



The Xafinity Self Invested Personal Pension (SIPP)

SIPP – New Loan Guide



If you require this document in another format for ease of reading, please let us know.

This document has been written for The Xafinity SIPP. However, if you have a Xafinity Self Invested Personal Pension Plan it is still correct in its technical content but there are some minor differences.

You can find out what SIPP you hold by looking at your Policy Number and the table below explains the differences to consider when reading this document.

Policy Number	SIPP Name	Differences in this guide
1nnnnn (6 digits starting '1')	The Xafinity SIPP, and SimplySIPP	None
5nnnn (5 digits starting '5')	Xafinity Self Invested Personal Pension Plan	<ul style="list-style-type: none"> • The SIPP is not Defaqto rated; and • The SIPP Provider is Bank of Scotland

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Important Note

This document is updated regularly. Please ensure you are referring to the latest document by visiting Xafinity.com and/or contacting your SIPP consultant.

[Loans are not an investment option with the SimplySIPP. If you have a SimplySIPP and wish to invest in loans, please contact us about moving to the full Xafinity SIPP.](#)

1. New Loans - Introduction

Background

All loans must satisfy HM Revenue and Customs (HMRC) requirements, which may vary from time to time. To meet these and its own requirements, Xafinity has set out what is needed within this guide. Please note that Xafinity reserves the right to decline a proposed loan from the SIPP before completion. However, only in extreme circumstances will we not complete a transaction after the completion of the loan documentation.

Only loans to unconnected third party companies can be advanced by the Xafinity SIPP. **Loans to individuals or partnerships are not permitted.**

SIPP Member Considerations

Where a SIPP member wishes to lend money from his or her SIPP and is within 10 years of their expected retirement date, they must give serious consideration (and obtain suitable advice) as to whether a loan is suitable. As a guide, the SIPP member and his or her advisers should consider: -

- (a) When the member actually intends to retire.
- (b) Whether or not there is/will be sufficient liquidity in the SIPP to fund the member's intended retirement option(s).
- (c) When the member intends to uplift their benefits and purchase an annuity.
- (d) That the loan may need to be repaid early to help fund the payment of a member's benefits (e.g. death/retirement benefits).

To be clear, we are not stating that a loan should not be advanced within 10 years of a member's expected retirement date, but the above points should be fully considered.

Security

It is not an HMRC requirement for loans advanced to an unconnected third party to be secured, but it is prudent for security to be put in place. As a result, it is our stance that a loan from a Xafinity SIPP must be on a secured basis.

This security must be in the form of a first legal charge over an asset, valued at an amount at least equal to the value of the loan capital plus all interest payable throughout the term on the loan. This security must be fully in place and registered prior to any loan being advanced. Normally the asset will be owned by the borrower and can't be currently owned by the SIPP. The fees and costs associated with the creation of the first legal charge must be met by the Borrower. Our Solicitors will arrange the security to be put in place on behalf of the SIPP. The costs associated with this legal work will normally be payable by the borrower, unless specifically agreed otherwise by the SIPP member.

Maximum Permissible Amount

HMRC do not stipulate a maximum percentage of the fund that can be lent, but the maximum amount that Xafinity will permit is the equivalent of 70% of the SIPP's net fund value at the point of advance.

Our Role

Our key role is to ensure that any transaction is acceptable to and meets HMRC requirements. In addition, we are here to help co-ordinate the preparation of the loan agreement and any associated legal documentation. Please always feel free to contact your SIPP consultant with any questions.

Timescales

It can take up to 2 months to complete a loan from a SIPP. Please ensure that all parties are aware of the likely timescale.

2. New Loan – Key Points

This section outlines the key points to consider when a SIPP member is looking to advance a loan from a Xafinity SIPP.

