

Compensation scheme to levy financial services firms £336m in 2018/19

FSCS publishes initial levy indications in Plan and Budget out today

The Financial Services Compensation Scheme (FSCS) today publishes its Plan and Budget for 2018/19. It outlines the Scheme's expected management costs and initial levy forecasts financial services firms will pay next year.

FSCS expects to levy the industry £336m, for the nine months to 31 March 2019, up from £320m in 2017/18 (which covers 12 months). This year's Plan and Budget sets FSCS's latest forecast of potential claims volumes and associated compensation costs for 2018/19. However, as set out in our latest industry newsletter [Outlook](#), in order to align our levy and financial years, the forecasts for next year cover the nine months from 1 July 2018 to 31 March 2019.¹

The scheme has also accounted, for the introduction of a new single outsource partner to handle the majority of FSCS claims in its 2018/19 plans. The new single partner will be announced shortly.

The total amount of FSCS management expenses, the cost of running the Scheme and of paying claims, will be £72.7m. That's up £3.5m from this year. The key driver for this increase is the higher cost of enhancing FSCS resilience as we increase the size of the revolving credit facility FSCS maintains with a consortium of banks in order to fund a seven day pay-out and apply the lessons learned from the failure in 2016 of the Enterprise Insurance Company.

FSCS Chief Executive, Mark Neale, says the Scheme stands ready to protect consumers. *"The Plan & Budget for 2018/19 we publish today bridges FSCS's current strategy, which concludes next year, and our strategy for the early 2020s which we expect to publish later in 2018.*

¹ [Outlook](#), published 4 January 2018, provides full information on the alignment of levy and financial years provided for in the rule change made by FCA in October 2017.

“Ahead of the launch, it is appropriate in this Plan and Budget, as the last prepared under the 5-year vision launched in 2014, to review how much progress FSCS has made during this time.

“Our customer service is much enhanced, thanks to our investments in technology and process. We improved our value for money and the transparency of our reporting and there has been significant innovation in how we deliver our service. Awareness of FSCS protection is now at record levels and the legacy of the 2008 banking failures is now mostly resolved.

“FSCS is in a position of greater preparedness for future failures thanks to planning and testing work and we have become a more professional and resilient organisation. We are, in short, in good shape to face the challenges ahead. We very much welcome feedback on our plans for 2018/19.”

FSCS protects consumers when authorised financial services firms fail. It has come to the aid of more than 4.5m people, paying out £26bn since 2001.

The Plan and Budget 2018/19 is attached and will also be available on the [FSCS website](#). The Scheme will confirm the final levy in April 2018.

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Notes to editors

1. Information on FSCS funding is available at: <https://www.fscs.org.uk/industry/funding/>
2. 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