



Financial Services
Compensation Scheme

Annual Report and Accounts 2025/26



Financial Services Compensation Scheme Annual Report and Accounts 2025/26

For the period 1 April 2025 to 31 March 2026

Accounts presented to the House of Commons pursuant to
Section 7 of the Government Resources and Accounts Act 2000.

Annual Report presented to the House of Commons by
Command of His Majesty.

Ordered by the House of Commons to be printed on
02 July 2026.

HC 323 part i of ii

An accompanying Financial Services Compensation
Scheme Annual Report and Class Statements (part ii)
was also presented to the House of Commons on
02 July 2026 (HC 324).



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Company Number 3943048

ISBN 978-1-5286-6391-5

E03582730 07/26

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd on behalf of the Controller of His Majesty's Stationery Office.

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Overview

About FSCS

FSCS is the UK's compensation scheme for customers of authorised financial services firms. We support financial stability by giving consumers confidence, continuity and compensation for their savings, investments and insurance when financial services firms fail.

FSCS protection delivers value to consumers, the industry that funds us and the wider financial system by strengthening confidence, supporting participation and investment, and contributing to long-term economic growth and market resilience.

We are a non-profit, independent organisation, funded by the financial services industry and accountable to the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA) and HM Treasury. Our services are free for customers to access directly.

More details on how we are governed can be found in the [corporate governance](#) section of this report.

For information on what we cover and our compensation limits, please see www.fscs.org.uk/what-we-cover.

2025/26 at a glance



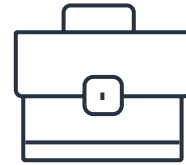
£267m

paid in compensation across all our services – protecting consumers when authorised financial service firms fail



14,113

individual customers compensated across our claims, deposits and insurance services – helping people to get back on track



34,635

regulated levy-paying firms – supporting confidence in the UK financial system



5,793

new customer claims received by our claims service – investigating claims for potential compensation



412

firms for which compensation was paid – including paying customers of firms declared in default in prior years



46

financial services firms declared in default – enabling customers to claim compensation from us



£34.4m

in recoveries from failed firms – helping to reduce the cost of the levy on industry



85%

of people aware of FSCS said our protection increased their trust in financial services – enabling consumers to invest, save and insure with confidence



11,672

decisions on advice and investment claims – reflecting our commitment to efficient claims processing



Chair's statement

By assuring people that their money is protected, FSCS enables confident participation in UK financial services, supporting the conditions for economic growth. As we approach our 25th anniversary, we launched our five-year strategy for 2026–31, setting a clear direction for FSCS's future.

Over the past year, we have effectively delivered our priorities, remaining focused on our core role while strengthening our resilience and readiness for the future.

We communicated and responded to changes in the wider financial services environment, including an increase in the deposit protection limit to £120,000. This provides reassurance that more savings and deposits are protected, while increased awareness helps people make well-informed decisions about their finances.

Working closely with the UK's financial regulators, we continued to protect consumers when any new regulated activities came within the scope of our protection. This included our preparation for targeted support, introduced by the Financial Conduct Authority (FCA) in April 2026 to help consumers make better informed pensions and investment decisions.

Our statutory responsibilities were expanded through the Bank Resolution (Recapitalisation) Act 2025, which provides additional tools for the Bank of England to manage bank failure(s). These powers give the responsible authorities a broader range of options when managing a firm failure. This includes maintaining continuity of services and enabling customer access to funds, while ensuring insolvency procedures remain available where required. We are building our preparedness to support these expanded responsibilities, with funding and operational structures aligned to these demands.

Alongside our duty to our customers and UK consumers, we recognise our responsibility to our levy payers. Strong cost control, effective risk management and recoveries from the estates of failed firms, together with shared learning



Over the past year, we have effectively delivered our priorities, remaining focused on our core role while strengthening our resilience and readiness for the future. //

Elizabeth Passey

between FSCS, regulators, industry stakeholders and global peers, are central to maintaining our readiness.

Looking ahead, we will continue to develop as a digital-first, resilient and cost-effective organisation. Using technology, including automation, we will support our people to focus on applying expert judgement and delivering fast, fair and consistent outcomes for customers at all levels of demand.

I would like to thank our FSCS colleagues and stakeholders, the Executive Committee and my Board colleagues for their continued commitment, as well as Cathryn Riley and Jenny Watson who retired from the Board during the year.

Our strategy sets out our purpose and vision and how we will deliver them. We will pursue this with clarity, discipline and a relentless attention on outcomes, reinforcing FSCS's role as a cornerstone of UK financial stability.

Elizabeth Passey

Chair





Chief Executive's review

When financial services firms fail, the consequences for customers are often deeply personal. This can affect people's life plans, their financial security and the trust they placed in their provider. In these moments, confidence matters.

That is why FSCS's purpose is clear: to support financial stability by giving consumers confidence, continuity and compensation when financial services firms fail. That purpose shapes our decisions, how we direct our resources and how we work with regulators and industry to strengthen confidence and support the conditions for long-term growth.

Economic analysis indicates that FSCS protection underpins more than £2.2 trillion of financial activity.¹ In 2025/26, we delivered that protection by paying £267m in compensation to over 14,000 customers and resolved almost 12,000 advice and investment claims.

¹ Independent research commissioned by FSCS in 2025 found that FSCS protection extends to economic activity totalling over £2.2 trillion. Estimates are based on levy submissions and internal FSCS data; they are conservative and may understate the full value of protected consumer assets.

Whether responding to individual claims or managing large-scale firm failures, our objective is the same: to assess claims fairly and pay compensation as quickly as possible. We demonstrated this in our response to the failure of Premier Insurance Company Ltd in October 2025. Working at pace with insolvency practitioners and regulators in the UK and Gibraltar, we reduced disruption for around 18,000 customers. In total, we protected close to 3,000 indemnity claims and refunded premiums to more than 4,000 Premier Insurance Company Ltd customers, showing our ability to deliver at scale in complex, cross-border cases.

Across our wider operations, we enhanced our advice claims capability, reduced waiting times for longer-running cases and began digitising insurance claims onto a single, consolidated platform to further improve tracking, management and



Whether responding to individual claims or managing large-scale firm failures, our objective is the same: to assess claims fairly and pay compensation as quickly as possible. //

Martyn Beauchamp

customer experience. We also reduced manual processes and streamlined our approach to more complex investigations – reinforcing our ability to respond quickly and effectively at any level of demand.

Continuous improvement is essential if we are to remain resilient, efficient and ready for varying levels of volume and complexity. We are evolving how our people and technology work together, using data, automation and artificial intelligence to handle routine activity more efficiently. This supports colleagues to apply their judgement and expertise where it matters most: delivering better customer outcomes and ensuring consistent delivery of fairness and quality.

We also remained focused on our responsibilities to levy payers, with recoveries continuing to offset levy costs. In the last year, we recovered more than £34m from the estates of failed firms, bringing total recoveries over the past three years to £145m. This work often requires persistence over an extended period, but our disciplined and commercially grounded approach continues to deliver strong outcomes and reinforces the principle that losses should fall on responsible parties wherever possible. During 2025/26, we also set out

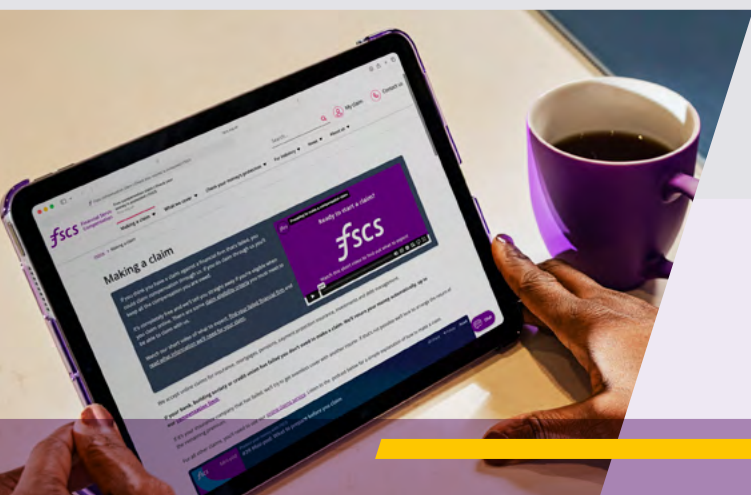
a new five-year strategy for how we will deliver our statutory remit through a clear three-point plan: building a scalable, cost-efficient customer claims model; embedding a purpose and performance-led culture; and acting as a responsible steward of the levy.

I am proud of the commitment, expertise and public service shown by colleagues across FSCS every day. Their work puts our purpose into action when confidence matters most. With this foundation, and with a clear strategy for the years ahead, I am confident FSCS will continue to deliver for customers, provide value to levy payers and strengthen trust across the financial system. In doing so, we will continue to play a vital role as a cornerstone of UK financial stability.

Martyn Beauchamp

Chief Executive

Strategic and performance report



Strategic performance

In 2025/26, we delivered our statutory objectives of paying compensation and making recoveries. We also strengthened our readiness to respond when firms fail and continued to improve our services.

During the year, we enhanced our processes and operational resilience, managed demand effectively, and reduced the number of longer-running claims by 48%. We also supported public confidence in financial services by promoting FSCS protection and raising awareness about changes to the deposit protection limit.

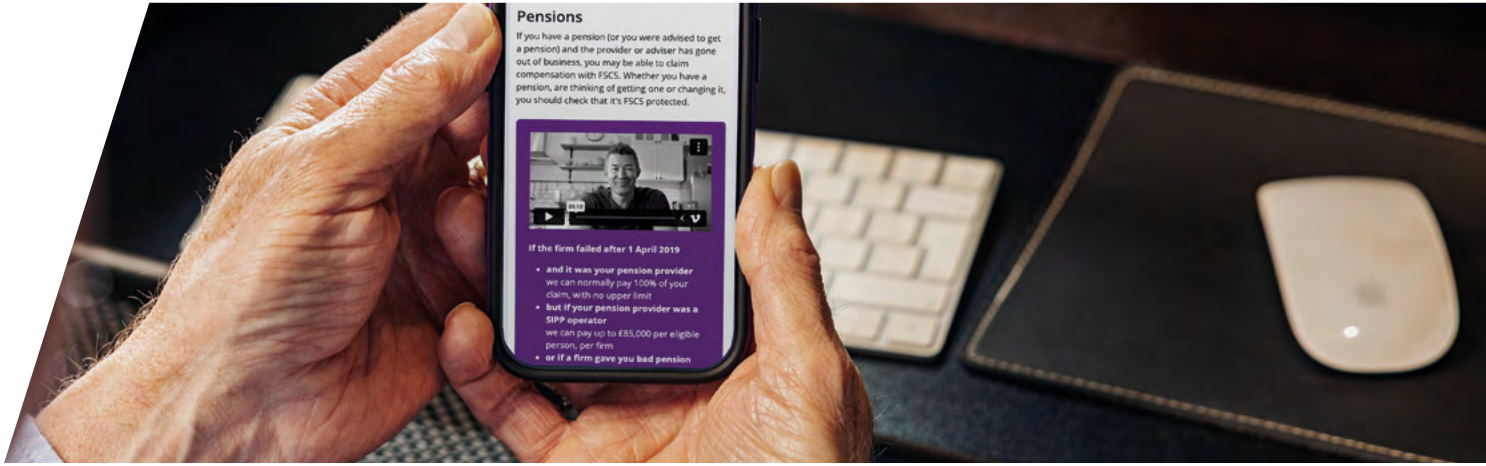
Defining and launching a new strategy

2025/26 was also a year in which we defined our future direction and launched our new five-year strategy for 2026–31.

The strategy is built around a clear three-point plan for delivery:

- building a **scalable and cost-efficient claims model**;
- embedding a **strong purpose and performance-led culture**; and
- being a **responsible steward of levy payers' funds**.

Together, these priorities set out how we will deliver our statutory role with clarity and discipline, responding effectively across varying levels of demand. Our work during 2025/26 laid important foundations for delivery, including enhancing the partnership between our people and



technology to increase speed, efficiency and resilience. A key achievement was implementing a digitised insurance platform, which helped to further streamline claims tracking, reduce manual processes and improve speed and customer experience.

Our purpose, vision and value

Our purpose, vision and the value we deliver are set out in our new strategy, which took effect from 1 April 2026.

FSCS has a clear purpose: supporting financial stability by giving consumers confidence, continuity and compensation when authorised financial services firms fail.

Our vision: to be accessible and efficient for customers, valued by industry, and recognised as a cornerstone of UK financial stability.

For consumers, the industry that funds our work and for the wider UK financial system, FSCS delivers a confidence dividend that extends beyond compensation alone by:

- **providing continuity, as well as compensation for consumers**, helping people get back on track quickly when a firm fails;
- **strengthening financial stability** and supporting the conditions for growth; and
- **supporting trust in UK financial services**, helping people feel confident to save and invest, knowing FSCS protection is in place.

With a clear purpose, a focused delivery plan and a strong operating platform, we are well placed to continue supporting consumers, levy payers and financial stability in the years ahead.



Customer performance

We protect customers when authorised financial firms fail, helping maintain trust and confidence in the UK financial services sector. We do this by safeguarding FSCS-protected savings, investments and insurance policies, providing compensation and supporting continued access to essential financial services.

Customers can make a claim with us directly, free of charge and without intermediaries. We aim to make the process as straightforward as possible through our online service.

When people lose money because a firm has failed, our priority is to help them get back on track as quickly as possible. We recognise that losing money is stressful, which is why our customer support team is available to guide and support customers at every stage.

In total, we paid £267m in compensation to customers during the year, helping more than 14,000 customers to get back on track. This included making payments across our claims, deposits and insurance services, including returning insurance premiums and providing indemnity payments.

Further details on our compensation services are set out on pages [17-18](#).

We paid compensation to customers who had experienced losses from 412 different authorised financial services firms, including 46 firms that failed (which means that we declared them in default) during the year, as well as those that failed prior to 2025/26.

In 2025/26, our operational performance achievements also included:

- **Reduced disruption for around 18,000 customers** when Gibraltar-based motor insurer Premier Insurance Company Ltd was declared in default in October 2025. This included protecting almost 3,000 indemnity claims and refunding premiums to more than 4,000 customers.

- **Implemented a simplified appeals process** in March 2026, moving from a two-stage to a one-stage process. This made it easier for customers and their representatives to receive clearer outcomes more quickly, while allowing teams to focus on delivering faster first-stage decisions.
- **Introduced new processes for decision timeframes** that supported efficient claims handling and reduced the number of longer-running claims by approximately 48%.
- **Streamlined our approach to complex firm investigations**, helping to reduce the number of cases by approximately 90%. Some claims need extra investigation where standard approaches do not apply, including gathering further information or expert input before assessment. By streamlining our approach to these complex cases, we were able to progress a significant number of claims more quickly for customers.
- **Modernised how we manage insurance claims**, moving to a single digitised platform to streamline claims tracking and reduce manual processes. This has strengthened our efficiency, transparency and resilience, while giving us greater flexibility to scale claims processing up and down as needed.

FSCS supports 18,000 motor insurance customers

In October 2025, Premier Insurance Company Ltd, a Gibraltar-based motor insurer that provided policies to UK customers, entered administration. FSCS acted quickly to protect customers and minimise disruption, helping to reduce the impact on around 18,000 people.

Working closely with Joint Administrators at Grant Thornton, the Gibraltar Financial Services Commission and the Financial Conduct Authority (FCA), we worked at pace to accelerate protection for indemnity claims. This enabled payments to restart within 18 days of the firm's failure. In total, during 2025/26, we protected almost 3,000 indemnity claims and refunded premiums to over 4,000 customers.

The coordinated response also meant that customers received clear information about arranging alternative cover and that compensation was available where policies ended due to the insolvency.

We continue to work with the administrators to reduce the impact of the failure for customers, paying out claims quickly while also managing the failure efficiently to protect levy payers. As part of our approach, we will seek to recover compensation costs where reasonably possible and cost-effective to do so, helping to offset the cost to levy payers.

Increased protection for savers: deposit protection rises to £120,000

From December 2025, FSCS protection for deposits increased from £85,000 to £120,000 per person, per authorised bank, building society or credit union. Protection for temporary high balances also increased from £1m to £1.4m for up to six months, under eligible circumstances, such as after selling a home or receiving an inheritance or redundancy payment.

This is the first increase since 2017 and reflects the impact of inflation, giving savers certainty that more of their money is protected.

To help people easily identify where their deposits are protected, we also introduced a new 'FSCS Protected' badge in December. Our research² shows that over three-quarters of people would choose a provider displaying the badge over one that does not, highlighting its role in building consumer confidence. Our research³ also shows that protection matters: 85% of people aware of FSCS say our protection increases their trust in financial services, and 76% say they are likely to save and invest more when a provider is FSCS-protected.

Only the protection limit for deposits has changed. Other FSCS protection limits, including for pensions, investments, insurance, mortgages, debt management and funeral plans, remain unchanged.

Find out more about the deposit limit increase on our website: www.fscs.org.uk/limit-increase.

