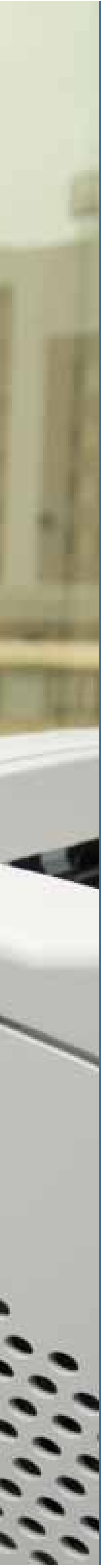
Plan & Budget: 2007/08
Financial Services Compensation Scheme


fscs



Financial Services Compensation Scheme
Plan and Budget: 2007/08

Contents

Pictures: Philip Wolmuth www.philipwolmuth.com

Overview
Who we are

FSCS aims to provide an effective and efficient compensation service for UK consumers and help maintain confidence in the financial services sector.

The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation fund of last resort for customers of financial services firms, created under the Financial Services and Markets Act 2000 (FSMA).

FSCS can pay compensation for financial loss if an authorised firm is unable (or likely to be unable) to pay claims against it. We describe a firm in this position as being "in default". A firm in default will generally be one that has ceased trading and has insufficient assets to meet claims, or is insolvent.

FSCS covers business conducted by firms authorised by the Financial Services Authority (FSA), or previous financial regulators. The rules governing the protection provided by FSCS are made by the FSA, under the terms of FSMA. There are limits to the protection FSCS can provide to consumers and limits to the compensation we can pay, depending on the basis of the claim.

FSCS protects:
- Deposits.
- Insurance broking (for business on or after 14 January 2005).
- Investment business (on or after 28 August 1988).
- Life and general insurance policies.
- Mortgage advice and arranging (for business on or after 31 October 2004).

FSCS is funded by levies on authorised firms. The service is free to consumers.

Strategic objectives

FSCS aims to provide an effective and efficient compensation service for UK consumers and help maintain confidence in the financial services sector.

Our strategies are designed to help us achieve and be recognised for sustained professionalism and fairness in providing financial compensation, in a reasonable time and at reasonable cost.

- Details of specific strategic objectives for 2007/08 are given on pages 12 and 13.
- Our management expenses budget proposals for 2007/08 are based on current claims forecasts and trends, and related assumptions.
  – Claims forecasts and assumptions are on page 10.
  – Financial forecasts and assumptions are on page 15 – 18.

Chairman's Foreword
David Hall

2006/07 has been a year of consolidation in terms of our strategies for dealing with significant volumes of claims efficiently and effectively. Some of the targets we set ourselves have been very stretching. By the end of this financial year, we expect to be operating within the service standards we set out in our 2006/07 Plan and Budget, and within our management expenses budget for the year. But we don't intend to stop there.

2007/08 will be a year in which we not only meet but also improve upon those standards, improve productivity and further reduce processing costs. This will help to ensure that whilst we try to offer an improved service to claimants in terms of waiting times we also fulfil our promise to levy payers to be as efficient as we can be in fulfilling our statutory obligations.

Management Expenses Levy Limit

The FSA will consult on a total management expenses levy limit (MELL) for 2007/08 of £37.52m in its Consultation Paper on fees and funding, which is due out in February. This compares to a MELL for 2006/07 of £37.06m.

The basis for the MELL for FSCS is a central budget of £32.04m, plus a reserve contingency amount of £5.48m, and assumes completion of over 43,000 claims during the year. The reserve contingency includes amounts for outsourcing costs that may be incurred in relation to splits and endowment claims that are above our central forecasts.

Comparisons to 2006/07

- a forecast increase in the number of claims decisions of over 28% (43,100 compared to just under 33,500).
- an increase in our management expenses budget of £2.67m (9%).

Total levy requirements

Our initial indication for total levy requirements is £104.6m (including compensation payments). Breakdowns for contribution groups are on page 17. This is an overall increase of 40%, and reflects our expectation for claims volumes next year. We recognise that this will be tough news for many firms.

