



SSAS OUR GUIDE TO PENSION SCHEME LOANS

Overview

HMRC allow Invested Regulated Occupational Schemes to make loans only if they are genuine investments which must be prudent, secure and on a commercial basis. Loans can be made to a sponsoring company from Taylor Patterson SSAS's or more unusually to a genuine third party, companies or individuals.

The five main conditions that need to be met for employer loans are as follows:

Security	The loan must be secured throughout the term of the loan by means of a first legal charge over an appropriate asset that is at least equal to the loan value plus the interest. It will be necessary to provide us with an independent Open Market Valuation of the asset to be used as security and where appropriate this charge needs to be registered before the loan is drawn.
Interest Rate	The loan must be made with an interest rate of at least 1% above the average of the base lending rates of the six high street banks. The average being rounded up to 0.25%. This rate is published on the HM Revenue & Customs website www.hmrc.gov.uk/rates/interest-ctsa.htm . We would recommend that the interest rate is fixed throughout the term and as long as the interest rate meets the requirements on the date the loan is granted it can be applied throughout.
Term	The term can be for a maximum of five years. The term should reflect the purpose of the borrowing.

<p>Amount</p>	<p>The maximum amount that can be lent to a Pension Scheme is 50% of the net market value of the Pension Fund. Existing debts or borrowings will need to be deducted from this figure. This limit is applied at the point the loan is taken and is not retested at any later date.</p>
<p>Repayment</p>	<p>Loans must be paid in equal instalments of capital and interest on at least an annual basis so the loan is fully repaid by the end of the term. The frequency of payments can be monthly, quarterly, half-yearly or annually.</p> <p>Any breach of the above can lead to unauthorised payment charges. It should be noted that loans cannot be made to Scheme Members and their relatives or connected parties or to Companies controlled by the Scheme, which do not participate in the Pension Scheme or partnerships in which Scheme members and/or relatives are Partners.</p>

The guidance notes are aimed at financial advisers and do not constitute advice. If you are a private investor, you should always seek independent financial advice.

Taylor Patterson Trustees Ltd is the Principal Trustee and Scheme Administrator of the SSAS. Taylor Patterson is responsible for the day to day administration of the SSAS.

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