

Guidance Notes for Secured Loans from SIPPs

(For the James Hay Modular iSIPP, Partnership SIPP,
Family SIPP, IPS SIPP, IPS (2008) SIPP,
IPS Pension Builder SIPP only)

**Please note that we will not consider new Secured Loans from SIPPs.
These Guidance Notes are for top ups to existing loans only.**

**James Hay Partnership is not authorised to give
financial advice. If you need financial advice, please speak
to your Financial Adviser. If you would like to speak
to a Financial Adviser but do not have one,
please visit www.unbiased.com**

A SIPP may make Secured Loans to third parties provided the third party is not the member and is not connected to the member. Loans are only authorised payments if they are genuine investments of the pension scheme.

Such loans must be granted on commercial terms (please contact us for further details on what is deemed to be a commercial rate of interest) which includes being secured by a first legal charge over assets of the borrower. Please note that we will not consider loans where the security is residential property or taxable property. We will need to be provided with an independent valuation of the security, which has been produced by a suitably qualified person.

Loans to members (or those connected to members) are not permitted and any such loans would be taxed as an unauthorised payment (the tax charge is between 55% and 70% of the amount of the loan).

HM Revenue & Customs has a definition of a connected party as set out in Section 993 of the Income Tax Act 2007. For a SIPP member, this includes the following:

- A spouse, civil partner or relative
- A relative of the member's spouse or civil partner
- The spouse or civil partner of a relative
- A business partner, or spouse, civil partner or relative of a business partner
- A company that the member controls (either with or without other connected persons).

Please also note that we will not make loans available to the following parties:

- Individuals
- Sole traders
- Partnerships with three or fewer partners.

Our other general criteria for any loan is:

- Loans must be for a minimum of £25,001
- The aggregate value of all loans must be for no more than 50% of the value of the SIPP when the latest loan is granted.

The loan documentation and legal charge must be drafted by a solicitor approved and instructed by us. The solicitor's costs will be paid from your SIPP.

The maximum loan to value is 75% of the security.

It is very important for us to ensure the borrower is genuinely unconnected, the terms of the loan are commercial and the maximum term of the loan is five years. Loans must be repaid in equal instalments of capital and interest on at least an annual basis, so that the loan is repaid at the end of the term. For this reason we ask for relevant information to be provided.

To enable our Investment Committee to consider a request to make a top up loan (on a case by case basis), you will need to complete the Information Required for Secured Loans to Unconnected Parties form available on our website www.jameshay.co.uk.

We must take all available legal steps to enforce the repayment of a loan if a borrower breaches the conditions of the loan agreement (i.e. fails to pay interest and/or capital on the due date), ceases to carry on business or becomes insolvent, even if this involves a company being placed into liquidation. This may also involve realising the security taken.

Please refer to the Charges Schedule for your SIPP for our standard fee in relation to arranging a loan. However, please note that if the work involved results in additional administration not covered by the standard fee, we reserve the right to charge an extra fee on an hourly basis, in respect of any additional work.

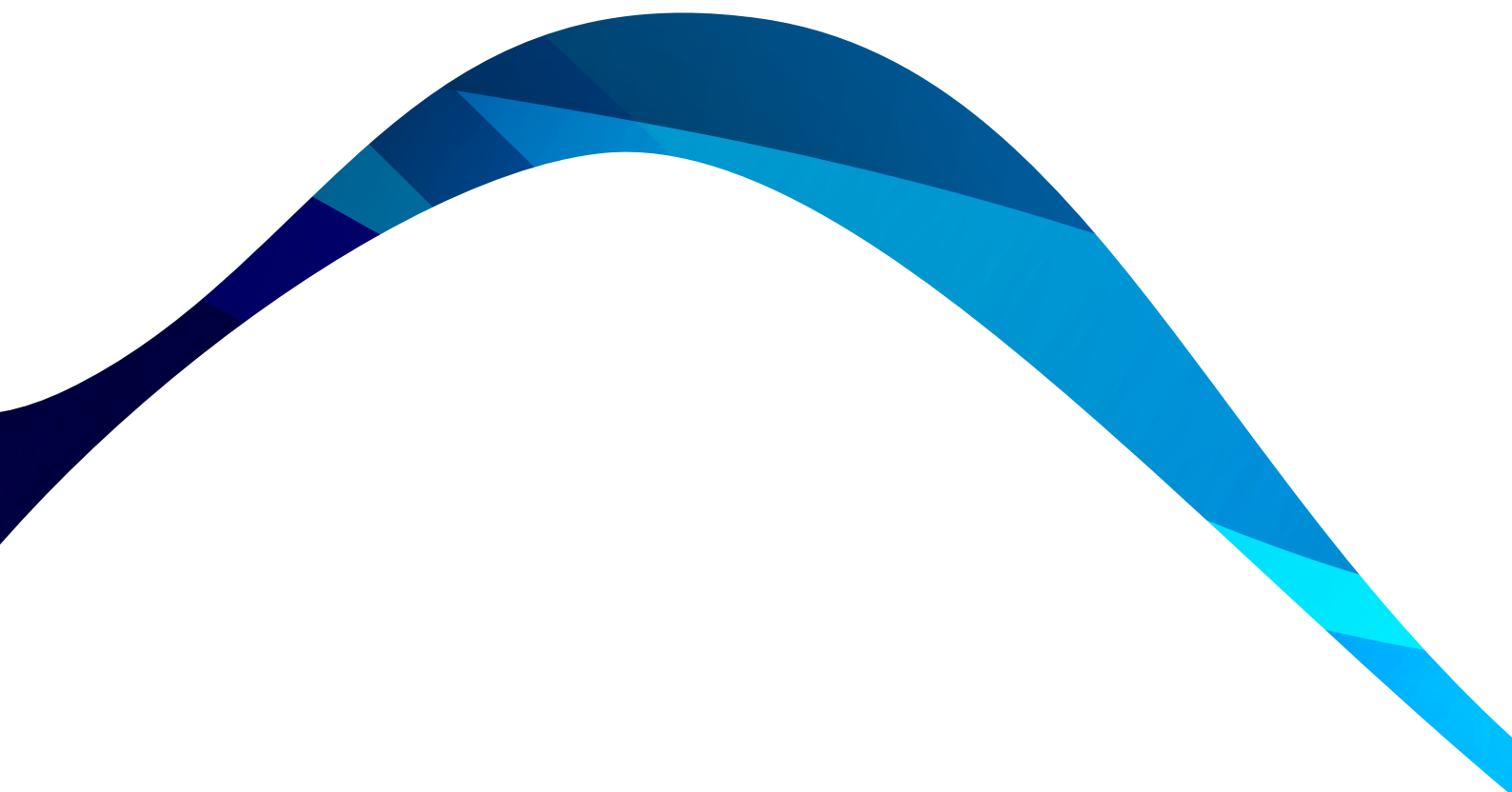
Listed debt instruments

The following are not classed as loans in respect of the above requirements, if they are listed or dealt on a recognised stock exchange or offered to the public:

- Debentures
- Debenture stock
- Loan stock
- Bonds
- Certificates of deposit
- Other instruments relating to the owing of money.

This guidance note is based on our understanding of HM Revenue & Customs regulations at the time of writing and can be subject to change.

If you have any queries then please do not hesitate to telephone the Specialist Investment Support Team on 03333 206 182



We are able to provide literature in alternative formats. For a Braille, large print or audio version of this document call us on 03455 212 414 (or via the Typetalk service on 18001 03455 212 414).

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