



Financial Services
Compensation Scheme



Beyond compensation:

The role of FSCS in raising consumer trust and confidence in the UK financial services industry

Executive summary

FSCS conducted exclusive consumer research* in November 2022 to support the discussion on the role of a trusted compensation scheme in the UK financial services industry.

This executive summary provides key findings focusing on how awareness of FSCS improves trust and confidence in the overall industry. It does so by addressing key concerns and influencing consumer behaviours that contribute to financial stability.

FSCS helps improve consumer confidence in the industry

Although trust in the financial services industry tends to be low, our research found that 63% of adults with financial products agree that FSCS helps improve consumer confidence in the UK financial services industry, while only 3% disagree. Agreement with this statement is higher (79%) among those who, prior to this survey, were aware of FSCS and understood its role within the industry.

Consumer protection is the top driver of trust

The main concerns among consumers in this industry are fear of scams/fraud, handling of personal data, lack of protection if things go wrong, and firms going out of business. On the other hand, the top driver of trust is improved consumer protection.

Leveraging FSCS's role can be a to improve trust, as 68% of respondents agree that FSCS protects consumers.



FSCS improves consumer confidence

63% agree

3% disagree



The **#1** driver of trust is improved consumer protection



Consumers are more likely to save/invest/spend more of their money if a provider is FSCS protected

63% agree

6% disagree



Consumers are less likely to keep their money in cash (eg under the mattress)

35% agree

15% disagree



FSCS supports financial stability

55% agree

4% disagree



The industry meeting the costs of compensation when providers fail is a key driver of trust for

44% of consumers

Awareness of FSCS contributes to desirable behaviours...

Consumers are very likely to agree that FSCS contributes to desirable behaviours that encourage competition and improve consumer outcomes. 63% say they are more likely to save, invest or spend more of their money if a provider is FSCS protected. Similarly, the majority are likely to shop around for and recommend a provider if it is FSCS protected. Conversely, 45% of consumers say they are less likely to keep their money in cash (eg under the mattress) as a result of FSCS, three times as many as those who disagree.

This highlights the positive influence FSCS can have on consumer choices, encouraging them to engage with protected providers, make the most of the products available for their needs.

...and supports financial stability

Trust and confidence in the financial services industry are crucial for financial stability. FSCS can play a vital role by assuaging key concerns such as lack of protection if things go wrong and providers going out of business. A majority (55%) of consumers agree that FSCS helps support financial stability in the UK (only 4% disagree).

Mythbusting

Only 14% of consumers say that the existence of FSCS may encourage irresponsible behaviours, while only 16% believe it may encourage risky investments. Furthermore, our research found that the industry meeting the costs of compensation when providers fail is a key driver of trust for 44% of consumers.

These findings help to counter concerns among some industry stakeholders of the unintended consequences of the existence of a safety net for consumers and providers to fall back on.

Why this matters to us

Improving trust and confidence in the UK financial services industry is a goal that can only be achieved through collaboration. We hope this research is a useful contribution to the discussion and helps inform all stakeholders about the role that FSCS can play in supporting the industry to thrive.

Since conducting this research in November 2022, global events have rocked the banking landscape. We are committed to continue monitoring this space to understand if and how consumer perceptions and attitudes may have been impacted.

Find out more

Read the full report and sign up for future updates [here](#).

* Research conducted in November 2022 among 2,001 UK adults age 18+ with a financial product.