



Financial Services Compensation Scheme  
**Class Statements**  
2019/20

Financial Services Compensation Scheme  
**Annual Report and Class Statements**  
2019/20

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 9 July 2020

HC 431

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 9 July 2020.



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Financial Services Compensation Scheme Limited  
Company Number 3943048

ISBN 978-1-5286-1888-5

CCS0320285170 07/20

Printed on paper containing 75% recycled fibre content minimum.

Design: Rob Levison

Printed in the UK by the APS Group  
on behalf of the Controller of  
Her Majesty's Stationery Office.

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# 01 CHAIRMAN'S STATEMENT



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To support our mission, at the start of this year we embarked on our new four-pillar strategy.

The mission of the Financial Services Compensation Scheme is to provide a trusted compensation service for consumers which raises public confidence in the financial services industry.

To support our mission, at the start of this year we embarked on our new four-pillar strategy *FSCS into the 2020s: Protecting the future*. We are already making notable progress against each pillar.

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

- **Prevent** – FSCS collaborates with our regulatory and industry stakeholders to help prevent future failures and to reduce compensation costs.

This document is prepared specifically for our levy payers, providing them with key information and updates of particular relevance to them. In the Annual Report and Accounts, published alongside these Class Statements, I look in more detail at the work we are undertaking to make progress across all four pillars, considering all our stakeholders: consumers, the regulatory family and our levy payers.

As Caroline explains over the page, we understand the industry's concern over the rise in compensation costs and the burden this can have on businesses. This is why our Prevent pillar is of particular importance.

Preventing future failures helps to protect consumers and reduce future compensation costs for the industry, and we share information with our regulatory counterparts to help further our Prevent work. For example, our claims handlers have picked up incidences of Claims Management Companies that appear to be run by managers of failed companies. These people are potentially profiting through mis-selling to their customers and then again through representing these same customers when making compensation claims to us. We have passed information on these cases to the Financial Conduct Authority's supervision and enforcement teams to investigate. We have also started talking more with the industry about how we protect consumers and trends or emerging risks that might affect us in the future.

We will continue to work hard to deliver against our four pillars and collaborate with the industry, regulatory family and trade bodies to help raise public confidence in the financial services industry. ●

**Marshall Bailey**

*Chairman,  
Financial Services Compensation Scheme*



## 02 CHIEF EXECUTIVE'S STATEMENT

FSCS publishes these Class Statements separately from our statutory Annual Report and Accounts to provide a concise update for our levy payers of the information they need to understand the 2019/20 levy income, and what it has been used for. The cost of the levy to the industry is based on the compensation we pay to customers of failed regulated financial services firms and our ongoing costs for administering such payments. Not all of our funding comes from the levy. FSCS has a statutory duty to pursue recoveries and this money is used to offset the levy costs.

We are deeply conscious that without levy payers' funding and support we would not be able to help our customers: this is the industry's money, and we hold and administer it on your behalf. It is crucial, however, that we continue to work with the industry to reduce compensation costs, protect consumers and maintain confidence in the UK financial services sector.

Over the past year I have met with firms and trade bodies across the industry to hear their views on FSCS and how we are funded. I have listened to and taken on board the industry's concerns about rising compensation costs and recognise the burden this creates, especially for small businesses and Independent Financial Advisers. As Marshall highlights in his statement, this is where our Prevent pillar comes in: our Prevent work aims to reduce the number of firms that fail, which should in turn cut down the levy across the industry.

The overall increase in compensation costs this year, from £448m to £527m, is predominantly due to the unforeseen and growing number of claims against Self-Invested Personal Pension (SIPP) operators, which continues the rising trend of pensions-related claims. This resulted in supplementary levies of £50m being raised to cover increased compensation costs in the Life Distribution and Investment Intermediation class.

Although we cannot influence the volume of claims we receive, we do focus heavily on the cost



**We are deeply conscious that without levy payers' funding and support we would not be able to help our customers.**

of processing these claims to ensure value for money. In 2019/20 we achieved an 8 per cent reduction in like-for-like claims-handling costs compared to the costs in 2018/19.

Despite the coronavirus pandemic, we were still able to process claims and deliver the right outcomes for our customers. This was thanks to the investments we made in technology and increasing our digital offering to our customers over the past few years. ●

**Caroline Rainbird**

*Chief Executive,  
Financial Services Compensation Scheme*



## 03 ANNUAL LEVY – 2019/20 IN SUMMARY

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During 2019/20 we raised an annual levy of £531m in the summer of 2019. We also raised a supplementary levy of £50m for claims in the Life Distribution and Investment Intermediation class and a return to the Deposits class of £30m.

2019/20 was the first year following the Financial Conduct Authority (FCA) funding review. This review changed the levies on FCA classes in two main ways:

- Investment Intermediation and Life and Pensions Intermediation were merged to form the Life Distribution and Investment Intermediation class.
- Provider contributions were introduced where the General Insurance Distribution class, Life Distribution and Investment Intermediation class and the Home Finance Intermediation class received provider contributions from related provider classes. These are shown in Table 1.

2019/20 was also the first year that we raised levies on account. This meant that the largest 1,000 levy payers paid 50% of their 2018/19 levy on account on 1 April 2019, as a payment on account for their 2019/20 levy. The balance was payable on 1 September.

The levies announced in the year are shown in Table 1.

The total amount announced was £551m, a £97m increase on 2018/19 levies. The main reason is that the 2018/19 levy was shortened to fund nine months of compensation costs, instead of 12, to align it with the financial year to 31 March.

