

### **FSCS sets 2012/13 levy at £265m**

The Financial Services Compensation Scheme (FSCS) has today confirmed its proposed levy for 2012/13 at £265m.

The levy has increased by £44m since FSCS published its initial assumptions in the Plan and Budget 2012/13 in February. It follows an up-to-date analysis of claims paid in the previous year and claims assumptions for 2012/13.

The main driver of this increase is the potential claims resulting from high profile investment failures such as MF Global and CF Arch Cru. The higher costs fall mainly on the investment intermediation and life and pension intermediation sectors which both see an increase in the levy compared to the provisional numbers published in January.

Mark Neale, FSCS's Chief Executive, says: "FSCS plays an important role in protecting consumers when authorised firms fail. The costs of compensation are met by the industry through our levy which allows us to pay eligible claims as they fall due.

"We know that the levy will be unwelcome news for firms during tough times. But the increases in levies in some areas follow a thorough review of claims coming in and those we can reasonably expect in 2012/13. I would like to assure the industry that we only levy for costs we are confident we shall have to meet in the year ahead.

"We shall also do everything we can to offset the costs of compensation for the industry by maximising recoveries from failed businesses and third parties who were also responsible for consumers' losses. The levy announced today assumes that we shall recover £20.45m in 2012/13.

"I do recognise that many in the industry continue to have concerns about the fairness and unpredictability of FSCS's levies. That is why we have strongly supported the FSA's review of FSCS's future funding arrangements which will result in a consultation later in the year. We want to place FSCS's funding on a sustainable basis which commands wider support across the industry.

"Paying compensation to consumers who lose money when authorised firms go bust, contributes to consumer confidence and financial stability. This benefits the industry as well as consumers."

A full explanation of the 2012/13 annual levy can be found in the latest edition of FSCS's industry newsletter [Outlook](#).

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**Press Enquiries:**

Suzette Browne 020 7892 7372

[suzette.browne@fscs.org.uk](mailto:suzette.browne@fscs.org.uk)

Michael Monk 020 7892 7540

[michael.monk@fscs.org.uk](mailto:michael.monk@fscs.org.uk)

Mark Oakes 0207 892 7370

[mark.oakes@fscs.org.uk](mailto:mark.oakes@fscs.org.uk)

**Notes to Editors:**

FSCS is the UK's statutory compensation scheme for customers of authorised financial services firms. This means 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). The Scheme does not charge individual consumers for using its service.

FSCS is funded by levies on firms authorised by the FSA. FSCS's costs are made up of management expenses and compensation payments.

For the purposes of funding FSCS compensation costs, the FSCS levy is split into five broad sectors including deposits, life and pensions, general insurance, investments, and home finance.

With the exception of deposits, each broad sector is divided into two further sectors based on provider/intermediation activities. Each sector is made up of firms which are providers or intermediaries and engage in similar styles of business with similar types of customer.

The sectors are based on the activities a firm undertakes (and are aligned to their FSA permissions). A firm could be allocated to one or more sector according to the activities that it undertakes.