Financial Services Compensation Scheme

Class Statements

2018/19

HC 2124

Financial Services Compensation Scheme

Annual Report and Class Statements

2018/19

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

Ordered by the House of Commons to be printed on 27 June 2019

HC 2124 part ii of ii

The Financial Services Compensation Scheme Annual Report and Accounts (part i) provides details on overall performance and much more. It was also presented to the House of Commons on 27 June 2019.

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Financial Services Compensation Scheme Limited
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CONTENTS

01 Chairman's Statement 6

02 Chief Executive's Statement 7

03 Annual Levy – 2018/19 in Summary 8

04 Compensation Costs 10

05 Recoveries 14

06 Management Expenses 15

07 Looking Outwards 17

CLASS STATEMENTS

08 Auditor's Report 18

09 Class Statements 20

Section 01

CHAIRMAN'S STATEMENT

> We set our priorities for the next decade: Prepare, Protect, Promote and Prevent

In my statement in last year's report, I wrote about the importance of FSCS working with all our stakeholders. One of the distinctions of FSCS is the range of stakeholders to whom we must account – our customers, consumers generally, the regulators and, of course, the industry which funds us, and for which these Class Statements are specifically prepared.

FSCS focuses not just on the service that it provides day-to-day for the many people making claims but also on its impact on the stability of the financial services industry and on the firms that pay our levies. While our top priority must be to provide a responsive, easy-to-use service that is sympathetic to our customers and cost-effective for levy payers, we cannot lose sight of the fact that the compensation paid by FSCS, important though it is to confidence, is also an index of failure of financial services businesses. Paradoxically, the cost of this failure falls mainly on those firms that are doing the right things and meeting consumers' needs.

Mark Neale, in his statement, highlights some of the ways FSCS has addressed the needs of customers and improved the efficiency of our services.

From my perspective as Chairman, this has crystallised in the work the Board has done in the last year in developing a strategy for the 2020s – published last November as *FSCS into the 2020s: Protecting the Future*, and available on our website. This sets our priorities for the next decade as: Prepare, Protect, Promote and Prevent.

As a special note, and on behalf of the Board and everyone involved at FSCS, I would like to extend my deeply felt appreciation for the leadership of Mark Neale. After nine years at the helm of FSCS, Mark has decided to leave this year. During his tenure, Mark has been a tremendous servant to all of our stakeholders, and as we transition to our new Chief Executive, Caroline Rainbird, we continue to benefit from Mark's knowledge. We owe him our thanks.

It is a testament to the standing and reputation of FSCS that we have been able to attract a world-class leader like Caroline. Her array of financial services experience, understanding of the regulatory landscape and passion for the consumer meant she was the obvious candidate. Her industry pedigree will particularly help our work on tackling the causes of compensation and improving fairness for all consumers. I'm confident that she will successfully lead the delivery of our strategy for the 2020s and I look forward to working with her.

Marshall Bailey
Chairman,
Financial Services Compensation Scheme
14 June 2019

Section 02

CHIEF EXECUTIVE'S STATEMENT

These Class Statements, which should be read alongside this year's Annual Report and Accounts, aim to provide our levy payers with a convenient summary of the cash flows that drove our levies in 2018/19. Those cash flows are largely dependent on the volume and mix of claims for compensation we receive and decide, but they also reflect the recoveries we make and the balances we hold when the year begins. For 2018/19, we aligned the levy and financial years for all classes other than Deposits, so that in future these Class Statements will relate more closely to the levy that is raised.

> This is the first year that levy and financial reporting year-ends have been aligned

2018/19 again highlighted the unpredictability and volatility in our claims volumes: in our *Plan and Budget: 2018/19* we forecast a levy of £336m. However, across the year we levied £454m, which included a supplementary levy of £65m and the final £46m of interest payable to HM Treasury for the Bradford & Bingley debt, which was fully repaid during the year. This increase was, in particular, driven by an increase in the volume and average value of claims for advice on defined benefit pension transfers, notably against those firms that advised members of the British Steel pension scheme to transfer their funds elsewhere. The supplementary levy included a call of £78m on the industry sectors represented in the retail pool, following the Life and Pensions Intermediation class reaching the levy limit on this sector.

Similarly, we saw volatility in the amount of recoveries we made: excluding Bradford & Bingley, we recovered £26m, down from £149m in 2017/18. We continue to monitor and pursue recoveries where this represents value for money for our levy payers. We also recovered the remaining £4.7bn outstanding from the failure of Bradford & Bingley and used it to fully repay our liability to HM Treasury, meaning no further interest is payable on that loan.

Mark Neale
Chief Executive (to 3 May 2019),
Financial Services Compensation Scheme

FSCS levies continued to be relatively volatile as in recent years.

Section 03

ANNUAL LEVY – 2018/19 IN SUMMARY

Movements in levies across all classes of activity

Our levies are calculated by reference to the compensation costs we expect to incur and associated management expenses, offset by forecast recoveries and any surplus balances remaining from prior years.

During 2018/19, we raised an annual levy of £343m and a supplementary levy of £65m, for a total of £408m. Other than for Deposits, the 2018/19 levy period covered the nine months from July 2018 to March 2019 as we aligned our levy year with our financial year. Where necessary, we prorated the annual levy limits accordingly, to 75% of the full-year value. The levy year for Deposits remains July to June.

The £408m levied was an increase of £72m compared with the forecasted annual levy published in the *Plan and Budget: 2018/19*. The main reason for the increase was a £52m rise in forecasted costs for the Life and Pensions Intermediation class, driven by growth in the volume and average value of defined benefit pension transfer claims. Included in that figure was an estimate of £10m to cover claims against Active Wealth (UK) Limited and other firms that advised British Steel workers to transfer their pensions. The result of this increase was that the total amount due from this class was £139m. As the prorated levy limit on the class was £75m, we started the year expecting a levy of £65m to be funded by the retail pool, but, as in previous years, we felt it sensible to raise the maximum levy directly from the class initially and invoice the retail pool element later in the year when costs were more certain.

The other major change from the *Plan and Budget: 2018/19* forecast was an increase of £18m to the levy for the Investment Provision class, resulting from increased compensation costs due to the failures of three Self-Invested Personal Pension (SIPP) operator firms.

In addition to these costs, we raised a levy of £46m on the banks, building societies and credit unions to cover the interest costs of our loan from HM Treasury for the Bradford & Bingley resolution, which was repaid in full during the year.

