

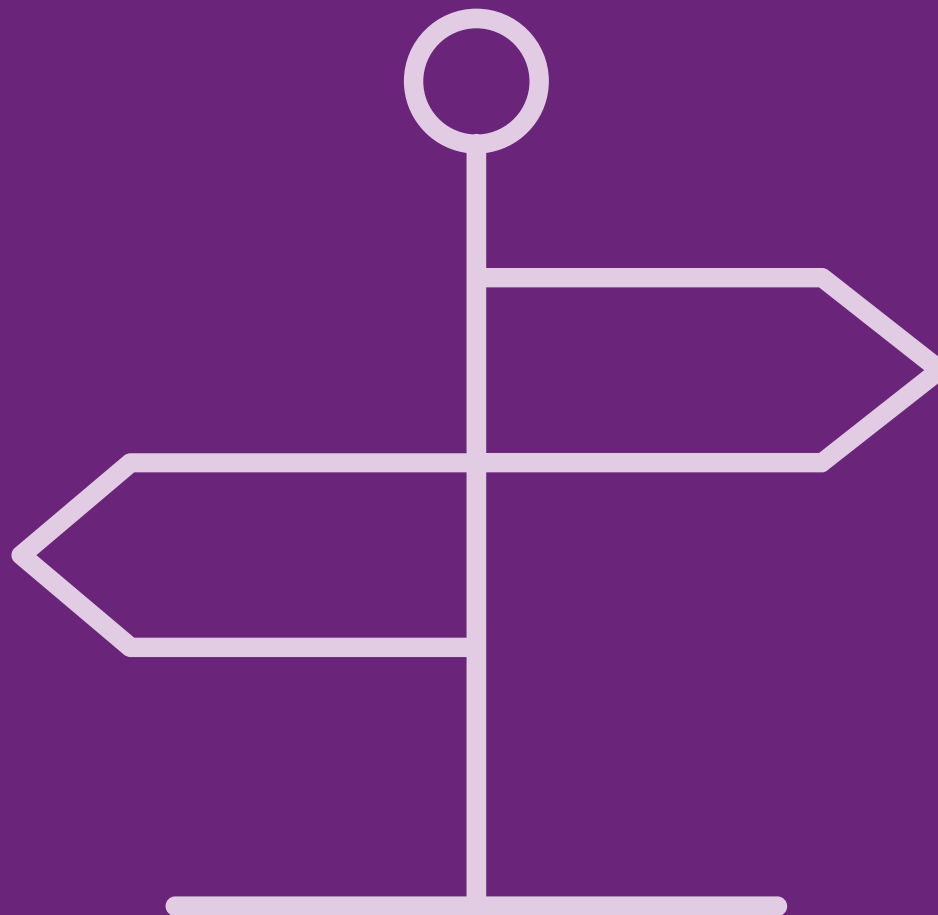


Financial Services
Compensation Scheme

Outlook

November 2025

www.fscs.org.uk



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About **FSCS**

FSCS is the UK’s financial compensation scheme that protects customers of authorised financial services firms if they fail or have stopped trading.

FSCS is independent and can pay compensation if an authorised financial firm fails and is unable to pay back money it owes its customers. FSCS’s service is completely free to use and is funded by the financial services industry.

Chief Executive's statement

Welcome to the November 2025 edition of Outlook where we share an update on compensation figures for this financial year, as well as an early view of the levy forecast for 2026/27.

With over half the year behind us, it's a good moment to reflect on FSCS's role in maintaining confidence in UK financial services and supporting financial stability – two foundations of long-term economic growth. I'm proud of our continued focus on delivering compensation efficiently and ensuring protection and continuity when firms fail. I'm also proud of our commitment to providing transparency around our levy forecasting and supporting the financial services industry in its planning – with Outlook playing a central role in this.

Progress in 2025

We've now completed the transition of our claims service, bringing the majority

of our claims management and all customer call-handling in-house. This shift is focused on enhancing the customer experience and boosting productivity. It's also helping us build our internal expertise and flex our resources across the wide range of claims we handle daily.