The overall cost of compensation increased by £79m. The details of the movements for each class are shown on the following pages. ●

**Table 1: 2019/20 Total levies announced**

	Funding classes	2019/20 Final levy	2019/20 Supplementary levy*	2019/20 Total payable	2018/19 Total payable
		£m	£m	£m	£m
SA01	Deposits	16	-30	-14	78
SB01	General Insurance Provision	162	–	162	103
SC01	Life and Pension Provision	–	–	–	–
CLGID1	General Insurance Distribution	12	–	12	31
CLGID2	<i>General Insurance Provision</i>	4	–	4	–
CLII1	Life Distribution and Investment Intermediation	153	36	190	117
CLII2	<i>Life Insurance Provision</i>	22	5	28	–
CLII3	<i>Investment Provision</i>	32	8	40	–
CLII4	<i>Structured Deposit Provision</i>	3	1	4	–
CLIP	Investment Provision	101	–	101	52
CLHFI1	Home Finance Intermediation	4	–	4	22
CLHFI2	<i>Home Finance Provision</i>	1	–	1	–
CLDM1	Debt Management	–	–	–	2
CLDM2	<i>Consumer Credit Provision</i>	–	–	–	–
SRF1	Deposit Acceptors – FCA retail pool	–	–	–	9
SRG1	Insurers Life – FCA retail pool	–	–	–	6
SRH1	Insurers General – FCA retail pool	–	–	–	3
SRI1	Home Finance Providers – FCA retail pool	–	–	–	3
	Base costs	20	–	20	28
	<b>Total</b>	<b>531</b>	<b>20</b>	<b>551</b>	<b>454</b>

\* The negative supplementary levy for the Deposits class represents a repayment to levy payers of this class.

The levies shown are those payable by each class.

For illustrative purposes the Investment Intermediation and Life and Pensions Intermediation are combined for the 2018/19 levies to show the Life Distribution and Investment Intermediation class figure.

The provider contributions are shown in *italics*.



## 04 COMPENSATION COSTS

**Table 2: Compensation costs for the year**

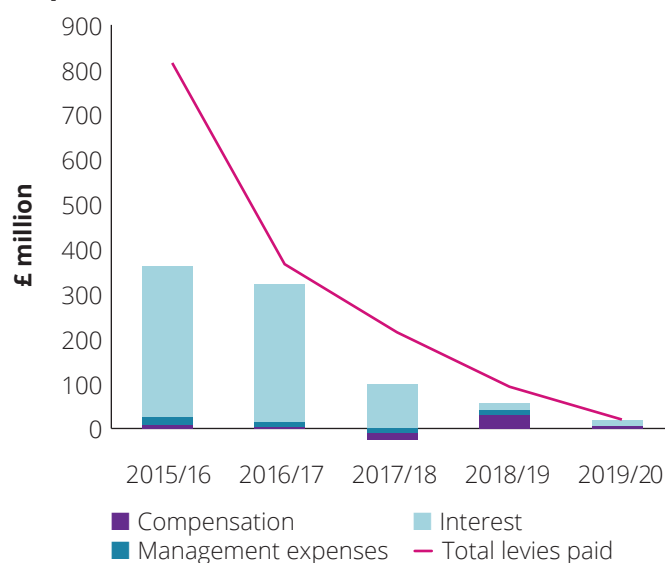
	Year ended 31 March 2020	Year ended 31 March 2019
	£m	£m
Deposits (SA01)	5	29
General Insurance Provision (SB01)	126	159
General Insurance Distribution (CLGID1)	21	11
Life Distribution and Investment Intermediation (CLII1)	282	207
Investment Provision (CLIP)	88	32
Home Finance Intermediation (CLHFI1)	6	9
<b>Total</b>	<b>527</b>	<b>448</b>

### Deposits (SA01)

Compensation costs of £5m represent a reduction of £24m from 2018/19 as that year included the £22m cost of Dial-A-Cab Credit Union Limited, the largest credit union FSCS has paid out for. There were six credit union failures in the year, the largest being Waltham Forest Community Credit Union, which cost £2m.

During the year FSCS repaid £30m to levy payers following a recovery from Kaupthing Singer & Friedlander Limited and some prior-year levy adjustments.

### Deposits



### New claims

2019/20	11,814
2018/19	14,169

### Payments made

2019/20	10,085
2018/19	9,204

### Average paid (£)

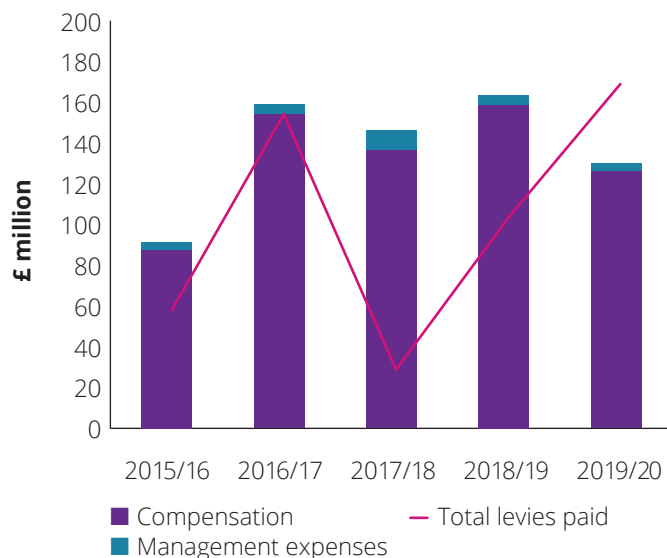
£942  
2019/20

£3,124  
2018/19

## General Insurance Provision (SB01)

The cost for the year was £126m, a reduction of £33m from the previous year. There were no major failures in the year and the decrease in compensation is due to lower provisions for Return of Premium (RoP). We continued to pay indemnity claims against multiple estates, which are generally stable or decreasing for older failures – for example, Enterprise Insurance Company Plc reducing from £35m to £22m. We have also started to pay out on newer failures – for example, Elite Insurance Company Limited (£6m) and LAMP Insurance Limited (£4m), along with Quick-Sure Insurance Limited and CBL Insurance Limited.

