

# Outlook

## November 2022



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## About FSCS

FSCS is the UK’s financial compensation scheme that protects customers of authorised financial services firms if they fail or have stopped trading.

FSCS is independent and can pay compensation if an authorised firm fails and is unable to pay back money it owes its customers. FSCS’ service is completely free to use and is funded by the financial services industry.

# Chief Executive's statement

In this latest edition of *Outlook*, we share the updated compensation figures for this financial year, as well as a first look at the overall levy forecast for 2023/24.

I will cover some of the financial highlights in this message, but you can find the full details in this report and on our dedicated webpage at [www.fscs.org.uk/outlook](http://www.fscs.org.uk/outlook)

## Today's horizon

The economic backdrop is shifting rapidly. Today, 'cost of living' is a phrase we utter almost daily, and as interest rates rise in response to inflation, new challenges are at the forefront of consumers' minds – from mortgage rates to pension values. Small businesses are feeling the pressure just as much as households, including many of the levy payers who fund the compensation we pay to our customers.

It is during times of economic volatility that FSCS plays a particularly important role in providing stability for consumers, helping increase their confidence and building trust. Research conducted in September this year tells us, that of those aware of FSCS, 82% feel more confident taking out a product that is FSCS protected, and 68% are likely to invest more money if the provider is FSCS protected.

This demonstrates how FSCS's existence helps to underpin a strong retail finance sector in the UK. Combined with access to sound financial advice, FSCS protection helps create the right environment to invest, so consumers are better able to make informed decisions about their money, understanding the risks involved.

## Latest forecasts

At this stage in the 2022/23 financial year, no additional levy is expected and we anticipate a reduction of around 20% in the levy required for next year.

Whilst I am sure a lower levy for 2023/24 is welcome news, I must emphasise that this reduction is due to surplus balances being carried over from 2022/23, and we expect compensation costs in 2023/24 to remain relatively high at £592m.

One reason for this, as we explained in our ['The balancing act of compensation'](#) report earlier this year, is that there is an inherent lag in the system. Around 80% of people who need to bring claims to us did not realise they had been given unsuitable advice until at least five years after the event.

It is also important to note that there are some variables which we have not yet been able to include in our forecasts due to uncertainties around timings. As FSCS operates on a 'pay as you go' basis, we will only include costs where we have a high degree of certainty.

For 2023/24, we have not included compensation estimates for firms that may fail if the FCA implement the [proposed consumer redress scheme for members who transferred out of the British Steel Pension Scheme \(BSPS\)](#). Firms involved in BSPS transfers which have already failed are included in our forecasts, as these are more certain. Once the FCA confirms whether the consumer redress scheme will proceed, we will consider what that means for our assumptions.

We are of course committed to keeping the industry informed of any changes and we will provide a full forecast update for 2023/24 next spring.

## What will compensation look like in the longer term?

This is an interesting question for FSCS and the wider industry to consider. In recent years, FSCS has seen its work shift from relatively simple claims such as Payment Protection Insurance (PPI) to complex pensions claims. In time, something else will likely become the new focus as the variety of claims we receive increases, and the nature of claims evolves. Whilst it is difficult to predict the future, we do know that it is the actions of firms, that are taking place right now, that will result in the claims we receive in years to come.

As part of our long-term aim to help reduce consumer harm, FSCS continues to play an active role in working with our regulatory colleagues to generate an ever healthier financial ecosystem that supports both growth and stability, whilst driving up consumer confidence.

Addressing the root causes of harm remains the goal we should pursue collectively. This includes using FSCS data to support the identification of problems within the sector, empowering consumers with better financial education, and driving improved standards and conduct in particular pockets of the industry.

**Caroline Rainbird**  
Chief Executive

## 2022/23 levy update

The 2022/23 levy forecast remains at £625m as forecast earlier this year and no additional levy is currently expected. It includes more than £6m that we expect to recoup from failed firms, as part of our recoveries work.