These changes are already delivering results. Notably, we've halved the time spent chasing third parties for critical data needed to calculate potential losses for customers.

Knowing FSCS can act fast when a financial firm fails gives people the confidence to invest in financial products and services. This relies on our readiness, whether people need us today, years from now, or simply take comfort in knowing we're here. That's why we invest in being prepared, streamlining our claims handling, speeding up deposit payouts through digital payments, and upgrading our insurance claims systems to reduce disruption to the protection policies that people and businesses rely on.

2025/26 is a pivotal year for FSCS as we shape our next five-year strategy. Our priority remains staying future-fit, ready to deliver for customers and industry alike. As a responsible steward of the levy, we'll also continue to proactively pursue recoveries from those responsible for financial harm, protecting both customers and our levy payers.

Our latest forecasts for 2025/26

The 2025/26 levy remains as forecast in May 2025 at £356m and we don't anticipate any additional levies for firms.

Consumer confidence

91% of consumers who are aware of FSCS say they feel more confident taking out a product with a provider that is FSCS protected.*

* FSCS/2CV brand tracking survey among 2,049 UK adults aged 18+, May 2025.

Recoveries

Over the past two financial years, we've successfully recovered over £110m, most of which has been used to offset the levy for firms, with a proportion supporting customers. We are pleased to announce that we expect another strong year for recoveries in 2025/26, which will help reduce future levies.

We expect to pay slightly less in compensation over the year than anticipated in May, a decrease of 5% to £315m (from £332m). This is mainly due to a change in the types of claims we expect to pay out for customers, with more lower value advice claims expected within the Life Distribution & Investment Intermediation (LDII) class and fewer higher value SIPP operator claims within the Investment Provision class.

Maximising recoveries is also a critical part of our role and our efforts in this area continue to gain momentum, with

close to £40m anticipated by the end of 2025/26. This work remains a key priority for us, and we aim to exceed our recoveries forecast wherever possible.

An initial look at 2026/27

Our early forecast of the total levy in 2026/27 is £342m, which represents a small decrease on 2025/26. This is based on a forecast of £294m in compensation costs for 2026/27.

These early expectations for 2026/27 reflect the changing claims environment. We currently forecast lower compensation costs in the Investment Provision class, mainly driven by fewer claims against SIPP operators. A higher opening balance in this class is also anticipated as we carry forward surpluses from 2025/26.

Additionally, we expect some funding classes to begin the period with lower opening balances, as surpluses carried over from previous years have been effectively utilised. This brings the levy forecast for these classes

in closer alignment with projected compensation costs.

In early 2026 we will publish an update to our Budget. This will provide full details of our management expenses for 2026/27. This forms part of our overall levy and is jointly consulted on by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). Our May 2026 Outlook will provide an update to our forecasts and confirm the levy for 2026/27.

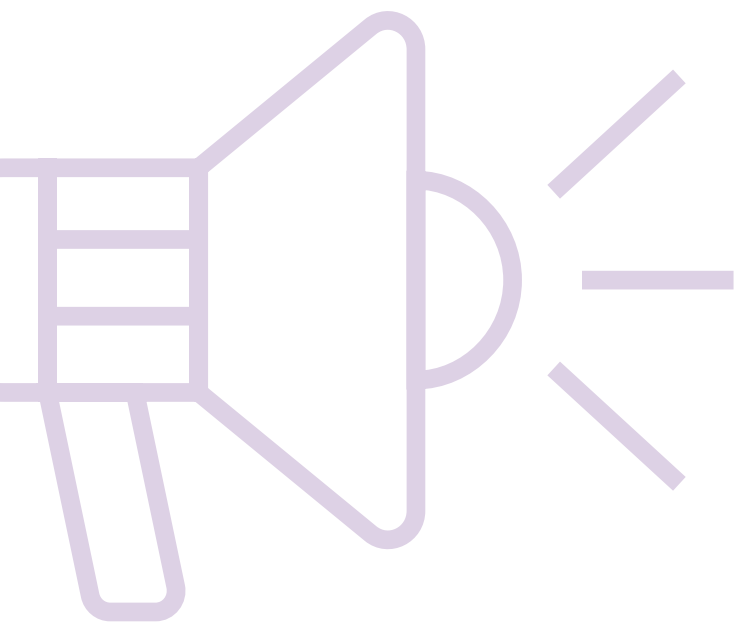
Full details of our forecasts, broken down by funding class can be found in the rest of this report.



