Fraud Compensation Fund

Managed by the Pension Protection Fund

About the FCF

A document to explain the role of the FCF and how you'll get your compensation if your scheme has lost out financially due to dishonesty

What is the FCF?

The Fraud Compensation Fund (FCF) was established by the Pensions Act 2004 to pay compensation to occupational pension schemes who have lost out financially due to dishonesty, provided the scheme employer is insolvent. We consider applications in line with legislation and use evidence, for example supplied by members and scheme trustees, to determine if a loss due to dishonesty has occurred. If an application is successful, we'll only pay compensation to scheme trustees or scheme managers, and they'll then be responsible for paying benefits to members, which includes the compensation received from us.

What does loss due to dishonesty mean?

To establish if there's been a loss due to dishonesty, we first need to establish if an act of dishonesty has occurred. The dishonesty offences we consider include fraud offences, for example, under the Fraud Act 2006, and conspiracy to defraud. The offences have specific requirements, but common to all is dishonesty. It's important to note we don't need a criminal conviction to pursue an act of dishonesty (although it's helpful to know if there is one).

Once we've established if there's reasonable grounds to allow us to conclude an offence involving dishonesty has occurred, we'll then consider if there's been a reduction to scheme assets due to the offence.

What schemes are eligible to receive compensation from the FCF?

We pay compensation to UK defined contribution (DC) and defined benefit (DB) occupational pension schemes where their employer has become insolvent, and their scheme assets have been reduced due to an offence involving dishonesty.

How long does it take for a claim to be assessed?

Once we've received all the information, including details of recoveries explored by scheme trustees, we'll assess the claim. The process of assessment can take anywhere between six months and two years.

What are scheme recoveries?

Scheme recoveries are typically claims by the trustees (or managers) against third parties that may lead to the scheme getting money back.

Where an FCF application has been made, the legislation requires trustees (or managers) to obtain scheme recoveries, to the extent they may do so without disproportionate cost and within a reasonable time. This doesn't mean that the trustees (or managers) have to pursue each and every potential recovery, but they do have to explore the options – and this takes time.

Where there is a recovery that's worth pursuing (in terms of cost and time), the trustees (or managers) will need to pursue it before moving to the final stages of the claims process. These recoveries are sometimes complex, for example involving litigation or overseas elements, and so they can take time.

How and when will I get my FCF compensation?

We don't pay compensation directly to members. We're required, by legislation, to pay the compensation to your scheme, but they'll be in touch with you to explain how and when you can take your scheme benefits.

How much compensation will you pay?

The amount of compensation we pay to a scheme varies from case to case and is based on what we believe to be the scheme's financial loss due to dishonesty, less any improvements in the scheme's financial position. This means schemes may not receive the full value of your original transfer.
An accountant is then required to carry out the compensation calculation using rules set out legislation along with information provided by the scheme.

We'll then need to take account of any recoveries made by the scheme (for example, through the scheme trustees successfully claiming and recovering against third parties).

We'll confirm the final compensation to the scheme at the end of the claims process. The scheme trustees (or managers) are responsible for administering the scheme and member benefits (including the compensation) and will be in touch with you as to how and when you can take your benefits.

For more information on how we calculate compensation you can visit the FCF website here.

What is the difference between the FCF, PPF, FSCS and TPO?

The Fraud Compensation Fund (FCF), The Pension Protection Fund (PPF), the Financial Services Compensation Scheme (FSCS) and The Pensions Ombudsman (TPO) all protect your pension savings if the worst were to happen. Each organisation provides scheme trustees or members of various types of UK pension schemes with varying levels of compensation for separate issues.
Broadly speaking:

- The FCF protects UK occupational (defined contribution and defined benefit) pension schemes and will pay your scheme with compensation if your employer has become insolvent, and your scheme assets have been reduced due to an offence involving dishonesty.
- The PPF will pay you compensation if your employer failed and your UK DB pension scheme was unable to pay you at least what the PPF pays.
- The FSCS will pay you compensation if your annuity provider failed, if your personal pension (SIPP), DC or annuity provider suffered a pension investment failure, and if you received bad advice concerning your pension if provided by a UK-regulated advisor. They will also pay your DB pension scheme trustee compensation if they suffered a pension investment failure too.
- TPO doesn't pay compensation, but they have a Dishonesty Unit and can make directions regarding scheme redress and direct reimbursement if its assets have been reduced because of a breach of statute, trust or common law.