



Financial Services
Compensation Scheme



Annual Report and Class Statements

2022/23

HC 1635

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Financial Services Compensation Scheme Annual Report and Class Statements 2022/23

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

Ordered by the House of Commons to be printed on 18 July 2023

HC 1635 part ii of ii

The Financial Services Compensation Scheme Annual Report and
Accounts (part i) provides details on overall performance and
much more. It was also presented to the House of Commons on
18 July 2023.



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01 Chief Financial Officer's statement

I am delighted to be introducing the *Class Statements* again this year and to share more details about how the levy was used. During 2022/23, we raised an annual levy of £625m¹ and no supplementary levy or retail pool was required.

We publish the *Class Statements* separately from our *Annual Report and Accounts* to help the industry understand how we spent their levies.

The past year has been dominated by cost of living challenges which impacted both consumers and firms. This resulted in increasing interest rates to combat inflation and greater attention being paid to personal finances and the protections around them. Throughout the year, we have aimed to keep our levy payers informed to assist their planning during these difficult times.

After announcing a forecast £625m levy in May 2022, this was what we levied for in the summer. As an organisation, we have dealt with the changing political and economic conditions across the year and lower compensation costs have created surpluses in some classes. At year end, surpluses in several classes will be carried forward and used to offset the 2023/24 levy, including contributions made by the provider classes.

In the Investment Provision class, we have a surplus of £119m, this mainly relates to deferred self-invested personal pension (SIPP) operator claims which are now expected in 2023/24 and beyond.

In the Life Distribution and Investment Intermediation (LDII) class, we have a surplus of £96m. This mainly relates to having made fewer complex pensions decisions than forecast as specialist claims handlers were brought in, trained and accredited. In addition, the changing macroeconomic conditions meant that pension redress payments were lower. Furthermore, we had higher than expected rejection rates on a cohort of claims in the general investment and SIPP advice product categories.

In the General Insurance Provision class, we have a surplus of £57m. This is mainly due to delays in large loss claims (claims over £500k) that, due to their complex nature, have moved into 2023/24. Also, claims between insurance firms and customers were settled at lower values. Lastly for this class, there were lower compensation costs for Prometheus Insurance Company Ltd, as the expected transition from administration to liquidation was delayed.

¹ This figure differs from the £434m total levy income shown in the financial review section of the *Annual Report and Accounts 2022/23*. The difference is due to the *Annual Report and Accounts* being prepared under a statutory and accruals basis under International Financial Reporting Standards (IFRS).

Across the other classes, we were broadly in line with the May 2022 forecast. In the Deposits class, we had five credit union failures – and we had no new failures in the General Insurance Provision, Debt Management and Funeral Plans classes.

In this financial year we spent £9.2m less in management expenses than budgeted for, and this has also resulted in a surplus that will be used to offset the levy.

The final element of the levy is recoveries. We look to recover money from the estates of failed firms, and any monies we do recover is used to reduce the levy bill. In this financial year we recovered £15m – approximately £12m of this was used to offset our levies and the remaining £3m was passed on to customers whose claims were above our compensation limits.

Levy calculations

Whilst it can never be an exact science, we continue to refine our processes around forecasting firm failures. We are not just looking at the number of firms that we declare in default, which tends to be in the range of 50-100 firms per year. The likely number of claims, and the speed at which those claims will materialise for each default, is also critical. For example, we could see 20 firms all with a single claim against them, but also several others with 300 claims or more against them.

As we do not hold reserves to cover unexpected costs we rely on information from our regulatory partners and industry, as well as our own experiences, data and insights from previous failures to refine the forecasts.

With all this in mind we continue to adjust our assumptions about when firms will fail, and in which financial year claims and costs will fall. It is also important to consider that

we continue to pay out on failures that have already occurred, as well as new ones coming through. Some failures generate claims for many years, particularly in the insurance sector where we can be paying for failures from 20 to 25 years ago.

During this financial year, we paid compensation to customers who had experienced losses from 563 different authorised financial services firms, including some of the 64 which were declared in default in 2022/23.

Whilst we continue to support our customers of today, it is important we are also thinking about our potential customers of tomorrow. Around 80% of people that need to bring a claim to us, in relation to financial advice, do not realise that they had received unsuitable advice until five or more years after the advice was given.

In conclusion, it is important to remember that the only way to sustainably reduce the FSCS levy on firms is through preventing consumer harm and by addressing the root causes of that harm. FSCS has no direct control over the cost of the levy, or the overall size of compensation, but by working together and sharing insights as an industry we can make positive changes.

Fiona Kidy

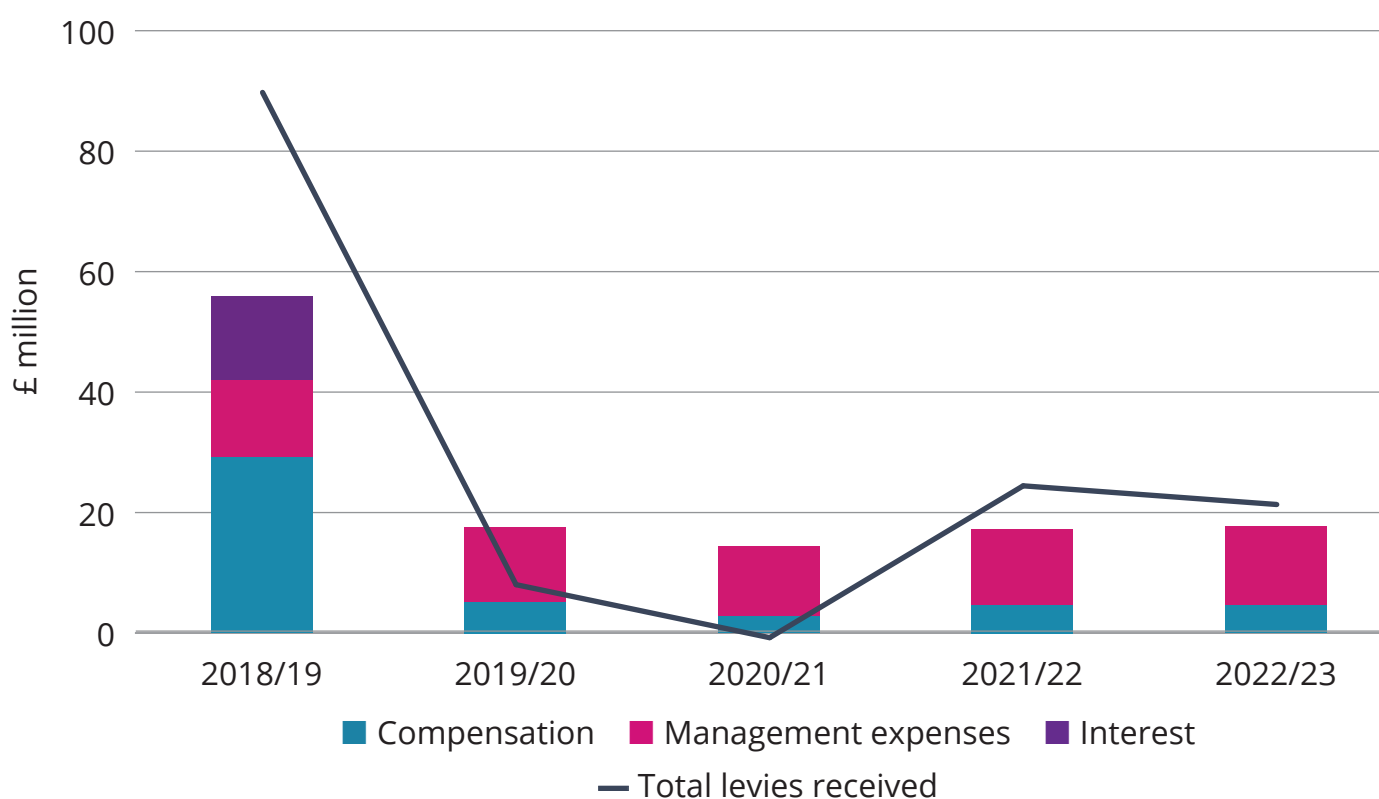
Chief Financial Officer,
Financial Services Compensation Scheme

02 Class commentaries

Deposits (SA01)

During 2022/23, we had five credit union failures which resulted in approximately £4m in compensation being paid to customers. The firm failures and associated compensation included:

- Birmingham Inner Circle Community Credit Union Ltd – £1.3m in compensation;
- North East Warrington Credit Union Ltd – £1.3m in compensation;
- City of Plymouth Credit Union Ltd – £1m in compensation;
- Gloucestershire Credit Union Ltd – £0.6m in compensation; and
- Rainbow Saver Anglia Credit Union Ltd – £57k in compensation.



