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**MEDIA INFORMATION**

### **FSCS INITIAL LEVY SET AT £94.5M FOR 2007/08**

The Financial Services Compensation Scheme (FSCS) has set its initial levy for 2007/08 at £94.5m, including costs of compensation and management. This is £10m lower than the indicative levy announced when FSCS published its Plan & Budget in January.

The levies for A12 (brokers holding client money), A16 (pensions review), and A18 (mortgage brokers) have been reduced. The others remain unchanged.

The reductions result in part from additional recoveries received in 2006/07 and in part from continuous review and refinement of projections for the coming year based on the current trends and information.

The A12 levy is set at £10.5m, which is down £0.7m from the indicative estimate. This is mainly due to a reduction in the number of mortgage endowment claims expected to be received. In its Plan & Budget, FSCS forecast 26,500 new endowment claims for the year ahead. It has now scaled back this forecast to 21,000 new claims, the lower point on the range published in January.

The levy for A13 is set at £42m, unchanged from January's indicative amount and down from £47.1m in 2006/07. Although, as for A12, the number of mortgage endowment claims forecast for 2007/08 has been reduced there are offsetting factors in this group, which mean that FSCS has decided to levy £42m as originally proposed. .

A16 is set at £38.5m, a reduction of £9m from January's indicative amount. Driving the fall are:

- additional recoveries in the year (of £2.1m), which have decreased the deficit brought forward from 2006/07;
- a reduction in the overall forecast numbers of compensation payments and a decrease in management expenses applicable to this group (£1.8m);
- the timing of a number of payments which are now expected to shift beyond the levy period into 2008/09 (£4.9 million).\*

And there will be no initial levy for A18 following the review of trends and data because FSCS has enough funds to cover these firms' share of management expenses and forecast compensation costs.

Loretta Minghella, Chief Executive of the FSCS, said: "Since we published our indicative levy earlier this year we've reviewed and refined our forecasts for claims volumes and compensation costs. While this is good news for some sectors, we recognise that the levy will confirm some tough news for other levy groups. However, having an efficient and cost-effective compensation service is good for consumer confidence and good for the industry as a result."

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#### **Notes to editors**

1. The total levy is up by £19m compared with 2006/07.
2. A full copy of the 2007/08 levies by contribution group is in our newsletter, Outlook, which can be downloaded from the industry section of [www.fscs.org.uk](http://www.fscs.org.uk)
3. The Financial Services Compensation Scheme (FSCS) is the UK's statutory "last resort" compensation scheme for customers of financial services firms, created under the Financial Services and Markets Act 2000. It provides a free service to consumers and can help people who have lost money after doing business with an authorised firm if a firm is unable to meet claims made against it. FSCS is an independent body. It is funded by levies on authorised firms.
4. Not all claims made to the FSCS are upheld – approximately 46% of endowment claims are paid with average compensation of £1,915; 83% of pensions review claims are upheld, with an average payment of £24,600 and approximately 37% of other investment claims are upheld with an average pay out of £15,200.
5. FSCS is forecasting that it will deal with splits claims during 2007/08, although it is not yet possible to predict accurately the timing, volume of claims or the amount of compensation that FSCS will need to pay. The costs for handling these claims, and potential compensation payments, have not been included in FSCS's current levy forecasts.
6. \* The £4.9m shift into 2008/09 will be in addition to any other funding needs for pension review claims required in that year. The FSA is currently consulting on the future funding arrangements of FSCS, including the A16 contribution group.