Introduction

Millions of people in the UK buy financial products every year and rely on them in their day-to-day lives.

People must be able to use bank, building society and credit union accounts to receive their salaries, make payments and hold their savings.

They must be able to insure themselves against everyday risks. They must be able to invest for the long term, including for their retirement. And they must be able to arrange loans and mortgages.

These products all depend to a high degree on confidence. People need to be confident their money is safe. They need to know that insurance policies will pay out when needed and that investments will not be lost as a result of bad advice or fraud.

That’s where FSCS comes in. FSCS can compensate consumers when financial services firms fail. In doing so, FSCS gives people the confidence to buy financial products. And, just as important, by providing that protection, FSCS supports a vibrant and competitive market in which firms can succeed, but also fail safely without detriment to consumers and to wider financial stability.

In protecting consumers, FSCS promotes consumer confidence. This document is our Vision for a Confident Future. Protecting people and promoting consumer confidence is at the heart of our vision and our work. The document describes our progress so far and our plans and strategy for the next five years. It complements our Plan and Budget which sets out how we will move forward in the year ahead. Reflecting our commitment to being accountable and open, it will allow you – our stakeholders – to evaluate our progress.

Our mission and aims

FSCS protects people when authorised financial services firms go bust. Set up by Parliament, we have been protecting consumers since 2001 and are independent.

We have come to the aid of more than 4.5m people. And in that time we have paid out more than £26bn in compensation across the full range of financial products. The industry funds FSCS through levies.

Our mission is to provide a responsive, well-understood and efficient compensation service for customers of financial services, which raises public confidence in the industry.

Our aims are to:
- respond quickly, efficiently and accurately to consumers’ claims for compensation;
- raise public awareness of the protection we provide;
- ensure we operate as cost-efficiently as possible and maximise recoveries from the estates of failed providers and third parties;
- be ready to respond to failures in the financial services industry in a way that protects consumers and financial stability; and
- enhance our capability by developing the skills, knowledge and professionalism of the people who work for us.

In protecting consumers, FSCS promotes consumer confidence.
Our first 12 years

Modest beginnings

FSCS has grown from modest beginnings in 2001 to deal with historic events such as the 2008 banking crisis. Our experience mirrors that of the industry, government and regulators in adapting to change and overcoming difficulties. It’s one of learning and improving, of protecting consumers while being accountable to the industry.

FSCS was set up to create a single UK compensation scheme for all regulated financial services. FSCS protects deposits in banks, building societies and credit unions. We also cover insurance policies, investment advice and services and home finance. FSCS is unique internationally in the scope and range of its work. This gives us a critical mass of skills and expertise that we can bring to bear on failures across the industry.

FSCS’s wide scope also results in a complex, unpredictable and ever-changing workload. In the last 12 years, demand on us has varied from a low of 8,000 claims in 2002/03 to protecting four million consumers in 2008/09.

The focus of our work has shifted over time as a result. In the early years, we dealt with a lower, more predictable number of claims and products such as mortgage endowments. We handled pensions review claims and dealt with investment failures. We protected policyholders affected by the failure of a number of general insurers. FSCS did a good job.

Before 2007/08, we mainly handled claims in-house. We had many successes and our people showed a strong customer focus and a commitment to FSCS. We were able to manage claims effectively and at a reasonable cost. By early 2008, we had paid £1bn in compensation.

Our values are

- Excellence
- Making a difference
- Delivery
- Working together

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<th>2001</th>
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<td>1 December: FSCS is born, replacing eight previous schemes. UK has the first integrated scheme for all regulated financial services. It is a world first.</td>
<td>Nigel Hamilton, Chairman of FSCS. Suzanne McCarthy is the first FSCS Chief Executive.</td>
<td>March FSCS pays out more than £194m in 2002/03, with £13m being for insurance.</td>
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<td>January: The work gets underway - FSCS announces the first 40 firms it declared in default.</td>
<td>May: FSCS announces £6.4m levy for 2002/03. September: FSCS protects members of Thameswood Credit Union, the first to go bust after regulation starts in July of the same year.</td>
<td>May: FSCS announces annual levy of almost £88m, of which £83m is earmarked for pension review claims. FSCS publishes its first Annual Report which includes call volumes more than doubling during the course of the year to almost 41,000 while the number of investment claims went up by almost 60%.</td>
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<td>November: FSCS publishes the first edition of its industry newsletter, Outlook.</td>
<td>October: FSCS declares RJ Temple in default for claims relating to precipice bonds.</td>
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In short, FSCS was providing an effective service to relatively small numbers of consumers annually in a low-key way with a correspondingly low profile. Few people had heard of FSCS; fewer still would have regarded FSCS’s protection as important to financial stability. That was about to change. The financial crisis thrust FSCS into the spotlight.