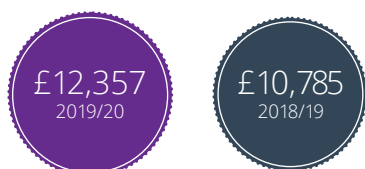
### General Insurance Provision



### Claims paid



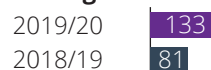
### Average paid (£)



### Premiums returned



### Average returned

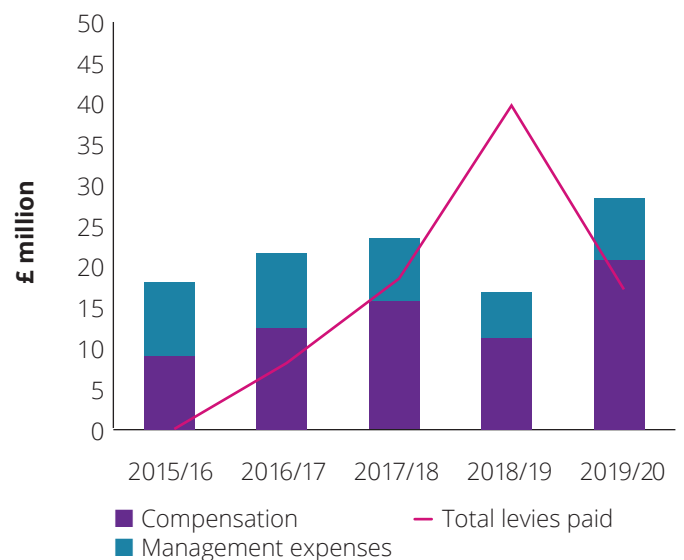


## General Insurance Distribution (CLGID1)

The cost for the year was £21m, an increase of £10m on the previous year. This was for two reasons. Over the last few years, the main cost in this class has been in relation to payment protection insurance (PPI) claims. The media interest in the PPI deadline in August 2019 generated additional claims, although many were more speculative so had a lower uphold rate. Secondly, Strathearn Insurance Services Limited was placed in default in September 2019. Strathearn Insurance Services Limited mis-sold the insurance of investments into property developments. During the year FSCS paid out 170 claims with an average value of £38,000, much higher than the average claim for PPI of £3,000.

In total, 24 per cent of the levies of the class are paid by the General Insurance Provision class.

### General Insurance Distribution



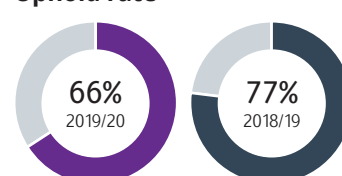
### New claims



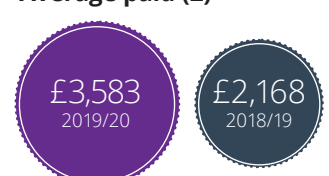
### Decisions upheld



### Uphold rate



### Average paid (£)



## Life Distribution and Investment Intermediation (CLII1)

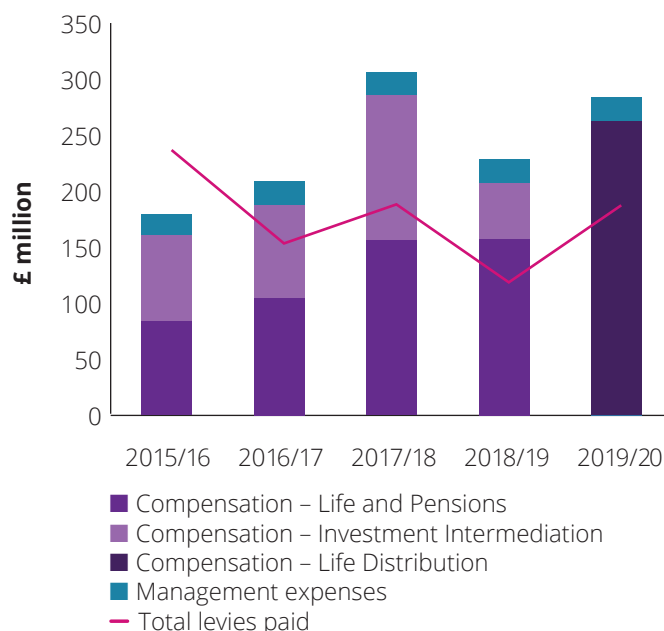
This is a new class from 1 April 2019, merging the Investment Intermediation and Life and Pensions Intermediation classes. Compensation costs for the combined class have increased from £207m in 2018/19 to £282m in 2019/20. This was against 549 firms, showing that the costs of the class relate to many relatively small firms.

