

FSCS compensation costs total £375m in 2016/17

Including £50m on two big insurance failures

The Financial Services Compensation Scheme (FSCS) demonstrated again its ability to respond to failures of financial firms, as tens of thousands of people got their money back during 2016/17 thanks to the Scheme.

In 2016/17, FSCS's compensation costs totalled £375m. This was in response to almost 37,000 claims. In addition we protected over 730,000 policy holders affected by two major insurance failures, Enterprise Insurance Company PLC and Gable Insurance AG. Both the Enterprise and Gable insurance failures were unexpected and presented new challenges for FSCS because of the number of customers affected by the failures and because of the range of risks insured.

FSCS also continued to pay compensation to people who were wrongly advised to move their retirement savings into risky assets held in self-invested personal pensions (SIPPs). During the year the Scheme paid £105m to compensate for these losses compared with £78m in the previous year.

The launch in December of FSCS's online service offered consumers a new, more convenient and more efficient way of making claims. 30% of FSCS's direct customers now use this online service to make claims. And customer satisfaction had risen to 76% by the end of the year as a result of this and other improvements to FSCS's service.

Mark Neale, FSCS Chief Executive, said:

“FSCS's responsibility to protect consumers and to underpin financial stability depends on our ability to respond to financial failures whenever they occur. The 2016/17 year has shown once again that our workload can be volatile and unpredictable. Yet during the year we have moved ahead with our strategy to improve our service and continued to focus on our readiness to respond to failures.

“As part of that preparation we maintain a robust claims-handling system and have in place up-to-date and well-practised continuity and contingency plans. To support this we have also established a new disaster-recovery site outside London.”

The £11.8bn sale of Bradford & Bingley loans announced by HM Treasury on 31 March 2017 represented an important milestone for FSCS. It generated £11bn which was used to reduce FSCS's loan from HM Treasury, demonstrating the Scheme's continued commitment to achieve excellence as a creditor and to wind up the legacy of the 2008 failures.

Mark Neale added:

“This sale reduced both FSCS's borrowing from HM Treasury and the interest payments it levies on banks, building societies and credit unions. This is a good outcome for both FSCS and its levy payers.”

Notes to editors:

1. FSCS's Annual Report and Accounts 2016/17 and Annual Report and Class Statements 2016/17 are available on FSCS's [website](#).
2. FSCS is the UK's statutory compensation scheme for customers of authorised financial services firms. FSCS is funded by the financial services industry and protects investment business, deposits, home finance (mortgage) advice, and general insurance and insurance broking. FSCS can pay for financial loss if a firm cannot pay claims against it. We are independent and do not charge individual customers for using our service.

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