Financial Services Compensation Scheme

outlook

Industry newsletter from the Financial Services Compensation Scheme | November 2020

CHIEF EXECUTIVE'S STATEMENT

Caroline Rainbird,

Chief Executive

> The past eight months have demonstrated that we are prepared for even the most unexpected eventualities.

This has been a particularly challenging year for everyone, with COVID-19 and the resulting lockdowns across the world leading to huge societal shifts in the space of a few months. I am proud of the response from the entire team at FSCS, who quickly adapted to working from home and ensured we did not lose a day of service.

We have continued to deliver our claims service as usual, with no resulting impact on compensation pay-out timeframes. The past eight months have demonstrated that we are prepared for even the most unexpected eventualities.

Of course, while I am proud of the work we have done, every penny of compensation we pay ultimately represents a bad outcome for everyone. It results in distress and hardship for consumers, rising costs for the industry and a levy that is, quite simply, too high.

There are a number of factors that drive up the levy, including more firms failing. This year, alongside many smaller failures – such as Greyfriars Asset Management LLP and Pointon York Ltd – we have seen more compensation pay-outs to customers resulting from the complex failure of London Capital & Finance (LCF). There has also been an increase in pension advice claims and more costs in relation to the transfer of cash and assets from failed investment firms, including Reyker Securities plc.

Unfortunately, this means that at this point in the year, we estimate the the Life Distribution & Investment Intermediation (LDII) class requires £92m of additional funding in the form of a supplementary levy. This amount is more than the annual maximum that FSCS can raise from this class. Therefore, FSCS will source £8m from the LDII class and £33m from surpluses across other classes. It will also call for an additional £51m from the other classes, including those in the retail pool. This is a separate pot that all classes are required to contribute to, where they have not reached their annual maximum, and is only used when one class exceeds its annual levy limit. We expect to confirm any additional levies in January 2021 and invoices will be issued shortly afterwards.

I genuinely understand the difficulty a supplementary levy may cause, especially against a challenging economic backdrop. We only raise this when we absolutely have to, when we estimate that we will not have sufficient funds to meet rising compensation costs or management expenses for the period until the next levy is due. Given the current high levels of uncertainty, the figures we are announcing today are our best estimates and are subject to change. In our upcoming Plan & Budget report, published in January, we will set out the final additional levies required this year, and set indicative levies for next year.

Although FSCS is not responsible for setting the funding rules, which are set by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), FSCS is committed to continuously working to reduce the levy within the areas that we can control. In this regard we take a three-pronged approach:

Firstly, we constantly innovate our ways of working to keep our management costs as low as possible. This year we used Artificial Intelligence (AI) for the first time to analyse 700,000 phone call recordings in the LCF investigation. Our claims experts then manually checked the accuracy of the AI to refine and improve it before we made any decisions. The result has been a vast reduction in how long LCF customers have to wait for a decision on their claim - without AI we estimate this work would not have been completed until 2022. Also, our strategic partnerships with our

“We have recovered £262m over the past five years and this year we recently received the final recovery payment from the 2008 banking crisis through the administration of Heritable Bank: we have now recovered £20bn of the £20.9bn we paid out.”

outsourced claims handling partners meant that our like-for-like claims handling costs reduced by 8% in 2019/20.

Secondly, we make recoveries from failed firms wherever possible and if cost-effective, which helps to reduce the levy firms are required to pay. We have recovered £262m over the past five years and this year we recently received the final recovery payment from the 2008 banking crisis through the administration of Heritable Bank: we have now recovered £20bn of the £20.9bn we paid out.

Finally, as part of our Prevent workstream, we collaborate with the regulators and the industry by sharing information to help prevent future detriment to, and drive better outcomes for consumers. As part of this work, we liaise with the FCA to respond to scam activity and run joint consumer awareness campaigns across the sector to increase awareness of FSCS protection. We have also just signed a

Memorandum of Understanding with the Serious Fraud Office which outlines our commitment to work together on investigations into complex cases where FSCS's investigations into departed firms or pursuit of recoveries involve fraud. This work takes a long-term view of the problem and aims to lower future compensation costs to reduce levy bills for the industry and poor outcomes for consumers.