Protecting millions, paying billions – the banking crisis
FSCS rose to the challenge of the banking crisis. During the crisis, we paid out more than £20bn to protect more than four million people.

In 2008/09, five banks and one building society failed in less than six months. Bradford & Bingley, Icesave, and Kaupthing. Singer & Friedlander (Edge) were all well-known brands. With Government support for depositors in place, we had to manage the crisis proactively with our partners and we did so. In a single weekend, we funded the transfer of Bradford & Bingley accounts to (what is now) Santander. Bradford & Bingley depositors went to sleep on Sunday night and awoke on Monday morning with full access to their money as Santander depositors without any interruption. This was a major achievement that was good for consumers. It set the tone for what was to come.

In the case of Icesave, which failed in October of that year, we took over the firm’s systems and website and turned it into a payment vehicle. Our electronic payout process meant that the overwhelming majority of the bank’s savers got their money back before Christmas – in weeks rather than months. This marked a major shift for us that continues to this day with our faster payout system for deposits.

To fund these compensation costs, FSCS borrowed £20bn from HM Treasury. We have been repaying these loans with interest since then through levies and substantial recoveries. But we had to improvise these successes in difficult circumstances. They did not guarantee that FSCS would be able to respond effectively to all future crises. On the contrary, the crisis highlighted the need for change and improvement.

Above all, the crisis showed that FSCS needed to be able to respond smoothly to rapid and unpredictable fluctuations in its workload.

In particular, the Northern Rock queues showed our pre-crisis arrangements for compensating savers in a failed bank, building society or credit union were simply inadequate if we were to protect depositors and prevent future runs on a bank. Far too few people knew about FSCS protection. When they did learn about it, it was far from reassuring because that protection covered only the first £2,000 of savings in full and then 90% of the next £33,000. So anyone with more than £2,000 could see that they might lose money. And FSCS was also required to deduct overdrafts and other loans from any compensation. What is more, compensation was also difficult to process and slow to be paid. The crisis also challenged FSCS’s capability in another way. When FSCS compensates consumers, it takes over their rights as creditors in the estate of the failed business. So, as a result of the crisis, FSCS acquired claims of around £20bn in the winding-up of Bradford & Bingley and the Icelandic banks. Just as we had to deal with millions of claims, we also had to handle the multi-billion-pound interest we had in the failed banks and to maximise the realisation of value on behalf of our levy payers.

In short, the crisis showed us that FSCS had to be able to respond quicker to crises, had to become better known to respond to rapid and unpredictable fluctuations in its workload.

Five years on from the crisis
That’s exactly what FSCS has done. We have focused on greater professionalism, increased our flexibility and developed our contingency planning, financial systems and handling of risk.

- To ensure we respond swiftly and smoothly to peaks and troughs in demand, we moved to using outsourcers to handle the great majority of claims we receive. This gives us greater flexibility, scale and efficiency. We are retaining and building on this as an important part of our future business model.
- To prevent runs if a bank or building society or credit union gets into difficulty, the regulator substantially improved our protection. Deposits are now protected up to £85,000 per firm, with no deductions for overdrafts and loans. And, if the
worst happens, FSCS now gets people’s money back to them in seven days thanks to the fast pay-out arrangements we have established in partnership with the industry and regulators. We have already paid out within seven days 23 times since the beginning of 2011.

- To ensure people know about FSCS protection, we worked closely with the industry to raise awareness. Information about FSCS must now be on display in every bank, building society and credit union branch and on their websites. This complements our own marketing. We are much better known than we were, with half of the population now aware of FSCS protection.

- To ensure FSCS could maximise the realisation of value from the estates of failed firms, we enhanced our legal, financial and risk management capability. Since the financial crisis, FSCS has recovered more than £3.5bn. This is money that helps to offset the costs of firms failing.

- To ensure that FSCS is ready to protect consumers in future crises, we worked with the regulators to develop our planning for a range of contingencies, including failures in sectors other than banking.

