



Suffolk Life calls for clarification of investor protection for SIPPs

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It is over a year since Suffolk Life, one of the UK's leading providers and administrators of SIPPs, called for clarification of the investor protection regime for SIPPs and yet confusion still reigns.

John Moret, Director of Marketing comments: "SIPPs have come in for some negative coverage in 2009 partly as a result of the FSA's increased focus on the suitability of advice and the operations of SIPPs. Not surprisingly advisers have been cautious in recommending SIPPs yet many continue to ignore the crucial area of investor protection and compensation arrangements when selecting a SIPP provider. This is hardly surprising as the regulatory regime for SIPPs remains confused.

"Most market surveys of SIPPs continue to ignore this all important aspect focussing instead on product features such as price and investment flexibility rather than the important areas of service, financial strength and investor protection. This is partly because the investor protection provisions are not straightforward as they depend on the legal structure of the SIPP scheme. There is also inconsistency in the capital requirements for SIPP operators.

The average age of one of our SIPP investors is just over 50 and it is likely that the SIPP will remain in force for 15-20 years as a minimum. A lot can happen to SIPP operators, investment managers and banks during that time. Investors and their advisers should be clear what would happen if one of the parties involved defaults or fails – regrettably at the moment this is often not considered.

"The FSA have announced a general review of compensation schemes and hopefully SIPPs will be included. However the review needs to go further than just compensation schemes. If SIPPs are to be regulated as "packaged products" – as the FSA currently prefer – then the legal structures and capital requirements also need to be reviewed. We have already seen the unfortunate consequences of a SIPP operator failing – and we shouldn't need to wait for another failure before taking action."

He adds: "The FSA's focus on clarity of SIPP charges to aid cost comparisons is understandable but the bigger picture should not be overlooked. For most investors a SIPP is for life and safety and security are all important. Advisers have a responsibility to make sure they understand the protection that a particular SIPP offers before recommending it."

- To aid advisers, Suffolk Life has produced a Talking Points bulletin looking at how the Financial Services Compensation Scheme (FSCS) applies to different types of SIPP. The bulletin can be downloaded from www.suffolklife.co.uk/talkingpoints

- Ends -

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About Suffolk Life

Suffolk Life is one of the UK's leading providers and administrators of specialist pension products, primarily Self Invested Personal Pensions (SIPPs). It has established over 15,000 self-invested plans and total assets exceed £3.5 billion. Suffolk Life has acquired over 1,750 properties for over 3,000 SIPP investors.

Established in 1971 and based in Ipswich, Suffolk Life employs around 200 people and has built an enviable reputation based on its expertise and knowledge of the SIPP market.

This has been recognised through numerous awards including:-

Technology, Admin and Service award, Income drawdown – Pensions Management 2009 & 2008

Technology, Admin and Service award, SIPPs – Pensions Management 2007 & 2006

Best SIPP Provider - Professional Adviser 2006

Best SIPP Provider - Professional Pensions 2006 & 2005

Best SIPP Product - Moneyfacts 2005

Best Buy - Investors Chronicle 2005

Admin & Service awards, SIPPs – Pensions Management, wins in 2002, 2003 & 2004, commended in 2005

Financial Adviser 5 star service award 2008

Investor in Customers 2 star award for 2006 & 2008

Suffolk Life was acquired by Legal and General in May 2008