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Press Release

LONDON & COLONIAL CALLS ON HMRC TO PROTECT INVESTORS WITH PERMITTED INVESTMENT LIST FOR SIPP, SSAS AND QROPS OR RISK FURTHER SCANDALS

- *HMRC and The Pensions Regulator have moral duty to protect investors*
- *Greater joined up thinking must be had across SIPPs, SSAS and QROPS*
- *Pension provider publishes own permitted / prohibited investment list for SIPPs*

London & Colonial is calling on HM Revenue & Customs to introduce a permitted investment list for SIPP, SSAS and QROPS or risk pension savers becoming embroiled in scandals.

The leading pension provider said a permitted investment list, authorised by The Pensions Regulator, would attempt to clear up grey areas surrounding the wide range of investments available and place the emphasis upon those investments pension savers can invest in.

Adam Wrench, Head of Business and Product Development, said: “We have a moral duty to protect investors’ money so that it is ultimately used to provide an income for life rather than be gambled away. As such, there’s a real need for greater clarity around what is a permitted and non-permitted investment.

“SIPP providers receive numerous requests from investment firms to sign off their investment, placing the onus upon the provider to carry out due diligence on the investment. Obviously, one consideration is whether the investment is a UCIS and what sort of client it would be suitable for. There are some investments that clearly fall foul of the UCIS rules but there are others which fall into a grey area.”

Adam says there is a huge grey area when it comes to pension investments that are open to legal interpretation and this is what must be avoided at all costs. He believes HMRC & The Pensions Regulator must protect investors from businesses using loopholes to make easy money out of unsuitable and risky investments. We have examples of where we have had an investment submitted to us for our consideration which we have declined because it is clearly in breach of the UCIS rules only to have the same investment re-submitted to us 4/5 months later as a different legal structure together with a barristers opinion to confirm that it is not a UCIS. The underlying investment/parties involved etc have not changed at all but obviously the new investment structure has clearly been designed to circumvent the UCIS rules.

London & Colonial has launched its own permitted investment list for SIPPS, which clearly outlines what the company will and won’t permit and believes it should be used as a blue print for the industry. Our starting point was to go back to the permitted investment list that existed pre-A Day and then to update with lessons learnt within the industry since then. All the main regulated asset classes are included as you would expect with the addition of non standard investments such as UK commercial property and loans. However, these have been clearly defined in order to remove as much of the grey area as possible. For example commercial property is defined as any “UK” property that is being used a “trading premises”. The thought behind this is to take the SIPP industry back to its roots and its original target market for SME business owners. HMRC always used to define “Self investment” as meaning the ability for SME business owners to use their pension fund to invest in themselves. However, the main stream market has infringed somewhat onto this definition and changed its meaning to mean investments that can be controlled and selected yourself. A subtle change that has had dramatic consequences for the industry which has bought SIPPs more and more into the main stream market for which it was never originally intended.

Our Loans definition has been based upon a similar criteria as used for SSASs i.e. that they must be secured against a fixed asset and be on a repayment rather than interest only basis therefore we are not allowing unsecured interest only loans.

It may surprise some to see that we have placed unquoted shares on our prohibited list but we feel that clients that wish to “invest” in a company should do so on a secured basis in the form of a loan (on the basis described above) rather than on an a more risky basis in the form of unquoted shares. However, it is the addition of the look through principle on their prohibited investment list that should remove further grey area and ultimately increase protection.

"Any investment that has been structured using a vehicle that appears on our permitted list but ultimately holds assets/investments that are not permitted will not be acceptable.”

However, regulatory pressure on SIPPS often has the undesired effect of forcing people to switch to their unregulated counterparts such as SSAS or QROPS, Adam warns.

“At present, SIPPs are regulated and providers must therefore supply ongoing reports to the FCA on the type and quality of business being accepted. However, SSAS providers are unregulated, allowing them to more freely accept investments at face value. This is why we are seeing the switch of many of the unregulated investments now being “sold” via SSASs instead. We favour a 2 pronged approach of tighter regulation for SSAS as well as a permitted list that is rolled out across all schemes. Without greater joined up thinking, we as an industry are just setting ourselves up for a fall further down the line.”

-Ends-

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Notes to Editors

About London & Colonial

London & Colonial specialises in self-invested products for both UK residents and persons resident overseas.

The London & Colonial Group includes

(1) London & Colonial Holdings Limited – UK parent company
(2) London & Colonial Services Limited which is regulated by the UK Financial Services Authority and operates SIPPs and SSASs
(3) London & Colonial Assurance PLC which is regulated by the Gibraltar Financial Services Commission (matching UK standards) and which offers Open Annuities, QROP Annuities and Open Offshore Bonds
(4) L&C (Administration Services 2) Limited and London & Colonial (Trustee Services) Limited which are both based in Gibraltar and offer the EU SIPP.

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