

The current SIPP
market.

An update.

Sheffield Life and Pensions
Society

15 March 2023

Stephen McPhillips, BA, FPMI,
Technical Sales Director

Learning objectives.

- > Explain the reasons behind some recent SIPP provider failures
- > List a range of permitted investments in SIPP
- > Identify due diligence considerations when selecting a SIPP provider
- > List possible ways in which clients might be impacted by provider failures
- > Explain the ways in which a client can change pension provider

Agenda.

- > An introduction to Dentons
- > SIPP providers - some recent history
- > Due diligence - by SIPP providers
- > Due diligence - on SIPP providers
- > How might clients be affected by provider failures?
- > Client case studies
- > Questions

An introduction to Dentons.

- > Bespoke SIPP and SSAS provider
- > Dentons has been delivering self invested pension expertise for over 40 years
- > Continuity of staff
- > Long history of profitability
- > Over 8,000 SIPPs
- > Nearly 1,400 SSASs
- > AUA £7.7bn
- > Over 3,700 commercial properties

SIPPs – some recent history.

Professional **Paraplanner**

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SIPP provider Forthplus Pensions brings in administrators

20 OCTOBER 2021

Forthplus Pensions Limited has appointed Andrew Poxon, Alex Cadwallader and Barry Stewart of Leonard Curtis Business Solutions Group, insolvency practitioners, as Joint Administrators of the company.

Forthplus, a pension provider and administrator, offered a Self-Invested Personal Pension (SIPP) scheme to approximately 2,500 customers. Most customers were UK expatriates. The value of assets under management at the date of the Administration was approximately £500m.

Directors said the demise of the Company follows a range of factors, most notably the impact of the inability to renew or extend professional indemnity insurance (PII).

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Threesixty: FOS case highlights the importance of third-party due diligence

In its ruling, the FOS pointed to FCA guidance that firms making introductions to third parties cannot afford to ignore

By **Julie Hardie** | 12th April 2022 2:00 pm

SIPPs – some recent history.

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The cautionary tale of Carey Pensions

As Carey seeks another court appeal, the never-ending Sipp drama is becoming more painful than Brexit. When will it stop?

By **Michael Klimes** | 15th June 2021 12:01 am

There is no immediate resemblance between Brexit and an obscure court case involving a Sipp provider.

One is a national psychodrama that will define the direction of the country for generations. The other is a niche legal dispute that attracts the interest of oddball pension journalists: the Carey Pensions court case.



Image credit: Shutterstock

SIPPs – some recent history.

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SIPP April 13 2021

FSCS pays out £22.5m on failed Sipp



By [Amy Austin](#)

The Financial Services Compensation Scheme has paid out £22.5m on 718 claims against embattled self-invested personal pension provider Guinness Mahon.

13/4/2021

SIPPs – some recent history.

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SIPP May 24 2021

FSCS to pay out £40m on Lifetime Sipp claims but many more in pipeline



By Amy Austin

The Financial Services Compensation Scheme (FSCS) is expecting to pay out £39.6m on claims against troubled self-invested personal pensions (Sipp) provider Lifetime Sipp, but claims could double yet.

24/5/2021

SIPPs – some recent history.

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SIPP March 9 2022

FCA blocks Hartley Pensions from accepting new business



By Amy Austin



Sipp provider Hartley Pensions has been told by the Financial Conduct Authority it can no longer accept new clients.

9/3/2022

SIPPs – some recent history.



Sipp operator Corporate & Professional Pensions enters administration

 By Tom Dunstan  8/2/22

Corporate & Professional Pensions Limited (Corporate and Professional), a self-invested personal pension (Sipp) operator, has gone into administration after being unable to pay Financial Ombudsman Service final decisions.

The final decisions related to the due diligence completed by the firm prior to taking on some pension investments.

SIPPs – some recent history.