² FSCS/Ipsos survey, March 2026. UK adults aged 16+ (base is 2,736).

³ FSCS/2CV brand tracking survey, November 2025. UK adults aged 18+ (base is 2,023).

Your savings and
current accounts are
now **protected up
to £120,000**

You've saved carefully, for your plans, for your peace of mind. That's why FSCS protection has increased to £120,000 per eligible person with UK-authorised banks, building societies and credit unions.

From the first pound up to £120,000 - it's all protected.



See what this means for you at fscs.org.uk/limit-increase

Our compensation services

Insurance

In most cases, insurance customers do not need to make a claim with us to receive compensation. Where policies cannot be transferred to another insurer, compensation may include refunds for unused premiums and payments for valid claims. Payments are made using information provided by the insolvency practitioner and run-off agent.

There was one new insurance firm failure during 2025/26, when the motor insurer Premier Insurance Company Ltd was declared in default in October.

Compensation paid in respect of this firm totalled approximately £2m, with a further £98m relating to insurance firms that failed in previous financial years. In total, insurance compensation included more than 16,000 indemnity payments to customers.

	2024/25	2025/26
Total compensation	£134m	£100m
Number of payments	12,749	16,069

Claims service

Our claims service handles compensation for products such as investments, pensions and mortgages. These claims typically require customers to submit an application supported by evidence, for example where losses arose from unsuitable financial advice or investment arrangements.

During 2025/26, we paid more than £125m in compensation to customers who received unsuitable investment, pension and self-invested personal pension (SIPP) advice. We also paid around £35m in relation to SIPP operator failures and subsequent claims from affected customers.

The remaining advice claims payments mostly related to mis-sold insurance policies and unsuitable mortgage advice.

In total, we received almost 6,000 new claims and issued almost 12,000 decisions during the year.

	2024/25	2025/26
Total compensation	£176m	£166m
Number of new claims received	7,836	5,792
Number of decisions	11,799	11,672

Deposits

Customers of failed deposit takers (such as banks or credit unions) do not typically need to submit a claim, as we use information provided by the failed firm to make payments. All eligible customers are paid within seven days, where possible.

During the year, three credit union failures resulted in around £1m of compensation being paid, with more than 1,500 payments made overall.

	2024/25	2025/26
Total compensation	£17m	£1m
Number of payments	21,208 ⁴	1,570

Focus on customer service

Making it easy for customers to reach us and get support remained a priority for us in 2025/26. We focused on delivering an accessible claims journey, high-quality service and fair outcomes for all customers, regardless of their circumstances, including for those customers who may need additional care.

To support this, we continued to:

- deliver annual **vulnerable customer support training** and embed **Customer Care Champions** with specialist training across frontline teams; and
- strengthen **cross-industry collaboration** with the Financial Ombudsman Service through regular engagement to share insight and best practice.

This year we introduced a new approach to measuring customer satisfaction, replacing our previous combined measure with a single clear question: “How satisfied are you with the service you received from FSCS?” Customer satisfaction was 73% over the year, comparing favourably with industry

⁴ This figure differs from 2024/25 (20,350), ensuring it is prepared on a consistent basis with 2025/26.

benchmarks⁵ and reflecting our commitment to excellent customer service. Our overall claims-handling quality score also remained strong at 96%, supporting fair and accurate outcomes for our customers.

Where customers had general enquiries, we answered 93% of calls within 20 seconds. We also responded to 83% of webchats within 20 seconds. Some 98% of customers who made a claim for compensation did so online.

We aim to provide every customer with a fair and efficient service, and it is important that we have a clear and robust complaints process. During 2025/26, we resolved 545 complaints about how we handled claims, and at customers' request, carried out 1,730 reviews on claims decisions. Customers can also ask us to refer their complaint to the Independent Investigator, who will carry out a review and report to our Board of Directors. This year, three complaints were referred to the Independent Investigator, two of which were accepted. The Annual Report of the Independent Investigator can be found on page 20.

We aimed to respond to customer complaints within 20 working days, meeting this target in 100% of cases, with an average response time of 13 working days.



In every case, the phone calls were so helpful and compassionate. To be honest, on looking back now, I am still taken aback as to how friendly, helpful and thorough every adviser was. If only more, larger service-based organisations could be like this. //

Michael



Very supportive of my complex disability needs and the difficulties I have completing forms. //

Claims service customer



To start with I used a solicitor... However when the solicitor stopped working on the case and wanted to transfer it, I took it on myself. From there I contacted FSCS directly and though there were many follow ups I always found the people I spoke to helpful. I do feel confident that if I needed to use FSCS again I would do so myself from the start. //

Karen

⁵ 'Watermelon – Canvas Index' (Q1 2026). www.watermelonresearch.com. Unpublished.

Annual Report of the Independent Investigator

April 2025 to March 2026

This is my seventh year serving as Independent Investigator for the review mechanism provided by FSCS to complainants who remain dissatisfied with the actions of the organisation, generally in respect of a claim for compensation, and have exhausted all internal review options. I do not comment on the organisation's decision(s) in respect of specific claims or appeals.

During the year, FSCS made decisions on almost 12,000 claims. Three customers requested that their cases be referred to me, of which I accepted two. The referral which I declined was still under review within FSCS and I determined it was appropriate to await a final outcome before investigating further. Of the two, only one was concluded within the reporting period. In keeping with prior years, the referral related to a claim arising from pensions advice and a transfer from an occupational pension scheme.

Although the number of complaints that I consider is quite small, themes do emerge which identify areas for management attention. A common feature of most referrals is the length of time taken to arrive at a final outcome.

With pension related claims, the data used in the assessment(s) has a limited shelf-life under FCA rules. Lengthy review times create a need to frequently seek data refreshes from claimants and the relevant third parties. This creates inefficiencies for all parties. I have previously brought this to the attention of FSCS so it was disappointing to see that this year's referral was also subject to this issue.

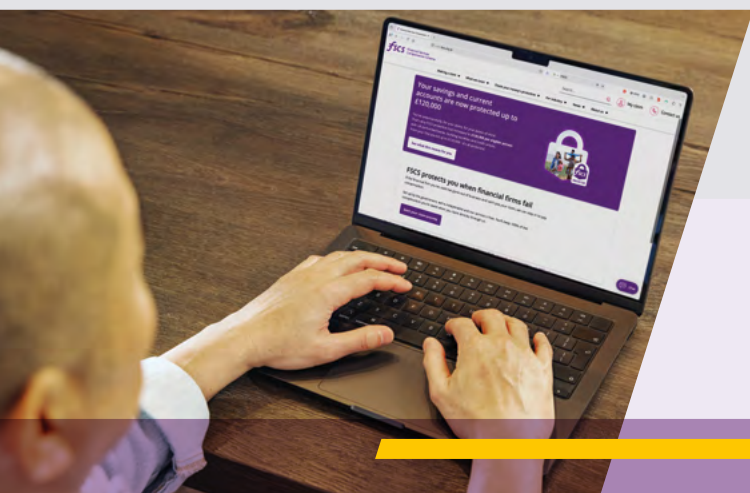
The professional representative who submitted the referral raised a concern around the perception that FSCS handling appeared to be inconsistent across a cohort of pension claims involving the use of Qualifying Overseas Pension Scheme. My investigation found no direct evidence of this but did recommend that the controls supporting the governance and recording of decisions changed on appeal and escalated appeal be strengthened. This is also a repetition of a previous recommendation. Moreover, I concluded that FSCS should consider strengthening how it responds both internally and externally to assertions of consistency.

I prepare a detailed report for each referral which is issued to both the complainant and two designated FSCS executives. I monitor the implementation of my recommendations through regular meetings with members of FSCS's Executive Committee and other senior operational managers. This year I have also been regularly briefed on a number of strategic change initiatives.

I would like to acknowledge the support provided by the FSCS Secretariat and operational teams. The former liaising with complainants and the latter providing data and information to enable me to complete my enquiries.

I continue to engage with the Board on an annual basis to discuss the operation of the scheme and material issues raised by my reports.

Caroline Trewhitt
Independent Investigator



Financial review

As a responsible steward of the levy, we manage our costs and risks effectively. Our financial strategy ensures we do this efficiently, enabling a trusted compensation service that helps support public confidence in the UK's financial services sector.

Business planning and budgets

We plan our work on an annual cycle, setting out updated levy forecasts each spring and autumn. We share these openly with firms and the wider public through our engagement activity and our biannual Outlook publication, giving industry transparency over expected levy requirements.

We also publish our proposed management expenses in our Budget Update each January, alongside the Financial Conduct Authority (FCA) and Prudential Regulation Authority's (PRA) public consultation. After reviewing consultation feedback, the FCA and PRA approve our annual budget.

For more information on our publications see www.fscs.org.uk/publications.

Annual reporting

We publish our Annual Report and Accounts annually, along with a separate Class Statements report that outlines our levy income and annual costs, including compensation, by funding class. Both documents are available on our website at www.fscs.org.uk/annual-report.

We submit our accounts for inclusion in the Whole of Government Accounts. As part of this, we provide HM Treasury with the assurance that our underlying systems, controls and processes operate effectively and meet the required materiality levels.

Financial summary

- In 2025/26, our service was funded by 34,635 regulated financial services firms.
- Our total levy income was £311m, and firms did not need to pay a retail pool or supplementary levy.
- We paid £267m in compensation to customers.

The main drivers of compensation costs in 2025/26 included:

- unsuitable advice relating to self-invested personal pensions (SIPPs), investments and defined benefit pensions transfers;
- failures of insurance firms from previous years; and
- SIPP operator failures.

The **Life Distribution and Investment Intermediation class** primarily covers claims linked to the failure of financial advice firms that sell life insurance and investment products, or act as intermediaries for investments. This class saw the highest compensation costs, totalling £125m – an increase of £15m compared with 2024/25.

The **General Insurance Provision class** covers a wide range of non-life insurance products, including motor, property, travel, health and liability insurance. Compensation for this class totalled £100m, £34m lower than in 2024/25. This reduction reflects fewer payments made during the year relating to Gefion Insurance A/S and Prometheus Insurance

Company Ltd, both of which were declared in default in 2021.

During 2025/26, one new insurance company firm failed – Premier Insurance Company Ltd, a motor insurer that was declared in default in October. Compensation for this firm totalled £2m, covering both return of premiums and indemnity claims.

The **Investment Provision class** covers claims against authorised financial firms that have failed and were responsible for arranging, operating or holding client investments. Compensation for this class totalled £39m, nearly 50% lower than in 2024/25. This largely reflects a halving in the number of new claims received during the year. More than 85% of compensation related to SIPP operator failures, including section 27 claims. The remainder related to claims against Raedex Consortium Ltd, which was declared in default in April 2025.

For more detail on compensation by funding class in 2025/26, please see our Class Statements report.

Our recoveries in 2025/26

Our recoveries work helps offset the levies financial services firms pay and can provide additional payments for customers whose losses are above our compensation limits.

In line with our statutory obligations, we take an evidence-led approach to recoveries, pursuing those that are reasonably possible, and cost-effective and deliver the greatest impact for customers and levy payers.

In 2025/26, we recovered £34.4m from the estates of failed financial providers and relevant third parties, bringing the total recoveries secured over the past three years to approximately £145m. The majority of these recoveries have been used to offset the levy charged to firms.

Customers also benefited directly, with more than £8m paid during 2025/26 as additional payments to customers whose losses exceeded our compensation limits.

Under International Financial Reporting Standards (IFRS), our recoveries for 2025/26 are reported as £52.1m. This differs from the operational figure above (£34.4m) because IFRS accounting standards require us to include recoveries that we expect to receive in future years.

On the payment of compensation, FSCS takes on the customers' rights and will then seek to recover funds from the firm in default, or any other parties responsible for customers' losses. More information on recoveries, including the rules that govern how we operate, can be found at www.fscs.org.uk/recoveries.

Administration expenses

Our administration expenses for the year totalled £101m, a decrease of £3.4m compared with 2024/25. This reduction was mainly due to a one-off pension payment we made in 2024/25 to Pension Insurance Corporation plc to secure benefits under the previous staff pension scheme. Please see [Note 22](#) in the financial statements for more information.

During 2025/26, we also brought more claims-handling activity in-house, reflecting our long-term approach to building internal capability and resilience. This was complemented by initiatives to enhance productivity.

Areas of investment during the year included funding strategic initiatives, ensuring we remain well placed to respond quickly to an ever-changing compensation environment. This included modernising how we manage insurance claims, moving to a single digitised platform to streamline claims tracking and reduce manual processes. This has strengthened our efficiency, transparency and resilience, while giving us greater flexibility to scale claims processing up or down as needed.

Balance sheet

Most of our assets are cash or money we expect to recover in future, which we record according to our accounting policy for recoveries.

In 2025/26, our main liabilities were levies we had collected but not yet recognised as income, and the compensation we expected to pay to customers at the end of the financial year.

During the year, some funding classes incurred lower compensation costs, less than expected when the levies were set. This created higher surpluses at year end for those classes. We expect to need these funds in 2026/27, however, and have carried these surpluses forward to help reduce the levy for firms in that year.



Our people

During 2025/26, we evolved our internal processes and systems to ensure our people, and in turn our organisation, can thrive.

We also launched our new ways of working, designed to support a high-performing organisation where colleagues can perform at their best and are recognised for their contribution.

Enhancing our capabilities

Learning and development, including apprenticeships and further education, remain central to how we build capability across FSCS.

These programmes help us broaden our talent pool, develop existing expertise, and retain great people. They also strengthen consistency in how we work and equip our leaders to support their teams in an increasingly complex claims environment.

In 2025/26, our learning and development programmes included:

- **work-based learning:** funding and support for colleagues to gain new skills, pursue additional qualifications, and progress their careers;
- **early-career apprenticeships:** including fixed-term opportunities for candidates from our local community who may face socio-economic barriers to entering the financial services sector; and
- **work experience opportunities:** welcoming Year 10 students from a local school to gain first-hand insight into financial protection, meet our teams, and learn about the impact of FSCS's work.

Our commitment to inclusion

The principles of inclusion and belonging are at the heart of how we work and succeed together as an organisation. They form an integral part of our purpose-performance culture: creating an environment where colleagues feel valued, supported and able to contribute their best.

In 2025/26, we maintained our Disability Confident Leader status, demonstrating our ongoing commitment to recruiting,

developing and retaining colleagues with disabilities. This included guaranteeing an interview for applicants with disabilities who meet the minimum role criteria, ensuring accessibility through reasonable adjustments and removing barriers wherever possible. This approach is supported by our wider policies, including our Diversity and Inclusion and Equal Opportunities policies.

Our continued focus on inclusion and belonging helped us once again secure a place on the Inclusive Top 50 UK Employers list for 2025/26, as well as remain a signatory to the Women in Finance Charter.

Listening to our people

Our June 2025 people survey highlighted strong confidence in FSCS as an inclusive and supportive employer. Colleagues rated “I believe this company is an inclusive and caring employer” at **7.9/10**, and “This company actively addresses diversity and inclusion issues” at **7.7/10**. Our independent survey partner, Hive, identified both areas as key strengths that strongly influence engagement across the organisation.

The survey also refreshed our understanding of employee sentiment through our ‘thrive index’ – a combined measure that brings together our Employee Net Promoter Score with core engagement questions. It reflects how positive people feel about FSCS’s future, the meaningfulness of their work and how likely they are to recommend FSCS as a place to work. This year’s ‘thrive index’ score averaged **7.6/10**, an increase on the previous year.

Our awards



The 2025/26 Inclusive Top 50 UK Employers List



Good Work Standard employer at Excellence level



Disability Confident Leader status

Our new five-year strategy

This year marked preparations for the launch of our new strategy and a refreshed approach to strengthening performance through refining processes and building the capabilities we need for the future. This included looking at how we develop, recognise and invest in our people so they can continue delivering high-quality work amid the growing complexities of the compensation and claims environment.

We believe that our culture is fundamental to our ability to adapt and deliver for customers and industry. As we look ahead, we are clear about the cultural strengths we will build on to support our continued success. These include being accountable, using our expertise to challenge ourselves and others constructively, maintaining a strong learning mindset and staying results-driven.

Communicating with our people

Throughout the year, our internal communications supported colleagues as we began implementing strategic change and setting new organisational priorities. We focused on keeping colleagues informed, engaged and clear on how their work contributes to our purpose and long-term strategy. We used a multi-channel approach to support transparency and to help embed the cultural expectations set out in our strategy.