Any surpluses remaining in each class, at the end of the financial year, will be carried forward and used to offset the 2023/24 levy as well as future costs. Currently, this includes:

- £91m in the Investment Provision class, mainly due to self-invested personal pension (SIPP) operator claims now expected in 2023/24;
- £86m in the Life Distribution and Investment Intermediation class, mainly due to fewer claims processed than anticipated for complex pension claims; and
- £26m across all other classes.



# Initial forecast for the 2023/24 levy

The initial forecast for the 2023/24 levy is £478m. This figure is an early indication and is subject to change. It's based on expected compensation payments totalling £592m in 2023/24 including:

- £497m for firms that have already failed; and
- £95m for firms forecast to fail during 2023/24.

Whilst we are expecting to pay more compensation in 2023/24 than in the current financial year, the indicative levy is lower due to expected surpluses being carried over.

This early estimate does not include compensation costs where there is relative uncertainty about when the claims will come through to us. This includes, for example, claims against firms that may fail following the proposed [British Steel Pension consumer redress scheme](#). The Financial Conduct Authority (FCA) will confirm if they will implement a scheme by the end of the year.

We continue to monitor our forecasting closely, and will keep levy payers informed of any developments that may impact the levy. Further updates will also be provided in the spring 2023 *Outlook*.

## Management expenses

The indicative levy for 2023/24 includes an approximate amount for our management expenses, which includes FSCS's day-to-day running costs, as well as costs associated with processing claims.

Further details will be provided when the Prudential Regulation Authority (PRA) and FCA carry out a public consultation on our management expenses in January 2023.

## Payment on account

**March 2023** – We'll invoice the largest 1,000 levy payers an advance payment (50%). This ensures we have enough funds to pay compensation and meet our running costs for the coming year.

**Summer 2023** - All PRA and FCA regulated firms will be sent an annual levy invoice. Advance payments made in March will be deducted from this invoice.

## Levy forecasts – PRA classes

## Deposits

## 2022/23 update

| 2022/23 forecast fund balances                             | May 2022<br>forecast<br>(£m) | November 2022<br>forecast<br>(£m) | Variance<br>(£m) |
|--|------------------------------|-----------------------------------|------------------|
| Opening balance  | 13.6                         | 14.0                              | 0.4              |
| Compensation   | (12.0)                       | (11.1)                            | 0.9              |
| Recoveries   | 0.0                          | 0.0                               | 0.0              |
| Management expenses  | (14.1)                       | (14.1)                            | 0.0              |
| Annual levy receipts<br>– excluding provider contributions | 14.0                         | 14.0                              | 0.0              |
| <b>Total closing surplus/(deficit)</b>                     | <b>1.5</b>                   | <b>2.8</b>                        | <b>1.3</b>       |

|  |             |             |            |
|--|-------------|-------------|------------|
| <p><b>Total levies</b></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' includes provider contributions to other classes.</p> | <b>18.4</b> | <b>18.4</b> | <b>0.0</b> |
|--|-------------|-------------|------------|

The forecasts within the Deposits class largely remain as anticipated, with a surplus (£2.8m) expected to be taken forward to offset the 2023/24 levy.

Compensation paid out so far in this financial year includes approximately £4m for five credit union failures. These failures were the City of Plymouth Credit Union Ltd, North East Warrington Credit Union Ltd, Rainbow Saver Anglia Credit Union Ltd, Gloucestershire Credit Union Ltd and Birmingham Inner Circle Community Credit Union Ltd.

In 2022/23, the Deposits class paid £18.4m in levies which included £4.4m in [provider contributions](#) to the Life Distribution and Investment Intermediation class.

## 2023/24 forecast

| Class    | Latest 2022/23<br>levy position<br>(£m) | 2023/24<br>forecast<br>(£m) | Variance<br>(£m) |
|----------|---|-----------------------------|------------------|
| Deposits | 18.4                                    | 18.2                        | (0.2)            |

For 2023/24, our early estimates indicates that the Deposits class will pay £18.2m in levies, which is similar to 2022/23. This would include approximately £2m paid as [provider contributions](#) to the Life Distribution and Investment Intermediation class.