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Heritage Pensions Limited in liquidation



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News stories | First published: 18/03/2022 | Last updated: 18/03/2022

Heritage Pensions Limited (Heritage), is a SIPP operator authorised and regulated by the FCA. On 17 March 2022 the directors appointed Paul David Williams and Edward Robert Bines of Kroll Advisory Ltd ("Kroll") as joint liquidators. The liquidators are all qualified insolvency practitioners. We set out the steps Heritage clients should take and advice on how to protect against scams.



[What has happened to my Heritage pension?](#)

On 18 November 2021, the sale of Heritage's SIPP book to PSG SIPP was completed. PSG SIPP is an FCA authorised and regulated SIPP Operator. Heritage stopped administering any personal pension schemes at this time, therefore, customers who held a Heritage SIPP are not affected by the liquidation. If you were a customer of Heritage, you should contact PSG SIPP (using the details below) if you have any questions or see below on how to claim compensation through the Financial Compensation Scheme (FSCS).

18/3/2022

SIPP provider – due diligence considerations.

Supreme Court denies appeal in Carey Sipp case

STM Group, which bought Carey in 2019, said it had been informed that its application for leave to appeal the judgment of the Court of Appeal in the long-standing Adams v Carey case had been declined.

By **Laura Purkess**
11 Apr, 2022



SIPPs – some recent history.

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SIPP August 1 2022

Hartley Pensions enters administration



1/8/2022

SIPPs – some recent history.

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Rowanmoor Personal Pensions enters administration

By **Lois Vallely** | 31st August 2022 4:29 pm

Rowanmoor Personal Pensions Limited (RPPL) has entered administration, the Financial Conduct Authority has announced today (31 August).

RPPL is a Sipp operator authorised and regulated by the FCA. It also an operator of Family Pension Trusts (FPT).

In total, the business looks after approximately 4,800 pensions, with assets under administration of £1.4bn.

31/8/2022

SIPPs – some recent history.



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Retirement

Evelyn Partners Team exchanges sale contracts for the business of Rowanmoor Personal Pensions Limited

by Brandon Russell | Dec 7, 2022

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SIPPs – some recent history.



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Hartley Pensions Limited – in Administration

Please find a list of frequently asked questions below.

SIPPs – some recent history.

Professional Adviser

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 Become a Professional Adviser member

What should adviser firms do when a SIPP provider goes bust?

A port in a storm

Hannah Godfrey

09 March 2022 • 7 min read

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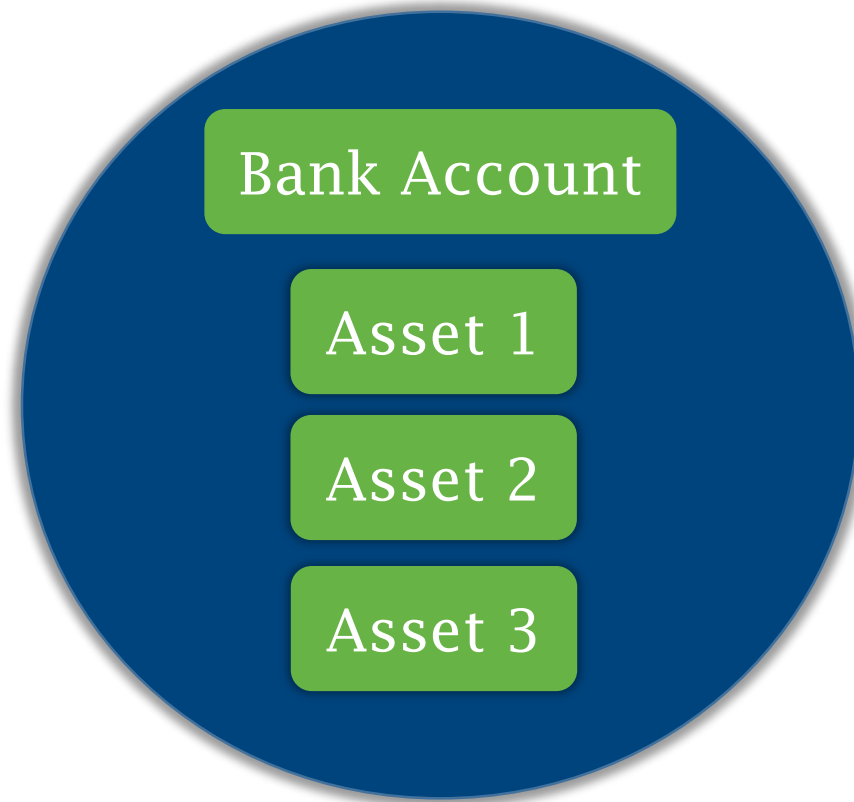


