our people have the right skills to perform at their best.

During the year, we continued our commitment to cultivating an inclusive working environment. We are proud to announce FSCS placed seventh in the Inclusive Top 50 UK Employers list for 2024/25.

Learning and development

Apprenticeships and further education provide important opportunities and stepping-stones for both our current and new employees. These programmes also help us attract and retain the best talent.

In 2024/25, we offered:

- **early career apprenticeships**, including fixed-term contract roles for applicants from our local community who may not otherwise have had the opportunity because of socio-economic barriers; and
- **work-based learning programmes**, with support and funding available for existing employees to gain further qualifications and potentially advance their careers.

Equity, diversity and inclusion

We are proud of our diverse workforce at FSCS, and we wholeheartedly believe that equity, diversity and inclusion (ED&I) is integral to our organisational success. We are also proud to hold Disability Confident Leadership status, demonstrating our commitment to recruiting, developing and retaining individuals with disabilities as part of building a thriving, inclusive business. Through this scheme, we guarantee an interview to all applicants with disabilities who meet the minimum criteria for a role. We are also committed to ensuring accessibility for all by making reasonable adjustments and removing any barriers caused by a disability. This commitment is supported by our wider policies including our Diversity and Inclusion and Equal Opportunities policies.

The results of our annual people survey from June 2024 show that our employees agree with two key statements: "I believe this company is an inclusive and caring employer" and "I feel that this company actively addresses diversity and inclusion issues". Both statements scored 7.9/10, and our survey partner, Hive, identified these areas as the strongest drivers for organisational engagement for FSCS employees.

Towards the end of 2024, we set up an employee committee with a specific focus on ED&I. This group, which is chaired by our Chief Executive, drives our ED&I agenda and holds the organisation to account. The group's remit also includes driving new initiatives, supporting the delivery of key ED&I events throughout the year, and playing an important role in being a voice for employees from all backgrounds.

Awards

- The 2024/25 Inclusive Top 50 UK Employers List – seventh place.
- Good Work Standard employer at Excellence level.
- Disability Confident Leader status renewed for a further three years.

Internal communications

During the year we used a number of channels to ensure our people remained informed about the work we do, and how we are performing against our organisational objectives. This included:

- intranet information and digital screens in our office;
- a weekly email bulletin, including a bi-weekly video message from our Chief Executive (or another member of our Executive Team); and
- quarterly town hall sessions (called Open Mics) where our Executive Team shared key updates, progress against performance metrics, and people-related news.

In 2024/25 we also introduced regular update sessions for our managers. These sessions included updating our leaders on how we are performing (and the factors impacting this), as well as key people, policy and process updates – providing our leaders with the tools, support and information needed to effectively lead their teams.

Employee engagement

Following the feedback provided in the 2024/25 FSCS People Survey, we considered areas for targeted improvement and are continuing to implement leadership and engagement programmes for our employees. This includes evolving our employee communications channels, increasing networking opportunities, providing targeted support for line managers, and sharing and recognising our employees' hard work.

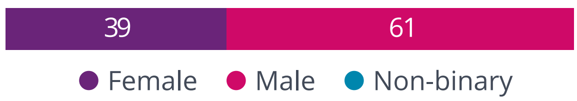
This year, we introduced a new engagement measure known as our 'thrive index'. This brings together the Employee Net Promoter Score (eNPS) question and key statements from our engagement survey, providing us with an in-depth insight into how our employees are feeling. The statements include: "I feel positive about our organisation's future"; "working here really allows me to make a positive difference"; and "how likely are you to recommend our organisation as a good place to work?" The combined average, across employees, of our 'thrive index' score was 7.4/10.

Our people as at 31 March 2025

Total number of employees

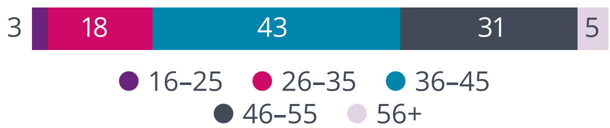
330
total number of employees
(excluding Board members)

Gender (%)

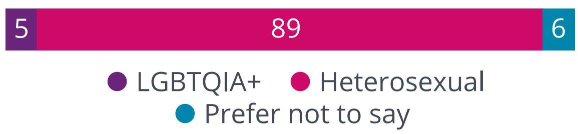


Ethnicity (%)

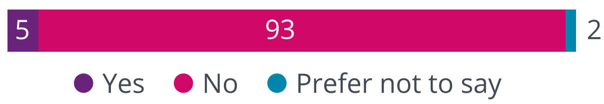
Age (%)



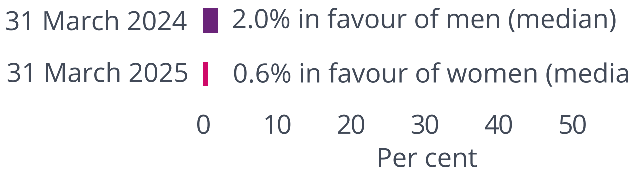
Sexual identity (%)



Individuals with disabilities (%)

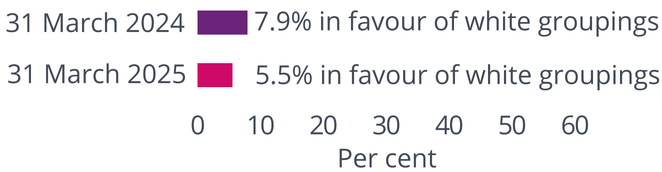


Gender pay gap (%)

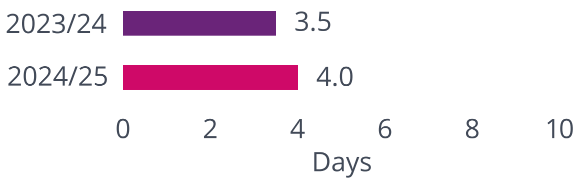


In 2024, the gender pay gap for median gross hourly earnings, excluding overtime, was 7% less for women than men (UK). Gender pay gap in the UK – Office for National Statistics

Ethnicity pay gap (%)

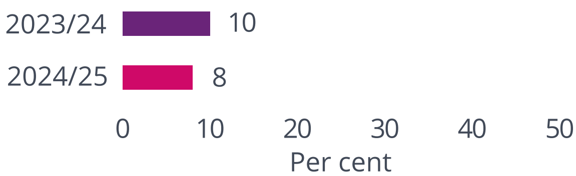


Average working days lost to sickness



In the UK, in 2024, working days lost because of sickness or injury was on average 4.4 days per worker. Sickness absence in the UK labour market - Office for National Statistics

Employee turnover (%)



Our environmental impact

At FSCS, we are committed to a sustainable future and we are tackling climate change by taking measurable action. With every step forward, we track our progress towards our ambitious goal of achieving net zero carbon emissions by 2050.

In 2024/25, we stayed firmly on course, continuing to make meaningful progress as we successfully reduced our overall carbon dioxide emissions from 0.68 (2023/24) to 0.58 tonnes per employee.

This reduction in our carbon footprint was made possible by:

Vehicle transport

Increasing our use of electric vehicles for all deliveries and collections from 35% (2023/2024) to 53% (2024/2025).

Our aim is 100% by 2027/28.

Recycling

Reducing our paper consumption from 42,500 sheets (2023/24) to 35,000 sheets (2024/25).

Landfill diversion

Continuing to divert 100% of our waste away from landfill. In 2024/25, the renewable energy created from our landfill diversion equated to 4,340 kilowatt hours.

Electricity consumption

Successfully implementing 75% LED lighting in our office.

Our aim is for 100% LED lighting in 2026/2027.

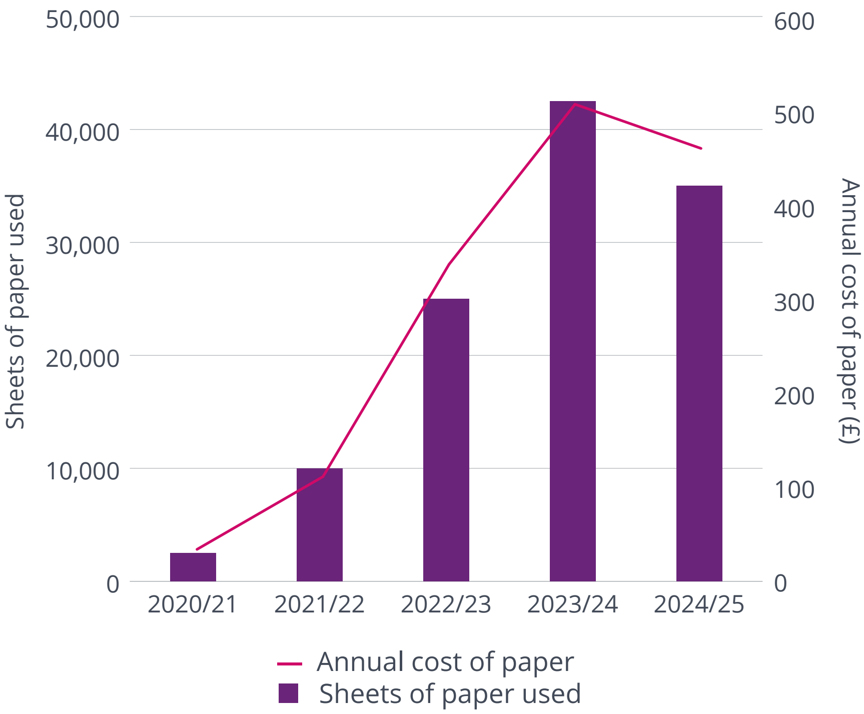
Tree planting is also a vital part of our net zero programme. This includes planting a minimum of 1,000 trees over five years. As part of this pledge, in 2024/25 we planted 300 trees.

Thanks to the dedication of our people, our new total stands at 1,150 trees planted since 2021/22 – creating lasting, positive impact on our planet.

Responsible procurement

We are committed to integrating environmental sustainability and social responsibility into our operations, and, wherever possible, these principles guide our procurement processes. This commitment includes partnering with suppliers who prioritise sustainability with carbon reduction, waste management and recycling strategies. We also uphold our ethical responsibility by carrying out annual surveys with our key suppliers, to ensure compliance with the Modern Slavery Act 2015.

Paper consumption



Note: The increase in paper consumption between 2021–2023 largely reflects staff returning to the office following the COVID-19 pandemic.

James Darbyshire, Chief Counsel

"We're dedicated to shrinking our carbon footprint through ongoing strategies that include empowering our colleagues to contribute, both at work and at home."

Our carbon dioxide emissions

As per the Department for Energy Security and Net Zero conversion factors 2024, our total carbon dioxide emissions for 2024/25 were 188.79 tonnes.

The table below shows our total carbon dioxide emissions over the past five years. The separate Scopes categorise emissions based on our level of control.

Some emissions are directly within our control (Scope 1) and others result from our activities but are managed externally (Scopes 2 and 3).

For more information on the accounting standards for measuring carbon dioxide emissions, please see the Greenhouse Gas (GHG) protocol website at www.ghgprotocol.org.

Carbon dioxide emissions

Scope	Performance	2020/21	2021/22	2022/23	2023/24	2024/25
Scope 1	Refrigerants and car fleet usage	103.15	–	–	–	–
Scope 2	Electricity usage using UK Government GHG conversion factors	102.49	91.58	91.72	81.31	81.39*
Scope 3	Well-to-tank (production, transport and distribution of fuel associated with powering vehicles)	15.70	29.89	21.94	23.92	25.81
	Transmission and distribution of electricity to our office	8.81	8.20	10.40	7.03	7.19
	Transfer of waste to recycling sites	0.05	1.13	1.15	0.14	0.03
	Vans (courier services)	10.44	12.99	19.43	11.44	14.01
	Rail (staff travel)	0.25	1.23	1.28	1.04	3.30
	Flights (staff travel)	2.70	2.12	43.44	18.55	16.46
	Home working	28.77	28.95	15.27	46.91	40.61
Total	**Carbon dioxide emissions**	**272.36**	**176.09**	**204.63**	**190.34**	**188.79**
Metric	**Tonnes of carbon dioxide per employee**	**1.09**	**0.73**	**0.82**	**0.68**	**0.58**

* Total usage – 329,238 kWh of total electricity which amounts to 81.39 tonnes of carbon dioxide, giving an intensity ratio of 0.00310 tonnes of carbon dioxide per square foot of office space.

Please note that carbon dioxide emissions related to water and gas usage are not included in the table above. This exclusion is due to the current environmental reporting limitations of our building, which are beyond our control.

Approval of the strategic and performance report

This report is made up of the following:

- Our strategy
- Our customer performance
- Financial review
- Our people
- Our environmental impact

This report was approved by the FSCS Board on 17 June 2025 and signed on its behalf by:

Martyn Beauchamp
Chief Executive
Financial Services Compensation Scheme

26 June 2025

Corporate governance

This section of our annual report sets out how we are governed. It describes our corporate governance arrangements and details the key governance activities that have happened in 2024/25.

We are committed to meeting high standards of corporate governance, and the following information is reported in line with the requirements of the Accounts Direction issued by HM Treasury.

