



Financial Services
Compensation Scheme

Outlook

May 2026

www.fscs.org.uk



Contents

Chief Executive’s statement	3
Our latest levy update	5
Deposits	6
General Insurance Provision	7
Life & Pensions Provision	8
General Insurance Distribution.....	9
Life Distribution & Investment Intermediation (LDII) ..	10
Investment Provision	11
Home Finance Intermediation	12
Debt Management.....	13
Funeral Plans.....	14
Get in touch.....	15

About FSCS

FSCS is the UK’s compensation scheme for customers of authorised financial services firms. We support financial stability by giving consumers confidence, continuity and compensation for their savings, investments and insurance when financial services firms fail.

FSCS protection delivers value to consumers, the industry that funds us and the wider financial system by strengthening confidence, supporting participation and investment, and contributing to long-term economic growth and market resilience.

We are a non-profit, independent organisation, funded by the financial services industry and accountable to the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA) and HM Treasury. Our services are free for customers to access directly.

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

Chief Executive's statement

Welcome to the May 2026 Outlook, which sets out our latest view of how compensation and the FSCS levy are expected to develop over the year ahead. This follows our early forecast published in November 2025.

FSCS contributes to financial stability by giving consumers confidence, continuity and compensation when authorised financial services firms fail. This helps strengthen trust in the financial system and supports the conditions for long-term economic growth. As responsible stewards of the levy, we aim to deliver our role with clarity, discipline and efficiency. Our Outlook forecasts are designed to provide transparency to industry and help firms plan.

Reflections on 2025/26

Over the past year, FSCS fulfilled its statutory responsibilities effectively, paying compensation and pursuing recoveries in a way that enables fair

outcomes for customers and efficiency for levy payers. Our customer satisfaction levels remain high, reflecting a strong culture of embedding feedback in the design and delivery of our services.

Our claims service model enables us to consistently provide timely and accurate customer outcomes. In 2025/26, we maintained a productive level of advice claims decisions – close to 12,000 – highlighting our ability to manage demand across a wide range of claim types, with varying levels of complexity. We also responded to three credit union failures, resulting in more than 1,500 deposit payments, demonstrating how we act on our commitment to protect customers' deposits and savings.

Across insurance, we continued to assist customers when firms failed, including following the failure of Premier Insurance Company Ltd in October 2025. Support for affected customers, including those with large-loss insurance claims, will extend into the coming years. Overall, we managed more than 16,000

insurance payments in the year and launched a digitised insurance payments platform, improving speed, control and customer experience.

During 2025/26, more than £34m was recovered from the estates of failed firms and relevant third parties. Total recoveries over the past three years were £145m, with performance in 2025/26 exceeding the annual average for the previous five years. These outcomes were delivered through disciplined, cost-effective, and creative recovery activity that helps offset the levy.

Readiness, resilience and confidence

Readiness and resilience remain central to how we operate. Our adaptive operating model enables us to respond effectively across a wide range of scenarios, from high volume, lower-complexity claims to complex cases requiring specialist expertise and judgement.

Our readiness is reinforced through close engagement and dialogue with regulators and our international partners. This facilitates effective horizon-scanning and an informed understanding of emerging risks. Robust funding arrangements sit alongside this, including a recently enhanced revolving credit facility that supports new recapitalisation powers introduced through the Bank Resolution (Recapitalisation) Act 2025. This gives FSCS the ability to respond to failures of significant size, helping to reduce disruption for customers.

Awareness of FSCS protection also underpins consumer confidence, with 76% saying they are likely to save or invest more when FSCS protection is in place. Further, 85% of consumers tell us they are more likely to trust a financial services provider whose product is protected by FSCS.^a This 'confidence dividend' reinforces financial stability, adds to demand for financial services and strengthens longer term trust in the UK financial system.

^a Base: 1,072 UK adults aged 18+ Source: FSCS/2CV, November 2025

Looking ahead to 2026/27

The compensation environment continues to evolve, particularly for advice claims. Over the past year, we have seen higher volumes of lower-value general investment claims, and fewer higher-value pensions and Self-Invested Personal Pension (SIPP) operator claims. There has also been a higher proportion of rejected Section 27 claims where no compensation has been due.

The forecast levy for 2026/27 reflects these factors, together with surpluses carried forward from last year, strong recoveries and our focus on cost-efficiency. As a result, the annual levy is projected at £247m, with compensation payments of £267m anticipated during the year.

We have also set a clear direction for FSCS with the launch of our new five-year strategy for 2026–31. Built around a three-point plan, it sets out how we will build on the robust foundations established since our creation in 2001.

Over the next five years, FSCS will focus on further enhancing our scalable, cost-efficient claims model to continue to provide timely, fair and quality customer outcomes; on embedding an enduring purpose-performance culture; and on being a responsible steward of the levy by effectively managing cost and risk, while continuing to maximise recoveries to offset future levies. These priorities will guide how we deliver for customers and industry in the year ahead and beyond.