2018/19 Total levies announced

Funding classes	2018/19 Final levy	2018/19 Supplementary levy	2018/19 Retail pool levy	2018/19 Major banking failure levy	2018/19 Total levies
	£m	£m	£m	£m	£m
Deposits (SA01)	19	13	–	46	78
General Insurance Provision (SB01)	89	14	–	–	103
General Insurance Intermediation (SB02)	16	15	(24)	–	7
Life and Pensions Provision (SC01)	–	–	–	–	–
Life and Pensions Intermediation (SC02)	75	–	78	–	153
Investment Provision (SD01)	52	–	(16)	–	36
Investment Intermediation (SD02)	42	–	(12)	–	30
Home Finance Intermediation (SE02)	22	–	(3)	–	19
Debt Management (SK01)	–	2	(2)	–	–
Home Finance Providers (SRI1)	–	3	(3)	–	–
Insurers – Life (SRG1)	–	6	(6)	–	–
Insurers – General (SRH1)	–	3	(3)	–	–
Deposit Acceptors (SRF1)	–	9	(9)	–	–
Base costs	28	–	–	–	28
	343	**65**	–	**46**	**454**

The above table refers to the published levy announcements. The totals differ from the actual cash amounts collected in the year as reflected in the Class Statements and the charts on pages 10 to 13, due to timing differences and the FEES rules change, explained below and on page 12.

FSCS levies continued to be relatively volatile as in recent years. We saw two new failures that were significant for their classes: Danish firm Alpha Insurance A/S, which failed in May 2018, shortly after the announcement of the annual levy, and Dial-A-Cab Credit Union. Both caused funding deficits in their respective classes, for which in January 2019 FSCS levied £14m in the General Insurance Provision class and £13m for Deposits. At the same time, FSCS finalised the size of the supplementary levy falling on retail pool firms at an increased cost of £78m, to cover the rising volume of pension transfer claims seen throughout the year.

As well as these supplementary levies, the other major variance to the annual levy announced in April 2018 was an increase of £11m in the size of levy collections from firms in the Investment Provision class. This was due to large numbers of firms revising their tariff data upwards after the announcement of the levy rates in July 2018, following consultation with the FCA about changes to its Handbook's FEES rules for collective investment schemes. This created a surplus, which was used to fund the retail pool contribution for the class.

Section 04

COMPENSATION COSTS

Total compensation costs for the year were £448m (2017/18: £445m).

The following is a breakdown of the major drivers in each class, and charts showing how the forecasts we published in April 2018 compare with the actuals that arose during the year, as shown on pages 20-21 of the Class Statements.

Deposits

During 2018/19, FSCS paid out more than £29m in this class, the largest amount of compensation for Deposits failures since the 2008 financial crisis. Of this, £22m was paid to customers of Dial-A-Cab Credit Union – one of eight credit unions to fail in 2018/19, a slightly higher number than in recent years. FSCS raised a supplementary levy of £13m in January 2019 to cover this failure.

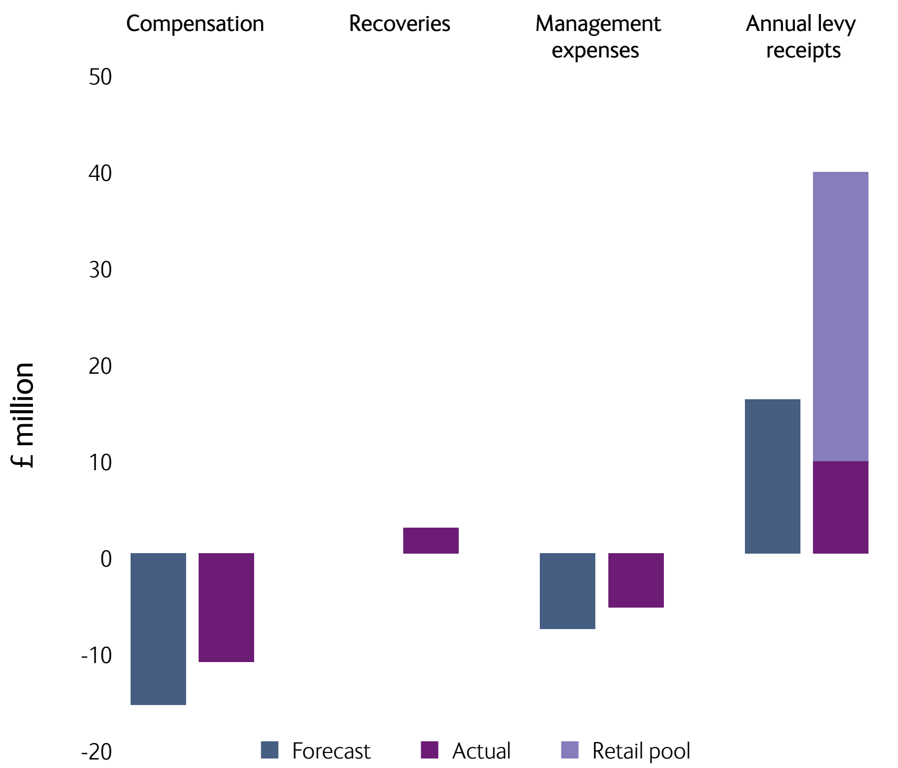
Despite the higher number of payouts, the average time from placing a credit union into default to compensating customers was under three days.

The graph to the right excludes £46m levied for the remaining interest payable to HM Treasury.

2018/19 Levy – Deposits (SA01) £m

2018/19 Levy – General Insurance Provision (SB01) £m

2018/19 Levy – General Insurance Intermediation (SB02) £m



General Insurance Provision

FSCS paid £144m in compensation in 2018/19 for claims against 22 estates. This was a £7m increase on the previous financial year. The amount paid in the nine-month levy period from July 2018 to March 2019 was £114m, £17m higher than the forecast used when we set the final levy in April 2018. The main reason for this increase was the failure of Alpha Insurance A/S, which was declared in default on 8 May 2018, shortly after the final levies were announced. FSCS raised a supplementary levy of £14m to cover the deficit, at the same time as the retail pool levies were collected in January 2019. Alpha Insurance was responsible for the large number of premiums returned to customers or policies transferred in 2018/19 – 371,000 compared to 27,000 in 2017/18. There were two further insurance companies that failed towards the end of 2018/19 – Horizon and Qudos – however, these are both smaller in size than Alpha and resulted in less than £1m paid in compensation in 2018/19. Recoveries made in this class in 2018/19 amounted to £4m – far lower than the amount of £94m recovered in 2017/18, which was largely funded by the closing distribution from Independent Insurance.

General Insurance Intermediation

During 2018/19, the funds previously provided by Welcome Financial Services Limited to meet compensation costs were fully utilised. Since December 2018, compensation costs have been funded through the levy class – the total value of these costs was £1.6m. The total compensation paid in this class, almost all of which related to Payment Protection Insurance (PPI), was £11m, down £5m from 2017/18, despite the impending deadline for PPI complaints. This was due to a reduction in the volume of claims received and upheld, and a lower average payment for those we compensated.