It's inspiring to be part of an organisation that truly cares about people, the consumers we protect, and the colleagues who work here. FSCS has given me the space to learn, develop professionally and feel part of something important. //

Nazihah,
Communications Apprentice



I've gained invaluable exposure to how we protect customers and maintain trust in the financial system. My role has allowed me to build practical skills in handling deposit-related cases and understanding regulatory processes. Being welcomed into such a supportive environment has helped me to grow quickly in both confidence and capability. //

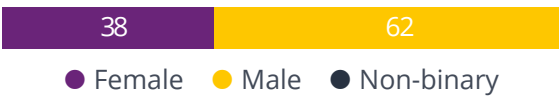
Mohammed,
Deposits Apprentice

Our people as at 31 March 2026

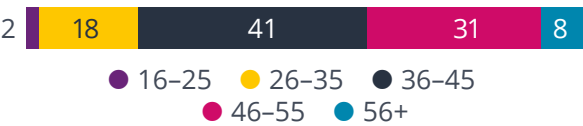
Total number of employees

353
total number of employees
(excluding Board members)

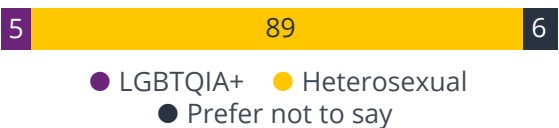
Gender (%)



Age (%)



Sexual identity (%)



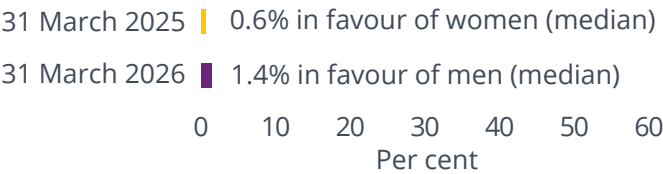
Ethnicity (%)



Individuals with disabilities (%)

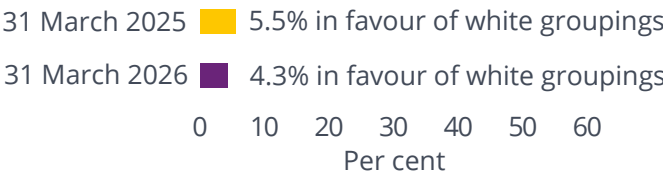


Gender pay gap (%)



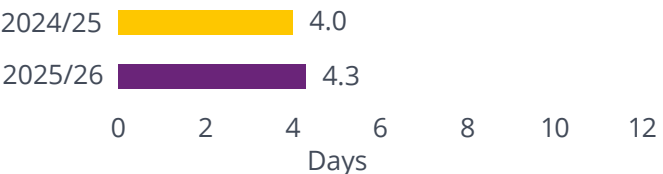
The UK median gender pay gap for full-time employees was 6.9% (Office for National Statistics, October 2025).

Ethnicity pay gap (%)



While ethnicity pay reporting in the UK is voluntary, we report this metric to support transparency and monitor progress.

Average working days lost to sickness



Our average sickness absence was 4.3 days in 2025/26, in line with the UK average of 4.4 days (Office for National Statistics, June 2025).

Employee turnover (%)



The latest Chartered Institute of Personnel and Development analysis shows UK employee turnover averaged ~34% (Jan 2022–Dec 2023). The financial and insurance sector was lower, at 27%, with FSCS well below, at 9.7%.



Environmental impact

At FSCS, we continue to play our part in creating a more sustainable future by taking practical, measurable steps to address climate change. We closely monitor our progress as we work towards our ambition of achieving net zero carbon emissions by 2050.

In 2025/26, we maintained strong momentum. Our actions helped reduce our carbon footprint from 0.58 tonnes of CO₂ per employee in 2024/25 to 0.43 tonnes in 2025/26 – a meaningful improvement that keeps us firmly on track.

This reduction in our carbon footprint was driven by a series of targeted actions across our operations:

- Boosting low-emission transport: We increased the use of electric vehicles for all deliveries and collections from 53% in 2024/25 to 94% in 2025/26, keeping us on track to reach 100% by 2027/28.
- Cutting paper use: Our paper consumption fell from 35,000 sheets in 2024/25 to 15,000 in 2025/26 – a 57% reduction.
- Generating renewable energy from waste: We continued to divert 100% of waste to energy from waste incineration, producing 3,094 kWh of renewable energy in 2025/26.
- Lowering electricity use: We reduced electricity consumption by 39% compared with 2024/25.
- Upgrading office lighting: LED lighting coverage in our office increased from 75% to 100% during 2025/26.

We have now completed our tree planting programme, surpassing our commitment to plant at least 1,000 trees over five years. In total, we planted 1,300 trees, which will remove up to 32.5 tonnes of CO₂ from the atmosphere each year. This long-term investment enhances local biodiversity and contributes to a lasting, positive environmental impact.

Carbon dioxide emissions

Scope	Performance	2021/22	2022/23	2023/24	2024/25	2025/26
Scope 1	Refrigerants and car fleet usage	0	0	0	0	17.32
Scope 2	Electricity usage using UK Government greenhouse gas conversion factors	91.58	91.72	81.31	81.39	49.34
Scope 3	Well-to-tank (production, transport and distribution of fuel associated with powering vehicles)	29.89	21.94	23.92	25.81	18.01
	Transmission and distribution of electricity to our office	8.20	10.40	7.03	7.19	5.17
	Transfer of waste to recycling sites	1.13	1.15	0.14	0.03	0.11
	Vans (courier services)	12.99	19.43	11.44	14.01	3.67
	Rail (staff travel)	1.23	1.28	1.04	3.30	1.71
	Flights (staff travel)	2.12	43.44	18.55	16.46	14.13
	Home working	28.95	15.27	46.91	40.61	43.64
Total	Carbon dioxide emissions⁶	176.09	204.63	190.34	188.79	153.1
Metric	Tonnes of carbon dioxide per employee	0.73	0.82	0.68	0.58	0.43

Paper consumption

	2021/22	2022/23	2023/24	2024/25	2025/26
Sheets of paper used	10,000	25,000	42,500	35,000	15,000
Annual cost of paper	£110.96	£337.49	£508.43	£461.30	£205.62

⁶ Please note that carbon dioxide emissions related to water and gas usage are not included in the table above. This exclusion is due to the current environmental reporting limitations of our building, which are beyond our control.

Our carbon dioxide emissions

According to the Department for Energy Security and Net Zero's 2025 conversion factors, FSCS's total carbon dioxide emissions for 2025/26 were 153.1 tonnes.

The table on page 29 sets out our total emissions over the past five years, with figures reported across Scopes 1, 2 and 3. These scopes distinguish emissions that are directly within our control (Scope 1) from those generated indirectly through the energy we use (Scope 2) and wider activities managed by external organisations (Scope 3).

For more detail on the recognised standards used to calculate carbon emissions, please visit the Greenhouse Gas Protocol at www.ghgprotocol.org.

Responsible procurement

We remain committed to embedding environmental sustainability and social responsibility across our operations, and these principles shape our procurement decisions wherever possible. This includes working with suppliers who demonstrate strong sustainability practices, such as carbon-reduction initiatives, effective waste management and robust recycling approaches. We also uphold our ethical responsibilities by conducting annual surveys with key suppliers to confirm their status in relation to the Modern Slavery Act 2015.

Approval of the strategic and performance report

This report is made up of the following:

- Our performance
- Our customer operations
- Financial review
- Our people
- Environmental impact

The report was approved by the FSCS Board on 16 June 2026 and signed on its behalf by:



Martyn Beauchamp
Chief Executive
26 June 2026

Accountability report



Corporate governance

This section of our annual report sets out how we are governed. It describes our corporate governance arrangements and details the key governance activities that have happened in 2025/26.

We are committed to meeting high standards of corporate governance. The following information is reported in line with the requirements of the Accounts Direction issued by HM Treasury.

The Board

Our Board sets the organisation's overall direction, culture and strategy. It ensures there are appropriate policies, procedures and delegations in place for FSCS to fulfil its responsibilities and obligations.

The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) are responsible for appointing and removing our Board members. The appointment and removal of both our Chair and the Chief Executive must also be approved by HM Treasury.

All FSCS non-executive directors are appointed for periods of no more than

three years and may be reappointed for further periods on a similar basis. The process of appointing and reappointing directors is overseen by the FSCS Nomination and Governance Committee.

We work closely with the FCA and the PRA on Board appointments. External consultants are engaged to help find suitable candidates.

Board appointments are based on merit and objective criteria, considering the skills and experience the individual can bring to the role. We are committed to being an inclusive organisation and actively promote all forms of diversity on our Board. All of our non-executive directors are independent.

During the financial year, some changes were made to our governance framework, including committee structure, as detailed overleaf.

Operation of the Board

The Board has a formal schedule of matters reserved for its decision, which is available on our website at www.fscs.org.uk/governance. This sets out what the Board's activities and responsibilities are. Certain responsibilities are also delegated to committees of the Board.

The Board held 10 formal meetings in the 2025/26 financial year. Additional informal meetings were held to discuss key strategic matters, including the organisation's next five-year strategy for 2026 to 2031.

The Board also received briefings and updates on important operational issues and developments.

The Board received all the information it needed to discuss issues and make decisions at the appropriate times. Our executive directors made sure the Board received sufficient, timely, accurate and clear information as required.

In May 2025 FSCS appointed a new Company Secretary.

The Company Secretary attended Board and committee meetings, providing advice on governance matters. They made sure the correct procedures were followed and that records were kept. The Secretariat also ensured that directors had the necessary information, time and resources required to carry out their roles effectively.

Induction and development

New directors receive a comprehensive induction so they can quickly familiarise themselves with our work. The induction includes meeting existing Board members

and staff from relevant business areas and receiving associated detailed briefings.

To refresh their knowledge and skills, directors participate in regular in-house training sessions on specific aspects of FSCS's business and host external speakers to gain insight on wider industry issues. The Chair carries out annual performance reviews with each non-executive director and the Chief Executive. The Senior Independent Director (Deputy Chair) carries out the Chair's performance review on behalf of the Board. The Chief Executive carries out the annual performance reviews of any other executive directors

Board evaluation

Our Board carries out formal and rigorous evaluations of its own performance and that of its committees, usually once a year. These evaluations are externally facilitated approximately every three years.

During the 2025/26 financial year, Manchester Square Partners undertook a review of the effectiveness of the FSCS Board between October 2025 and February 2026, with a focus on boardroom culture and behaviours.

A summary of the review has been published on our website at: www.fscs.org.uk/governance.

The main findings and themes emerging from the review included:

- having gone through a period of significant change, the Board operates effectively;
- the Board has Board members with the relevant knowledge and experience;

Our Board

Non-executive directors



Elizabeth Passey

Chair
Appointed 1 October 2024



Richard Parkin

Appointed 1 July 2019
Deputy Chair and Senior
Independent Director
Appointed 15 July 2024



Richard Harvey

Appointed 1 March 2025



Alyson Levett

Appointed 1 July 2023



**The Rt Hon Baroness Morgan
of Cotes (Nicky Morgan)**

Appointed 1 September 2020



Cathryn Riley

Appointed 1 February 2021
Resigned 30 April 2025



Jenny Watson CBE

Appointed 1 March 2025
Resigned 28 February 2026



Wendy Williams CBE

Appointed 1 September 2020

Executive directors



Martyn Beauchamp

Chief Executive
Appointed 18 October 2023



Fiona Kidy

Chief Financial and People Officer
Appointed 1 July 2020

Attendance at Board and Committee meetings

	Board	Audit	Remu- neration and People	Nomi- nation and Govern- ance	Risk	Audit and Risk ²	Finance ²
Number of meetings held	10	2	3	1	1	3	5
Number of potential meetings attended by each committee member:							
Elizabeth Passey	10 of 10		3 of 3	0 of 1			
Richard Parkin	9 of 10	2 of 2	3 of 3		1 of 1	3 of 3	5 of 5
Richard Harvey	10 of 10	2 of 2				3 of 3	4 of 5
Alyson Levett	10 of 10	2 of 2			1 of 1	3 of 3	5 of 5
Nicky Morgan	10 of 10	2 of 2		1 of 1	1 of 1	3 of 3	
Cathryn Riley ¹	1 of 1	1 of 1			1 of 1		
Jenny Watson ¹	8 of 10		2 of 2				4 of 5
Wendy Williams	9 of 10		3 of 3	1 of 1			
Martyn Beauchamp	10 of 10			1 of 1			
Fiona Kidy	10 of 10						

Notes:

¹ Cathryn Riley left the Board on 30 April 2025. Jenny Watson left the Board on 28 February 2026.

² The Audit Committee and the Risk Committee were combined into a single committee and the Finance Committee was created during the year.

- the Board has good risk management processes and receives high-quality financial information;
- the Board has a good process for strategy development;
- consideration is being given to the mix of formal and informal time; and
- committees are well chaired, although consideration is being given to the length of agendas and the avoidance of overlapping agendas.

Committees of the Board

The roles and responsibilities of the committees are set out in their terms of reference, which are available on our website at www.fscs.org.uk/committees.

Each committee reports to the Board after every meeting.

Audit and Risk Committee

In April 2025, the previous Audit Committee and Risk Committees were combined to form a single Audit and Risk Committee, with its first meeting taking place on 23 July 2025. This was designed to eliminate repetition and presented the opportunity to identify efficiencies and align oversight. Before they were combined during the year, the Audit Committee met twice and the Risk Committee met once.

The Audit and Risk Committee was made up of four independent non-executive directors.

Matters discussed during the year included:

- cyber security and resilience;
- our risk-management arrangements, risk profile, risk tolerances and risk appetite;
- claims processing and quality;
- relevant organisation-wide policies designed to mitigate risk;
- risks associated with specific operational areas, including significant operational projects and initiatives;
- an annual review of FSCS corporate insurances;
- artificial intelligence;
- internal control arrangements and integrated assurance reports;
- the internal audit plan;
- internal audit reports, action plans to follow up audit recommendations and the internal audit function, including the appointment of internal auditors;
- accounting policies and significant accounting judgements and estimates;
- FSCS Annual Report and Accounts and Class Statements and making recommendations to the Board; following this, the Board decided that the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and provided enough information for the company's performance, business model and strategy to be assessed;
- the external audit function and process;
- review of the Committee's effectiveness; and
- our resilience profile, including contingency planning and disaster recovery arrangements.

There were also discussions with both internal and external auditors, without executive directors or management present.

As described in the Directors' summary, the Comptroller and Auditor General is the statutory auditor of FSCS, as required under the Financial Services Act 2012. The external auditor did not provide any non-audit services during the year.

The Board carried out an annual review of the effectiveness of the organisation's risk management and internal control systems. Information regarding our risk and control arrangements is provided in the [risk management section](#) of this report.

Finance Committee

In April 2025, a new Finance Committee was created to ensure effective oversight of key financial and operational matters, such as the annual budget, the levy, and operational performance, and to make recommendations to the Board. The Committee first met on 28 April 2025. The Committee was made up of three independent non-executive directors.

Matters discussed during the year included:

- FSCS budget for 2026/27;
- the industry levy required for 2026/27;
- management expenses;
- operational performance;
- consumer awareness;
- recoveries;

- vulnerable customers;
- specialist contract services and expenditure;
- technology; and
- customer experience.

Remuneration and People Committee

In 2025/26, the Remuneration and People Committee was made up of three independent non-executive directors.

Matters discussed during the year included:

- recommendations to the Board for approving the Chief Executive's remuneration package;
- salary and bonus recommendations;
- recognition and reward;
- succession planning;
- employee turnover and exit interviews;
- culture and ways of working;
- people survey;
- workforce engagement;
- the effectiveness of the Committee and its terms of reference;
- people-related policy reviews; and
- gender pay gap.

The Committee also receives an update from the Chief Financial and People Officer at meetings.

Nomination and Governance Committee

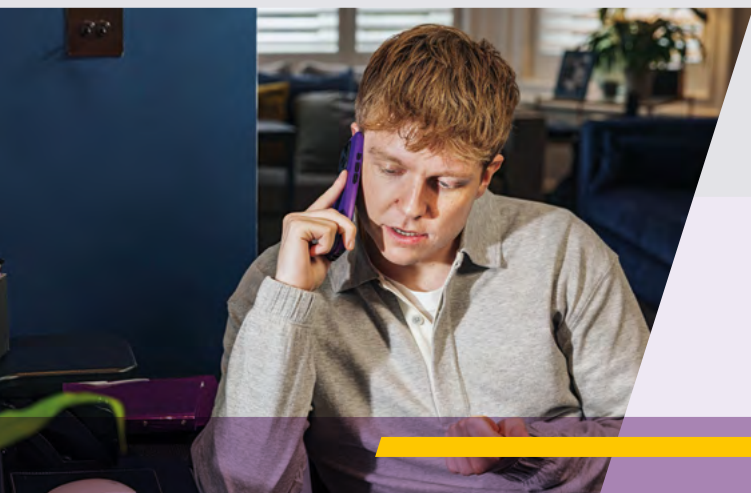
In 2025/26, the Nomination and Governance Committee was made up of three independent non-executive directors, including the FSCS Chair (who does not chair this Committee) and the Chief Executive. At the Committee's meeting in September 2025, following a review of its Terms of Reference and the Corporate Governance Code and in line with best practice, the Chief Executive stepped down from the Committee. The Committee now operates with three members, all of whom are independent non-executive directors.

Matters discussed this year included:

- board composition, Committee memberships and succession planning;
- board governance;
- reviewing the Board appointments and reappointments process;
- recommendations for appointing and reappointing directors in 2026;
- the effectiveness of the Committee and its terms of reference; and
- independent Board effectiveness review.

The Chair of the Committee also provided updates to the Board throughout the ongoing process of recruiting non-executive directors.