Above all, as I look ahead to the coming year, FSCS will stay true to its purpose, supporting financial stability by giving consumers confidence, continuity and compensation when authorised financial services firms fail.



Martyn Beauchamp
Chief Executive

Photo credit: Carmen Reichman

Our latest levy update

The annual levy for 2026/27 is £247m and we now expect to pay £267m in compensation during the year.

We do not anticipate that a [retail pool](#) levy will be required in 2026/27 as no class is expected to breach its annual levy limit.

In 2025/26, we secured £34m from the estates of failed firms and relevant third parties. These recoveries help offset the levy paid by financial services firms and, in some cases, can also support additional payments to customers with losses above our compensation limits.

We expect compensation costs in 2026/27 to be £27m lower than set out in our early forecast published in the November 2025 Outlook, with the levy expected to be £95m lower. Our levy forecast reflects higher surpluses carried forward into

2026/27, driven by lower-than-anticipated compensation paid in 2025/26. This was mainly due to:

- a higher volume of lower-value advice claims processed, alongside a greater proportion that were not upheld;
- fewer higher-value pensions and SIPP operator claims, and a higher proportion of Section 27 decisions where no compensation has been due;
- lower-than-expected compensation for credit union failures. Although there were a similar number of firm failures to the previous year, fewer members were impacted, resulting in lower overall compensation costs; and
- compensation for higher-value serious-injury motor insurance claims now expected to be paid in 2026/27 as legal processes and medical assessments progress.

Taken together, these factors, alongside strong recoveries and continued cost efficiency, have contributed to a lower levy than forecast in November.

Further details on our compensation and recoveries forecasts for each funding class are included in this report. We will publish final figures for 2025/26 in our Annual Report in the summer.

Payment on account

All PRA and FCA-regulated firms will be sent an annual levy invoice in summer 2026.

We've already invoiced the largest levy-paying firms in early 2026 as payment on account for the 2026/27 levy. This will be deducted from their annual levy invoice.

Levy breakdown – PRA classes

Deposits

The Deposits class levy forecast has reduced by £6m from the November Outlook forecast to £22m.

This is mainly driven by a higher opening balance, reflecting lower-than-expected compensation paid in the previous financial year for credit union failures, with a similar number of failures to the previous year but fewer members impacted.

The reduction is partly offset by [an increase in management expenses](#), reflecting a range of recent regulatory and operational developments that have required FSCS to strengthen its preparedness for larger and faster payouts. Working with HM Treasury and the Bank of England, FSCS has expanded its revolving credit facility capacity from £1.45bn to £3bn to ensure it is prepared should higher future funding demands arise.

Consistent with trends seen in recent years, we continue to expect a small number of credit union failures in 2026/27.

Deposits	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
2026/27 forecast fund balances			
Opening balance	1.4	16.3	14.9
Compensation	(12.0)	(10.0)	2.0
Recoveries	1.0	1.0	0.0
Interest	0.2	0.2	0.1
Management expenses	(14.4)	(25.9)	(11.5)
Annual levy receipts ^a	25.0	20.0	(5.0)
Total closing surplus or (deficit)	1.1	1.6	0.5
Total levies^b	27.3	21.6	(5.7)

a "Annual levy receipts" excludes provider contributions.

b "Total levies" includes provider contributions to other classes.

The levy forecast also includes £2m in [provider contributions](#) towards the LDII class. The remainder will cover costs in the Deposits class.

Deposit Acceptors

The Deposit Acceptors class only contributes towards the annual levy if the retail pool is triggered. For 2026/27, a retail pool levy is not currently expected.

Levy breakdown – PRA classes

General Insurance Provision

The levy for the General Insurance Provision class has decreased from £113m to £88m. No new firm failures are currently expected in this class in 2026/27.

The reduction in the forecast levy is partly driven by a higher opening balance. We anticipate lower costs from historic failures as the scheme continues to progress outstanding claims from legacy insurance estates. The 2026/27 forecast includes updated indemnity payment trends on these estates as well as compensation for higher-value serious-injury motor insurance claims expected to be paid as legal processes and medical assessments progress. The failure of Premier Insurance Company Ltd in October 2025 has now been incorporated into the forecast. Costs were too uncertain to include at the time of the November 2025 Outlook.

The overall compensation figure is £8m lower than forecast in the November 2025 Outlook.

In addition, recoveries from failed insurance estates are now expected to be £10m higher.