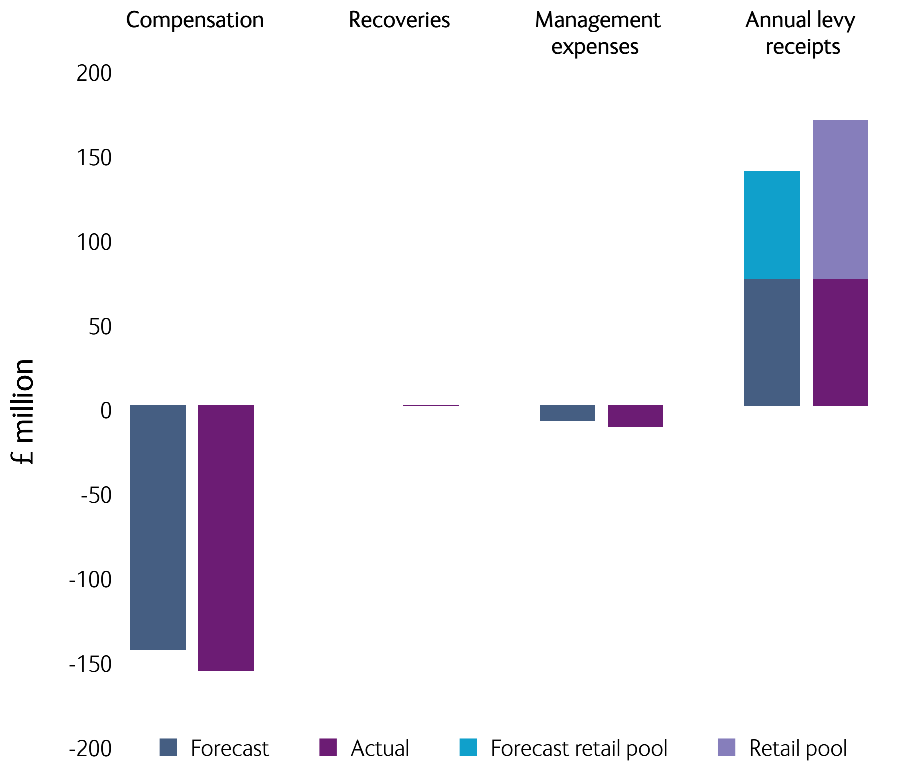
Life and Pensions Intermediation

Most of the claims received in this class over the past few years have been SIPP related – typically involving advice given by financial advisers to move pension savings out of existing occupational pension arrangements and invest in other investments within SIPP wrappers. These investments are often high risk and unsuitable for most investors, so some inevitably fail and become illiquid. This trend began four years ago, and costs are still rising.

In 2018/19, FSCS paid £123m in compensation for SIPP-related claims, £11m higher than in 2017/18.

Overall, FSCS paid £158m in this class for the 12 months of 2018/19, £2m higher than 2017/18, and again necessitating a large supplementary levy of £78m, which was funded by the retail pool.

2018/19 Levy – Life and Pensions Intermediation (SC02) £m

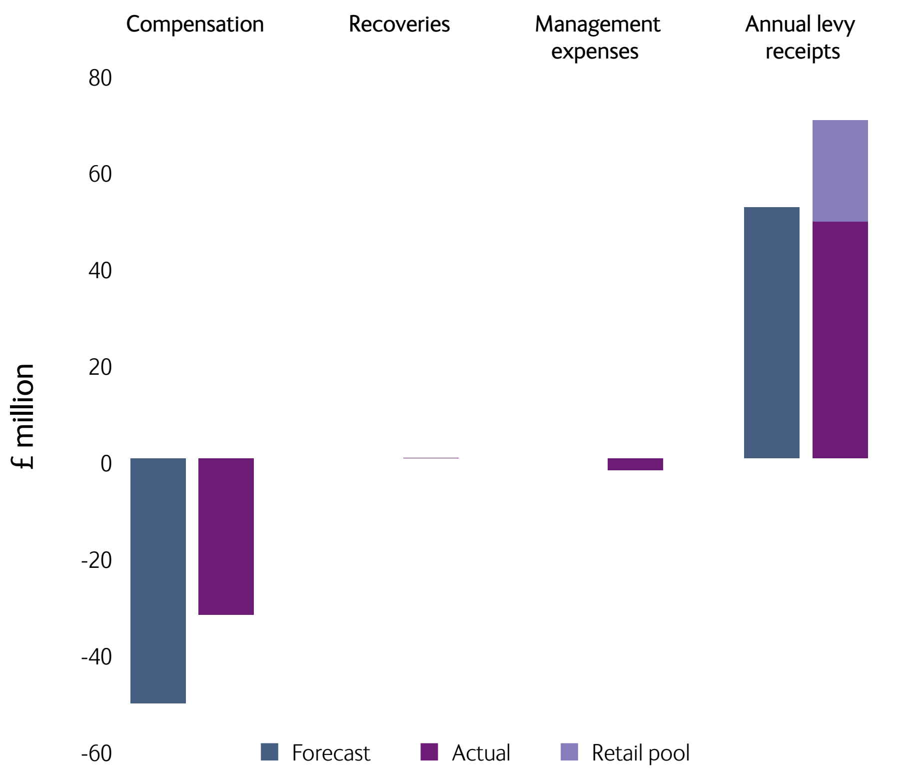


Investment Provision

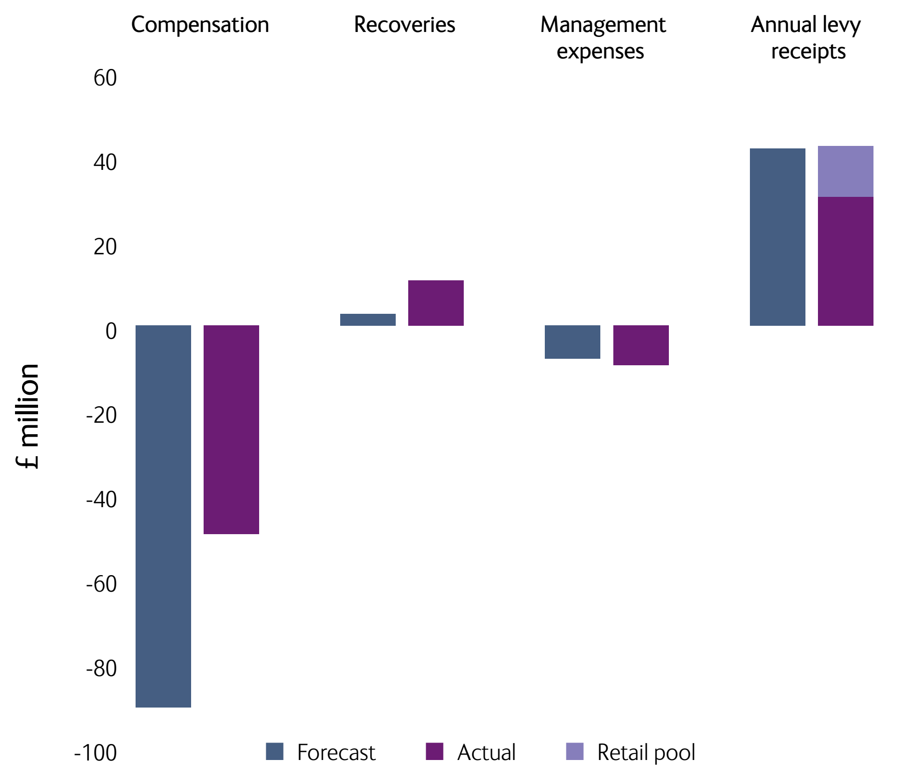
In 2018/19, the Investment Provision class saw a large increase in claims and compensation costs: up to £33m from just £5m paid out in the previous year. This growth has been caused by the default of three SIPP operator firms – Stadia Trustees, Brooklands Trustees and Montpelier Pension Administration Services – which were all declared in default in January 2018.