The Board

Our Board sets the organisation's overall direction, culture and strategy. It ensures there are appropriate policies, procedures and delegations in place for FSCS to fulfil its responsibilities and obligations.

The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) are responsible for appointing and removing our Board members. The appointment and removal of both our Chair and the Chief Executive must also be approved by HM Treasury.

All FSCS directors are appointed for periods of no more than three years and may be reappointed for further periods on a similar basis. The process for appointing and reappointing directors is overseen by the FSCS Nomination and Governance Committee.

We work closely with the FCA and the PRA on Board appointments. External consultants are engaged to help find suitable candidates.

Board appointments are based on merit and objective criteria, considering the skills and experience the individual can bring to the role. We are committed to being an inclusive organisation and actively promote all forms of diversity on our Board. All of our non-executive directors are considered to be independent.

Operation of the Board

The Board has a formal schedule of matters reserved for its decision, which is available on our website at www.fscs.org.uk/governance. This sets out what the Board's activities and responsibilities are. Certain responsibilities are also delegated to committees of the Board.

The Board held nine formal meetings in the 2024/25 financial year. Additional informal meetings were held to discuss key strategic matters.

The Board also received briefings and updates on important operational issues and developments.

The Board received all the information it needed to discuss issues and make decisions at the appropriate times. Our executive directors made sure the Board received sufficient, timely, accurate and clear information as required.

The Secretariat attended Board and committee meetings, providing advice on governance matters. They made sure the correct procedures were followed and that records were kept. The Secretariat also ensured that directors had the necessary information, time and resources required to carry out their roles effectively.

Induction and development

New directors receive a comprehensive induction so they can quickly familiarise themselves with our work. The induction includes meeting existing Board members and staff from several business areas and receiving associated detailed briefings.

To refresh their knowledge and skills, directors take up opportunities and are offered training as part of their ongoing professional development.

The Chair carries out annual performance reviews with each non-executive director and the Chief Executive. The Senior Independent Director (Deputy Chair) carries out the Chair's performance review on behalf of the Board. The Chief Executive carries out the annual performance reviews of any other executive directors.

Board evaluation

Our Board carries out formal and rigorous evaluations of its own performance, and that of its committees, usually once a year. These evaluations are externally facilitated approximately every three years.

During the 2024/25 financial year, the Board carried out an internal review of its effectiveness. A third-party tool was used to help provide feedback and insight into the Board's performance. The results showed that the Board was strong when it came to risk management, financial oversight and Board dynamics. It was agreed that attention would be given to our people and culture, and to our strategy.

Committees of the Board

The roles and responsibilities of the committees are set out in their terms of reference, which are available on our website at www.fscs.org.uk/committees.

Each committee reports to the Board after every meeting.

Audit Committee

In 2024/25, the Audit Committee was made up of four independent non-executive directors.

Matters discussed during the year included:

- internal control arrangements and integrated assurance reports;
- the internal audit plan, internal audit reports, action plans to follow up audit recommendations and the internal audit function;
- accounting policies and significant accounting judgements and estimates;
- FSCS Annual Report and Accounts and Class Statements and making recommendations to the Board; following this, the Board decided that the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and provided enough information for the company's performance, business model and strategy to be assessed;
- the external audit function and process;

Our Board

Non-executive directors*

Elizabeth Passey
Chair
Appointed – 1 October 2024

Richard Parkin
Appointed – 1 July 2019
Deputy Chair and
Senior Independent Director
Appointed – 15 July 2024

Rt Hon Baroness Morgan of Cotes (Nicky Morgan)
Appointed – 1 September 2020

Wendy Williams CBE
Appointed – 1 September 2020

Cathryn Riley
Appointed – 1 February 2021
Resigned – 30 April 2025

Alyson Levett
Appointed – 1 July 2023

Richard Harvey
Appointed – 1 March 2025

Jenny Watson CBE
Appointed – 1 March 2025

Executive directors

Martyn Beauchamp
Interim Chief Executive
Appointed – 18 October 2023
Chief Executive
Appointed – 6 March 2025

Fiona Kidy
Chief Financial and
People Officer
Appointed – 1 July 2020

* During 2024/25, Helen Parker (former Deputy Chair and Senior Independent Director) resigned on 30 June 2024 and Marshall Bailey OBE (former Chair) resigned on 30 September 2024.

- reports on data protection, fraud, money laundering, quality assurance and corporate insurances; and
- the effectiveness of the committee and its terms of reference.

There were also discussions with both internal and external auditors, without executive directors or management present.

As described in the Directors' summary, the Comptroller and Auditor General is the statutory auditor of FSCS, as required under the Financial Services Act 2012. The external auditor did not provide any non-audit services during the year.

The Board carried out an annual review of the effectiveness of the organisation's risk management and internal control systems. Information regarding our risk and control arrangements is provided in the risk management section of this report.

Risk Committee

In 2024/25, the Risk Committee was made up of four independent non-executive directors.

Matters discussed during the year included:

- our risk-management arrangements, risk profile, risk tolerances and risk appetite;
- claims processing and quality;
- risks associated with specific operational areas, including pension claims planning and information security;
- our resilience profile, including contingency planning and disaster recovery arrangements; and
- the effectiveness of the committee and its terms of reference.

Remuneration and People Committee

In 2024/25, the Remuneration and People Committee was made up of four independent non-executive directors.

Matters discussed during the year included:

- recommendations to the Board for approving the Chief Executive's remuneration package;
- salary budget recommendations;
- recognition and reward;
- equity, diversity and inclusion;
- succession planning;
- employee turnover and exit interviews;
- learning and development;
- people survey;
- the Board's engagement with the workforce; and
- the effectiveness of the committee and its terms of reference.

Nomination and Governance Committee

In 2024/25, the Nomination and Governance Committee was made up of the FSCS Chair, the Chief Executive (as well as Interim Chief Executive), and two other independent non-executive directors.

Matters discussed this year included:

- Board composition and succession planning;
- Board governance;
- recommendations for appointing and reappointing directors in 2024 and 2025;
- proposals for appointing a permanent Chief Executive;
- the recruitment of a new Chair of the Board; and
- the effectiveness of the committee and its terms of reference.

Attendance at Board and committee meetings

	Board	Audit Committee	Remuneration and People Committee	Nomination and Governance Committee	Risk Committee
Number of meetings held	9	5	4	5	4
Number of potential meetings attended by each committee member:					
Marshall Bailey	3 of 4				
Martyn Beauchamp	7 of 8			3 of 3	
Richard Harvey	2 of 2				
Alyson Levett	9 of 9	5 of 5			4 of 4
Fiona Kidy	9 of 9				
Nicky Morgan	6 of 9	5 of 5		4 of 5	4 of 4
Helen Parker	3 of 3		1 of 1		
Elizabeth Passey	5 of 5		2 of 2	5 of 5	
Richard Parkin	9 of 9	5 of 5	4 of 4		4 of 4
Cathryn Riley	9 of 9	3 of 5			2 of 4
Jenny Watson	1 of 2		1 of 1		
Wendy Williams	9 of 9		4 of 4	5 of 5	

Note: Marshall Bailey left the Board on 30 September 2024 and Helen Parker left the Board on 30 June 2024. Jenny Watson and Richard Harvey joined the Board on 1 March 2025. Cathryn Riley left the Board on 30 April 2025. Elizabeth Passey joined the Board on 1 October 2024.

Section 172 statement: taking into account the interests of stakeholders

Under Section 172 of the Companies Act 2006, our directors must act in accordance with a general set of duties. These duties include promoting the success of the company, taking into account the views of our stakeholders.

Our Board considers matters including the long-term consequences of any decision, the interests of our employees, maintaining a reputation for high standards of business conduct, and fostering good business relationships with suppliers, customers and others.

The following information sets out how our Board has considered the interests of our stakeholders in its discussions and decision making:

Customers – As we are here to protect people, if an authorised financial services firm they have been doing business with fails, our Board always considers the implications decisions will have on our customers. This includes the quality of service that we provide and processing compensation claims in an efficient, timely and customer-friendly way.

Levy payers – As our costs are funded by levies paid by financial services firms, our Board takes the interests of levy payers into account when making decisions. Our Board also considers feedback from levy payers, particularly when changes in compensation forecasts may impact levies. The potential impact on levy payers is also considered when discussing firm failures, or other issues, which might result in significant levies, or have other levy implications. Directors are also mindful that our service should be cost-effective, and we consider pursuing recoveries that are likely to be reasonably possible and cost-effective to pursue.

Our people – Our directors consider the effect their decisions could have on FSCS employees, including issues relating to morale and staffing, and make sure that workplace policies and practices are fair. The Board periodically conducts staff meet and greets, and engagement with the workforce is enhanced by meetings of staff representatives with the Chair of the Remuneration and People Committee. The Chair of the Remuneration and People Committee is the designated non-executive director for the Board's workforce engagement, with this committee overseeing and receiving associated reports.

Partners and suppliers – Our Board makes sure that we work to high standards of business conduct. It ensures appropriate policies, governance and procedures are in place for entering into and managing supplier contracts, including the values and standards expected when dealing with third parties. Our Board approves our Modern Slavery Statement annually. You can view this statement on our website at www.fscs.org.uk/about-us/modern-slavery/.

Regulators – Our Board makes sure that we are in regular contact with the Financial Conduct Authority and the Prudential Regulation Authority on matters we share an interest in. Although we are independent of the regulators, we are still accountable to them, as well as to HM Treasury. Our directors make sure we regularly report to the regulators on our work and matters considered by our Board. If our Chief Executive knows about certain views expressed by the regulators or HM Treasury on particular matters, the directors are informed so that they can consider those views when making decisions. Our Board aims to run a cost-effective and efficient compensation scheme, in line with relevant laws and rules, and it reports our proposed budget to the regulators.

Directors’ remuneration

Certain parts of this section are subject to audit. These parts are marked ‘(audited)’.

Non-executive directors’ fees are set by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). FSCS is responsible for setting the remuneration of executive directors. The Remuneration and People Committee considers the remuneration package for the Chief Executive (or Interim Chief Executive) and makes recommendations to the Board for approval. The Chief Executive (or Interim Chief Executive) is not present when this remuneration package is considered. The remuneration packages of other executive directors are approved by the Remuneration and People Committee.

Directors’ remuneration 2024/25 (audited)

	Banded fees and salary[1] £’000	Taxable benefits[2] (nearest £100) £’000	Banded performance-related bonus[3] £’000	Pension[4] £’000	Banded total £’000
Non-executive directors					
Helen Parker[5]	5–10	0.3	–	–	5–10
Marshall Bailey[5]	35–40	0.1	–	–	35–40
Richard Parkin	30–35	–	–	–	30–35
Cathryn Riley	20–25	0.3	–	–	20–25
Nicky Morgan	25–30	2.1	–	–	25–30
Wendy Williams	25–30	3.0	–	–	30–35
Alyson Levett	25–30	2.6	–	–	30–35
Elizabeth Passey[5]	35–40	0.4	–	–	35–40
Jenny Watson[5]	0–5	0.1	–	–	0–5
Richard Harvey[5]	0–5	–	–	–	0–5
Executive directors					
Fiona Kidy	275–280	2.7	25–30	26	330–335
Martyn Beauchamp	345–350	24.9	30–35	37	440–445

Directors' remuneration 2023/24 (audited)

	Banded fees and salary[1] £'000	Taxable benefits[2] (nearest £100) £'000	Banded performance-related bonus[3] £'000	Pension[4] £'000	Banded total £'000
Non-executive directors					
Marshall Bailey	75–80	0.2	–	–	75–80
Alyson Levett	20–25	3.6	–	–	25–30
Nicky Morgan	20–25	1.5	–	–	25–30
Patrick Neville	5–10	5.2	–	–	10–15
Helen Parker	30–35	1.7	–	–	35–40
Richard Parkin	25–30	–	–	–	25–30
Cathryn Riley	20–25	0.8	–	–	25–30
Wendy Williams	0–5	–	–	–	0–5
Executive directors					
Martyn Beauchamp	180–185	12.6	15–20	15	225–230
Fiona Kidy	265–270	2.4	20–25	23	320–325
Caroline Rainbird	235–240	0.6	–	6	240–245

Notes:

1 The Chair and other non-executive directors are paid fees, and executive directors are paid salaries. Executive directors do not receive fees or extra remuneration for their roles as directors. Salaries and fees are stated for the financial year they are earned in and relate to each director's period of appointment. For executive directors, the figures in the banded fees and salary column are made up of basic salary, non-taxable benefits, other benefits paid through PAYE (Pay As You Earn) and any other payments or special allowances agreed from time to time. More details on directors' salaries and fees are provided in the Directors' remuneration framework section.

2 Taxable benefits represent the gross (pre-tax) value of benefits, whether cash or non-cash, that UK income tax is charged on. The figures in this column include employee benefits taken up by executive directors, as explained under Other benefits, and any taxable expenses directly and properly incurred by directors in the performance of their duties. Some of these taxable expenses relate to non-executive directors' travel (and any associated accommodation, meals and refreshments) for attending Board and committee meetings. These figures include associated income tax and National Insurance liability, which we pay in line with HM Revenue & Customs guidelines.