The cost of Self-Invested Personal Pensions (SIPP) and other pension advice claims remains the largest cost of the class and has risen to £161m from £154m. During the year FSCS raised a supplementary levy following an increase in pension transfer claims and SIPP pension advice, as well as more complex and expensive investment advice claims.

There have also been two new stockbroker failures during the year, SVS Securities plc and Reyker Securities plc, which generated a £56m provision for the return of assets and cash to their customers.

Related provider classes pay 27 per cent of the levies of this class: Life Insurance Provision (10.6 per cent), Investment Provision (15.2 per cent) and Structured Deposits Provision (1.5 per cent).

## Life Distribution and Investment Intermediation



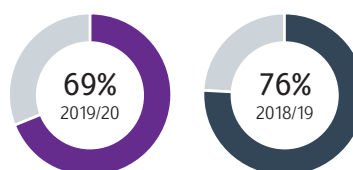
### New claims

2019/20	14,034
2018/19	14,194

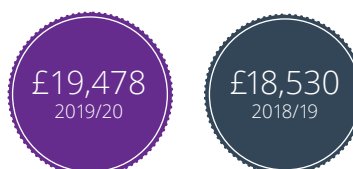
### Decisions upheld

2019/20	11,817
2018/19	11,282

### Uphold rate



### Average paid (£)

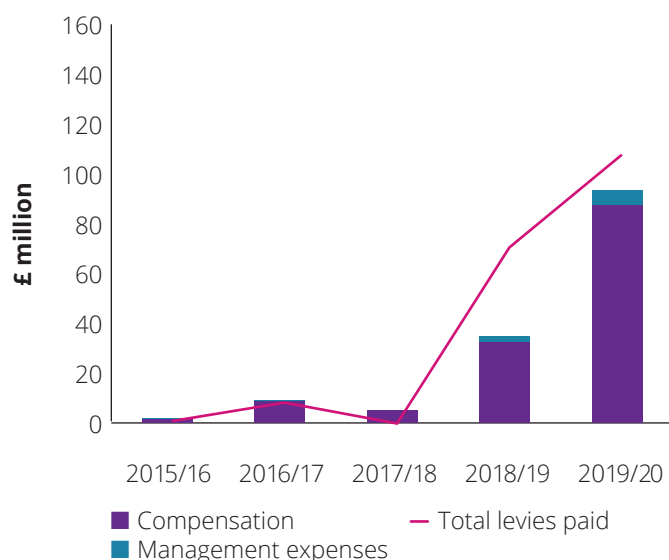


## Investment Provision (CLIP)

The compensation costs of this class have risen from £32m to £88m. The vast majority of the costs (85 per cent) are in relation to SIPP providers, which provided SIPP platforms. The largest firm so far has been The Lifetime SIPP Company Limited, which accounted for £24m in 2019/20, along with GPC SIPP Limited (formerly Guardian Pension Consultants) which accounted for £14m. £13m was paid in 2019/20 for non-SIPP products, compared to £3m in 2018/19.

This class also pays 15.2 per cent of the costs of the Life Distribution and Investment Intermediation class.

### Investment Provision



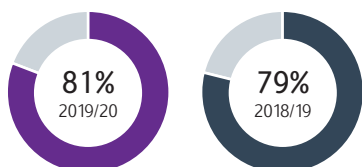
### New claims

2019/20	3,390
2018/19	2,107

### Decisions upheld

2019/20	3,489
2018/19	1,109

### Uphold rate



### Average paid (£)

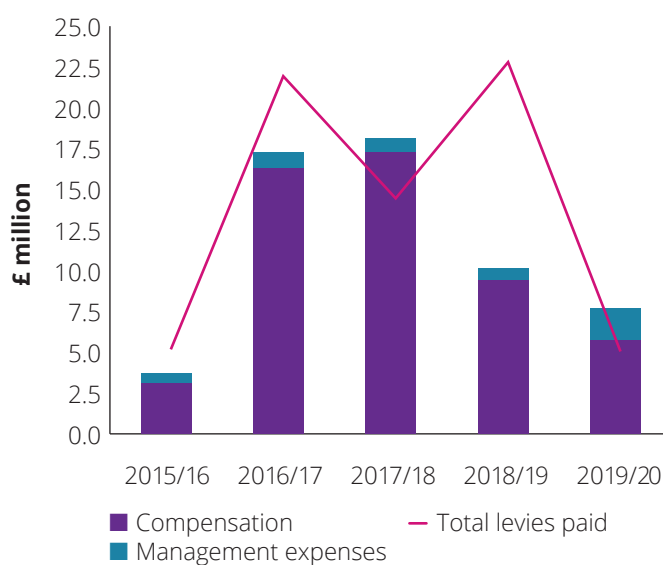


## Home Finance Intermediation (CLHF11)

Over the last five years, £36m (70 per cent) of the compensation costs of this class have been in relation to a single failure, the mortgage broker Fuel Investments Limited. As the claims against this firm have now reduced to £2m, the cost in this class has fallen from £9.4 to £5.7m.

The Home Finance Provision class pays 27 per cent of the levies of this class. ●

### Home Finance Intermediation



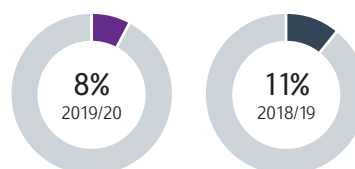
### New claims

2019/20	1,441
2018/19	1,624

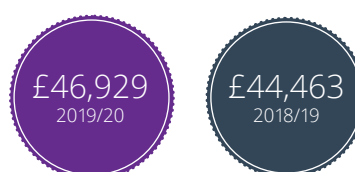
### Decisions upheld

2019/20	122
2018/19	212

### Uphold rate



### Average paid (£)





## 05 RECOVERIES

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

We recovered £50m in the year to offset levies or return to industry. In addition, we recovered over £2m on behalf of customers whose claims exceeded our compensation limits, and we passed this to them.

