January 2017

Dear Colleague,

2016/17 Supplementary levies on general insurers, mortgage advisers, and life and pensions advisers, with the retail pool triggered. Refund to investment advisers.

We announced on 16 January that we will raise supplementary levies this year (2016/17). The levies – on life and pensions advisers, general insurers and mortgage advisers – to meet unforeseen compensation costs. However, we can also refund surplus funds to the investment advisers. In our December issue of 'Outlook' we provided firms with an indication of our expected compensation costs to help firms prepare for these supplementary levies.

We appreciate that the supplementary levy will not be welcome news for firms, but we have a duty to compensate consumers with eligible claims as they fall due. We only raise a supplementary 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 supplementary levies are for:

- **£36m to firms in Life and Pensions Intermediation class (SC02) (£26m of which is funded by the retail pool)**

The additional £36m on life and pension advisers supplements the annual levy for 2016/17 of £90m. This will now exceed the £100m annual funding limit for that class and triggers a cross-subsidy from other parts of the industry through the retail pool to fund the remaining £26m. Firms in the retail pool will therefore have to contribute their share of the £26m according to the funding class to which they belong.

The £36m is to fund the high numbers of SIPP-related claims, which relate to advice on switching pension funds into high risk investments

- **£63m to firms in the General Insurance Provision class (SB01)**

We require an additional £63m from general insurers to compensate policyholders of the Enterprise and Gable Insurance companies.

- **£15m to firms in Home Finance Intermediation class (SE02)**

We are also raising a supplementary levy against the home finance intermediation due largely to increased claims with higher uphold rates. This is because if we carry forward the £15m shortfall into 2017/18 levies, it might exceed the £40m annual limit for these firms, which would impose costs on other industry sectors through the retail pool.

- **£50m refund to firms in Investment Intermediation class (SD02)**

We now expect the Investment Intermediation class will have a surplus of £60m because claim volumes have been lower than FSCS's forecast. We will retain £10m of the £60m surplus in case of unforeseen compensation costs in the remainder of the year and will return £50m to investment advisers, of which about £4m will be set against the call on the retail pool.

If the credit amount for this class is more than your overall levy charge then a cheque will be issued to you refunding your net balance. The levies are based on your reported tariff data for the 2016/17 levy year.

Invoices are payable within 30 days. If you wish to pay by instalments, there are a number of instalment finance providers which you may wish to use. Please search the internet for instalment finance providers or speak to your trade association, if applicable, who may be able to assist.

If the supplementary levy invoice is not paid by the due date, the "late payment" provisions contained in the FEES rules (FEES 2.2.1R) will apply. This means that an additional amount will be charged as follows:

1. an administrative fee of £250; plus
2. interest will commence being charged on any unpaid amount at a rate of 5% above the Official Bank Rate.

If you have any questions about the calculation of this invoice please contact the FCA Customer Contact Centre on 0300 500 0597 or email the fees helpline on fcafees@fca.org.uk. If you have any questions about the allocation of the levy, please contact the FSCS's Initial Contact Team on 0800 678 1100 or 020 7741 4100 or by email at enquiries@fscs.org.uk.

Yours sincerely,

Mark Neale
Chief Executive