9/3/2022

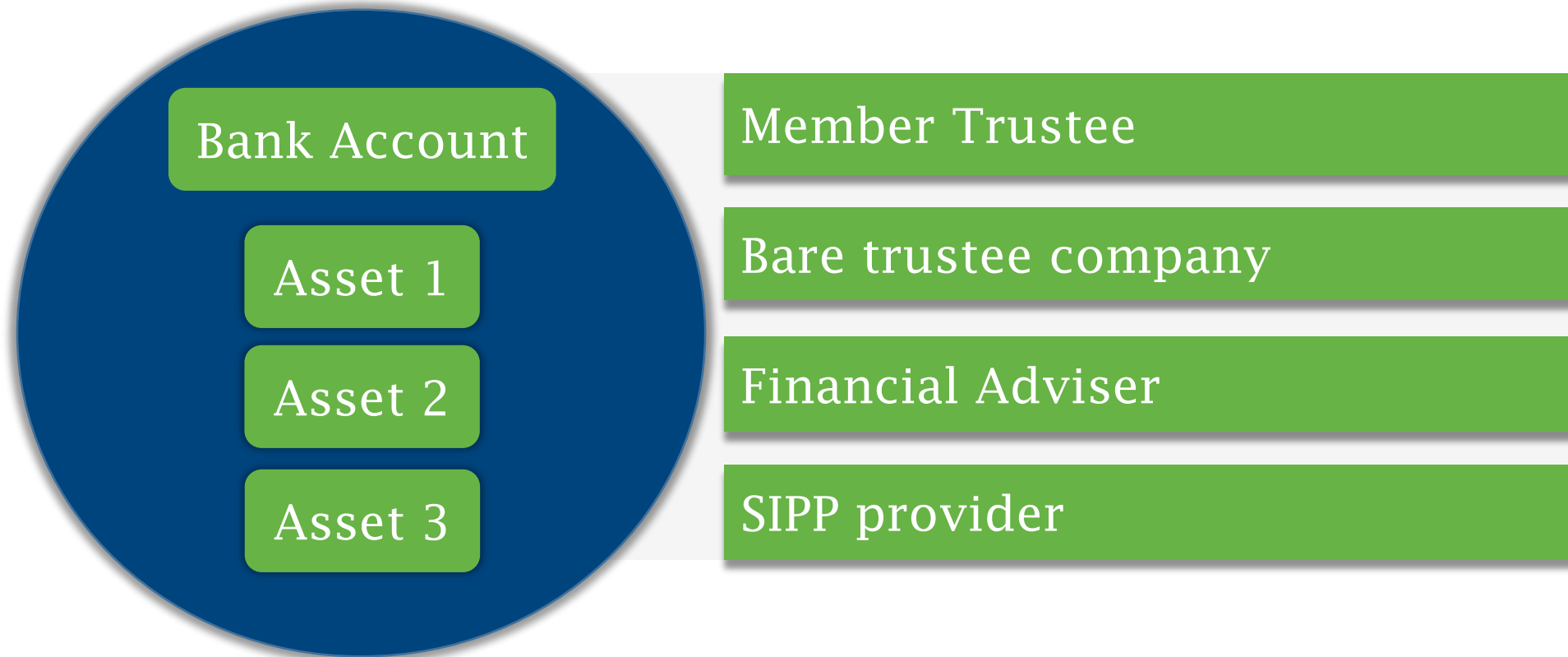
SIPP and SSAS; different vehicles.

