

Douglas Greenshields
Strategy and Competition Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

29th February 2016

Dear Douglas

**FCA SMALLER BUSINESS PRACTITIONER PANEL RESPONSE TO
CP15/40: FSCS COMPENSATION SOURCEBOOK**

The Panel is broadly supportive of the proposals in the consultation and agrees that a well-funded, sustainable and effective compensation scheme is vital for consumer confidence as well as for the sustainable functioning of the industry. We do have concerns about the wider question of the funding structure of the FSCS, and have raised elsewhere with the FCA Board our view that the FSCS levy is, in effect, insurance cover that is priced without reference to the underlying risk. On the specific questions in this consultation our main issue is with the proposed changes to the eligibility of occupational pension scheme trustees.

Q2: Do you agree with our proposal that trustees of occupational pension schemes of large employers providing money purchase benefits should be eligible to claim on the FSCS?

We have reservations about the benefit of widening the FSCS protection to include money purchase schemes with large employers. Whilst it may have ancillary benefits in terms of simplicity in the event of a claim from a master trust, the extent to which the trustee should be liable in the event of any default has not been made clear. We are concerned that there is protection 'creep' in which the FSCS continually widens the range of potential claimants with the possibility that there are catastrophic consequences on firms in the event of substantial losses. The FSCS should provide better economic models and estimates of potential claim impact before proceeding with this decision.

We would be happy to discuss this further if required.

Yours sincerely,

Clinton Askew
Chairman, FCA Smaller Business Practitioner Panel