While there is no simple solution to what is a complex problem, I strongly believe that the whole financial services industry must take collective action to tackle the root cause of the rising levy by reducing the number of poor outcomes for consumers. This will lead to a sustained reduction in the levy and, more relevantly for all concerned, an increase in good outcomes for consumers. I therefore welcome the FCA's recent Call for Input around the consumer investment market, in which it asks the industry to provide its views on adjusting the levy based on the risk of products sold. We are working with the FCA to look at how we can use our data, insights and thought leadership to help provide solutions, and believe that this will focus all of our minds on the levy's underlying causes and how to tackle them together.

It is still too soon to know the full effects of COVID-19 on the industry, so we must all be prepared for a challenging period next year. I want to reassure everyone that FSCS is ready for whatever difficulties next year will bring and will continue to communicate and work together with our regulatory and industry colleagues to help improve outcomes for everyone.

THE STATE OF THE SECTOR

The past few months have clearly led to significant uncertainties across the financial sector. For us, this can make it difficult to forecast the likely impact, and the number of failures.

As we have continued to investigate more LCF claims, we have found additional cases where evidence indicates that customers are eligible for compensation. To date, we have paid out more than £38m in compensation and are continuing our work to assess the outstanding claims.

We recognise that permission for a judicial review of part of FSCS's approach to LCF has been granted. FSCS is not able to give legal advice or discuss whether individual customers could or should take part in the judicial review. The judicial review has not affected our processing of advising claims, which will continue in the meantime, for bonds issued both before and after 3 January 2018.

Since the annual levy announcement in May 2020, we have also continued to see a rise in the number of pension advice compensation payouts, with the number of claims up 45%. In addition the associated average cost of compensation has increased by 5% due to more complex cases.

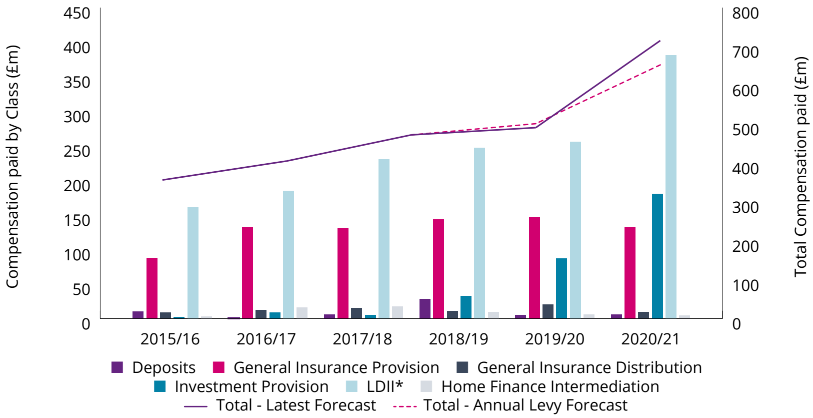
Further, we have seen an increase in the cost of “return of funds” cases, for example with the failures of Reyker Securities plc, where FSCS funds the cost of transferring the cash and assets of failed investment firms to a new provider and addresses any shortfalls suffered by clients where they are eligible for FSCS protection.

In the insurance class, East West Insurance Company Ltd (East West), a structural defects insurer, recently went into administration. We are still assessing the likely compensation claims and potential additional levies required for this failure.

We continue to monitor and forecast likely compensation payouts, and our current estimated supplementary levy, which takes account of some of these previously mentioned cases, is outlined on page 16.

The graph below outlines the trends we've seen since 2015/16, with the LDII class, as well as Investment Provision, generally driving the increase in the levy.

Compensation paid by class (2015/16–2020/21)



*The old 'Life and Pension' and 'Investment Intermediation' classes were merged from 1 April 2019.

HOW THE LEVY IS DISTRIBUTED

FSCS is a non-profit organisation which is fully funded by the financial services industry to provide assurance to consumers and help protect them when regulated financial services organisations fail.

Firms authorised by the FCA and PRA contribute towards an annual levy which funds the cost of running our service and the compensation that we pay out to customers of failed firms.

Each firm pays an amount that relates to its size and the type of business it conducts. For example, a deposit taker like a bank pays a levy according to the value of protected deposits (such as current and savings accounts) it holds, compared to the total of the deposit sector.

The decision-making process for funding compensation costs is set out by the FCA and PRA, and splits the industry into eight different funding classes:

1. Deposits

2. Life and Pensions Provision

3. General Insurance Provision

4. General Insurance Distribution

5. LDII

6. Home Finance Intermediation

7. Investment Provision

8. Debt Management

Levies are split by funding class, so how much a firm pays is based on the proportion of business it carries out and the total cost of failures of other firms in its class.