- > SIPP – self invested “personal” pension
 - > Provider is integral to SIPP wrapper
 - > Transfer-out required to break link with provider
 - > Change of legal owner of assets following transfer-out
- > SSAS – small self administered scheme
 - > Occupational pension scheme for directors / employees of founder company
 - > Can be multi-member scheme
 - > Provider need not be integral to SSAS wrapper
 - > Provider can be removed and SSAS remain intact

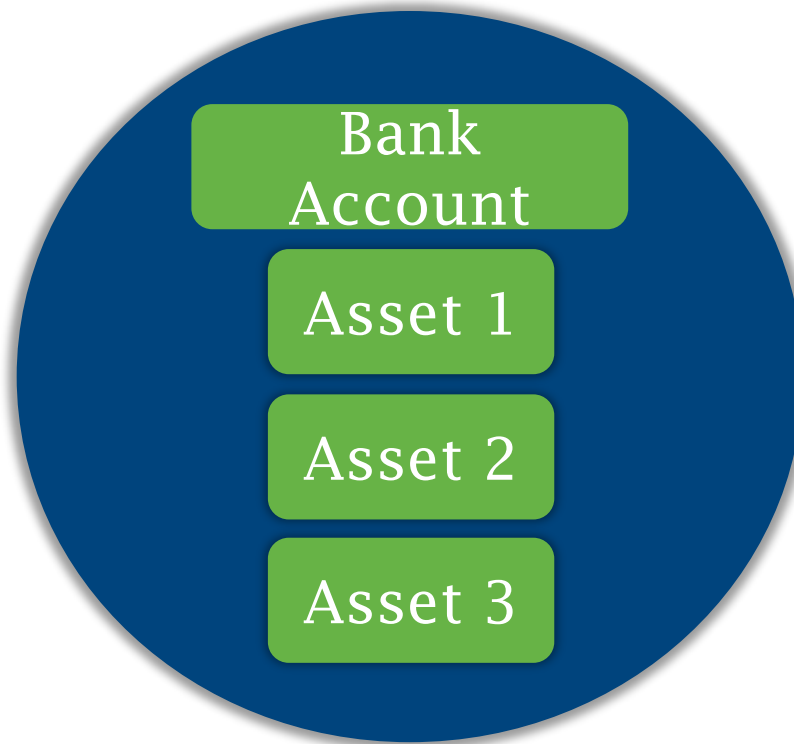
Sample SIPP structure.