The largest recovery in the year, £25m, was made from the legacy bank estate of Kaupthing Singer & Friedlander. After receiving a further dividend from the administrators early in the year, FSCS agreed a sale of our residual claim to a third-party buyer. This is an innovative transaction for FSCS and brings an end to our involvement in this estate. As a result, Heritable Bank is now the only remaining estate from the 2008/09 banking failures in which FSCS is involved and we expect that to be closed in 2020/21. Also in the Deposits class, two credit unions (Dial-A-Cab Credit Union Limited and Greater Milton and Possilpark Credit Union Limited) generated dividends of more than £1m.

We recovered just under £20m in the Life Distribution and Investment Intermediation class, including a £9m dividend from the estate of ARM Asset Backed Securities SA (related to the Catalyst

Investment Group Limited failure). The balance of recoveries in this class is spread across nearly 50 firms and, as well as dividends from insolvency processes, includes settlements against several professional indemnity insurers. FSCS pursues claims against insurers where there is a reasonable prospect of success.

Last year we reported that we would focus on recovering funds from illiquid assets this year. We have reviewed many of these assets and asserted several claims in insolvency processes as a result. The structures are often complex and the underlying assets can be esoteric (including overseas fractional ownership properties, farming and forestry assets). We will continue to seek value where we can from this area, although in some cases there are limited recoveries to be made. In these cases we will not incur further cost where no return appears achievable. ●





## 06 MANAGEMENT EXPENSES

During the year, there was an increase in administration expenses to £74.4m.

This related to a rise in the volume and complexity of Self-Invested Personal Pension (SIPP) and pension claims. This resulted in increased claims-handling costs and associated resource and legal fees. These costs were mitigated by contractual year-on-year price savings on our outsourced claims-handling rates, saving 8 per cent on a

like-for-like basis against 2018/19, and a reduction in our strategic change portfolio and IT development spend as we awaited the outcome of our strategic technology partner procurement. This meant that we operated within our budget for the financial year. ●

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**Table 3: 2019/20 management expenses**

Cost centre	Year ended 31 March 2020	Year ended 31 March 2019
	£m	£m
Outsourcing costs	17.7	17.0
Employment costs	20.0	18.6
Other staff costs	3.1	2.0
Strategic change portfolio and IT development	6.3	8.5
Communications	3.2	3.5
Other core costs	22.2	22.6
<b>Total management expenses</b> (excluding pension deficit funding)	<b>72.5</b>	<b>72.2</b>
Pension deficit funding	1.9	1.9
<b>Total management expenses</b>	<b>74.4</b>	<b>74.2</b>

## 07 STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The directors of Financial Services Compensation Scheme Limited (FSCS) present their Annual Report and audited Class Statements for the year ended 31 March 2020, with comparatives, including the equivalent fund balances for the year ended 31 March 2019.

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 to the Class Statements. 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. ●

This was approved by the Board on 19 May 2020 and signed on its behalf by:

**Caroline Rainbird**

*Chief Executive,  
Financial Services Compensation Scheme*  
22 June 2020

## 08 AUDITOR'S REPORT

### Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

#### Opinion on financial statements

I certify that I have audited the Financial Services Compensation Scheme (FSCS) Class Statements for the year ended 31 March 2020 which includes 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 properly present the funds held to the credit of each class and the liabilities of that class;
- The financial statements for the year ended 31 March 2020 have been properly prepared in accordance with Section 218 of the Financial Services and Markets Act 2000 and the requirements therein and the requirements specified in the rules made by the Financial Conduct Authority and Prudential Regulatory Authority.

#### 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 report. 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.

#### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the FSCS's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the FSCS have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the FSCS's ability to continue to adopt the going concern basis.

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of Class Statements, the directors 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

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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 (ISAs) (UK).

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 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, but does not include the financial statements and my auditor's report thereon. 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 which I report to you if, in my opinion:

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

## Report

I have no observations to make on these financial statements. ●

**Gareth Davies**  
**Comptroller and Auditor General**  
**(Statutory Auditor)**

*National Audit Office*  
*157–197 Buckingham Palace Road*  
*Victoria*  
*London*  
*SW1W 9SP*  
 25 June 2020