Martyn Beauchamp
Chief Executive

2025/26 – final levy update

The 2025/26 levy remains as forecast in May 2025 at £356m, and we don't expect to need any additional levies from firms in this financial year.



Total compensation costs for the year are now forecast at £315m, a 5% decrease from May's forecast (£332m).

The decrease is mainly due to a change in the types of claims we expect to pay compensation for. While the total volume of claims decisions remains the same as anticipated in May, there are now more lower value general investment and self-invested personal pension (SIPP) advice claims expected within the LDII class. Conversely, fewer higher value SIPP operator claims are now expected within the Investment Provision class.

Our performance in recovering the cost of compensation remains strong, with close to £40m projected in recoveries from the estates of failed firms by the end of 2025/26. This includes an additional £5m in recoveries from our May forecast.

Any surpluses, including additional recoveries made since our May 2025 forecast, will be carried forward to offset the levy for firms in 2026/27.

For more details regarding the 2025/26 levy update for each class, please see from page 8 onwards.

Cash surpluses

Surpluses occur when actual costs are lower than forecast, for example, due to fewer firm failures, lower compensation payouts, or higher-than-expected recoveries. These surpluses are carried forward to the following financial year's opening balance for each funding class, helping to reduce the levy for firms.

By the end of 2025/26, cash surpluses across all classes are anticipated to fall by approximately 40% compared with 2024/25.

2026/27 – initial levy forecast

Our early forecast for the levy currently stands at £342m and we anticipate paying £294m in compensation during 2026/27.

These figures represent a small decrease from 2025/26. However, they are early forecasts and subject to change. We are committed to keeping industry informed of any developments and will provide a full update in next May's Outlook.

The key drivers behind our early forecasts for 2026/27 include:

- Lower compensation costs in the Investment Provision class, driven predominantly by fewer claims against SIPP operators.
- A higher opening balance for the Investment Provision class, mainly due to surpluses brought forward from the 2025/26 financial year.

- An increase in compensation costs within the LDII class as a result of higher volumes of SIPP advice and general investment claims, as well as higher [Special Administration Regime costs](#).
- Significantly lower opening balances for some classes due to surpluses carried over from previous years being effectively utilised – specifically for the General Insurance Provision, LDII and Home Finance Intermediation classes. This brings the levy forecast for these classes in closer alignment with projected compensation costs.

For more information regarding the 2026/27 forecasts for each class, please see from page 9 onwards.

SIPP advice vs SIPP operator claims

Claims involving self-invested personal pensions (SIPPs) typically fall into two categories, SIPP advice and SIPP operator claims.

- **SIPP advice** – these are claims against financial advisers for poor or unsuitable SIPP investment advice, including for transfers into a SIPP.
- **SIPP operator** – these are against providers of SIPP products for operating a SIPP. This includes claims for introducer or investment due diligence failings, and where someone was introduced to a SIPP by an unauthorised person (see section 27 of the Financial Services and Markets Act (FSMA)).