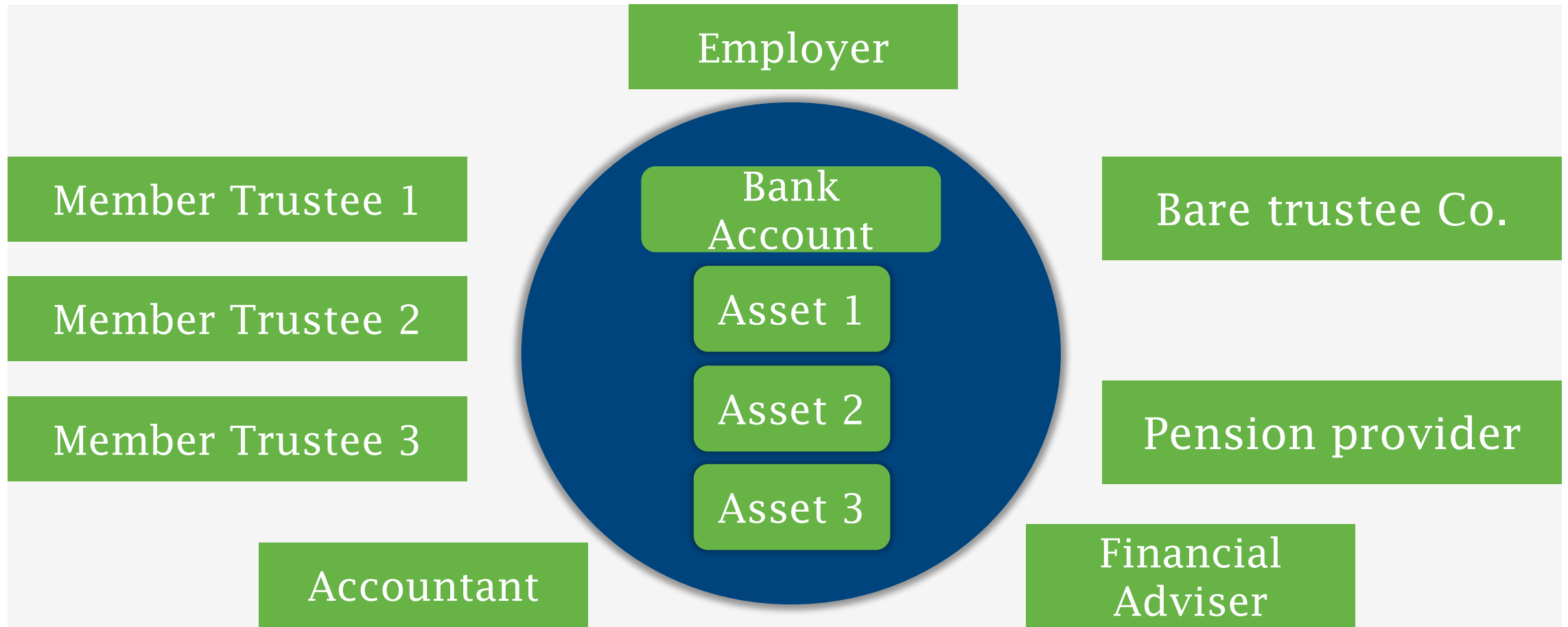
Sample SIPP structure.



Sample SSAS structure.



Sample SSAS structure.



SIPP provider – due diligence considerations.

A starting point...




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Some types of permitted investment - SIPP.

- > Funds and listed equities (UK / overseas recognised exchanges)
- > Deposit accounts
- > Commercial property / property syndicates
- > Investment grade gold bullion
- > Unquoted equities
- > Commercial loans to UK companies

Some types of permitted investment - SIPP.

> And many more...



Permitted assets.

A principal feature of our self invested pension plans is the flexibility they provide when it comes to investment options.

An extensive range of opportunities is listed in our Permitted assets document.
Download your copy here: [Dentons Permitted Assets](#)

Permitted assets

Dentons consider the following assets to fall under this category:

Funds and equities

- > Stocks and shares listed or dealt on any HM Revenue and Customs (HMRC) recognised stock exchange, including:
 - > Equities
 - > Fixed interest securities issues by government or other entities
 - > Debenture stock and other loan stock
 - > Permanent interest bearing shares
 - > Convertible securities
 - > Alternative Investment Market (AIM)*
 - > Equities traded on a recognised overseas stock exchange
 - > Offshore funds recognised by the Financial Conduct Authority (FCA)
 - > Trustee investment bonds
 - > Authorised unit trusts that do not hold residential property
 - > Shares in investment trusts
 - > Authorised open ended investment companies (OEICs).

*Although the AIM market is not regarded as a recognised stock exchange, we treat AIM listed shares as a standard asset and therefore there is no restriction on the amount that can be held. However, before we will accept AIM shares within our schemes, they must be referred to our Technical Manager for approval.

Deposit accounts

- > Deposit accounts with any UK authorised financial institution.

Can the proposed investment proceed?

Where next?



Provider selection - some considerations.