# STATEMENT OF FUND MOVEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Funding sub-class code	Total		Compensation costs net of recoveries relating to the 2008/09 banking failures		Deposits SA01		General Insurance Provision SB01		General Insurance Distribution CLGID1		Life and Pensions Provision SC01		Life Distribution & Investment Intermediation CLII1	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Compensation and interest	(527,422)	(447,534)	-	-	(5,148)	(29,167)	(125,667)	(158,588)	(20,756)	(11,262)	-	-	(282,025)	(206,702)
Exchange gain/(loss)	71	72	-	-	12	-	-	24	5	17	-	-	-	-
Recoveries received	49,802	4,703,898	24,937	4,684,106	3,491	2,258	3,329	4,227	124	2,657	-	-	17,762	10,554
	(477,549)	4,256,436	24,937	4,684,106	(1,645)	(26,909)	(122,338)	(154,338)	(20,627)	(8,588)	-	-	(264,264)	(196,148)
Attributable management costs:														
Specific costs	(53,096)	(48,331)	-	-	(12,308)	(12,736)	(5,875)	(4,574)	(6,740)	(5,620)	(22)	-	(20,996)	(22,200)
Specified deposit defaults interest	-	(14,050)	-	-	-	(14,050)	-	-	-	-	-	-	-	-
	(53,096)	(62,381)	-	-	(12,308)	(26,786)	(5,875)	(4,574)	(6,740)	(5,620)	(22)	-	(20,996)	(22,200)
Interest received:														
Gross before tax	60	54	-	-	38	(183)	(94)	83	29	71	2	1	(248)	(81)
Tax at 20%	(11)	(10)	-	-	(7)	35	18	(16)	(5)	(14)	-	-	47	16
	49	44	-	-	31	(148)	(76)	67	23	58	2	1	(201)	(65)
Levies received	631,504	540,889	-	-	7,720	77,978	166,657	103,175	16,744	39,551	-	-	261,230	117,212
Cross-subsidy transfer	-	-	(24,937)	(68,956)	24,937	68,956	-	-	(489)	(30,245)	-	-	944	82,315
Funds brought forward	59,689	(4,675,299)	-	(4,615,150)	(2,226)	(95,317)	(20,643)	35,026	3,126	7,971	183	181	(27,525)	(8,639)
<b>Funds carried forward</b>	160,594	59,689	-	-	16,507	(2,226)	17,725	(20,643)	(7,963)	3,126	163	183	(50,811)	(27,525)

	Investment Provision CLIP		Home Finance Intermediation CLHF1		Debt Management CLDM1		Home Finance Providers-FCA retail pool SRI1		Insurers General-FCA retail pool SRH1		Insurers Life-FCA retail pool SRG1		Deposit Acceptors-FCA retail pool SRF1		Payment on Account Levies POAL	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
	(88,105)	(32,398)	(5,720)	(9,417)	-	-	-	-	-	-	-	-	-	-	-	-
	37	20	15	12	-	-	-	-	-	-	-	-	-	-	-	-
	5	70	156	26	-	-	-	-	-	-	-	-	-	-	-	-
	(88,063)	(32,309)	(5,549)	(9,380)	-	-	-	-	-	-	-	-	-	-	-	-
	(5,252)	(2,473)	(1,912)	(728)	9	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(5,252)	(2,473)	(1,912)	(728)	9	-	-	-	-	-	-	-	-	-	-	-
	226	95	108	41	-	-	-	-	-	-	-	-	-	-	-	26
	(43)	(18)	(20)	(8)	-	-	-	-	-	-	-	-	-	-	-	(5)
	183	77	87	34	-	-	-	-	-	-	-	-	-	-	-	21
	107,427	69,752	4,954	22,687	26	1,486	2	4,735	267	3,031	170	6,611	(10)	11,454	66,316	83,217
	-	(20,640)	-	(4,113)	(26)	(1,486)	(2)	(4,735)	(267)	(3,031)	(170)	(6,611)	10	(11,454)	-	-
	14,703	295	8,832	333	-	-	-	-	-	-	-	-	-	-	83,238	-
	28,998	14,703	6,412	8,832	9	-	-	-	-	-	-	-	-	-	149,554	83,238

# STATEMENT OF ASSETS AND LIABILITIES AT 31 MARCH 2020

Funding sub-class code	Total		Compensation costs net of recoveries relating to the 2008/09 banking failures		Deposits SA01		General Insurance Provision SB01		General Insurance Distribution CLGID1		Life and Pensions Provision SC01		Life Distribution & Investment Intermediation CLII1		
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	
Current assets:															
Net amounts due from FSCS	202,089	109,150	-	-	-	-	19,343	-	-	2,875	163	183	-	-	
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Term deposits and cash at bank	44,295	23,161	-	-	36,033	12,471	-	-	3,657	264	-	-	2,152	9,713	
	246,384	132,312	-	-	36,033	12,471	19,343	-	3,657	3,140	163	183	2,152	9,713	
Current liabilities:															
Net amounts due to FSCS	(83,016)	(69,523)	-	-	(18,392)	(14,603)	-	(17,666)	(11,614)	-	-	-	(53,010)	(37,254)	
Taxation	(11)	(10)	-	-	(7)	35	18	(16)	(5)	(14)	-	-	47	16	
Bank overdrafts	(2,762)	(3,089)	-	-	(1,127)	(128)	(1,636)	(2,961)	-	-	-	-	-	-	
	(85,790)	(72,623)	-	-	(19,526)	(14,697)	(1,618)	(20,643)	(11,620)	(14)	-	-	(52,963)	(37,238)	
Long-term liabilities:															
Net amounts due to FSCS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total net assets/ (liabilities)</b>	<b>160,594</b>	<b>59,689</b>	<b>-</b>	<b>-</b>	<b>16,507</b>	<b>(2,226)</b>	<b>17,725</b>	<b>(20,643)</b>	<b>(7,963)</b>	<b>3,126</b>	<b>163</b>	<b>183</b>	<b>(50,811)</b>	<b>(27,525)</b>	

