LONDON & COLONIAL
INNOVATION IN PENSIONS

Press Release

Adam Wrench, Head of Product and Business Development at London & Colonial states 'FSA hands are tied as esoteric investments find new homes"

It is encouraging that an increasing number of SIPP providers are announcing that they are tightening up on their investment approvals processes within SIPP especially surrounding esoteric investments and overseas property developments.

With the growing levels of adverse publicity surrounding this issue, the regulator has started to take an increasing interest in the more esoteric types of these investments and those who promote them.

More recently the FSA has also become increasingly aware of some advisers having given advice on pension transfers or switches, without having fully assessed the advantages and disadvantages associated with the type of investment they are proposing their clients hold within their pension fund.

But will the increased levels of scrutiny, currently being exerted by the FSA, solve the underlying issues?

Adam Wrench, Head of Product & Business Development for London & Colonial comments:

> "Clamping down on the inclusion of such investments may see those advisers who wish to continue promoting them simply start moving clients into some unregulated environment rather than using SIPPs. The most obvious alternatives are perhaps SSASs and QROPS where the FSA has no involvement. However, even if SSASs became regulated, schemes in overseas jurisdictions would be beyond the jurisdiction of the FSA. For example, one can envisage unscrupulous distributors contriving transfers from, perhaps, good occupational schemes into a QROPS – instead of using a SIPP as has been the concern recently. Also, SSASs may admit non-employees as members and then, given that these schemes do not have to be common trust funds but may be structured as a collection of individual funds, we have a "SIPP look alike" situation.
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> This leaves clients' money open to even greater levels of risk, and rather than addressing the problem it simply transfers it from the regulated arena of SIPPs into an unregulated one.
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> This is a potential disaster waiting to happen. There have been no indications that occupational schemes in general or SSASs in particular will become regulated by the FSA in a similar manner to SIPPs. Even if these schemes were to become so regulated, QROPS would still be beyond the FSA's remit. However, there may well be effective regulation in the jurisdiction where the QROPS is located - such as by the FSC in Gibraltar.
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> Consequently, so long as the FSA does not directly control the promotion and sale of the investments themselves irrespective of the eventual holding vehicle, the responsibility for addressing these problems has to fall to the SIPP, SSAS and QROPS providers themselves, as it is they who have the power either to reject or to accept whatever investment applications that they receive.
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> Providers may well consider that they should reject any application to allow an investment that is advised as

being unsuitable - the difficulty is that Providers generally do not have authorisation to advise on suitability – this is one of the key roles of IFAs.

Providers and IFAs should therefore be working together to avoid future problems and potentially detrimental outcomes for clients.

It would be interesting to understand where SSAS providers stand in relation to investment approvals as well as the SIPP providers.

London & Colonial, has since last year, operated an investment matrix as a basis for deciding whether or not to allow investment requests. This takes account of the type of investments being proposed, the financial advice given (if any) and also the category of client e.g. retail or CSI.

Not only are these qualifying criteria strictly followed and regularly reviewed, but we also ensure that they are applied equally to any potential investment, whether it be destined for a SIPP or a SSAS and we shall be using similar criteria for our QROPS which is due to be launched shortly".

-Ends-

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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