3 Banded performance-related bonus is shown for the financial year it is earned in. More details on this are provided below under Bonuses.

4 Pension figures are shown as the amounts we paid to defined-contribution pension schemes and as cash in lieu of (instead of) pension contributions.

5 Marshall Bailey left the Board on 30 September 2024, with full-time equivalent fees totalling £75,000 per annum. Elizabeth Passey was appointed to the Board on 1 October 2024, with full-time equivalent fees totalling £75,000 per annum. Helen Parker left the Board on 30 June 2024, with full-time equivalent fees totalling £34,500 per annum. Jenny Watson and Richard Harvey (neither of whom chair committees) joined the Board on 1 March 2025 with full-time equivalent fees of £24,500 per annum each.

Pay multiples (audited)

The table below shows the relationship between the remuneration of the highest paid director and the remuneration of the workforce. The 50th percentile is also known as the median, which is the midpoint of our salary range.

For the purposes of this section, total remuneration includes basic salary, bonuses and taxable benefits. It does not include pension contributions or cash in lieu of pension contributions. To keep comparisons consistent, it also does not include compensation for loss of office.

Pay ratios
Remuneration of the highest-paid director compared with the remuneration of the workforce (excluding highest-paid director):

Year	25th percentile pay ratio	Median (50th percentile) pay ratio	75th percentile pay ratio
2024/25	**8.9**	**5.4**	**4.2**
2023/24	4.8	4.0	3.2

Pay and benefits of FSCS employees at the 25th, 50th and 75th percentile of pay and benefits of the workforce (excluding highest-paid director):

Year	25th percentile		Median (50th percentile)		75th percentile	
	Total pay and benefits	Salary component of pay and benefits	Total pay and benefits	Salary component of pay and benefits	Total pay and benefits	Salary component of pay and benefits
2024/25	**£59,330**	**£55,000**	**£75,712**	**£67,600**	**£96,967**	**£86,813**
2023/24	£61,895	£55,650	£74,293	£65,221	£94,129	£84,525

Percentage change	Salary and allowances	Performance pay and bonuses
Average percentage change in the remuneration of the workforce as a whole, from 2023/24 to 2024/25 (excluding highest-paid director):	**3.1%**	**-8.2%**
Percentage change in the remuneration of the highest-paid director from 2023/24 to 2024/25:	36.7%	44.4%

The changes in the pay ratios compared with the previous year's pay ratios are broadly consistent with our expectations. They reflect the application of our Recognition and Reward Policy and salary benchmarking across the organisation.

The Annual Scheme Performance Bonus for eligible employees was kept at the same level as in 2023/24, following a review of FSCS's performance. The Chief Executive was the highest-paid director in 2024/25, whereas in 2023/24 the highest-paid director was the Chief Finance and People Officer. These changes are reflected in the table above. There were no other significant changes to our employment models or methodology during 2024/25.

Directors' remuneration framework

Directors' fees and salaries

Non-executive directors

The fees we currently pay to non-executive directors, including the Chair, were set in April 2011 and have not changed since.

The fees paid to the Chair in 2024/25 were £75,000 a year, and fees paid to other independent non-executive directors were £24,500 a year. Additional fees paid to each of the chairs of the Audit Committee, Risk Committee, Nomination and Governance Committee, and Remuneration and People Committee were £5,000 a year. These fees are the same as they were in 2023/24.

The Deputy Chair and Senior Independent Director (a combined role) receives an additional £5,000 a year.

Executive directors

The Remuneration and People Committee applies the following principles when reviewing the remuneration of executive directors:

Any increase in the salaries of individual executive directors should take account of external benchmarks. This is in line with the remuneration approach across our workforce. We regard the median (midpoint average) salary for equivalent roles in the general UK workforce to be an appropriate benchmark. This is to make sure we broadly match market rates to motivate and retain colleagues, but not necessarily to pay significantly more or less than the market.

Executive directors receive the same starting salary and salary increase procedure as other staff. In some circumstances, we may allow salaries to increase faster than the annual rise in inflation. This is to reflect specific market pressures or recruitment challenges for certain roles, or where the loss of critical people and skills would jeopardise our performance.

Salaries for executive directors occasionally change due to independent pay reviews carried out across the organisation by external consultants. Otherwise, benchmarks and salaries generally increase in line with the overall rise in salaries, as agreed by the Remuneration and People Committee and the Board.

In 2024/25, the salaries of executive directors were reviewed and set in line with the principles above. They were based on individual performance and comparisons with appropriate benchmarks.

Bonuses

Executive directors were eligible to be considered for an Annual Scheme Performance Bonus for 2024/25. These bonuses are not available to non-executive directors.

A key principle of our bonus system is that bonuses should be non-consolidated awards. That is, they should be one-off payments that do not count towards pension entitlements. The bonus should also reflect the contribution the executive director has made towards the performance of the organisation.

Objectives are set for each executive director and include a strategic element linked to FSCS's performance. These are measured and reviewed during the year and at year end, along with other aspects of individual performance.

Other benefits

Executive directors are entitled to receive other benefits under our flexible benefits programme. Some of these benefits are taxed, and some are paid through salary sacrifice. Salary sacrifice is where the director's salary is reduced by the amount of the benefit, and tax is only paid on the reduced salary. Taxable benefits are shown in the Directors' remuneration table.

Risk management

To create greater efficiencies, drive innovation and continually improve our service, we recognise that taking some risks can be positive.

As such, we do not seek to remove all risks from our business; rather, we look to carefully manage risks through informed decision making, mitigation and robust risk management.

In adopting a holistic view of risk, our Risk Management Framework is based on the three lines of defence model. This framework sets out how we identify, report, monitor and control risks, as well as how we examine emerging threats and look for improvement opportunities.

During each financial year, our Board sets the level of risk that we are prepared to accept. The Board also sets and maintains our risk management and internal control systems to support our overarching risk appetite.

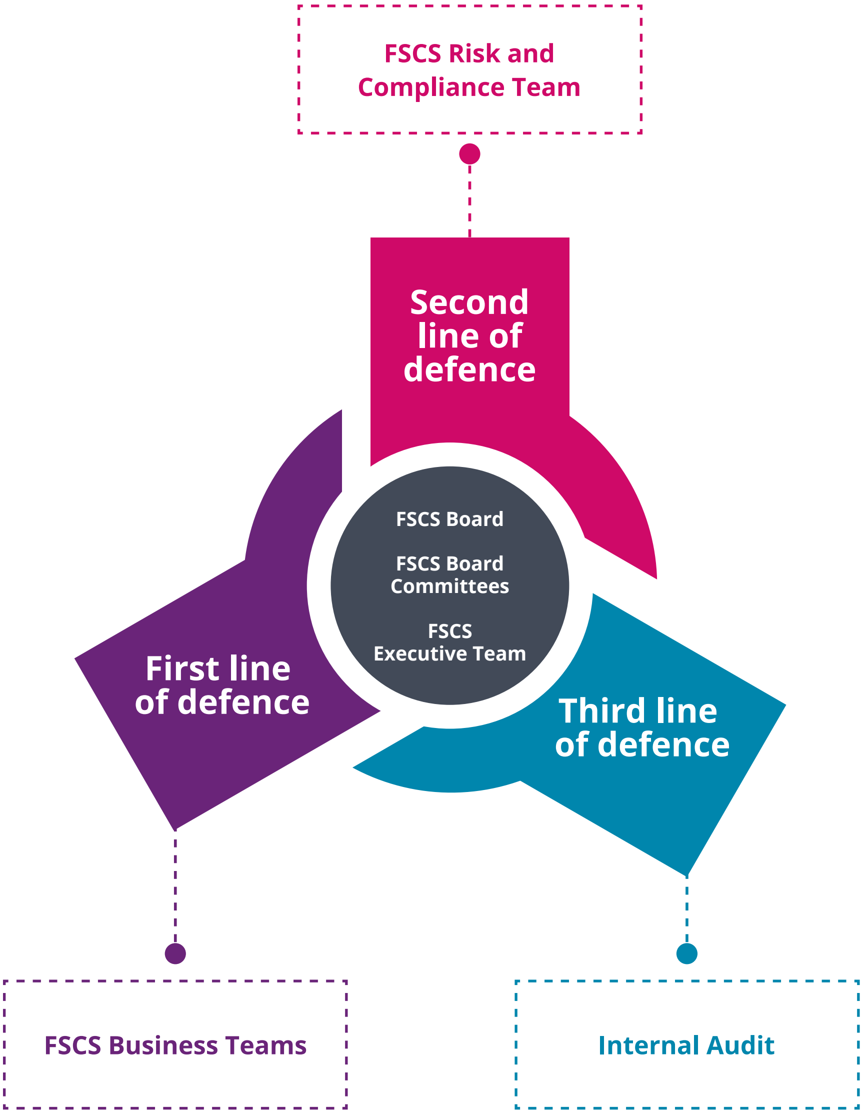
Our risk appetite

In 2024/25, we adopted a low to cautious appetite towards risk in delivering our statutory responsibilities. This included how we managed and protected customer data, operated in a legally compliant manner, and maintained our financial integrity in serving our customers and stakeholders. In regard to encouraging innovation, including our operational performance, technological ambition, and new approaches to delivering technology strategy, we adopted a moderate risk appetite.

In acknowledging the evolving nature of risk and its opportunities, we operated separate risk categories and risk appetites for each area of our business. This included for Strategic, Legal, Governance & Compliance, Financial, Information Technology and Data, Operational, and People.

In 2024/25, we adopted a low to cautious appetite towards risk in delivering our statutory responsibilities.

Risk Management Framework



If an appetite threshold was assessed as outside of agreed appetite levels for that particular risk category, it was reported to the Risk Committee. Plans were then developed to ensure that the risk was returned to within the agreed appetite level. Please see the key themes table for more information.

During 2024/25, the Risk Committee met every three months and reported to the Board regarding risks from across the business.

Key

Appetite level	Definition
Low	Prepared to accept only the very lowest levels of risk, with a preference for very safe decision making.
Cautious	Willing to accept some low-medium risk, whilst maintaining an overall preference for safer decision making.
Moderate	Willing to accept a higher level of risk to achieve significant benefit and/or realise opportunities. Whilst the inherent risk may be high, it is still controllable.
High	Prepared to consider innovative decisions with a high degree of residual risk.

Risk category	Description	Appetite
Strategic	Recognising that we are a statutory body, we adopted a cautious to moderate appetite towards our strategic risks. Where we could influence change to benefit our customers, a moderate risk appetite was adopted. When working with our strategic and regulatory partners to deliver the best service possible to our customers, we accepted a higher risk appetite that can be associated with a collaborative approach.	**Cautious – moderate**
Legal, governance and compliance	As compliance is essential for the integrity of our business, and for promoting confidence in our services, we agreed a low to cautious risk appetite for this category. This included a low appetite for any risks related to non-compliance with our legal requirements.	**Low – cautious**

Risk category	Description	Appetite
Financial	We agreed a low appetite for risks associated with costs that are not in line with the rules that govern us. For risks associated with any unanticipated costs, whether related to compensation or management expenses, a cautious risk appetite was agreed for our financial risks. This means that, as much as possible, our financial forecasts avoided any additional or unexpected costs.	**Low**
Information Technology and Data	For systems that support non-critical business functions, we accepted a moderate level of risk. However, we adopted a low to cautious risk appetite in relation to our critical business functions and for any external access to our systems.	**Low – cautious**
Operational	We agreed a moderate risk appetite for developing and enhancing our internal operations processes and systems. We balanced this, however, with a cautious approach towards any risks that would compromise the high quality of our customer service.	**Moderate**
People	We adopted a cautious to moderate risk appetite towards upskilling our staff and towards external recruitment. We did, however, accept a higher level of risk when it came to ensuring the availability of sufficiently skilled staff and their retention.	**Cautious – moderate**

Risk themes and our responses during 2024/25

The table below summarises our key risk themes and our responses during the 2024/25 financial year.

Theme	Response
New claims service operating model During the period, we successfully transitioned our core claims service to a new provider, with no disruption to customers. This was a huge undertaking involving every department in the organisation.	This move to a new operating model for our claims service will help us improve the customer experience and strengthen productivity. At the same time, we have recruited and accredited new in-house teams, equipping them with improved tools and processes to efficiently deliver good customer outcomes.
Third-party vendor management As with most organisations, FSCS is reliant on a number of third parties to deliver its activities. With an evolving regulatory landscape and environmental factors, organisations need a robust approach to management and oversight.	We considered our procurement and contracting lifecycles, identifying areas for improvement which will further strengthen our management and oversight of third parties. This approach will enable stronger, more resilient relationships with key vendors.
Leadership FSCS experienced a number of senior leadership changes, which presented an opportunity to review our strategic direction.	Our leadership was stabilised with the appointments of a new Chair of the Board (October 2024), a permanent Chief Executive and two new non-executive directors (March 2025). These changes will allow us to further develop our strategic vision, encouraging innovation and a strong organisational culture.

Emerging risks

As we look to the next financial year, we will continue challenging ourselves to ensure we are identifying the right risks, and operating the right risk management framework that is appropriate for our organisation.

