



16 July 2015

MEDIA INFORMATION

**FSCS pays out £327m in compensation to consumers
SIPP-related claims in 2014/15 increase**

The Financial Services Compensation Scheme (FSCS) paid out £327m in compensation to consumers in 2014/15, according to its latest Annual Report and Accounts out today (16 July).

FSCS protects consumers when authorised financial services firms fail. Since 2001, it has come to the aid of more than 4.5m people while paying out billions of pounds in compensation. It is free to consumers.

The Scheme received more than 53,000 new claims in 2014/15. That's an almost identical number to that received the year before. However, the makeup of claims was significantly different year-on-year. FSCS has seen a marked increase in new general insurance provision claims— 21,900 during the year compared with 14,328 received in 2013/14.

Claims against intermediaries advising on investments and on life and pensions business are growing in both cost and complexity. The average compensation payment for SIPPs-related claims against independent financial advisors went up by nearly 50 per cent to £16,375. That compares with last year's average payment of £11,104. As a result of these claims, the Scheme raised an interim levy of £20m in March 2015. It expects SIPP-related claims to continue to rise in 2015/16.

FSCS Chief Executive, Mark Neale, says: "FSCS is there for consumers when financial services firms fail. We take that responsibility very seriously. During the year, as well as paying out £327m in compensation, to over 24,000 claimants we handled over 142,000 enquiries covering all aspects of our work.

"Our priority is to deliver a service that puts consumers first. That is why we have worked hard to modernise our service by overhauling our handling of claims, through the delivery of Connect, to give people more choice in the way they deal with us. Connect will establish the foundations for our operations for years to come and improve the efficiency of claims handling. It will enable FSCS to respond rapidly to future business failures. That is at the heart of building consumer confidence."

The Scheme also continued to deliver on its imperative to maximise recoveries to reduce costs for levy payer. FSCS recovered funds totalling £560m from the estates of failed firms. This included £494m from the major banking failures of 2008/09.

Mark Neale, FSCS Chief Executive adds:

“Pursuing recoveries is a vital way in which we deliver savings to the industry. Our strategy and interventions are producing highly positive results to the benefit of taxpayers and levy payers alike.”

The levies received from the industry in 2014/15 totalled £1.076bn, compared with £1.1bn in 2013/14. This figure includes the interest cost and capital repayment levy for the banking failures of 2008/09.

Notes to editors

Claims received and handled

FSCS received 53,662 new claims in 2014/15, compared with 53,586 in 2013/14. The total number of decisions made during 2014/15 was 61,327.

Compensation paid

FSCS paid out £327m in 2014/15, up from £243m in 2013/14. The increase is attributed to the rise in Self-Invested Personal Pensions (SIPPs)-related claims. A substantial growth in the numbers of new General Insurance Provision sector claims has also contributed to this rise.

Recoveries made

In 2014/15, FSCS recovered £560m from the estates of failed firms including £494m from the major banking failures of 2008/09.

FSCS management expenses

The MELL for 2014/15 was set at £78.4m and included £5.3m of non-levied reserve funding for major failures. The actual total MELL for 2014/15 amounted to £70.3m.

Connect

Connect, once launched later in the year, will provide a single, consistent and controlled claims-handling platform that will be used by both FSCS and its outsource partners who handle the great majority of claims.

About the FSCS

The Financial Services Compensation Scheme (FSCS) is the UK’s statutory compensation scheme for customers of authorised financial services firms. This means that FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on authorised financial services firms. FSCS does not charge individual consumers for using its service. For more information visit www.fscs.org.uk