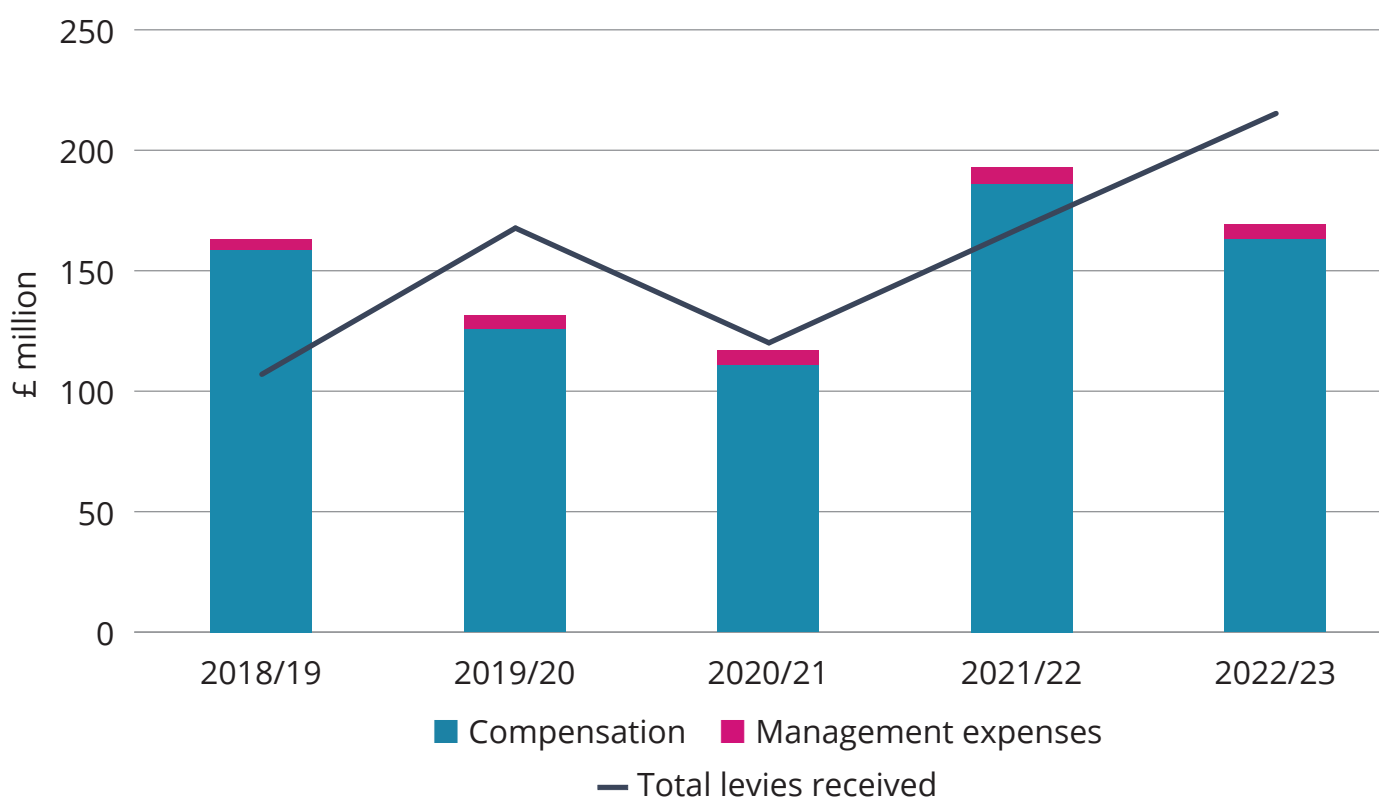
Deposits	2022/23	2021/22
New claims	9,122	5,865
Payments made	6,355	5,401
Average compensation paid	£708	£878

General Insurance Provision (SB01)

The compensation costs in this class for 2022/23 were £163m which is lower than in 2021/22 (£186m). This is partly due to paying out less (£13m) compensation for Chester Street Insurance Holdings Ltd than we did in the previous financial year.

Claims during this financial year largely related to the following firm failures and resulting compensation being paid to customers:

- MCE Insurance Company Ltd – £52m in compensation;
- Gefion Insurance A/S – £39m in compensation; and
- Chester Street Insurance Holdings Ltd – £42m in compensation.



General Insurance Provision	2022/23	2021/22
Claims paid	38,136	35,206
Average compensation paid	£4,837	£4,217
Premiums returned	38,980	60,144
Average premium returned	£161	£169

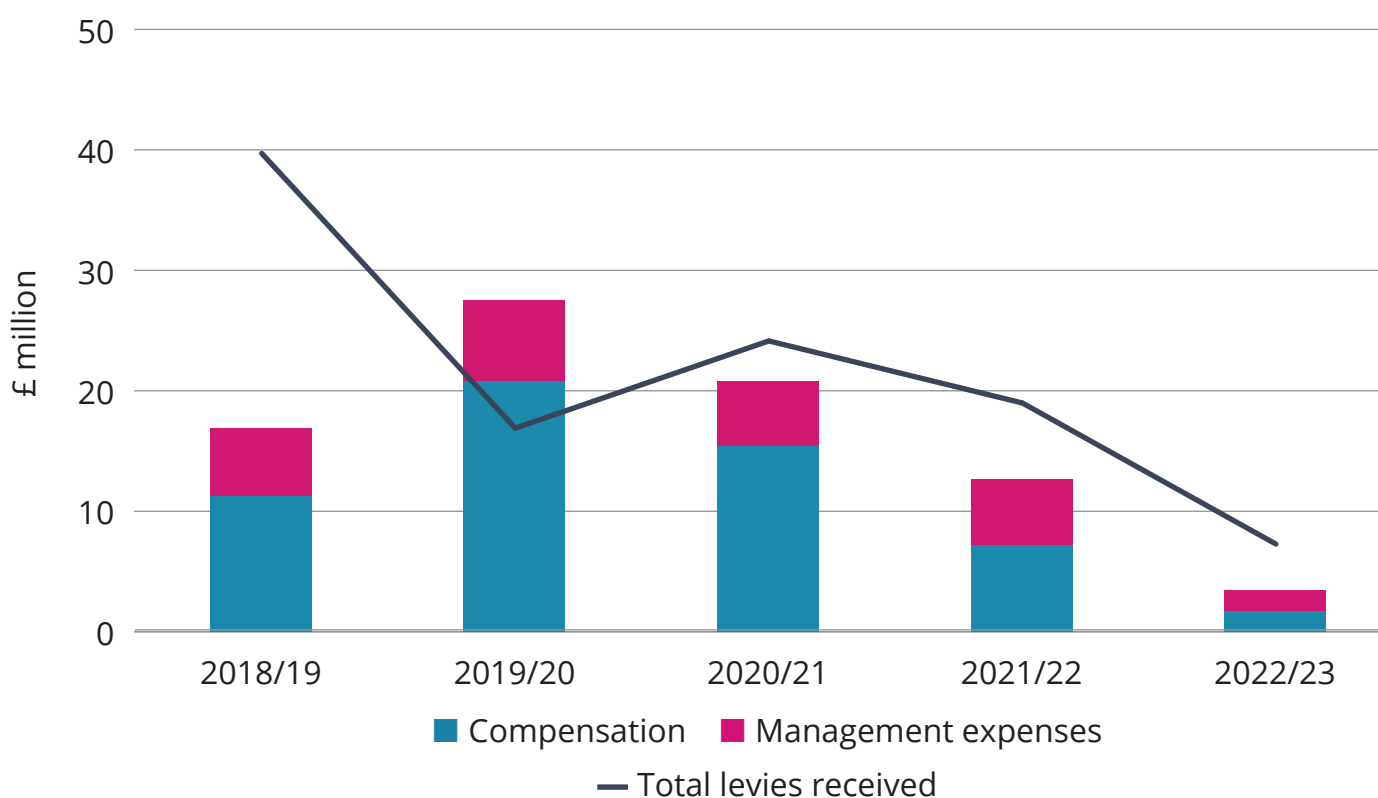
General Insurance Distribution (CLGID1)

The compensation costs for this class during 2022/23 were £2m. This is a decrease of £5m on the prior financial year due to no new firm failures.