As we move into 2025/26, our ongoing focus will be on:

- further refining our claims-handling service and reinforcing our in-house expertise;
- strengthening our system of risk and control by advancing our first line of defence;
- delivering our core duties effectively, including the development of our next five-year strategy;
- continuing to pursue recoveries to the benefit of levy payers and customers; and
- horizon scanning for emerging risks and opportunities.

The above activities will also be incorporated into a review, by our Board, of our 2025/26 risk appetite thresholds for each category across the business.

Directors' summary

For the year ending 31 March 2025, the FSCS directors present this report, together with the audited financial statements on pages 63 to 106.

The directors have prepared the financial statements in line with International Financial Reporting Standards (IFRS). This has been done to enhance the quality of the financial information, increase transparency and make the financial statements easier to compare and understand internationally.

The directors

The directors who held office during the year, and up to the date of signing the financial statements, included:

- Marshall Bailey OBE;
- Martyn Beauchamp;
- Fiona Kidy;
- Richard Harvey;
- Alyson Levett;
- Rt Hon Baroness Morgan of Cotes (Nicky Morgan)
- Helen Parker;
- Richard Parkin;
- Elizabeth Passey;
- Cathryn Riley;
- Jenny Watson CBE; and
- Wendy Williams CBE.

Directors' remuneration

Details of directors' remuneration are set out in the directors' remuneration section and in Note 10: Directors' remuneration.

Directors' indemnity and insurance

We maintain insurance to indemnify our directors and officers against claims arising from our business. We also grant qualifying third-party indemnities (as defined in the Companies Act 2006) to directors in relation to acts or omissions arising in the ordinary course of their duties. Indemnities were in force during the financial year to 31 March 2025 and at the date of the approval of this report.

Under the Financial Services and Markets Act 2000, we have an exemption from liability in damages for anything done or omitted in relation to the discharge, or purported discharge, of our statutory duties. This is provided that such acts or omissions are done in good faith and do not infringe section 6(1) of the Human Rights Act 1998.

Statement of disclosure of information to auditors

Each of the directors, at the date of this report, confirms that:

- as far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the necessary steps to be aware of any relevant audit information, and to ensure that the company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the directors' summary and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies' reporting under IFRS. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the situation of the company and of the company's income or expenditure for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for:

- keeping adequate accounting records that show and explain the company's transactions and that disclose with reasonable accuracy the company's financial position, and enable them to ensure that the financial statements comply with the Companies Act 2006;
- safeguarding the company's assets and taking reasonable steps for preventing and detecting fraud and other irregularities; and
- maintaining the integrity of the company's website; legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance and financial risk management

A statement of corporate governance, including financial risk management and principal risks and uncertainties, is contained earlier in this report. Information on the company's use of financial instruments is disclosed in Note 17.

In particular, the company's exposure to credit risk, liquidity risk and interest rate risk is separately disclosed in that note.

Going concern

The directors are satisfied that FSCS can 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.

Independent auditor

Under the Financial Services Act 2012, the Comptroller and Auditor General is FSCS's statutory auditor.

Approval of the accountability report

This report is made up of the following:

- Corporate governance
- Section 172 statement: taking into account the interests of stakeholders
- Directors' remuneration
- Risk management
- Directors' summary

This report was approved by the FSCS Board on 17 June 2025 and signed on its behalf by:

Martyn Beauchamp
Chief Executive
Financial Services Compensation Scheme

26 June 2025

Auditor’s report

The Certificate and Report of the Comptroller and Auditor General to the Members of the Financial Services Compensation Scheme Limited and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of the Financial Services Compensation Scheme Limited (Financial Services Compensation Scheme) for the year ended 31 March 2025 under the Financial Services and Markets Act 2000.

The financial statements comprise the Financial Services Compensation Scheme’s:

- Statements of Financial Position as at 31 March 2025;
- Statement of Comprehensive Income and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the Financial Services Compensation Scheme’s affairs as at 31 March 2025 and its surplus for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards;
- have been properly prepared in accordance with the requirements of the HM Treasury directions issued under the Financial Services and Markets Act 2000; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of the Financial Services Compensation Scheme 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

In auditing the financial statements, I have concluded that the Financial Services Compensation Scheme'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 Financial Services Compensation Scheme'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 certificate.

Other information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and 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 certificate, I do not express any form of assurance conclusion thereon.

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 the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic and Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic and Performance Report and the Accountability Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Financial Services Compensation Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic and Performance Report or the Accountability Report.

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 and the parts of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by the accounts direction issued by HM Treasury under the Financial Services and Markets Act 2000 are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the directors for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Financial Services Compensation Scheme from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006 and Financial Services and Markets Act 2000;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from

material misstatement, whether due to fraud or error;

- preparing the Annual Report, which includes the Directors' Remuneration Report, in accordance with the Companies Act 2006; and
- assessing the Financial Services Compensation Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Financial Services and Markets Act 2000 and International Standards on Auditing (UK) (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 certificate 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud, is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance, including the design of the Financial Services Compensation Scheme's accounting policies.
- inquired of management, the Financial Services Compensation Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Financial Services Compensation Scheme's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;

  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations, including the Financial Services Compensation Scheme's controls relating to the Financial Services Compensation Scheme's compliance with the Companies Act 2006, Financial Services and Markets Act 2000, Financial Conduct Authority (FCA) Handbook and Prudential Regulation Authority (PRA) Rulebook;
- inquired of management, the Financial Services Compensation Scheme's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; or
  - they had knowledge of any actual, suspected, or alleged fraud; and
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Financial Services Compensation Scheme for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Financial Services Compensation Scheme's framework of authorities and other legal and regulatory frameworks in which the Financial Services Compensation Scheme operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Financial Services Compensation Scheme. The key laws and regulations I considered in this context included Companies Act 2006; Financial Services and Markets Act 2000, Financial Services Act 2012; Financial Services (Banking Reform) Act 2013; Financial Services and Markets Act 2023; Companies Act 2006; the FSCS and HM Treasury Framework Document; FCA Handbook; PRA Rulebook; and relevant employment law and taxation legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;

- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments, assessed whether the judgements on estimates are indicative of a potential bias, and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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 certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate evidence to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

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

26 June 2025

Financial statements of FSCS
for the year ended 31 March 2025

Statement of comprehensive income

	Note	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Income			
Levy income in respect of compensation costs		251,465	383,180
Other levy income		97,586	90,148
Total levy income	*4*	349,051	473,328
Recoveries	*5*	75,514	40,054
Bank interest received		9,479	18,174
Total income		434,044	531,556
Expenditure			
Compensation costs	*6*	(326,979)	(423,234)
Administrative expenses	*7, 8*	(104,366)	(100,051)
Interest payable	*15*	(61)	(102)
Net interest on defined benefit pension scheme	*22*	298	534
Total expenditure		(431,108)	(522,853)
Surplus before tax		**2,936**	**8,703**
Corporation tax		(2,344)	(4,543)
Surplus after tax		**592**	**4,160**
Other comprehensive income			
Remeasurements on defined benefit pension scheme	*22*	(592)	(4,160)
Total comprehensive result for the year		**–**	**–**

All of FSCS's operations are continuing.

A statement of changes in equity has not been presented as there were no equity balances brought forward or any changes in equity balances during the year.

The Notes on pages 67 to 106 form part of these financial statements.

Statement of financial position

of FSCS as at 31 March 2025

	Note	2025 £'000	2024 £'000
ASSETS			
Non-current assets			
Property, plant and equipment, and right of use assets		1,194	7,023
Employee benefit assets	*22*	3,133	7,796
Financial assets	*12*	94,368	65,493
		98,695	**80,312**
Current assets			
Trade and other receivables	*11*	32,397	29,920
Cash and cash equivalents	*13*	171,717	309,388
Financial assets	*12*	53,506	27,609
		257,620	**366,917**
Total assets		**356,315**	**447,229**
EQUITY AND LIABILITIES			
Equity			
Reserves		–	–
Total equity		**–**	**–**
Non-current liabilities			
Other non-current financial liabilities	*14*	97,501	73,289
Provisions	*16*	330	516
Lease liabilities	*15*	–	5,648
		97,831	**79,453**
Current liabilities			
Bank overdraft	*13*	612	17,137
Trade and other payables	*14*	207,822	259,616
Provisions	*16*	49,510	90,081
Lease liabilities	*15*	540	942
		258,484	**367,776**
Total liabilities		**356,315**	**447,229**
Total equity and liabilities		**356,315**	**447,229**

The Notes on pages 67 to 106 form part of these financial statements. These financial statements are exempt from the requirements of Part 16 of the Companies Act 2006 by virtue of Section 482 (non-profit making companies subject to public sector audit) of that Act.

The financial statements on pages 63 to 66 were approved by the Board of the Financial Services Compensation Scheme Limited (registered number 3943048) on 17 June 2025 and signed on its behalf on 26 June 2025 by:

Martyn Beauchamp
Chief Executive
Financial Services Compensation Scheme

Statement of cash flows of FSCS

for the year ended 31 March 2025

	Note	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Operating activities			
Net cash generated from operations	*19*	(125,509)	(230,684)
Corporation tax paid		(3,484)	(3,336)
Net cash flows from operating activities		**(128,993)**	**(234,020)**
Investing activities			
Bank interest received		9,479	18,174
Purchases of property, plant and equipment		(602)	(261)
Net cash flows used in investing activities		**8,877**	**17,913**
Financing activities			
Lease payments	*15*	(1,030)	(1,033)
Net cash flows used in financing activities		**(1,030)**	**(1,033)**
Net increase/(decrease) in cash and cash equivalents		(121,146)	(217,140)
Cash and cash equivalents at 1 April	*13*	292,251	509,391
Cash and cash equivalents at 31 March	*13*	**171,105**	**292,251**

Notes to the financial statements for FSCS for the year ended 31 March 2025

1. Constitution

Financial Services Compensation Scheme Limited (FSCS) is a company incorporated and domiciled in the UK under the Companies Act 2006 as a company limited by guarantee. The members of the company are the directors of the company, and liability is limited to an amount not exceeding £1 for each member. FSCS has no share capital and no ultimate controlling party.

FSCS was established as the designated Scheme Manager under Section 212 of the Financial Services and Markets Act 2000 (FSMA). FSCS, as Scheme Manager, operates broad funding classes based on identifiable industry sectors – Deposits; General Insurance Provision; General Insurance Distribution; Life & Pensions Provision; Life Distribution & Investment Intermediation; Investment Provision; Home Finance Intermediation; Debt Management; and Funeral Plans.

The registered office is 10th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7QU.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006, UK adopted International Accounting Standards and the Accounts Direction issued by HM Treasury. The directors are satisfied that FSCS is in a position to meet its obligations as they fall due, given its statutory rights to raise levies on Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) authorised firms. As such, FSCS is a going concern and it is appropriate that these financial statements are prepared under the going concern basis.

Section 218 of the FSMA requires FSCS to prepare a statement of the value of each of the funds established by FSCS (the Scheme Manager). These statements, referred to as the Class Statements, are separate from the statutory financial statements of the Scheme Manager and have not been prepared under the basis of International Financial Reporting Standards (IFRS). The Class Statements are prepared by the Scheme Manager in accordance with the FCA Handbook and the PRA Rulebook. These statements can be found at www.fscs.org.uk.

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

The principal accounting policies for the Scheme Manager are set out below.

a) Revenue recognition

The core principle of IFRS 15 – Revenue from Contracts with Customers is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires an entity to identify the contract(s) with a customer and the performance obligation related to the contract. It further requires the transaction price to be determined and allocated to the performance obligations in the contract. Revenue can only be recognised under the standard when the entity satisfies a performance obligation.

Management assessed the implication of adopting IFRS 15 directly; however, given the nature of FSCS's activities and that IFRS 15 relates to commercial organisations, it was not considered appropriate. Accordingly, management has applied International Accounting Standard (IAS) 8(10) to use its judgement to develop and apply an accounting policy that provides information that is relevant and reliable. In doing so, management has broadened the definition of a contract to include legislation and regulation. In this circumstance, a 'contract' is the underlying statutory framework set out in FSMA and the FCA and PRA rules for FSCS. This framework enables FSCS to raise levies to recover the costs of carrying out its statutory functions and pursue recoveries from the estates of failed firms to offset these costs. The performance obligation under the 'contract' is the protection provided by FSCS which all regulated firms benefit from in the form of increased consumer confidence.

Levies for compensation costs

FSCS recognises levies receivable in respect of compensation costs on an accruals basis to match compensation costs net of recoveries. Any excess funds are ultimately repayable to the levy payer (with shortfalls similarly recoverable from the levy payer), by way of a refund or a reduction in the following year's levy, in accordance with the funding rules set by the FCA and the PRA.

Recoveries income

Recoveries are recognised when it is probable that the future economic benefits will flow to FSCS and the value can be measured reliably (based on the best information available to the directors). Recoveries are initially measured at fair value. This differs from the treatment in the Class Statements, where recoveries are only recognised on receipt or notification from an insolvency practitioner.