In particular we anticipate:

- continued high numbers of endowment claims (2007/08 forecast is 26,500).
- continued processing of pensions review claims as new claims continue to arrive, with a funding shortfall of around £12.5m for these claims carried forward from 2006/07.

Not included in these early indications are costs relating to split capital investment trust claims in relation to Exeter Fund Managers and BFS, although a levy during 2007/08 is likely. Further details are on page 7.

2007/08 will be crucial for FSCS in terms of our funding structure going forward. It may well be the last full year that levies are raised under the current funding system. We will engage with the FSA's consultation around the funding review and will seek to ensure that we have a system that is:

- sustainable in the long term across the industry,
- smoothes volatility in compensation bills, and
- provides sufficient funding when we need it to let us get on with the job we are here to do.

In the meantime levy payers can be assured that we will maximise cost savings where we can, whilst continuing to provide an effective compensation service to consumers who are entitled to our help and protection. We take our role in maintaining confidence in the sector very seriously, and we hope levy payers agree it is a role from which all firms benefit.

Key points:

- Management Expenses Levy Limit (MELL) – £37.52m.
- Initial levy indications including compensation costs – £104.6m.
- FSA's funding review Consultation Paper out soon.
- A separate levy for costs relating to splits claims is likely.

Chief Executive's Overview
Loretta Minghella

Our core budget reflects a modest increase over 2006/07 in terms of management costs, whilst anticipating a significant increase in claims output.

As David Hall outlines in his introduction, 2007/08 will be a year of further process improvements to minimise waiting times and increase efficiency, which benefits all our stakeholders. Our core budget reflects a modest increase over 2006/07 in terms of management costs, whilst anticipating a significant increase in claims output.

Levy impacts

In issue 14 of *Outlook* we told firms that for some contribution groups levies will increase compared to 2006/07, or remain significant, because of the volumes of claims we expect we will need to deal with.

In particular:

- A12 firms (brokers holding client money) levies will increase to £11.2m.
- In A16 (IFA pensions review claims) we currently forecast that we will need to levy £47.5m for 2007/08 because of increased claims receipts relating to the pensions review and a shortfall in funding carried forward from 2006/07.
- In A13 (brokers not holding client money), levies are remaining at a relatively high level (£42.0m) because we expect to receive continued high levels of endowment claims.
- For other firms, the news is better. We now forecast that no levy will be required during 2007/08 from firms in A3 (general insurers), as we have sufficient funds to deal with anticipated claims against insolvent insurers during the period. This is due to increased recoveries made during 2006/07 and a slow-down in funding required by the insolvent estates with protected claims. However, significant funding is still required, and will continue to be required for existing defaults for some years to come.
- The A19 levy includes compensation payments made in 2006/07 and forecast payments for 2007/08.

Forecasting and its disadvantages

We continue to work to improve our forecasts of potential areas of claims, to help our stakeholders understand the likely impact of our work on them. What we must continue to emphasise, however, is that our forecasts can only ever be indicative. One of the disadvantages of publishing information early is that forecasts made many months before may not reflect the latest trends when it comes to raising levies.

For example:

- new claim receipts, uphold rates and average payments used at the time of forecasting may have changed significantly by the time we need to raise levies. Recoveries are also difficult to predict, both as to timing and amount. All these factors can have a material impact on funding requirements and small changes in each area can add up to a significant change overall.

That's why we publish updates at intervals during the year.

Funding and efficiency

As David Hall mentions, 2007/08 will be a critical year for FSCS in terms of determining our funding structure going forward. Meanwhile compensation costs must be allocated to existing contribution groups. We realise that for many firms these levy indications will be unwelcome news.

Firms should be assured, however, that we continue to increase efficiencies in claims handling and other areas.

Some of the projects I would like to highlight include:

- Reviews of quality assurance and the claims process for claims handled by FSCS and outsourcers to maximise efficiencies, improve turnaround times and assure quality in all aspects of our operations.
- Upgrades to our website and IT systems to allow greater online claims processing and claims updates.

More details are on page 13.