For 2022/23, over 40% of the compensation paid in this class related to legacy failures, which included Norton Insurance Services Ltd and Strathearn Insurance Services Ltd.

This class also saw a reduction in new claims and uphold rates. This is because during 2021/22, for claims relating to Payment Protection Insurance (PPI) policies, over 5,000 claims were upheld and paid to an Official Receiver for Welcome Financial Services Ltd.

During 2022/23, approximately £2m in provider contributions were paid by the General Insurance Provision class to the General Insurance Distribution class.



General Insurance Distribution	2022/23	2021/22
New claims	628	7,368
Decisions upheld	623	7,294
Uphold rate %	68%	88%
Average compensation paid	£2,694	£1,214

Life Distribution & Investment Intermediation (CLII)

Compensation costs for the Life Distribution & Investment Intermediation (LDII) class decreased from £263m, in 2021/22, to £203m in the 2022/23 financial year.

The decrease in compensation paid to customers this year is partly due to the following:

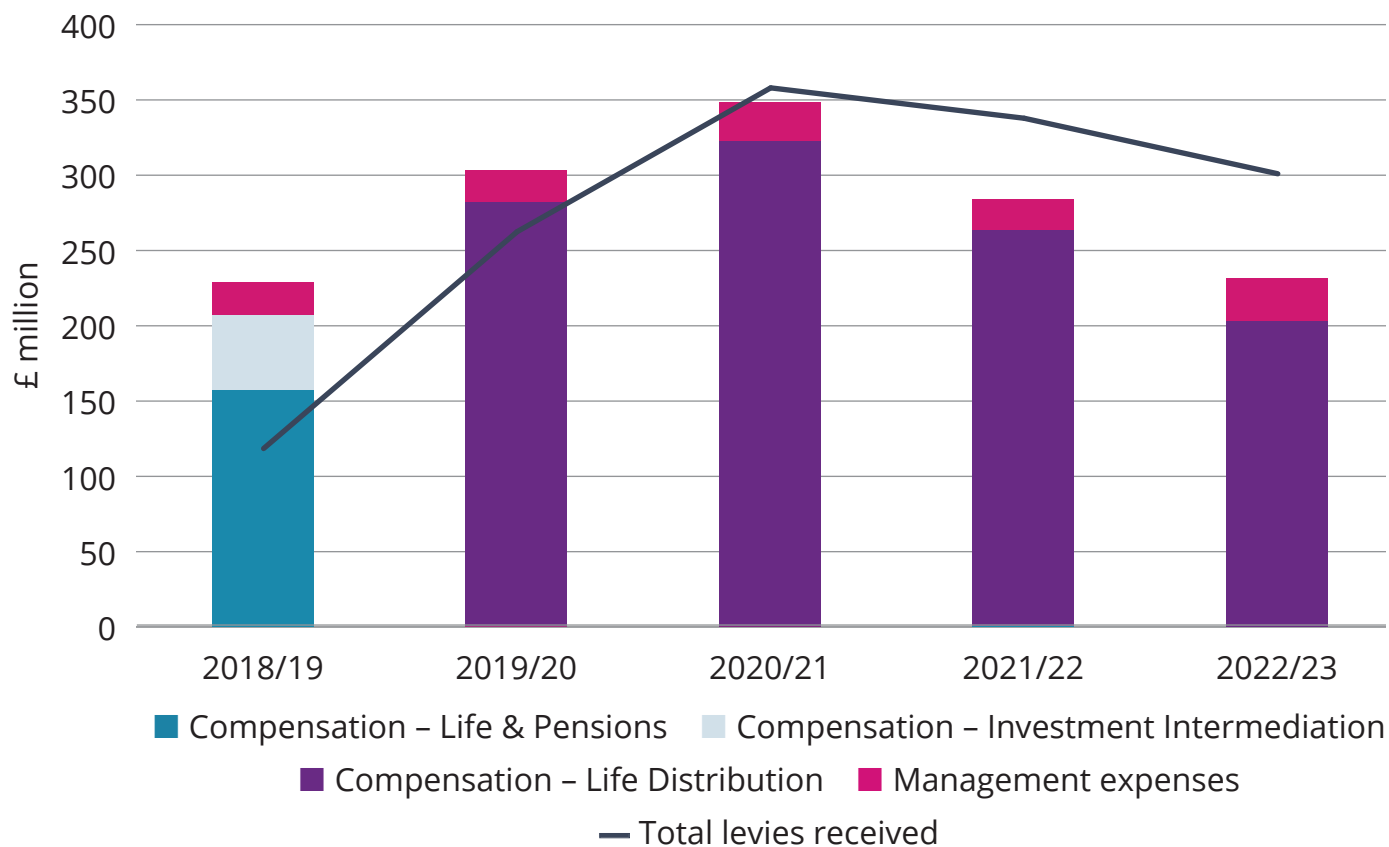
- a reduction in compensation paid to customers for SIPP products from £94m in 2021/22 to £61m in 2022/23, as we had higher rejection rates and processed fewer decisions;
- a fall in compensation paid to customers relating to general investment products from £38m in 2021/22 to £29m in 2022/23. This was due to fewer claims being processed, and a £3m reduction in compensation paid to customers for AFX Markets Ltd in comparison with 2021/22; and
- less compensation paid out for complex pension claims (from £120m in 2021/22 to £87m in 2022/23).

Less compensation for complex pension claims was paid out due to:

- fewer complex pension decisions being issued, as we brought in and trained additional specialist claims handlers;
- macroeconomic factors, including increased interest rates, that impacted the pension redress calculation model and resulted in average compensation payments being lower; and
- a £24m reduction in compensation for Capital & Income Solutions Ltd and Pembrokeshire Mortgage Centre Ltd, as the bulk of the compensation for these firm failures was paid out in 2021/22.

Please note, while the average compensation for complex pension claims has decreased, they represent a higher proportion of total claims compared with the prior financial year. As these claims have a higher average compensation than other claims types in the class, this has resulted in an overall increase in average compensation paid (as shown in the table on page 12).

The total levies received by this class was £299m, which included provider contributions from the Investment Provision, Life & Pensions Provision and Structured Deposits classes.



Life Distribution & Investment Intermediation	2022/23	2021/22
New claims	9,372	8,895
Decisions upheld	6,646	10,387
Uphold rate %	67%	73%
Average compensation paid	£28,102	£25,982

Investment Provision (CLIP)

