



IMMEDIATE: 18 April 2013

MEDIA INFORMATION

FSCS sets 2013/14 levy at £285m, down from £311m

The Financial Services Compensation Scheme (FSCS) has today confirmed its proposed levy for 2013/14 at £285m.

The levy has reduced by £26m since FSCS published its initial assumptions in its Plan and Budget 2013/14 in early February. It follows an up-to-date analysis of claims paid in the previous year and claims assumptions for 2013/14.

All but one class will see a reduction in the levy compared to the indicative numbers published earlier this year. Firms in the investment intermediation class will see an increase in their indicative levy of £2m taking their annual levy total to £78m. This is due in part to major investment default claims such as MF Global UK Limited, Worldspreads Ltd and Pritchards Stockbrokers Limited largely expected to be completed during 2013/14. The largest reduction falls to the general insurance provision class which reduces by £7m to £115m from £122m.

The major drivers of FSCS's costs are claims volumes, and costs can vary depending on the number of claims received. FSCS still expects the overall volume of new claims it receives to be considerably lower than 2012/13 (just over 28,000 compared to approximately 45,200). However, FSCS anticipates that claims volumes in 2013/14 from payment protection insurance (PPI) claims will continue to be significant. The cost of these will fall to the general insurance intermediation sector, accounting for £54m of the annual levy, compared with £36m in 2012/13. This mirrors the experience of the Financial Ombudsman Service and trends in the wider industry.

Mark Neale, FSCS's Chief Executive, says: "Paying compensation to consumers who lose money when authorised firms fail, contributes to consumer confidence and financial stability. This benefits the industry as well as consumers. This is why FSCS exists and why we must continue to ensure we have sufficient funds to meet the compensation costs we expect to incur.

"Although we are pleased to announce a levy that is £26m less than originally projected, we are aware of the impact that our levies have on firms. In particular, we are mindful of the fact that, in addition to this levy, firms in the investment and insurance intermediation classes recently received invoices in respect of the interim levy we announced in March."

Firm will be invoiced for this levy in July 2013.

A full explanation of the 2013/14 annual levy can be found in the latest edition of FSCS' industry newsletter [Outlook](#).

Notes to editors

FSCS is funded by levies on authorised financial firms. On 1 April 2013, FSCS's new funding arrangements were introduced following an FSA consultation. Under the new funding arrangements all FCA regulated deposit takers, general insurers, life insurers and home finance providers (in addition to the FCA provider contribution classes), are required to make contributions to the FCA retail pool in the event that an intermediation class breaches its threshold. In the event that the Investment Provision class exceeds its threshold, only the FCA intermediation classes will contribute. FSCS will now have access to a maximum of £1,050m to fund compensation claims arising from the intermediation classes, and £790m to fund investment provision compensation claims.

Further details about the new funding arrangements can be found in the latest edition of FSCS' industry newsletter *Outlook*.

For general information about the FSCS visit www.fscs.org.uk