Management expenses budget

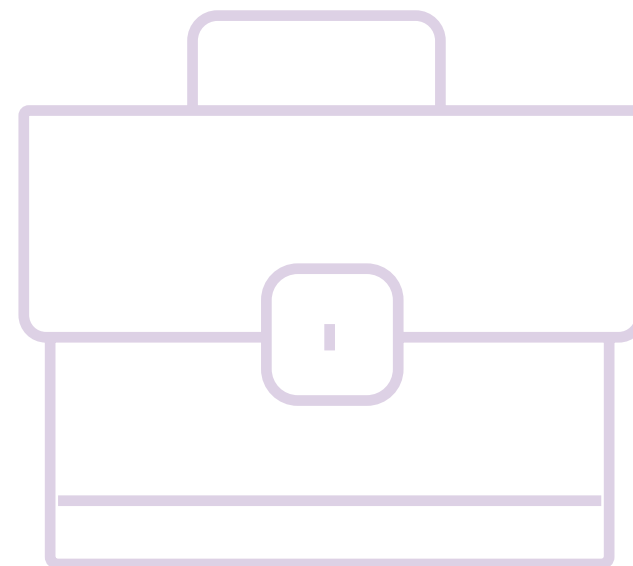
The indicative levy for 2026/27 includes an approximate amount for our management expenses, FSCS's day-to-day running costs, including costs associated with processing claims and being prepared for potential future failures.

We will provide further details in our January 2026 Budget Update when the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) will carry out a public consultation on our management expenses budget (also known as the Management Expenses Levy Limit).

Payment on account

March 2026 – We will invoice the largest levy payers an advance payment of 50% of their levy bill. This ensures we have enough funds to pay out compensation and meet our running costs in the first half of the coming year.

Summer 2026 – All PRA and FCA regulated firms will be sent an annual levy invoice. Advance payments made in March will be deducted from this invoice.



Levy breakdown – PRA classes

Deposits

2025/26 update

As shown in the table on this page, forecasts for the Deposits class remain unchanged from the May 2025 Outlook. This includes compensation costs for any potential credit union failures.

So far in 2025/26, £1m in compensation has been paid for customer claims against Waltham Forest Council Employee Credit Union Ltd (declared in default in August 2025) and Cheshire Neighbours Credit Union Ltd (declared in default October 2025).

For the 2025/26 financial year, this class has paid £28.8m in levies which included £1.8m in provider contributions to the LDII class.

In total, £4m in recoveries was used to offset the levy for firms in 2025/26 and the closing surplus for the year is estimated at £1.4m. This surplus will be taken forward to offset the 2026/27 levy for firms.

Deposits			
2025/26 forecast fund balances (£m)	May 2025 forecast (£m)	November 2025 update (£m)	Variance (£m)
Opening balance	(3.4)	(3.4)	0.0
Compensation	(12.0)	(12.0)	0.0
Recoveries*	4.0	4.0	0.0
Interest**	0.2	0.2	0.0
Management expenses	(14.4)	(14.4)	0.0
Levy paid – excluding provider contributions to the LDII class	27.0	27.0	0.0
Closing surplus/(deficit)	1.4	1.4	0.0
Total levy including provider contributions to the LDII class	28.8	28.8	0.0

* Recoveries expected to offset levy for firms (excludes additional payments to customers whose claims are above our compensation limits).

** Interest income and returned compensation where previously compensated customers have successfully pursued other parties for redress.

Deposits *continued*

2026/27 forecast

For 2026/27, our initial forecast indicates that the Deposits class will pay £27.3m in levies – this includes holding a provision for a small number of potential credit union failures that may occur during the year.

This initial levy forecast (£27.3m) is a £1.5m decrease on 2025/26 and takes into account the surplus we anticipate carrying over from 2025/26.

As in 2025/26, the levy forecast for the Deposits class also includes [provider contributions](#) to the LDII class of £2.3m.

Deposit Acceptors

The Deposit Acceptors class only contributes towards the levy if the [retail pool](#) is triggered. For both 2025/26 and 2026/27, this is not currently forecast to occur.

Deposits			
2026/27 forecast fund balances (£m)	2025/26 update (£m)	2026/27 forecast (£m)	Variance (£m)
Total levy including provider contributions to the LDII class	28.8	27.3	(1.5)



Levy breakdown – PRA classes

General Insurance Provision

2025/26 update

As indicated in the table on this page, the forecasts for the General Insurance Provision class are broadly in line with what we expected in May 2025, with compensation costs projected at £118.5m.

Most of this compensation, to be paid to customers in 2025/26, relates to the following firms:

- Chester Street Holdings Ltd (declared in default in 2001);
- Green Realisations 123 Ltd (formerly known as MCE Insurance Company Ltd) (declared in default in 2021);
- East West Insurance Company Ltd (declared in default in 2020); and
- Builders Accident Insurance Ltd (declared in default in 1998).

