

Levy forecasts – FCA classes

Life Distribution and Investment Intermediation (LDII)

2022/23 update

2022/23 forecast fund balances	May 2022 forecast (£m)	November 2022 forecast (£m)	Variance (£m)
Opening balance	40.0	40.0	0.0
Compensation	(308.0)	(223.3)	84.7
Recoveries	4.5	4.5	0.0
Management expenses	(27.7)	(27.7)	0.0
Annual levy receipts	293.0	293.0	0.0
Total closing surplus/(deficit)	1.8	86.5	84.7

<p>Total levies</p> <p>The 'Total levies' is not the sum of each column. This row shows the May forecast in comparison to the latest levy forecast.</p> <p>'Total levies' excludes provider contributions from other classes.</p>	213.1	213.1	0.0
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The latest compensation forecast for the LDII class is approximately £223m – which is approximately £85m lower than previously forecast. This is due to:

- fewer complex pension decisions being issued as we brought in and trained additional specialist claims handlers.
- macroeconomic impacts including increased interest rates and inflation in the pension redress calculation model which has resulted in lower average compensation payments; and
- pension claims put on hold in relation to the [Financial Conduct Authority consultation regarding calculating redress for non-compliant pension transfer advice](#).

The above factors have resulted in a projected year-end surplus of £86m which will be carried forward and used to offset the 2023/24 levy.

An expected total of £4.5m will be recovered from failed firms in this class and has been used to offset the 2022/23 levy.

2023/24 forecast

Class	Latest 2022/23 levy position (£m)	2023/24 forecast (£m)	Variance (£m)
LDII	213.1	105.5	(107.6)

The levy payable by firms is currently forecast at £105.5m, a decrease of £107.6m from 2022/23. This is primarily due to an anticipated surplus of £86m being carried forward from 2022/23, and offsetting the 2023/24 levy.

We are currently forecasting a lower levy of £105.5m in 2023/24 due to:

- an estimated 40% reduction in self-invested personal pension (SIPP) advice claims decisions with no large advice firm failures expected in 2023/24; and
- the average compensation per claim decreasing due to macroeconomic inputs (as described above), resulting in a circa £37m decrease in compensation payments.

Although there is a lower levy forecast for 2023/24, the overall compensation costs are expected to stay broadly similar to the previous financial year. This includes an expected increase in compensation for complex pension claims decisions, however this will be offset by the surplus (approximately £86m) being carried over from 2022/23.

This early levy estimate includes compensation where we have a high degree of certainty about when claims will come through to us. It does not currently include, for example, claims against firms that may fail following the [proposed British Steel Pension consumer redress scheme](#).

This class is also expected to receive £39.6m in provider contributions from other classes in 2023/24.