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MEDIA INFORMATION

FSCS PAYS COMPENSATION OF £150m IN A YEAR OF IMPROVED SERVICE

The Financial Services Compensation Scheme (FSCS), the UK's fund of last resort for customers of regulated financial services firms, paid almost £150m in compensation during 2006/07 while improving its service to consumers, according to its annual report released today.

FSCS completed more than 31,200 claims and spent just under £27.2m on management expenses, compared to a forecast for the year of completing 28,150 claims within a budget of £29.37m.

Figures released by FSCS show that in the financial year to 31 March 2007:

- FSCS completed 31,260 claims¹, an increase of 21% compared with 2005/06;
- Insurance payments numbered 16,844 with compensation payments in the insurance sector (general insurers) totalling £66.06m; and
- Total compensation paid to consumers during the year was £149.47m of which just over £82m was paid in respect of endowment, pension review and other investment claims.

The majority (88%) of claims received by FSCS in the past 12 months related to mortgage endowments. 86% of new endowment claims received were dealt with within six months of receipt. Just under half (45%) of endowment claims resulted in an offer of compensation and the average compensation paid to endowment claimants was £1,900.

Loretta Minghella, Chief Executive of FSCS commented:

"I am particularly pleased to report this year that the strategies we put in place two years ago to deal with rapid increases in claims volumes have worked. The backlogs are all but gone, and we are dealing with the majority of claims much faster and under budget.

"2006/07 was the first year in which we published clear service standards and challenging targets against which we could be measured. We managed to achieve many, although not all, of these targets, so there is further to go. I hope the results demonstrate our commitment to our mission: to provide an effective and efficient compensation service," said Loretta Minghella.

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¹ Investments, Pensions Review, deposit claims and claims against insurance brokers. For claims against insolvent insurers, the run-off agent appointed by the insolvency practitioner usually settles claims and FSCS audits their work before authorising payment.

Copies of the FSCS 2006/07 Annual Report can be downloaded at:

http://www.fscs.org.uk/industry/publications/annual_reports/

For further information please contact:

Mark Oakes, 0207 892 7370 or mark.oakes@fscs.org.uk

Heather Tilston, 0207 892 7878 or hstilston@fscs.org.uk

Suzette Browne, 0207 892 7372 or suzette.browne@fscs.org.uk

Notes to editors

- FSCS was set up under the Financial Services and Markets Act 2000 (FSMA) and protects deposits, insurance, investments and mortgage business. It became operational on 1 December 2001 when FSMA came into force, replacing previous compensation bodies including the Deposit Protection Board, Investors Compensation Scheme and Policyholders Protection Board. It is an independent body.
- FSCS is funded by levies on authorised firms – those that are regulated by the UK's independent financial watchdog, the Financial Services Authority (FSA).
- The FSA is currently reviewing the funding structure for FSCS. For more information contact the FSA or visit their website:
- http://www.fsa.gov.uk/pages/library/policy/cp/2007/07_05.shtml