As a result of changes to the FCA Handbook's FEES rules, increased levy collections from higher tariff data created a surplus in this class, which was used to fund the retail pool contribution.

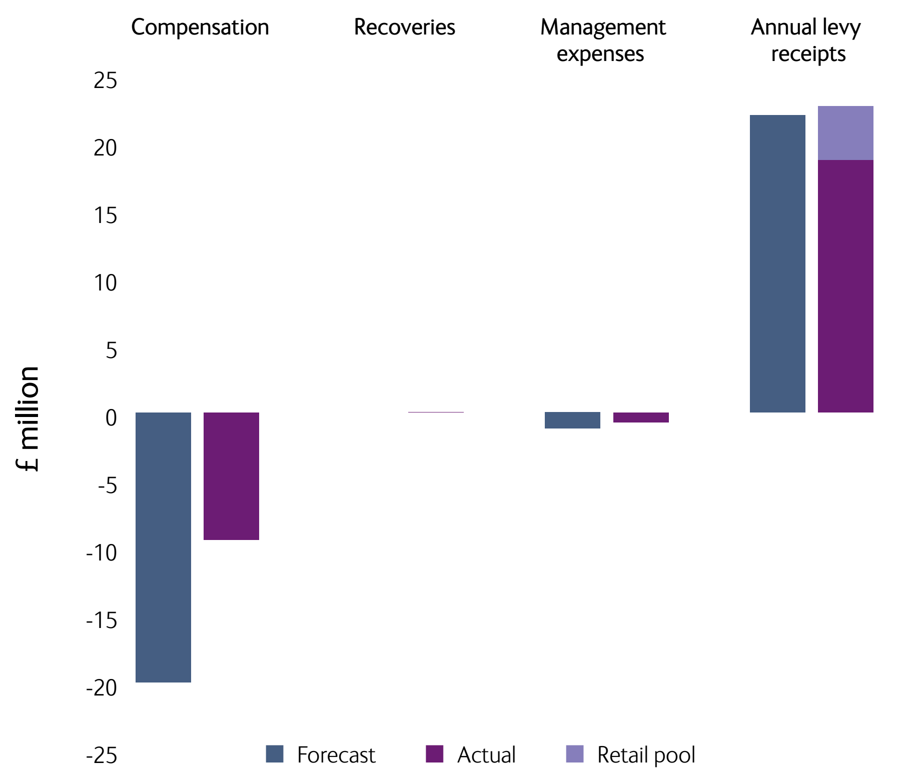
2018/19 Levy – Investment Provision (SD01) £m



2018/19 Levy – Investment Intermediation (SD02) £m



2018/19 Levy – Home Finance Intermediation (SE02) £m



Investment Intermediation

As in previous years, during 2018/19 FSCS continued to see a significant, albeit lower, number of Investment Intermediation claims in relation to negligent advice to invest in unsuitable pooled investments.

In 2017/18, we made a provision of £50m to compensate customers of Beaufort Asset Clearing Services Limited, and during 2018/19 we facilitated the transfer of more than £400m of assets and £38m of cash for 16,348 Beaufort customers, by paying the costs of administration directly.

Home Finance Intermediation

In 2017/18, FSCS paid £17m in compensation for Home Finance Intermediation. The vast majority of claims in this category related to a specific firm, Fuel Investments Limited. In 2018/19, most of the claims against this firm were completed, and FSCS paid only £9m in compensation in this class, £9m below the original forecast. This created a surplus, which was used to offset the retail pool contribution due from the class. The remainder was rolled forward to reduce the 2019/20 levy requirement.

Debt Management

As of 1 April 2018, the scope of FSCS coverage includes debt management, covering claims for client money lost when a protected debt management firm fails. This levy is paid by consumer credit lenders and debt management firms. We paid no compensation for Debt Management during 2018/19; however, members of the class paid £1.5m in levies towards our base costs and to the retail pool levy.

FSCS has now repaid (with interest) all the money we borrowed from the Government at the time of the banking crisis

Section 05

RECOVERIES

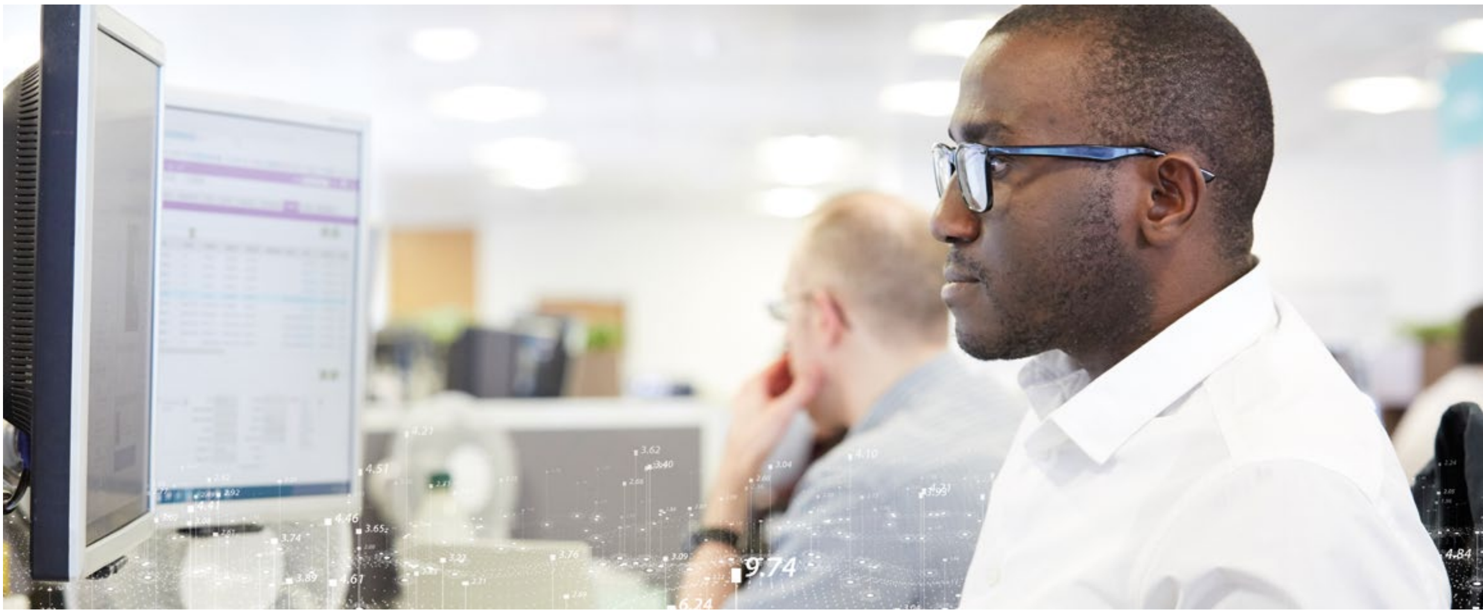
We will continue to pursue cost-effective recoveries

Many recoveries are made through dividends after filing a claim in the insolvency processes of failed firms. We also look to recover funds from claims against professional indemnity insurers. Recoveries may also be sought against other relevant third parties, depending on the particular circumstances that led us to pay compensation.