- And we continued engaging with trade organisations and firms to provide more information about our work and to address areas of common interest and concern.

Towards 2008

So, we continue to seek improvements to provide a better service that gives value for money and increases transparency. Financial services are constantly changing so we cannot stand still. We intend to respond efficiently and effectively and to build on our experience and record. Value for money, transparency and effectiveness will continue to be major priorities for us. And we will continue our drive to be more accountable to the industry that funds us.

- And we continued engaging with trade organisations and firms to provide more information about our work and to address areas of common interest and concern.

The challenges of the next five years: the ‘known knowns’

It is inherent in FSCS’s role that we will face many unforeseen challenges in the next five years. They are likely to be every bit as varied and demanding as those of our first decade.

But we can predict with greater certainty some of the factors that will influence the environment in which we are working. They reflect some of the wider changes facing society, as well as those that are unique to us. These changes make it vital that FSCS continues to evolve and to provide a better service.

Rising expectations

To be fit for the future, FSCS must respond to rising consumer expectations. We exist to serve consumers. Like any service business, we have to respond to what our customers are telling us. More and more people expect to transact business online, including with FSCS. They want us to pay compensation in a timely and efficient way. Consumers also expect us to minimise the disruption to their lives that results from firm failures. That means speeding up our processes and working with the regulators to protect consumers in new ways that go beyond simply paying compensation.

FSCS’s protection must also keep pace with developing markets for financial products. Those markets do not rest. New financial products continue to come on stream and consumers are organising and managing their finances in new ways. This means FSCS’s protection must also evolve if we are to fulfil our mission of supporting financial stability. As consumers increasingly opt for the convenience of handling their savings electronically, FSCS must ensure that its protection is not left behind. The regulators, who set our rules, will need to consider whether to extend FSCS protection.

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in ways that can involve counter-party risk and may be managed by firms operating and regulated outside the UK. This can make it hard for consumers to understand and for FSCS to pin down the causes of failure and, even where responsibility can be ascribed to a UK-regulated firm, to place a value on an investor’s losses.

Boosting awareness, promoting confidence

There will be no lessening of the need for FSCS to raise awareness of its protection. Trust, like confidence, is easy to lose and hard to regain. We understand the importance of increasing and maintaining consumers’ awareness of the protection we provide. So, our aim is to reassure people that their money in UK-authorised institutions is safe; it is a key part of our mission.

Our research shows that the more aware of FSCS people are, the more confident they are and the more likely they are to buy products. This benefits consumers, firms and FSCS. We invest time and resources in building awareness in partnership with the industry.

This is not about marketing for its own sake or building a brand. FSCS is a vital part of the regulatory structure that benefits consumers, the industry and the economy. Our work to increase awareness has a hard business purpose – to build consumer confidence through our work, so we never again need to see a run on a financial institution.

Credibility with stakeholders

The industry pays for FSCS and the protection we provide. We know that industry expectations of us are growing as fast as those of consumers. Firms expect FSCS to work efficiently. They want to know that we’re focusing on, and achieving, value for money. The industry wants us to be more transparent and more accountable. We share that goal.

FSCS needs to maintain its credibility with stakeholders, particularly the businesses paying our levies. Those firms expect us to achieve the same value for money gains that they are delivering in their businesses. They also expect us to keep developing our capacity to fulfil our creditor role and to maximise recoveries.

We must also retain the industry’s support for our funding arrangements. We must have access to the money we need, when we need it, to pay claims. Our funding model has been in place since April 2013 following a review by the Financial Services Authority. However, the system can be a concern for some firms that pay the bills. We want to ensure they believe the system is broadly fair in the way it pools costs across the industry.

Potential changes are on the horizon resulting from European Union legislation, we will have to be ready to deal with those changes. This will mean working closely with the regulators who set our rules, the industry and others to make sure the funding system retains wide support and to make a smooth transition. This, alongside enhancing our transparency, should help firms to have better information about the potential costs of businesses failing.
Our vision and strategy for the future

To meet the challenges of the next five years, we are clear what principle should guide us:

We will continue to support financial stability by protecting consumers with maximum speed, continuity and convenience while achieving value for money for levy payers.

Consumer confidence, convenience and accessibility, cost effectiveness: these are our watchwords for the next five years. They underpin our Vision for a Confident Future.

In making good this principle, FSCS is pursuing an ambitious strategy. Our strategy aims to shape, influence and manage our future proactively alongside our main stakeholders.