Other operating income

FSCS recognises levy revenue raised from authorised firms in respect of the administration costs of FSCS when incurred. The management expenses levy is used to fund FSCS's overheads and is split between base costs and specific costs. All firms authorised by the FCA and the PRA contribute to the base costs, which are the costs of running FSCS and are not dependent on levels of activity. Specific costs are the costs of assessing claims and making payments, and any other costs which can be directly attributable to a particular class.

Any deficit or surplus in the defined benefit pension scheme will eventually be funded through, or used to reduce, future levies on levy paying firms. Consequently, an asset and deferred levy income, or a liability and accrued levy income, is recognised in these financial statements.

Interest income

FSCS receives interest on bank deposits. The interest received is credited to the classes in proportion to their relative fund balance.

b) Compensation costs

Compensation costs are only recognised when the eligibility and quantum of the claim is 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 taker defaults, Special Administration Regime (SAR) defaults, insurance provider return of premium cases, and funeral plan cover, these do not generally require a decision to be made by FSCS as to whether they are a valid claim; therefore, the expenditure is recognised when the firm is declared in default.

c) Financial instruments

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest rate method. FSCS has applied the simplified approach to impairment of financial assets by providing for expected lifetime credit losses as permitted by IFRS 9. These provisions are based on an assessment of risk of default and expected timing of collection estimated by reference to past default experience, adjusted as appropriate for current observable data. Levy receivables are also reviewed periodically to assess if any objective evidence has been identified which indicates that a specific impairment for uncollectable amounts is required.

Allowance losses for levies receivable are included within levy income in the statement of comprehensive income.

Financial assets

Financial assets are classified under IFRS 9 as amortised cost, or fair value through profit or loss depending on the entities business model for managing the financial assets and the contractual cashflow characteristics of the instruments. As FSCS generally holds financial assets in order to collect the contractual cash flows, it has determined the classification of recoveries receivable assets by assessing whether the terms of the instrument met the solely payments of principal and interest (SPPI) test required for amortised cost recognition. Since no interest is received on this class of assets, this fails to meet the SPPI test, so recoveries receivable have been classified as fair value through profit or loss.

Recoveries receivable are initially measured at fair value. Gains and losses arising from subsequent changes in fair value are recognised within recoveries income. The timing and value of recoveries receivable are estimated based on 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 the various insolvency processes; however, the timing and final outcome are uncertain. Refer to Note 17 for further information on how fair value is determined.

Trade and other payables

Payables are recognised in the statement of financial position when FSCS becomes a party to the contractual provisions of the instrument. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are measured at amortised cost.

Borrowings

Borrowings are recognised in the statement of financial position when drawdowns are made. Borrowings are measured initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Interest is charged to the statement of comprehensive income over the term of the borrowings using the effective interest rate method. Interest accrued within a financial period becomes due and payable in accordance with the terms of the loans.

d) Provisions and contingent liabilities

A provision is recognised in the statement of financial position when there is a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the value can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. No provision is established where a reliable estimate of the obligation cannot be made.

On occasion, legal proceedings are threatened or initiated against or by FSCS. A provision is made for the estimated full cost in respect of any such proceedings where at the end of the year it is probable that there is an obligation which will require an outflow of economic benefit.

Provisions for compensation costs are made where a liability has been established, but where the related costs are uncertain in timing or amount. Provisions for compensation costs only include claims where FSCS is able to determine their eligibility and can reliably estimate the quantum of those claims. Generally, this would only apply to deposit taker defaults, Special Administration Regime (SAR) defaults, return of insurance premium cases and funeral plan cover as these do not require a decision to be made by FSCS as to whether there is a valid claim, and an estimate can be made based on records held by the failed firm. Liabilities and provisions are not recognised for other types of claims until they have been assessed because the eligibility, and therefore obligation, is not known before that point.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events, or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

e) Interest receivable

Interest received on bank deposits is credited to the compensation class fund balances, in proportion to their relative fund balance.

f) 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 retranslated at the rate of exchange ruling at the reporting date. All differences are charged to the classes.

g) Third-party arrangements as agent

Where FSCS works for and makes compensation payments on behalf of third parties, as agent, these are recoverable from such parties. Any amounts so due from third parties are shown in the statement of financial position.

Management expenses incurred in performing work on behalf of third parties are recovered from such parties by FSCS and not allocated to the classes or funded by levy payers, so will only be shown within the Annual Report and Accounts of the Scheme Manager. These costs will be shown in the statement of comprehensive income within administrative expenses with a corresponding recharge as income.

h) Taxation

FSCS is only liable to pay corporation tax on investment income. The related tax is charged to the classes as shown in the fund movements of the Class Statements.

i) Pension Scheme

FSCS operates both a defined benefit pension scheme (Pension Scheme) and a money purchase scheme.

The pension costs for the Pension Scheme are accounted for in accordance with IAS 19 'Employee Benefits'. The aggregate Pension Scheme asset/liability recognised in the statement of financial position is the excess or deficit of the present value of the Pension Scheme's assets over the value of the Pension Scheme's liabilities. Any deficit will be funded by future levies and any surplus used to reduce future levies. The deficit or surplus for funding purposes will be that calculated for the Pension Scheme, which is required by The Pensions Regulator to be prepared on a prudent basis. This may differ from the IAS 19 deficit or surplus shown in these financial statements.

The costs of the money purchase scheme are charged to the statement of comprehensive income as incurred.

Further details are contained in Note 22.

j) Changes in accounting policy

i. New and amended standards adopted by FSCS:

   There were no IFRS or IFRS Interpretations Committee interpretations effective for the first time in the financial year beginning on or after 1 April 2024 that have a material impact on the company.

ii. New standards, amendments and interpretations issued but not effective for the financial year beginning on or after 1 April 2024 and not early adopted:

   There were no IFRS or IFRS Interpretations Committee interpretations not yet effective that would be expected to have a material impact on the company.

3. Accounting judgements and key estimation uncertainties

In applying the accounting policies as set out in Note 2, there are a number of uncertainties that could impact on the amounts recognised in the financial statements.

The key area of judgement identified in the financial statements is:

- in preparing these financial statements, a fundamental judgement has been applied to revenue recognition in respect of levy income (see Note 2(a)). Levy income represents fees to which FSCS deemed it was entitled during the financial year, after taking into account costs associated with running the compensation scheme, including compensation costs less recoveries and management expenses incurred. Any surplus or deficit against levy income in the year is therefore held payable or receivable on the statement of financial position as the intention is to return any surplus, by way of a refund or a reduction in next year's levy, or claim any deficit in the following year.

The key areas of judgement and estimation uncertainties identified in the financial statements are:

- the value and expected timing of recoveries through dividends from the estates of failed firms, as explained in Note 12;
- the value and expected timing of provisions for compensation costs, as explained in Note 16; and
- the current valuation of the defined benefit pension scheme, as explained in Note 22.

4. Levy income

In FSCS's financial statements, levies are recognised on an accruals basis, taking into account the costs which have been incurred and any recoveries FSCS has made. The table below shows the total of all constituent parts of levy income for the year reported in the statement of comprehensive income (SoCI).

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Levy income recognised in SoCI		
Levy income in respect of compensation costs	**251,465**	**383,180**
Other levy income		
Levy income in respect of base costs	27,224	37,898
Levy income in respect of specific costs	72,716	62,448
Levy income in respect of interest payable	61	102
Levy income in respect of pension obligations	4,663	3,260
Offset from bank interest received net of tax	(7,135)	(13,631)
Offset from exchange (gains)/losses	57	71
	97,586	**90,148**
Total levy income	**349,051**	**473,328**

5. Recoveries income

Recoveries income recognised in the statement of comprehensive income of FSCS is analysed as below:

	Received	Movements in recoveries receivable	Year ended 31 March 2025	Received	Movements in recoveries receivable	Year ended 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Funding class						
Deposits	390	7,470	7,860	806	–	806
General Insurance Provision	34,484	(7,174)	27,310	32,635	(4,337)	28,298
General Insurance Distribution	–	–	–	2,426	–	2,426
Life & Pensions Provision	–	–	–	–	–	–
Life Distribution & Investment Intermediation	4,226	28,366	32,592	16,547	(8,004)	8,543
Investment Provision	1,578	6,174	7,752	(19)	–	(19)
Home Finance Intermediation	–	–	–	–	–	–
Debt Management	–	–	–	–	–	–
Funeral Plans	–	–	–	–	–	–
Total	**40,678**	**34,836**	**75,514**	**52,395**	**(12,341)**	**40,054**

6. Compensation costs

The table below provides an analysis of the compensation cost by funding class.

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Funding class		
Deposits	16,699	1,403
General Insurance Provision	133,979	160,026
General Insurance Distribution	722	629
Life Distribution & Investment Intermediation	110,206	179,536
Investment Provision	64,830	81,443
Home Finance Intermediation	543	197
Debt Management	–	–
Funeral Plans	–	–
Total compensation costs	**326,979**	**423,234**

7. Administrative expenses and interest payable

Administrative expenses and interest payable incurred by FSCS which were specifically levied to levy payers are shown in the table below by levy class.

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Deposits	12,387	13,719
General Insurance Provision	7,701	6,650
General Insurance Distribution	2,090	1,615
Life & Pensions Provision	39	76
Life Distribution & Investment Intermediation	37,787	31,741
Investment Provision	12,385	7,623
Home Finance Intermediation	366	964
Debt Management	18	18
Funeral Plans	4	144
Base costs	27,224	37,898
IAS 19 pension adjustments	4,369	(366)
Other – interest payable	(61)	(102)
Less exchange (gains)/losses	57	71
Total administrative expenses	**104,366**	**100,051**
Other – interest payable	61	102
Total administrative expenses and interest payable	**104,427**	**100,153**

8. Administrative expenses

	Note	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Staff costs	9	30,921	26,337
Accommodation and office services		1,653	2,331
IT maintenance costs		6,424	6,411
Outsourced claims-handling costs		12,125	11,096
Contractors		19,498	14,417
Change, including IT development costs		7,159	10,013
Depreciation		1,551	1,394
Press and communications		1,678	2,945
Auditor's remuneration			
Statutory audit of the financial statements		170	160
Other audit services*		17	17
Legal and professional fees		6,720	11,898
Bank charges		6,899	7,066
Other		5,703	5,966
Sub-total		**100,518**	**100,051**
FSCS Pension Scheme Settlement	22	3,848	–
Total administrative expenses		**104,366**	**100,051**

* Agreed upon procedures on the Class Statements.

9. Staff costs

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Wages and salaries, including the executive directors	25,052	21,237
Social security costs	2,937	2,583
Pension costs	2,932	2,517
	30,921	**26,337**

The employer's pension contributions shown above include the liability for contributions in respect of service during the year.

The average number of employees of FSCS during the year was as follows:

	Year ended 31 March 2025	Year ended 31 March 2024
Average number of employees		
Executive Team	6	7
Operations	207	167
Other*	93	93
	306	**267**

* 'Other' includes all other teams such as Technology, Finance, Legal and People teams.

10. Directors' remuneration

As at 31 March 2025, there were eight independent non-executive directors (2024: seven) and two executive directors (2024: two). The directors of the company who were in office during the year can be found within the Corporate governance section. Total remuneration paid to directors is as follows:

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	**£'000**
Aggregate remuneration	948	1,084
Pension contributions	63	44
	1,011	**1,128**

Retirement benefits during the year accrued to no directors (2024: none) under FSCS's defined benefit scheme and two under the money purchase scheme (2024: two).

The highest-paid director, the Chief Executive (2024: former Chief Executive), received an aggregate remuneration of £405,008 (comprising basic salary of £346,080, bonus of £34,056 and other emoluments of £24,872) (2024: £341,271 (comprising basic salary of £59,555, compensation for loss of office of £105,707, pay in lieu of notice of £167,097, and other emoluments of £8,912)). Payments of £37,423 have been made for pension. The Chief Executive did not receive any additional remuneration in respect of his role as director.

The fees paid to the Chair are set at £75,000 per annum (2024: £75,000) and the fees paid to the independent non-executive directors are set at £24,500 per annum (2024: £24,500). Additional fees paid to the chair of the Audit Committee, Remuneration and People Committee, and Risk Committee were set at £5,000 per annum (2024: £5,000). An additional fee of £5,000 per annum was also payable to the Deputy Chair and Senior Independent Director. In addition, business-related expenses totalling £8,811 (2024: £12,933) were reimbursed to the independent non-executive directors. The Chair and the other independent non-executive directors are not entitled to a pension funded by FSCS.

11. Receivables

Trade and other receivables: amounts falling due within one year

	Note	31 March 2025 £'000	31 March 2024 £'000
Amounts due from the FCA	*20*	5,624	15,863
Levies receivable			
Deposits		59	–
General Insurance Provision		2,939	4,109
General Insurance Distribution		76	74
Life Distribution & Investment Intermediation		203	484
Investment Provision		19	34
In respect of base costs		80	189
Net amounts due from levy payers in the following classes			
Deposits		1,529	–
Life & Pensions Provision		615	555
Life Distribution & Investments Intermediation		5,545	–
Investment Provision		7,240	–
Debt Management		16	–
Funeral Plans		157	146
Other receivables		784	179
Prepayments		7,511	8,287
		32,397	**29,920**

See Note 17 for details on credit risk.