In addition, Premier Insurance Company Ltd was declared in default in October 2025. The compensation costs are not currently expected to be material and therefore no additional levy is required in this financial

General Insurance Provision			
2025/26 forecast fund balances (£m)	May 2025 forecast (£m)	November 2025 update (£m)	Variance (£m)
Opening balance	38.1	38.1	0.0
Compensation	(117.9)	(118.5)	(0.5)
Recoveries*	6.8	6.8	0.0
Interest**	0.9	0.9	0.0
Management expenses	(7.6)	(7.6)	0.0
Levy paid – excluding provider contributions to the General Insurance Distribution class	85.0	85.0	0.0
Closing surplus/(deficit)	5.3	4.8	(0.5)
Total levy including provider contributions to the General Insurance Distribution class	85.0	85.0	0.0

* Recoveries expected to offset levy for firms (excludes additional payments to customers whose claims are above our compensation limits).

** Interest income and returned compensation where previously compensated customers have successfully pursued other parties for redress.

General Insurance Provision *continued*

year. We will provide a further update in our May 2026 Outlook.

Our recoveries expectations are also in line with our May forecast, at £6.8m. This amount was used to offset the levy for firms in 2025/26.

We forecast that there will be a class surplus of £4.8m which will be carried forward to offset the levy for firms in 2026/27.

2026/27 forecast

For 2026/27, our initial forecast for compensation costs is £117m, £1.5m lower than 2025/26, with compensation payments mainly linked to past insurance firm failures.

We currently forecast a £113m levy for this class. While this is £28m higher than in 2025/26, it remains below the anticipated compensation figure (£117m) due to recoveries used to offset the

General Insurance Provision			
2026/27 forecast fund balances (£m)	2025/26 update (£m)	2026/27 forecast (£m)	Variance (£m)
Total levy including provider contributions to the General Insurance Distribution class	85.0	113.0	28.0

levy. The year-on-year levy increase is predominantly due to a lower opening balance from 2025/26.

There is currently no requirement to pay provider contributions to the General Insurance Distribution class.

Levy breakdown – PRA classes

Life & Pensions Provision

2025/26 update

As outlined above, the forecasts within the Life & Pensions Provision class remain as anticipated in our May 2025 Outlook.

The levy for this class was driven by [provider contributions](#) to the LDII class and for 2025/26, the Life & Pensions Provision class paid £12.7m in levies.

We do not expect any new firm failures in this class for the remainder of 2025/26.

Life & Pensions Provision			
2025/26 forecast fund balances (£m)	May 2025 forecast (£m)	November 2025 update (£m)	Variance (£m)
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	0.0	0.0	0.0
Levy paid – excluding provider contributions to the LDII class	0.0	0.0	0.0
Closing surplus/(deficit)	(0.6)	(0.6)	0.0
Total levy including provider contributions to the LDII class	12.7	12.7	0.0

Life & Pensions Provision *continued*

2026/27 forecast

Our initial forecast for 2026/27 indicates a total levy payable of £16m. This is £3.3m more than 2025/26. This anticipated increase is due to a higher estimated amount of provider contributions required for the LDII class (mainly due to a lower opening balance forecast in the LDII class at the start of 2026/27).

As in prior financial years, we do not anticipate any new firm failures for this class in 2026/27.

Life & Pensions Provision			
2026/27 forecast fund balances (£m)	2025/26 update (£m)	2026/27 forecast (£m)	Variance (£m)
Total levy including provider contributions to the LDII class	12.7	16.0	3.3



Levy breakdown - FCA classes

Debt Management

2025/26 update

As per the table on this page, the forecasts remain as previously stated in our May 2025 Outlook. Firms in the Debt Management class did not pay a levy in 2025/26, as we do not expect any firm failures or associated compensation costs for the remainder of 2025/26.

2026/27 forecast

We currently do not anticipate any firm failures or compensation payments to customers in the next financial year, therefore no levy is expected to be payable by this class in 2026/27.