Each class has a separate funding limit, with “pooling arrangements” in place via the retail pool if some class limits are breached.

Following consultation, the FCA and PRA set a limit on the amount that can be levied on each funding class in a year, by reference to what each class can be expected to afford in a year.

The class limits are set out in the PRA Rulebook and FCA Handbook in FEES 6 Annex 2.

For the levy year 2020/21, the limits are:

PRA classes	Deposits	£1,500m
	Life & Pensions provision	£690m
	General Insurance Provision	£600m
FCA classes	General Insurance Distribution	£410m (including provider contribution of £100m)*
	LDII	£330m (including provider contribution of £90m)*
	Home Finance Intermediation	£55m (including provider contribution of £15m)*
	Investment Provision	£200m
	Debt Management	£20m
	Deposit Acceptors	£105m (only if the retail pool is triggered)

* Since 1 April 2019, product providers are required to contribute approx. 25% of the levies falling to the FCA intermediation classes, from the first pound.

Retail pool

If the funding requirements of an FCA class exceed the annual levy limit for that class, the excess is levied more widely on the other FCA classes as part of the retail pool. While PRA classes do not contribute, some FCA classes, such as deposit acceptors, in effect “mirror” PRA classes – so it is advised that you check on page 24 to see whether your class is required to contribute to the retail pool.

All FCA funding classes benefit from and contribute to the retail pool, with the exception of deposit acceptors. They can only contribute to the retail pool; they cannot benefit from it.

The retail pool is explained in relation to this year’s figures on page 24.

LEVY UPDATE: FUNDING INDICATORS BY SECTOR

The LDII class is £92m in deficit, and therefore requires a supplementary levy.

This class has already contributed £232m, and can only contribute £8m more before it hits its £240m class limit. It will therefore make no contribution to the retail pool.

To address this deficit, we will call for £51m from the other classes, including those in the retail pool.

A complete breakdown of the £92m supplementary levy can be found in Figure 1.

Figure 2 outlines in more detail FSCS's predicted funding indicators by sector, with supplementary levy costs for their own classes and retail pool contributions to other classes.

Figure 1: Breakdown of supplementary levy

Breakdown of £92m total supplementary levy	
£28m	Contribution from the Investment Provision class surplus
£8m	Contribution from LDII class
£5m	Contribution from the Deposit class £7m surplus
£51m	Amount called from other classes (non-LDII), including those in the retail pool
Breakdown of £51m contribution from other classes	
£5m	Deposit class retail pool contribution
£10m	General Insurance Provision class retail pool contribution
£2m	Life Insurance Provision class provider contribution to additional costs of LDII class
£29m	General Insurance Distribution class retail pool contribution
£1m	Home Finance Provision class retail pool contribution
£2m	Home Finance Intermediation class retail pool contribution
£2m	Debt Management class retail pool contribution

Note that 'other classes' refers to non-LDII classes

Figure 2: 2020/21 Funding indicators by sector

Funding Class	Likelihood of supplementary levy (for own class)	Likely supplementary levy (on behalf of other classes)	Commentary
Deposits	Low risk of supplementary levy	£5m retail pool contribution	A class surplus of £6.9m created by lower than expected credit union failures is forecasted. £5m will be used to offset the £10m retail pool contribution. This class will need to fund £5m of retail pool due to a contribution to the LDII class.
General Insurance Provision	Medium risk of supplementary levy	£9.5m retail pool contribution	The full impact of recent failure East West is not yet known, so additional levies may be required. This class will need to fund £9.5m of retail pool due to a contribution to the LDII class.
Life Insurance Provision	Low risk of supplementary levy	£1.8m provider contribution	No compensation costs are expected in this class. This class will need to fund £1.8m of retail pool due to a contribution to the LDII class.
General Insurance Distribution	Low risk of supplementary levy	£29.4m retail pool contribution	There is a small deficit, but a supplementary levy for the costs of its own class unlikely. This class will need to fund £29.4m of retail pool due to a contribution to the LDII class.
LDII	£7.7m supplementary levy expected	N/A – After the £7.7m supplementary levy, this class has reached its £240m limit for the year	A supplementary levy is expected due to a £92m class deficit. This class will need to fund £7.7m as they will reach the class limit.
Investment Provision	N/A – class has reached £200m limit for the year	N/a – class has reached £200m limit for the year. However, £28m of the class surplus will be used to fund the £92m total supplementary levy	As the class has reached its £200m class limit for the year, it will not be asked for further levy contributions. However, £28m of the class surplus will be used to fund the £92m total supplementary levy.
Home Finance Provision	Low risk of supplementary levy	£0.9m retail pool contribution	No compensation costs are expected in this class. This class will need to fund £0.9m of retail pool due to a contribution to the LDII class.
Home Finance Intermediation	Low risk of supplementary levy	£2.3m retail pool contribution	Lower compensation costs than expected are forecast. This class will need to fund £2.3m of retail pool due to a contribution to the LDII class.
Debt Management	Low risk of supplementary levy	£1.9m retail pool contribution	No compensation costs are expected in this class. This class will need to fund £1.9m of retail pool due to a contribution to the LDII class.

