

Article

SIPP and SSAS deposits held in the Isle of Man

17th October 2008

Department of Treasury,
Government Offices
Bucks Road,
Douglas
Isle of Man,
IM1 3PU

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Dear Sirs

SIPP and SSAS deposits held in the Isle of Man

A J Bell Group are one of the largest SIPP and SSAS administrators and trustees in the UK dealing with in excess of 32,000 separate pension arrangements and, within those arrangements, holding net client assets exceeding £5 billion.

Many of our SIPPs and SSASs give the client the flexibility to hold cash deposits in any UK or Isle of Man deposit taker and as a result of recent events in the financial markets we have been in correspondence with the Financial Services Compensation Scheme in the UK to confirm the arrangements that would be in place for our SIPPs and SSASs should a UK deposit taker fail.

One of the main reasons we have sought this clarification is to establish whether SIPP and SSAS investors were treated differently from 'individual' investors.

To explain further, the SIPPs and SSASs that we administer are trust-based pension schemes. We administer these schemes using a number of different models:

- Model 1 SIPPs are structured on a single trustee model i.e. the only trustee of those pension arrangements is one of our trustee companies, Sippdeal Trustees Limited. The pension scheme member is not appointed as a trustee but is the primary beneficiary of the SIPP. As a result of this all bank accounts are opened in the sole name of Sippdeal Trustees Limited although each individual bank account is opened separately i.e. we do not open a single bank account covering all of the SIPPs.
- Model 2 SIPPs are structured on a joint trustee model i.e. one of our trustee companies is appointed as a trustee, but the pension scheme member is also appointed as a trustee. As a result of this the bank accounts are opened in joint names, our trustee company and the member trustee. Again, individual bank accounts are opened for each individual SIPP. Again the pension scheme member is the primary beneficiary of the SIPP.
- SSASs are also structured on the joint trustee model. The main difference with a SSAS is that there will often be more than one member trustee meaning that the account may be opened with, say, five individuals and the trustee company all named as joint holders of the account. Again, each SSAS will hold an individual bank account. The SSAS members will be the primary beneficiaries of the SSAS.

Our main concern is that, for the purposes of the compensation arrangements, the fact that accounts are structured in one or more of the above ways might mean that the compensation available is 'pooled' between all of the accounts opened with a particular deposit taker or not available at all. For example, say we opened 30 accounts with 'Isle of Man based bank' in Model 1 SIPPs, all of those accounts being opened in the sole name of Sippdeal Trustees Limited, and that bank failed, would each of those separate 30 accounts benefit from individual compensation, or would the compensation be pooled between those 30 accounts because the accounts were all held in the name of Sippdeal Trustees Limited (albeit with the beneficial ownership being held by the 30 different pension scheme members).

We have received written confirmation from the FSCS that individual, rather than pooled, compensation will be available for all of our SIPP and SSASs holding funds with UK based deposit takers and obviously if the position is different in the Isle of Man this is something that our SIPP and SSAS members will need to consider when deciding whether to deposit funds in the Isle of Man.

I have looked at the Compensation of Depositors Regulations 2008 and have noted that there is reference to compensation being payable to "individuals beneficially entitled to the proceeds of the deposit". I would take this to mean that our SIPP and SSAS deposits are covered as the beneficial owner is an individual. However we have been in contact with Susan Woollard at the Financial Supervision Commission who has confirmed that her understanding of the Regulations is that, currently, they only cover individual depositors and not companies or trusts.

We also understand from Susan Woollard that amendments are shortly to be made to the Compensation of Depositors Regulations 2008 as a result of serious concerns on the Isle of Man over the issues that companies and some trusts may not be covered.

Based on the level of deposits we hold in Isle of Man bank accounts I would make a very conservative estimate that the total held by all SIPP and SSAS providers in the Isle of Man would be well over £100,000,000. This of course ignores registered pension schemes other than SIPP and SSASs.

If amendments are being proposed for the legislation we strongly urge you to ensure that these amendments provide cover to UK registered pension schemes, and that confirmation is provided that SIPP and SSASs are covered.

It is clearly not an acceptable risk for trustees of pension arrangements to hold that level of funds in Isle of Man banks without definitive confirmation that they are covered. If this confirmation is not received we will be obliged to advise our customers and advisers of this fact so that they have a chance to remove their deposits. Based on our experience of our clients' reaction to negative information regarding specific banks or compensation schemes we would expect the immediate withdrawal of most of our SIPP and SSAS deposits in Isle of Man banks.

We will also contact our industry body, the Association of Member-Directed Pension Schemes, so that they can make all SIPP and SSAS providers aware. Given the sums involved an immediate assurance that you intend to cover SIPP and SSASs would be appreciated.

If any of the above is unclear or you require any further information, please do not hesitate to contact me.

Yours faithfully,

RICHARD S TAYLOR
MANAGING DIRECTOR

END

Notes for Editors

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Our customer proposition - Market leading, low cost, transparent, service, value, choice, leading functionality, integrity, award winning.

Our business - Market leaders, growing, innovative, own intellectual property, profitable, stable, we don't provide advice or investment management.

Established in 1995, A J Bell Group specialises in providing administration, trustee and actuarial services for SIPP and SSAS.

The A J Bell Group is now one of the largest SIPP trustee and administrators in the UK with in excess of 32,000 individual SIPP and assets under administration exceeding £8bn. It provides third party SIPP administration services for Barclays Stockbrokers, Halifax Share Dealing, Skandia and E*Trade.

Recent research by CoreData Research places SIPPcentre alongside Standard Life as advisers' two most preferred SIPP.

A J Bell Group have won an array of prestigious industry awards recognising our reputation for leading products and services. A J Bell Group products include SIPPcentre, Sipdeal, Sipdealxtra and A J Bell.



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