The 2018/19 year saw an end to our involvement in the largest of the 2008/09 legacy failures for which we were liable. We recovered (and repaid to HM Treasury) £4.7bn from Bradford & Bingley. This means that FSCS has now repaid (with interest) all the money we borrowed from the Government at the time of the banking crisis. We recovered a further £6m from the legacy failure of Kaupthing Singer & Friedlander in the year, which will offset levies payable by the Deposits class.

We recovered a total of £26m from other estates during the year. Under the COMP rules, £7m was paid to around 900 customers whose claims exceeded our limit – mainly in the Investment Intermediation class, where claims were capped at £50,000. The remaining £19m was used to reduce the levies payable by firms.

We will continue to pursue cost-effective recoveries, and a key focus for the coming year is determining how we can extract value from cases where we have compensated customers who have invested in illiquid assets.



Section 06

MANAGEMENT EXPENSES

Management expenses increased to £74.2m against the backdrop of rising SIPP and pension claims volumes.

As a result, we needed to utilise £1.5m of the unlevied reserve, in addition to the levy of £72.7m, where we could not absorb cost increases with efficiency savings.

Other causes of cost increases included rising cyber attacks on our infrastructure, which required the enhancement of our cyber security and the establishment of a security operations centre, and the increased complexity of legal challenges we face. We also faced higher than expected costs of transition to our single outsource partner.

	Year ended 31 March 2019	Year ended 31 March 2018
	£m	£m
Outsourcing costs	17.0	15.8
Employment costs	18.6	18.0
Other staff costs	2.0	1.9
Strategic change portfolio	8.5	8.9
Communications	3.5	3.3
Other core costs	22.6	19.4
Total management expenses (excluding pension deficit funding)	72.2	67.3
Pension deficit funding	1.9	1.9
Total management expenses	**74.2**	**69.2**


9.74
6.24
12.12

Section 07

LOOKING OUTWARDS

Our work on the future of the industry

Following the FCA FSCS funding review that began in 2016, and a number of consultations, the new rules took effect in April 2019. These amend the FSCS funding model by:

- merging the Life and Pensions and Investment Intermediation classes;
- requiring product providers to contribute around 25% of the compensation costs that fall to the Intermediation classes; and
- moving pure protection intermediation from the Life and Pensions Intermediation class to the General Insurance Intermediation (Distribution) class.

There will also be changes to the FSCS compensation limit for Investment Provision, Investment Intermediation, Home Finance Intermediation and Debt Management claims, increasing to £85,000, also from April 2019.

Rules were also introduced requiring Personal Investment Firms (PIFs) to have Professional Indemnity Insurance policies that do not limit claims, where the policyholder or a third party is insolvent, or where a person other than the PIF (e.g. FSCS) is otherwise entitled to make a claim. The changes, which came into effect on 1 June 2019, are intended to ensure that more consumer claims are paid by insurers, which could help to reduce the cost of FSCS to other firms and enhance our recovery prospects.

Internationally, we continue to work closely with our counterparts and are actively involved in bodies such as the European Forum of Deposit Insurers (EFDI), the International Association of Deposit Insurers and the International Forum of Insurance Guarantee Schemes (IFIGS). This provides important knowledge transfer, establishes our cross-border relations and helps us to fulfil our cross-border obligations.

We have hosted meetings for the EFDI Stress Testing Working Group and the IFIGS Management Committee. FSCS has also participated in the ongoing work of the European Banking Authority on the review of the Deposit Guarantee Schemes Directive.

We have also hosted a number of international guests, including visitors from the Netherlands, South Africa, Ghana, Gibraltar, the Channel Islands and the Isle of Man.

As a business, FSCS has been busy preparing for the UK's withdrawal from the European Union.

While the UK is a member of the EU or for as long as the UK continues to be bound by EU obligations during an implementation period, the UK financial system will continue to be regulated in accordance with its existing obligations as an EU Member State. FSCS will continue to protect depositors, policyholders, investors and others.

FSCS has worked closely with HM Treasury, the Bank of England and the FCA on the implications of EU withdrawal for FSCS and consumers. The impact of EU withdrawal on the framework for financial regulation in the UK, and FSCS protection, will depend, in part, on the relationship that the UK agrees with the EU in the future. Any changes affecting FSCS will be communicated to all stakeholders and we will work with the UK Authorities to ensure clear and consistent messages.

Section 08

AUDITOR'S REPORT

Report of the Independent Auditors of the Class Statements to the Directors of Financial Services Compensation Scheme

Opinion on financial statements

I have audited the Financial Services Compensation Scheme (FSCS) Class Statements for the year ended 31 March 2019 which comprise the Statements of Fund Movements; Assets and Liabilities; Base Costs and Related Levies; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion, the financial statements for the year ended 31 March 2019 have been properly prepared in accordance with:

- Section 218 of the Financial Services and Markets Act 2000 and the requirements therein;
- the accounting policies set out on pages 27 to 29.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of FSCS in accordance with the ethical requirements that are relevant to my audit and 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.

Responsibilities of the directors for the financial statements

The directors of FSCS are responsible for the preparation of the financial statements and for being satisfied that they have been properly prepared.

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 applicable law and International Standards on Auditing (UK).

This report, including the opinion, has been prepared for and only for the directors of FSCS.

I report to you my opinion as to whether the financial statements are properly prepared in accordance with:

- Section 218 of the Financial Services and Markets Act 2000 and the requirements therein;
- the accounting policies set out on pages 27 to 29.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FSCS's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Financial Services Compensation Scheme's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

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

Other Information

The FSCS Directors are responsible for the other information. The other information comprises information included in the annual report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters where I have agreed under the terms of our engagement to report to you if, in my opinion:

- adequate accounting records have not been kept for the classes, and proper returns adequate for the audit have not been received from any third parties; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I required for my audit.

