

FSCS publishes its Plan and Budget: 2013/14
Total levies of £311m and PPI claims increase

The Financial Services Compensation Scheme (FSCS) today publishes its Plan and Budget: 2013/14, which provides its early assumptions about future claims and indicative estimates of its levies on financial services firms for the coming financial year.

In 2013/14, financial services firms are likely to pay a total levy bill of £311m to cover costs, which excludes the costs of the major bank defaults of 2008. That compares with total levies so far in 2012/13 of £265m.

FSCS expects the overall volume of new claims it receives to be considerably lower than 2012/13 (28,052 compared to 45,198). 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 £58m of the annual levy.

Of the estimated £311m required, the general insurance provision sector will account for £122m, partly due to mesothelioma claims on the estates of Chester Street, Builders Accident Insurance and Independent Insurance. FSCS also saw two new defaults in 2012/13 in this sector: Municipal Mutual Insurance and Lemma, which will add to costs for 2013/14.

Compared to the 2012/13 annual levy, levies for four sectors will reduce and costs will increase in two sectors.

FSCS Chief Executive Mark Neale says: "FSCS exists to protect consumers when financial services firms fail. They are our top priority. Paying compensation as it falls due is an important component of consumer confidence and financial stability.

"Our accountability to our stakeholders and our commitment to keep costs to a minimum remains a key priority for us also. Our Plan and Budget: 2013/14 outlines what we'll be doing over the coming year to meet the expectations of all of our stakeholders and to demonstrate accountability to the firms that fund us.

"A major focus for FSCS in the coming year is to continue dealing with claims efficiently, effectively and meeting our service standards for claimants and maximising recoveries for our levy payers – whilst preparing for the future demands that will be placed on us."

The Scheme is also investing in strengthening its ability to respond efficiently to any future financial crisis. FSCS continues to invest in projects that will enhance its ability to deal with an uncertain environment and fluctuating demands. The main areas FSCS will focus on during 2013/14 are:

- re-engineering our claims processes to enhance the responsiveness of our service and to improve efficiency;

- raising the awareness of FSCS protection, particularly deposit protection; and
- sharpening our strategies and processes for managing external suppliers to enhance cost-effectiveness as part of the wider transformation of our finance capability.

FSCS will review its claims and funding assumptions and announce the 2013/14 levy at the end of March.

Notes to editors

The full Plan and Budget: 2013/14 contains a breakdown of the indicative levies by sector. It is available at www.fscs.org.uk/industry/publications/plan-and-budget/.

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

Information on the FSCS funding system is available at <http://www.fscs.org.uk/industry/funding>

Figure 6. Proposed indicative 2013/14 annual levy

Classes	2012/13 Annual Levy (£m)	2012/13 Interim Levy (£m)	2013/14 Indicative Levy (New basis) (£m)
Deposits (SA01)	16.0	-	11.0
General Insurance Provision (SB01)	60.0	-	122.0
General Insurance Intermediation (SB02)	36.0	20.0	58.0
Life and Pensions Provision (SC01)	-	-	-
Life and Pensions Intermediation (SC02)	46.0	-	17.0
Investment Fund Management (SD01)	-	-	-
Investment Intermediation (SD02)	78.0	25.0	76.0
Home Finance Provision (SE01)	-	-	-
Home Finance Intermediation (SE02)	4.5	-	-
Base costs	24.5	-	27.0
Total	265.0	45.0	311.0