	Investment Provision CLIP		Home Finance Intermediation CLHF1		Debt Management CLDM1		Home Finance Providers-FCA retail pool SRI1		Insurers General-FCA retail pool SRH1		Insurers Life-FCA retail pool SRG1		Deposit Acceptors-FCA retail pool SRF1		Payment on Account Levies POAL	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
	28,021	14,360	4,999	8,489	9	-	-	-	-	-	-	-	-	-	149,554	83,243
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,020	361	1,434	351	-	-	-	-	-	-	-	-	-	-	-	-
	29,041	14,721	6,433	8,840	9	-	-	-	-	-	-	-	-	-	149,554	83,243
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(43)	(18)	(20)	(8)	-	-	-	-	-	-	-	-	-	-	-	(5)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(43)	(18)	(20)	(8)	-	-	-	-	-	-	-	-	-	-	-	(5)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	28,998	14,703	6,412	8,832	9	-	-	-	-	-	-	-	-	-	149,554	83,238

# STATEMENT OF BASE COSTS AND RELATED LEVIES AT 31 MARCH 2020

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	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Levies received	9,990	15,049	553	468	438	397	1,855	1,730	445	419	621	688	819	1,391	8	7	1,206	1,126
Base costs allocated	(10,670)	(13,121)	(448)	(550)	(360)	(438)	(1,562)	(1,874)	(375)	(451)	(557)	(673)	(934)	(1,132)	(8)	(8)	(969)	(1,221)
Balance at 1 April*	3,518	1,871	11	105	20	70	78	263	20	61	95	95	371	136	1	2	72	193
Funds carried forward	2,838	3,799	116	23	98	29	372	118	90	29	159	109	256	395	1	1	309	98

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	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Levies received	10,801	14,067	17	40	6,909	8,876	1,388	1,986	1,993	2,374	-	-	80	100	414	691
Base costs allocated	(10,670)	(13,121)	(22)	-	(6,839)	(8,281)	(1,433)	(1,815)	(1,860)	(2,297)	-	(78)	(80)	(95)	(436)	(555)
Balance at 1 April*	2,472	1,807	11	-	1,569	1,184	430	305	321	302	-	-	19	17	122	-
Funds carried forward	2,603	2,753	6	40	1,639	1,779	385	476	455	379	0	(78)	19	22	100	136

\* The cumulative effect of adopting IFRS 16 was a £562,000 adjustment to the fund balances due to levy payers in respect of base costs as at 1 April 2019 with no restatement of the comparative information.



	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	
	2019/ 20 £'000	2018/ 19 £'000	2019/ 20 £'000	2018/ 19 £'000	2019/ 20 £'000	2018/ 19 £'000	2019/ 20 £'000	2018/ 19 £'000	2019/ 20 £'000	2018/ 19 £'000	2019/ 20 £'000	2018/ 19 £'000	2019/ 20 £'000	2018/ 19 £'000	2019/ 20 £'000	2018/ 19 £'000	2019/ 20 £'000	2018/ 19 £'000	2019/ 20 £'000	2018/ 19 £'000
	286	300	1,252	1,396	2,006	1,812	363	353	450	394	739	664	361	347	16	321	(1,430)	3,233	1	3
	(251)	(304)	(1,124)	(1,415)	(1,662)	(2,104)	(304)	(385)	(368)	(443)	(607)	(736)	(308)	(372)	(134)	(165)	(699)	(849)	-	-
	41	51	142	191	75	412	14	55	10	68	31	119	17	50	153	-	2,365	-	3	-
	76	47	270	172	419	120	74	23	91	19	163	47	70	25	35	156	236	2,383	4	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 19 May 2020 and signed on its behalf on 22 June 2020 by:

**Caroline Rainbird**

*Chief Executive,  
Financial Services Compensation Scheme*

## NOTES TO THE CLASS STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

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

The accounts must show:

- (1) the funds held to the credit of each class; and
- (2) the liabilities of that class.

2019/20 is the first year the new FSCS Funding Rule came into effect. Further details can be found in the [FCA's consultation on FSCS's funding arrangements \(CP18/11\)](#). A summary of the rule changes is below.

Changes to funding classes:

- Merging the Life and Pensions Intermediation funding class with the Investment Intermediation funding class.
- Moving pure protection intermediation from the Life and Pensions Intermediation funding class to the General Insurance Distribution funding class.

Product provider contributions:

- Requiring providers to contribute approximately 25 per cent of the funding requirement for the Insurance and Investment Intermediation funding classes.

Retail pool:

- All of the new FCA funding classes (except the Deposit Acceptors class) will benefit from and contribute to the retail pool, including the Investment Provision class.

FSCS compensation limits:

- Increasing the FSCS compensation limit for Investment Provision, Investment Intermediation claims, Home Finance Intermediation claims and Debt Management claims from £50,000 to £85,000.
- Changing the £50,000 limit for claims in relation to the intermediation of long-term care insurance, which is a pure protection contract, to match the limit for other kinds of pure protection intermediation, to 100 per cent of the claim.

For presentation purposes, the transactions and the closing fund balances for the year ended 31 March 2019, which were previously shown separately as Life and Pensions Intermediation, and Investment Intermediation classes, have been combined and shown as the comparative figures in the Life Distribution and Investment Intermediation class. This affects the statement of fund movements, statement of assets and liabilities and Appendix A.

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

Our 2019/20 Annual Report and Accounts shows the company's statutory financial statements prepared under IFRS as adopted by the EU and in accordance with the Companies Act 2006. This is a separate publication, which can be found on our website at [www.fscs.org.uk/news/fscs-news/annual-report/](http://www.fscs.org.uk/news/fscs-news/annual-report/). The 2019/20 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 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.

