

## Levy breakdown – FCA classes

## Life Distribution and Investment Intermediation (LDII)

## 2021/22 update

2021/22 forecast fund balances	May's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
Opening balance	8.7	2.5	(6.2)
Compensation	(376.9)	(331.4)	45.5
Recoveries	3.4	3.5	0.1
Management Expenses	(21.5)	(21.5)	0.0
Annual levy receipts	387.0	330.0	(57.0)
<b>Total closing surplus/(deficit)</b> Please note that the 'Annual levy receipts' includes provider contributions.	<b>0.6</b>	<b>(17.0)</b>	<b>(17.6)</b>
<b>Total levies</b> The 'Total levies' excludes 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.	<b>240.0</b>	<b>240.0</b>	<b>0.0</b>

The latest compensation forecast for the LDII class is just over £331m. This is approximately £45m lower than was forecast in May. 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. The SIPP advice claims tend to have lower average compensation payouts (circa £20k per claim) than the more complex claims related to pension advice (circa £50k per claim).

As previously forecast, the total levy for this class is £240m which is also its annual levy limit.

It is also important to note that this class received £90m in provider contributions from other classes; £50m from the Investment Provision class; £35m from the Life and Pensions Provision class and £5m from Deposit Acceptors. While this has helped reduce the shortfall in this class, the projected year-end deficit is currently £17m. As this is below £20m, the retail pool will not be triggered this year and the deficit will be carried over to the next financial year.

## 2022/23 forecast

Class	2021/22 latest levy update (£m)	2022/23 forecast (£m)	Variance (£m)
Life Distribution & Investment Intermediation (LDII)	240.0	240.0	0.0

The 2022/23 levy payable by firms in the LDII class is expected to be £240m, the same as for 2021/22.

The expected amount of funding required for this class in 2022/23 is £406m which exceeds its annual class levy limit of £240m. This means £53m will need to come from provider contributions and the remainder (£113m) will need to be funded by the retail pool.

The compensation payouts for this class are forecast to be £373m, which is £42m higher than the latest 2021/22 forecast (£331m). This increase is largely due to the shift we are seeing in the types of claims being made. We are expecting to see more complex claims related to pension advice in 2022/23.