General Insurance Provision	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
2026/27 forecast fund balances			
Opening balance	4.8	14.0	9.2
Compensation	(117.0)	(108.6)	8.3
Recoveries	11.8	21.8	10.0
Interest	0.7	0.6	(0.1)
Management expenses	(7.6)	(6.9)	0.7
Annual levy receipts ^a	113.0	88.0	(25.0)
Total closing surplus or (deficit)	5.7	8.9	3.2
Total levies^b	113.0	88.0	(25.0)

a "Annual levy receipts" excludes provider contributions.

b "Total levies" includes provider contributions to other classes.

There remains no requirement for firms in this class to pay provider contributions to the General Insurance Distribution class in 2026/27.

Levy breakdown – PRA classes

Life & Pensions Provision

We don't expect any firm failures to occur in this class during 2026/27, consistent with the November 2025 forecast.

The forecast levy has decreased due to a reduction in the amount of provider contributions required for the LDII class, which is the primary driver of the levy for the Life & Pensions Provision class.

Life & Pensions Provision	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
2026/27 forecast fund balances			
Opening balance	(0.6)	(0.6)	0.0
Compensation	0.0	0.0	0.0
Recoveries	0.0	0.0	0.0
Interest	0.0	0.0	0.0
Management expenses ^a	0.0	0.0	0.0
Annual levy receipts ^b	0.0	0.0	0.0
Total closing surplus or (deficit)	(0.6)	(0.6)	0.0
Total levies^c	16.0	10.9	(5.1)

a "Management expenses" shown here comprises specific costs allocated to the funding class only (e.g. costs of claims handling, pursuing recoveries and making payments). This figure excludes management expenses in relation to base costs (e.g. general FSCS running costs) which are allocated to a firm's FCA and PRA regulatory fee blocks.

b "Annual levy receipts" excludes provider contributions.

c "Total levies" includes provider contributions to other classes.

Levy breakdown - FCA classes

General Insurance Distribution

The levy in this class is unchanged.

As stated in the November 2025 Outlook, there will be no levy required for firms in this class as we're not expecting any new firm failures. Compensation continues to relate mainly to Payment Protection Insurance (PPI) claims.

The 2025/26 class surplus was carried forward and will be sufficient for compensation payments in 2026/27.

General Insurance Distribution	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
2026/27 forecast fund balances			
Opening balance	3.2	3.1	(0.1)
Compensation	(0.3)	(0.6)	(0.3)
Recoveries	0.0	0.0	0.0
Interest	0.0	0.0	0.0
Management expenses	(1.2)	(0.9)	0.3
Annual levy receipts ^a	0.0	0.0	0.0
Total closing surplus or (deficit)	1.8	1.7	(0.1)
Total levies^b	0.0	0.0	0.0

a "Annual levy receipts" includes provider contributions from other classes.

b "Total levies" excludes provider contributions from other classes.

Levy breakdown - FCA classes

Life Distribution & Investment Intermediation (LDII)

The levy payable by firms in this class is now £75m, a £35m decrease from the November 2025 indicative forecast. The main reasons for the reduction are:

- a £25m higher opening balance carried forward from 2025/26 due to a change in types of claims, with a higher volume of lower-value general investment claims processed compared to higher-value pension decisions; and
- £23m lower compensation costs in 2026/27 due to lower forecast volumes of SIPP claims, reflecting fewer recent significant failures in this product area. In addition, pensions uphold rates and average compensation have fallen, reflecting the lower trend seen in 2025/26.

This class is forecast to receive £28m in provider contributions from other classes during the year.

Life Distribution & Investment Intermediation (LDII)	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
2026/27 forecast fund balances			
Opening balance	16.6	41.5	24.9
Compensation	(131.4)	(108.4)	23.0
Recoveries	3.5	3.5	0.0
Interest	1.1	1.0	(0.1)
Management expenses	(35.3)	(32.5)	2.8
Annual levy receipts ^a	151.0	103.0	(48.0)
Total closing surplus or (deficit)	5.5	8.1	2.6
Total levies^b	109.8	74.9	(34.9)

a "Annual levy receipts" includes provider contributions from other classes.

b "Total levies" excludes provider contributions from other classes.

Product providers share the burden of funding with intermediaries. As of April 2019, they cover approximately 25% of levies relating to General Insurance Distribution, Life Distribution & Investment Intermediation (LDII) and Home Finance Intermediation.

Levy breakdown - FCA classes

Investment Provision

Since the indicative levy was published in November 2025, the forecast for this class has decreased by £19m from £48m to £29m.

The main reason for this is an increased opening balance of £18m due to:

- lower-than-expected compensation driven by fewer SIPP operator claims than forecast and lower average compensation on these claims; and
- a higher proportion of rejected [Section 27 claims](#) where no compensation was paid.

There was also a £7m reduction in provider contributions to the LDII class, reflecting the reduced levy requirement for that class.

The above reductions are partially offset by a £6m higher compensation forecast for 2026/27, driven by additional SIPP operator claims.

