



26 March 2012

Dear Sir / Madam,

2011/12 Interim levy: £60m to firms in the Investment Intermediaries sub-class for the costs of major investment failures

In the past year, the volume and value of investment claims coming to FSCS has exceeded our previous assumptions. The increase has partly been driven by on-going costs for Keydata Investment Services Ltd and Wills & Co. FSCS has made more decisions on Keydata claims than previously predicted with a higher average compensation payment than earlier claims. There have also been two new failures in CF Arch Cru and MF Global.

The possibility of an interim levy was raised in the Half Year edition of our newsletter Outlook in December, and in the Plan & Budget in February. The final amount of £60m, of which £51m is for compensation costs, was confirmed on 14th March in an e-shot to all firms in the Investment class, including Investment Intermediaries.

We appreciate that the interim levy will not be welcome news for firms in the Investment Intermediaries sub-class, but we have a duty to compensate consumers with eligible claims. We sympathise with firms about the unpredictability of compensation costs but funding is required to cover the costs of compensation until the next levy is raised and becomes available in July.

The Investment Intermediaries sub-class was previously levied £34m, £31m of which related to compensation costs. The total compensation costs of the annual levy and the interim levy are £82m so they do not trigger the cross-subsidy.

The enclosed invoice is based on your tariff data for the financial year 2011/12, and is payable within 30 days. If you wish to pay by installments, please complete the enclosed application form and send it to Premium Credit Limited within the next 14 days.

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
2. 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 until the date FSCS notified you that your request for a reduction or remission of the interim levy was accepted.

The FSCS must act according to the rules set for it by the FSA, who consult with the Scheme and the industry, in setting the rules. The FSCS does not have the power to vary from the rules when allocating levies between firms. The Scheme has a duty to pursue recoveries and does so vigorously wherever reasonably possible and cost effective.

If you have any questions about the calculation of this invoice please contact the FSA's Customer Contact Centre on 0845 6069966 or email the fees helpline on fsafees@fsa.gov.uk.

Yours faithfully,



Rommel Pereira
Director of Central Services