Splits – a key area of uncertainty

The arrival of claims relating to split capital investment trusts is one area that we have been preparing for during 2006/07, because it is likely to generate significant numbers of claims and therefore costs for levy payers.

However, the two firms with which we are potentially involved (EFM and BFS) are not yet in default so there remains a high level of uncertainty about the total number and value of claims that may come to us. When it is clear that the firms are unable to meet valid claims made against them, we will step in. We have done quite a lot of preparatory work to ensure that when it becomes necessary for FSCS to consider individual claims, we will be ready for them.

We have included some indicative claims forecasts for splits in our overall claims forecasts, and we have included some management expenses costs for outsourcing within our central budget and MELL. However, the number of claims is still quite uncertain, so these forecasts should be considered only indicative. We have NOT included these costs within our initial levy indications. A further amount for outsourcing is included within the reserve contingency for claims volumes received that are above our current estimates.

Potential costs

We appreciate that firms want certainty, as far as is possible, in terms of potential overall costs, including compensation payments and the likely allocations to contribution groups.

However, we cannot currently give indications for contribution groups.

Contribution groups most likely to be affected are A7, A9, A12, and to a lesser extent, A13, although it will depend on the nature of claims received, and the value of those claims, as to where costs must be allocated.

We will give indications as early as we can, but firms in these groups should be aware that a levy for these costs is very likely during 2007. We will update our information and keep trade bodies updated, as events develop.

Our experiences and results this year have proved to us the value of outsourcing in providing flexibility for managing fluctuating claims volumes and sudden, unexpected increases in claims that need to be dealt with quickly.

Claims strategy and forecasts
Ron Devlin, Director of Claims

During 2006/07 we have consolidated our approach to managing high volumes of claims, and fluctuations in claims receipt, by further developing our use of outsourcing alongside flexible in-house teams. This helps us to manage claims volatility whilst retaining key skills in-house.

That strategy has paid off. In 2005/06 claim completions were up by 180%. During 2006/07 we expect to increase the number of claims completed by 32% and by a further 28% in 2007/08. Details of our claims forecasts for 2007/08 are on pages 10 and 11.

Our experiences and results this year have proved to us the value of outsourcing in providing flexibility for managing fluctuating claims volumes and sudden, unexpected increases in claims that need to be dealt with quickly.

This was brought home to us in the autumn when we had a sudden influx of claims in relation to two credit union defaults. Consumers were facing hardship and a fast response was required. We paid claims relating to one of these credit unions within weeks of the default and adopted fast-track systems for the other to ensure we met the needs of these consumers.

This experience confirms our belief that our claims strategy is the right one. Our staff were flexible and innovative in their approach and we were able to draw on our existing outsourcers who understand our rules and procedures to achieve the right result.

Quality control

Quality control is a very important aspect of successful use of outsourcing, and we continue to develop our work in this area. We have now started to supplement our desk-based monitoring and oversight of outsourcer fulfilment of contractual obligations with on site inspections and review.

We aim to cover non-process obligations (e.g security, disaster recovery, data protection), quality control and reliability of management information as well as compliance with service standards.

We also regularly examine a random sample of our entire claims output, including work from our in-house teams, in order to make sure our decisions are fair, policies and processes are understood, and are being applied consistently, and to learn lessons for future performance.

Pensions Review claims

As we indicated in November, our previous forecast that we hoped to complete Pensions Review claims by the end of 2006 proved in reality to be optimistic. We now expect over 800 Pensions Review claims during 2006/07, compared to an initial forecast of 350, and anticipate receiving Pensions Review claims during 2007/08 and possibly beyond.

We alerted firms in Issue 14 of *Outlook* that we now expect to have a projected shortfall in funding during 2006/07 and increased funding requirements for 2007/08. This is largely because:

- Claims have continued to arrive off the street in higher numbers than forecast.
- Claims previously rejected because the firms were not in default have had to be re-opened, as further claims, including endowment claims, have tipped rising numbers of departed firms into default.
- At the time we made our forecasts and set levies, the 12-month rolling average uphold rate was 71%, which was a reasonable rate to assume going forward. However, more recently the uphold rates have been higher and we now assume an uphold rate of 83%.
- When we fixed the 2006/07 levy in March 2006, we underestimated the value of claims yet to be paid. The forecast contribution group fund balance at 30 June 2006, the date when the next levy was assumed to be received, proved to be too high.