Debt Management			
2025/26 forecast fund balances (£m)	May 2025 forecast (£m)	November 2025 update (£m)	Variance (£m)
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	0.0	0.0	0.0
Levy paid	0.0	0.0	0.0
Total closing surplus or (deficit)	0.0	0.0	0.0
Total levy	0.0	0.0	0.0

Debt Management			
2026/27 forecast fund balances (£m)	2025/26 update (£m)	2026/27 forecast (£m)	Variance (£m)
Total levy	0.0	0.0	0.0

Levy breakdown - FCA classes

Funeral Plans

2025/26 update

As indicated in the table on this page, firms in the Funeral Plans class did not pay a levy in 2025/26, and no firm failures are anticipated for the remainder of the financial year.

2026/27 forecast

For our early 2026/27 forecast, we do not anticipate any firm failures or compensation costs for this class, therefore no levy is currently expected.

Funeral Plans			
2025/26 forecast fund balances (£m)	May 2025 forecast (£m)	November 2025 update (£m)	Variance (£m)
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	0.0	0.0	0.0
Levy paid	0.0	0.0	0.0
Total closing surplus or (deficit)	0.0	0.0	0.0
Total levy	0.0	0.0	0.0

Funeral Plans			
2026/27 forecast fund balances (£m)	2025/26 update (£m)	2026/27 forecast (£m)	Variance (£m)
Total levy	0.0	0.0	0.0

Levy breakdown - FCA classes

General Insurance Distribution

2025/26 update

The updated forecast for the General Insurance Distribution class is broadly unchanged from May 2025. As expected, compensation costs (£400k) have mainly been driven by a small number of payment protection insurance (PPI) claims.

Firms in this class were not required to pay any levies in 2025/26 due to an opening balance surplus of £4.6m, as shown in the table.

A relatively small surplus of £3.2m is forecast that will be taken forward and used to offset the 2026/27 levy for firms. This includes £200k in recoveries.

General Insurance Distribution			
2025/26 forecast fund balances (£m)	May 2025 forecast (£m)	November 2025 update (£m)	Variance (£m)
Opening balance	4.6	4.6	0.0
Compensation	(0.4)	(0.4)	0.0
Recoveries*	0.0	0.2	0.2
Interest	0.0	0.0	0.0
Management expenses	(1.2)	(1.2)	0.0
Levy paid – including provider contributions from the General Insurance Provision class	0.0	0.0	0.0
Total closing surplus or (deficit)	3.0	3.2	0.2
Total levy excluding provider contributions from the General Insurance Provision class	0.0	0.0	0.0

* Recoveries expected to offset levy for firms (excludes additional payments to customers whose claims are above our compensation limits).

