

FSCS publishes its Plan and Budget: 2015/16
Total levies of £287m with pension claims set to rise

The Financial Services Compensation Scheme (FSCS) today announces an indicative levy of £287m for firms in 2015/16. The news comes in the FSCS Plan and Budget out today.

The levy covers compensation and management expenses, excluding the costs of the major bank failures of 2008/09. This compares with total levies so far in 2014/15 of £276m.

The FSCS Plan and Budget: 2015/16 provides its assumptions about future claims volumes as well as an update on its progress against the seven imperatives it published in its [five year vision](#) last year.

The Scheme expects a reduction in the overall volumes of new claims in 2015/16 (25,590 compared to 28,108 in 2014/15), with the number of claims for PPI and mortgage endowments expected to fall (in line with those experienced by the Financial Ombudsman Service and the wider industry).

There is good news for general insurance brokers who will not be due a levy next year. This is because of a higher opening fund balance and the expected fall in claims volumes throughout the year. This compares to a levy for this sector of £38m in 2014/15.

But FSCS expects to see a significant rise in compensation costs arising from advice to transfer pension savings into self-invested personal pensions (SIPPs).

FSCS says it expects new claims against investment intermediaries to reduce by almost half next year and believes it will receive 5,353 claims in 2015/16 (against 10,325 in 2014/15). Notably, claims against Catalyst Investment Group and CF Arch Cru funds seem to be coming to an end. However, the Scheme thinks other types of investment claims will continue in steady volumes.

The FSCS Plan and Budget also flags a significant increase in the numbers of noise induced hearing loss and mesothelioma claims on the general insurance estates of Chester Street, Builders Accident Insurance and Independent Insurance. In addition, the FSCS expects to continue to receive

claims resulting from a number of insurers that were declared in default between 2012 and 2014.

Mark Neale, FSCS Chief Executive, said:

“FSCS is there for consumers when firms fail. It makes a valuable contribution to consumer confidence as a result. During 2015/16, we will again come to the aid of thousands of consumers when firms go bust.

“We take our accountability to levy payers very seriously. That’s why we publish our Plan and Budget. And it is why, following the £50m refund to fund managers, we will soon publish an account of our recoveries work on Keydata. It will set out the very substantial recoveries we have made relating to the firm and the costs of achieving those recoveries.

“The Plan and Budget clearly lays out our plans for the year ahead. It reflects our commitment to being open and accountable and gives the industry information on claims volumes and costs. It makes the connection between the consumers we protect and the industry which funds our protection.”

FSCS will review its claims and levy assumptions and announce the final 2015/16 levy in April.

The Plan and Budget is for consultation. Responses are invited to: planandbudget@fscs.org.uk by 20 February 2015.

Notes to editors

The full Plan and Budget: 2015/16 contains a breakdown of the indicative levies by sector. It is available at: www.fscs.org.uk/industry/publications/plan-and-budget/

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

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