12. Financial assets

	As at 31 March 2025	As at 31 March 2024
	£'000	**£'000**
Financial assets (current)		
Recoveries receivable	53,506	27,609
	53,506	**27,609**

	As at 31 March 2025	As at 31 March 2024
	£'000	**£'000**
Financial assets (non-current)		
Recoveries receivable	94,368	65,493
	94,368	**65,493**

Total recoveries receivable of £147,874,000 (2024: £93,102,000) include £69,802,000 (2024: £76,976,000) which FSCS expects to receive from firms declared in default in the General Insurance Provision class, £63,519,000 (2024: £16,126,000) from firms declared in default in the Life Distribution & Investment Intermediation class, £7,470,000 (2024: nil) from firms declared in default in the Deposits class, and £7,083,000 from firms declared in default in the Investment Provision class. A corresponding amount has been recognised to reflect the amounts payable to the levy payers in respect of recoveries receivable and distribution of surplus owed to customers (see Note 14). Analysis of movements in recoveries receivable can be found in Note 5.

Recoveries receivable are categorised as level 3 within the fair value hierarchy (see Note 17) as they are based on insolvency practitioners' statements of estimated outcome and other reports. These amounts could change significantly if administrator assessments change. The sensitivity analysis below shows the impact on the net recoveries receivable if there is a delay in the timing of the recoveries estimated to be received, or if the discount rate applied is increased.

			Delay in recoveries	
		Base case	**1 year**	**2 year**
		£'000	**£'000**	**£'000**
	Base case	–	(5,401)	(10,572)
Discount rate	+1%	(3,631)	(9,994)	(16,027)
	+2%	(7,053)	(14,304)	(21,116)

13. Cash and cash equivalents, overdraft, facilities and class borrowings

As at 31 March 2025, FSCS had bank facilities of £1,500m, comprising a Revolving Credit Facility of £1,450m (until 11 March 2027), and an overdraft facility of £50m. Any drawdown of the Revolving Credit Facility is subject to Board approval.

	31 March 2025	**31 March 2024**
	£'000	**£'000**
Cash at bank	171,717	309,388
	171,717	**309,388**
Bank overdraft	(612)	(17,137)
	171,105	**292,251**

FSCS is permitted to access funds from HM Treasury, through the National Loans Fund or any other appropriate source, for a term and at an interest rate to be agreed at the time. The amount of the borrowing facility available to FSCS is determined by HM Treasury. As at 31 March 2025, this facility was not used. Any amounts drawn from this facility will be replenished by means of FSCS levies on the relevant class and recoveries in subsequent years.

See Note 17 for details on liquidity risk.

14. Payables

Trade and other payables: amounts falling due within one year

	Note	31 March 2025 £'000	31 March 2024 £'000
Compensation payable		5,514	8,698
Net amounts held on behalf of levy payers			
Deposits		–	13,112
General Insurance Provision		26,255	50,678
General Insurance Distribution		3,688	6,103
Life Distribution & Investment Intermediation		–	44,600
Investment Provision		–	12,757
Home Finance Intermediation		708	1,527
Debt Management		–	1
Payments on Account		79,301	78,383
Social security and other taxes		938	795
Corporation tax		1,259	2,373
Accruals		6,977	6,440
Deferred income in respect of base costs		12,088	1,119
Distribution of surplus owed to customers	*12*	22,539	706
Net amounts due to levy payers in respect of recoveries receivable	*12*	43,278	26,903
Other payables		5,277	5,421
		207,822	**259,616**

Non-current liabilities: amounts falling due after more than one year

	Note	31 March 2025 £'000	31 March 2024 £'000
Net amounts due to levy payers in respect of recoveries receivable	12	83,351	64,890
Distribution of surplus owed to customers	12	11,017	603
Amounts due to levy payers in respect of pension surplus		3,133	7,796
		97,501	**73,289**

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 2025/26 levy. These firms were invoiced in February, with a due date of 1 April 2025. As at 31 March 2025, invoices totalling £112,932,000 (2024: £102,097,000) were issued, of which £78,825,000 (2024: £74,376,000) was collected, leaving amounts due from levy payers of £34,107,000 (2024: £27,720,000). The amounts received are held to the credit of those individual firms rather than to any particular funding class and are shown separately as payments on account in Note 14 and in the Class Statements. These funds will be applied to reduce the payments of these firms when the 2025/26 annual levies are invoiced in July 2025, which are allocated against funding classes. FSCS has presented the receivable and the liability on a net basis in the statement of financial position after considering the fundamental principles in the International Accounting Standards Board (IASB) Conceptual Framework and the requirements of IFRS 15 and IAS 32.

15. Lease liabilities

FSCS signed a 10-year lease for its office premises at 10th Floor, Beaufort House, 15 St Botolph Street, London. The lease term was from 31 December 2021 to 30 December 2031. On 9 December 2024, the landlord of Beaufort House served FSCS notice to terminate the lease on 31 December 2025. FSCS's initial assessment of the lease term was 10 years, and the notice had the effect of shortening the remaining lease term from six years to one year. Under IFRS 16, this is considered a lease modification resulting in a remeasurement of the lease liabilities. This remeasurement had the impact of reducing the lease liabilities by £5.1m and reducing the right of use assets by £4.9m.

	31 March 2025	31 March 2024
	£'000	£'000
Lease liabilities movements:		
Brought forward	6,590	7,516
Lease remeasurement	(5,081)	5
Payments during the year	(1,030)	(1,033)
Interest expense on lease liabilities	61	102
Lease liabilities at 31 March	**540**	**6,590**

	31 March 2025	31 March 2024
	£'000	£'000
Lease liabilities fall due as follows:		
Within 1 year	540	942
Within 2 to 5 years	–	3,246
Within 6 to 10 years	–	2,402
Greater than 10 years	–	–
Lease liabilities at 31 March	**540**	**6,590**

The net book value of right of use assets at 31 March 2025 was £466,000 (2024: £6,098,000).

See Note 17 for details on liquidity risk.

16. Provisions

	31 March 2024	Additional provisions made in the period	Unused amounts reversed during the period	Utilised in the year	31 March 2025
	£'000	£'000	£'000	£'000	£'000
Compensation cost	90,081	12,586	(4,123)	(49,034)	49,510
Levy provision	–	2,771	(2,697)	(74)	–
Other	516	–	(186)	–	330
Total provisions	**90,597**	**15,357**	**(7,006)**	**(49,108)**	**49,840**
Current	90,081	15,357	(6,820)	(49,108)	49,510
Non-current	516	–	(186)	–	330
	90,597	**15,357**	**(7,006)**	**(49,108)**	**49,840**

Compensation cost provision

The provision for compensation costs of £49,510,000 (2024: £90,081,000) includes estimates for return of funds, return of premiums, and general insurance claims agreed. This takes into account our best estimate of the most likely number of claims FSCS expects to receive and of the amount of these claims, using the best information available to the directors at this time.

There were no new failures during the year which resulted in additional provisions being recognised.

This provision includes a remaining estimate of £850,000 for Strand Capital Ltd, £4,778,000 for Reyker Securities plc, £6,571,000 for WealthTek LLP, £21,578,000 for IBP Markets Ltd, and £1,000,000 for Blankstone Sington. These are based either on estimates provided by or ongoing discussions with the administrators as to how much FSCS would be liable to contribute towards investors' losses. The information available to the directors includes evidence received from the administrators who are third parties and independent from FSCS and are appointed by the courts. The overall costs will depend on the outcome of the distribution plan and the finalisation of the return of client assets, which are still subject to change. These changes can have a significant impact on the overall cost, so the outcome could be higher or lower, and on the timing of the utilisation of the provision, meaning each provision could eventually be utilised in full beyond the end of the next financial year. The provision for Blankstone Sington was increased by

£1,660,000 and the provision for WealthTek LLP was reduced by £4,123,000 during the year. FSCS also made interim payments totalling £42,456,000 during 2024/25.

Provisions of £3,807,000 remain for the return of premiums on the failures of Enterprise Insurance Company plc, Elite Insurance Company Ltd, and Alpha Insurance A/S. This provision was arrived at using our best estimates from a variety of sources on the likely number of policies FSCS would be paying and the associated cost of unexpired premiums based on broker or customer submissions.

Compensation costs provision also include an amount of £10,926,000 (2024: £6,579,000) for other general insurance claims. This is an estimate of unpaid compensation claims that were accepted on or before 31 March 2025. The provision is based on submissions from Run-Off Agents who receive the acceptance of offers, where possible, or a review of post-year-end payments to determine the value of claims likely to have been accepted on or before 31 March 2025. Due to other third parties being involved, the Run-Off Agents may not be aware of all acceptances unless these third parties provide notification. These are not expected to be material. An upward risk adjustment of 7% has been applied to the amounts submitted. FSCS does not hold all the information pertaining to general insurance claims, and the final outcome could be different.

17. Financial risk management

The company's financial risk management policy is disclosed below.

Liquidity risk

Liquidity risk is the risk that FSCS is unable to meet its payment obligations associated with its financial liabilities as they fall due. FSCS manages its liquidity by carefully monitoring the projected income and expenditure related to its day-to-day business. Each month, FSCS identifies its liquidity requirements up to the point when it next expects to levy the majority of fees. FSCS also has available to it, for liquidity purposes, £1,500m of facilities, comprising a Revolving Credit Facility of £1,450m (until 11 March 2027) and an overdraft facility of £50m at a fixed margin above bank rate. Any usage of the Revolving Credit Facility would be subject to Board approval.

In the event that FSCS is unable to raise sufficient levies and the facilities mentioned above do not provide adequate funds, FSCS would request a loan from HM Treasury.

The table below summarises the maturity profile of the company's financial liabilities based on expected undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
31 March 2025						
Interest bearing loans and borrowings	–	–	–	–	–	–
Trade and other payables	–	13,192	194,630	97,501	–	305,323
Lease liabilities	–	–	540	–	–	540
Loan interest payable	–	–	–	–	–	–
Overdraft	612	–	–	–	–	612
	612	**13,192**	**195,170**	**97,501**	**–**	**306,475**
31 March 2024						
Interest bearing loans and borrowings	–	–	–	–	–	–
Trade and other payables	–	12,656	246,960	73,289	–	332,905
Lease liabilities	–	–	942	3,246	2,402	6,590
Loan interest payable	–	–	–	–	–	–
Overdraft	17,137	–	–	–	–	17,137
	17,137	**12,656**	**247,902**	**76,535**	**2,402**	**356,632**

Included within the trade and other payables balance is £30,651,000 (2024: £128,778,000) relating to net amounts held on behalf of the levy payers (excluding payments on account). Surpluses are held to the credit of each class and will be used to reduce next year's levy or returned by way of a refund. While the timeframe for utilising these balances is uncertain, the forecast for the coming year shows these balances will be utilised in the upcoming year and so, these have been placed within the 3-to-12-month bracket.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is not exposed to significant interest rate risk.

Any interest rate risk to FSCS is mitigated by the ability to raise levies on the financial services industry as a whole; therefore any interest rate risk is ultimately passed on to and absorbed by the levy payers.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with FSCS, resulting in a financial loss to FSCS. FSCS's principal financial assets are cash and cash equivalents, together with levies and recoveries receivable.

FSCS's credit risk falls into the following categories:

i. the collection of levies from the financial services industry: the FCA, which collects the levies on behalf of FSCS, has a strong record in collecting levies;

ii. the placement of those levies as deposits with various counterparties: FSCS only places a maximum of £30m with commercial banks, any balances above this limit are placed in a Bank of England account;

iii. recoveries receivable from claims against institutions where FSCS has paid compensation (most often made through an insolvency process); and

iv. loan arrangements made to firms in default to enable FSCS to continue providing protection to its customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables (trade and other receivables and financial assets), which amounted to £180,271,000 and cash of £171,717,000. A loan commitment of £16,400,000 was made on 24 March 2023 (see Note 18), but as no amounts were drawn from this facility, there was no credit risk exposure at the reporting date.

Any credit risk to FSCS is mitigated by the ability to raise levies on the financial services industry as a whole; therefore, any loss due to credit risk will be absorbed by the levy payers.

Currency risk

Currency risk occurs when FSCS recovers funds from institutions that might be denominated in a foreign currency. Changes in the exchange rate for US dollars or euros may affect the value recovered. Any currency risk to FSCS is mitigated by the ability to raise levies on the financial services industry as a whole; therefore, any loss due to currency risk will be absorbed by the levy payers. Costs are predominantly incurred in GBP, and levies are also billed in GBP, so the company is not exposed to significant currency risk.

Fair values

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

- Cash and short-term deposits, trade receivables, trade payables, other current assets and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of unquoted instruments, such as recoveries receivable (financial assets) is calculated by discounting management's estimate of future expected cash flows using a risk-free rate. These receivables are categorised as level 3 within the fair value hierarchy as their valuation uses inputs which are not based upon observable market data.
- The fair values on loans (financial assets) and loan commitments (financial liabilities) are calculated by discounting management's estimate of future drawdowns and repayments on these facilities. These are also categorised as level 3 within the fair value hierarchy.

For the level 3 financial assets and liabilities, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly.