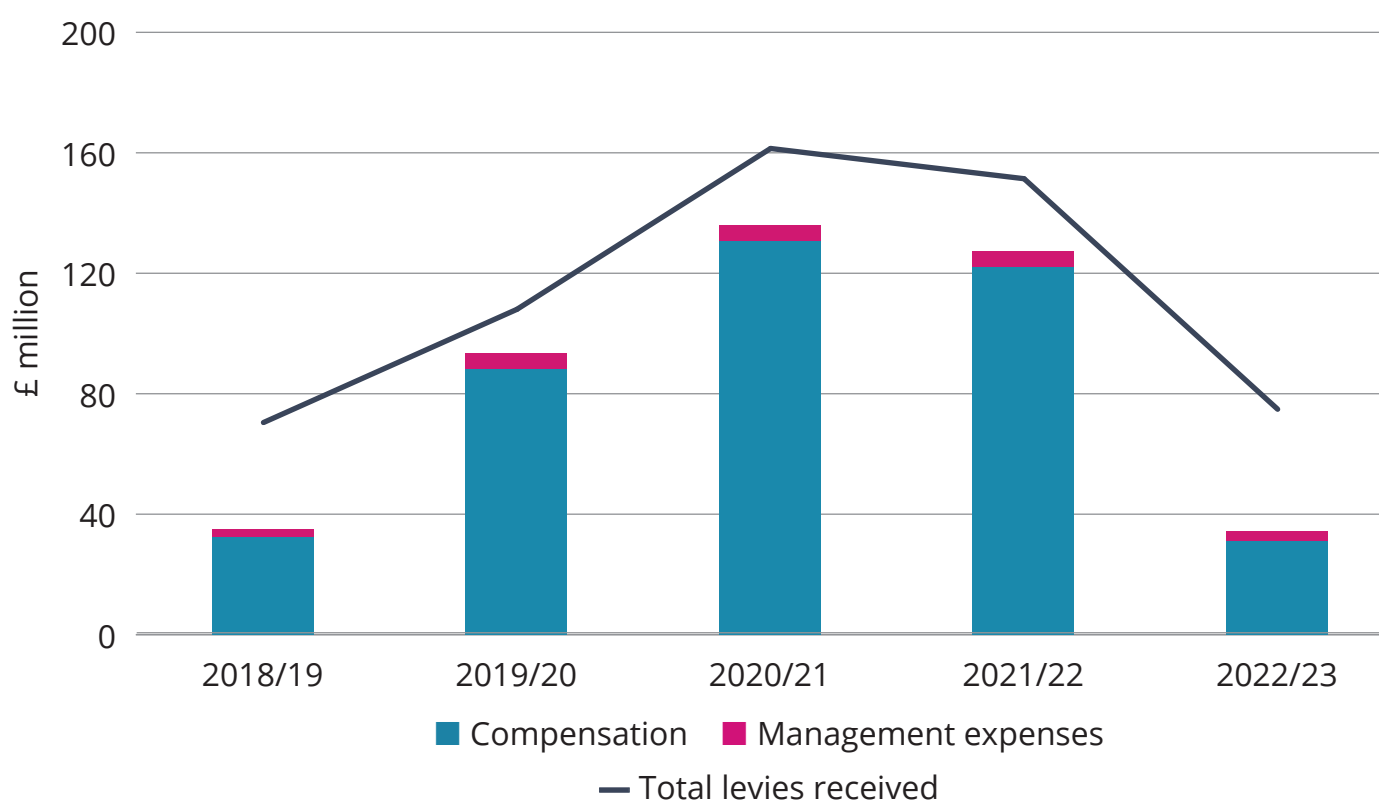
Compensation costs for this class went from £122m in 2021/22 to £31m in 2022/23, and the majority of the costs for 2022/23 were for SIPP operator claims (£25m).

The reduction in compensation costs from 2021/22 mainly relate to receiving fewer claims and making fewer decisions for the following firm failures:

- Liberty SIPP Ltd – £3m in compensation paid in 2022/23 compared to £45m in 2021/22;
- Berkeley Burke SIPP Administration Ltd – £5m in compensation paid compared to £26m in 2021/22;
- Guinness Mahon Trust Corporation Ltd – £4m in compensation paid compared to £13m in the prior year; and
- Greyfriars Asset Management LLP – £3m in compensation paid compared to £10m in 2021/22.

This year we paid approximately £6m in relation to non-SIPP products, which is similar to the amount of compensation paid to customers in 2020/21.

The total levy paid by this class was £74m.



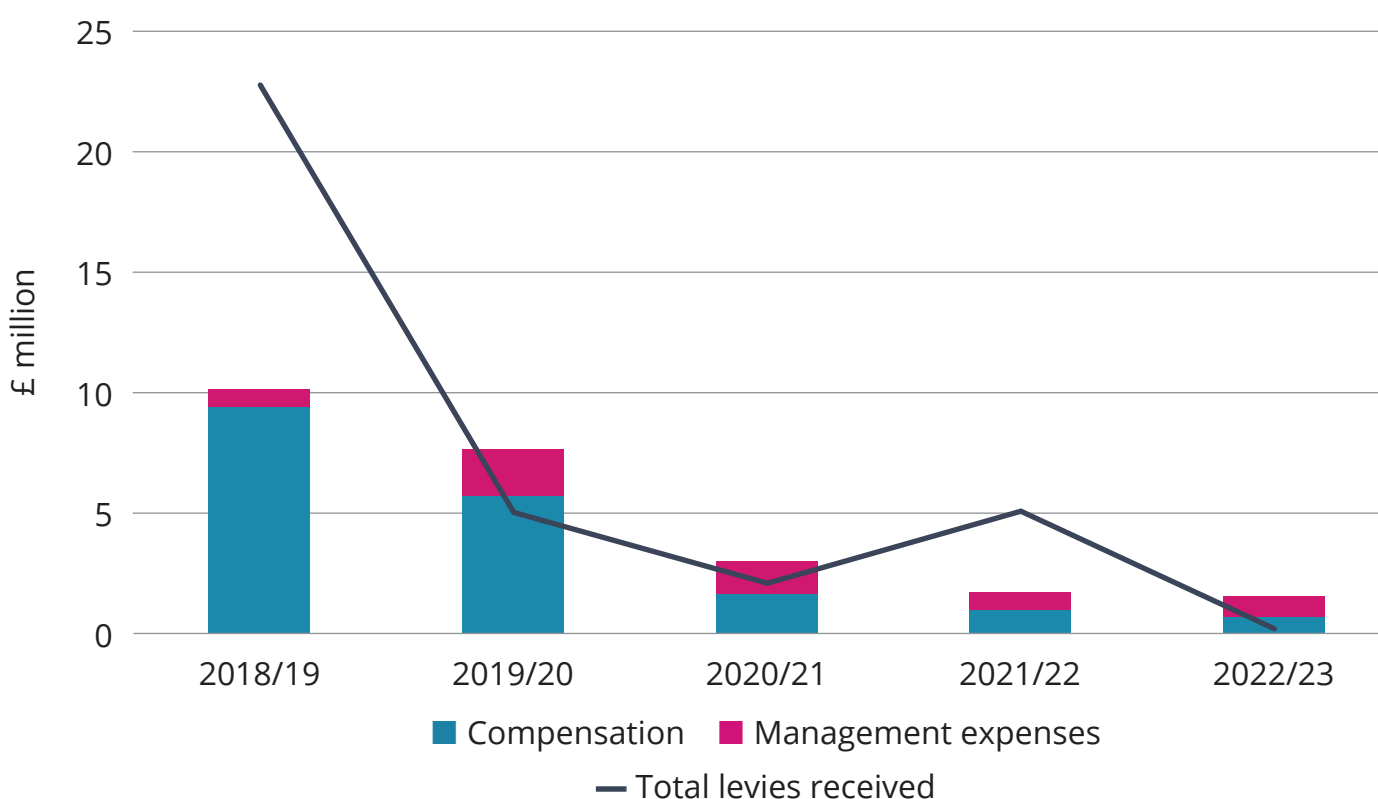
Investment Provision	2022/23	2021/22
New claims	1,656	2,184
Decisions upheld	1,197	4,031
Uphold rate %	68%	71%
Average compensation paid	£26,277	£30,315

Home Finance Intermediation (CLHF1)

This year, we paid out £129k in relation to two failures – FSP Ltd and Rajan Business Centre Ltd. The remaining compensation paid to customers was for firm failures from previous financial years.

The total compensation paid to customers in 2022/23 was £676k which, due to fewer new claims, is a £303K reduction on the previous year.

The Home Finance Provision class pays provider contributions to the Home Finance Intermediation class and contributes to the retail pool levy if required. The Home Finance Provision class was not required to pay any contributions in 2022/23.