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

18 June 2019

Section 09

STATEMENT OF FUND MOVEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Funding sub-class code	Total		Compensation costs net of recoveries relating to the 2008/09 banking failures		Deposits SA01		General Insurance Provision SB01		General Insurance Intermediation SB02		Life and Pensions Provision SC01		Life and Pensions Intermediation SC02	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Compensation and interest	**(447,534)**	**(444,965)**	–	–	(29,167)	14,165	(158,588)	(136,324)	(11,262)	(15,666)	–	–	(157,227)	(155,528)
Exchange gain/(loss)	**72**	**(75)**	–	–	–	–	24	(34)	17	(4)	–	–	–	(17)
Other income	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Recoveries received	**4,703,898**	**148,851**	4,684,106	12,467	2,258	523	4,227	93,670	2,657	8,688	–	–	(123)	4,540
	4,256,436	**(296,189)**	4,684,106	12,467	(26,909)	14,688	(154,338)	(42,688)	(8,588)	(6,982)	–	–	(157,350)	(151,004)
Attributable management costs:														
Specific costs	**(48,331)**	**(45,194)**	–	–	(12,736)	(11,386)	(4,574)	(3,835)	(5,620)	(7,762)	–	–	(12,808)	(12,561)
Specified Deposit Defaults interest	**(14,050)**	**(99,009)**	–	–	(14,050)	(99,009)	–	–	–	–	–	–	–	–
	(62,381)	**(144,203)**	–	–	(26,786)	(110,396)	(4,574)	(3,835)	(5,620)	(7,762)	–	–	(12,808)	(12,561)
Interest received:														
Gross before tax	**54**	–	–	–	(183)	–	83	–	71	–	1	–	(66)	–
Tax at 20%	**(10)**	–	–	–	35	–	(16)	–	(14)	–	–	–	13	–
	44	–	–	–	(148)	–	67	–	58	–	1	–	(53)	–
Levies received	**540,889**	**464,331**	–	–	77,978	210,551	103,175	33,863	39,551	18,331	–	–	74,683	101,397
Cross-subsidy transfer	–	–	(68,956)	(125,526)	68,956	125,526	–	–	(30,245)	(607)	–	–	94,397	6,897
Repayment of recoveries	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Funds brought forward	**(4,675,299)**	**(4,699,239)**	(4,615,150)	(4,502,091)	(95,317)	(335,686)	35,026	47,686	7,971	4,991	181	181	(1,239)	54,031
Funds carried forward	**59,689**	**(4,675,299)**	**–**	**(4,615,150)**	**(2,226)**	**(95,317)**	**(20,643)**	**35,026**	**3,126**	**7,971**	**183**	**181**	**(2,370)**	**(1,239)**

Investment Provision SD01		Investment Intermediation SD02		Home Finance Intermediation SE02		Debt Management SK01		Home Finance Providers-FCA retail pool SRI1		Insurers General-FCA retail pool SRH1		Insurers Life-FCA retail pool SRG1		Deposit Acceptors-FCA retail pool SRF1		Payment On Account Levies POAL	
2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
(32,398)	(4,902)	(49,475)	(129,454)	(9,417)	(17,256)	–	–	–	–	–	–	–	–	–	–	–	–
20	(3)	–	(16)	12	(2)	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
70	(285)	10,677	29,247	26	–	–	–	–	–	–	–	–	–	–	–	–	–
(32,309)	(5,189)	(38,797)	(100,223)	(9,380)	(17,257)	–	–	–	–	–	–	–	–	–	–	–	–
(2,473)	(136)	(9,392)	(8,688)	(728)	(826)	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(2,473)	(136)	(9,392)	(8,688)	(728)	(826)	–	–	–	–	–	–	–	–	–	–	–	–
95	–	(15)	–	41	–	–	–	–	–	–	–	–	–	–	–	26	–
(18)	–	3	–	(8)	–	–	–	–	–	–	–	–	–	–	–	(5)	–
77	–	(12)	–	34	–	–	–	–	–	–	–	–	–	–	–	21	–
69,752	(926)	42,529	85,348	22,687	14,344	1,486	–	4,735	52	3,031	372	6,611	790	11,454	209	83,217	–
(20,640)	(765)	(12,082)	(3,759)	(4,113)	(344)	(1,486)	–	(4,735)	(52)	(3,031)	(372)	(6,611)	(790)	(11,454)	(209)	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
295	7,311	(7,400)	19,922	333	4,416	–	–	–	–	–	–	–	–	–	–	–	–
14,703	**295**	**(25,155)**	**(7,400)**	**8,832**	**333**	–	–	–	–	–	–	–	–	–	–	**83,238**	–

STATEMENT OF ASSETS AND LIABILITIES AT 31 MARCH 2019

Funding sub-class code	Total		Compensation costs net of recoveries relating to the 2008/09 banking failures		Deposits SA01		General Insurance Provision SB01		General Insurance Intermediation SB02		Life and Pensions Provision SC01		Life and Pensions Intermediation SC02	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Current assets:														
Net amounts due from FSCS	**109,150**	**51,682**	–	–	–	–	–	39,740	2,875	8,112	183	181		2,622
Taxation	–	–	–	–	–	–	–	–	–	–	–	–	–	
Term deposits and cash at bank	**23,161**	**71,326**	–	–	12,471	71,326	–	–	264	–	–	–	1,436	–
	132,312	**123,008**	–	–	12,471	71,326	–	39,740	3,140	8,112	183	181	1,436	2,622
Current liabilities:														
Net amounts due to FSCS	**(69,523)**	**(4,786,681)**	–	(4,615,150)	(14,603)	(166,455)	(17,666)	–	–	–	–	–	(3,819)	–
Taxation	**(10)**	–	–	–	35	–	(16)	–	(14)	–	–	–	13	–
Bank overdrafts	**(3,089)**	**(11,626)**	–	–	(128)	(188)	(2,961)	(4,714)	–	(141)	–	–	–	(3,860)
	(72,623)	**(4,798,308)**	–	(4,615,150)	(14,697)	(166,643)	(20,643)	(4,714)	(14)	(141)	–	–	(3,806)	(3,860)
Long-term liabilities:														
Net amounts due to FSCS	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total net assets/ (liabilities)	**59,689**	**(4,675,299)**	**–**	**(4,615,150)**	**(2,226)**	**(95,317)**	**(20,643)**	**35,026**	**3,126**	**7,971**	**183**	**181**	**(2,370)**	**(1,239)**

Investment Provision SD01		Investment Intermediation SD02		Home Finance Intermediation SE02		Debt Management SK01		Home Finance Providers-FCA retail pool SRI1		Insurers General-FCA retail pool SRH1		Insurers Life-FCA retail pool SRG1		Deposit Acceptors-FCA retail pool SRF1		Payment On Account Levies POAL	
2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
14,360	517	–	–	8,489	510	–	–	–	–	–	–	–	–	–	–	83,243	–
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
361	–	8,277	–	351	–	–	–	–	–	–	–	–	–	–	–	–	–
14,721	517	8,277	–	8,840	510	–	–	–	–	–	–	–	–	–	–	83,243	–
–	–	(33,435)	(5,076)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(18)	–	3	–	(8)	–	–	–	–	–	–	–	–	–	–	–	(5)	–
–	(221)	–	(2,323)	–	(177)	–	–	–	–	–	–	–	–	–	–	–	–
(18)	(221)	(33,432)	(7,400)	(8)	(177)	–	–	–	–	–	–	–	–	–	–	(5)	–
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14,703	**295**	**(25,155)**	**(7,400)**	**8,832**	**333**	–	–	–	–	–	–	–	–	–	–	**83,238**	–