Seven imperatives are shaping our strategy. These are things FSCS must do to deliver consumer focus, efficiency and cost effectiveness:

- **Modernising** our service to consumers to provide a fast, reliable and responsive service at reasonable cost. We plan to give people more choice in how they deal with us by providing an online claims service within two years. Consumers will be able to make claims and check their progress online. We will also streamline and smooth our claims-handling with outsource partners to provide a faster service. We will halve the time we take to complete a claim from six months to three months in most cases. As part of this, we intend to largely remove paper applications for compensation, so reducing costs.

- **Diversifying** compensation routes so that, together with our partners in government and the regulators, we find new ways of resolving claims and industry failures to give consumers maximum convenience and continuity at the lowest cost to the industry. People want, in particular, to maintain access to their money if a bank, building society or credit union fails. Our work with the Authorities will explore more options for compensating savers without interrupting their service.

- **Raising awareness** of the protection we provide is important to boosting consumer confidence. It goes hand in hand with improving our service. It’s no good providing a great service that no one knows about and which fails to reassure. The more people who are aware of our protection scheme and its guarantees, the better. This should help to avoid future panics. Over time, we’re confident it will help to instil wider and deeper consumer confidence. We will therefore build on our work with the industry to increase awareness through the day-to-day contact firms have with consumers. FSCS wants firms to do more of the heavy lifting by mentioning us in their advertising as well as regulatory disclosure information. We’ve had some success with this already. We will extend our awareness raising into other sectors.

- **Financial Services Act 2010**
- March: FSCS announces an annual levy of £148m for 2010/11 and an interim levy of £80m for investment intermediation firms for the costs of Pacific Continental Securities (UK) Limited, Square Mile Securities Limited and Keydata Investment Services Limited.
- April: annual levy set at £214m. April: annual levy set at £217m.
- May: Mark Neale becomes Chief Executive of FSCS.
- July: Wills & Co stockbrokers are in default.
- December: FSCS pays out £133m in 2010/11 while deciding more than twice the number of claims (more than 47,000 it did in 2009/10).
- The failure of Keydata dominates work of the FSCS during 2010/11. FSCS resolves more than 27,000 claims arising from the Keydata failure and pays out £214m to investors.
- January: seven day payout for bank, building societies and credit unions comes into effect.
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- June: Southsea Mortgage and Investment Company goes into default with the FSCS protecting customers who bought PPI from the firm.
- September: Wilmslow Financial Services Plc goes into default with FSCS protecting customers who bought PPI from the firm.
- Verification of deposit taker single customer view files.
- December: FSA consultation on new disclosure requirements for in-branch materials in banks, building societies and credit unions.

- **Act 2010.**
- Financial Services
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• Improving our value for money, transparency and accountability. We know the industry expects FSCS to show financial discipline and a commitment to value for money. We share this view. We will be clear about what we’re trying to achieve and the most efficient way of achieving it. Our outsourced business model for handling claims continues to be the most cost-effective way of dealing with a volatile workload. With that in mind, we aim to enhance our strategy for external procurement which accounts for roughly two-thirds of our management budget. Clear performance indicators will underpin this and reveal our progress. This is part of our commitment to operate as efficiently, effectively and transparently as possible.

• Achieving excellence as a creditor. Where financial service businesses fail with substantial assets, FSCS must maximise what it can recover for levy payers. This will be true whether FSCS acts as creditor in the conventional sense or acquires rights in the winding-up of a firm as part of a statutory resolution. It will be equally true if we support re-capitalisation or other resolutions alongside other creditors. So, we are developing our in-house expertise to engage effectively in all these eventualities, as well as continuing to protect FSCS’s interest in the estates of the banks that failed in 2008.

• Deepening contingency planning with key stakeholders to make sure we respond effectively to crises and play a positive part in resolving failures in any sector of the industry. Preparation is vital to responding effectively in a crisis. FSCS rose to the challenges of the bank failures in 2008. We have to be ready to do the same across the full range of our work. FSCS will work with the regulators to produce wide-ranging contingency plans and to test them. This is essential to our readiness to respond. We will enhance our ability to “scale up” (or down) quickly and cost-effectively our processes, technology and resources for the kinds of failure we can reasonably expect.