- > Is provider capable / competent?
 - > experienced in handling complex investments?
 - > local business development support?
 - > willing to conduct necessary due diligence?
 - > fee-free?
- > Does its permitted assets list allow the investment?
 - > and does it outline unacceptable assets?
- > Does it have a robust process to follow?
 - > specific investment questionnaires for a range of investments?
 - > investment committee to review non-standard investments?
 - > retain services of external due diligence specialist?

Provider selection - some considerations.

- > What should provider be looking for in its due diligence?
 - > presence / risk of “taxable property”
 - > income producing?
 - > complexity of investment / ability to obtain valuations
 - > potential liquidity (e.g. to pay death benefits)
 - > risk of unauthorised payments (member / employer)
 - > underlying reason for investment
 - > future marketability
 - > size of fund / investment amount v charges
 - > pre-existing concentration of proposed investment
 - > overall commerciality of proposal

SIPP provider due diligence considerations.

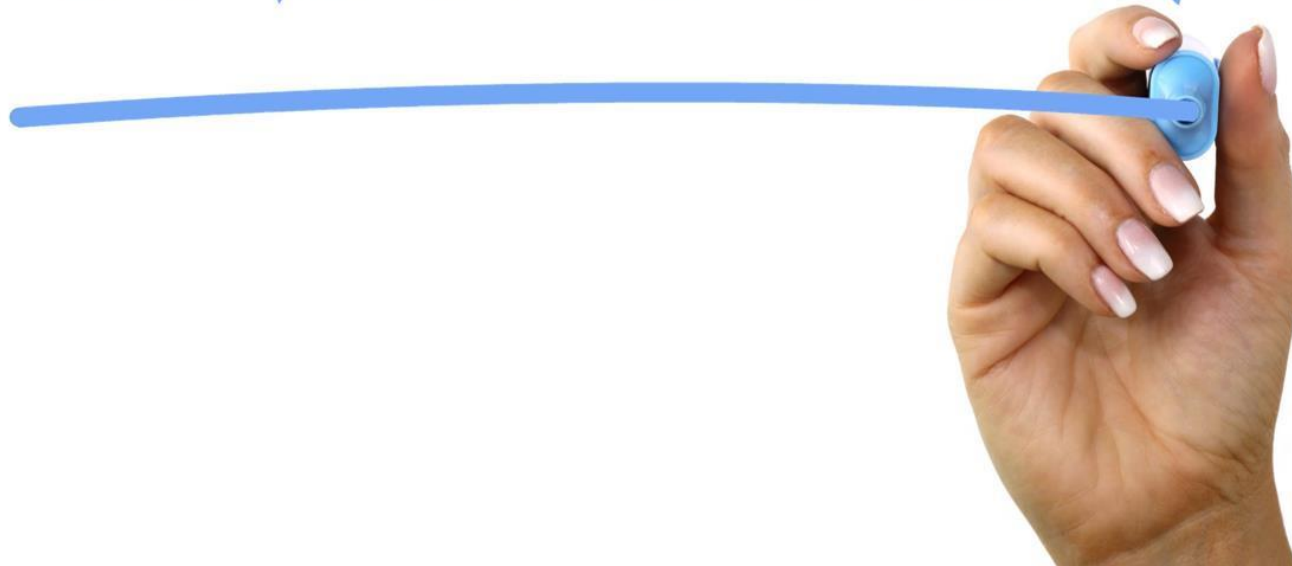
- > Implications for advisers and paraplanners -
 - > Be aware of the evolving case law affecting SIPP and SIPP providers
 - > Carefully consider which SIPP providers to recommend to clients
 - > Understand the SIPP provider's previous and current business model, including -
 - > where its business comes from
 - > types of non-standard investments across its book
 - > amounts and concentration of investments across its book
 - > where its profit is derived from
 - > its capital adequacy position

How might clients be affected by a failure?