Section 172 statement: taking into account the interest of stakeholders

Under Section 172 of the Companies Act 2006, our directors must act in accordance with a general set of duties. These duties include promoting the success of the company, taking into account the views of our stakeholders.

Our Board considers matters including the long-term consequences of any decision, the interests of our employees, maintaining a reputation for high standards of business conduct and fostering good business relationships with suppliers, customers and others.

The following information sets out how our Board has considered the interests of our stakeholders in its discussions and decision making.

Customers – As we are here to protect people if an authorised financial services firm they have been doing business with fails, our Board always considers the implications decisions will have on our customers. This includes the quality of

service that we provide and processing compensation claims in an efficient, timely and customer-friendly way. The Board receives updates on the experiences of our customers and satisfaction scores. Board members are also invited to listen to customer calls. The Board also receives reports from the Independent Investigator.

Levy payers – As our costs are funded by levies paid by financial services firms, our Board takes the interests of levy payers into account when making decisions. Our Board also considers feedback from levy payers, particularly when changes in compensation forecasts may impact levies. The potential impact on levy payers is also considered when discussing firm failures, or other issues that might result in



significant levies, or have other levy implications. Directors are also mindful that our service should be cost-effective, and we consider pursuing recoveries that are likely to be reasonably possible and cost-effective.

Our people – Our directors consider the effect their decisions could have on FSCS employees, including issues relating to morale and staffing, and make sure that workplace policies and practices are fair. The Board periodically conducts staff meet and greets. Engagement with the workforce is enhanced by meetings of staff representatives with the Chair of the Remuneration and People Committee. The Chair of the Remuneration and People Committee is the designated non-executive director for the Board's workforce engagement, with this Committee overseeing and receiving associated reports.

Partners and suppliers – Our Board makes sure that we work to high standards of business conduct. It ensures appropriate policies, governance and procedures are in place for entering into and managing

supplier contracts, including the values and standards expected when dealing with third parties. Our Board approves our Modern Slavery Statement annually. You can view this statement on our website at www.fscs.org.uk/about-us/modern-slavery/.

Regulators – Our Board makes sure that we are in regular contact with the Financial Conduct Authority and the Prudential Regulation Authority on matters where we share an interest. Although we are independent of the regulators, we are still accountable to them, as well as to HM Treasury. Our Board makes sure we regularly report to the regulators on our work and matters considered by our Board. Our Board aims to run a cost-effective and efficient compensation scheme, in line with relevant laws and rules, and it reports our proposed budget to the regulators.

Directors' remuneration

Certain parts of this section are subject to audit.
These parts are marked '(audited)'.

Directors' remuneration 2025/26 (audited)

	Banded fees and salary ¹ £'000	Taxable benefits ² (nearest £100) £'000	Banded performance- related bonus ³ £'000	Pension ⁴ £'000	Banded total £'000
Non-executive directors					
Elizabeth Passey	70–75	1.9	–	–	75–80
Richard Parkin	30–35	0.3	–	–	30–35
Richard Harvey	20–25	0.4	–	–	20–25
Alyson Levett	25–30	7.9	–	–	35–40
Nicky Morgan	25–30	2.2	–	–	30–35
Cathryn Riley	0–5	0.0	–	–	0–5
Jenny Watson ⁵	20–25	0.2	–	–	20–25
Wendy Williams	25–30	2.8	–	–	30–35
Executive directors					
Martyn Beauchamp	370–375	4.1	35–40	41	450–455
Fiona Kidy	280–285	2.8	25–30	27	340–345

Non-executive directors' fees are set by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). FSCS is responsible for setting the remuneration of executive directors. The Remuneration and People Committee considers the remuneration package for the Chief Executive and makes recommendations to the Board for approval. The Chief Executive is not present when this remuneration package is considered. The remuneration packages of other executive directors are approved by the Remuneration and People Committee.

Directors' remuneration 2024/25 (audited)

	Banded fees and salary¹ £'000	Taxable benefits² (nearest £100) £'000	Banded performance- related bonus³ £'000	Pension⁴ £'000	Banded total £'000
Non-executive directors					
Marshall Bailey ⁵	35–40	0.1	–	–	35–40
Elizabeth Passey ⁵	35–40	0.4	–	–	35–40
Helen Parker ⁵	5–10	0.3	–	–	5–10
Richard Parkin	30–35	–	–	–	30–35
Richard Harvey ⁵	0–5	–	–	–	0–5
Alyson Levett	25–30	2.6	–	–	30–35
Nicky Morgan	25–30	2.1	–	–	25–30
Cathryn Riley	20–25	0.3	–	–	20–25
Jenny Watson ⁵	0–5	0.1	–	–	0–5
Wendy Williams	25–30	3.0	–	–	30–35
Executive directors					
Martyn Beauchamp	345–350	24.9	30–35	37	440–445
Fiona Kidy	275–280	2.7	25–30	26	330–335

Notes:

- 1 The Chair and other non-executive directors are paid fees, and executive directors are paid salaries. Executive directors do not receive fees or extra remuneration for their roles as directors. Salaries and fees are stated for the financial year they are earned in and relate to each director's period of appointment. For executive directors, the figures in the banded fees and salary column are made up of basic salary, non-taxable benefits, other benefits paid through PAYE (Pay As You Earn) and any other payments or special allowances agreed from time to time. More details on directors' salaries and fees are provided in the [Directors' remuneration framework](#) section.
- 2 Taxable benefits represent the gross (pre-tax) value of benefits, whether cash or non-cash, that UK income tax is charged on. The figures in this column include employee benefits taken up by executive directors, as explained under [Other benefits](#), and any taxable expenses directly and properly incurred by directors in the performance of their duties. Some of these taxable expenses relate to non-executive directors' travel (and any associated accommodation, meals and refreshments) for attending Board and committee meetings. These figures include associated income tax and National Insurance liability, which we pay in line with HM Revenue & Customs guidelines.
- 3 Banded performance-related bonus is shown for the financial year it is earned in. More details on this are provided under [Bonuses](#).
- 4 Pension figures are shown as the amounts we paid to defined-contribution pension schemes and as cash in lieu of (instead of) pension contributions.
- 5 Marshall Bailey left the Board on 30 September 2024, with full-time equivalent fees totalling £75,000 per annum. Elizabeth Passey was appointed to the Board on 1 October 2024, with full-time equivalent fees totalling £75,000 per annum. Helen Parker left the Board on 30 June 2024, with full-time equivalent fees totalling £34,500 per annum. Jenny Watson and Richard Harvey (neither of whom chair committees) joined the Board on 1 March 2025 with full-time equivalent fees of £24,500 per annum each. Jenny Watson left the Board on 28 February 2026.

Pay multiples (audited)

The table below shows the relationship between the remuneration of the highest-paid director and the remuneration of the workforce. The 50th percentile is also known as the median, which is the midpoint of our salary range.

For the purposes of this section, total remuneration includes basic salary, bonuses and taxable benefits. It does not include pension contributions or cash in lieu of pension contributions. To keep comparisons consistent, it also does not include compensation for loss of office.

Pay ratios

Remuneration of the highest-paid director compared with the remuneration of the workforce (excluding highest-paid director):

Year	25th percentile pay ratio	Median (50th percentile) pay ratio	75th percentile pay ratio
2025/26	6.4	5.2	4.0
2024/25	8.9	5.4	4.2

Pay and benefits of FSCS employees at the 25th, 50th and 75th percentile of pay and benefits of the workforce (excluding highest-paid director):

Year	25th percentile		Median (50th percentile)		75th percentile	
	Total pay and benefits	Salary component of pay and benefits	Total pay and benefits	Salary component of pay and benefits	Total pay and benefits	Salary component of pay and benefits
2025/26	£64,009	£56,994	£79,094	£69,628	£100,725	£90,160
2024/25	£59,330	£55,000	£75,712	£67,600	£96,967	£86,813

Percentage change	Salary and allowances	Performance pay and bonuses
Average percentage change in the remuneration of the workforce as a whole, from 2024/25 to 2025/26 (excluding highest-paid director):	4.6%	8.0%
Percentage change in the remuneration of the highest-paid director from 2024/25 to 2025/26:	0.0%	15.4%

The changes in the pay ratios compared with the previous year's pay ratios are broadly consistent with our expectations. They reflect the application of our Recognition and Reward Policy and salary benchmarking across the organisation.

The Annual Scheme Performance Bonus for eligible employees was kept at the same level as in 2024/25, following a review of FSCS's performance. The Chief Executive was the highest-paid director in 2025/26, and was also the highest-paid director in 2024/25. These changes are reflected in the table on page 43. There were no other significant changes to our employment models or methodology during 2025/26.

Directors' remuneration framework

Directors' fees and salaries

Non-executive directors

The fees paid to the Chair in 2025/26 were £75,000 a year, and fees paid to other independent non-executive directors were £24,500 a year. Additional fees paid to each of the chairs of the Audit Committee, Risk Committee, Nomination and Governance Committee, and Remuneration and People Committee were £5,000 a year. These fees are the same as they were in 2024/25.

The Deputy Chair and Senior Independent Director (a combined role) receives an additional £5,000 a year.

Executive directors

The Remuneration and People Committee applies the following principles when reviewing the remuneration of executive directors.

Any increase in the salaries of individual executive directors should take account of external benchmarks. This is in line with the remuneration approach across our workforce. We regard the median (midpoint average) salary for equivalent roles in the general UK workforce to be an appropriate benchmark. This is to make sure we broadly match market rates to motivate and retain colleagues, but not necessarily to pay significantly more or less than the market.

Executive directors receive the same starting salary and salary increase procedure as other staff. In some circumstances, we may allow salaries to increase faster than the annual rise in inflation. This is to reflect specific market pressures or recruitment challenges for certain roles, or where the loss of critical people and skills would jeopardise our performance.

Salaries for executive directors occasionally change due to independent pay reviews carried out across the organisation by external consultants.

Otherwise, benchmarks and salaries generally increase in line with the overall rise in salaries, as agreed by the Remuneration and People Committee and the Board.

In 2025/26, the salaries of executive directors were reviewed and set in line with the principles above. They were based on individual performance and comparisons with appropriate benchmarks.

Bonuses

Executive directors were eligible to be considered for an Annual Scheme Performance Bonus for 2025/26. These bonuses are not available to non-executive directors.

A key principle of our bonus system is that bonuses should be non-consolidated awards. That is, they should be one-off payments that do not count towards pension entitlements. The bonus should also reflect the contribution the executive director has made towards the performance of the organisation.

Objectives are set for each executive director and include a strategic element linked to FSCS's performance. These are measured and reviewed during the year and at year end, along with other aspects of individual performance.

Other benefits

Executive directors are entitled to receive other benefits under our flexible benefits programme. Some of these benefits are taxed, and some are paid through salary sacrifice. Salary sacrifice is where the director's salary is reduced by the amount of the benefit, and tax is only paid on the reduced salary. Taxable benefits are shown in the [Directors' remuneration table](#).





Risk management

FSCS takes a responsible and proportionate approach to risk, enabling fair and efficient decision making. This ensures timely, high-quality outcomes for customers, value for levy payers and supports confidence in the wider financial system.

Our approach

FSCS is committed to managing risk in a way that is appropriate, proportionate and fully integrated into how we work. This approach helps us make informed decisions, reduce any potential issues and continue enhancing our services.

To support this, our Risk Management Framework is based on the 'three lines of defence' model. This sets out how we identify, report, monitor and control risks, as well as how we examine emerging threats and look for improvement opportunities.

At the start of each financial year, our Board sets the level of risk that we are prepared to accept. The Board also oversees our risk management and internal control systems to ensure they support our overarching risk appetite.

Our governance

During the year, we strengthened our governance through the introduction of an Executive Risk Committee, which supports the flow of risk information between firstline business functions and the Audit and Risk Committee.

During 2025/26, the FSCS Audit and Risk Committee met every three months and reported to the FSCS Board regarding risks from across the business.

Our governance framework is shown on the following page.

Our Board is ultimately responsible for risk management, including setting its risk appetite. With support from the Audit and Risk Committee, the Board ensures that any risks which may significantly impact our strategic objectives are adequately identified, assessed, managed and monitored.

Risk Governance



The Executive Committee oversees the effective running of risk management activities. It is responsible for ensuring that our risk profile and associated risk management processes are in place, understood and soundly carried out across the organisation.

Internal audit – third line of defence (3LoD) – is independent and reports to the Board’s Audit and Risk Committee. It provides independent assurance over our internal controls, risk management and governance. This includes reviewing the priorities agreed with the Audit and Risk Committee, identifying any control weaknesses and making recommendations for remediation and improvement.

Our risk and compliance team – second line of defence (2LoD) – reports to both the Executive Committee and the Board’s

Audit and Risk Committee. It is responsible for establishing and maintaining our Risk Policy, Risk Management Framework, and relevant procedures and tools. It independently tests controls, monitors and reports on risk exposure against appetite, and tracks progress in addressing any deficiencies in risk management.

Business teams – first line of defence (1LoD) – across FSCS manage day-to-day activities and processes. They identify risks that could affect the delivery of our objectives, assessing these against our risk appetite. This includes designing, implementing and operating controls to keep risks within appetite and tolerance. Where appropriate, a risk may be accepted via the risk acceptance process, with clear reporting on how it is being managed.

Our risk appetite

This year, we maintained a deliberately low-to-cautious approach to risk when carrying out our statutory duties. This reflected our focus on safeguarding customer information, complying fully with legal and regulatory requirements, and upholding the highest standards of financial integrity expected by our customers and stakeholders.

At the same time, to support progress and modernisation, we adopted a moderate level of risk in areas that support innovation, including enhancing operational performance, advancing our technology capabilities and exploring new ways to deliver our technology strategy.

However, we do recognise that risk is nuanced and, therefore, we maintain different risk appetites depending on the category, as shown below.

Risk category	What this means for us	Our appetite
Strategic	Risks that affect our ability to deliver our statutory purpose and long-term direction.	Cautious to moderate – We take measured risks where it helps improve the protection we provide to customers or strengthens the wider financial system.
Legal, governance and compliance	Risks relating to compliance with the laws, rules and standards that govern us.	Low – As a statutory body, we place high importance on meeting all regulatory and governance obligations.
Financial	Risks linked to managing costs, levy funds and compensation payments.	Low – We protect levy payers by keeping avoidable costs low and managing our financial resources responsibly.
Information technology and data	Risks associated with the systems and information we rely on to deliver our services.	Low to moderate – We are careful with critical systems and customer data, but accept some risk in order to modernise and improve technology.
Operational	Risks that may affect our day-to-day services, processes or customers' experience.	Moderate – We support improvements to how we work, while ensuring a high-quality service and resilience.
Our people	Risks related to the capability, capacity and wellbeing of our workforce.	Cautious to moderate – We invest in developing our people to ensure they have the skills to respond effectively when our customers need us.

Key

Appetite level	Definition
Low	Prepared to accept only the very lowest levels of risk, with a preference for very safe decision making.
Cautious	Willing to accept some low-medium risk, while maintaining an overall preference for safer decision making.
Moderate	Willing to accept a higher level of risk to achieve significant benefit and/or realise opportunities. While the inherent risk may be high, it is still controllable.
High	Prepared to consider innovative decisions with a high degree of residual risk.

Key risks and our responses

Our key risk themes and responses during 2025/26 included the following:

Theme	Change and transformation
Context	We continued to progress several important change initiatives. As part of our reviews and governance, we identified that some change activity involved more hidden effort, complex sequencing and interdependencies than expected.
Response	To ensure that changes were delivered safely, without affecting service quality or our statutory duties, we strengthened oversight and planning across the organisation. This included clearer visibility of hidden effort, better sequencing of activities, and enhanced coordination between teams. We also focused on protecting core services during periods of change, ensuring continuity for customers and our statutory duties.
Theme	Vendor management
Context	We rely on external partners to help deliver services, including claims handling, technology, and specialist expertise. We identified improvement opportunities regarding third-party performance, resilience, and value for money to support our obligations to our customers and levy payers.
Response	We enhanced our procurement processes and strengthened oversight of key suppliers so they met expectations on performance, resilience, and value for money. This included introducing more structured checks before appointing suppliers, improved contract management, and clearer monitoring of service delivery to protect customers and levy payers.

Theme	Preparedness for firm failures
Context	As the geopolitical landscape and market conditions continue to evolve, we have maintained our capability and readiness to respond quickly and effectively to customer needs.
Response	We continued building readiness across teams so we could respond swiftly and effectively to failures. This included scenario planning, improving operational playbooks and working closely with regulatory partners to stay alert to changes in the failure landscape. These steps strengthened our ability to protect customers during uncertain or complex resolution events.
Theme	Cyber-attack and technology threats
Context	The cyber-threat landscape continued to evolve, with increased sophistication and frequency of attacks targeting financial services and public bodies. Our focus was on maintaining strong technical defences, data protection, and continuity arrangements, safeguarding both our systems and customer information.
Response	We invested further in cyber security controls, enhanced monitoring of threats, and strengthened data protection measures. Regular testing and training supported organisational awareness, while improvements to incident response processes ensured that we could respond rapidly and maintain continuity of service. These proactive actions, along with the appropriate insurance safeguards in place, mean that we are better prepared.
Theme	Legal challenge
Context	The wider environment is becoming increasingly litigious, particularly where customers are represented by advisers or claims management firms. This increased the risk of legal challenge across our work and reinforced the need for clear decision making, robust evidence and defensible processes to support fair customer outcomes and protect levy payers.
Response	We reinforced decision-making frameworks and improved the documentation underpinning customer outcomes. This helped ensure decisions were fair, clearly evidenced and robust.

