

Levy breakdown – FCA classes

Investment Provision

2021/22 update

2021/22 forecast fund balances	May's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
Opening balance	43.2	55.7	12.5
Compensation	(241.4)	(136.0)	105.5
Recoveries	0.0	0.0	0.0
Management Expenses	(9.7)	(9.7)	0.0
Annual levy receipts	209.0	150.0	(59.0)
Total closing surplus/(deficit) Please note that the 'Annual levy receipts' excludes provider contributions.	1.1	60.2	59.1
Total levies The 'Total levies' includes provider contributions to other classes. Please note, the 'Total levies' is not the sum of each column. This row shows the May forecast in comparison to the latest levy update.	200.0	200.0	0.0

The Investment Provision class had been expected to breach its annual levy limit (£200m) and require a contribution from the [retail pool](#) of £9m. However, claims made against self-invested personal pension (SIPP) operators are approximately £106m lower than originally forecast. This is largely because a number of SIPP operator complaints remain with the Financial Ombudsman Service. When these decisions are made, we expect this to lead to a number of firm failures and FSCS claims. We are currently expecting these claims to come through during 2022/23 or beyond.

This class initially had a surplus of £110m due to lower than expected SIPP operator claims as mentioned above. Due to its surplus, £50m was transferred to the LDII class as a provider contribution. This has helped reduce the 2021/22 shortfall for the LDII class and leaves a surplus of approximately £60m in the Investment Provision class.

As the Investment Provision class is currently expected to hit its levy contribution limit (£200m) in 2022/23, we will retain the £60m surplus. This will help minimise the impact of this class's compensation costs on other classes and help offset the 2022/23 levy. Within this class, a number of SIPP operator failures, that had been expected in this financial year, may now occur in 2022/23 or beyond.

2022/23 forecast

Class	2021/22 latest levy update (£m)	2022/23 forecast (£m)	Variance (£m)
Investment Provision	200.0	200.0	0.0

The 2022/23 levy payable by firms in this class is expected to be £200m, the same as for 2021/22. This is also the annual levy limit for this class. As mentioned above, the Investment Provision class is carrying forward a surplus of approximately £60m. Without this surplus, this class would have triggered the retail pool, requiring funding from the other classes.

Of the £200m levy forecast, £187m is the total levy for compensation expected to be required for its own class. Circa £13m would then be the provider contributions for the LDII class.

It is also forecast that there will be a £136m increase in compensation payouts in comparison to 2021/22, relating to SIPP operator failures. It was initially anticipated that these firms would fail in 2021/22. It is now likely that these failures will occur during 2022/23 and 2023/24.