We now expect to raise a levy of £47.5m in 2007/08 and we also expect to continue to deal with Pensions Review claims in 2008/09, which will need funding. Details of levies for all contribution groups are on page 17.

How we deal with Pensions Review claims

FSCS considers Pensions Review claims on the same basic principles as other claims. That is, we establish for every claim whether or not the actions of a regulated firm have given rise to a civil liability. We pay compensation only for financial loss, and do not pay compensation simply because an investment has not met expectations. We follow the guidance set down by the regulator for dealing with these claims.

Further information about our approach to claims is on our website at www.fscs.org.uk

Claims forecasts

FSCS is a demand-led organisation and the volume of claims handled is a major driver of Scheme expense, influencing the number and skills of people required to process claims and maintain target service levels. The volume of claims received in large part determines the level of outsourcing costs we incur.

The Scheme continues to combine the best knowledge, insight and expertise from trade bodies, FOS and the FSA into its estimates. However, forecasting claims volumes remains an inexact science and assumptions are not always borne out by events.

There is considerable uncertainty surrounding the volumes and timing of claims generally, and for mortgage endowment and splits claims in particular. This gives rise to considerable potential variation we must plan for.

In producing claims forecasts, the following assumptions have been made:

- The volume of new mortgage endowment claims in 2007/08 is likely to be within the range of 21,000 – 31,700 claims, reflecting the continued uncertainty in this sector.
- Precipice bond claims will be negligible, and these will be shown within the 'Other' investment category from now on.
- We expect to be dealing with Pensions Review claims during 2007/08 and beyond.
- Continued claims relating to a small number of failed credit unions.
- A small number of defaults in the insurance broking sector, although based on current experience the financial impact of these failures is unlikely to be significant.
- No new failures in the life and general insurance company sectors; FSCS currently expects to manage the same insurance estates as in 2006/07.

As last year, FSCS has considered a range of claims forecasts to help us manage the uncertainties around actual claim receipt, with the mid-point of these providing the basis for operational planning and expense budgets.

