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By email: [DP2\\_23@bankofengland.co.uk](mailto:DP2_23@bankofengland.co.uk)

Dear PRA,

**Financial Services Consumer Panel response to PRA Discussion Paper on FSCS General Insurance Limit**

The Financial Services Consumer Panel (the Panel) is an independent statutory body. We represent the interests of individual and small business consumers in the development of financial services policy and regulation in the UK.

Our focus is predominantly on the work of the FCA, however, we also look at the impact on consumers of other bodies' activities and policy where relevant to the FCA's remit. We are responding to this Discussion Paper because it potentially impacts financial services consumers' trust and confidence in the insurance market. The result of this policy review will also impact the outcomes experienced by consumers as this consultation (rightly) reviews both the level of protection available to eligible consumers when financial services firms fail and the conflict between commercial considerations and consumer interests.

As the majority of questions posed in the Discussion Paper focus on the firms and trade bodies, the Panel has opted to respond via this written letter.

The Panel welcomes the PRA's Paper that builds on the October 2020 emergency extension of consumer protection from 90 to 100% in relation to building guarantee policies.

We believe that given the UK's deep and prolonged cost of living crisis together with a significant increase in the number of vulnerable customers as evidenced by FCA Financial Lives research, adopting a simple approach such as increasing the limit of protection afforded by retail and SME general insurance policies to 100% will both improve consumer protection and outcomes.

We hold that this is what consumers would expect of the UK's mature insurance market and that in the current economic climate, firms should absorb the cost of adopting this approach.

The Panel wish to ensure that consideration of consumer needs is and remains central to the review of the FSCS General Insurance Limit with consumer protection the primary concern that PRA considers, with its secondary international growth and competitiveness objective coming second.

Finally, the Panel would also like to add that the adoption of the Section 382 of the Companies Act 2006 definition improves SME understanding and outcomes whilst simplifying FSCS administration and as a consequence, reduces costs. Given the financial pressures being experienced by UK micro business and SME's, the Panel expect insurers to absorb any costs associated with this change,

Yours sincerely,

Helen Charlton  
Chair, Financial Services Consumer Panel