In line with previous years, we expect a small number of credit union failures to occur during 2023/24.

## Deposit Acceptors

Please note that the Deposit Acceptors class only contributes towards the annual levy if the [retail pool](#) is triggered. For 2022/23 and 2023/24, this is not currently expected to occur.



## Levy forecasts – PRA classes

## General Insurance Provision

## 2022/23 update

| 2022/23 forecast fund balances   | May 2022<br>forecast<br>(£m) | November 2022<br>forecast<br>(£m) | Variance<br>(£m) |
|--|------------------------------|-----------------------------------|------------------|
| Opening balance  | 41.5                         | 41.5                              | 0.0              |
| Compensation   | (236.8)                      | (231.7)                           | 5.1              |
| Recoveries   | 1.8                          | 1.8                               | 0.0              |
| Management expenses  | (7.2)                        | (7.2)                             | 0.0              |
| Annual levy receipts<br>– excluding provider contributions   | 210.0                        | 210.0                             | 0.0              |
| <b>Total closing surplus/(deficit)</b>   | <b>9.3</b>                   | <b>14.4</b>                       | <b>5.1</b>       |
| <b>Total levies</b><br>The 'Total levies' is not the sum of each column.<br>This row shows the May forecast in comparison to<br>the latest levy forecast.<br><br>'Total levies' includes provider contributions to<br>other classes. | <b>211.7</b>                 | <b>211.7</b>                      | <b>0.0</b>       |

Forecasts within the General Insurance Provision class are largely as expected, although compensation payments are approximately £5m less than anticipated.

This has resulted in an expected closing surplus of £14.4m which will be carried forward and used to offset the levy in 2023/24.

Recoveries anticipated from failed firms totalled £1.8m and have been used to offset the levy and compensation paid out in this class in 2022/23.

## 2023/24 forecast

| Class                       | Latest 2022/23<br>levy position<br>(£m) | 2023/24<br>forecast<br>(£m) | Variance<br>(£m) |
|-----------------------------|---|-----------------------------|------------------|
| General Insurance Provision | 211.7                                   | 233.7                       | 22.0             |

At this early stage, we are currently forecasting a higher levy for 2023/24 (£233.7m) than for 2022/23 (£211.7m). Compensation costs are expected to remain similar.

The variance in levy (£22m) is largely due to a higher opening balance in the previous financial year (2022/23), which was a result of surpluses being carried over from 2021/22.

It is also important to note that there have been challenges in forecasting large loss claims (where compensation is over £500k per claim) within this class. This relates to current uncertainties about when claims will be completed and the complex nature of certain claims. In the case of East West Insurance Company Ltd for example (which relates to building insurance claims), there have been delays in building assessments and remedial work due to increased demand for experts, suppliers and building materials in the construction sector.

For 2023/24, we are currently anticipating that the General Insurance Provision class will pay £1.7m in **provider contributions** to the General Insurance Distribution class. The remainder (£232m) relates to costs for its own class.

## Levy forecasts – PRA classes

## Life and Pensions Provision

## 2022/23 update

| 2022/23 forecast fund balances                             | May 2022<br>forecast<br>(£m) | November 2022<br>forecast<br>(£m) | Variance<br>(£m) |
|--|------------------------------|-----------------------------------|------------------|
| Opening balance  | (0.3)                        | (0.3)                             | 0.0              |
| Compensation   | 0.0                          | 0.0                               | 0.0              |
| Recoveries   | 0.0                          | 0.0                               | 0.0              |
| Management expenses  | 0.0                          | 0.0                               | 0.0              |
| Annual levy receipts<br>– excluding provider contributions | 0.0                          | 0.0                               | 0.0              |
| <b>Total closing surplus/(deficit)</b>                     | <b>(0.3)</b>                 | <b>(0.3)</b>                      | <b>0.0</b>       |

|  |             |             |            |
|--|-------------|-------------|------------|
| <p><b>Total levies</b></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' includes provider contributions to other classes.</p> | <b>31.1</b> | <b>31.1</b> | <b>0.0</b> |
|--|-------------|-------------|------------|

The forecasts within the Life and Pensions Provision class remain as anticipated. We do not expect any firm failures to occur during the remainder of 2022/23.