General Insurance Distribution *continued*

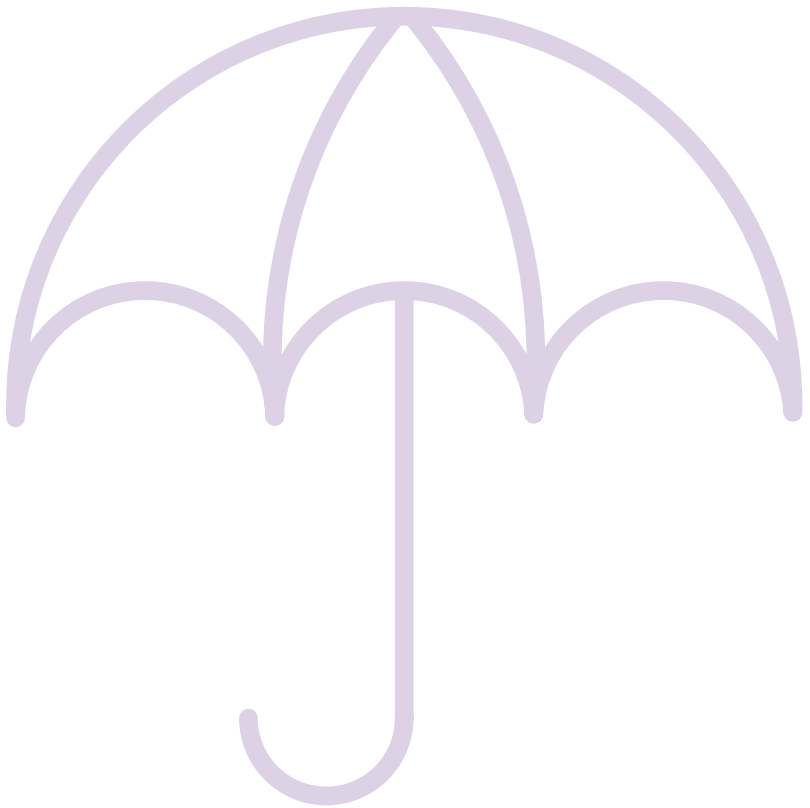
2026/27 forecast

In this early forecast, firms in the General Insurance class are not currently expected to pay any levies and we do not anticipate any new firm failures in 2026/27.

Consistent with previous years, we expect an ongoing decline in PPI claims.

The projected £3.2m surplus carried over from 2025/26 should cover any costs required for this class.

General Insurance Distribution			
2026/27 forecast fund balances (£m)	2025/26 update (£m)	2026/27 forecast (£m)	Variance (£m)
Total levy	0.0	0.0	0.0



Levy breakdown - FCA classes

Home Finance Intermediation

2025/26 update

As shown in the table on this page, compensation costs in this class have increased by £1.1m compared to our May 2025 forecast, while the opening balance remains at £700,000.

The increase is due to processing more claims than originally forecast linked to Principal Mortgage Services Ltd. As a result, the Home Finance Intermediation class is now expected to end the year £1m in deficit. Firms will not be levied for this in 2025/26 however, as the deficit will be covered by levies issued in 2026/27.

Home Finance Intermediation			
2025/26 forecast fund balances (£m)	May 2025 forecast (£m)	November 2025 update (£m)	Variance (£m)
Opening balance	0.7	0.7	0.0
Compensation	(0.3)	(1.4)	(1.1)
Recoveries	0.0	0.0	0.0
Interest	0.0	0.0	0.0
Management expenses	(0.3)	(0.3)	0.0
Levy paid – including provider contributions from the Home Finance Providers class	0.0	0.0	0.0
Total closing surplus or (deficit)	0.2	(1.0)	(1.1)
Total levy including provider contributions from the Home Finance Providers class	0.0	0.0	0.0

Home Finance Intermediation *continued*

2026/27 forecast

The early levy forecast is currently £1.5m, mainly due to a £1.7m lower opening balance compared to 2025/26. As noted above, this reflects an anticipated deficit carried over from 2025/26.

This class is forecast to receive £0.5m in provider contributions from the Home Finance Providers class, compared to no contributions in 2025/26.

Home Finance Providers

This class has not been required to pay any contributions in 2025/26 and is currently forecast to pay £0.5m in provider contributions in 2026/27.

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.

Home Finance Intermediation			
2026/27 forecast fund balances (£m)	2025/26 update (£m)	2026/27 forecast (£m)	Variance (£m)
Total levy excluding provider contributions from other classes	0.0	1.5	1.5



Levy breakdown - FCA classes

Investment Provision

2025/26 update

As shown in the table on this page, compensation costs are expected to decrease by £14.4m to a total of £63.5m. This is mainly due to receiving and processing fewer SIPP operator claims than anticipated, which offset higher compensation costs related to general investment claims for Raedex Consortium Ltd (declared in default in April 2025).

As a result of lower expected compensation, we currently project a year-end surplus of £20.3m. This anticipated surplus will be carried forward to reduce the levy for firms in 2026/27.

