IMMEDIATE: 06.04.2011 **MEDIA INFORMATION**

The FSCS sets annual levy at £217m

The Financial Services Compensation Scheme (FSCS) has today confirmed its proposed levy for 2011/12 at £217m.

Following the publication of the Plan and Budget 2011/12 in February, the FSCS refined its compensation and claims projections for the coming year in the light of the latest trends over recent months, and reduced the levy by £23m.

Compared to the indicative levy amounts announced in the Plan and Budget, with the exception of the Life and Pensions Intermediation sector, the proposed levy for each part of the industry is either less or remains unchanged. The levy for the FSCS's base costs of £34m announced in the Plan and Budget (which is included in the £217m) also remains unchanged.

The FSCS bases its levies on projections of the number and value of claims it expects to pay in the financial year following a review of all of its assumptions and claims figures. The FSCS projects its total compensation costs forward to 30 June 2012. This reflects the fact that its annual levy only becomes payable from July, and the compensation costs levy is based on a 1 July to 30 June year.

The FSCS has reduced the levy on General Insurance Intermediaries from £93.5m announced in the Plan and Budget 2011/12, to £69.5m. Although the FSCS expects volumes of PPI claims to continue increasing, it does not expect that increase to be as steep as it initially believed, and has revised its claims assumptions downwards from the 20,000 announced in the Plan and Budget to 13,400.

The Scheme has also reduced the levy for the Investment Intermediaries from £40m announced in the Plan and Budget 2011/12, to £34m. However, it has increased the levy for the Life & Pensions Intermediaries from £10.5m to £21.5m. This reflects a reallocation of compensation costs between the two sectors based on a refined analysis of claims paid to date in 2011/12.

The FSCS also confirms that any recoveries it makes following the Keydata failure linked to claims paid in the 2010/11 levy year will first be credited to the Investment Fund Managers in order to repay the cross-subsidy triggered by last year's interim levy of £326 million. This follows the FEES rules made by FSA in 2008 as part of the last funding review

Mark Neale, FSCS's Chief Executive, says: "The FSCS plays an important role in protecting consumers when authorised firms fail. We have paid more than £24bn since we were set up in 2001 and contribute to consumer confidence through our work. 2011/12 will continue to be busy for the FSCS with rising PPI claims off-set by a reduction in claims resulting from major investment failures.

"Although we are pleased to announce a levy that is £23m less than originally projected, firms and trade bodies have emphasised to us the impact our levies have on the businesses that must pay them. In particular, we are mindful of the fact that, in addition to this levy, investment firms will have received their bills in respect of the interim levy we announced in January. I want to assure all of our levy payers that we only raise the funds that we expect to require and that we pursue recoveries against third parties whenever it is reasonably possible and cost effective for us to do so. These recoveries will be used to help offset the costs of compensating consumers when firms fail."

Notes to editors

Full details of the FSCS 2011/12 levy can be found in issue 26 of Outlook on the FSCS website.

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