



20 March 2013

Dear Sir / Madam,

2012/13 Interim levy to firms in the Investment Intermediation and/or General Insurance Intermediation sub-classes

Investment Intermediation sub-class: £20m to firms for the costs of major investment failures

FSCS warned in the April, July and November editions of its industry publication Outlook, and in its Plan and Budget 2013/14, that the Investment Intermediation sub-class faced the potential of an additional levy in 2012/13.

The final amount to be levied has now been set at £20m, and is a reduction from the amount announced in the Plan and Budget 2013/14 in February of £25m. This was confirmed on 15 March in an e-shot to all firms in the Investment Intermediation sub-class.

The additional levy is to meet the costs of the claims for the failures of Pritchard Stockbrokers Limited and Worldspreads Limited as well as the on-going costs of MF Global and Arch-cru.

The Investment Intermediation sub-class was previously levied £78m, £66m of which related to compensation costs. The total compensation costs of the annual levy and the interim levy are £86m so they do not trigger the cross-subsidy.

General Insurance Intermediation sub-class: £16m to firms in the for the costs of payment protection insurance

FSCS warned in the July and November editions of its industry publication Outlook, and in its Plan and Budget 2013/14, that the General Insurance Intermediation sub-class faced the potential of an additional levy in 2012/13 to meet the escalating costs of PPI.

The final amount to be levied has now been set at £16m, and is a reduction from the amount announced in the Plan and Budget 2013/14 in February of £20m. This was confirmed on 15 March in an e-shot to all firms in the General Insurance Intermediation sub-class.

This is the first time that FSCS has had to raise an interim levy on the General Insurance Intermediation sub-class. It is a direct result of the number of consumers who were mis-sold payment protection insurance.

The Insurance Intermediation sub-class was previously levied £36m in 2012/13, £29m of which related to compensation costs. The total compensation costs of the annual levy and the interim levy are £45m so they do not trigger the cross-subsidy.

We appreciate that the interim levy will not be welcome news for firms, but we have a duty to compensate consumers with eligible claims. We only raise an interim levy where we have reasonable grounds for believing that the funds available to us to meet relevant compensation costs or management expenses for the period until the next levy is due are, or will be, insufficient.

The enclosed invoice is based on your tariff data as stated on your firm's 2012/13 fees and levies invoice, and is payable within 30 days. If you wish to pay by instalments, you can obtain an on-line monthly payment facility agreement form direct from Premium Credit Limited, which is available:
<http://www.premium-credit.co.uk/fsa.html>

As previously advised, if the interim levy invoice is not paid by the due date (i.e. within 30 days), the "late payment" provisions contained in the FEES rules (at FEES 2.2.1R) will be triggered. This means that an additional amount will be charged as follows:

1. an administrative fee of £250; plus
interest on the unpaid part of the fee at the rate of 5% per annum above the Bank of England's repo rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

If you have any questions about the calculation of this invoice please contact the FSA's Customer Contact Centre on 0845 606 9966 or email the fees helpline on fsafees@fsa.gov.uk.

Yours faithfully,



Rommel Pereira
Director of Central Services

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