

March 2018

Dear Colleague,

2017/18 Supplementary levy of £24m for claims related to pension transfers with the retail pool triggered.

£20m refund to firms in General Insurance Provision class

We announced in January the need to raise a supplementary levy this year (2017/18) for costs relating to the Life and Pensions Intermediation class and a return of a surplus to General Insurance providers. Please see our January edition of Outlook for more information <https://secure.viewer.zmags.com/publication/2f638869#/2f638869/1>.

The supplementary levy arises from continuing growth in the volume of pension transfer, including SIPP related, claims falling on life and pension advisers. Our forecast that we published last April was that these costs would amount to around £146m, but, due to the uncertainty attached to this forecast, we elected to raise a levy of only £100m – the maximum for this class. As announced in January, we now calculate that, on current volumes and average costs, we need to raise an additional £24m in 2017/18. This cost will fall on the retail pool.

We appreciate that the supplementary levy is not welcome news for firms, but we only raise a supplementary levy where we have reasonable grounds for believing that the funds available to us to meet relevant compensation costs or management expenses for the period until the next levy is due are, or will be, insufficient. FSCS has a duty to pay compensation claims as they fall due and that helps to promote consumer confidence.

We now expect the General Insurance Provision class will have a surplus that reflects claim volumes being lower than FSCS's forecast, and increased recoveries, allowing a £20m refund. If the credit amount for this class is more than your overall levy charge then a cheque will be issued to you refunding your net balance.

The levies are calculated on your reported tariff data for the 2017/18 levy year.

Invoices are payable within 30 days. If you wish to pay by instalments, there are a number of instalment finance providers which you may wish to use. Please search the internet for instalment finance providers or speak to your trade association, if applicable, 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 additional amount will be charged as follows:

1. an administrative fee of £250; plus
2. interest will commence being charged on any unpaid amount at a rate of 5% above the Official Bank Rate.

If you have any questions about the calculation of this invoice please refer to the FCA's website. If you still have questions about the calculation, 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 the FSCS's Initial Contact Team on 0800 678 1100 or 020 7741 4100 or by email at enquiries@fscs.org.uk.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Mark Neale', with a long horizontal stroke extending to the right.

Mark Neale
Chief Executive