LEVY FORECAST: CLASS TABLES

Below is a breakdown of levy forecasts by class for those that will likely have additional compensation costs.

Deposits

2020/21 Forecast Fund Balances	Latest Forecast (£m)	Annual Levy Forecast (£m)	Variance (£m)
Opening balance	8.1	9.3	(1.2)
Compensation	(5.8)	(7.7)	1.9
Recoveries	4.7	0.5	4.2
Management Expenses	(13.3)	(13.0)	(0.3)
Annual levy receipts	13.2	12.0	1.2
Closing Surplus/ (Deficit)	**6.9**	**1.1**	**5.8**

This class has a surplus due to fewer credit union failures than had been expected. Firms in this class will have to fund a £10m contribution to the retail pool as a result of the LDII class breaching its annual limit. This will be partly funded by £5m of the surplus in the class, with the remaining £5m balance being invoiced. Firms in the Deposit Acceptor class will also be refunded £0.9m.

General Insurance Provision

2020/21 Forecast Fund Balances	Latest Forecast (£m)	Annual Levy Forecast (£m)	Variance (£m)
Opening balance	42.3	36.5	5.7
Compensation	(133.0)	(152.3)	19.4
Recoveries	9.9	1.2	8.7
Management Expenses	(6.7)	(4.8)	(1.9)
Annual levy receipts	120.3	120.0	0.3
Closing Surplus/ (Deficit)	**32.8**	**0.6**	**32.2**

The class is currently forecasting a surplus of £33m at the end of the financial year. This is, however, prior to the recent failure of East West. The amount of funding required for these new failures is not yet known, but it is likely it will use up the surplus.

There is also a risk that additional levies in the year could be required. We will keep the industry informed as to whether any further levies are required.

Given we are still assessing claims from the failure of East West, we will be holding back the surplus and firms in this class will be invoiced for a £10m contribution to the retail pool, due to the LDII class breaching its annual limit.

General Insurance Distribution

2020/21 Forecast Fund Balances	Latest Forecast (£m)	Annual Levy Forecast (£m)	Variance (£m)
Opening balance	(7.9)	(8.8)	0.9
Compensation	(9.8)	(9.0)	(0.8)
Recoveries	0.0	0.0	0.0
Management Expenses	(7.0)	(5.7)	(1.3)
Annual levy receipts	24.1	24.0	0.1
Closing Surplus/ (Deficit)	**(0.6)**	**0.5**	**(1.1)**

There has been a 19% increase in PPI claims that means an additional £0.8m in compensation is now forecasted.

This class will also have to fund a £29m contribution to the retail pool levy due to the LDII class breaching its annual limit.

LDII

2020/21 Forecast Fund Balances	Latest Forecast (£m)	Annual Levy Forecast (£m)	Variance (£m)
Opening balance	16.0	7.6	8.4
Compensation	(381.6)	(269.1)	(112.5)
Recoveries	10.3	1.3	9.0
Management Expenses	(21.3)	(18.8)	(2.4)
Annual levy receipts	284.5	280.0	4.5
Closing Surplus/ (Deficit)	**(92.1)**	**1.0**	**(93.0)**

The compensation costs of the class are now forecasted to be £113m greater than included in the annual levy, set out in May 2020. The main drivers are:

- £40m increase in the cost of LCF than forecasted at the time of the levy;
- £48m increase in pension advice compensation – a 45% increase in the number of claims and a 5% increase in the average cost of compensation of the more complex cases; and
- £17m increase in the cost of return of funds cases – where FSCS funds the cost of transferring the cash and assets of a failed investment firm to a new provider.