The levy for this class is driven by [provider contributions](#) required for the Life Distribution and Investment Intermediation class, which are approximately £31m for 2022/23.

## 2023/24 forecast

| Class                       | Latest 2022/23<br>levy position<br>(£m) | 2023/24<br>forecast<br>(£m) | Variance<br>(£m) |
|-----------------------------|---|-----------------------------|------------------|
| Life and Pensions Provision | 31.1                                    | 15.4                        | (15.7)           |

Early estimates indicate that the levy payable by firms will be £15.4m; a £15.7m decrease on 2022/23.

As in prior years, we do not anticipate any firm failures in this class in 2023/24. The levy is forecast to be lower in the next financial year due to lower provider contributions required for the Life Distribution and Investment Intermediation class.

## Levy forecasts – FCA classes

## Debt Management

## 2022/23 update

| 2022/23 forecast fund balances  | May 2022<br>forecast<br>(£m) | November 2022<br>forecast<br>(£m) | Variance<br>(£m) |
|---|------------------------------|-----------------------------------|------------------|
| Opening balance   | 0.5                          | 0.5                               | 0.0              |
| Compensation  | 0.0                          | 0.0                               | 0.0              |
| Recoveries  | 0.0                          | 0.0                               | 0.0              |
| Management expenses   | 0.0                          | 0.0                               | 0.0              |
| Annual levy receipts  | 0.0                          | 0.0                               | 0.0              |
| <b>Total closing surplus/(deficit)</b>  | <b>0.5</b>                   | <b>0.5</b>                        | <b>0.0</b>       |
| <b>Total levies</b><br>‘Total levies’ is not the sum of each column.<br>This row shows the May forecast in comparison<br>to the latest levy forecast. | <b>0.0</b>                   | <b>0.0</b>                        | <b>0.0</b>       |

As anticipated, we do not expect any firm failures or associated compensation costs for the Debt Management class in 2022/23. A relatively small surplus (£0.5m) will be carried forward and used to meet any future costs.

## 2023/24 forecast

| Class           | Latest 2022/23<br>levy position<br>(£m) | 2023/24<br>forecast<br>(£m) | Variance<br>(£m) |
|-----------------|---|-----------------------------|------------------|
| Debt Management | 0.0                                     | 0.0                         | 0.0              |

We currently do not anticipate any firm failures next year, therefore no levy would be payable by this class in 2023/24.

## Levy forecasts – FCA classes

## Funeral Plans

## 2022/23 update

| 2022/23 forecast fund balances  | May 2022<br>forecast<br>(£m) | November 2022<br>forecast<br>(£m) | Variance<br>(£m) |
|---|------------------------------|-----------------------------------|------------------|
| Opening balance   | 0.0                          | 0.0                               | 0.0              |
| Compensation  | 0.0                          | 0.0                               | 0.0              |
| Recoveries  | 0.0                          | 0.0                               | 0.0              |
| Management expenses   | 0.0                          | 0.0                               | 0.0              |
| Annual levy receipts  | 0.0                          | 0.0                               | 0.0              |
| <b>Total closing surplus/(deficit)</b>  | <b>0.0</b>                   | <b>0.0</b>                        | <b>0.0</b>       |
| <b>Total levies</b><br>‘Total levies’ is not the sum of each column.<br>This row shows the May forecast in comparison<br>to the latest levy forecast. | <b>0.0</b>                   | <b>0.0</b>                        | <b>0.0</b>       |

From 29 July 2022, the Financial Conduct Authority (FCA) began regulating firms and intermediaries that provide and arrange pre-paid funeral plans.