- A SIPP **cannot** advance a loan to a “connected party”. This will therefore exclude lending to:
 - (a) A scheme member or spouse or relative of a scheme member.
 - (b) A partnership where one of the partners is a scheme member or relative of a scheme member.
 - (c) A Company controlled by any of the parties detailed above in (a) and (b).
- The total amount the Xafinity SIPP can lend is limited to 70% of the net market value of the scheme assets as at the date the loan is advanced.
- In relation to any loan from a Xafinity SIPP, the SIPP member and their advisers must be aware of the following: -
 - (a) The borrower must be an unconnected Company, not an individual or partnership.
 - (b) The loan will be repayable in monthly capital and interest instalments.
 - (c) The term should be commercial, but for no more than 5 years.
 - (d) Xafinity insists that loans are advanced on a secured basis. This security will involve the creation of a First Legal Charge (or Standard Security) over an asset that is valued at least equal to the amount of the loan plus all interest due over the loan term. This charge must be in place and registered before the loan is advanced. Any security documentation will be prepared by our Solicitors at a cost, please see page 7 for further details.
 - (e) The interest rate will be a fixed rate of at least 1% above the base lending rates of the main High Street banks – see the HMRC link (<http://www.hmrc.gov.uk/rates/interest-ctsa.htm>).
 - (f) Capital and interest will payable by the borrower by Standing Order to the SIPP bank account monthly in arrears.
 - (g) Xafinity will require a signed letter from an independent Accountant confirming that in their professional opinion the borrower can meet the proposed repayment terms of the loan.
- The monthly capital and interest payment is established at the outset of the loan. There is a set calculation as to how this is arrived at. An example is provided below for information purposes: -

The SIPP makes a loan of £50,000 to XYZ Ltd on 3 January 2009 for a period of 5 years. As at 3 January 2009, the HMRC defined interest rate was 3%. This means that over the 5 years period, the total interest payable by XYZ Ltd is £7,500 (based on £50,000 x 3% x 5).

The “required amount” repayable by XYZ Ltd at the end of the first loan year and subsequent years is: -

$$[(£50,000 + £7,500) / 5] \times 1 = £11,500$$

The monthly payment by Standing Order is £11,500 / 12 = £958.34.

The asset that the security is taken against must be valued at an amount of at least £57,500. This security must be fully in place before the loan is advanced.

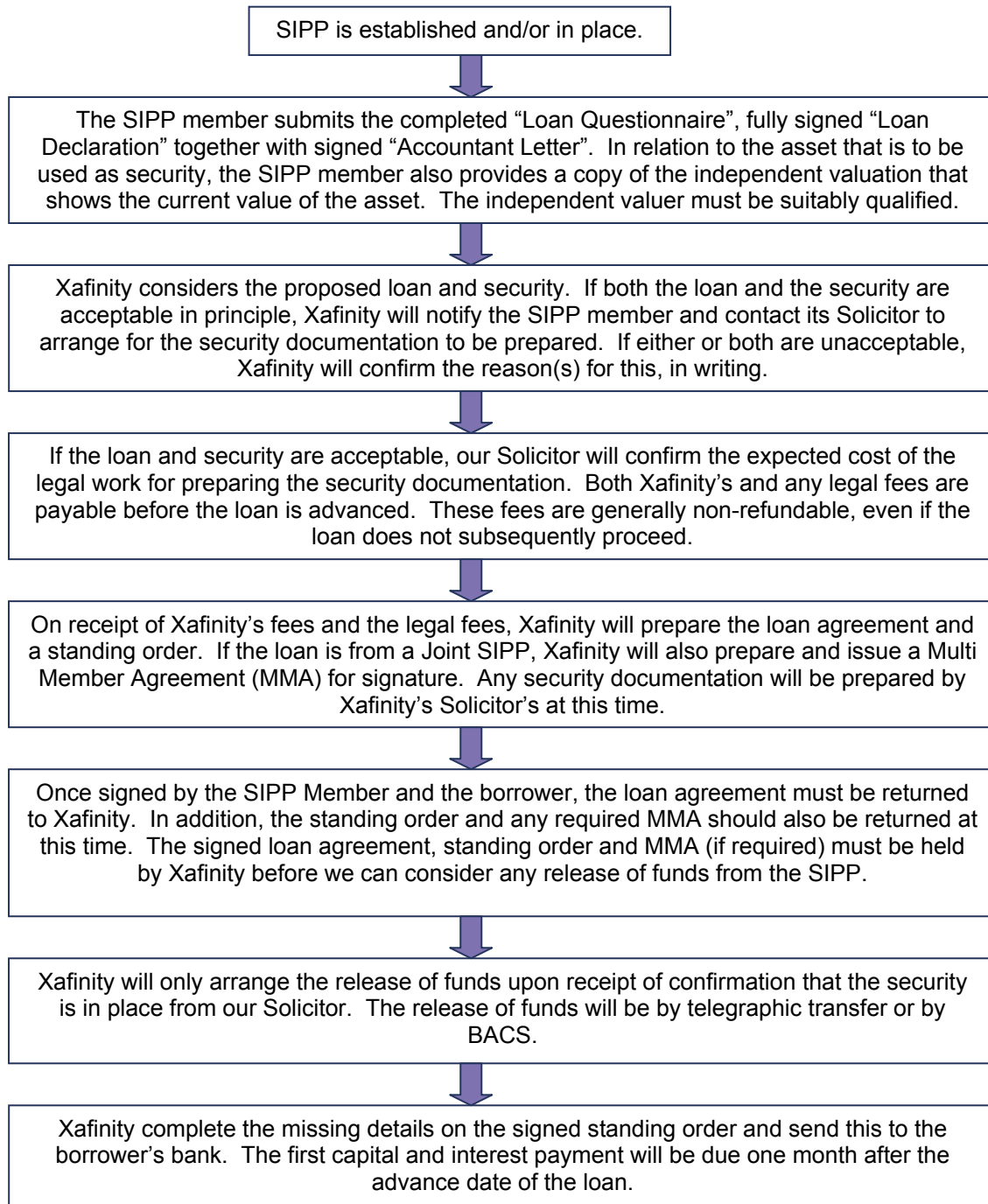
- Xafinity will require an independent open market valuation confirming the current market value of the asset that the loan is to be secured against. This must be prepared by an independent firm (or individual) with suitable qualifications to value the particular asset and they must set out the terms of the valuation. This valuation should be no more than 3 months old at the advance date of the loan. Where the asset that is being used as security is a depreciating asset and the use of this asset as security has been agreed by Xafinity, the independent open market valuation should also provide the estimated value at the end of the loan term taking into account a commercial depreciation rate.