Emerging risks for 2026/27

Five-year strategy

FSCS has launched its new five-year strategy. Effective risk management will play an important role in supporting its effective delivery. Areas of focus include:

- refreshing our risk appetite to align with our strategic ambition;
- balancing risk to support proportionate and controlled delivery;
- increasing the use of automation to improve processes and controls; and
- strengthening risk awareness and capability in the first line of defence.

Growing use of artificial intelligence

The use of artificial intelligence and machine learning across core processes is increasing. This brings new risks, including unintended behaviours, data bias, reduced explainability and models becoming less reliable over time.

While these technologies can help us deliver better outcomes for customers and levy payers, we will adopt them carefully, recognising both the risk and opportunities that they present. This includes putting strong governance in place to ensure data quality is maintained and models are properly managed throughout their lifecycle.

The wider geopolitical landscape

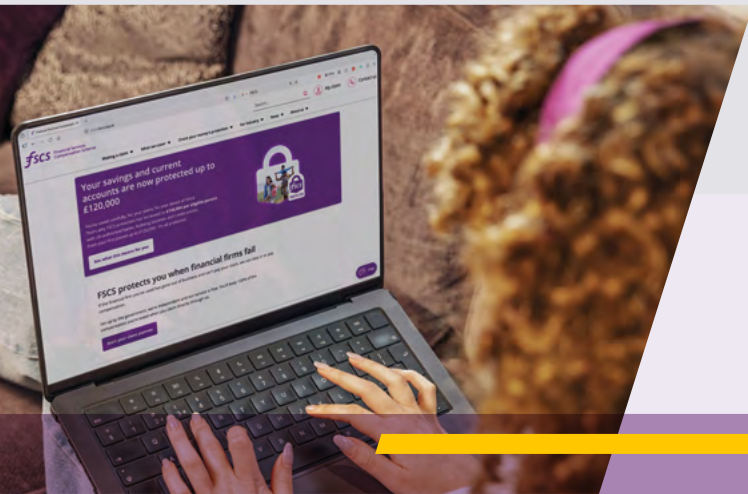
Ongoing geopolitical change may lead to shifts in policy direction and regulatory priorities.

We will continue to maintain proactive horizon scanning, engaging regularly with industry bodies so that we can continue protecting customers during uncertain or complex resolution events.

Cyber risk

Greater use of cloud technology has increased dependence on a limited number of cloud, software and critical infrastructure providers. This in turn has created the potential for heightened vulnerability of large-scale cyber incidents, as disruption or breaches affecting a key provider could lead to widespread operational and financial impacts.

We will continue to diversify our critical technology dependencies where feasible, maintaining robust oversight of suppliers and ensuring appropriate insurance safeguards.



Directors' summary

For the year ending 31 March 2026, the FSCS directors present this report, together with the audited financial statements on pages [61](#) to [107](#).

The directors have prepared the financial statements in line with International Financial Reporting Standards (IFRS). This has been done to enhance the quality of the financial information, increase transparency and make the financial statements easier to compare and understand internationally.

The directors

The directors who held office during the year, and up to the date of signing the financial statements, included:

- Elizabeth Passey;
- Richard Parkin;
- Richard Harvey;
- Alyson Levett;
- Rt Hon Baroness Morgan of Cotes (Nicky Morgan);
- Cathryn Riley (resigned 30 April 2025);
- Jenny Watson CBE (resigned 28 February 2026);
- Wendy Williams CBE;
- Martyn Beauchamp; and
- Fiona Kidy.

Directors' remuneration

Details of directors' remuneration are set out in the directors' remuneration section and in [Note 10](#).

Directors' indemnity and insurance

We maintain insurance to indemnify our directors and officers against claims arising from our business. We also grant qualifying third-party indemnities (as defined in the Companies Act 2006) to directors in relation to acts or omissions arising in the ordinary course of their duties. Indemnities were in force during the financial year to 31 March 2026 and at the date of the approval of this report.

Under the Financial Services and Markets Act 2000, we have an exemption from liability in damages for anything done or omitted in relation to the discharge, or purported discharge, of our statutory duties. This is provided that such acts or omissions are done in good faith and do not infringe section 6(1) of the Human Rights Act 1998.

Statement of disclosure of information to auditors

Each of the directors, at the date of this report, confirms that:

- as far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the necessary steps to be aware of any relevant audit information, and to ensure that the company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the directors' summary and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with IFRS as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies' reporting under IFRS. Under company law, the directors must not

approve the financial statements unless they are satisfied that they give a true and fair view of the situation of the company and of the company's income or expenditure for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for:

- keeping adequate accounting records that show and explain the company's transactions, disclose with reasonable accuracy the company's financial position, and enable them to ensure that the financial statements comply with the Companies Act 2006;
- safeguarding the company's assets and taking reasonable steps for preventing and detecting fraud and other irregularities; and
- maintaining the integrity of the company's website; legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance and financial risk management

A statement of corporate governance, including financial risk management and principal risks and uncertainties, is contained earlier in this report. Information on the company's use of financial instruments is disclosed in [Note 17](#).

In particular, the company's exposure to credit risk, liquidity risk and interest rate risk is separately disclosed in that note.

Going concern

FSCS is a statutory compensation scheme with the ability to levy the regulated financial services industry to meet its costs, up to the levy limits of each class, by way of an annual levy or a supplementary levy if required. FSCS also has access to a short-term overdraft facility and a longer-term revolving credit facility. In addition, FSCS may request loans from HM Treasury from the National Loans Fund under section 223B of the Financial Services and Markets Act 2000 to fund expenses incurred or expected to be incurred under the Scheme. See liquidity risk in [Note 17](#) for further details.

The directors are satisfied that FSCS can meet its obligations. As such, FSCS is a going concern, and it is appropriate that these financial statements are prepared under the going concern basis.

Independent auditor

Under the Financial Services and Markets Act 2000, the Comptroller and Auditor General is FSCS's statutory auditor.

Approval of the accountability report

This report is made up of the following:

- Corporate governance
- Section 172 statement: taking into account the interests of stakeholders
- Directors' remuneration
- Risk management
- Directors' summary

The report was approved by the FSCS Board on 16 June 2026 and signed on its behalf by:



Martyn Beauchamp
Chief Executive

Financial Services Compensation Scheme

26 June 2026

Financial statements

Auditor's report

The Certificate and Report of the Comptroller and Auditor General to the Members of the Financial Services Compensation Scheme Limited and the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of Financial Services Compensation Scheme Limited (Financial Services Compensation Scheme) for the year ended 31 March 2026 under the Financial Services and Markets Act 2000.

The financial statements comprise the Financial Services Compensation Scheme's:

- Statements of Financial Position as at 31 March 2026;
- Statement of Comprehensive Income and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the Financial Services Compensation Scheme's affairs as at 31 March 2026 and its surplus after tax for the year then ended;

- have been properly prepared in accordance with the UK adopted International Accounting Standards;
- have been properly prepared in accordance with the requirements of the HM Treasury directions issued under the Financial Services and Markets Act 2000; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of the Financial Services Compensation Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Financial Services Compensation Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Financial Services Compensation Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic and Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic and Performance Report and the Accountability Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Financial Services Compensation Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic and Performance Report and the Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by the accounts direction issued by HM Treasury under the Financial Services and Markets Act 2000 are not made; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Financial Services Compensation Scheme from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006 and Financial Services and Markets Act 2000;
- preparing the Annual Report, which includes the Directors' Remuneration

Report, in accordance with the Companies Act 2006; and

- assessing the Financial Services Compensation Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Financial Services and Markets Act 2000 and International Standards on Auditing (UK) (ISAs (UK)).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect

material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Financial Services Compensation Scheme's accounting policies.
- inquired of management, Financial Services Compensation Scheme's and those charged with governance, including obtaining and reviewing supporting documentation relating to the Financial Services Compensation Scheme's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Financial Services Compensation Scheme's controls relating to the Financial Services Compensation Scheme's compliance with the Companies Act 2006, Financial Services and Markets Act 2000, FCA Handbook and PRA Rulebook.

- inquired of management, Financial Services Compensation Scheme's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Financial Services Compensation Scheme for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Financial Services Compensation Scheme's framework of authority and other legal and regulatory frameworks in which the Financial Services Compensation Scheme operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Financial Services Compensation Scheme. The key laws and regulations I considered in this context included Companies Act 2006; Financial Services and Markets Act 2000; Financial Services Act 2012; Financial Services (Banking Reform)

Act 2013; Financial Services and Markets Act 2023; Companies Act 2006; the FSCS and HM Treasury Framework Document; FCA Handbook; PRA Rulebook; and relevant employment law and taxation legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria

London

SW1W 9SP

29 June 2026

Financial statements of FSCS

for the year ended 31 March 2026

Statement of comprehensive income

		Year ended 31 March 2026	Year ended 31 March 2025
	Note	£'000	£'000
Income			
Levy income in respect of compensation costs		214,772	251,465
Other levy income		96,134	97,586
Total levy income	4	310,906	349,051
Recoveries	5	52,123	75,514
Bank interest received		6,492	9,479
Total income		369,521	434,044
Expenditure			
Compensation costs	6	(266,895)	(326,979)
Administrative expenses	7, 8	(100,995)	(104,366)
Interest payable	15	(124)	(61)
Net interest on defined benefit pension scheme	22	169	298
Total expenditure		(367,845)	(431,108)
Surplus before tax		1,676	2,936
Corporation tax		(1,624)	(2,344)
Surplus after tax		52	592
Other comprehensive income			
Remeasurements on defined benefit pension scheme	22	(52)	(592)
Total comprehensive result for the year		-	-

All of FSCS's operations are continuing.

A statement of changes in equity has not been presented as there were no equity balances brought forward or any changes in equity balances during the year.

The Notes on 65 to 107 form part of these financial statements.

Statement of financial position

of FSCS as at 31 March 2026

		Year ended 31 March 2026	Year ended 31 March 2025
	Note	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment and right of use assets	15	11,303	1,194
Employee benefit assets	22	2,598	3,133
Financial assets	12	69,313	94,368
		83,214	98,695
Current assets			
Trade and other receivables	11	51,297	32,397
Cash and cash equivalents	13	255,095	171,717
Financial assets	12	93,244	53,506
		399,636	257,620
Total assets		482,850	356,315
EQUITY AND LIABILITIES			
Equity			
Reserves		–	–
Total equity		–	–
Non-current liabilities			
Other non-current financial liabilities	14	71,911	97,501
Provisions	16	1,068	330
Lease liabilities	15	7,233	–
		80,212	97,831
Current liabilities			
Bank overdraft	13	–	612
Trade and other payables	14	331,024	207,822
Provisions	16	71,494	49,510
Lease liabilities	15	120	540
		402,638	258,484
Total liabilities		482,850	356,315
Total equity and liabilities		482,850	356,315

The Notes on pages 65 to 107 form part of these financial statements. These financial statements are exempt from the requirements of Part 16 of the Companies Act 2006 by virtue of Section 482 (non-profit making companies subject to public sector audit) of that Act.

The financial statements on pages 62 to 64 were approved by the Board of Financial Services Compensation Scheme Limited (registered Company Number 3943048) on 16 June 2026 and signed on its behalf on 26 June 2026 by:



Martyn Beauchamp

Chief Executive

Financial Services Compensation Scheme

Statement of cash flows of FSCS

for the year ended 31 March 2026

		Year ended 31 March 2026	Year ended 31 March 2025
	Note	£'000	£'000
Operating activities			
Net cash generated from operations	19	83,216	(125,509)
Corporation tax paid		(1,978)	(3,484)
Net cash flows from operating activities		81,238	(128,993)
Investing activities			
Bank interest received		6,492	9,479
Purchases of property, plant and equipment	15	(4,199)	(602)
Net cash flows used in investing activities		2,293	8,877
Financing activities			
Lease payments	15	459	(1,030)
Net cash flows used in financing activities		459	(1,030)
Net increase/(decrease) in cash and cash equivalents		83,990	(121,146)
Cash and cash equivalents at 1 April	13	171,105	292,251
Cash and cash equivalents at 31 March	13	255,095	171,105

Notes to the financial statements for FSCS for the year ended 31 March 2026

1. Constitution

Financial Services Compensation Scheme Limited (FSCS) is a company incorporated and domiciled in the UK under the Companies Act 2006 as a company limited by guarantee. The members of the company are the directors of the company, and liability is limited to an amount not exceeding £1 for each member. FSCS has no share capital and no ultimate controlling party.

FSCS was established as the designated Scheme Manager under Section 212 of the Financial Services and Markets Act 2000 (FSMA). FSCS, as Scheme Manager, operates broad funding classes based on identifiable industry sectors – Deposits, General Insurance Provision, General Insurance Distribution, Life and Pensions Provision, Life Distribution and Investment Intermediation, Investment Provision, Home Finance Intermediation, Debt Management, and Funeral Plans.

The Bank Resolution (Recapitalisation) Act 2025 came into force in July 2025, which allows FSCS to fund the recapitalisation of a failing bank or building society. A new specific levy class (A2) was also created to recover costs of recapitalisation payments from firms. This class excludes management expenses and excludes credit unions. There were no transactions in this class during 2025/26. In addition, the FSCS deposit protection limit increased to £120,000 from 1 December 2025.

The registered office is 5th Floor, The St Botolph Building, 138-139 Houndsditch, London EC3A 7AW.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006, UK adopted International Accounting Standards and the Accounts Direction issued by HM Treasury. The directors are satisfied that FSCS is in a position to meet its obligations as they fall due, given its statutory rights to raise levies on Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) authorised firms. As such, FSCS is a going concern and it is appropriate that these financial statements are prepared under the going concern basis.

Section 218 of the FSMA requires FSCS to prepare a statement of the value of each of the funds established by FSCS (the Scheme Manager). These statements, referred to as the Class Statements, are separate from the statutory financial statements of the Scheme Manager and have not been prepared under the basis of IFRS. The Class Statements are prepared by the Scheme Manager in accordance with the FCA Handbook and the PRA Rulebook. These statements can be found at www.fscs.org.uk.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

The principal accounting policies for the Scheme Manager are set out below.

a) Revenue recognition

The core principle of IFRS 15 – Revenue from Contracts with Customers is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires an entity to identify the contract(s) with a customer and the performance obligation related to the contract. It further requires the transaction price to be determined and allocated to the performance obligations in the contract. Revenue can only be recognised under the standard when the entity satisfies a performance obligation.

Management assessed the implication of adopting IFRS 15 directly; however, given the nature of FSCS's activities and that IFRS 15 relates to commercial organisations, it was not considered appropriate. Accordingly, management has applied IAS 8(10) to use its judgement to develop and apply an accounting policy that provides information that is relevant and reliable. In doing so, management has broadened the definition of a contract to include legislation and regulation. In this circumstance, a 'contract' is the underlying statutory framework set out in FSMA and the FCA and PRA rules for FSCS. This framework enables FSCS to raise levies to recover the costs of carrying out its statutory functions and pursue recoveries from the estates of failed firms to offset these costs. The performance obligation under the 'contract' is the protection provided by FSCS which all regulated firms benefit from in the form of increased consumer confidence.

Levies for compensation costs

FSCS recognises levies receivable in respect of compensation costs on an accruals basis to match compensation costs net of recoveries. Any excess funds are ultimately repayable to the levy payer (with shortfalls similarly recoverable from the levy payer) by way of a refund or a reduction in the following year's levy, in accordance with the funding rules set by the FCA and the PRA.

Recoveries income

Recoveries are recognised when it is probable that the future economic benefits will flow to FSCS and the value can be measured reliably (based on the best information available to the directors). Recoveries are initially measured at fair value. This differs from the treatment in the Class Statements, where recoveries are only recognised on receipt or notification from an insolvency practitioner.

Other operating income

FSCS recognises levy revenue raised from authorised firms in respect of the administration costs of FSCS when incurred. The management expenses levy is used to fund FSCS's

overheads and is split between base costs and specific costs. All firms authorised by the FCA and the PRA (other than those which are exempt) contribute to the base costs, which are the costs of running FSCS and are not dependent on levels of activity. Specific costs are the costs of assessing claims and making payments and any other costs which can be directly attributable to a particular class.

Any deficit or surplus in the defined benefit pension scheme will eventually be funded through, or used to reduce, future levies on levy-paying firms. Consequently, an asset and deferred levy income, or a liability and accrued levy income, is recognised in these financial statements.

Interest income

FSCS receives interest on bank deposits. The interest received is credited to the classes in proportion to their relative fund balance.

b) Compensation costs

Compensation costs are only recognised when the eligibility and quantum of the claim is known or, for reinstatement cases, when fully valued. In most cases, this is when the claim has been assessed and a decision has been made, as before that point the eligibility and quantum of the claim cannot be known.

