



Financial Services
Compensation Scheme

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► 1 February 2021

Dear Sir or Madam

£78 million supplementary levy to cover compensation costs for the Life Distribution and Investment Intermediation class

On 22 January we confirmed in our Plan & Budget the decision to raise a supplementary levy of £78m in the Life Distribution and Investment Intermediation (LDII) class. This is a reduction on the £92m that we forecast in our [Outlook newsletter published in November](#).

A supplementary levy is only raised where we believe that the funds available to us are, or will be, insufficient to pay compensation to our customers.

We appreciate that this will not be welcome news and could put pressure on firms' finances. The levy is important as it not only funds the compensation and services we provide, it also helps to improve market stability, increases confidence in the finance sector and gets consumers back on track.

I want to reassure you that we are doing everything in our power to reduce the levy. This includes making recoveries from failed firms where possible and cost-effective, and explaining FSCS protection to customers in a clear and consistent way, wherever we can, to help them make good financial decisions.

We talk in detail about how we help to reduce the levy, the 2020/21 supplementary levy and forecasts for 2021/22 in our [Plan & Budget publication](#), which I would encourage you to read.

Why are we raising a supplementary levy?

We have had to do this for several reasons. These include:

- The costs associated with the failure of London Capital & Finance plc are more than we anticipated when the annual levy was set.
- There have been higher volumes of pension advice claims.
- The cost of transferring the cash and assets of a failed stockbroker to a new provider was higher than expected.

How is the £78 million being funded?

Where surpluses exist from the original levy, we have used those first, to reduce the amount we need to invoice.

As the LDII class has almost reached the limit for what each class can pay in a year, £7.7m of the remaining supplementary levy is being invoiced from that class. The rest is being charged to other classes, including those in the retail pool, as shown in the table included with this letter.

The levies due from each firm are based on reported tariff data for the 2020/21 levy year.

Payment terms

In order to help smaller firms manage their cashflow, if your supplementary levy bill is less than £10k, you will have 90 days to pay. All other firms will have 30 days to pay. If you wish to pay by instalments, there are a number of instalment finance providers which you may wish to use. You can search online or speak to your trade association, if you are a member, who may be able to assist.

If the supplementary levy invoice is not paid by the due date, the “late payment” provisions contained in the FEES rules (FEES 2.2.1R) will apply. This means that an administrative fee of £250 will be charged, plus interest at a rate of 5% above the Official Bank Rate.

Any questions?

If you have any questions about the calculation of this invoice please contact the FCA Customer Contact Centre on 0300 500 0597 or email the fees helpline on fcafees@fca.org.uk.

If you have any questions about the allocation of the levy, please contact my team on 0800 678 1100 or 020 7741 4100 or by email at enquiries@fscs.org.uk.

Yours sincerely



Caroline Rainbird
Chief Executive

Breakdown of supplementary levy amounts to be invoiced by class

	Invoicing Code	Supplementary Levy (£m)
PRA Classes		
Deposits	SA01	(5.0)
Life & Pension Provision	SC01	-
General Insurance Provision	SB01	-
FCA Classes		
Deposit Acceptors		7.7
General Insurance Distribution		
Insurers General	CLGID-2	7.4
General Insurance Distribution	CLGID-1	22.9
Life Distribution & Investment Intermediation		
Investment Provision	CLII-3	-
Insurers – Life	CLII-2	1.8
Deposit Acceptors	CLII-4	(0.9)
Life Distribution & Investment Intermediation	CLII-1	7.7
Home Finance Intermediation		
Home Finance Providers & Arrangers	CLHFI-2	0.6
Home Finance Intermediation	CLHFI-1	1.5
Investment Provision	CLIP	(0.6)
Debt Management	CLDM	1.5
Total		44.5