LONDON & COLONIAL
INNOVATION IN PENSIONS

Press Release

# London & Colonial says Investors should take the opportunities offered by QROPS as liberalisation of UK pensions could be a costly distraction

The response to the sweeping liberalisation of UK pensions announced in the latest Budget, has prompted many commentators to indicate that putting flexible offshore arrangements in place is hardly worth the effort. They appear to be suggesting that UK pensions will offer so much flexibility that it makes further planning redundant.

Adam Wrench, head of product and business development at London & Colonial, the specialist onshore and offshore pension provider, urges caution and advises people to consider their long term options very carefully and states that QROPS transfers are taking place for genuine reasons that outweigh the flexibility of cashing out. In one stroke the chancellor has made the UK the pension liberation capital of the world. He said:

"Of course, the new found flexibility in the UK pensions system looks very attractive at the moment, but the question is how long will it last and when will other jurisdictions follow suit? For example we wait with interest to see where the treasury and HMRC will go next in terms of QROPS. HMRC have previously stated that 70% of the QROPS fund must be used to provide a pension income.

However, going forwards it will be difficult for HMRC to take the same stance given that their own UK rules are about to change to allow 100% lump sum commutation. HMRC rules are based on the principle that QROPS must offer broadly the same pension benefits as is permitted in the UK. This is especially the case for any EU QROPS providers. The principles of EU law are built on the ability for freedom of movement and competition. This means that it will be difficult for the UK to object to a client that wants to move their pension fund to another EU state where that country also allows 100% commutation.

We look forward to clarification from HMRC on this point as QROPS jurisdictions and providers alike look to develop new products in line with UK rules"

-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.

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