In the case of deposit taker defaults, Special Administration Regime (SAR) defaults, insurance provider return of premium cases and funeral plan cover, these do not generally require a decision to be made by FSCS as to whether they are a valid claim; therefore, the expenditure is recognised when the firm is declared in default.

c) Financial instruments

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest rate method. FSCS has applied the simplified approach to impairment of financial assets by providing for expected lifetime credit losses as permitted by IFRS 9. These provisions are based on an assessment of risk of default and expected timing of collection estimated by reference to past default experience, adjusted as appropriate for current observable data. Levy receivables are also reviewed periodically to assess if any objective evidence has been identified which indicates that a specific impairment for uncollectable amounts is required.

Allowance losses for levies receivable are included within levy income in the statement of comprehensive income.

Financial assets

Financial assets are classified under IFRS 9 as amortised cost or fair value through profit or loss, depending on the entities business model for managing the financial assets and the contractual cashflow characteristics of the instruments. As FSCS generally holds financial

assets in order to collect the contractual cash flows, it has determined the classification of recoveries receivable assets by assessing whether the terms of the instrument met the solely payments of principal and interest (SPPI) test required for amortised cost recognition. Since no interest is received on this class of assets, this fails to meet the SPPI test, so recoveries receivable have been classified as fair value through profit or loss.

Recoveries receivable are initially measured at fair value. Gains and losses arising from subsequent changes in fair value are recognised within recoveries income. The timing and value of recoveries receivable are estimated based on information available to the directors up to the date of signing these accounts, including Insolvency Practitioners' statements of estimated outcome and other reports published as part of the various insolvency processes; however, the timing and final outcome are uncertain. Refer to [Note 17](#) for further information on how fair value is determined. FSCS has applied a recognition threshold of £250,000 or above for recoveries receivable.

Trade and other payables

Payables are recognised in the statement of financial position when FSCS becomes a party to the contractual provisions of the instrument. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are measured at amortised cost.

Borrowings

Borrowings are recognised in the statement of financial position when drawdowns are made. Borrowings are measured initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Interest is charged to the statement of comprehensive income over the term of the borrowings using the effective interest rate method. Interest accrued within a financial period becomes due and payable in accordance with the terms of the loans.

d) Provisions and contingent liabilities

A provision is recognised in the statement of financial position when there is a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the value can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. No provision is established where a reliable estimate of the obligation cannot be made.

On occasion, legal proceedings are threatened or initiated against or by FSCS. A provision is made for the estimated full cost in respect of any such proceedings where, at the end

of the year, it is probable that there is an obligation which will require an outflow of economic benefit.

Provisions for compensation costs are made where a liability has been established but where the related costs are uncertain in timing or amount. Provisions for compensation costs only include claims where FSCS is able to determine their eligibility and can reliably estimate the quantum of those claims. Generally, this would only apply to deposit taker defaults, Special Administration Regime (SAR) defaults, return of insurance premium cases and funeral plan cover as these do not require a decision to be made by FSCS as to whether there is a valid claim, and an estimate can be made based on records held by the failed firm. Liabilities and provisions are not recognised for other types of claims until they have been assessed because the eligibility, and therefore obligation, is not known before that point.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

e) Interest receivable

Interest received on bank deposits is credited to the compensation class fund balances in proportion to their relative fund balance.

f) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the start of the month in which the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are charged to the classes.

g) Third-party arrangements as agent

Where FSCS works for and makes compensation payments on behalf of third parties, as agent, these are recoverable from such parties. Any amounts so due from third parties are shown in the statement of financial position.

Management expenses incurred in performing work on behalf of third parties are recovered from such parties by FSCS and not allocated to the classes or funded by levy payers, so will only be shown within the Annual Report and Accounts of the Scheme Manager. These costs will be shown in the statement of comprehensive income within administrative expenses with a corresponding recharge as income.

h) Taxation

FSCS is only liable to pay corporation tax on investment income. The related tax is charged to the classes as shown in the fund movements of the Class Statements.

i) Pension scheme

FSCS operates both a defined benefit pension scheme (Pension Scheme) and a money purchase scheme.

The pension costs for the Pension Scheme are accounted for in accordance with International Accounting Standard (IAS) 19 'Employee Benefits'. The aggregate Pension Scheme asset/liability recognised in the statement of financial position is the excess or deficit of the present value of the Pension Scheme's assets over the value of the Pension Scheme's liabilities. Any deficit will be funded by future levies and any surplus used to reduce future levies. The deficit or surplus for funding purposes will be that calculated for the Pension Scheme, which is required by The Pensions Regulator to be prepared on a prudent basis. This may differ from the IAS 19 deficit or surplus shown in these financial statements.

The costs of the money purchase scheme are charged to the statement of comprehensive income as incurred.

Further details are contained in [Note 22](#).

j) Changes in accounting policy

i. New and amended standards adopted by FSCS:

There were no IFRS or IFRS Interpretations Committee interpretations effective for the first time in the financial year beginning on or after 1 April 2025 that have a material impact on the company.

ii. New standards, amendments and interpretations issued but not effective for the financial year beginning on or after 1 April 2025 and not early adopted:

There were no IFRS or IFRS Interpretations Committee interpretations not yet effective that would be expected to have a material impact on the company.

k) Fixed assets

Fixed assets are capitalised and depreciated over their estimated useful lives at the following rate:

- computers: 60% per annum (reducing balance);
- furniture and equipment: 33% per annum (reducing balance); and
- leasehold improvements: straight-line basis over the remaining period of the lease.

3. Accounting judgements and key estimation uncertainties

In applying the accounting policies as set out in [Note 2](#), there are a number of uncertainties that could impact on the amounts recognised in the financial statements.

The key area of judgement identified in the financial statements is:

- in preparing these financial statements, a fundamental judgement has been applied to revenue recognition in respect of levy income (see [Note 2a](#)). Levy income represents fees to which FSCS deemed it was entitled during the financial year, after taking into account costs associated with running the compensation scheme, including compensation costs less recoveries and management expenses incurred. Any surplus or deficit against levy income in the year is therefore held payable or receivable on the statement of financial position as the intention is to return any surplus, by way of a refund or a reduction in next year's levy, or claim any deficit in the following year.

The key areas of judgement and estimation uncertainties identified in the financial statements are:

- the value and expected timing of recoveries through dividends from the estates of failed firms, as explained in [Note 12](#);
- the value and expected timing of provisions for compensation costs, as explained in [Note 16](#); and
- the current valuation of the defined benefit pension scheme, as explained in [Note 22](#).

4. Levy income

In FSCS's financial statements, levies are recognised on an accruals basis, taking into account the costs which have been incurred and any recoveries FSCS has made. The table below shows the total of all constituent parts of levy income for the year reported in the statement of comprehensive income (SoCI).

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Levy income recognised in SoCI		
Levy income in respect of compensation costs	214,772	251,465
Other levy income		
Levy income in respect of base costs	28,312	27,224
Levy income in respect of specific costs	72,049	72,716
Levy income in respect of interest payable	124	61
Levy income in respect of pension obligations	535	4,663
Offset from bank interest received net of tax	(4,869)	(7,135)
Offset from exchange (gains)/losses	(17)	57
	96,134	97,586
Total levy income	310,906	349,051

5. Recoveries income

Recoveries income recognised in the statement of comprehensive income of FSCS is analysed as below.

	Received	Move- ments in recoveries receivable	Year ended 31 March 2026	Received	Move- ments in recover- ies receiv- able	Year ended 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000
Funding class						
Deposits	5,721	(4,679)	1,042	390	7,470	7,860
General Insurance Provision	9,861	16,978	26,839	34,484	(7,174)	27,310
General Insurance Distribution	403	–	403	–	–	–
Life & Pensions Provision	–	–	–	–	–	–
Life Distribution & Investment Intermediation	22,115	1,574	23,689	4,226	28,366	32,592
Investment Provision	(30)	180	150	1,578	6,174	7,752
Home Finance Intermediation	–	–	–	–	–	–
Debt Management	–	–	–	–	–	–
Funeral Plans	–	–	–	–	–	–
Total	38,070	14,053	52,123	40,678	34,836	75,514

6. Compensation costs

The table below provides an analysis of the compensation cost by funding class.

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Funding class		
Deposits	1,223	16,699
General Insurance Provision	99,634	133,979
General Insurance Distribution	659	722
Life Distribution & Investment Intermediation	125,152	110,206
Investment Provision	38,630	64,830
Home Finance Intermediation	1,597	543
Debt Management	–	–
Funeral Plans	–	–
Total compensation costs	266,895	326,979

7. Administrative expenses and interest payable

Administrative expenses and interest payable incurred by FSCS which were specifically levied to levy payers are shown in the table below by levy class.

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Deposits	12,072	12,387
General Insurance Provision	7,060	7,701
General Insurance Distribution	1,165	2,090
Life and Pensions Provision	344	39
Life Distribution & Investment Intermediation	38,359	37,787
Investment Provision	11,548	12,385
Home Finance Intermediation	1,603	366
Debt Management	17	18
Funeral Plans	4	4
Base costs	28,312	27,224
IAS 19 pension adjustments	652	4,369
Other – interest payable	(124)	(61)
Less exchange (gains)/losses	(17)	57
Total administrative expenses	100,995	104,366
Other – interest payable	124	61
Total administrative expenses and interest payable	101,119	104,427

8. Administrative expenses

		Year ended 31 March 2026	Year ended 31 March 2025
	Note	£'000	£'000
Staff costs	9	36,650	30,921
Accommodation and office services		1,857	1,653
IT maintenance costs		6,098	6,424
Outsourced claims-handling costs		9,966	12,125
Contractors		14,504	19,498
Change, including IT development costs		8,049	7,159
Depreciation		(387)	1,551
Press and communications		2,335	1,678
Auditor's remuneration			
Statutory audit of the financial statements		175	170
Other audit services*		17	17
Legal and professional fees		7,386	6,720
Bank charges		6,697	6,899
Other		7,648	5,703
Sub-total		100,995	100,518
FSCS Pension Scheme Settlement	22	–	3,848
Total administrative expenses		100,995	104,366

* Agreed upon procedures on the Class Statements.

9. Staff costs

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Wages and salaries, including the executive directors	29,214	25,052
Social security costs	3,955	2,937
Pension costs	3,481	2,932
	36,650	30,921

The employer's pension contributions shown above include the liability for contributions in respect of service during the year.

The average number of employees of FSCS during the year was as follows:

	Year ended 31 March 2026	Year ended 31 March 2025
Average number of employees		
Executive Team	6	6
Operations	239	207
Other*	105	93
	350	306

* 'Other' includes all other teams such as Technology, Finance, Legal and People teams.

10. Directors' remuneration

As at 31 March 2026, there were six independent non-executive directors (2025: eight) and two executive directors (2025: two). The directors of the company who were in office during the year can be found within the Directors' Report. Total remuneration paid to directors is as follows:

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Aggregate remuneration	989	948
Pension contributions	67	63
	1,056	1,011

Retirement benefits during the year accrued to no directors (2025: none) under FSCS's defined benefit scheme and two under the money purchase scheme (2025: two).

The highest-paid director, the Chief Executive (2025: Chief Executive), received aggregate remuneration of £412,728 (comprising basic salary of £371,776, bonus of £36,874 and other emoluments of £4,078) (2025: £405,008 (comprising basic salary of £346,080, bonus of £34,056 and other emoluments of £24,872)). Payments of £40,561 have been made for pension. The Chief Executive did not receive any additional remuneration in respect of his role as director.

The fees paid to the Chair are set at £75,000 per annum (2025: £75,000) and the fees paid to the independent non-executive directors are set at £24,500 per annum (2025: £24,500). Additional fees paid to the chair of the Audit and Risk Committee and Remuneration and People Committee were set at £5,000 per annum (2025: £5,000). An additional fee of £5,000 per annum was also payable to the Deputy Chair and Senior Independent Director. In addition, business-related expenses totalling £15,682 (2025: £8,811) were reimbursed to the independent non-executive directors. The Chair and the other independent non-executive directors are not entitled to a pension funded by FSCS.

11. Receivables

Trade and other receivables: amounts falling due within one year

		31 March 2026	31 March 2025
	Note	£'000	£'000
Amounts due from the FCA	20	19,137	5,624
Levies receivable			
Deposits		–	59
General Insurance Provision		10	2,939
General Insurance Distribution		–	76
Life Distribution & Investment Intermediation		–	203
Investment Provision		224	19
In respect of base costs		121	80
Net amounts due from levy payers in the following classes			
Deposits		–	1,529
Life & Pensions Provision		978	615
Life Distribution & Investment Intermediation		23,271	5,545
Investment Provision		–	7,240
Home Finance Intermediation		2,494	–
Debt Management		35	16
Funeral Plans		166	157
Other receivables		441	784
Prepayments		4,420	7,511
		51,297	32,397

See [Note 17](#) for details on credit risk.

12. Financial assets

	As at 31 March 2026 £'000	As at 31 March 2025 £'000
Financial assets (current)		
Recoveries receivable	93,244	53,506
	93,244	53,506
	As at 31 March 2026 £'000	As at 31 March 2025 £'000
Financial assets (non-current)		
Recoveries receivable	69,313	94,368
	69,313	94,368

Total recoveries receivable of £162,557,000 (2025: £147,874,000) include £86,780,000 (2025: £69,802,000) which FSCS expects to receive from firms declared in default in the General Insurance Provision class, £65,696,000 (2025: £63,519,000) from firms declared in default in the Life Distribution and Investment Intermediation class, £2,791,000 (2025: £7,470,000) from firms declared in default in the Deposits class and £7,290,000 (2025: £7,083,000) from firms declared in default in the Investment Provision class. A corresponding amount has been recognised to reflect the amounts payable to the levy payers in respect of recoveries receivable and distribution of surplus owed to customers (see [Note 14](#)). Analysis of movements in recoveries receivable can be found in [Note 5](#).

Recoveries receivable are categorised as level 3 within the fair value hierarchy (see [Note 17](#)) as they are based on insolvency practitioners' statements of estimated outcome and other reports. These amounts could change significantly if administrator assessments change. The sensitivity analysis below shows the impact on the net recoveries receivable if there is a delay in the timing of the recoveries estimated to be received or if the discount rate applied is increased.

		Delay in recoveries		
		Base case	1 year	2 years
		£'000	£'000	£'000
	Base case	–	(5,058)	(9,935)
Discount rate	+1%	(2,023)	(8,285)	(14,264)
	+2%	(3,959)	(11,368)	(18,376)

13. Cash and cash equivalents, overdraft, facilities and class borrowings

As at 31 March 2026, FSCS had bank facilities of £1,500m, comprising a Revolving Credit Facility of £1,450m (until 11 March 2027) and an overdraft facility of £50m. Any drawdown of the Revolving Credit Facility is subject to Board approval.

	31 March 2026	31 March 2025
	£'000	£'000
Cash at bank	255,095	171,717
	255,095	171,717
Bank overdraft	–	(612)
	255,095	171,105

FSCS is permitted to request funds from HM Treasury, through the National Loans Fund or any other appropriate source, for a term and at an interest rate to be agreed at the time. The amount of the borrowing facility available to FSCS is determined by HM Treasury. As at 31 March 2026, this facility was not used. Any amounts drawn from this facility will be replenished by means of FSCS levies on the relevant class and recoveries in subsequent years.

See [Note 17](#) for details on liquidity risk.

14. Payables

Trade and other payables: amounts falling due within one year

		31 March 2026	31 March 2025
	<i>Note</i>	£'000	£'000
Compensation payable		5,374	5,514
Net amounts held on behalf of levy payers			
Deposits		19,389	–
General Insurance Provision		22,166	26,255
General Insurance Distribution		2,825	3,688
Investment Provision		32,550	–
Home Finance Intermediation		–	708
Payments on Account		119,134	79,301
Social security and other taxes		1,040	938
Corporation tax		904	1,259
Accruals		7,524	6,977
Deferred income in respect of base costs		20,817	12,088
Distribution of surplus owed to customers	12	10,918	22,539
Net amounts due to levy payers in respect of recoveries receivable	12	82,326	43,278
Other payables		6,057	5,277
		331,024	207,822

Non-current liabilities: amounts falling due after more than one year

		31 March 2026	31 March 2025
	Note	£'000	£'000
Net amounts due to levy payers in respect of recoveries receivable	12	58,356	83,351
Distribution of surplus owed to customers	12	10,957	11,017
Amounts due to levy payers in respect of pension surplus		2,598	3,133
		71,911	97,501

The largest c.1,000 levy payers make payments on account for FSCS's 2026/27 levy. These firms were invoiced in February, with a due date of 1 April 2026. As at 31 March 2026, invoices totalling £147,921,000 (2025: £112,932,000) were issued, of which £118,743,000 (2025: £78,825,000) was collected, leaving amounts due from levy payers of £29,179,000 (2025: £34,107,000). The amounts received are held to the credit of those individual firms rather than to any particular funding class and are shown separately as payments on account in [Note 14](#) and in the Class Statements. These funds will be applied to reduce the payments of these firms when the 2026/27 annual levies are invoiced in July 2026, which are allocated against funding classes. FSCS has presented the receivable and the liability on a net basis in the statement of financial position after considering the fundamental principles in the International Accounting Standards Board (IASB) Conceptual Framework and the requirements of IFRS 15 and IAS 32.