The class is therefore £92m in deficit and will require a supplementary levy.

This class has already contributed £232m, and can only contribute £8m more before it hits its £240m class limit. Firms in the LDII class will need to fund an additional £8m. The remainder will be funded by other classes, whether by provider contributions, mainly from the Investment Provision class (£28m) and £51m from all the other classes, including those in the retail pool.

Investment Provision

2020/21 Forecast Fund Balances	Latest Forecast (£m)	Annual Levy Forecast (£m)	Variance (£m)
Opening balance	30.1	28.7	1.4
Compensation	(180.9)	(208.2)	27.3
Recoveries	0.0	0.0	0.0
Management Expenses	(8.2)	(6.8)	(1.4)
Annual levy receipts	187.5	187.0	0.5
Closing Surplus/ (Deficit)	**28.5**	**0.7**	**27.8**

There is an expected £29m surplus at the end of the financial year due to the rephasing of some of the SIPP operator claims decisions.

The annual levy limit on the Investment Provision class is £200m, and up to £50m of these funds are used as provider contributions to the LDII class.

When the annual levy was raised, this class was forecasted to reach £187m, and so the amount of provider contributions it funded for the LDII class was restricted to £13m (from £42m). Now that we expect there to be a surplus on the class, £28m of that surplus will be used to fund the provider contributions and will not be repaid to firms.

Home Finance Intermediation

2020/21 Forecast Fund Balances	Latest Forecast (£m)	Annual Levy Forecast (£m)	Variance (£m)
Opening balance	6.5	6.7	(0.2)
Compensation	(4.4)	(6.6)	2.2
Recoveries	0.0	0.0	0.0
Management Expenses	(1.7)	(1.3)	(0.4)
Annual levy receipts	2.0	2.0	0.0
Closing Surplus/ (Deficit)	**2.4**	**0.8**	**1.6**

There has been a reduction in both the number of claims upheld (22%), and the average value of compensation paid out (19%). This has resulted in a class surplus of £2m.

This class will be required to pay £4m towards the retail pool, although that will be partly funded by the £2m class surplus.

Figure 3: Additional Levies Required

			Additional Funding Required		
	Invoicing Class Code	**Levies Already Raised (£m)**	**From Own Class (£m)**	**From Retail Pool (£m)**	**Total payable (£m)**
PRA Classes					
Deposits	SA01	13.1	**(5.0)**	N/A	8.1
Life & Pension Provision	SC01	-	**-**	N/A	-
General Insurance Provision	SB01	120.3	**-**	N/A	120.3
FCA Classes					
Deposit acceptors (for retail pool)		-	**-**	10.0	10.0
General Insurance Distribution					
Insurers General	CLGID-2	5.9	**-**	9.5	15.4
General Insurance Distribution	CLGID-1	18.2	**-**	29.4	47.6
		24.1	**-**	**38.9**	**63.0**
LDII					
Investment Provision	CLII-3	13.1	**27.4**	-	40.5
Insurers - Life	CLII-2	33.2	**1.8**	-	35.0
Deposit Acceptors	CLII-4	5.9	**(0.9)**	-	5.0
LDII	CLII-1	232.3	**7.7**	-	240.0
		284.5	**36.0**	**-**	**320.5**
Home Finance Intermediation					
Home Finance Providers & Arrangers	CLHFI-2	0.5	**(0.5)**	1.4	1.4
Home Finance Intermediation	CLHFI-1	1.5	**(1.5)**	3.8	3.8
		2.0	**(2.0)**	5.2	5.2
Investment Provision	CLIP	187.5	**(28.0)**	-	159.5
Debt Management	CLDM	-	**-**	1.9	1.9
Base costs		24.4	**-**	N/A	24.4
		655.8	1.0	56.0	712.8

- Figure 3 shows the amounts that each class has already paid as part of the levy, plus the additional amounts to pay.
- A negative amount shows where a class surplus is being utilised and/or repaid to firms.
- Levies for the 'Investment Provision' class are split between costs of its own class (CLIP) and provider contributions to LDII class (CLII-3). The class is subject to a combined cap of £200m.
- The Investment Provision and LDII classes are both at their maximum annual class limit and so will not contribute to the retail pool.
- The £5m deficit in the Deposits class (PRA) is offset against a £10m retail pool contribution by the Deposit acceptors class (FCA).