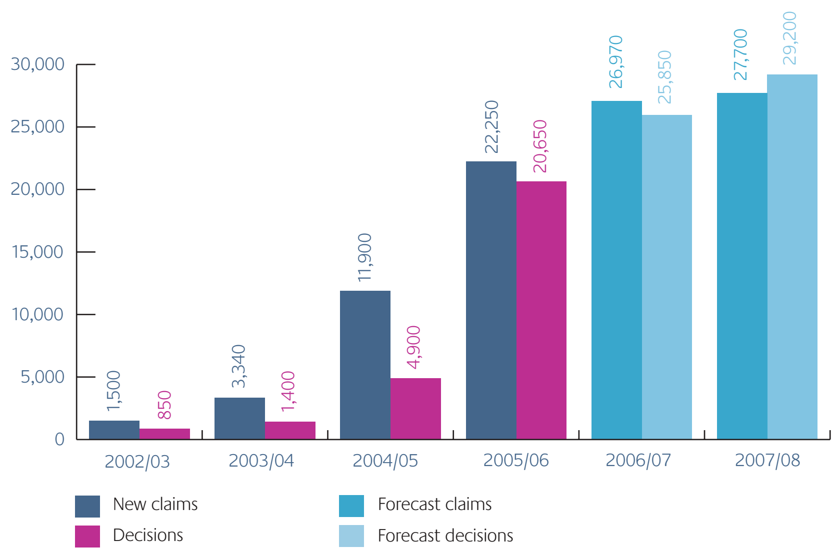
Claims forecasts 2007/08*

Table 1

Type of claim	Estimate of claims in progress 1 April 2007	New claims forecast LOWER forecast for 2007/08	New claims forecast MID POINT forecast for 2007/08	New claims forecast UPPER forecast for 2007/08	Estimate of claims completed at 31 March 2008	Estimate of claims in progress 31 March 2008 MID POINT
Investments						
Mortgage endowments	12,300	21,000	26,500	31,700	28,000	10,800
Others exc splits	660	1,000	1,200	1,400	1,200	660
Total Investments	**12,960**	**22,000**	**27,700**	**33,100**	**29,200**	**11,460**
Pensions review	660	300	440	440	790	310
Credit Unions	250	3,000	4,000	5,000	4,000	250
M&GI	720	1,500	2,550	3,600	2,550	720
Total claims**	**14,590**	**26,800**	**34,690**	**42,140**	**36,540**	**12,740**
Splits claims	3,700	2,000	4,000	5,000	6,640	1,060
Total inc. splits	**18,290**	**28,800**	**38,690**	**47,140**	**43,180**	**13,800**
*Insurance payments****	*N/A*	*12,000*	*14,000*	*16,000*	*14,000*	*N/A*

* Figures are rounded.
** Excluding splits claims.
*** Figures relate to payments only. Insurance claims are usually handled by the appointed run-off agent and presented to FSCS for checking and payment.

Investment claims trends (splits not included)



Service standards

Target service levels for the 2007/08 plan are:

(i) We will send out an application form within five working days in at least 90% of cases, where consumers have a claim that is potentially within our remit.

(ii) Where a firm is unable to meet claims made against it, we aim to make 50% of default declarations within 6 months of the start of our investigations, and 100% within 12 months.

(iii) Where the firm is already in default, we will issue a decision on 90% of all claims within six months of receiving a completed application form. Of the remaining 10%, no claims should be older than 12 months unless exceptional circumstances apply.

Our historic measure is of the percentage of claims completed each month where a decision has been made within six months of receipt of the application form. As this focuses upon claims that have been completed rather than all claims received, we are developing further measures that will help us report turn-around times for all claims and to link that more closely to the age of claims in our work in progress.

(iv) We will issue compensation payments within 10 working days of written acceptance of a compensation offer, in 90% of cases. For pension reinstatements, or pension loss claims where compensation takes the form of an annuity, we will arrange compensation within 10 working days of receipt of all necessary information from third parties, for example, an annuity quotation or the notification of reinstatement costs.

(v) We aim to answer all correspondence within 15 working days (including complaints), in 90% of cases.

(vi) Telephone calls are dealt with as they are received. However, if we have to call someone back we aim to do so within 48 hours of the enquiry being received, in 90% of cases.

(vii) During 2007/08 we will develop a comprehensive set of internal service standards setting out our commitments and responsibilities between FSCS teams and Divisions, to help us to ensure the external standards are achieved.

Using these target service levels we aim to build on improvements we have made over the last two years and further improve the way we work and the service we can provide. Several of these targets are new. In such an unpredictable, demand-led environment, the service levels we seek to attain are intended to be stretching. Whilst we expect to meet a number of these targets from 1 April, some may take longer to achieve. We aim to be meeting them all by the end of the financial year 2007/08.

Efficiency projects

We will undertake a number of projects during the year to help us make further efficiency gains and process improvements. These aim to further improve our service to those entitled to FSCS protection as well as our overall cost effectiveness.

A target 5% efficiency saving across the Scheme will help fund the budgeted £1.5m project-related costs next year.

Projects include:

(i) Development of a suite of internal performance measures and an infrastructure to implement, manage and control them.

(ii) Implementation of claims process improvements.

(iii) Establishing a new approach to quality assurance which covers all aspects of our service.

(iv) A review of claims policies and procedures manuals to ensure consistency, clarity and for more rapid transfer of processes to outsourcers, particularly for new areas of claims.

(v) Development of our IT systems to improve functionality and the flow of information between teams.

(vi) The development of further online services on the FSCS website.

(vii) The strengthening of our project management capacity.

(viii) Management development training, including performance and project management, and technical training for staff.

(ix) Implementation of a new approach to rewarding our staff designed to ensure that we attract and retain the people and skills we need to deliver an excellent service.

Projects include development of a comprehensive suite of internal performance measures and an infrastructure to implement, manage and control them.