15. Fixed assets and lease liabilities

Fixed assets

31 March 2025	Comput- ers	Furniture & equip- ment	Leasehold improve- ments	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000
Costs					
At 1 April 2024	2,246	939	1,315	15,429	19,929
Additions in the year	363	21	223	–	607
Disposals	(242)	–	–	(4,882)	(5,124)
At 31 March 2025	2,367	960	1,538	10,547	15,412
Accumulated depreciation					
At 1 April 2024	(1,731)	(846)	(999)	(9,330)	(12,906)
Charge for the year	(430)	(36)	(335)	(750)	(1,551)
Disposals	239	–	–	–	239
At 31 March 2025	(1,922)	(882)	(1,334)	(10,080)	(14,218)
Net book value at 31 March 2025	445	78	204	467	1,194
Net book value at 31 March 2024	515	93	316	6,099	7,023

31 March 2026	Comput- ers	Furniture & equip- ment	Leasehold improve- ments	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000
Costs					
At 1 April 2025	2,367	960	1,538	10,547	15,412
Additions in the year	547	449	3,203	7,133	11,332
Disposals	(1,104)	(950)	(1,538)	–	(3,592)
At 31 March 2026	1,810	459	3,203	17,680	23,152
Accumulated depreciation					
At 1 April 2025	(1,922)	(882)	(1,334)	(10,080)	(14,218)
Charge for the year	(255)	(18)	(181)	(649)	(1,103)
Disposals	1,068	889	1,515	–	3,472
At 31 March 2026	(1,109)	(11)	–	(10,729)	(11,849)
Net book value at 31 March 2026	701	448	3,203	6,951	11,303
Net book value at 31 March 2025	445	78	204	467	1,194

Lease liabilities

During the 2025/26 financial year, FSCS vacated its office premises at 10th Floor, Beaufort House, 15 St Botolph Street, London. This lease was terminated on 31 December 2025. On 10 December 2025, FSCS entered a 13-year lease agreement for its new office premises at 5th Floor, The St Botolph Building, 138-139 Houndsditch, London. The lease term is from 10 December 2025 to 29 September 2038. This lease has been treated in accordance with IFRS 16. The measured lease liability of circa £6.2m has been calculated as the present value of the remaining lease payments (less any incentives) at circa £9.0m, discounted using an expected interest rate of 5.21% based on a 13.0-year loan from the Public Works Lending facility. A corresponding adjustment was made to the right of use asset. The lease arrangement has a 13-month rent-free period from 10 December 2025, nine months rent-free from 10 December 2030 and a further 13 months rent-free from 10 December 2033 if the lease is not terminated.

	31 March 2026	31 March 2025
	£'000	£'000
Lease liabilities movements:		
Brought forward	540	6,590
Lease additions	6,230	–
Lease remeasurement	–	(5,081)
Payments during the year (less incentives)	459	(1,030)
Interest expense on lease liabilities	124	61
Lease liabilities at 31 March	7,353	540

	31 March 2026	31 March 2025
	£'000	£'000
Lease liabilities fall due as follows:		
Within 1 year	120	540
Within 2 to 5 years	2,187	–
Within 6 to 10 years	2,788	–
Greater than 10 years	2,258	–
Lease liabilities at 31 March	7,353	540

See [Note 17](#) for details on liquidity risk.

16. Provisions

	31 March 2025	Additional provisions made in the period	Unused amounts reversed during the period	Utilised in the year	31 March 2026
	£'000	£'000	£'000	£'000	£'000
Compensation cost	49,510	38,160	(1,000)	(15,176)	71,494
Levy provision	–	–	–	–	–
Other	330	738	–	–	1,068
Total provisions	49,840	38,898	(1,000)	(15,176)	72,562
Current	49,510	38,160	(1,000)	(15,176)	71,494
Non-current	330	738	–	–	1,068
	49,840	38,898	(1,000)	(15,176)	72,562

Compensation cost provision

The provision for compensation costs of £71,494,000 (2025: £49,510,000) includes estimates for return of funds, return of premiums and general insurance claims agreed. This takes into account our best estimate of the most likely number of claims FSCS expects to receive and of the amount of these claims, using the best information available to the directors at this time. These costs have been categorised within current liabilities as FSCS is working with the relevant administrators, other third parties and authorities to resolve and compensate customers as quickly as possible; however, there is significant uncertainty over the timing, which may result in payments being made after 12 months.

On 16 January 2026, Logic Investments Ltd was placed into Special Administration. FSCS agreed to fund the Special Administration costs for eligible claimants for distributing client money and assets, either via a transfer to a new broker or via other means, subject to FSCS compensation limits. An estimate of £10,000,000 has been made in respect of these costs, which is included within the total provision for compensation costs.

There were no other new failures during the year which resulted in additional provisions being recognised.

This provision also includes a remaining estimate of £3,819,000 for Reyker Securities plc, £4,988,000 for WealthTek LLP and £43,200,000 for IBP Markets Ltd. These are based either on estimates provided by or ongoing discussions with the administrators as to how much FSCS would be liable to contribute towards investors' losses. The information available to the directors includes evidence received from the administrators, who are third parties and

independent from FSCS and are appointed by the courts. The overall costs will depend on the outcome of the distribution plan and the finalisation of the return of client assets, which are still subject to change. These changes can have a significant impact on the overall cost, so the outcome could be higher or lower, and on the timing of the utilisation of the provision, meaning each provision could eventually be utilised in full beyond the end of the next financial year. The provision for IBP Markets Ltd was increased by £21,622,000 due to an increase in the estimated shortfall in client assets and a longer administration process increasing the overall costs. The provision for WealthTek LLP was also increased by £766,000 during the year. FSCS also made interim payments totalling £4,234,000 during 2025/26.

Provisions of £3,791,000 remain for the return of premiums on the failures of Enterprise Insurance Company plc, Elite Insurance Company Ltd and Alpha Insurance A/S. This provision was arrived at using our best estimates from a variety of sources on the likely number of policies FSCS would be paying and the associated cost of unexpired premiums based on broker or customer submissions.

Compensation costs provision also include an amount of £5,695,000 (2025: £10,926,000) for other general insurance claims. This is an estimate of unpaid compensation claims that were accepted on or before 31 March 2026. The provision is based on submissions from Run-Off Agents who receive the acceptance of offers, where possible, or a review of post-year-end payments to determine the value of claims likely to have been accepted on or before 31 March 2026. Due to other third parties being involved, the Run-Off Agents may not be aware of all acceptances unless these third parties provide notification. These are not expected to be material. An upward risk adjustment of 7% has been applied to the amounts submitted. FSCS does not hold all the information pertaining to general insurance claims and the final outcome could be different.

17. Financial risk management

The company's financial risk management policy is disclosed below.

Liquidity risk

Liquidity risk is the risk that FSCS is unable to meet its payment obligations associated with its financial liabilities as they fall due. FSCS manages its liquidity by carefully monitoring the projected income and expenditure related to its day-to-day business. Each month, FSCS identifies its liquidity requirements up to the point when it next expects to levy the majority of fees. FSCS also has available to it, for liquidity purposes, £1,500m of facilities, comprising a Revolving Credit Facility of £1,450m (until 11 March 2027) and an overdraft facility of £50m at a fixed margin above bank rate. Any usage of the Revolving Credit Facility is subject to Board approval.

In the event that FSCS is unable to raise sufficient levies and the facilities mentioned above do not provide adequate funds, FSCS would request a loan from HM Treasury.

The table below summarises the maturity profile of the company's financial liabilities based on expected undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
31 March 2026						
Interest-bearing loans and borrowings	–	–	–	–	–	–
Trade and other payables	–	14,621	316,403	71,911	–	402,935
Lease liabilities	–	–	120	2,187	5,046	7,353
Loan interest payable	–	–	–	–	–	–
Overdraft	–	–	–	–	–	–
	–	14,621	316,523	74,098	5,046	410,288
31 March 2025						
Interest-bearing loans and borrowings	–	–	–	–	–	–
Trade and other payables	–	13,192	194,630	97,501	–	305,323
Lease liabilities	–	–	540	–	–	540
Loan interest payable	–	–	–	–	–	–
Overdraft	612	–	–	–	–	612
	612	13,192	195,170	97,501	–	306,475

Included within the trade and other payables balance is £76,930,000 (2025: £30,651,000) relating to net amounts held on behalf of the levy payers (excluding payments on account). Surpluses are held to the credit of each class and will be used to reduce next year's levy or returned by way of a refund. While the timeframe for utilising these balances is uncertain, the forecast for the coming year shows these balances will be utilised in the upcoming year and so these have been placed within the 3–12 month bracket.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is not exposed to significant interest rate risk.

Any interest rate risk to FSCS is mitigated by the ability to raise levies on the financial services industry as a whole; therefore, any interest rate risk is ultimately passed on to and absorbed by the levy payers.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with FSCS, resulting in a financial loss to FSCS. FSCS's principal financial assets are cash and cash equivalents, together with levies and recoveries receivable.

FSCS's credit risk falls into the following categories:

- i. the collection of levies from the financial services industry: the FCA, which collects the levies on behalf of FSCS, has a strong record in collecting levies;
- ii. the placement of those levies as deposits with various counterparties: FSCS only places a maximum of £30m with commercial banks, any balances above this limit are placed in a Bank of England account;
- iii. recoveries receivable from claims against institutions where FSCS has paid compensation (most often made through an insolvency process); and
- iv. loan arrangements made to firms in default to enable FSCS to continue providing protection to its customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables (trade and other receivables and financial assets), which amounted to £213,854,000 and cash of £255,095,000. A loan commitment of £16,400,000 was made on 24 March 2023 (see [Note 18](#)) but, as no amounts were drawn from this facility, there was no credit risk exposure at the reporting date.

Any credit risk to FSCS is mitigated by the ability to raise levies on the financial services industry as a whole; therefore, any loss due to credit risk will be absorbed by the levy payers.

Currency risk

Currency risk occurs when FSCS recovers funds from institutions that might be denominated in a foreign currency. Changes in the exchange rate for US dollars or euros may affect the value recovered. Any currency risk to FSCS is mitigated by the ability to raise levies on the financial services industry as a whole; therefore, any loss due to currency risk will be absorbed by the levy payers. Costs are predominantly incurred in GBP, and levies are also billed in GBP, so the company is not exposed to significant currency risk.

Fair values

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, other current assets and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of unquoted instruments, such as recoveries receivable (financial assets) is calculated by discounting management's estimate of future expected cash flows using a risk-free rate. These receivables are categorised as level 3 within the fair value hierarchy as their valuation uses inputs which are not based upon observable market data.
- The fair value on loans (financial assets) and loan commitments (financial liabilities) are calculated by discounting management's estimate of future drawdowns and repayments on these facilities. These are also categorised as level 3 within the fair value hierarchy.

For the level 3 financial assets and liabilities, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly.

The carrying amounts of the company's financial assets and financial liabilities are a reasonable approximation of fair value.

Analysis of movements in level 3 assets and liabilities:

				Total gains/(losses) in the period recog- nised in the income statement		
	As at 1 April 2025	Received in year	Recog- nised or issued in year	Recover- ies	Compen- sation costs	As at 31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at fair value through the income statement						
Recoveries receivables	126,629	(38,070)	13,259	38,864	–	140,682
Loans	–	–	–	–	–	–
	126,629	(38,070)	13,259	38,864	–	140,682
Financial liabilities						
Loan commitments	–	–	–	–	–	–
	–	–	–	–	–	–

Unrealised gains and losses on level 3 financial assets and liabilities:

	31 March 2026 Income statement			31 March 2025 Income statement		
	Recoveries	Compen- sation costs	Total	Recover- ies	Compen- sation costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Recoveries receivables	14,053	–	14,053	34,836	–	34,836
Loans	–	–	–	–	–	–
Loan commitments	–	–	–	–	–	–
	14,053	–	14,053	34,836	–	34,836

18. Loan commitments

On 24 March 2023, FSCS entered into a loan agreement with East West Insurance Company Ltd (EWIC). FSCS has agreed to make available a maximum principal amount of £16,400,000 for the administrators to use for the fees of contractors engaged by EWIC for the provision of investigation, management, quantification, validation and resolution services (loss adjusting costs). This enables FSCS to continue providing protection to EWIC policyholders without any significant disruptions. Loans made under this agreement are not interest bearing.

Under IFRS 9, any loans made through this term facility will be classified as a financial asset measured at fair value through profit or loss. As at 31 March 2026, no amounts were drawn from this facility.

IFRS 9 also requires FSCS to recognise a financial liability for loss allowances on undrawn commitments. FSCS has assessed the loss on a forward-looking basis using a three-stage expected credit loss (ECL) model for exposures arising from this loan commitment. At initial recognition, financial assets are categorised as 'stage 1' and an impairment provision is made for ECLs resulting from default events projected within the next 12 months (12-month ECL). Subsequently, financial assets are considered to be in 'stage 2' if their credit risk has increased significantly since initial recognition, at which point it is considered appropriate to recognise a lifetime ECL. Financial assets are included in 'stage 3' when there is objective evidence that the asset is credit impaired, with expected credit losses still calculated on a lifetime basis. As at 31 March 2026, there was no exposure to default, so no ECL has been recognised.

In accordance with IFRS 9, the fair value adjustment at initial recognition, which is the difference between the transaction value of the loans and their fair value, should be deferred and either amortised or recognised when a gain or loss is crystallised. FSCS will defer this loss until drawdown occurs and recognise a percentage of this loss in the statement of comprehensive income. The percentage of loss to be recognised will be based on the amount drawn over the total facility available.

19. Reconciliation of the profit/(loss) on ordinary activities before interest and tax to net cash generated from operating activities

The statement set out below relates cash flows to items shown in the statement of comprehensive income and statement of financial position movements.

		Year ended 31 March 2026	Year ended 31 March 2025
	Note	£'000	£'000
Surplus/(deficit) on ordinary activities		52	592
Adjustments for			
Interest payable		124	61
Interest received		(6,492)	(9,479)
Depreciation		1,103	1,551
Loss on disposal		120	4,885
Decrease/(increase) in receivables	11	(18,900)	(2,477)
Increase/(decrease) in payables	14	99,590	(24,103)
IFRS 16 – lease adjustments		(903)	(5,081)
Decrease/(increase) in financial assets	12	(14,683)	(54,772)
Difference between pension charge and cash contributions		483	4,071
Increase/(decrease) in provisions for liabilities and charges	16	22,722	(40,757)
Net cash generated from operating activities		83,216	(125,509)

The increase in payables include movements in amounts held on behalf of levy payers. These balances are influenced by the difference between cash levies received (see [Note 20](#)) and compensation costs during the year (see [Note 6](#)), which are the main drivers of the fund balances pertaining to each class. This is a result of the revenue recognition judgement, to hold any surplus/deficit against levy income as a payable or receivable, reflecting FSCS's rights and obligations in respect of future levy.

20. Transactions with related parties

During the year, FSCS entered into transactions with the FCA as a related party. The FCA and the PRA appoint, and have the right to remove, directors to the Board of FSCS, and they establish the rules under which FSCS operates. The FCA and the PRA are considered to be related parties but not controlling parties during the year.

During the year, the FCA provided an agency service to FSCS to collect tariff data, issue levy invoices and collect levy monies on its behalf. Levy invoices, net of credit notes, were raised for £401,805,000 (2025: £285,516,000) during the year. Collections of £410,437,000 (2025: £280,100,000) were received from levy payers. The fee for the agency service was £411,000 (2025: £401,000).

Overall, payments of £396,924,000 (2025: £290,339,000) were made by the FCA to FSCS, leaving amounts due from the FCA to FSCS at 31 March 2026 of £19,137,000 (2025: £5,622,000).

During the year, FSCS did not enter into any transactions with the PRA.

HM Treasury is not considered to be a related party or a controlling party. However, in the interests of transparency, full disclosure of the transactions with HM Treasury has been made. These transactions with HM Treasury comprise funding, management expenses recharged and compensation payments made on behalf of HM Treasury.

There were no other such transactions during the year.

The remuneration of key management personnel is set out in the Directors' Remuneration section on page [40](#).

21. Contingent liabilities and contingent assets

Section 27 claims

In July 2021, following the Court of Appeal's decision in *Adams v Options* on 1 April 2021, FSCS's Board decided that, in circumstances where there could potentially be a claim under Section 27 of the Financial Services and Markets Act 2000 (FSMA), FSCS would pay compensation on an interim basis for relevant claims against self-invested personal pension (SIPP) operators, rather than in full and final settlement of claims. FSCS would then consider at a later date whether additional compensation may be payable for a Section 27 Claim. This was because *Options* sought to challenge the decision of the Court of Appeal in the Supreme Court, and there was therefore a degree of uncertainty. FSCS's Board decided that this approach should be backdated, but only to 1 April 2021 (i.e. the date when the *Adams* judgment was issued by the Court of Appeal).