STATEMENT OF BASE COSTS AND RELATED LEVIES AT 31 MARCH 2019

Base Cost Fund Account	FCA fee block																	
	Total		Minimum fee A000		FCA Prudential fee AP00		Deposit takers A001		Home Finance Providers A002		General Insurance A003		Life Insurance A004		Society of Lloyd's A006		Fund managers A007	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Levies received	**15,049**	**12,565**	468	545	397	456	1,730	1,997	419	452	688	698	1,391	1,164	7	9	1,126	1,281
Base costs allocated	**(13,121)**	**(12,246)**	(550)	(528)	(438)	(448)	(1,874)	(1,966)	(451)	(457)	(673)	(685)	(1,132)	(1,150)	(8)	(8)	(1,221)	(1,235)
Balance at 1 April	**1,871**	**1,552**	105	88	70	63	263	232	61	66	95	81	136	122	2	2	193	147
Funds carried forward	**3,799**	**1,871**	**23**	**105**	**29**	**70**	**118**	**263**	**29**	**61**	**109**	**95**	**395**	**136**	**1**	**2**	**98**	**193**

Base Cost Fund Account	PRA fee block															
	Total		Minimum fee PA00		Deposit takers PA01		General Insurance PA03		Life Insurance PA04		Managing agents at Lloyd's PA05		Society of Lloyd's PA06		Firms dealing as principal PA10	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Levies received	**14,067**	**12,464**	40	–	8,876	8,088	1,986	1,929	2,374	2,349	–	–	100	98	691	–
Base costs allocated	**(13,121)**	**(12,246)**	–	–	(8,281)	(7,956)	(1,815)	(1,867)	(2,297)	(2,329)	(78)	–	(95)	(94)	(555)	–
Balance at 1 April	**1,807**	**1,589**	–	–	1,184	1,051	305	243	302	283	–	–	17	13	–	–
Funds carried forward	**2,753**	**1,807**	**40**	–	**1,779**	**1,184**	**476**	**305**	**379**	**302**	**(78)**	–	**22**	**17**	**136**	–

FCA fee block																			
Operators/ trustees Collective Investment Schemes A009		Firms dealing as principal A010		Advising/ arranging (not holding client money) A013		Corporate Finance Advisers A014		Home Finance mediation A018		General Insurance mediation A019		Firms holding client money or assets, or both A021		Consumer Credit (Limited Permission) CC01		Consumer Credit (Full Permission) CC02		Investment exchanges, trading facilities etc. B002	
2018/ 19 £'000	2017/ 18 £'000	2018/ 19 £'000	2017/ 18 £'000	2018/ 19 £'000	2017/ 18 £'000	2018/ 19 £'000	2017/ 18 £'000	2018/ 19 £'000	2017/ 18 £'000	2018/ 19 £'000	2017/ 18 £'000	2018/ 19 £'000	2017/ 18 £'000	2018/ 19 £'000	2017/ 18 £'000	2018/ 19 £'000	2017/ 18 £'000	2018/ 19 £'000	2017/ 18 £'000
300	342	1,396	1,449	1,812	2,198	353	393	394	441	664	755	347	386	321	–	3,233	–	3	–
(304)	(338)	(1,415)	(1,433)	(2,104)	(2,027)	(385)	(385)	(443)	(448)	(736)	(756)	(372)	(382)	(165)	–	(849)	–	–	–
51	48	191	175	412	241	55	47	68	76	119	120	50	46	–	–	–	–	–	–
47	**51**	**172**	**191**	**120**	**412**	**23**	**55**	**19**	**68**	**47**	**119**	**25**	**50**	**156**	–	**2,383**	–	**3**	–

The Class Statements on pages 20 to 25 were approved by the Board of Financial Services Compensation Scheme Limited, as designated Scheme Manager of the classes, on 21 May 2019 and signed on its behalf on 14 June 2019 by:

Marshall Bailey
Chairman,
Financial Services Compensation Scheme

NOTES TO THE CLASS STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

Under the relevant rules set out in the FCA Handbook and PRA Rulebook, for funding purposes, and effective from 1 April 2013, FSCS is split into classes, comprising: Deposits (Class A); General Insurance Provision (Class B1); General Insurance Intermediation (Class B2); Life and Pensions Provision (Class C1); Life and Pensions Intermediation (Class C2); Investment Provision (Class D1); Investment Intermediation (Class D2); Home Finance Intermediation (Class E2); and Debt Management (Class K1). The accounts must show:

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

(2) the liabilities of that class.

Statement of the directors' responsibilities in respect of the Class Statements

The directors of Financial Services Compensation Scheme Limited (FSCS) present their annual report and audited Class Statements for the year ended 31 March 2019, with comparatives, including the equivalent fund balances for the year ended 31 March 2018.

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

1 Requirement to publish Class Statements

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

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

Our 2018/19 Annual Report and Accounts shows the company's statutory financial statements prepared under IFRS as adopted by the EU and in accordance with the Companies Act 2006. This is a separate publication, which can be found on our website at www.fscs.org.uk/about-fscs/industry-enquiries/publications/annual-reports/. The 2018/19 Annual Report and Accounts will be delivered to the Registrar of Companies within the statutory time frame and the auditor's report thereon was unqualified.

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

2 Accounting policies

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

Levies

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

Recoveries

Recoveries are only recognised in the Class Statements when dividends are notified by Insolvency Practitioners (IPs) or agreed recoveries are notified by other third parties. In the absence of notification, recoveries are recognised on receipt.

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

a) Basis of accounting

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

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

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

The accounting policies have been selected by the Scheme Manager.

b) Compensation costs

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

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

c) Recoveries

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

NOTES TO THE CLASS STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

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

f) Levies
The classes are funded by levies on firms authorised by the FCA and/or the PRA. The FCA raises levy invoices, on behalf of FSCS, which are credited to the classes on a receipts basis. Levies refunded are accounted for on payment. Where requests for the remission or rebate of a levy have been made, this is only recognised in the classes when payment is made. Under the funding arrangements that took effect on 1 April 2013, the amount that can be raised by levy in the year will vary, depending on the funding class. Only FCA classes will receive support from other classes, and so for PRA classes the amount that FSCS can levy in any year is the individual class limit. For FCA classes, it is the amount of the relevant FCA retail pool. Levies received during the year from a receiving FCA class are shown as levies received in the class accounts of the receiving FCA class, together with a corresponding transfer out to the relevant FCA class. Any provision or contingent liability recognised in FSCS for levy rebates is only recognised in the Class Statements when payment is made.