Financial Issues and Funding

Table 3

Management expenses by type

	Budget 2007/08 £m	Forecast 2006/07 £m	Budget 2006/07 £m
Staff employment and related costs	12.50	11.70*	11.17
Accommodation and office services	3.09	3.25	3.72
IT	0.80	0.96	1.35
Professional and claimant data	1.40	1.49	1.01
Outsourcing	11.03	8.76	10.18
Depreciation, PI and other costs	2.01	1.57	1.69
Contingency	0.25	0.08	0.25
Efficiency Projects	0.96	-	-
Total	**32.04**	**27.81**	**29.37**

* This reflects costs of establishing an in-house splits team.

Table 4

Management expenses, base and specific split

	Budget 2007/08 £m	Forecast 2006/07 £m	Budget 2006/07 £m
Base Costs	5.13	3.54	3.40
Specific Costs	26.91	24.27	25.97
Total	**32.04**	**27.81**	**29.37**

Reserve contingency

The Reserve Contingency for 2007/08 is £5.48m (2006/07: £7.7m) comprising:

- **£0.75m** to allow for potential liability for VAT on outsourcing costs for mortgage endowments, covering October 2007 – March 2008;
- **£4.73m** to accommodate potential additional outsourcing costs for splits, mortgage endowment and pension claims volumes outside our central forecasts.

The FSA will consult on a Management Expenses Levy Limit of **£37.52m**.

Financial Issues and Funding

Key assumptions and sensitivities: initial levy estimates

In calculating levy requirements we take into account funding requirements until the receipt of the next levy, assumed to be 1 July each year.

The key assumptions made in preparing the initial levy estimates are:

1. Accepting Deposits Sub-scheme – surplus funds as at 1 April 2007 are not being repaid. This assumption is based on the view that a distribution of less than £5.0m is not likely to be cost effective and, by that time, at current outflow levels, the A1 fund balance will be below that figure.

2. Insurance payments – we have regard to insolvency practitioner estimates for each estate. In assessing our fund balances and likely funding requirements we have to take into account significant uncertainties surrounding some types of claims. The costs related to some types of claims can be very difficult to forecast, particularly where litigation may be involved. Recoveries can also have a major impact on funding and levy requirements. Due to significant recoveries in 2006/07, and a slowdown in funding requirements for protected claims, a levy is not currently anticipated in the A3 contribution group during 2007/08.

   Stakeholders will note that we are currently forecasting a fund balance at 31 March 2008 of around £74m. We do not currently intend to make a repayment to firms in the A3 contribution group in 2007/08 because: (1) our forecasts are based on the mid-point of a range of potential funding requirement forecasts provided by insolvency practitioners. If funding to the higher level of the range were required during 2007/08, which is a possibility, we would require significantly more funding than our current forecasts suggest; (2) funding is required to fund compensation costs anticipated in Q1 of 2008/09.

3. Investments – compensation cost estimates are calculated by reference to average compensation payment and uphold rates applied for mortgage endowment, and other investment cases of: £2,000 and 46%; and £15,200 and 37% respectively. The average compensation cost is calculated using a 12-month rolling average based on actual payments made for each product type.

4. The A12 levy includes a forecast funding shortfall of £0.5m rolled forward from 2006/07.

5. (A16) IFA Pensions Review claims – the 2007/08 levy reflects current trends in claims receipt, average payments and uphold rates. It includes a potential forecast funding shortfall of £12.5m rolled forward from 2006/07 and a further funding requirement of around £5m until the receipt of the next levy, assumed to be 1 July 2007.

6. The A19 levy includes a small number of compensation payments made during 2006/07, which were not included in the 2006/07 levy, and anticipated compensation payments during 2007/08. These are not currently expected to be significant in terms of overall value.

Potential costs for splits claims are not included.

Table 5
Initial levy estimates by contribution group

These figures are indications only and may change. Our 2007/08 levy requirements will be announced in April 2007.

Estimated compensation payments in 2007/08 of £137m are based on forecast claims outputs, estimated uphold rates and forecast payment amounts. For further details of the key assumptions and sensitivities, please refer to page 16.