Once the Supreme Court confirmed its decision not to hear an appeal in the *Adams* case in April 2022, the FSCS Board considered matters again in July 2022 and decided that FSCS would proceed to assess relevant claims against SIPP operators (involving an unregulated introducer) by considering potential liabilities owed under Section 27 of FSMA where:

- a. the claims against the SIPP operator were determined by FSCS on or after 1 April 2021, being the date the Court of Appeal's judgment in *Adams* was handed down, or there was an open appeal on that date; and
- b. FSCS would not consider appeals requested on or after 1 April 2021 by customers whose SIPP claims had been paid on a full and final basis before that date, if the appeal was:
 - (i) primarily seeking consideration of a Section 27 Claim; or
 - (ii) challenging a quantification method that had been previously accepted.

FSCS is therefore now reviewing claims which meet these criteria ('in scope claims') on a case-by-case basis.

Whether a claim is 'in scope' is determined by reference to the date of the decision and the firm against which the claim is brought. However, FSCS must investigate each claim individually to determine its validity. This includes assessing factors such as the available evidence regarding the involvement and activities of an unauthorised firm, the basis on which the claim was brought to FSCS, and limitation. Therefore, until the claim is processed, FSCS cannot confirm whether a claim is valid or compensation is payable.

Where a customer's in-scope claim is found to be valid under Section 27 of FSMA and eligible for further compensation, FSCS writes to the customer to inform them of this decision and pays them any additional compensation they are due. FSCS has also issued decisions to claimants confirming that, whilst their claim was in scope for review, there is no valid claim under Section 27 FSMA in their case and no additional compensation is payable.

As at 31 March 2026, FSCS estimates its potential liabilities on claims it has received but not yet made a final decision on to be in the region of £5.4m to £10.6m (2025: £4.2m to £21.9m). The estimate was arrived at using an average payment of £23,200 and then applying an

uphold rate of 9.7% to 19.2% on the remaining 2,380 claims which FSCS deems may be in scope for review but has not yet processed. The uphold average payment amount and uphold rate was determined using an average payment derived from Section 27 claims upheld during the 2025/26 financial year, and uphold rates observed over the same period. These assumptions are based on findings as at 31 March 2026 and may change as FSCS continues to assess the in scope claims. The final outcome will depend on an assessment of the particular facts in each case, such that the final outcome and future compensation cost associated with these claims could be different to these estimates. The decrease in the estimate compared with the prior year is due to FSCS processing a significant number of claims during 2025/26, resulting in a lower number of claims outstanding as at 31 March 2026.

Judicial review challenge

Two judicial review challenges have been raised in relation to FSCS's application of limitation. A court hearing in respect of the first is scheduled for July 2026, and the second is stayed pending the outcome given the overlap in issues. These judicial reviews introduce inherent uncertainty common to litigation, which may result in possible future outflows of economic resources. FSCS has adopted the consistent position that limitation runs from the date of pension transfer, and it is uncertain what alternative approach the court might consider were the challenge to succeed. It is therefore not possible to assess how many claims might be affected should the challenge be successful, nor the consequent impact on uphold rates.

Compensation costs

As at 31 March 2026 and 31 March 2025, compensation payments may become due as a result of claims made to us by customers of authorised financial services firms which have failed. To qualify for compensation, customers must be eligible under our rules. These rules are outlined in the FCA Handbook and in the PRA Rulebook sections on depositor protection and policyholder protection. FSCS can only pay compensation for financial loss, and there are limits to the amounts of compensation FSCS pays. There is significant uncertainty around the number of claims we will receive from customers, the likelihood of eligible claims, the type or product of those claims, the amount of compensation we will pay and the timing of those payments. Therefore, it is not practicable to provide an estimate of the costs of potential claims we may receive or claims we have received but not yet decided on.

Recoveries receivable

FSCS has a statutory duty to pursue recoveries that are reasonably possible and cost-effective to pursue, which will offset some of the compensation FSCS will pay out. At 31 March 2026 and 31 March 2025, FSCS had a number of ongoing recoveries actions against failed firms, the insurers of those failed firms, or other third parties, which are deemed probable to succeed. However, some of these have not been recognised as assets in the statement of financial position because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of FSCS.

There are no other material contingent liabilities or contingent assets identified at the reporting date.

22. Retirement benefits

FSCS operates both a money purchase scheme and a defined benefit pension scheme (the Pension Scheme), which was closed to new staff and closed to future accrual on 30 June 2011.

Money purchase scheme

A non-contributory money purchase pension scheme for permanent and fixed-term contract staff was set up with effect from 1 February 2001. From 1 April 2019, FSCS makes contributions equal to 9% of the basic annual salary so long as the permanent or fixed-term contract staff pay a minimum employee contribution of 1%. FSCS increases this contribution to 11% after three years' service. If staff choose to increase their employee contribution above 1%, FSCS will match this with an employer's contribution up to a maximum of an additional 4% of their basic annual salary.

Amounts paid by FSCS into the money purchase scheme amounted to £5,223,000, and £461,000 was outstanding to be paid at 31 March 2026 (2025: £4,356,000 and £395,000 respectively).

Defined benefit pension scheme with money purchase underpin (hybrid pension scheme)

FSCS operates a funded scheme with defined benefits payable that are underpinned by the value of notional money purchase units allocated to members in respect of service prior to 1 April 2002. Assets are held in separate Trustee-administered funds. An actuarial valuation of the Pension Scheme was carried out as at 1 April 2024. The valuation used the projected unit method and was carried out by professionally qualified actuaries.

The Trustees have the primary responsibility for governance of the Pension Scheme. Benefit payments are from Trustee-administered funds, and the Trust is governed by UK regulation. Responsibility for governance of the Pension Scheme, including investment decisions and contribution rates, lies jointly with the company and the Trustees. The Trustees comprise representatives of FSCS and members, in accordance with the Trust Deed and Rules. FSCS is entitled to recover any surplus contribution upon wind-up of the pension scheme.

On 6 December 2024, The Financial Services Compensation Scheme (FSCS) Pension Scheme completed a £25m full buy-in with Pension Insurance Corporation (PIC), securing the benefits of all 154 members, including 37 pensioners and 117 deferred members. This transaction has been treated as a settlement rather than a standalone buy-in transaction. As a result of this, a settlement of £3.8m was recognised in the Income Statement during 2024/25. This loss represents the difference between the buy-in premium and the IAS 19 liability for the members covered by the buy-in policy.

Principal actuarial assumptions at the statement of financial position date are:

	31 March 2026 % (p.a.)	31 March 2025 % (p.a.)
Discount rate	6.15	5.80
Retail Prices Index (RPI) inflation assumption	3.35	3.15
Consumer Price Index (CPI) inflation assumption	3.15	2.85
Pension increase rate (where increase is based on RPI inflation capped at 5% p.a.)	3.20	3.05
Pension increase rate (where increase is based on CPI inflation capped at 3% p.a.)	2.45	2.35

The following standard mortality tables published by the Institute and Faculty of Actuaries and projections of future mortality improvements have been used:

Pre- and post-retirement: 100% S4PMA light for males and 100% S4PFA light for females, with future improvements to mortality projected using the Continuous Mortality Investigation (CMI) mortality projections model 2025, with a 1.00% per annum long-term trend rate for males and a 1.00% per annum long-term trend rate for females from 2017 onwards, allowing for an individual member's year of birth.

Key assumptions	31 March 2026	31 March 2025
Life expectancy at 60 for male aged 60	27.5	27.0
Life expectancy at 60 for female aged 60	29.0	28.8
Life expectancy at 60 for male aged 45	28.3	27.9
Life expectancy at 60 for female aged 45	29.9	29.6

The assumptions were chosen by FSCS, with professional advice.

The fair values of the Pension Scheme's assets are set out below:

	Quoted	Unquoted	Total
As at 31 March 2026	£'000	£'000	£'000
Index-linked gilts	361	–	361
Liability-driven investments	287	–	287
Cash and net current assets	2,132	–	2,132
Insured pensions	19,269	–	19,269
Total assets	22,049	–	22,049

	Quoted	Unquoted	Total
As at 31 March 2025	£'000	£'000	£'000
Index-linked gilts	350	–	350
Liability-driven investments	304	–	304
Cash and net current assets	2,479	–	2,479
Insured pensions	18,660	–	18,660
Total assets	21,793	–	21,793

Assets described as quoted are investments in fund units which, while not exchange-traded, are dealt on the basis of prices published by the investment manager. The constituent elements of these funds are principally directly quoted assets.

The Pension Scheme does not invest in the sponsor's own financial instruments, including property or other assets owned by the sponsor.

The amounts recognised in the statement of financial position are as follows:

	31 March 2026	31 March 2025
	£'000	£'000
Fair value of assets	22,049	21,793
Present value of obligations	(19,451)	(18,660)
Funded status	2,598	3,133
Adjustment in accordance with paragraph 64 of IAS19 (the 'asset ceiling')	–	–
Net defined benefit asset/(obligation)	2,598	3,133
	Year ended 31 March 2026	Year ended 31 March 2025
Movement in net defined benefit asset/(obligation) over the year	£'000	£'000
Net defined benefit asset/(obligation) at beginning of the year	3,133	7,796
Employer contributions	–	–
Income/(expense) recognised in income statement	(483)	(4,071)
Remeasurement gain/(loss) recognised in other comprehensive income	(52)	(592)
Net defined benefit asset/(obligation) at end of the year	2,598	3,133

	Year ended 31 March 2026	Year ended 31 March 2025
Changes in present value of the defined benefit obligation	£'000	£'000
Opening defined benefit obligation	18,660	21,965
Past service cost	187	–
Interest cost	1,067	1,040
Distributions	(525)	(468)
Experience (gains)/losses	369	(336)
Actuarial (gains)/losses arising from change in financial assumptions	(447)	(3,228)
Actuarial (gains)/losses arising from change in demographic assumptions	140	(313)
Closing defined benefit obligation	19,451	18,660

Sensitivity analysis of the Pension Scheme liabilities

The sensitivity of the principal assumptions used to measure the Pension Scheme liabilities is set out below:

	Change in assumption	Value of Scheme lia- bilities £'000
No change to the assumptions		19,451
Discount rate reduced by	0.25% p.a.	20,192
Discount rate increased by	0.25% p.a.	18,751
Inflation increased by*	0.25% p.a.	20,167
Inflation reduced by*	0.25% p.a.	18,765
Life expectancy increased by	1 year	19,991
Life expectancy reduced by	1 year	18,985

* This sensitivity allows for the impact on all inflation-related assumptions (deferred revaluation and pension increases, subject to the relevant caps and floors).

Description of risks to which the Pension Scheme exposes FSCS

Almost all of the Pension Scheme liabilities are fully matched by insurance policies. The Scheme is therefore immunised against all risk except insurer failure (and any residual risk relating to the small remaining liabilities not yet covered by the buy-in policy), which was deemed to be very low risk.

For insured benefits, there is very limited risk to FSCS as the benefits to be paid are exactly matched by the annuity. As such, the value placed on these liabilities will match the equivalent value of the assets so there should be no risk exposure.

	Year ended 31 March 2026	Year ended 31 March 2025
Changes in fair value of the Pension Scheme assets	£'000	£'000
Opening fair value of assets	21,793	29,761
Contributions paid by employer	–	–
Interest income	1,236	1,338
Return on Scheme assets excluding interest income	10	(4,469)
Distributions	(525)	(468)
Administration expenses	(465)	(521)
Assets distributed on settlements	–	(3,848)
Closing fair value of assets	22,049	21,793
	Year ended 31 March 2026	Year ended 31 March 2025
Expenses recognised in the income statement	£'000	£'000
Past service cost	187	–
Loss recognised on settlement	–	3,848
Administration expenses	465	521
Net interest on the net defined benefit obligation/(asset)	(169)	(298)
Total expense/(income)	483	4,071

	Year ended 31 March 2026	Year ended 31 March 2025
Remeasurement effects recognised in other comprehensive income	£'000	£'000
Return on Pension Scheme assets excluding interest income	10	(4,469)
Experience gains/(losses) on Pension Scheme obligations	(369)	336
Actuarial gains/(losses) arising from change in financial assumptions	447	3,228
Actuarial gains/(losses) arising from change in demographic assumptions	(140)	313
Net actuarial gains/(losses) recognised in the period	(52)	(592)
		£'000
Best estimate of employer contributions to be paid over following year		Nil
		£'000
Expected future benefit payments		
Year ending 31 March 2027		528
Year ending 31 March 2028		628
Year ending 31 March 2029		708
Year ending 31 March 2030		753
Year ending 31 March 2031		845
Five years ending 31 March 2036		5,885

As required by IAS 19, the projected unit method has been used to determine the liabilities.

FSCS has agreed with the Trustees that the funding objective is to aim to ensure that the Pension Scheme has sufficient and appropriate assets to cover its technical provisions (which are effectively the liabilities in respect of service already completed) under the scheme-specific funding regulations (the Pension Scheme operates under the Pensions Act 2004 regulatory framework).

The formal valuation of the Scheme at 1 April 2024 showed that the Scheme is in surplus on its Technical Provisions basis, which means that FSCS is not required to continue to make deficit reduction contributions towards the Scheme.

The valuation of the Pension Scheme's liabilities for accounting purposes has been carried out at a different date from when the Pension Scheme's last actuarial valuation was carried out to determine the funding position and using some different assumptions. Therefore, the figures quoted in this Note are different from those disclosed in the last actuarial valuation report, as would usually be expected. The figures set out in this Note are calculated according to the requirements of IAS 19. Separate calculations will be carried out for the Trustees, and possibly the sponsor, to monitor and control the funding of the Pension Scheme using assumptions selected by the Trustees.

FSCS estimates the duration of the Pension Scheme liabilities on average to fall due around 15 years.

23. Other disclosures

FSCS was issued with an updated Accounts Direction in April 2026, which required FSCS to disclose audited information contained within this Note.

Exit packages

FSCS is required to disclose summary information on the use of exit packages, in accordance with the Accounts Direction issued by HM Treasury. The following table includes exit packages as they relate to all employees, and exit packages are accounted for in full in the year of departure.

	Number of compulso- ry redun- dancies	Number of other de- partures agreed	Total number of exit pack- ages by cost band	Number of compulso- ry redun- dancies	Number of other de- partures agreed	Total number of exit pack- ages by cost band
Exit pack- age cost band	Year ended 31 March 2026	Year ended 31 March 2026	Year ended 31 March 2026	Year ended 31 March 2025	Year ended 31 March 2025	Year ended 31 March 2025
≤ £10,000	1	–	1	10	–	10
£10,001– £25,000	–	1	1	4	–	4
£25,001– £50,000	4	1	5	1	–	1
£50,001– £100,000	2	1	3	–	2	2
£100,001– £150,000	–	–	–	–	–	–
£150,001– £200,000	–	–	–	–	–	–
Over £200,001	–	–	–	–	–	–
Total number of exit packages by type	7	3	10	15	2	17
Total resource cost (£'000)	268	155	423	165	118	283

There were more exits in 2024/25 due to restructures as a result of strategic changes to FSCS's claims operating model.

FSCS is not required to follow the provisions of the Civil Service Compensation Scheme as its principal governance arrangement is with the FCA/PRA. Any FSCS exit packages are approved in line with our own internal procedures.

Losses and special payments

Total losses and special payments were £779,229 (2025: £2,377,104) during the year to 31 March 2026. There were no individual losses or special payments exceeding £300,000. The majority of this is made up of claim overpayments, which is further explained below.

FSCS processed 123 overpayments during the year to 31 March 2025, totalling £874,719 (compared with 160 overpayments totalling £2,084,834 during 2024/25). Of the 123 overpayments, 56 were related to insurance claims and 67 were related to advice claims. FSCS has recovered £100,140 and written off £238,114; £542,527 continues to be pursued for recovery.

Although FSCS claims have become more complex over the past five years – leading to higher average compensation and increased risk to accuracy – the FSCS error rate has fallen from 0.58% to 0.35% based on the value of compensation paid during the year.

FSCS operates multiple controls across the claims journey, including layered reviews and quality assurance. These checks did not identify any systemic weaknesses in FSCS controls or claims processes.

Six per cent of the overpayments by volume (accounting for 43% of the value) identified during 2025/26 relate to claims processed in earlier years. Since then, FSCS has strengthened its claims capability by:

- bringing most of our complex claims in-house;
- rolled out accreditation of claims handlers and reviewers – ensuring that all compensated claims are peer reviewed by skilled and knowledgeable staff; and
- ensuring all FSCS claims processes and procedures are fully documented, with only experienced staff able to amend any documentation.

24. Events after the reporting period

On 7 May 2026, FSCS agreed with a syndicate of banks to increase its existing Revolving Credit Facility from £1,450m to £3,000m for an initial term of five years until 6 May 2031.

There were no material events after the reporting period. The Board authorised these financial statements for issue on 29 June 2026.

Contact us



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978-1-5286-6391-5