Under revised funding rules that took effect on 1 April 2018, FCA instructed the largest 1,000 levy payers to make payments on account for FSCS's 2019/20 levy. These firms were invoiced in February with a due date of 1 April 2019. As at 31 March 2019, invoices totalling £135,102,000 were issued, of which £83,217,000 was collected, leaving amounts due from levy payers of £51,885,000. The amounts levied are held to the credit of those individual firms rather than to any particular funding class and are shown separately in the statement of fund movements. These funds will be applied to reduce the payments of these firms when the 2019/20 annual levies are invoiced in July 2019, which are allocated against funding classes.

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

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

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

j) Welcome Financial Services Limited
FSCS declared Welcome Financial Services Limited (Welcome) in default on 2 March 2011. Welcome sold a substantial number of Payment Protection Insurance (PPI) and other insurance policies and its restructuring arrangements provided for it to make payments to FSCS to fund compensation costs and the costs associated with handling claims. Payments made by Welcome to FSCS are ring-fenced and will only be used to pay for costs relating to Welcome. Such payments are shown in the statement of financial position of FSCS's statutory financial statements as an asset and in "Trade and other payables (current liabilities)" since any excess funds will be repaid to Welcome. These funds are released to the General Insurance Intermediation class as recoveries to offset any costs relating to Welcome. Funds received from Welcome were fully utilised during the year, so any further claims on FSCS will be funded by levies raised on the General Insurance Intermediation class.

k) Accounting judgements and key estimation uncertainties
The Scheme Manager is required to prepare Class Statements. The Class Statements are drawn up in accordance with the accounting policies above. The key areas of judgement and uncertainty in the Class Statements are as follows:

- outsourced claims-handling costs consist of invoices paid during the year and accruals for decisions made not invoiced and the cost of handling claims at various stages of the claims-handling process, referred to as work in progress; and
- compensation costs consist of compensation payments made during the year and accruals for compensation awards not paid.

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

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

4 Welcome Financial Services Limited
Compensation costs of £3,862,000 (2018: £2,284,000) and management expenses of £258,000 (2018: £452,000) relating to Welcome payments were incurred in the year. This is shown under the General Insurance Intermediation class in the statement of fund movements for the year ended 31 March 2019.

APPENDICES TO THE CLASS STATEMENTS

RECONCILIATION BETWEEN CLASS STATEMENTS AND THE STATUTORY FINANCIAL STATEMENTS

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

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

Funding class	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
2008/09 banking failures	–	–
Deposits (excluding 2008/09 banking failures)	77,978	210,551
General Insurance Provision	103,175	33,863
General Insurance Intermediation	39,551	18,331
Life and Pensions Provision	–	–
Life and Pensions Intermediation	74,683	101,397
Investment Provision	69,752	(926)
Investment Intermediation	42,529	85,348
Home Finance Intermediation	22,687	14,344
Debt Management	1,486	–
Home Finance Providers – FCA retail pool	4,735	52
Insurers General – FCA retail pool	3,031	372
Insurers Life – FCA retail pool	6,611	790
Deposit Acceptors – FCA retail pool	11,454	209
Payments on Account	83,217	–
	540,888	**464,331**
FCA fee block	15,049	12,565
PRA fee block	14,067	12,464
Total levies received in the Class Statements	**570,004**	**489,360**
Less:		
Exchange (gains)/loss, interest received and tax	116	(75)
Other income	–	–
Movement in class funds during the year (see below)	(4,737,861)	(24,476)
Add:		
Movements in recoveries receivable	4,689,017	118,711
IAS 19 net pension obligation	(4,272)	(5,177)
Total levy income recognised in statutory financial statements	**517,005**	**578,343**

Movement in class funds

The table below provides an analysis of the net change in funds associated with each funding class and fee blocks in the years ended 31 March 2018 and 31 March 2019:

Funding class	Fund balance as at 31 March 2017 £'000	Fund movements during the year £'000	Fund balance as at 31 March 2018 £'000	Fund movements during the year £'000	Fund balance as at 31 March 2019 £'000
2008/09 banking failures	(4,502,091)	(113,059)	(4,615,150)	4,615,150	–
Deposits (excluding 2008/09 banking failures)	(335,686)	240,369	(95,317)	93,091	(2,226)
General Insurance Provision	47,686	(12,660)	35,026	(55,669)	(20,643)
General Insurance Intermediation	4,991	2,980	7,971	(4,845)	3,126
Life and Pensions Provision	181	–	181	1	183
Life and Pensions Intermediation	54,031	(55,270)	(1,239)	(1,131)	(2,370)
Investment Provision	7,311	(7,015)	295	14,408	14,703
Investment Intermediation	19,922	(27,322)	(7,400)	(17,755)	(25,155)
Home Finance Intermediation	4,416	(4,083)	333	8,499	8,832
Debt Management	–	–	–	–	–
Payments on Account	–	–	–	83,238	83,238
	(4,699,239)	**23,939**	**(4,675,299)**	**4,734,988**	**59,689**
Base costs – FCA fee block	1,552	319	1,871	1,928	3,799
Base costs – PRA fee block	1,589	218	1,807	945	2,753
	(4,696,098)	**24,476**	**(4,671,620)**	**4,737,861**	**66,241**

APPENDICES TO THE CLASS STATEMENTS

RECONCILIATION BETWEEN CLASS STATEMENTS AND THE STATUTORY FINANCIAL STATEMENTS

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

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

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

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Recoveries received recognised in the Class Statements	4,703,898	148,851
Movements in recoveries receivable	(4,689,017)	(118,711)
Recoveries income recognised in statutory financial statements	**14,881**	**30,140**

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

The timing and value of recoveries income receivable is estimated based on best information available to the directors at 31 March 2019, including IPs' statements of estimated outcome and other reports published as part of insolvency processes; however, the timing and final outcome are uncertain.

The movements in recoveries income receivable in the statement of financial position is analysed below.

	Receivable at 31 March 2017 £'000	Movements in recoveries receivable £'000	Receivable at 31 March 2018 £'000	Movements in recoveries receivable £'000	Receivable at 31 March 2019 £'000
Current recoveries receivable:					
Other defaults	125,826	(121,218)	4,608	(2,120)	2,488
2008/09 banking failures	11,004,340	(6,320,002)	4,684,338	(4,674,403)	9,935
Non-current recoveries receivable:					
Other defaults	10,106	8,058	18,164	(9,352)	8,812
2008/09 banking failures	4,702,820	(4,680,890)	21,930	(3,141)	18,789
	15,843,092	**(11,114,051)**	**4,729,040**	**(4,689,017)**	**40,024**
Less: amounts recognised in the Class Statements but not received by the year-end date:					
Bradford & Bingley plc	–	10,976,636	–	–	–
Kaupthing Singer & Friedlander Limited	–	18,704	–	–	–
	15,843,092	**(118,711)**	**4,729,040**	**(4,689,017)**	**40,024**

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