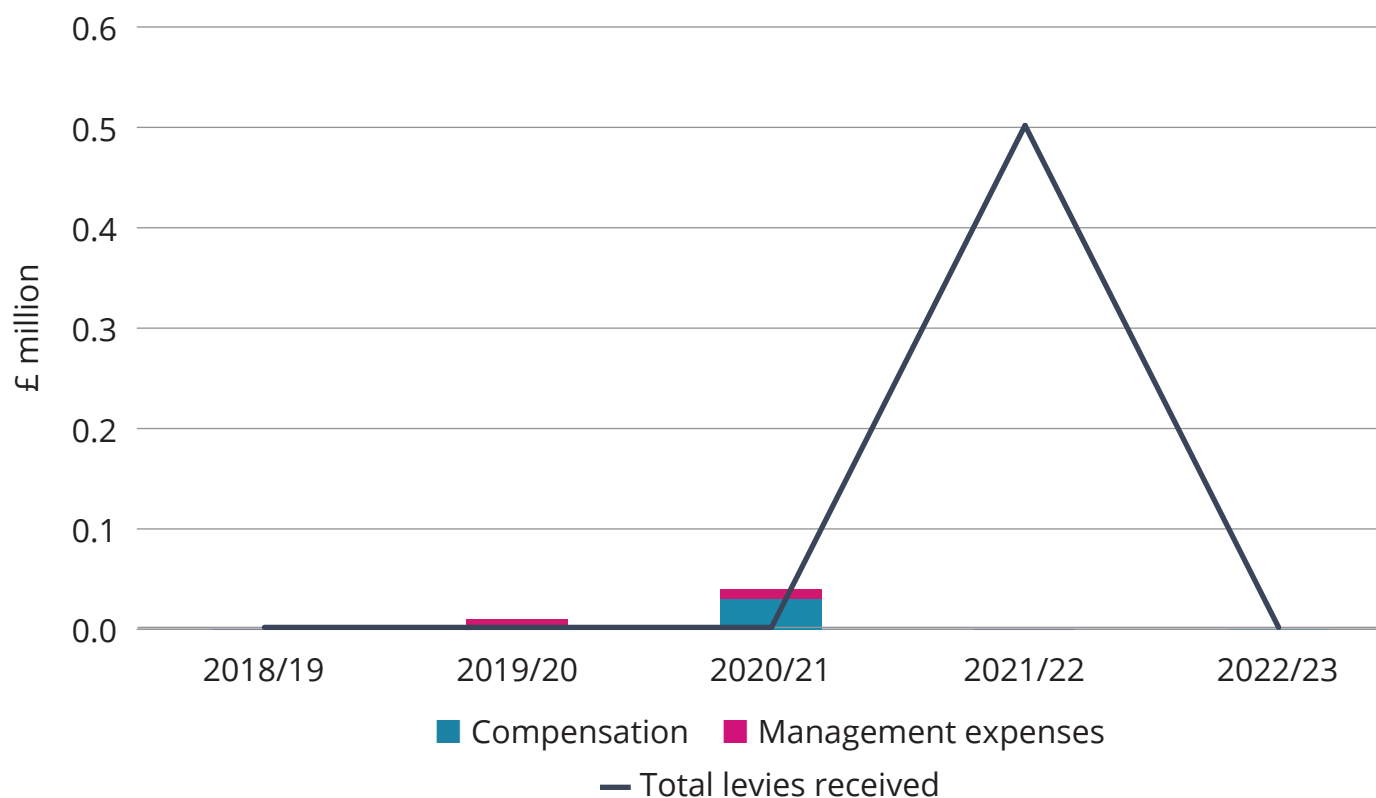


Home Finance Intermediation	2022/23	2021/22
New claims	289	397
Decisions upheld	28	52
Uphold rate %	8%	11%
Average compensation paid	£24,154	£19,330

Debt Management (CLDM1)*

There have been no new firm failures in the Debt Management class in the last two financial years and we did not pay out any compensation for this class in 2022/23.

In 2021/22 we paid out £122 in compensation in relation to a firm failure (Pentagon (UK) Ltd) which was from a previous financial year.



* We did not pay any compensation in relation to the Life & Pensions Provision, Debt Management and Funeral Plans classes and, therefore no tables have been included in respect of those classes.

Life & Pensions Provision (SC01)*

There was no compensation paid out in this class as there were no firm failures during the 2022/23 financial year. This was also the case for 2021/22.

This class paid £31m in levies in 2022/23 which was driven by provider contributions to the LDII class.

* We did not pay any compensation in relation to the Life & Pensions Provision, Debt Management and Funeral Plans classes and, therefore no tables have been included in respect of those classes.

Funeral Plans (CLFPC)*

From 29 July 2022, the FCA began regulating firms and intermediaries that provide and arrange pre-paid funeral plans. During 2022/23, there were no firm failures in this class and we did not pay out any compensation.

In addition, 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.

* We did not pay any compensation in relation to the Life & Pensions Provision, Debt Management and Funeral Plans classes and, therefore no tables have been included in respect of those classes.

03 Management expenses

During the 2022/23 financial year, there was a 9% increase in our management expenses (running costs) in comparison to 2021/22. The main reasons for this increase includes:

- contractor costs related to internal claims handling resource and dealing with more complex claims;
- employment costs due to additional staff to support data management, policy and stakeholder engagement, and expanding our in-house expertise to support change projects; and
- other core costs, related to the rise in illiquid fund recoveries expenditure, which resulted in a rise in legal costs.

The above was partially offset by fewer claims being processed using outsourced claims handling providers, and by utilising more internal resource. Further, fewer claims were processed within the Investment Provision class (SIPP and general investment categories) than in 2021/22.

Table 1: Final 2022/23 management expenses compared with final 2021/22 management expenses

Costs	Year ended 31 March 2023	Year ended 31 March 2022
	£m	£m
Outsourcing	11.6	13.3
Employment	26.5	24.3
Other staff related costs i.e. contractor costs	10.3	6.8
Strategic changes and IT development	4.7	3.7
Communications	3.7	3.4
Other core costs i.e. facilities, IT, legal and professional fees	28.3	25.7
Total management expenses (excluding pension deficit funding)	85.0	77.2
Pension deficit funding	1.3	1.9
Total management expenses	86.3	79.1

04 Statement of the directors' responsibilities

The FSCS directors present their *Annual Report* and audited *Class Statements* for the year ended 31 March 2023, with comparatives, including the equivalent fund balances for the year ended 31 March 2022.

The directors of FSCS are responsible for:

- keeping adequate accounting records that are sufficient to show and explain class transactions;
- disclosing, with reasonable accuracy, the fund balances of the classes at any time;
- preparing financial statements, and being satisfied that they have been properly prepared and comply with the relevant requirements as set out in [Note 1](#) to the *Class Statements*; and
- safeguarding the assets of the classes and taking reasonable steps for preventing and detecting fraud and other irregularities.

The directors are satisfied that FSCS is able to 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.

The above statement was approved by the FSCS Board on 07 July 2023 and signed on its behalf by:



Fiona Kidy
Chief Financial Officer,
Financial Services Compensation Scheme

17 July 2023

05 Auditor's report

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

Purpose of this agreed-upon procedures report and restriction on use and distribution

The purpose of my report is to set out the findings of the agreed upon procedures, detailed below, on the *Annual Report and Class Statements*, for the Financial Services Compensation Scheme and other users of the *Annual Report and Class Statements* to consider and draw conclusions upon. The report is primarily intended for the Financial Services Compensation Scheme and HM Treasury but we do not impose any restrictions on its distribution and use.

Responsibilities of the engaging party

The Financial Services Compensation Scheme has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Financial Services Compensation Scheme is responsible for the preparation of the *Annual Report and Classes Statements* in accordance with Section 218 of the Financial Services and Markets Act (FSMA) 2000 and with directions made by HM Treasury on which the agreed-upon procedures are performed.

Practitioner's responsibilities

My responsibility is to examine and report to the Financial Services Compensation Scheme on the *Annual Report and Class Statements* in accordance with the Letter of Engagement.

I have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed upon procedures engagement involves my performing the procedures that have been agreed with the Financial Services Compensation Scheme, and reporting the findings, which are the factual results of the agreed-upon procedures performed. I make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, I do not express an opinion or an assurance conclusion. Had I performed additional procedures, other matters might have come to our attention that would have been reported.

Professional ethics and quality management

My staff and I comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the Financial Services Compensation Scheme in accordance with the ethical requirements that are relevant to my engagements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

My staff and I apply ISQC (UK) 1 - Quality Control for Firms that Perform Audits of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and findings

My staff and I have performed the procedures described below, which were agreed with the Financial Services

Compensation Scheme in the letter of engagement dated 05 April 2023, on the *Annual Report and Class Statements*.

Procedures

Findings and exceptions found

Review of the disclosures in the *Class Statements* to confirm their compliance with Section 218 of the Financial Services and Markets Act 2000.

We reviewed the *Class Statements* disclosures and found that they complied with Section 218 of the Act.

