

## **Consumers could lose over £12 million to claims management companies in next financial year**

*FSCS assumes large increase in PPI claims for failed firms and reveals possible cost of managed claims to consumers*

A dramatic rise in the number of consumers making claims for mis-sold payment protection insurance (PPI) is likely over the next year, new figures from the Financial Services Compensation Scheme (FSCS) reveal.

In its recently released Plan and Budget: 2012/13, the FSCS assumes it will receive around 16,500 claims for mis-sold PPI from failed firms for the period. This confirms a trend for increasing volumes of PPI claims coming into the Scheme.

The news comes a week after FSCS research showed more than three-quarters of people use claims management companies to apply for FSCS compensation from failed firms. Figures from 2008 to 2011 show the average FSCS payment to consumers through claims management companies is £4,534. With claims management companies taking up to 25% of the pay-out, the 16,500 potential claimants could pay more than £12.6 million in 2012/13.

Consumers can claim compensation directly from the FSCS to ensure they receive their full entitlement. The Scheme, which is free to consumers, has helped more than 4.5 million people and paid out more than £26 billion since 2001. Between 2008 and 2011, just over £77.5 million of this total amount was for PPI claims. FSCS assumptions for claims volumes in 2012/13 alone suggest it could pay out around £70 million in compensation for PPI claims.

### **Mark Neale, Chief Executive of the FSCS, said:**

“The significant uplift in PPI claims shows no sign of slowing down. The amount consumers pay to claims management companies for handling their case is sizeable.

“Claims management companies take a significant part of the possible pay-out and are no more likely to make a successful claim than consumers can on their own. People can save thousands by submitting their claims directly to the FSCS, rather than through a third party.

“While it may seem reassuring to have someone else do the paperwork, consumers should not be daunted by the process of making a claim. Claiming compensation from the FSCS is free and simple. If consumers have any concerns there is always someone on hand to help.”

**-ENDS-**

For further information please contact Michael Monk at the FSCS on 020 7892 7540.

## **Notes to Editors**

### **1. About the FSCS**

The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme for customers of authorised financial services firms. This means the FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. The FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on authorised financial services firms. The FSCS does not charge individual consumers for using its service. For more information visit [www.fscs.org.uk](http://www.fscs.org.uk)

### **2. The FSCS and PPI claims**

The FSCS can pay out when a company which has mis-sold PPI to consumers goes bust. For claims relating to the selling or arranging of general insurance, including PPI, the FSCS will compensate 90% of the value of the claim, with no upper limit.

3. The recently released [FSCS Plan and Budget 2012/13](#) predicts that PPI claims will continue to be the most significant claim area for the Scheme. The projected compensation costs for insurance intermediaries (SB02) are £70.7m (see page 26).

Assuming previous trends continue, this means that 75% of the 16,500 claims (12,375) will be made via a claims management company (CMC). 25% of the average pay-out (£4,534) means they will receive £1,133.50 for each client. Multiplying the two figures together gives £14,027,062.50. As around 10% of PPI claims are rejected, this gives a projected pay-out of around £12.6 million.

4. Recent FSCS show that 12,116 PPI claims were submitted in 2011 (9,202 via CMCs and 2,914 directly), against 7,559 claims in 2010 (6,228 via CMCs and 1,331 directly). The average pay-out for direct claims between 2008 and 2011 was £6,398, compared to £4,534 for those via CMCs.