More to SIPPs

SIPP blog – January 2014

Writing this blog on the last day of 2013 provides an ideal opportunity to reflect on what happened to the SIPP market during 2013 – and to look forward to 2014.

Growth rates in the SIPP market continued to slow during 2013. In October I estimated that the annualised growth rates over the last three years had fallen to around 17% per annum – compared with a 5 year growth rate of nearer 25%. Over the last 12 months the growth rate has probably fallen to nearer 10% - with the growth rates at the bespoke end of the market suffering most.

Given that we're now talking about a very mature marketplace these growth rates are still encouraging but I have no doubt that the increasing regulatory burden has been a major factor in the SIPP market slowdown. Just listing regulatory activity in 2013 of specific significance to SIPP providers and advisers is illuminating:

- February 2013 Responses to CP12/33 SIPP operator capital requirements
- March 2013 Changes to pensions tax relief (AAC & LTA) & drawdown
- April 2013 New disclosure regime effective as announced in CP12/29
- April 2013 FCA final notice K P Wells
- April 2013 FCA letter/business model & information request
- July 2013 CP13/5 CASS Review
- September 2013 CP13/09 Projections
- October 2013 FG13/8 Finalised Guidance for SIPP operators and Thematic pilot
- November 2013 Third thematic review of SIPP operators announced

It is hardly surprising that there appears to be a growing state of inertia if not panic amongst many providers faced with this torrent of regulation.

The FCA has three primary operational objectives:

• To secure an appropriate degree of protection for consumers.
• To protect and enhance the integrity of the UK financial system.
• To promote effective competition in the interests of consumers.

Finding an appropriate balance of those three objectives will always be a challenge but at the

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moment it seems to me that there is a clear imbalance with scant recognition in the SIPP market of the last objective. I'll have more to say on that aspect in a future blog.

It was hardly surprising that in November Capita announced the planned closure of their SIPP business in Salisbury on the grounds that it was "sub-scale and therefore unviable". The demise of the first true SIPP business which was established in 1990 (under the name Personal Pension Management)and at one time administered over 25% of the total SIPP market is very sad and is surely not unconnected with the increased regulatory overhead.

Looking forward it's difficult to be enthusiastic about the prospects for 2014. Not only are we likely to be waiting for several more months to learn the FCA plans on new capital requirements for SIPP operators but there are also the outputs from the latest thematic review to be considered. It seems highly unlikely that operation of SIPPs will be given a clean bill of health. I'm also aware that there is at least one criminal court case involving SIPPs due to commence in 2014.

Moreover operators also have to be able to accommodate the changes to the Annual Allowance and Lifetime Allowance effective from April – prior to which they also have to manage the introduction of new fixed and individual protection from April in some cases alongside enhanced protection and the 2012 version of fixed protection.

In 2014 we will be celebrating the 25th anniversary of the birth of SIPPs which were conceived by Nigel Lawson in his 1989 Budget statement when he said that it should be made easier for individuals to control their own pension fund. That was followed in October 1989 by the publication of JOM 101 which was the bible for SIPP operators for many years. I wonder what Mr Lawson (now Lord Lawson of Blaby) makes of the tsunami of regulation that has hit the SIPP market. A famous Laurel and Hardy comedy film title springs to mind!

Wishing all readers a healthy and prosperous 2014.

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