- The most suitable asset for a SIPP to accept as security is a commercial property over which the SIPP can place a first Legal Charge. This means that the particular commercial property cannot have any existing security over it. Xafinity will consider other assets as security. In terms of HMRC legislation, plant and machinery (or any other tangible moveable asset) can be used as security for a loan. However, on using such an asset, it is particularly important that the Borrower pays all legal fees and costs associated with the creation of the first legal charge. The SIPP cannot meet these legal fees and costs as, by doing, so this will lead to a tax charge being payable by the SIPP on the cost of the creation of this first legal charge. For further details, please contact your SIPP consultant.

Where an asset other than commercial property is to be used as security, Xafinity reserve the right to charge additional fees on a time-cost basis. We will discuss these with you before any fees are incurred.

- A loan which could be classed as indirect investment in “Taxable Property” can’t be permitted as this would generate unauthorised payments, leading to tax charges. The only exception is if the property in question is used for the employer’s trade and the member or connected persons do not have the use of it. Further details relating to “Taxable Property” are available from Xafinity on request.
- Valuations of any SEDOL related assets held under the SIPP (for lending calculation purposes) such as Quoted Shares or Gilts must be provided as the “Statutory Market Value” (SMV).
- Legal fees are fully payable by the borrower unless specifically agreed otherwise by the SIPP member. Xafinity fees are payable from the SIPP. For details of the Xafinity fees, please see our [SIPP Chargecard](#).

3. New Loan – A Summary



4. Xafinity's Solicitors

Overview

Over the years, Xafinity have developed links with various companies, which we use to streamline procedures and overall costs.

In relation to legal work, our chosen Solicitors are Bevirs Solicitors in England & Wales, Harper Macleod in Scotland and Shean Dickson Merrick in Northern Ireland. The decision to use these particular Solicitors is based on past experience of using various different Solicitors with varying knowledge of pension legislation.

Our Solicitors will prepare the security documentation. The security will be in the form of a first charge over an asset for an amount that is at least the amount of the loan plus all interest due throughout the term of the loan. The valuation attributed to the asset being used must be supported by an independent open market valuation.

Generally the most suitable asset a loan can be secured against is a commercial property with no existing borrowing. In respect of commercial property situated in England, Wales or Northern Ireland being used as security, our Solicitors will also ensure a restriction or inhibition is put in place with the Land Registry so that the property can't be sold without Xafinity's agreement.

Any security documentation will be prepared, where possible, to reflect the need for the borrower to sell the asset should we be required to enforce the legal charge.

Our Solicitors are happy to quote for their fees before carrying out any work, upon request. Their fees are payable in advance by the borrower. The borrower's cheque should be made payable to "Bevirs Solicitors", "Harper Macleod LLP" or "Shean Dickson Merrick" depending on who is carrying out the legal work.

Our Solicitors' details and addresses are shown overleaf.

