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MEDIA INFORMATION

## **FSCS pays out £243m in compensation to consumers *PPI claims in 2013/14 down for first time in four years***

The Financial Services Compensation Scheme (FSCS) paid out £243m in compensation to consumers in 2013/14, according to its latest Annual Report and Accounts published today (7 July). It protected more than 34,000 people during the year.

FSCS protects consumers when authorised financial services firms go bust. 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 39,000 new claims in 2013/14, against 62,000 the year before. For the first time in four years FSCS received fewer payment protection insurance (PPI) claims. This suggests PPI claims coming to the Scheme may have peaked, with about 12,000 received during 2013/14 compared to around 19,000 the previous year.

Over two-thirds of the total PPI claims to FSCS came from claims management companies (CMCs). However, people who use CMCs receive less in compensation. This is because CMCs take up to 25 per cent of the compensation payment in fees. FSCS does not charge people to use its service.

FSCS Chief Executive, Mark Neale, says: "FSCS is there for consumers when authorised financial services firms go bust. Last year we paid out more than £240m in compensation. However that statistic masks the human story of thousands of people who had nowhere else to turn when firms failed. They might have put their savings into a credit union that failed or had a PPI mis-selling claim. Or they might have been given bad investment advice. FSCS protects a wide range of financial services; consumers are our top priority. And our annual report 2013/14 is a chronicle of how we helped consumers during the year."

Claims, particularly for investments, are becoming increasingly complex, according to the FSCS report. The claims can involve numerous parties and involve firms based overseas. The failure of Catalyst Investment Group Limited (Catalyst) in October 2013 highlights the intricate demands that can

arise from multiple products, difficult quantification issues and the involvement of multiple third parties and jurisdictions.

FSCS also dealt with over 200,000 enquiries during the year from consumers keen to find out more about the protection provided and how FSCS steps in when authorised financial firms fail.

FSCS is committed to reducing costs for levy payers and recovered funds totalling £353m from the estates of failed firms during the year. This included £241m relating to the major banking failures of 2008/09.

Mark Neale, FSCS Chief Executive, adds:

“Our top priority is to provide a responsive and efficient service to people who lose money as a result of authorised financial services firms failing. We’re continuously improving our processes to give people a better service. This includes modernising our claims handling process with, in the near future, an online facility through the FSCS website for consumers to make and track a claim. This will help us to improve our service for consumers while, at the same time, improving operational efficiency and helping to reduce costs for levy payers. It is key to providing the kind of service consumers and the industry expect. It is at the heart of the FSCS protection which boosts consumer confidence.”

The levies received from the industry in 2013/14 totalled £1.1bn compared with £726m in 2012/13. This increase included provision for interest costs and a capital repayment levy of £791m flowing from the major banking failures of 2008/09, payable by banks, building societies and credit unions.

## **Notes to editors**

### **Claims received and handled**

FSCS received 39,258 new claims in 2013/14, compared with 62,030 in 2012/13. The total number of decisions made during 2013/14 was 38,637.

### **Compensation paid**

FSCS paid out £243m in 2013/14, down from £326m in 2012/13. The fall is attributed to lower PPI claims volumes. However, compensation in the General Insurance Provision sector rose by £10m to £90m in 2013/14.

### **Recoveries made**

In 2013/14, FSCS recovered £353m from the estates of failed firms including £241m from the major banking failures of 2008/09.

### **FSCS management expenses**

The running costs of FSCS in 2013/14 were £57.7m, excluding the arrangement with Welcome and the costs associated with the major banking failures of 2008/09.

## **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](http://www.fscs.org.uk)