The carrying amounts of the company's financial assets and financial liabilities are a reasonable approximation of fair value.

Analysis of movements in level 3 assets and liabilities:

	As at 1 April 2024	Received in year	Recognised or issued in year	Total gains/(losses) in the period recognised in the income statement: Recoveries	Total gains/(losses) in the period recognised in the income statement: Compensation costs	As at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at fair value through the income statement						
Recoveries receivables	91,793	(40,678)	43,403	32,111	–	126,629
Loans	–	–	–	–	–	–
	91,793	**(40,678)**	**43,403**	**32,111**	**–**	**126,629**
Financial liabilities						
Loan commitments	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**

Unrealised gains and losses on level 3 financial assets and liabilities:

	31 March 2025 Income statement			31 March 2024 Income statement		
	Recoveries	Compensation costs	Total	Recoveries	Compensation costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Recoveries receivables	34,836	–	34,836	(12,341)	–	(12,341)
Loans	–	–	–	–	–	–
Loan commitments	–	–	–	–	–	–
	34,836	**–**	**34,836**	**(12,341)**	**–**	**(12,341)**

18. Loan commitments

On 24 March 2023 FSCS entered into a loan agreement with East West Insurance Company Ltd (EWIC). FSCS has agreed to make available a maximum principal amount of £16,400,000 for the administrators to use for the fees of contractors engaged by EWIC for the provision of investigation, management, quantification, validation and resolution services (loss adjusting costs). This enables FSCS to continue providing protection to EWIC policyholders without any significant disruptions. Loans made under this agreement are not interest bearing.

Under IFRS 9, any loans made through this term facility will be classified as a financial asset measured at fair value through profit or loss. As at 31 March 2025, no amounts were drawn from this facility.

IFRS 9 also requires FSCS to recognise a financial liability for loss allowances on undrawn commitments. FSCS has assessed the loss on a forward-looking basis using a three-stage expected credit loss (ECL) model for exposures arising from this loan commitment. At initial recognition, financial assets are categorised as ‘stage 1’, and an impairment provision is made for ECLs resulting from default events projected within the next 12 months (12-month ECL). Subsequently, financial assets are considered to be in ‘stage 2’ if their credit risk has increased significantly since initial recognition, at which point it is considered appropriate to recognise a lifetime ECL. Financial assets are included in ‘stage 3’ when there is objective evidence that the asset is credit impaired, with expected credit losses still calculated on a lifetime basis. As at 31 March 2025, there was no exposure to default, so no ECL has been recognised.

In accordance with IFRS 9, the fair value adjustment at initial recognition, which is the difference between the transaction value of the loans and their fair value, should be deferred and either amortised or recognised when a gain or loss is crystallised. FSCS will defer this loss until drawdown occurs and recognise a percentage of this loss in the statement of comprehensive income. The percentage of loss to be recognised will be based on the amount drawn over the total facility available.

19. Reconciliation of the profit/(loss) on ordinary activities before interest and tax to net cash generated from operating activities

The statement set out below relates cash flows to items shown in the statement of comprehensive income and statement of financial position movements.

	Note	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Surplus/(deficit) on ordinary activities		592	4,160
Adjustments for			
Interest payable		61	102
Interest received		(9,479)	(18,174)
Depreciation		1,551	1,394
Loss on disposal		4,885	2
Decrease/(increase) in receivables	*11*	(2,477)	22,463
Increase/(decrease) in payables	*14*	(24,103)	(304,508)
IFRS 16 – lease adjustments		(5,081)	–
Decrease/(increase) in financial assets	*12*	(54,772)	14,218
Difference between pension charge and cash contributions		4,071	(900)
Increase/(decrease) in provisions for liabilities and charges	*16*	(40,757)	50,559
Net cash generated from operating activities		**(125,509)**	**(230,684)**

The decrease in payables includes movements in amounts held on behalf of levy payers. These balances are influenced by the difference between cash levies received (see Note 20) and compensation costs during the year (see Note 6), which are the main drivers of the fund balances pertaining to each class. This is a result of the revenue recognition judgement, to hold any surplus/deficit against levy income as a payable or receivable, reflecting FSCS's rights and obligations in respect of future levy.

20. Transactions with related parties

During the year, FSCS entered into transactions with the FCA as a related party. The FCA and the PRA appoint, and have the right to remove, directors to the Board of FSCS, and they establish the rules under which FSCS operates. The FCA and the PRA are considered to be related parties but not controlling parties during the year.

During the year, the FCA provided an agency service to FSCS to collect tariff data, issue levy invoices and collect levy monies on its behalf. Levy invoices, net of credit notes, were raised for £285,516,000 (2024: £141,931,000) during the year. Collections of £280,100,000 (2024: £151,201,000) were received from levy payers. The fee for the agency service was £401,000 (2024: £388,000).

Overall, payments of £290,339,000 (2024: £180,416,000) were made by the FCA to FSCS, leaving amounts due from the FCA to FSCS at 31 March 2025 of £5,622,000 (2024: £15,861,000). The FCA also held £2,000 of funds on behalf of FSCS, which will be returned to firms in the Deposits class. The total of these two balances amounted to £5,624,000.

During the year, FSCS did not enter into any transactions with the PRA.

HM Treasury is not considered to be a related party or a controlling party. However, in the interests of transparency, full disclosure of the transactions with HM Treasury has been made. These transactions with HM Treasury comprise funding, management expenses recharged, and compensation payments made on behalf of HM Treasury.

There were no other such transactions during the year.

The remuneration of key management personnel is set out in the Directors' remuneration section on page 41.

21. Contingent liabilities and contingent assets

Section 27 claims

In July 2021, following the Court of Appeal decision in Adams v Options on 1 April 2021, FSCS's Board decided that, in circumstances where there could potentially be a claim under Section 27 of the Financial Services and Markets Act 2000 (FSMA), FSCS would pay compensation on an interim basis for relevant claims against self-invested personal pension (SIPP) operators, rather than in full and final settlement of claims. FSCS would then consider at a later date whether additional compensation may be payable for a Section 27 Claim. This was because Options sought to challenge the decision of the Court of Appeal in the Supreme Court, and there was therefore a degree of uncertainty. FSCS's Board decided that this approach should be backdated, but only to 1 April 2021 (i.e. the date when the Adams judgment was issued by the Court of Appeal).

Once the Supreme Court confirmed its decision not to hear an appeal in the Adams case in April 2022, the FSCS Board considered matters again in July 2022 and decided that FSCS would proceed to assess relevant claims against SIPP operators (involving an unregulated introducer) by considering potential liabilities owed under Section 27 of FSMA where:

a. the claims against the SIPP operator were determined by FSCS on or after 1 April 2021, being the date the Court of Appeal's judgment in Adams was handed down, or there was an open appeal on that date; and

b. FSCS would not consider appeals requested on or after 1 April 2021 by customers whose SIPP claims had been paid on a full and final basis before that date, if the appeal was: (i) primarily seeking consideration of a Section 27 Claim; or (ii) challenging a quantification method that had been previously accepted.

FSCS is therefore now reviewing claims which meet these criteria ('in scope claims') on a case-by-case basis.

Where a customer's in scope claim is found to be valid under Section 27 of FSMA, and eligible for further compensation, FSCS writes to the customer to inform them of this decision and pays them any additional compensation they are due. FSCS has also issued decisions to claimants confirming that, whilst their claim was in scope for review, there is no valid claim under Section 27 FSMA in their case, and no additional compensation is payable.

As at 31 March 2025, FSCS estimates its liabilities on claims it has received but not yet made a final decision on to be in the region of £4.2m to £21.9m. The estimate was arrived at using an average payment of £24,700 on claims upheld on review to date under Section 27, and then applying an assumed pleading rate of 52% and an uphold rate of 55% on the remaining 3,095 claims which FSCS deems in scope for potential review, but not yet processed at 31st March 2025. The uphold rate was determined by reference to the rate at which previously reviewed in scope claims have been upheld and rejected to date. The pleading rate was determined using indicative data obtained through keyword matches to the remaining in scope claims which are yet to be reviewed, as well as a small sample of in scope claims recently subjected to a pre-assessment review. However, the claims are still to be fully assessed and the ultimate outcome will depend on an assessment of the particular facts in each case, such that the final outcome and future compensation cost associated with these claims could be different to these estimates.

Judicial review challenge

There were no open judicial review challenges as at 31 March 2025.

Compensation costs

As at 31 March 2025 and 31 March 2024, compensation payments may become due as a result of claims made to us by customers of authorised financial services firms which have failed. To qualify for compensation, customers must be eligible under our rules. These rules are outlined in the FCA Handbook and in the PRA Rulebook sections on depositor protection and policyholder protection. FSCS can only pay compensation for financial loss, and there are limits to the amounts of compensation FSCS pays. There is significant uncertainty around the number of claims we will receive from customers, the likelihood of eligible claims, the type or product of those claims, the amount of compensation we will pay, and the timing of those payments. Therefore, it is not practicable to provide an estimate of the costs of potential claims we may receive or claims we have received but not yet decided on.

Recoveries receivable

FSCS has a statutory duty to pursue recoveries that are reasonably possible and cost-effective to pursue, which will offset some of the compensation FSCS will pay out. At 31 March 2025 and 31 March 2024, FSCS had a number of ongoing recoveries actions against failed firms, the insurers of those failed firms, or other third parties, which are deemed probable to succeed. However, some of these have not been recognised as assets in the statement of financial position because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of FSCS.

There are no other material contingent liabilities or contingent assets identified at the reporting date.

22. Retirement benefits

FSCS operates both a money purchase scheme and a defined benefit pension scheme (the Pension Scheme), which was closed to new staff and closed to future accrual on 30 June 2011.

Money purchase scheme

A non-contributory money purchase pension scheme, for permanent and fixed-term contract staff, was set up with effect from 1 February 2001. From 1 April 2019, FSCS makes contributions equal to 9% of the basic annual salary so long as the permanent or fixed-term contract staff pay a minimum employee contribution of 1%. FSCS increases this contribution to 11% after three years' service. If staff choose to increase their employee contribution above 1%, FSCS will match this with an employer's contribution up to a maximum of an additional 4% of their basic annual salary.

Amounts paid by FSCS into the money purchase scheme amounted to £4,356,000, and £395,000 was outstanding to be paid at 31 March 2025 (2024: £3,698,000 and £316,000 respectively).

Defined benefit pension scheme with money purchase underpin (hybrid pension scheme)

FSCS operates a funded scheme with defined benefits payable that are underpinned by the value of notional money purchase units allocated to members in respect of service prior to 1 April 2002. Assets are held in separate Trustee-administered funds. An actuarial valuation of the Pension Scheme was carried out as at 1 April 2021. The valuation used the projected unit method and was carried out by professionally qualified actuaries.

The Trustees have the primary responsibility for governance of the Pension Scheme. Benefit payments are from Trustee-administered funds and the Trust is governed by UK regulation. Responsibility for governance of the Pension Scheme, including investment decisions and contribution rates, lies jointly with the company and the Trustees. The Trustees comprise representatives of FSCS and members, in accordance with the Trust Deed and Rules. FSCS is entitled to recover any surplus contribution upon wind-up of the pension scheme.

On 6 December 2024, The Financial Services Compensation Scheme (FSCS) Pension Scheme completed a £25m full buy-in with Pension Insurance Corporation (PIC), securing the benefits of all 154 members, including 37 pensioners and 117 deferred members. This transaction has been treated as a settlement rather than a standalone buy-in transaction. As a result of this, a settlement of £3.8m has been recognised in the Income Statement during 2024/25. This loss represents the difference between the buy-in premium and the IAS 19 liability for the members covered by the buy-in policy.

Principal actuarial assumptions at the statement of financial position date are:

	31 March 2025 % (p.a.)	31 March 2024 % (p.a.)
Discount rate	5.80	4.85
Retail Prices Index (RPI) inflation assumption	3.15	3.20
Consumer Price Index (CPI) inflation assumption	2.85	2.80
Pension increase rate (where increase is based on RPI inflation capped at 5% p.a.)	3.05	3.10
Pension increase rate (where increase is based on CPI inflation capped at 3% p.a.)	2.35	2.35

The following standard mortality tables published by the Institute and Faculty of Actuaries and projections of future mortality improvements have been used:

Pre- and post-retirement: 100% S4PMA light for males and 100% S4PFA light for females, with future improvements to mortality projected using the Continuous Mortality Investigation (CMI) mortality projections model 2023, with a 1.00% per annum long-term trend rate for males and a 1.00% per annum long-term trend rate for females from 2017 onwards, allowing for an individual member's year of birth.

Key assumptions	31 March 2025	31 March 2024
Life expectancy at 60 for male aged 60	27.0	27.5
Life expectancy at 60 for female aged 60	28.8	29.3
Life expectancy at 60 for male aged 45	27.9	28.5
Life expectancy at 60 for female aged 45	29.6	30.3

For the 31 March 2025 disclosures, no allowance has been made for members to take cash. This is different to last year's assumption, where 75% of retiring members were assumed to exercise their option to commute the maximum amount of their pension for a Pension Commencement Lump Sum. This change reflects the best estimate basis in the preliminary results of the formal actuarial valuation at 1 April 2024, which is not to allow for members to take any cash at retirement.