Newly authorised firms do not pay any levies in their first year of regulation, therefore firms in this class were not required to pay an annual levy in 2022/23.

## 2023/24 forecast

| Class         | Latest 2022/23<br>levy position<br>(£m) | 2023/24<br>forecast<br>(£m) | Variance<br>(£m) |
|---------------|---|-----------------------------|------------------|
| Funeral Plans | 0.0                                     | 0.0                         | 0.0              |

The 2023/24 financial year will be the first full year of the Funeral Plans funding class.

In 2023/24, we are not expecting any firm failures or compensation costs, therefore no levy is required.

## Levy forecasts – FCA classes

## General Insurance Distribution

## 2022/23 update

| 2022/23 forecast fund balances         | May 2022<br>forecast<br>(£m) | November 2022<br>forecast<br>(£m) | Variance<br>(£m) |
|--|------------------------------|-----------------------------------|------------------|
| Opening balance                        | 1.7                          | 1.7                               | 0.0              |
| Compensation                           | (2.0)                        | (1.8)                             | 0.2              |
| Recoveries                             | 0.0                          | 0.0                               | 0.0              |
| Management expenses                    | (5.9)                        | (5.9)                             | 0.0              |
| Annual levy receipts                   | 7.0                          | 7.0                               | 0.0              |
| <b>Total closing surplus/(deficit)</b> | <b>0.8</b>                   | <b>1.0</b>                        | <b>0.2</b>       |

|   |            |            |            |
|---|------------|------------|------------|
| <b>Total levies</b><br>The 'Total levies' is not the sum of each column. This row shows the May forecast in comparison to the latest levy forecast.<br><br>'Total levies' excludes provider contributions from other classes. | <b>5.3</b> | <b>5.3</b> | <b>0.0</b> |
|---|------------|------------|------------|

The forecasts within the General Insurance Distribution class remain largely as anticipated, with a relatively small surplus (approximately £1m) expected to be taken forward and used to offset the 2023/24 levy.

## 2023/24 forecast

| Class                          | Latest 2022/23<br>levy position<br>(£m) | 2023/24<br>forecast<br>(£m) | Variance<br>(£m) |
|--------------------------------|---|-----------------------------|------------------|
| General Insurance Distribution | 5.3                                     | 5.3                         | 0.0              |

We currently anticipate that the levy for General Insurance Distribution will remain at £5.3m.

We are not currently expecting any new firm failures within this class in 2023/24. The £5.3m levy includes costs for firm failures in previous financial years and the associated compensation that will be paid to customers in 2023/24.

## Levy forecasts – FCA classes

## Home Finance Intermediation

## 2022/23 update

| 2022/23 forecast fund balances  | May 2022<br>forecast<br>(£m) | November 2022<br>forecast<br>(£m) | Variance<br>(£m) |
|---|------------------------------|-----------------------------------|------------------|
| Opening balance   | 8.7                          | 8.7                               | 0.0              |
| Compensation  | (0.6)                        | (0.7)                             | (0.1)            |
| Recoveries  | 0.0                          | 0.0                               | 0.0              |
| Management expenses   | (1.0)                        | (1.0)                             | 0.0              |
| Annual levy receipts  | 0.0                          | 0.0                               | 0.0              |
| <b>Total closing surplus/(deficit)</b>  | <b>7.1</b>                   | <b>7.0</b>                        | <b>(0.1)</b>     |
| <b>Total levies</b><br>‘Total levies’ is not the sum of each column.<br>This row shows the May forecast in comparison<br>to the latest levy forecast. | <b>0.0</b>                   | <b>0.0</b>                        | <b>0.0</b>       |

The forecast for the Home Finance Intermediation class largely remains as expected with compensation costs only varying slightly (£0.1m). A surplus of approximately £7m will to be taken forward to meet any future costs.