Agreement of new classes or changes in class structure to third party evidence from the Financial Conduct Authority and/or Prudential Regulation Authority.

The pre-paid funeral plan sector became a regulated sector during the 2022-23 year and is presented as a new class in these statements. We agreed this to published statements from the Financial Conduct Authority. We have not identified any changes in class structure.

Review of the disclosures to ensure any new classes or changes in class structure are reflected.

We have reviewed the *Class Statements* and have confirmed that the pre-paid funeral plan sector information is reported as a new class denoted as 'Funeral Plans'.

Performance of overall analytical procedures to assess whether the financial information presented in the *Class Statements* is consistent with our understanding of the Scheme.

We performed overall analytical procedures on the *Class Statements*. The financial information is consistent with our understanding of the Scheme.

Reading of the other information to consider whether it is consistent with the financial information presented in the *Class Statements*, the Financial Service Compensation Scheme's financial statements and our knowledge of the Scheme gained through conducting our statutory audit.

We read the other information, which includes the *Annual Report*, and found it is consistent with the financial information presented in the *Class Statements*, the Financial Service Compensation Scheme's financial statements and our knowledge of the Scheme gained through statutory audit.

Procedures

Confirmation that the financial information presented in the *Class Statements*:

- Has been accurately extracted from accounting records which have been subject to the C&AG's statutory audit of the Financial Services Compensation Scheme's *Annual Report and Accounts* for the year ended 31 March 2023
- Has been prepared in accordance with the accounting policies selected by management and disclosed in the notes to the *Class Statements*.

Consideration of whether there are any material errors or limitations arising from our statutory audit which cast doubt on the accuracy of the financial information presented in the *Class Statements*.

Findings and exceptions found

The financial information presented in the *Class Statements* has been accurately extracted from accounting records which have been subject to the C&AG's statutory audit of the Financial Services Compensation Scheme's *Annual Report and Accounts* for the year ended 31 March 2023, and has been prepared in accordance with the accounting policies selected by management and disclosed in the notes to the *Class Statements*.

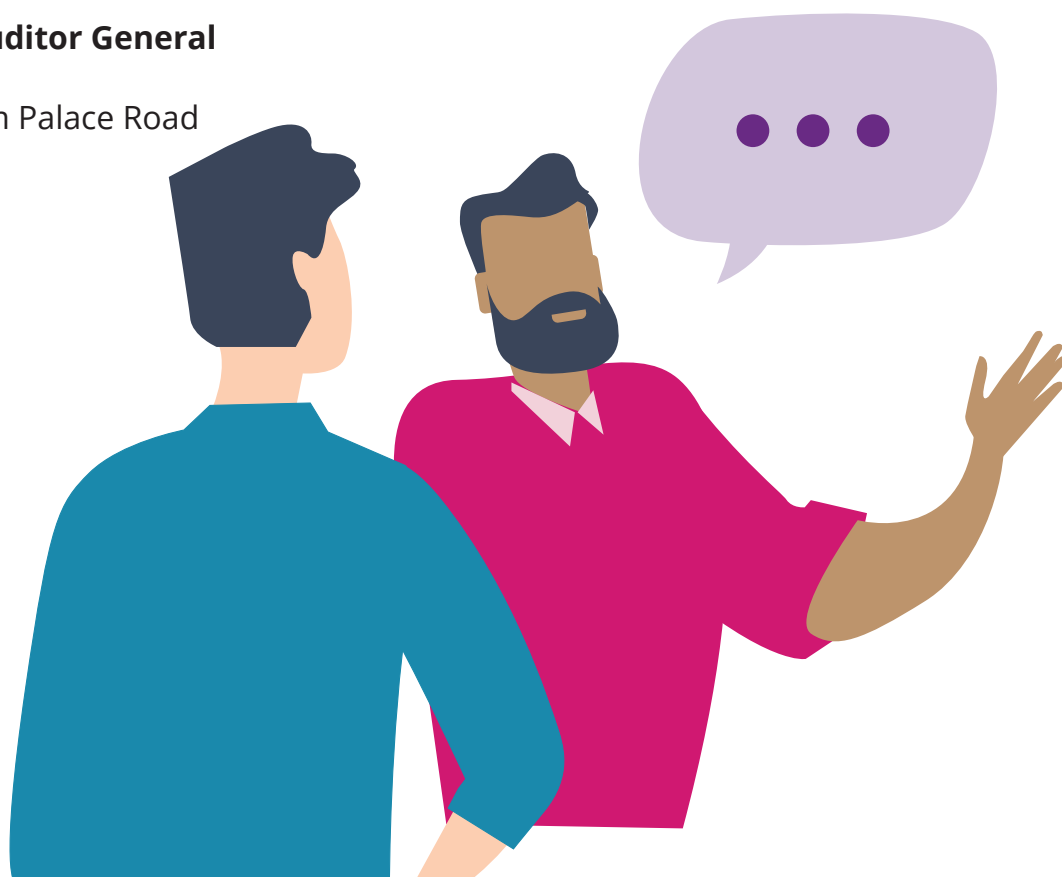
There are no material errors or limitations arising from our statutory audit which cast doubt on the accuracy of the financial information presented in the *Class Statements*.

Gareth Davies

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

18 July 2023



06 Class Statements

Fund movements for the year ended 31 March 2023

Funding class		Funds brought forward		Compensation and interest		Exchange gain/ (loss)		Recoveries received		
		2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	
Deposits	SA01	16,387	6,438	(4,496)	(4,646)	9	2	2,424	2,931	
General Insurance Provision	SB01	1,160	22,832	(162,921)	(185,976)	13	2	9,960	3,956	
General Insurance Distribution	CLGID1	1,728	(4,796)	(1,670)	(7,181)	2	-	(6)	353	
Life & Pensions Provision	SC01	(264)	(43)	-	-	-	-	-	-	
Life Distribution & Investment Intermediation	CLII1	26,794	(31,910)	(202,733)	(263,372)	42	4	(448)	6,361	
Investment Provision	CLIP	77,033	53,968	(30,988)	(121,977)	44	9	(26)	(297)	
Home Finance Intermediation	CLHF1	8,656	5,375	(676)	(979)	4	1	(8)	(15)	
Debt Management	CLDM1	486	(13)	1	(1)	-	-	-	-	
Funeral Plans	CLFPC	-	-	-	-	-	-	-	-	
Home Finance Providers-FCA retail pool	SRI1	(0)	(0)	-	-	-	-	-	-	
Insurers General-FCA retail pool	SRH1	(0)	(0)	-	-	-	-	-	-	
Insurers Life-FCA retail pool	SRG1	(0)	(0)	-	-	-	-	-	-	
Deposit Acceptors-FCA retail pool	SRF1	(0)	(0)	-	-	-	-	-	-	
Payment on account levies	POAL	148,139	157,117	-	-	-	-	-	-	
Total		280,119	208,968	(403,483)	(584,132)	114	18	11,896	13,289	

	Specific costs		Interest received		Tax		Levies received		Cross-subsidy transfer		Funds carried forward	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
	(13,156)	(12,462)	525	8	(103)	-	20,829	24,116	-	-	22,419	16,387
	(6,226)	(6,932)	885	14	(155)	-	214,494	167,264	-	-	57,210	1,160
	(1,769)	(5,472)	99	(8)	(19)	-	7,173	23,109	(51)	(4,277)	5,487	1,728
	(190)	(221)	(8)	-	2	-	-	-	-	-	(460)	(264)
	(29,009)	(20,776)	1,979	(67)	(325)	-	299,374	331,302	236	5,252	95,910	26,794
	(3,318)	(5,475)	2,429	49	(520)	-	74,222	150,756	-	-	118,876	77,033
	(863)	(728)	216	4	(43)	-	136	5,421	(13)	(423)	7,409	8,656
	-	-	12	-	(3)	-	-	1,052	-	(552)	496	486
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	(0)	(0)
	-	-	-	-	-	-	-	-	-	-	(0)	(0)
	-	-	-	-	-	-	(14)	-	14	-	(0)	(0)
	-	-	-	-	-	-	186	-	(186)	-	(0)	(0)
	-	-	-	-	-	-	54,132	(8,978)	-	-	202,271	148,139
	(54,531)	(52,066)	6,137	-	(1,166)	-	670,532	694,042	-	-	509,618	280,119

07 Notes to the *Class Statements* for the year ended 31 March 2023

The powers of the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) (previously the Financial Services Authority (FSA)) under the Financial Services and Markets Act 2000 (FSMA) became effective as at midnight on 30 November 2001.