Bevirs Solicitors

For legal work in England and Wales, Bevirs Solicitors will represent the SIPP.
Their contact details are shown below:

Address:	Sonya Woolnough Bevirs Solicitors 141 High Street Wootton Bassett Wiltshire SN4 7AZ
Website:	http://www.bevirs.co.uk/
DX:	40350 Wootton Bassett
Telephone:	01793 848900
Fax:	01793 853191
Email:	sonya.woolnough@bevirs.co.uk

Harper Macleod LLP

For any legal work in Scotland, Harper Macleod will represent the SIPP.
Their contact details are shown below:

Address:	David Bell Harper Macleod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE
Website:	www.harpermacleod.co.uk
DX:	GW86
Telephone:	0141 227 9318
Fax:	0141 229 7318
Email:	david.bell@harpermacleod.co.uk

Shean Dickson Merrick

For any legal work in Northern Ireland, Shean Dickson Merrick will represent the SIPP.
Their contact details are shown below:

Address:	David Moffett Shean Dickson Merrick Solicitors 14-16 High Street Belfast BT1 2BS
Website:	www.shean-dickson-merrick.com
Telephone:	028 9032 6878
Fax:	028 9032 3473
Email:	davidm@shean-dickson-merrick.com

5. Terms, Links & Initial Paperwork

This section is designed as an aid to explaining various terms that you may run into during a SIPP loan transaction.

Third Party Loans

The formal definition of a third party loan can be found at: -

<http://www.hmrc.gov.uk/manuals/rpsmanual/rpsm07103190.htm>

Legal Charge

A legal charge is a formal document that gives a lender certain rights over the property/land/asset in return for the loan. Basically, it allows them certain repossession rights if the terms of the loan are not met. Where the legal charge is over property / land, this will be registered at the Land Registry by the lender to show the interest they hold over the property / land.

Taxable Property – HMRC Definition

Where the security is over an asset that is classed as “taxable property”, a tax charge (normally 40%) is payable on the legal costs associated with the creation of the security.

The formal definition of “taxable property” can be found at:

<http://www.hmrc.gov.uk/manuals/rpsmanual/RPSM07109010.htm>

Loan Questionnaire

This questionnaire has been designed to give Xafinity the minimum information it'll need to consider a proposed loan. All parts of the questionnaire **must** be answered. Blanks or "to follow" are not acceptable.

(a) Please provide the name and registered office address of proposed borrower.	
(b) Please confirm that the proposed borrower is "unconnected" and detail how the SIPP member(s) became aware that the borrower wished to obtain a loan? If there is any association between the member(s) and/or their relatives or business(es) and the proposed borrower, it is imperative that you detail what this is.	
(c) Proposed loan amount and loan purpose. Please remember that the maximum loan amount will be limited to 70% of the net market value of the scheme assets as at the point of advance.	
(d) Proposed loan term. This should be in full years and for no more than 5 years.	
(e) Proposed fixed loan interest rate. This must be at least the "Minimum HMRC rate"	
(f) Please detail the asset that is to be offered as security for the loan. Please confirm who currently owns this and its current open market valuation. Xafinity will require a copy of the independently prepared valuation supporting the value completed below.	<p>Asset:</p> <p>Current Asset Owner:</p> <p>Value & Valuation Date:</p>
(g) As the security for the loan must be in the form of a first legal charge, please confirm that there are no existing legal charges held over the asset detailed in (f) above. If there are, how are the security requirements to be met?	
(h) Are existing scheme assets purely funding the loan or is a new contribution, transfer-in and/or SIPP borrowing being used to help fund it? Please detail.	

Loan Questionnaire

(i)	If this is to be a multi member purchase, please detail the members and their proposed percentage contribution to the loan.
(j)	Solicitor and Accountant fees will be fully payable by the Borrower unless something different has been agreed. Has it? If so, please detail this below and why the Borrower is not being asked to fully meet these costs?
(k)	When is the proposed Borrower looking for the loan to be advanced by? Please remember that it can take up to 2 months to finalise a loan.
(l)	Please provide the bank details below for the Borrower's bank account that will be used to pay the monthly loan capital and interest. These details will be shown in the standing order that Xafinity will produce for the Borrower to sign.
<p>Bank Name & Address:</p> <p>Bank Account Name:</p> <p>Sort Code:</p> <p>Bank Account Number:</p>	

