

Appendices to CP1/26 – Financial Services Compensation Scheme - Management Expenses Levy Limit (MELL) 2026/27

Consultation paper | CP1/26

January 2026



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1: PRA 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 2026

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 instruments) of the Act.

PRA Rulebook: Non-Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2026

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

Commencement

- D. This instrument comes into force on 1 April 2026.

Citation

- E. This instrument may be cited as the PRA Rulebook: Non-Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2026.

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.

...

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 2025~~2026~~ to 31 March 2026~~2027~~ may not exceed £108,579,230£112,972,954.

...

2: Financial Conduct Authority Handbook: FEES manual

FINANCIAL SERVICES COMPENSATION SCHEME (MANAGEMENT EXPENSES LEVY LIMIT 2026/2027) INSTRUMENT 2026

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 2026/2027) Instrument 2026.

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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6.4 Management expenses

...

Limit on management expenses

6.4.2 R The total of all *management expenses levies* (taken together with the management expenses levies under the *PRA Rulebook*) attributable to a particular period of the *compensation scheme* may not exceed the limit applicable to that period set out in *FEES 6 Annex 1R*.

...

6 Annex Financial Services Compensation Scheme - Management Expenses Levy 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 2025 to 31 March 2026	£108,579,230
<u>1 April 2026 to 31 March 2027</u>	<u>£112,972,954</u>

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

Management Expenses Budget by account line (£m)	2026/27	2025/26	Change	% Change
Staff costs	43.6	40.6	2.9	7%
Non-Project Contractor Costs	11.2	18.2	-7.0	-38%
Facilities	2.3	2.6	-0.3	-12%
IT	8.3	7.8	0.4	6%
Communications	2.2	2.8	-0.6	-22%
Legal Fees	4.0	4.6	-0.6	-13%
Professional Fees	6.7	6.0	0.7	11%
External Providers	0.6	0.5	0.1	20%
Depreciation	2.1	1.5	0.5	36%
Other / Contingency	0.6	0.5	0.1	18%
Outsourced Claims Handling	8.9	11.6	-2.7	-23%
Outsourced Printing & Scanning Services	0.6	0.4	0.2	48%
Bank Charges	7.0	7.0	-	0%
Interest Income	-0.9	-0.5	-0.4	-75%
Management Expenses (excl. additional funding costs)	97.0	103.6	-6.6	-6%
Additional funding costs	11.0	-	11.0	-
Management Expenses Budget	108.0	103.6	4.4	4%
Unlevied Reserve	5.0	5.0	-	0%
MELL (inc. Unlevied Reserve)	113.0	108.6	4.4	4%

4: FSCS management expenses allocation by funding class

	2026/27			2025/26			Movement		
	FSCS	PRA	FCA	FSCS	PRA	FCA	FSCS	PRA	FCA
	Total Costs	Fee Block	Fee Block	Total Costs	Fee Block	Fee Block	Total Costs	Fee Block	Fee Block
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Base Costs Total (Split 50:50)	36.6	18.3	18.3	36.9	18.5	18.5	-1%	-1%	-1%
Specific Costs									
Deposits	25.9	25.9		14.4	14.4		80%	80%	-
General Insurance Provision	6.9	6.9		7.6	7.6		-9%	-9%	-
Life & Pension Provision	0.0	0.0		0.0	0.0		0%	0%	-
General Insurance Distribution		0.9	0.9	1.2		1.2	-28%	-	-28%
Life Distribution & Investment Intermediation	32.5		32.5	35.3		35.3	-8%	-	-8%
Investment Provision	5.1		5.1	8.0		8.0	-36%	-	-36%
Home Finance Intermediation	0.2		0.2	0.3		0.3	-26%	-	-26%
Debt Management	0.0		0.0	0.0		0.0	0%	-	0%
Funeral Plans	0.0		0.0	0.0		0.0	0%	-	0%
Specific Costs Total	71.4	32.8	38.6	66.7	22.0	44.7	7%	49%	-14%
Management Expenses Total	108.0	51.1	56.9	103.6	40.4	63.2	4%	26%	-10%