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MEDIA INFORMATION

FSCS announces final levy for 2014/15 – down £37m on initial projection

PPI claims seem to be slowing and significant recoveries benefiting investment firms

Financial services firms will receive a lower than expected levy in 2014/15, says the Financial Services Compensation Scheme (FSCS). Firms will pay £37m less than FSCS's initial projections in January.

The news comes as FSCS announces its final levy for the next financial year today (15 April). The 2014/15 levy will be £276m. That's down from £313m in the FSCS Plan and Budget for the year. This follows a thorough review of the latest claims data and trends by the compensation scheme.

FSCS protects consumers when authorised firms go bust. It was set up by Government in 2001 and has paid out more than £26bn to more than 4.5m people.

Compared to earlier estimates, the levy bills for most industry sectors fall. And fund managers will receive a rebate from FSCS as a result of successful recoveries by the Scheme relating to the failure of Keydata.

Only two sectors – investment intermediaries and home finance intermediation - will see their final levies for the year increase. FSCS will levy investment intermediaries £112m in 2014/15, a £7m increase on earlier estimates. That total includes the cost of Catalyst claims after FSCS deferred a potential interim levy of £30m in 2013/14.

Lower claims volumes are helping to contain the costs to firms in the coming year. In particular, FSCS now tentatively believes that PPI claims may have peaked last year and be set on a downward trend. This reduction in claims means a much lower bill for insurance intermediaries. However, the volume of claims seems fluid and unpredictable, so FSCS is taking a cautious approach and reducing the levy as a prudent precaution. The final levy for the sector will be £38m.

General insurance companies are also benefiting from higher than forecast recoveries, which mean their final levy will reduce by £1m to £71m.

FSCS Chief Executive, Mark Neale, says: "There is good news today for many firms. Our overall levy for the coming year is down from earlier indications. That partly reflects an expectation of lower claims volumes. But fund managers and investment intermediaries are also benefiting

from our success in making recoveries. We have secured many millions of pounds for them and will continue to pursue recoveries wherever it is cost-effective to do so.

“These levies will enable FSCS to protect consumers in 2014/15. That, as always, is our top priority. It is reflected in the investment we are making in the year ahead in the modernisation of our service which for, the first time, will enable consumers to claim online. This is part of our broader strategy - [Vision for a Confident Future](#)”.

Predicting the volume and value of claims that can come to FSCS is very difficult. FSCS takes the best information it can from a range of sources and then works out the potential costs to firms. It uses information at the half year to provide an indicative levy in its Plan and Budget in January. The Scheme then refines its projections using the latest data before finalising the annual levy firms pay. That happens in April each year.

The Financial Services Compensation Scheme is independent and does not charge consumers for its service. It protects deposits, insurance, investments and home finance. The Scheme is funded by the financial services industry.

Notes to editors

Annual levy 2014/15

Funding Classes	2013/14	2014/15	2014/15	Variance
	Annual Levy	Indicative Levy	Final Levy	
	£m	£m	£m	£m
Deposits (SA01)	7.00	24.00	16.00	(8.00)
General Insurance Provision (SB01)	115.00	72.00	71.00	(1.00)
General Insurance Intermediation (SB02)	54.00	62.00	38.00	(24.00)
Life & Pensions Provision (SC01)	-	-	-	0.00
Life & Pensions Intermediation (SC02)	13.00	40.00	33.00	(7.00)
Investment Provision (SD01)	-	-	-	0.00
Investment Intermediation (SD02)	78.00	105.00	112.00	7.00
Home Finance Intermediation (SE02)	-	1.00	2.00	1.00
Base costs	18.00	9.00	4.00	(5.00)
	285.00	313.00	276.00	(37.00)

About the FSCS

The Financial Services Compensation Scheme (FSCS) is the UK’s statutory compensation scheme for customers of authorized 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 authorized financial services firms. FSCS does not charge individual consumers for using its service. For more information visit www.fscs.org.uk