# NOTES TO THE CLASS STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

## a) Basis of accounting

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

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

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

## b) Compensation costs

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

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

## c) Recoveries

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

## d) Management expenses

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

## e) Interest receivable

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

## f) Levies

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

Any provision or contingent liability recognised in FSCS for levy rebates is only recognised in the Class Statements when payment is made. Product provider contributions are shown as levies received in the receiving Insurance and Investment Intermediation class.

Under revised funding rules that took effect on 1 April 2018, the FCA instructed the largest 1,000 levy payers to make payments on account for FSCS's 2020/21 levy. These firms were invoiced in February with a due date of 1 April 2020. As at 31 March 2020, invoices totalling £207,253,000 (2019: £135,102,000) were issued, of which £149,500,000 (2019: £83,217,000) was collected, leaving amounts due from levy payers of £57,754,000 (2019: £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 2020/21 annual levies are invoiced in July 2020, 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) Changes in accounting policy**

FSCS implemented IFRS 16 with effect from 1 April 2019, using a modified retrospective approach. The cumulative effect of adopting IFRS 16 is a £562,000 adjustment to the fund balances due to levy payers in respect of base costs as at 1 April 2019, with no restatement of comparative information.

#### **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 estimation uncertainty in the Class Statements are:

- Compensation costs consist of compensation payments made during the year, accruals for compensation awards not paid, and compensation cost provisions.

The key areas of estimation uncertainty in the Class Statements are:

- 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.

### **3 Management expenses**

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

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



## APPENDICES TO THE CLASS STATEMENTS

### RECONCILIATION BETWEEN CLASS STATEMENTS AND THE STATUTORY FINANCIAL STATEMENTS

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

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<b>Funding class</b>		
Deposits (excluding 2008/09 banking failures)	7,720	77,978
General Insurance Provision	166,657	103,175
General Insurance Distribution	16,744	39,551
Life Distribution and Investment Intermediation	261,230	117,212
Investment Provision	107,427	69,752
Home Finance Intermediation	4,954	22,687
Debt Management	26	1,486
Home Finance Providers – FCA retail pool	2	4,735
Insurers General – FCA retail pool	267	3,031
Insurers Life – FCA retail pool	170	6,611
Deposit Acceptors – FCA retail pool	(10)	11,454
Payments on Account	66,316	83,217
	<b>631,503</b>	<b>540,888</b>
FCA fee block	9,990	15,049
PRA fee block	10,801	14,067
<b>Total levies received in the Class Statements</b>	<b>652,295</b>	<b>570,004</b>
Less:		
Exchange (gains)/loss, interest received and tax	119	116
Movement in class funds during the year (see below)	(100,358)	(4,737,861)
Add:		
Movements in recoveries receivable	25,556	4,689,017
IAS 19 net pension obligation	(1,233)	(4,272)
<b>Total levy income recognised in statutory financial statements</b>	<b>576,379</b>	<b>517,005</b>

## 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 2019 and 31 March 2020.

Funding class	Fund balance as at 31 March 2018 £'000	Fund movements during the year £'000	Fund balance as at 31 March 2019 £'000	Fund movements during the year £'000	Fund balance as at 31 March 2020 £'000
2008/09 banking failures	(4,615,150)	4,615,150	–	–	–
Deposits (excluding 2008/09 banking failures)	(95,317)	93,091	(2,226)	18,733	16,507
General Insurance Provision	35,026	(55,669)	(20,643)	38,368	17,725
General Insurance Distribution	7,971	(4,845)	3,126	(11,089)	(7,963)
Life and Pensions Provision	181	1	183	(20)	163
Life Distribution and Investment Intermediation	(8,639)	(18,886)	(27,525)	(23,286)	(50,811)
Investment Provision	295	14,408	14,703	14,294	28,998
Home Finance Intermediation	333	8,499	8,832	(2,420)	6,412
Debt Management	–	–	–	9	9
Payments on Account	–	83,238	83,238	66,316	149,554
	<b>(4,675,299)</b>	<b>4,734,988</b>	<b>59,689</b>	<b>100,906</b>	<b>160,594</b>
Base costs – FCA fee block*	1,871	1,928	3,799	(961)	2,838
Base costs – PRA fee block*	1,807	945	2,753	(150)	2,603
	<b>(4,671,620)</b>	<b>4,737,861</b>	<b>66,241</b>	<b>99,796</b>	<b>166,036</b>

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

## APPENDICES TO THE CLASS STATEMENTS

### RECONCILIATION BETWEEN CLASS STATEMENTS AND THE STATUTORY FINANCIAL STATEMENTS

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

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

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Recoveries received recognised in the Class Statements	49,802	4,703,898
Movements in recoveries receivable	(25,556)	(4,689,017)
<b>Recoveries income recognised in statutory financial statements</b>	<b>24,246</b>	<b>14,881</b>

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

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

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

	Receivable at 31 March 2018 £'000	Movements in recoveries receivable £'000	Receivable at 31 March 2019 £'000	Movements in recoveries receivable £'000	Receivable at 31 March 2020 £'000
<b>Current recoveries receivable:</b>					
2008/09 banking failures	4,684,338	(4,674,403)	9,935	(5,586)	4,349
Other defaults	4,608	(2,120)	2,488	5,826	8,314
<b>Non-current recoveries receivable:</b>					
2008/09 banking failures	21,930	(3,141)	18,789	(18,789)	–
Other defaults	18,164	(9,352)	8,812	(7,008)	1,804
	<b>4,729,040</b>	<b>(4,689,017)</b>	<b>40,024</b>	<b>(25,556)</b>	<b>14,467</b>





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