

Bank of England PRA

Appendices to CP1/24 – Financial Services Compensation Scheme – Management Expenses Levy Limit (MELL) 2024/25

Consultation paper | CP1/24

January 2024

Draft for consultation



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1: Prudential Regulation Authority Rulebook: Management Expenses Levy Limit and Base Costs proposed rule instrument

PRA RULEBOOK: NON-AUTHORISED PERSONS: FSCS MANAGEMENT EXPENSES LEVY

LIMIT AND BASE COSTS INSTRUMENT 2024

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137T (General supplementary powers);
 - (2) section 213 (The compensation scheme);
 - (3) section 214 (General); and
 - (4) section 223 (Management expenses).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: Non-Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2024

- C. The PRA makes the rules in the Annex to this instrument.

Commencement

- D. This instrument comes into force on 1 April 2024.

Citation

- E. This instrument may be cited as the PRA Rulebook: Non-Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2024.

By order of the Prudential Regulation Committee

[DATE]

Annex

Amendments to the FSCS Management Expenses Levy Limit and Base Costs Part

In this Annex new text is underlined and deleted text is struck through.

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2 LIMIT ON MANAGEMENT EXPENSES LEVIES

...

2.1A The amount which the FSCS may recover from the sums levied under the *compensation scheme* as *management expenses* attributable to the period 1 April ~~2023~~2024 to 31 March ~~2024~~2025 may not exceed £~~109,815,710~~108,111,085.

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2: Financial Conduct Authority Handbook: FEES manual

FINANCIAL SERVICES COMPENSATION SCHEME (MANAGEMENT EXPENSES LEVY LIMIT 2024/2025) INSTRUMENT 2024

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137T (General supplementary powers);
 - (2) section 213 (The compensation scheme);
 - (3) section 214 (General); and
 - (4) section 223 (Management expenses).
- B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on *[date]*.

Amendments to the Handbook

- D. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Financial Services Compensation Scheme (Management Expenses Levy Limit 2024/2025) Instrument 2024.

By order of the Board
[date]

Annex**Amendments to the Fees manual (FEES)**

In this Annex, underlining indicates new text.

6 Financial Services Compensation Scheme Funding

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6 Financial Services Compensation Scheme - Management Expenses Levy

Annex Limit

1R

This table belongs to FEES 6.4.2R	
Period	Limit on total of all management expenses levies attributable to that period (£)
...	
1 April 2023 to 31 March 2024	£109,815,710
<u>1 April 2024 to 31 March 2025</u>	<u>£108,111,085</u>

3: FSCS management expenses by line item (£million)

Budget: Significant items (£m)	24/25	23/24	Change	% Change
Staff Costs (incl. contractors)	52.7	42.7	10	23%
Staff Costs	38.2	31.9	6.3	20%
Contractors	14.5	10.8	3.7	34%
Communications	3	4.4	-1.4	-32%
Professional and legal fees	10	11.5	-1.5	-13%
Professional fees	5.4	6.1	-0.7	-11%
Legal fees	4.6	5.4	-0.8	-15%
Outsourced claims handling	13.8	14.1	-0.3	-2%
Outsourced claims	13.4	13.6	-0.2	-1%
Outsourced printing & scanning	0.4	0.5	-0.1	-20%
Investment	5	7.9	-2.9	-37%
Pension Deficit funding	0	0.8	-0.8	-100%
Bank charges	7	8	-1	-13%
Facilities, IT and Overheads	12.4	11.4	1	9%
Facilities	2.5	2.4	0.1	4%
IT	7.3	6.5	0.8	12%
Depreciation	1.5	1.4	0.1	7%
Other/Contingency	0.5	0.5	0	0%
External providers	0.6	0.6	0	0%
Interest Income	-0.9	-0.9	0	0%
Total management expenses	103.1	99.8	3.3	3.3%

4: FSCS management expenses by funding class (£million)

	2024/25			2023/24			Movement		
	FSCS Total Costs £m	PRA Fee Block Allocation £m	FCA Fee Block Allocation £m	FSCS Total Costs £m	PRA Fee Block Allocation £m	FCA Fee Block Allocation £m	FSCS Total Costs £m	PRA Fee Block Allocation £m	FCA Fee Block Allocation £m
Base Costs Total (Split 50:50)	37.1	18.5	18.5	38.3	19.2	19.2	-3%	-3%	-3%
Specific Costs									
Deposits	14.8	14.8		14.1	14.1		5%	5%	-
General Insurance Provision	7.3	7.3		7.6	7.6		-4%	-4%	-
Life & Pension Provision	0.0	0.0		-	-		-	-	-
General Insurance Distribution	0.8		0.8	1.7		1.7	-51%	-	-51%
Life Distribution & Investment Intermediation	35.6		35.6	30.3		30.3	17%	-	17%
Investment Provision	7.3		7.3	7.0		7.0	3%	-	3%
Home Finance Intermediation	0.3		0.3	0.8		0.8	-64%	-	-64%
Debt Management	0.0		0.0	-		-	-	-	-
Funeral Plans	0.0		0.0	-		-	-	-	-
Specific Costs Total	66.1	22.1	44.0	61.5	21.7	39.8	7%	2%	10%
Management Expenses Total	103.1	40.6	62.5	99.8	40.8	59.0	3%	-1%	6%