Investment Provision	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
2026/27 forecast fund balances			
Opening balance	20.3	38.2	18.0
Compensation	(33.6)	(39.3)	(5.6)
Recoveries	1.5	1.5	0.0
Interest	0.3	0.4	0.1
Management expenses	(8.0)	(5.1)	2.9
Annual levy receipts ^a	25.0	13.0	(12.0)
Total closing surplus or (deficit)	5.4	8.7	3.3
Total levies^b	47.9	28.6	(19.3)

a "Annual levy receipts" excludes provider contributions.

b "Total levies" includes provider contributions to other classes.

Levy breakdown - FCA classes

Home Finance Intermediation

The levy for Home Finance Intermediation (HFI) has increased to £4m, £2m higher than the November 2025 Outlook forecast.

This rise is driven by a lower opening balance, following higher-than-forecast compensation expenditure in 2025/26, resulting in a larger deficit being carried forward. The class is also forecasting slightly higher compensation costs in 2026/27.

Under the funding model, 75% of the levy is payable by Home Finance Intermediaries themselves, with the remaining 25% funded by Home Finance Providers. The class is forecast to receive £1m in provider contributions from Home Finance Providers.

As mentioned in the November 2025 Outlook, this will be the first levy for this class since 2021/22.

Home Finance Providers

Home Finance Providers (HFP) are expected to pay £1m in [provider contributions](#), an additional £0.5m compared with the November 2025 Outlook. This is due to the higher forecast 2026/27 levy for the Home Finance Intermediation class.

Home Finance Intermediation	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
2026/27 forecast fund balances			
Opening balance	(1.0)	(2.2)	(1.3)
Compensation	(0.1)	(0.4)	(0.3)
Recoveries	0.0	0.0	0.0
Interest	0.0	0.0	(0.0)
Management expenses	(0.3)	(0.2)	0.1
Annual levy receipts ^a	2.0	4.0	2.0
Total closing surplus or (deficit)	1.7	1.2	(0.5)
Total levies HFI^b	1.5	3.0	1.5
Total levies HFP	0.5	1.0	0.5

a "Annual levy receipts" includes provider contributions.

b "Total levies" excludes provider contributions from other classes.

Home Finance products themselves are not covered by FSCS protection, which only relates to advising on and arranging these products. As required by FCA rules, firms that fall within the Home

Finance Provision class (who provide and administer these products) contribute approximately 25% towards the Home Finance Intermediation class levy.

Levy breakdown - FCA classes

Debt Management

The levy in this class is unchanged.

As stated in November's indicative levy forecast, we're not expecting any firm failures or compensation costs for the Debt Management class during 2026/27 and the levy remains nil.

Debt Management	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
2026/27 forecast fund balances			
Opening balance	0.0	0.0	0.0
Compensation	0.0	0.0	0.0
Recoveries	0.0	0.0	0.0
Interest	0.0	0.0	0.0
Management expenses ^a	0.0	0.0	0.0
Annual levy receipts	0.0	0.0	0.0
Total closing surplus or (deficit)	0.0	0.0	0.0
Total levies	0.0	0.0	0.0

^a "Management expenses" shown here comprises specific costs allocated to the funding class only (e.g. costs of claims handling, pursuing recoveries and making payments). This figure excludes management expenses in relation to base costs (e.g. general FSCS running costs) which are allocated to a firm's FCA and PRA regulatory fee blocks.

Levy breakdown - FCA classes

Funeral Plans

The levy in this class is unchanged.

In 2026/27, we're not expecting any firm failures or compensation payments for funeral plan customers. Therefore, as stated in the indicative levy forecast from November 2025, no levy is payable in 2026/27.

Funeral Plans	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
2026/27 forecast fund balances			
Opening balance	0.0	0.0	0.0
Compensation	0.0	0.0	0.0
Recoveries	0.0	0.0	0.0
Interest	0.0	0.0	0.0
Management expenses ^a	0.0	0.0	0.0
Annual levy receipts	0.0	0.0	0.0
Total closing surplus or (deficit)	0.0	0.0	0.0
Total levies	0.0	0.0	0.0

^a "Management expenses" shown here comprises specific costs allocated to the funding class only (e.g. costs of claims handling, pursuing recoveries and making payments). This figure excludes management expenses in relation to base costs (e.g. general FSCS running costs) which are allocated to a firm's FCA and PRA regulatory fee blocks.

Get in touch



Contact us

For more information
call: 0800 678 1100
email: publications@fscs.org.uk
visit: www.fscs.org.uk



Location

5th Floor,
The St Botolph Building,
138–139 Houndsditch,
London, EC3A 7AW



Stay connected

FSCS  [LinkedIn](#)
FSCS  [X](#)
FSCS  [Instagram](#)
FSCS  [Facebook](#)