The assumptions were chosen by FSCS, with professional advice.

The fair values of the Pension Scheme's assets are set out below:

	Quoted	Unquoted	Total
As at 31 March 2025	**£'000**	**£'000**	**£'000**
Index-linked gilts	350	–	350
Liability-driven investments	304	–	304
Cash and net current assets	2,479	–	2,479
Insured pensions	18,660	–	18,660
Total assets	**21,793**	**–**	**21,793**

	Quoted	Unquoted	Total
As at 31 March 2024	**£'000**	**£'000**	**£'000**
Index-linked gilts	15,653	–	15,653
UK corporate bonds	12,762	–	12,762
Cash and net current assets	1,346	–	1,346
Total assets	**29,761**	**–**	**29,761**

The change in asset composition from index-linked gilts and UK corporate bonds to insured pensions is explained by the purchase of an insurance buy-in policy during the year, as described on page 97.

Assets described as quoted are investments in fund units which, while not exchange-traded, are dealt on the basis of prices published by the investment manager. The constituent elements of these funds are principally directly quoted assets.

The Pension Scheme does not invest in the sponsor's own financial instruments, including property or other assets owned by the sponsor.

The amounts recognised in the statement of financial position are as follows:

	31 March 2025	31 March 2024
	£'000	£'000
Fair value of assets	21,793	29,761
Present value of obligations	(18,660)	(21,965)
Funded status	**3,133**	**7,796**
Adjustment in accordance with paragraph 64 of IAS19 (the 'asset ceiling')	–	–
Net defined benefit asset/(obligation)	**3,133**	**7,796**

	Year ended 31 March 2025	Year ended 31 March 2024
Movement in net defined benefit asset/(obligation) over the year	**£'000**	**£'000**
Net defined benefit asset/(obligation) at beginning of the year	7,796	11,056
Employer contributions	–	824
Income/(expense) recognised in income statement	(4,071)	76
Remeasurement gain/(loss) recognised in other comprehensive income	(592)	(4,160)
Net defined benefit asset/(obligation) at end of the year	**3,133**	**7,796**

Changes in present value of the defined benefit obligation	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Opening defined benefit obligation	21,965	21,415
Past service cost	–	13
Interest cost	1,040	1,004
Distributions	(468)	(569)
Experience (gains)/losses	(336)	639
Actuarial (gains)/losses arising from change in financial assumptions	(3,228)	(185)
Actuarial (gains)/losses arising from change in demographic assumptions	(313)	(352)
Closing defined benefit obligation	**18,660**	**21,965**

Sensitivity analysis of the Pension Scheme liabilities

The sensitivity of the principal assumptions used to measure the Pension Scheme liabilities is set out below:

	Change in assumption	Value of Scheme liabilities
		£'000
No change to the assumptions		18,660
Discount rate reduced by	0.25% p.a.	19,401
Discount rate increased by	0.25% p.a.	17,961
Inflation increased by*	0.25% p.a.	19,268
Inflation reduced by*	0.25% p.a.	18,078
Life expectancy increased by	1 year	19,122
Life expectancy reduced by	1 year	18,193

* This sensitivity allows for the impact on all inflation-related assumptions (deferred revaluation and pension increases, subject to the relevant caps and floors).

Description of risks to which the Pension Scheme exposes FSCS

Almost all of the Pension Scheme liabilities are fully matched by insurance policies. The Scheme is therefore immunised against all risk except insurer failure (and any residual risk relating to the small remaining liabilities not yet covered by the buy-in policy), which was deemed to be very low risk.

For insured benefits, there is very limited risk to FSCS, as the benefits to be paid are exactly matched by the annuity. As such, the value placed on these liabilities will match the equivalent value of the assets, so there should be no risk exposure.

	Year ended 31 March 2025	Year ended 31 March 2024
Changes in fair value of the Pension Scheme assets	**£'000**	**£'000**
Opening fair value of assets	29,761	32,471
Contributions paid by employer	–	824
Interest income	1,338	1,538
Return on Scheme assets excluding interest income	(4,469)	(4,058)
Distributions	(468)	(569)
Administration expenses	(521)	(445)
Assets distributed on settlements	(3,848)	–
Closing fair value of assets	**21,793**	**29,761**

	Year ended 31 March 2025	Year ended 31 March 2024
Expenses recognised in the income statement	**£'000**	**£'000**
Past service cost	–	13
Loss recognised on settlement	3,848	–
Administration expenses	521	445
Net interest on the net defined benefit obligation/(asset)	(298)	(534)
Total expense/(income)	**4,071**	**(76)**

Remeasurement effects recognised in other comprehensive income	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Return on Pension Scheme assets excluding interest income	(4,469)	(4,058)
Experience gains/(losses) on Pension Scheme obligations	336	(639)
Actuarial gains/(losses) arising from change in financial assumptions	3,228	185
Actuarial gains/(losses) arising from change in demographic assumptions	313	352
Net actuarial gains/(losses) recognised in the period	**(592)**	**(4,160)**

	£'000
Best estimate of employer contributions to be paid over following year	Nil

Expected future benefit payments	£'000
Year ending 31 March 2026	470
Year ending 31 March 2027	519
Year ending 31 March 2028	617
Year ending 31 March 2029	695
Year ending 31 March 2030	736
Five years ending 31 March 2035	5,202

As required by IAS 19, the projected unit method has been used to determine the liabilities.

FSCS has agreed with the Trustees that the funding objective is to ensure that the Pension Scheme has sufficient and appropriate assets to cover its technical provisions (which are effectively the liabilities in respect of service already completed) under the scheme-specific funding regulations (the Pension Scheme operates under the Pensions Act 2004 regulatory framework).

The formal valuation of the Scheme at 1 April 2024 showed that the Scheme is in surplus on its Technical Provisions basis, which means that FSCS is not required to continue to make deficit reduction contributions towards the Scheme.

The valuation of the Pension Scheme's liabilities for accounting purposes has been carried out at a different date from when the Pension Scheme's last actuarial valuation was carried out to determine the funding position and using some different assumptions. Therefore, the figures quoted in this note are different from those disclosed in the last actuarial valuation report as would usually be expected. The figures set out in this note are calculated according to the requirements of IAS 19. Separate calculations will be carried out for the Trustees and possibly the sponsor, to monitor and control the funding of the Pension Scheme using assumptions selected by the Trustees.

FSCS estimates the duration of the Pension Scheme liabilities on average to fall due around 16 years.

23. Other disclosures

FSCS was issued with an updated Accounts Direction in April 2025, which required FSCS to disclose audited information contained within this note.

Exit packages

FSCS is required to disclose summary information on the use of exit packages, in accordance with the Accounts Direction issued by HM Treasury. The following table includes exit packages as they relate to all employees, and exit packages are accounted for in full in the year of departure.

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Exit package cost band	**Year ended 31 March 2025**	**Year ended 31 March 2025**	**Year ended 31 March 2025**	**Year ended 31 March 2024**	**Year ended 31 March 2024**	**Year ended 31 March 2024**
≤ £10,000	10	–	10	–	–	–
£10,001–£25,000	4	–	4	1	2	3
£25,001–£50,000	1	–	1	–	3	3
£50,001–£100,000	–	2	2	1	3	4
£100,001–£150,000	–	–	–	–	1	1
£150,001–£200,000	–	–	–	–	–	–
Over £200,001	–	–	–	–	1	1
Total number of exit packages by type	**15**	**2**	**17**	**2**	**10**	**12**
Total resource cost (£'000)	**165**	**118**	**283**	**82**	**765**	**847**

FSCS is not required to follow the provisions of the Civil Service Compensation Scheme as its principal governance arrangement is with the FCA/PRA. Any FSCS exit packages are approved in line with our own internal procedures.

Losses and special payments

Total losses and special payments were £2,377,104 (2024: £445,653) during the year to 31 March 2025. There were no individual losses or special payments exceeding £300,000. The majority of this is made up of claim overpayments, which is further explained below.

FSCS processed 160 overpayments during the year to 31 March 2025 totalling £2,084,834 (compared with 789 overpayments totalling £875,995 during 2023/24). FSCS has recovered £123,777 and written off £105,913; £1,855,144 continues to be pursued for recovery.

FSCS pays interest to customers to reflect a reasonable rate of return (RRR). FSCS's Quality Assurance team identified errors in the interest calculation from a specific population of Advice compensation payments paid between 1 April 2019 and 16 December 2024. FSCS has performed an exercise to estimate the overpayments in a population of c.£1.7m interest payments made between 1 April 2022 and 6 December 2024, when interest rates were higher. The calculation has been reperformed for a sample of interest payments made during this period, and the error identified has been extrapolated to provide an estimate of the overpayments. Whilst there were no losses or special payments exceeding £300,000, individually or in total for any one year, overpayments over the three-year period from 1 April 2022 are estimated at £403,780. The £403,780 does not include an estimate of the overpayments in the c.£1m population of interest payments made between 1 April 2019 and 31 March 2022, as interest rates were lower during this period. Based on a limited sample of reperformed interest calculations during 1 April 2019 and 31 March 2022, FSCS estimates an additional £90,084 of overpayments in this period.

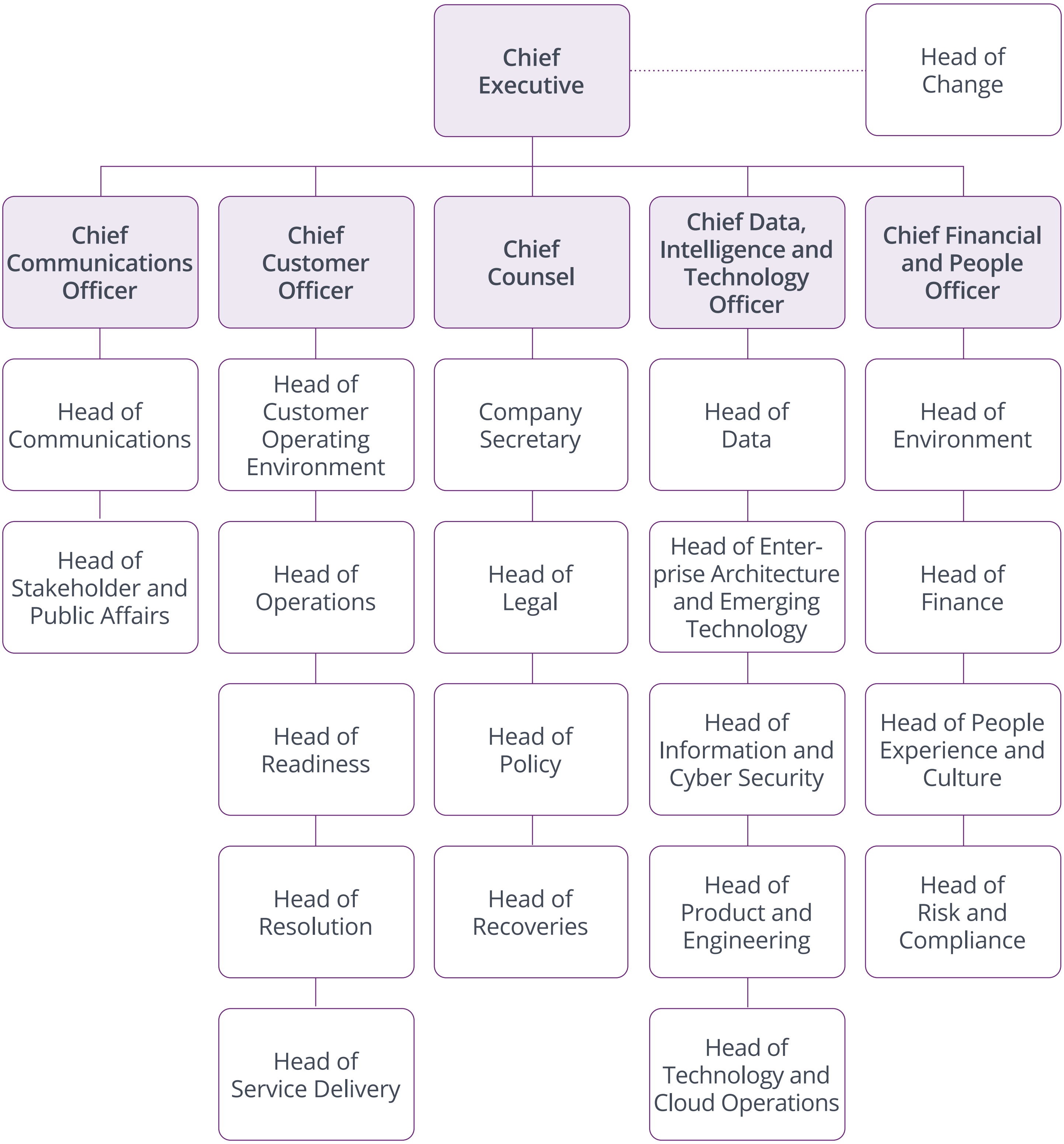
24. Events after the reporting period

There were no material events after the reporting period. The Board authorised these financial statements for issue on 26 June 2025.

Appendix

FSCS organisational chart

as at 31 March 2025



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