

Levy breakdown – FCA classes

Life Distribution and Investment Intermediation (LDII)

2022/23 update

2022/23 forecast fund balances	November's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
Opening balance	(17.0)	40.0	57.0
Compensation	(372.5)	(308.0)	64.5
Recoveries	6.2	4.5	1.7
Management Expenses	(21.6)	(27.7)	(6.1)
Annual levy receipts	406.0	293.0	(113.0)
Total closing surplus/(deficit) Please note that the 'Annual levy receipts' includes provider contributions.	1.1	1.8	0.7

Total levies The 'Total levies' excludes provider contributions from other classes. Please note, the 'Total levies' is not the sum of each column. This row shows the November forecast in comparison to the latest levy update.	240.0	213.1	(26.9)
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The levy payable by firms in this class is £213m, which is £27m lower than November's indicative levy and the total levy paid by this class in 2021/22. The main reasons for the reduction include:

- The compensation costs for 2021/22 were £276m, £55m lower than forecast in November's *Outlook*. This is because we received fewer claims than expected related to complex pension advice and more claims related to self-invested personal pension (SIPP) advice. SIPP advice claims tend to have lower average compensation pay-outs (about £20k per claim) than the more complex claims related to pension advice (about £50k per claim). Notwithstanding this, we continued to see a trend of increased compensation pay-outs for complex pension advice claims which went from £81m in 2020/21 to £120m in 2021/22;
- The lower compensation costs in 2021/22 resulted in a £40m surplus in this class and was offset against the 2022/23 levy; and
- The expected compensation costs for 2022/23 have decreased from £373m to £308m. This is largely due to a £130m reduction in the compensation costs relating to complex pension claims as we have re-phased some of the claims into 2023/24.

As a result of re-phasing some claims, this class is no longer forecast to breach its annual levy limit and require a £113m retail pool contribution from other classes.