• Engaging our people and organisation to make FSCS more agile and even more professional. The commitment of FSCS’s people to excellent service is a given and is central to the results we achieve. We must now build on that commitment by exploiting and improving our people’s skills and knowledge. This will be a top priority for the next five years. We will equip our people to respond to, and embrace, change and to rise to whatever challenges we will face. FSCS is an organisation that makes a difference and in which people can make a difference. We aim to be an Investor in People and achieve Best Companies accreditation.
What the future will look like...

By doing all the work we detail in this Vision for a Confident Future, we’re aiming high and determined to stay fit-for-purpose. We have a clear sense of direction and a strong idea of what success will look like. Consistent with this strategy, we commit to achieving the following by 2018/19:

Consumers and claimants
- We handle 60% of all claims online, providing consumers with an easy-to-access and user-friendly portal that enables them to monitor their claim.
- Claimants have greater choice in how they deal with us, including more options for claiming compensation and receiving payments in a way that suits them.
- We continue to pay most straightforward deposit claims within seven days of a bank, building society or credit union failing.
- We deal with most claims for non-deposit compensation faster than before – within three months.
- Consumers benefit from greater continuity and options for resolution that mean we don’t have to pay compensation directly to them, but can place their money with another firm.
- 70% of all UK adults are aware of FSCS or a protection scheme, which leads to increased consumer confidence.
- Claimant Satisfaction Survey results improve from 65% to 70%.
- We support financial services firms to provide accurate information to consumers about FSCS at least 80% of the time in their contact with their customers.

Industry
- FSCS will be more open, accountable and transparent to the industry that pays for it.
- Levy payers have easy access to the performance indicators and information they need to review our performance and hold us to account.
- Firms receive more advance information about the potential impacts of failure. They also get more certainty, or better signalling, about future levies.
- Our continuing commitment to maximising recoveries from failed firms offsets the cost of their failure.
- All major deposit-takers and financial services firms inform consumers about FSCS protection in their advertising and marketing.
- FSCS protection for insurance is part of consumer awareness.
- We work with the regulators to deal with any future changes to our funding model.
- We resolve the “legacy” deposit cases from 2008/09.

Authorities
- FSCS continues to work closely with the Authorities on contingency planning and responses to problems in financial services.
- Improved contingency plans are in place across all industry sectors and tested regularly.
- FSCS is seen as a leading protection scheme.
- FSCS protection is part of consumer awareness.

Our people
- We achieve Investor in People and Best Companies accreditation.
- Employee engagement is 20% higher than the baseline set in 2013/14.
- Career development plans are in place for all employees.
- Our people can rotate their job roles within FSCS or externally.
- Our people get an average of four days of learning a year to develop their skills, knowledge and professionalism.
- We have a family-friendly working environment and policies in place.

2014
- October: FSCS launches an online protection checker for consumers. Thousands start to use the simple tool.
- December: Financial Services (Banking Reform) Act 2013 receives royal assent.
- December: Deposit Guarantee Scheme Directive is agreed in Europe.
- January: FSCS launches its Five Year vision with its Plan and Budget, reinforcing its commitment to accountability and transparency to levy payers.

2015
- September 2014: FSCS’ “Connect” portal is online giving consumers easy access and user-friendly portal that enables them to monitor their claim.

2016
- September 2016: 70% of claimants say they are satisfied with FSCS.

2017
- March 2017: FSCS deals with majority of claims for non-deposit compensation within three months.

2018
- March 2018: FSCS handles 60% of all claims online, providing consumers an easy to-access and user-friendly portal that enables them to monitor their claim.

2019
- March 2019: 70% of consumers aware of FSCS or a protection scheme.
- March 2019: FSCS handles 60% of all claims online, providing consumers an easy to-access and user-friendly portal that enables them to monitor their claim.

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Towards a Confident Future

This Vision for a Confident Future puts all our stakeholders at the heart of what we do. It reflects our commitment to being open and transparent. It’s a central part of our accountability, which will enable you, the consumer or levy payer, to measure our progress. And it mirrors our commitment to developing our people; they’re central to the success of FSCS.

Our vision is one of a stronger, better compensation scheme for the millions of people who use financial services. This benefits firms by increasing consumer confidence and providing an efficient, effective compensation service. It will provide continuity for consumers while managing costs for the industry.

So, this document provides our strategy for the future. It will guide our work for the next five years and sets ambitious targets aligned to our Plan and Budget. This Vision puts us on the road to a confident future.