How the Retail Pool works

The FCA and PRA sets each class a limit, which is the maximum it can be required to pay in levies in any one financial year. If a class limit is breached, then the retail pool is triggered for FCA classes. The retail pool includes all FCA classes that have available levy capacity.

Each class is required to pay in proportion to their class limit until they reach their annual levy limit, at which point all remaining FCA classes must contribute.

This year, both the Investment Provision and LDII classes have reached their class limits, and so these classes cannot contribute to the £56m retail pool levy (which is offset by a £5m surplus contribution from the Deposit class).

The £56m retail pool levy will therefore be allocated across the remaining classes in proportion to their class limits:

Figure 4: PRA and FCA Class Limits

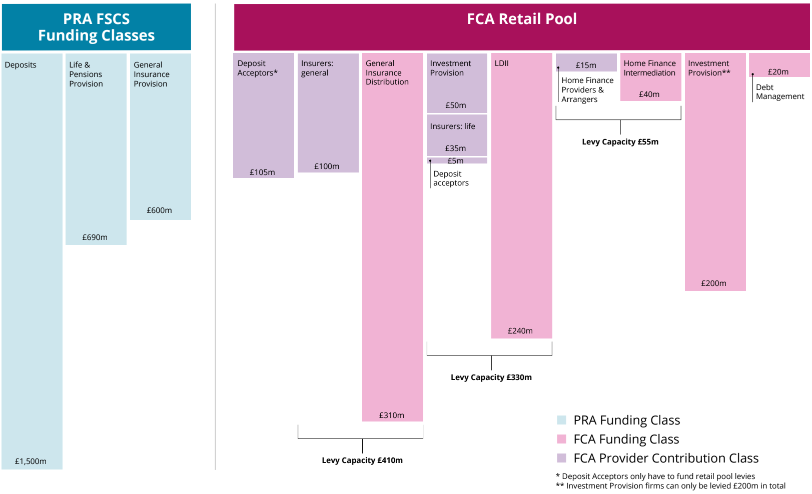
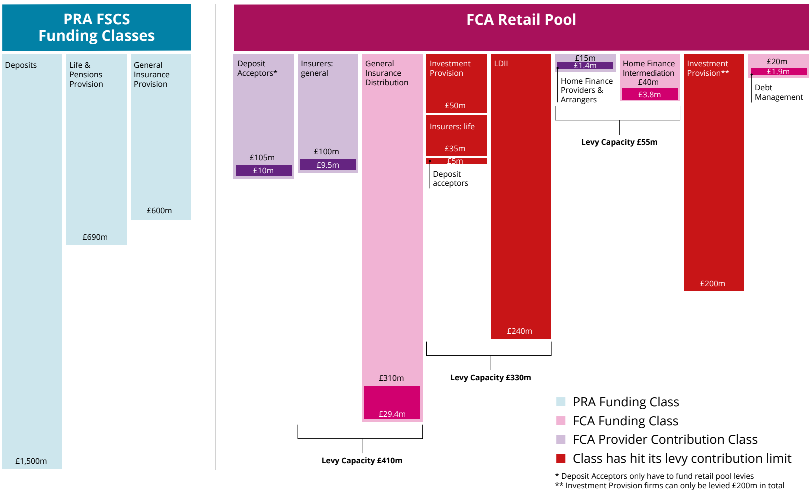


Figure 5: Retail contributions by class



RECOVERIES UPDATE

The financial crisis of 2008 saw the unthinkable happen: long-established banks that were household names came close to collapse overnight, risking chaos for their customers. With four million retail account holders facing uncertainty over the safety of their funds, FSCS stepped in by transferring their accounts or paying them compensation.

For the last 12 years we have worked hard to recover as much of these costs as possible, and are delighted to confirm we have now received the final recovery payment from the 2008 banking crisis through the administration of Heritable Bank – meaning we have secured £20bn of the £20.9bn paid out during the crash.

But our work on recoveries does not stop there. We have a statutory duty to pursue all recoveries that are reasonably possible and cost effective. We do this not only to reduce the cost of the levy to the industry, but also in certain cases to provide further protection to customers with losses in excess of our compensation limits. In addition to the estates of the firms in default, our pursuit of recoveries includes any third parties that might be liable for or connected to the compensation claim.