Important Notes

1. This form **must** be fully completed after reading Xafinity's "SIPP – New Loan Guide".
2. When returning this questionnaire, please provide a copy of an independent valuation of the asset to be used for the loan security.
3. When returning this questionnaire, please provide an independent Accountant's letter on their headed paper that is in accordance with the "Draft Accountant's Letter", which is overleaf.
4. In addition to points 1 and 2, you **must** also complete and return the fully signed "Loan Declaration" which is overleaf.
5. Once fully signed on behalf of the borrower, the standing order that is produced with the information provided in (l) will be sent directly to the borrower's bank on the loan being advanced.
6. Please refer to the "Terms & Links" within Xafinity's "SIPP – New Loan Guide" to ensure that you are familiar with key terms.
7. No SIPP loan should be considered without professional written financial advice.
8. In relation to security being put in place, the SIPP will be represented by Bevirs Solicitors (in England & Wales), Harper Macleod (in Scotland) and Shean Dickson Merrick (in Northern Ireland).

Draft Accountant's Letter

The wording below should be provided in a letter from an Accountant independent of the borrower on the Accountant's company headed paper. The wording shown should not be altered. Fees relating to the production of this letter should normally be paid by the borrower, not the SIPP.

SIPP Department
Xafinity SIPP Services Ltd
Scotia House
Castle Business Park
Stirling
FK9 4TZ

Date:

Dear Sirs,

SIPP Member(s):
Proposed loan to *Borrower Name*** ("the Borrower")**

I understand that the above named SIPP member(s) wishes to advance a loan to the Borrower from funds held within their Xafinity SIPP.

I can confirm that in my professional opinion the Borrower is solvent and will be able to meet the proposed monthly capital and interest repayments when due. For the avoidance of doubt, my confirmation here relates to a loan advanced on the following basis: -

Loan Amount:
Loan Term:
Loan Interest Rate:
Secured on:

Finally, I can confirm that I am independent of and have no connection to the Borrower.

Yours faithfully,

Accountant Name
Accountancy Firm Name

Loan Declaration

Name: **("the SIPP")**

I/We the undersigned hereby declare: -

1. That all relevant information has been provided and it is true and correct to the best of our knowledge.
2. There is no connection in anyway to the proposed borrower and that I/we fully understand the HMRC "connected party" definition.
3. Any loan from the SIPP will be used for the sole purpose of the borrower's trade and no member or connected persons will have the use of anything owned by the borrower whether funded by the loan or not.
4. That the loan is not a device to liberate money or assets from the SIPP and hereby indemnify and shall keep indemnified Xafinity SIPP Services Ltd and Xafinity Pension Trustees Ltd in respect of any unauthorised payment charges or other costs, claims, fees or expenses whatsoever arising out of or relating to making the loan to the Borrower.
5. That the loan shall be secured on an asset that has a value that is at least equal to the amount of the loan plus all interest due over the loan term.
6. That where the security is an asset that is classed as "tangible moveable property" in terms of HMRC legislation, we understand that if there is a tax charge on the cost (i.e. the legal costs) of the creation of the first legal charge and that this will be payable from the SIPP member's(rs) funds.
7. That I/we authorise Xafinity SIPP Services Ltd to pay their fees and those of their Solicitors from my/our SIPP funds in respect of the loan.

Please sign on the dotted line and print your name where indicated. All SIPP members whose funds are being used to fund the loan must sign this Declaration.

Date

Signature*:	Signature*:
Print Name:	Print Name:
Signature*:	Signature*:
Print Name:	Print Name:

*Where the member is a Trustee, this signature also constitutes signature as a Member Trustee.

Contacting Xafinity

SIPP Trustee: Xafinity Pension Trustees Ltd
SIPP Administrator: Xafinity SIPP Services Ltd

SIPP Department
Xafinity SIPP Services Ltd
Scotia House
Castle Business Park
Stirling
FK9 4TZ

www.xafinity.com

Tel: 01786 434213

Email: SIPPTeam@xafinity.com

Xafinity SIPP Services Ltd is authorised and regulated by the Financial Services Authority. Our FSA Registration Number is 461791. You can check this on the FSA's website at www.fsa.gov.uk/register/. Xafinity Pension Trustees Ltd (1450089) is registered in England at 27 Kings Road, Reading RG1 3AR. Xafinity SIPP Services Ltd is registered in Scotland (No 69096) and its registered office is at Scotia House, Castle Business Park, Stirling FK9 4TZ.

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