



12 December 2014

MEDIA INFORMATION

Major refund to fund managers from FSCS recoveries

Fund managers will get a £50m refund this week from the Financial Services Compensation Scheme (FSCS) for the costs of Keydata claims. Cheques will be in the post to fund managers on Friday (12 December).

FSCS came to the rescue of thousands of UK consumers when Keydata collapsed in 2009, leaving thousands of people hundreds of millions of pounds out of pocket. The Scheme paid out more than £330m in compensation for Keydata. Since then, FSCS has been working hard to recover the costs of the compensation from Lifemark product and from those who sold its products. This includes taking legal action against numerous financial advisers.

The refund results from the significant recoveries that FSCS has made. FSCS's total recoveries to date in respect of Keydata claims amounts to more than £100m. The levy payers have already had the benefit of much of this recovery in lower levies. Financial intermediaries have also had the benefit of the recoveries work this year and last year with some £30m being used to offset the costs of compensation and the costs of recoveries.

The refund is for a "cross-subsidy" from fund managers to investment intermediaries in 2010/11 to meet the costs of FSCS for investment claims, mostly from Keydata. The FSCS funding system provided for FSCS to raise cross-subsidies to cover costs in excess of a single funding class's annual limit.

FSCS Chief Executive, Mark Neale, said: "FSCS is there for people when authorised firms fail. That helps to promote consumer confidence. We came to

the aid of thousands of Keydata customers while paying out hundreds of millions of pounds. The costs of providing this protection fell to investment intermediaries and to fund managers. We're pleased to issue the fund managers with a £50m refund this week thanks to our ongoing recoveries work. So it is clear proof of our success in pursuing recoveries for the benefit of the firms that fund us, to which we remain fully committed. ”

FSCS protects investments, insurance, deposits and mortgage broking. It helps thousands of people each year and since 2001 has paid out more than £26bn in compensation.

Ends

Notes to editors

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/industry/funding/