Power and great responsibility

Nigel Bennett outlines the increasing use of SSAS and some of the issues to consider

Nobody really knows how many small self-administered schemes (SSAS) presently exist in the UK. The Pensions Regulator reckoned there could be over 770,000 individual schemes when it last commented on the market in early 2017, far more than anyone in the industry had previously reported.

If those numbers are in any way accurate, the lack of regulation in this area suggests that many people have found it easy to set up a SSAS, with potential exposure to scammers or firms establishing schemes that do not possess the required experience and knowledge. As an unregulated financial product, some schemes appear to have been established without advice from a Financial Conduct Authority (FCA)-regulated financial adviser, leading to poor investment decisions encouraged by tales of get rich quick schemes and highly speculative investments, which appear on many online forums.

How difficult is it to run a SSAS?

SSASs are highly specialised and require lots of experience and expertise gained over many years dealing with lawyers, accountants, HMRC, The Pensions Regulator, the Information Commissioner's Office, banking, and payroll systems together with knowledge of a wide range of investments. The right people, systems and processes need to be in place to comply with the various requirements and to keep the scheme running in compliance with HMRC rules.

Many new schemes appear to be set up on a practitioner-only basis with no professional trustee or scheme administrator appointment, in essence the client is flying solo, often without appreciating what can go wrong. Unfortunately, there is a worrying increase of tax tribunal cases reported involving unauthorised payment tax charges as a result of breaches of HMRC regulations where a professional trustee or scheme administrator has not been involved, which may have prevented schemes unwittingly, or deliberately, breaching the regulations.

Lack of regulation seems to have allowed the concept of a SSAS to be stretched; not only in the type of investments or use of SSAS funds being promoted, but we are also seeing the subject of unallocated contributions being increasingly promoted, with some believing that this be a way around the annual allowance limits without considering the many knock-on effects and issues this raises (as well as limits on allocating these contributions in future, which is not as straightforward as it appears).

What is likely to happen to the market?

We have never seen SSAS enquiries at current levels, so it is good that the product is capturing the imagination of clients and their advisers. Although we set up many new schemes, several new enquiries are takeovers of existing schemes, where the client moves to InvestAcc from another SSAS firm. This may be because of poor administration, high fees, or perhaps because their current SSAS firm is withdrawing from the market.

InvestAcc prefers to offer SSAS on a 'full service' basis, where we provide professional trustee and scheme administrator services, which for most schemes provides the right balance of help, support, administration, compliance and expertise to ensure the smooth day to day running of the scheme.

We examine each transaction on its merits, and there are times when we decline a transaction due to our interpretation of HMRC rules, or simply fulfilling our fiduciary duties as trustees and protecting members interests. In some cases, dependent upon specific circumstances, we may act as scheme practitioner, rather than scheme administrator, but we would remain a signatory on the trustee bank account.

Why would someone consider a SSAS?

We are often asked why someone may consider a SSAS and we believe the following are key reasons, but only a regulated financial adviser will be able to comment on whether this is suitable for a particular client.

1. To hold a wide range of investments including commercial property and land, which can be leased to the client's business, or any other tenant, on commercial terms.
2. To make loans to the sponsoring employer, for relevant business purposes.
3. To have a scheme that can borrow for investment and payment of benefits, with limits based on the total of all scheme assets.
4. To have a scheme for a family business, where the assets may cascade down the generations without needing to be sold or reregistered.
5. To have a pooled investment fund, with investment returns and expenses shared in proportion to each member's share of the fund.
6. To allow additional flexibility on death, with beneficiary decisions being made by those closer to the deceased.
7. Potential cost savings compared to other types of pension scheme (although this may not always the case).

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