- > In the short term:
 - > there might be no noticeable impact on clients.
- > Longer term, impacts may become far more noticeable:
 - > new provider's staff dealing with the failed provider's former clients?
 - > poor service levels?
 - > poor understanding of the client's requirements?
 - > prolonged delays in obtaining information?
 - > administration errors?
 - > change of charging structure?
- > (none of which the adviser firm had recommended initially and none of which the client wanted to experience.)

Case study - SIPP.

CASE STUDY



Case study 1 - in-specie transfer.

- **Property value - £375,000**
- **Opted to tax (VAT Registered)**
- **No outstanding borrowing**
- **Other assets - platform / cash**

Case study 1 - in-specie transfer.

- Property value - £375,000
- Opted to tax (VAT Registered)
- No outstanding borrowing
- Other assets - platform / cash

- Client wishes to change SIPP provider
- Means change of legal owner of assets
- Re-registration of property/platform assets
- Cash transfer of cash holdings



SIPP in-specie transfer.

- > Potential process map:
 - > New provider assesses acceptability of assets in principle
 - > New provider outlines likely charges for in-specie transfer and ongoing admin
 - > New SIPP established
 - > New provider liaises with transferring scheme re asset list
 - > Solicitor appointed (if needed e.g. for direct property investment)
 - > New platform / stockbroking account opened in new SIPP (if needed e.g. to accept re-registered holdings)
 - > New provider confirms ownership of all transferred assets

Case study – SSAS “takeover”.

CASE STUDY



SSAS transfer – “takeover”.

- > Potential process map:
 - > New professional trustee assesses acceptability of assets and overall status of SSAS in principle
 - > New professional trustee outlines likely charges for Deed of Appointment and for re-registration of assets (NB not in-specie transfer) and ongoing admin
 - > Existing SSAS wrapper continues with new professional trustee in place
 - > New professional trustee deals with re-registration of assets and inclusion on Bank Mandate for SSAS bank account
 - > Solicitor appointed if needed (e.g. for direct property investment to re-register property to include new trustee)
 - > Any existing platform / stockbroking accounts remain in place
 - > New professional trustee confirms updated ownership of all assets

SSAS transfer – “takeover”.

- > Popular course of action taken by SSAS clients
- > Simply an addition / change of trustee
 - > not a pension switch
- > “Orphan” SSAS may need external “fit and proper person” in place e.g. for fund allocation calculations, benefit crystallisation event calculations, etc.
 - > Advisers need to ensure clients don’t assume these are the adviser’s responsibility
- > SSAS clients need to be aware of Scheme Administrator (SA) duties and comply
- > Professional trustee may act jointly with member trustees as SA

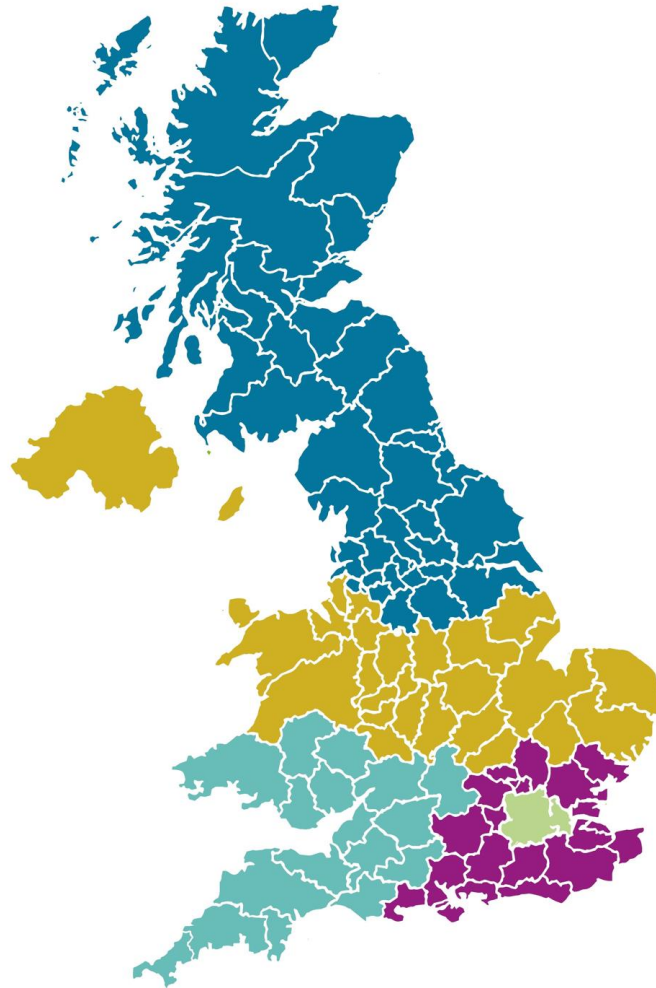
SSAS transfer – “takeover”.