Investment Provision	May 2025 forecast (£m)	November 2025 update (£m)	Variance (£m)
2025/26 forecast fund balances (£m)			
Opening balance	0.2	0.2	0.0
Compensation	(77.9)	(63.5)	14.4
Recoveries*	3.8	3.8	0.0
Interest**	0.7	0.8	0.1
Management expenses	(8.0)	(8.0)	0.0
Levy paid – excluding provider contributions to the LDII class	87.0	87.0	0.0
Total closing surplus or (deficit)	5.8	20.3	14.5
Total levy including provider contributions to the LDII class	105.2	105.2	0.0

* Recoveries expected to offset levy for firms (excludes additional payments to customers whose claims are above our compensation limits).

** Interest income and returned compensation where previously compensated customers have successfully pursued other parties for redress.

Investment Provision *continued*

2026/27 forecast

The initial levy for this class in 2026/27 is currently forecast at £47.9m, a decrease of £57.3m compared to 2025/26. This decrease is mainly driven by lower compensation costs (£29.9m less than 2025/26) and a higher opening balance, reflecting the surplus expected to be carried over from 2025/26.

The levy forecast includes £25m for costs within the class itself and £22.9m in [provider contributions](#) to the LDII class.

We currently forecast that compensation costs in the Investment Provision class will be £33.6m in 2026/27, with most of this relating to SIPP operator claims.

Investment Provision	2025/26 update (£m)	2026/27 forecast (£m)	Variance (£m)
2026/27 forecast fund balances (£m)			
Total levy including provider contributions to the LDII class	105.2	47.9	(57.3)



Levy breakdown - FCA classes

Life Distribution & Investment Intermediation (LDII)

2025/26 update

As highlighted in the table on this page, expected compensation costs have decreased by £4.3m compared to May 2025, to £118.7m. This is mainly due to:

- fewer new pension claims than previously forecast; and
- lower uphold rates on general investment claims related to unsuitable advice, particularly in relation to SVS Securities plc, which failed in 2019.

This total decrease is partly offset by a forecast increase in new SIPP advice claims decisions and related compensation payments in 2025/26. This includes compensation payments to the former customers of Alexander David Securities Ltd (which was declared in default in April 2024) and City One Securities Ltd (which was declared in default in 2020).

The projected year-end surplus now sits at £16.6m, which is £10.8m higher than anticipated in May 2025. This is due to lower expected compensation costs as

Life Distribution & Investment Intermediation (LDII) 2025/26 forecast fund balances (£m)	May 2025 forecast (£m)	November 2025 update (£m)	Variance (£m)
Opening balance	42.9	42.9	0.0
Compensation	(123.1)	(118.7)	4.3
Recoveries*	0.0	4.4	4.4
Interest**	1.3	3.3	2.0
Management expenses	(35.3)	(35.3)	0.0
Levy paid – including provider contributions from other classes	120.0	120.0	0.0
Total closing surplus or (deficit)	5.9	16.6	10.8
Total levy excluding provider contributions from other classes	87.3	87.3	0.0

* Recoveries expected to offset levy for firms (excludes additional payments to customers whose claims are above our compensation limits).

** Interest income and returned compensation where previously compensated customers have successfully pursued other parties for redress.

Life Distribution & Investment Intermediation (LDII) *continued*

described previously and more recoveries from prior firm failures than originally forecast (£4.4m).

Anticipated surpluses (£16.6m) will be carried forward to offset the levy for firms in 2026/27.

2026/27 forecast

The indicative levy for this class is anticipated to be £109.8m in 2026/27, representing an increase of £22.5m compared to 2025/26. This anticipated rise is mainly due to a significantly lower opening balance projected for 2026/27. While a class surplus and recoveries totalling £16.6m is anticipated to be carried forward from 2025/26, the overall opening balance remains substantially lower.

Life Distribution & Investment Intermediation (LDII) 2026/27 forecast fund balances (£m)	2025/26 update (£m)	2026/27 forecast (£m)	Variance (£m)
Total levy excluding provider contributions from other classes	87.3	109.8	22.5

Alongside a lower opening balance, compensation costs are estimated at £131.4m, which is £12.6m higher than in 2025/26. Most of this relates to compensation for SIPP advice and investment claims.

This class is also currently expected to receive £41.2m in provider contributions from other classes in 2026/27.



Contact us



Contact us

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