	Group	2006/07 Levy £m	2007/08 Levy £m	Increase/ (decrease) £m
Excluding splits claims costs				
Accepting deposits				
Deposit takers	A1	0.0	0.0	0.0
Insurance				
General Insurance	A3	0.0	0.0	0.0
Life Insurance	A4	0.0	0.5	0.5
Insurance intermediaries	A19	0.5	2.0	1.5
Investments				
Fund managers	A7	0.4	0.5	0.1
Managers of AUT's	A9	0.0	0.1	0.1
Dealers as principal	A10	0.2	0.3	0.1
Brokers holding client monies	A12	1.5	11.2	9.7
Brokers not holding client monies	A13	47.1	42.0	(5.1)
Corporate advisors	A14	0.0	0.1	0.1
Mortgage brokers	A18	0.3	0.4	0.1
Pensions review	(A16)	24.8	47.5	22.7
Totals		**74.8**	**104.6**	**29.8**

Forecast fund movements

For the year ended 31 March 2008

Contribution group allocations forecast: levy year 2007/08 in £'000s

Our current forecasts for 2006/07 suggest fund balances as at 31 March 2007 of £141.46m. Based on these estimates, prospective funding requirements for 2007/08 (which also fund Q1 2008/09) are £104.60m, as shown in the table below.

Forecast fund movements 2007/08	Forecast funds at 1.4.2007	Compensation and interest payable	Recoveries	Management Expenses			Interest	Net management expenses	Proposed levies	Net fund movements	Estimated funds at 31.3.2008
				Total	Base*	Specific					
Deposits A1	3,084	(1,330)	0	(1,428)	(1,111)	(317)	54	(1,374)	0	(2,704)	380
Insurance	142,141	(75,901)	6,661	(2,647)	(1,144)	(1,503)	3,353	706	500	(68,034)	74,107
A3	141,752	(75,871)	6,641	(1,772)	(312)	(1,460)	3,347	1,575	0	(67,655)	74,097
A4	389	(30)	20	(875)	(832)	(43)	6	(869)	500	(379)	10
Investments	(4,091)	(58,687)	750	(23,700)	(2,103)	(21,597)	153	(23,547)	101,700	20,216	16,125
A7	40	0	0	(502)	(502)	0	1	(501)	500	(1)	39
A9	59	0	0	(97)	(95)	(2)	2	(95)	100	5	64
A10	37	0	0	(276)	(276)	0	1	(275)	275	0	37
A12	(485)	(5,575)	25	(3,576)	(354)	(3,222)	17	(3,559)	11,200	2,091	1,606
A13	8,698	(27,217)	225	(16,950)	(760)	(16,190)	243	(16,707)	42,000	(1,699)	6,999
A14	19	0	0	(116)	(116)	0	1	(115)	125	10	29
A16	(12,459)	(25,895)	500	(2,183)	0	(2,183)	(112)	(2,295)	47,500	19,810	7,351
MI A18	328	(373)	0	(220)	(190)	(30)	7	(213)	400	(186)	142
GII A19	1	(718)	0	(916)	(585)	(331)	6	(910)	2,000	372	373
TOTAL	**141,463**	**(137,009)**	**7,411**	**(28,911)****	**(5,133)**	**(23,778)**	**3,573**	**(25,338)**	**104,600**	**(50,336)**	**91,127**

* Base costs are allocated to firms by reference to FSA's estimated 2007/08 periodic fees.
** Excluding splits costs

Contribution groups:
A1 – Accepting deposits
A3 – General insurance
A4 – Life insurance
A7 – Fund managers holding client money/assets
A9 – Managers of an AUT, ACDs and depositories
A10 – Dealers as principal
A12 – Brokers holding client money/assets
A13 – Brokers not holding client money/assets
A14 – Corporate advisers
IFA Pensions review claims – formerly A16
A18 – Mortgage brokers
A19 – Insurance intermediaries

Financial Services
Compensation Scheme
7th Floor
Lloyds Chambers
1 Portsoken St
London E1 8BN