As well as the 2008 banking failures, we have recovered a further £262m in the last five years and over £17m in the first half of 2020/21 across the Investments, Life & Pensions, General Insurance Provision, Deposit Taker and Investment Fund Management classes.

A key focus for the recoveries function over the next two years will be the increasingly growing portfolio of “illiquid funds”. These are the high-risk esoteric investments that some customers have been wrongly advised to purchase, often by transferring their existing pensions into a SIPP. The types of investments are wide-ranging and held across multiple jurisdictions. Common examples include storage spaces, airport car parking, tree plantations and property developments. Their values are often extremely uncertain or will take many years to realise. A number of these “illiquid funds” involve fraudulent investments, and we are currently working closely with the Serious Fraud Office (SFO) to tackle these cases. Notably, we recently signed a Memorandum of Understanding with the SFO outlining our commitment to work together to achieve appropriate outcomes on investigations into complex fraud cases where FSCS’s investigations into departed firms or pursuit of recoveries involve fraud.

We are currently reviewing over 130 open recovery files to assess if these are worth pursuing. By focusing on making our processes and procedures as efficient and effective as possible, and harnessing the expertise of both our internal multi-disciplinary team and our panel of external law firms, we are developing innovative strategies to maximise our recoveries in this market.

BREXIT UPDATE

Like financial services companies across the UK FSCS has been preparing for the UK's exit from the EU. We want to reassure all of our stakeholders that FSCS is ready for 31 December 2020.

If you are a deposit firm, the revised consumer disclosure documents, for use after 31 December 2020, are already available on the FSCS website.

MANAGEMENT EXPENSES

Management expenses

Management expenses	Forecast 2020/21 (£m)	Budget 2020/21 (£m)
Claims handling infrastructure and support	**64.8**	**57.9**
Outsourced claims handling	18.8	17.3
Internal claims handling support	15.8	10.6
IT, facilities and central services	30.2	30.0
Bank charges	**6.8**	**7.2**
Depositor protection, recoveries, investment and pension deficit	**11.6**	**13.1**
Depositor protection	2.9	3.0
Consumer Protection	0.8	0.8
Recoveries	2.0	3.4
Investment: digital and outsourcing	4.0	4.0
Pension deficit funding	1.9	1.9
Total Management Expenses	**83.2**	**78.2**
Unlevied Reserve	-	5.0
Total Management Expenses Levy Limit	**83.2**	**83.2**

At the midpoint in the 2020/21 financial year, we are forecast to exceed our £78.2m budget by up to £5m (6%).

The increase in the forecast stems primarily from overall anticipated claims volumes being 38% higher than budgeted, with around 10,200 more claims than had been expected due to LCF payouts. In addition, we are seeing more complex claims which are costlier to process.

Together, this has resulted in a £6.6m increase in management expenses, of which LCF claims account for £4.7m (71% of the increase).

Despite these rising volume related costs, broader savings have been identified, as we have made choices to reduce spend in our controllable cost base in order to fund volume-related cost increases. We have formed strategic partnerships with outsourced claims handling partners, which has meant like-for-like claims handling costs reduced by 8% in 2019/20.

This will result in the management expenses for the year remaining within the Management Expense Levy Limit (MELL).

We expect to utilise up to the full amount of our unlevied reserve, which is in place to cover unforeseen increases in claims volumes, and will be liaising with the FCA and PRA about this.

Given the uncertainty of current market conditions, we will continue the close review and monitoring of costs, ensuring we challenge ourselves to identify further opportunities to close the expense gap.

FSCS ANNUAL PUBLICATIONS TIMETABLE

At FSCS, we publish four key reports each year:

Launch date	October/ November	January	April/May	June
Publication	**Interim Outlook Report**	**Plan & Budget**	**Outlook**	**Annual Report & Accounts and Class Statements**
What is it?	An overview of the levy position at the mid-year point, as well as the first indication of the likelihood of a supplementary levy.	A forecast of the next year's levy, building on the Interim Outlook Report forecast.	Confirmation of the levy figures for 2021/22.	The publication of FSCS's Statutory Financial Statements. It also includes a Strategic and Performance report, and the auditors' report, as well as an overview of FSCS's work during the year. The Class Statements report, outlining the sectors that contribute to FSCS's funding and how this is spent, is published simultaneously with the Annual Report & Accounts.

Financial Services Compensation Scheme

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