Under the relevant rules set out in the FCA Handbook and PRA Rulebook, for funding purposes, and effective from 1 April 2019, FSCS is split into classes, comprising: Deposits; General Insurance Provision; General Insurance Distribution; Life & Pensions Provision; Life Distribution & Investment Intermediation; Investment Provision; Home Finance Intermediation; Debt Management; and Funeral Plans (from 29 July 2022).

1 Requirement to publish *Class Statements*

Section 218 of the FSMA requires us to prepare a statement of the value of each of the funds established by Financial Services Compensation Scheme Limited (the Scheme Manager). These statements, referred to as the *Class Statements*, are prepared by the Scheme Manager in accordance with the FCA Handbook and the PRA Rulebook.

Class Statements are not the statutory financial statements of the Scheme Manager and have not been prepared under the basis of International Financial Reporting Standards (IFRS). The statutory financial statements are subject to a separate audit engagement and opinion. Financial information other than that prepared on the basis of IFRS does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

Our *2022/23 Annual Report and Accounts* shows the company's statutory financial statements prepared under UK adopted International Accounting Standards and in accordance with the Companies Act 2006. This is a separate publication, which can be found on our website at www.fscs.org.uk/news/fscs-news/annual-report.

The *2022/23 Annual Report and Accounts* will be delivered to the Registrar of Companies within the statutory time frame and the auditor's report thereon was unqualified.

The *Class Statements* exclude certain estimates and judgements and are aligned with the calculation of levies. The presentation of the *Class Statements* enables each class of levy payer to understand the financial position of their class at the end of the financial year. The recognition criteria for levies and recoveries in the *Class Statements* are different from those in the Scheme Manager's statutory financial statements. The basis of recognition is described in Note 2.

2 Accounting policies

The accounting policies adopted in preparing the *Class Statements* are consistent with those in the accounting policies adopted in the statutory financial statements, except for levies and recoveries as described below.

Levies

The Scheme Manager raises levies on authorised financial services firms which are recognised in the *Class Statements* on receipt. Similarly, remission or rebates of levies are recognised in the *Class Statements* on payment.

Recoveries

Recoveries are only recognised in the *Class Statements* when dividends are notified by insolvency practitioners or agreed recoveries are notified by other third parties. In the absence of notification, recoveries are recognised on receipt.

a) Basis of accounting

The *Class Statements* have been prepared under the historical cost convention and on the basis that Financial Services Compensation Scheme Limited, as the designated Scheme Manager, will exercise its responsibilities under the FSMA and the FCA and the PRA rules to recover management expenses and compensation costs on behalf of the classes. The *Class Statements* have been prepared under:

- Section 218 of the FSMA;
- the FCA Handbook and PRA Rulebook;
- the FCA-FSCS memorandum of understanding (sections 27 to 28);
- the PRA-FSCS memorandum of understanding (sections 34 to 35); and
- the accounting policies set out here.

The financial statements have been prepared on a going concern basis.

b) Compensation costs

Compensation costs are only recognised when the eligibility and quantum of the claim are 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 defaults, Special Administration Regime defaults, return of insurance premium cases and funeral plan cover, these do not generally require an application form or decision to be made by FSCS; therefore, the expenditure is recognised when the firm is declared in default. In addition, compensation costs payable under various Orders (referred to as deemed compensation) are recognised when the firm is declared in default.

c) Recoveries

Recoveries are credited to funds when notification is received in respect of dividends from insolvency practitioners, or notified and agreed in respect of other recoveries. Where no notification is received, recoveries are credited on receipt. This differs from the accounting policy for recoveries adopted in the statutory financial statements, where recoveries are also recognised if it is probable that future economic benefits from a recovery will flow to the Scheme Manager and the value can be measured reliably (based on the best information available to the directors).

d) Management expenses

Management expenses comprise base costs, being the management expenses not attributable to any particular class, and specific costs, which are the remaining costs that cover the handling, payment of compensation and any other costs which can be directly attributable to a particular class.

The specific costs are allocated by FSCS to each class and in accordance with the levy principles contained within the relevant rules of the FCA Handbook and the PRA Rulebook. These are shown in the table of fund balances on pages 24 to 25.

The base costs are not allocated to classes, but are shown against the FCA and PRA fee blocks by which they are levied. Refer to section 8 for the base costs and related levies for each fee block.

e) Interest receivable

Interest received on cash deposits is credited to the classes in proportion to their relative fund balance.

f) Levies

The classes are funded by levies on firms authorised by the FCA and/or the PRA. The FCA raises levy invoices, on behalf of FSCS, which are credited to the classes on a receipts basis. Levies refunded are accounted for on payment. Where requests for the remission or rebate of a levy have been made, this is only recognised in the classes when payment is made. Under the current funding arrangements, the amount that can be raised by levy in the year will vary, depending on the funding class. For PRA classes, the maximum amount that can be levied is the individual class limit. FCA classes can receive support from other classes up to the amount of the retail pool. Retail pool contributions are shown as cross-subsidy transfers. Product provider contributions are shown as levies received in the receiving Insurance and Investment Intermediation class. Any provision or contingent liability recognised in FSCS for levy rebates is only recognised in the *Class Statements* when payment is made.

Under revised funding rules that took effect on 1 April 2018, the FCA instructed the largest c.1,000 levy payers to make payments on account for FSCS's 2023/24 levy. These firms were invoiced in February, with a due date of 1 April 2023. As at 31 March 2023, invoices totalling £242,432,000 (2022: £268,978,000) were issued, of which £201,685,000 (2022: £147,459,000) was collected, leaving amounts due from levy payers of £40,746,000 (2022: £121,520,000).

The amounts levied are held to the credit of those individual firms rather than to any particular funding class and are shown below. These funds will be applied to reduce the payments of these firms when the 2023/24 annual levies are invoiced in July 2023, which are allocated against funding classes.

For Payments on Account, the 'Levies received' column in the main *Class Statements* table (page 25) reflects the net effect of:

- i) these levy collections, and
- ii) allocations of payments on account against cases in specific classes represented in the other table rows.

g) 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 revalued at the rate of exchange ruling at year-end. All exchange gains and losses are expensed to the funds of each class.

h) Cash flow

No statement of cash flow is prepared because, in the opinion of the directors, this would not provide any useful information in addition to that already provided in the tables of fund balances.

i) Taxation

Interest income is recognised gross of tax. The related tax on interest income is charged to the funds of each class.

j) Accounting judgements and key estimation uncertainties

The *Class Statements* are drawn up in accordance with the accounting policies above. There are uncertainties that could impact on the amounts recognised in the *Class Statements*.

The key area of estimation uncertainty in the *Class Statements* is:

- The value and expected timing of provisions for compensation costs. These are based either on estimates provided by or ongoing discussions with the administrators as to how much FSCS would be liable to pay or contribute. In arriving at these estimates, some of the administrators would have made significant judgements, such as the timing of the return of remaining client assets on some estates and the associated costs, which are still subject to change. These changes can have a significant impact on the overall cost, so the provision could be different to the final outcome.

3 Management expenses

Management expenses charged by FSCS to the classes include payments made in the year for FSCS's defined benefit pension scheme. Administrative expenses of FSCS's statutory financial statements, however, reflect International Accounting Standard (IAS) 19 adjustments, with a charge for the current service cost in the year. This treatment ensures current funding of payments as and when they are made.

As stated above in Note 2(d), management expenses are allocated to classes and FCA and PRA fee blocks under the FCA and the PRA rules.