- > Outdated scheme Trust Deed & Rules often updated as part of process
 - > may enhance benefit options available under the scheme...
 - > ...particularly if TD&R not updated since 6/4/06 (A-Day)
- > Minor scheme issues often identified and rectified as part of process
- > Can provide substantial peace of mind for SSAS trustees, members and advisers
- > Sometimes in a surprisingly cost-effective manner

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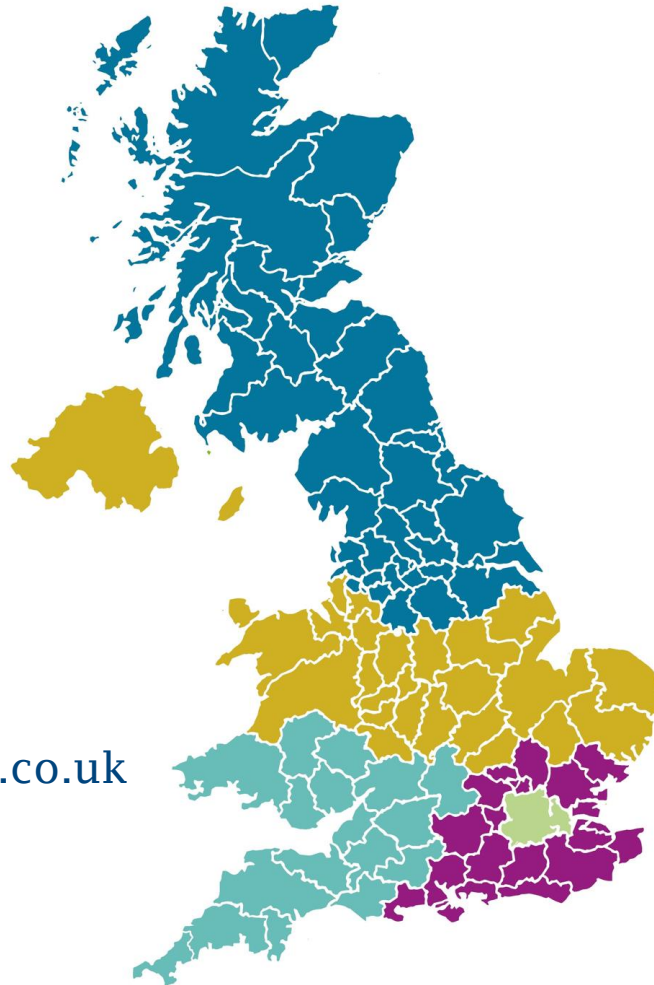
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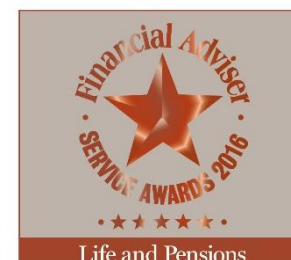
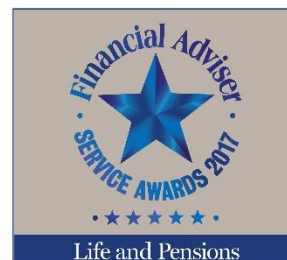


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