## 2023/24 forecast

| Class                       | Latest 2022/23<br>levy position<br>(£m) | 2023/24<br>forecast<br>(£m) | Variance<br>(£m) |
|-----------------------------|---|-----------------------------|------------------|
| Home Finance Intermediation | 0.0                                     | 0.0                         | 0.0              |

No new firm failures or associated compensation payments are currently anticipated for 2023/24. However, we do anticipate around £0.7m in legacy claims (compensation for firm failures from previous financial years). Given the anticipated surplus from 2022/23, the Home Finance Intermediation class is not expected to pay an annual levy in 2023/24.

## Home Finance Providers

Please note that the Home Finance Providers class is not FSCS protected. Home Finance Providers pay [provider contributions](#) to the Home Finance Intermediation class and contribute to the [retail pool](#) levy if required.

This class has not been required to pay any contributions in 2022/23 and is not currently expected to pay any contributions in 2023/24.



## Levy forecasts – FCA classes

## Investment Provision

## 2022/23 update

| 2022/23 forecast fund balances         | May 2022<br>forecast<br>(£m) | November 2022<br>forecast<br>(£m) | Variance<br>(£m) |
|--|------------------------------|-----------------------------------|------------------|
| Opening balance                        | 77.5                         | 77.5                              | 0.0              |
| Compensation                           | (138.1)                      | (48.2)                            | 89.9             |
| Recoveries                             | 0.0                          | 0.0                               | 0.0              |
| Management expenses                    | (9.7)                        | (9.7)                             | 0.0              |
| Annual levy receipts                   | 71.0                         | 71.0                              | 0.0              |
| <b>Total closing surplus/(deficit)</b> | <b>0.7</b>                   | <b>90.6</b>                       | <b>89.9</b>      |

|   |              |              |            |
|---|--------------|--------------|------------|
| <b>Total levies</b><br>The 'Total levies' is not the sum of each column. This row shows the May forecast in comparison to the latest levy forecast.<br><br>'Total levies' includes provider contributions to other classes. | <b>115.4</b> | <b>115.4</b> | <b>0.0</b> |
|---|--------------|--------------|------------|

We paid out approximately £90m less compensation in this class than anticipated. This was mainly due to self-invested personal pension (SIPP) operator claims expected in 2022/23, now likely coming to us in 2023/24.

Given the likelihood of these claims being with FSCS in the next financial year, the anticipated surplus (£91m) will be taken forward and used to offset the 2023/24 levy.

## 2023/24 forecast

| Class                | Latest 2022/23<br>levy position<br>(£m) | 2023/24<br>forecast<br>(£m) | Variance<br>(£m) |
|----------------------|---|-----------------------------|------------------|
| Investment Provision | 115.4                                   | 70.0                        | (45.4)           |

The early estimated levy for 2023/24 is currently £70m - £45.4m less than in the previous financial year. This takes into account an anticipated surplus (circa £91m) from 2022/23. Of the £70m levy currently forecast, £48m is for costs in its own class and £22m is [provider contributions](#) paid to the Life Distribution and Investment Intermediation class.

Although the levy for 2023/24 is forecast to be lower than the previous financial year, compensation costs for 2023/24 are currently anticipated to increase. This is mainly due to the SIPP operator claims we expected in 2022/23 coming to us in the 2023/24 financial year.

Also in relation to SIPP operator claims, we anticipate that there will be a circa £12m increase in compensation costs related to [section 27 claims](#).

## 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           |
| <b>Total closing surplus/(deficit)</b> | <b>1.8</b>             | <b>86.5</b>                 | <b>84.7</b>   |

|  |              |              |            |
|--|--------------|--------------|------------|
| <p><b>Total levies</b></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> | <b>213.1</b> | <b>213.1</b> | <b>0.0</b> |
|--|--------------|--------------|------------|

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<br>levy position<br>(£m) | 2023/24<br>forecast<br>(£m) | Variance<br>(£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.

# Contact us



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