08 Base costs and related levies at 31 March 2023

		Balance at 1 April		Levies received		Base costs allocated		Funds carried forward	
		2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
FCA fee block									
Minimum fee	A000	19	91	813	440	(749)	(512)	83	19
FCA Prudential fee	AP00	17	63	615	391	(584)	(436)	48	18
Deposit takers	A001	79	272	2,068	1,733	(2,242)	(1,926)	(95)	79
Home Finance Providers	A002	17	64	511	412	(548)	(458)	(20)	18
General Insurance	A003	57	283	711	648	(782)	(873)	(14)	58
Life Insurance	A004	46	181	1,252	1,028	(1,341)	(1,163)	(43)	46
Society of Lloyd's	A006	-	1	10	9	(11)	(10)	(1)	0
Fund managers	A007	47	163	1,339	1,079	(1,369)	(1,195)	17	47
Operators/trustees Collective Investment Schemes	A009	14	40	336	278	(364)	(305)	(14)	13
Firms dealing as principal	A010	70	207	1,448	1,248	(1,553)	(1,385)	(35)	70
Advising/arranging (not holding client money)	A013	95	346	2,288	1,755	(2,391)	(2,007)	(8)	94
Corporate Finance Advisers	A014	32	50	480	347	(438)	(366)	74	31
Home Finance mediation	A018	14	63	497	399	(526)	(449)	(15)	13
General Insurance mediation	A019	30	94	834	678	(868)	(741)	(4)	31
Firms holding client money or assets, or both	A021	13	56	406	336	(441)	(378)	(22)	14
Principal firms – appointed representatives	A022	-	-	186	-	(196)	-	(10)	-
Funeral plan intermediaries and providers	A023	-	-	-	-	-	-	-	-
Consumer Credit (Limited Permission)	CC01	(24)	20	259	168	(242)	(212)	(7)	(24)
Consumer Credit (Full Permission)	CC02	(67)	138	1,325	901	(1,250)	(1,107)	8	(68)
Investment exchanges, trading facilities, etc.	B002	11	9	2	2	-	-	13	11
Total		470	2,141	15,380	11,852	(15,895)	(13,523)	(45)	470

		Balance at 1 April		Levies received		Base costs allocated		Funds carried forward	
		2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
PRA fee block									
Minimum fee	PA00	(7)	20	41	6	(36)	(33)	(2)	(7)
Deposit takers	PA01	260	1,033	9,487	7,750	(10,017)	(8,523)	(270)	260
General Insurance	PA03	90	265	2,208	1,774	(2,287)	(1,949)	11	90
Life Insurance	PA04	73	284	2,635	2,154	(2,783)	(2,365)	(75)	73
Society of Lloyd's	PA06	5	11	109	94	(118)	(99)	(4)	6
Firms dealing as principal	PA10	17	66	620	505	(655)	(553)	(18)	18
Total		438	1,679	15,100	12,283	(15,896)	(13,522)	(358)	440

The *Class Statements* were approved by the Board of Financial Services Compensation Scheme Limited, as designated Scheme Manager of the classes, on 07 July 2023 and signed on its behalf on 17 July 2023 by:



Fiona Kidy
Chief Financial Officer,
Financial Services Compensation Scheme

09 Firm defaults

From 1 April 2022 to 31 March 2023, FSCS declared the following firms in default:

Name of authorised firm	Date declared in default
Keyword Olley & Associates Ltd T/A North East Mortgages, EMH Financial Planning	05/04/2022
Whitebridge Financial Planning Ltd	26/04/2022
Briggs Murray Financial Planning & Wealth Management Ltd T/A Briggs Murray Wealth	26/04/2022
City of Plymouth Credit Union Ltd	27/04/2022
Integrity IFA Ltd T/A Dewar and Partners, Scottish Landlords Insurance, Wood and Ker	27/04/2022
North East Warrington Credit Union Ltd	04/05/2022
Westbury Private Clients LLP	06/05/2022
Juno Moneta Capital Management Ltd formerly Corcillum Ltd T/A Morgan Peterson, BL Financial	06/05/2022
Rainbow Saver Anglia Credit Union Ltd	18/05/2022
A to Z Mortgages Ltd T/A Dunure Asset Management	24/05/2022
Rajan Business Centre Ltd	30/05/2022
Tradenext Ltd T/A TradeNext Prime, FCI Tradenext, iTrader, i-Pay, Remitnext	14/06/2022
Cowley & Miller Independent Financial Services Ltd	07/07/2022
County Capital Wealth Management Ltd T/A The Pension Review Service, Fathom	21/07/2022
Smith, Law & Shepherds I.F.A Ltd	21/07/2022
Curzon Capital Ltd	22/07/2022
Daniel Stewart & Company Plc formerly Oval (552) Ltd T/A Daniel Stewart & Company Ltd	15/08/2022
FSP Ltd	06/09/2022
Mercia Financial Planning Ltd	06/09/2022
Gloucestershire Credit Union Ltd	14/09/2022
Trust Financial Consulting Ltd	16/09/2022
Nationwide Benefit Consultants Ltd T/A The Pension Reporter	16/09/2022
Birmingham Inner City Credit Union Ltd	26/09/2022

Name of authorised firm	Date declared in default
Everyday Financial Advice Ltd T/A Tudor Court Financial Planning	07/10/2022
The TJM Partnership Ltd formerly T.J. Market (Holdings) Plc, Neovision Global Capital Ltd	07/10/2022
Thompson Prior LLP	17/10/2022
Hallmark (East Midlands) Ltd T/A Hallmark Mortgages & Overseas Properties, Abbot Insurance Broker	20/10/2022
Solutions Financial Services (UK) Ltd	27/10/2022
Oracle Consultants Ltd T/A Incisive Wealth/Incisive Dental & Incisive Wealth Management	11/11/2022
Juno Moneta Wealth Ltd T/A Teal Financial, Empower Wealth Management, NAPIT Wealth	11/11/2022
Bartholomew Financial Ltd	22/11/2022
EQ Financial Planning Ltd	25/11/2022
Antonor LLP formerly Priory Impartial Solutions LLP T/A Ridgeway Consultants	29/11/2022
VTB Capital Plc	06/12/2022
FSC Investment Services Ltd formerly Ashwood Wealth Management Ltd	08/12/2022
Craig Mitchell T/A Craig Mitchell Personal and Corporate Financial Planning	08/12/2022
Premier Wealth Management Harrogate Ltd	13/12/2022
A+ Financial Services Ltd T/A aplus independent financial advice, Grosvenor Trust & Saving, aplus	14/12/2022
Nurture Financial Planning Ltd T/A Premier IFA Ltd	09/01/2023
Midhurst Asset Management Ltd formerly Legistshelfco No 122 Ltd	09/01/2023
Cadogan Asset Management Ltd	10/01/2023
Plan Your Retirement Ltd	11/01/2023
Better Retirement Group Ltd formerly Directly Financial Ltd, Financial Strategy Ltd	17/01/2023
Vintage Investment Services T/A Vintage, Vintage Protect, Vintage Mortgages	17/01/2023
Broadgate Financial Management LLP	17/01/2023
Braemar Wealth Management NW Ltd	17/01/2023
Aquila Financial Services	19/01/2023
H&F Financial Ltd	10/02/2023

Name of authorised firm	Date declared in default
Planet Pensions Ltd s.r.o., v likvidaci T/A Square Mile International Financial, s.r.o.	14/02/2023
Alexander Sloan Financial Planning Ltd	15/02/2023
WGL Altrincham Ltd formerly Whitehead Group Ltd/Whitehead & Partners Ltd	21/02/2023
Corporate Benefits Consulting Ltd	22/02/2023
Bailey Richards Wealth Management Ltd	22/02/2023
FP Consulting Ltd T/A The Salmon Partnership, RMS Wealth Management	24/02/2023
Northern Provident Investments Ltd formerly Money Labs Ltd, ISA Lab	24/02/2023
Optimise Wealth Management Ltd	24/02/2023
RSS&L Ltd	24/02/2023
The London Trading Company (UK) Ltd T/A Lontrad, TCM Wealth Management	10/03/2023
Portal Financial Services LLP formerly Portafina LLP	15/03/2023
DAC Pensions Ltd formerly Davies & Co SSAS Solutions Ltd T/A DAC Pensions	16/03/2023
Osborn Wealth Management Ltd formerly Pace Ward Financial Ltd	22/03/2023
Hudson Foster Financial Services Ltd T/A Hudson Foster & Co, Great Benefits Financial	31/03/2023
Help Financial Ltd formerly Sterling Wealth Ltd, Financial Management Ltd	31/03/2023
Kings	31/03/2023

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